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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 2013. This report was approved by the Board on 20 March 2014.

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

Date: 13 May 2014

Time: 10h00

Place: c/o Abax Corporate Administrators Ltd
6th Floor, Tower A
1 CyberCity
Ebene

We look forward to seeing you.

Sincerely

Mr. Olivier Lagesse
Chairperson

Mr. Bernard Mayer
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 the Registered Office of the Company at c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1CyberCity, Ebene on Tuesday 13 May 2014 at 10h00 to transact the following business in the manner required for the passing of ORDINARY RESOLUTIONS:

AGENDA

1. To receive and approve the minutes of proceedings of the last Annual Meeting held on 14 May 2013.

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 2013.

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

4. To re-elect Mr. Richard Arlove, director retiring and eligible for re-election.

5. To re-elect Mr. Pierre de Chasteigner du Mée, director retiring and eligible for re-election.

6. To re-elect Mr. Olivier Lagesse, director retiring and eligible for re-election.

7. To re-elect Mr. Bernard Mayer, director retiring and eligible for re-election.

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

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

10. To fix the directors' remuneration as recommended by the remuneration committee.

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

ABAX CORPORATE ADMINISTRATORS LTD

CORPORATE SECRETARY

20 March 2014

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS CONT'D

NOTES:

1. 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.

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

3. Completed proxy forms should be delivered at Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene by Monday 12 May 2014 at 10h00 at latest.

4. For the purpose of this Annual Meeting, the Directors have resolved, in compliance with Section 120 (3) of The Companies Act 2001, that the Shareholders who are entitled to receive notice of the meeting shall be those shareholders whose names are registered in the share register of the Company as at 22 April 2014.

5. The minutes of the Annual Meeting held on 14 May 2013 are available for consultation by the shareholders during office hours at the registered office of the Company, 6th Floor, Tower A, 1 CyberCity, Ebene.

6. The minutes of the Annual Meeting to be held on 13 May 2014 will be available for consultation and comments during office hours at the registered office of the Company, 6th Floor, Tower A, 1 CyberCity, Ebene from 13 to 27 June 2014.

COMPANY PROFILE

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.

BOARD OF DIRECTORS & COMMITTEES OF THE BOARD

BOARD OF DIRECTORS

Chairperson

Mr. Olivier Lagesse

Vice Chairperson

Mr. Bernard Mayer

Directors

Mr. Vincent Ah Chuen

Mr. Richard Arlove

Mr. Pierre de Chasteigner du Mée

Mr. Pierre Yves Pougnet

Me. Georges André Robert G.O.S.K., O.B.E., S.A.

Mrs. Priscille Koenig - Alternate to Mr. Richard Arlove

COMMITTEES OF THE BOARD

Corporate Governance, Nomination and Remuneration Committee

Mr. Olivier Lagesse (Chairperson)

Mr. Pierre Yves Pougnet

Me. Georges André Robert G.O.S.K., O.B.E., S.A.

Audit & Risk Committee

Mr. Pierre de Chasteigner du Mée (Chairperson)

Mr. Vincent Ah Chuen

Mr. Pierre Yves Pougnet

Investment Committee

Mr. Olivier Lagesse (Chairperson)

Mr. Bernard Mayer

Mr. Pierre de Chasteigner du Mée

Me. Georges André Robert G.O.S.K., O.B.E., S.A.

CORPORATE INFORMATION

Registered Office

c/o Abax Corporate Administrators Ltd

6th Floor, Tower A

1 CyberCity

Ebene

Administrator and Company Secretary

Abax Corporate Administrators Ltd

6th Floor, Tower A

1 CyberCity

Ebene

Registrar

Abax Corporate Administrators Ltd

6th Floor, Tower A

1 CyberCity

Ebene

Fund Manager

IPRO Fund Management Ltd

3rd Floor, Ebène Skies

Rue de L'institut

Ebene

Auditors

BDO & Co.

10, Frère Félix de Valois Street

Port Louis

Bankers

The Mauritius Commercial Bank Ltd

AfrAsia Bank Ltd

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 judgments 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Adhere to the provisions of the Code of Corporate Governance or explain instances where compliance has not been possible.

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 the 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.

Mr. Olivier Lagesse
Chairperson

Mr. Bernard Mayer
Vice Chairperson

CHAIRPERSON'S STATEMENT

Dear Shareholder,

Robert Bigaignon passed away on 31 May 2013. He was the Chairperson of P.O.L.I.C.Y. Limited and has played an instrumental role in the development of the Company over the last thirty years. He had a long-term vision for P.O.L.I.C.Y. Limited, with the interest of all shareholders always in his mind. He was chairing the Board with passion, dedication and fellowship. Robert's contribution will not be forgotten.

Subsequently, the Board of Directors has been reorganised and I would like to thank all my fellow Directors for their strong support and commitment.

P.O.L.I.C.Y. Limited's principal activity remained unchanged during the year, namely to act as an investment vehicle with a long term strategy.

P.O.L.I.C.Y. Limited achieved a commendable 23% return to shareholders in 2013, with a dividend yield of 8% compared to the shareholders' equity as at 31 December 2012 and a growth in Net Asset Value of 15%, to exceed Rs.1.3 billion on 31 December 2013.

The share price experienced a substantial increase of 56%, from Rs.4.80 on 31 December 2012 to Rs.7.50 on 31 December 2013. As a result, the annualised return to shareholders for the year 2013, which includes dividends distributed, stood at 64.6%.

The dividends distributed in 2013 (Rs.91 million) were 20% higher than the dividends paid the year before. This was primarily due to the sale of P.O.L.I.C.Y.'s investments in United Basalt Products, which generated a profit of Rs.55 million.

The year 2014 has started with a cautious optimism: growth in Mauritius is expected to remain subdued, while the United States are showing signs of recovery. Our strategy will remain focused on the selection of core holdings having a combination of strong balance sheets and growth prospects.

Finally, I would like to thank the Fund Manager and the Registrar, Administrator and Corporate Secretary, for their professional services during the year.

Mr. Olivier Lagesse
Chairperson

20 March 2014

CORPORATE GOVERNANCE REPORT

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. It therefore accepts its responsibility under the Code of Corporate Governance for Mauritius (The "Code").

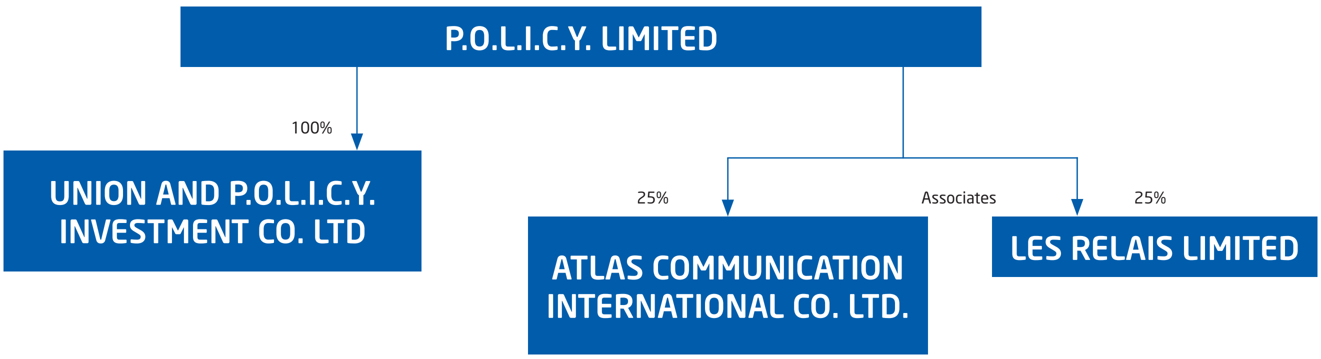
The Company is comprised of seven directors, amongst whom five are Independent Non-Executives; one is Non-Executive and one is an Executive Director. The directors disclose their interests at Board meetings, as and when required for a specific transaction.

The Company, being an investment holding entity, does not have any employee or senior management. It has two main service providers: IPRO Fund Management Ltd, Fund Manager, and Abax Corporate Administrators Ltd, Registrar, Administrator and Corporate Secretary.

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 stand for re-election at all Annual Meetings of Shareholders.

HOLDING STRUCTURE AND COMMON DIRECTORS



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

The Company holds 100% of the issued share capital of Union and Policy Investment Co. Ltd., an investment company actively trading local listed shares.

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

Olivier Lagesse (Chairperson)

Bernard Mayer (Vice Chairperson)

Vincent Ah-Chuen

Pierre de Chasteigner du Mée

Pierre Yves Pougnet

Georges André Robert G.O.S.K., O.B.E., S.A.

- ATLAS COMMUNICATION INTERNATIONAL CO. LTD
- LES RELAIS LIMITED

The Company owns 25% of Atlas Communication International Co. Ltd and Les Relais Ltd, two companies operating in the telecommunications sector, and which are categorised as 'Associates' of P.O.L.I.C.Y. Limited.

Mr Stéphane Henry, the Fund Manager, has been appointed to represent the Company on the Board of Directors of the Associate companies.

BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS HELD IN 2013

In 2013, the Board met four times. During that year, the Board, amongst others, approved the Annual Report and Financial Statements for the year ended 31 December 2013, the interim condensed financial statements for the quarters ended 31 March, 30 June and 30 September 2013, and the payment of an interim and of a final dividend.

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

DIRECTORS	Category	Board meeting (5)	Audit and Risk Committee (4)	Corporate Governance Committee (1)	Investment Committee (4)	Remuneration Committee (1)
Vincent Ah Chuen	a	4 out of 4	4 out of 4	-	-	-
Richard Arlove	c	3 out of 4	-	-	-	-
N M Robert Bigaignon (until 31 May 2013)	b	2 out of 2	-	1 out of 1	2 out of 2	1 out of 1
Pierre Arthur de Chasteigner du Mée	a	4 out of 4	4 out of 4	-	-	-
Olivier Lagesse	a	4 out of 4	-	1 out of 1	4 out of 4	1 out of 1
Bernard Mayer	b	4 out of 4	-	-	2 out of 4	-
Pierre Yves Pougnet	a	3 out of 4	3 out of 4	-	-	-
Georges André Robert G.O.S.K., O.B.E., S.A.	a	4 out of 4	-	1 out of 1	4 out of 4	1 out of 1
Priscille Koenig (Alternate to Richard Arlove)	c	1 out of 2	-	-	-	-

Category

a: Independent Non-Executive

b: Non-Executive

c: Executive

CORPORATE GOVERNANCE REPORT

DIRECTORS' PROFILES

(i) Vincent Ah Chuen

Vincent Ah Chuen 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.

(ii) Richard Arlove

Richard Arlove is the Chief Executive Officer of ABAX, a group providing financial, corporate and business services in Mauritius and in a few other countries. Prior to joining ABAX in 2001, Mr Arlove worked for 10 years in the accounting profession, mainly at PricewaterhouseCoopers in Mauritius and the UK; and 10 years as General Manager with companies involved in manufacturing, media and entertainment, logistics and marketing of global brands of consumer and electronic products. He is a Fellow member of the Association of Chartered Certified Accountants.

(iii) (Late) Mr. N.M. Robert Bigaignon

Robert Bigaignon was a Fellow of the institute of Chartered Accountants in England and Wales. He was one of the founder partners of PricewaterhouseCoopers in Mauritius where he held the position of Senior Partner and Country Leader until he retired in 2006. Until 31 May 2013, Mr Bigaignon served as the Chairperson of the Company and as director on a number of Boards of public and private companies.

(iv) Pierre de Chasteigner du Mée

Pierre de Chasteigner du Mée, A.C.E.A., 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 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) Priscille Koenig

Priscille Koenig, ACIS, is currently the Chief Risk Officer at ABAX. Before joining ABAX six years ago, she spent over twenty years at PricewaterhouseCoopers Mauritius where she headed the firm's company secretarial department. Mrs Koenig acted as Company Secretary for several companies listed on the Stock Exchange of Mauritius and currently acts as Director on a number of Global Business companies.

(vi) Olivier Lagesse

Olivier Lagesse was Managing Director of a general insurance company as well as Chairman of a medical claims outsourcing provider for 20 years. He was also President of the Insurers' Association for 4 years and as such sat on the Joint Economic council (JEC) and on the Council of the Mauritius Employers' Federation (MEF). Mr Lagesse now serves on the Board and Committees of a number of Companies operating mainly in the Financial Services Sector.

(vii) Bernard Mayer

Bernard Mayer 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) Pierre Yves Pougnet

Pierre Yves Pougnet, an accountant by profession, is the Vice Chairman of the "Food and Allied" Group. 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 and Tropical Paradise Co Ltd. Mr. Pougnet is the Chairman of Les Moulins de la Concorde Ltée.

(ix) Georges André Robert, G.O.S.K., O.B.E., S.A.

Georges André Robert, 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. This year, in 2014, he was further elevated to the rank of the Grand Officer of the Star and Key of the Indian Ocean (G.O.S.K) by the President of the Republic of Mauritius for his contribution in the legal field.w

CORPORATE GOVERNANCE REPORT

The directorship of the directors of P.O.L.I.C.Y. Limited in other listed companies as at 31 December 2013 are as follows:

Directors	Directorship in Listed Companies
Vincent Ah Chuen	The Mauritius Union Assurance Co. Ltd, Les Moulins de la Concorde Ltée and ABC Motors Co Ltd
Richard Arlove	Triangle Real Estate India Fund LLC
N M Robert Bigaignon (Until 31 May 2013)	None
Pierre de Chasteigner du Mée	Constance Hotel Services Ltd
Olivier Lagesse	IPRO Growth Fund Ltd until 12 February 2013
Bernard Mayer	None
Pierre Yves Pougnet	Les Moulins de la Concorde Ltée, Livestock Feed Ltd and Tropical Paradise Co. Ltd
Georges André Robert G.O.S.K., O.B.E., S.A.	None
Priscille Koenig (*Alternate to Richard Arlove*)	None

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has delegated specific responsibilities to three Committees, which operate within clearly defined terms of reference, namely, the Corporate Governance Committee (which also acts as the Remuneration and Nomination Committee), the Investment Committee and the Audit and Risk Committee. They report regularly to the Board, and recommend specific matters for approval.

Corporate Governance, Nomination and Remuneration 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:

- Olivier Lagesse - Chairperson
- Pierre Yves Pougnet
- Georges André Robert G.O.S.K., O.B.E., S.A.

The Corporate Governance Committee, which also acts as the Remuneration and Nomination Committee, is devoted to the continuing review and articulation of the governance structure of the Board. The Corporate Governance Committee met in March 2013 to review the Corporate Governance Report for the year 2012 before due recommendation to the Board. It also met as Remuneration Committee in March 2013 to consider and recommend a change in the directors' fees as well as the fees of the members of the various committees.

Its role is also to ensure that the reporting requirements on Corporate Governance, whether in the Annual Report, or on an ongoing basis, are in accordance with the principles of the Code of Corporate Governance.

The Terms of Reference of the Corporate Governance Committee, which embrace the Terms of Reference of the Nomination Committee and of the Remuneration Committee, are to:

- Ascertain whether potential new directors are fit and proper and are not disqualified from being directors. Prior to their appointment, their background is thoroughly investigated;
- Ensure that the potential new director is fully cognizant of what is expected from a director, in general, and from him or her in particular;
- Ensure that the right balance of skills, expertise and independence is maintained;
- Ensure that there is a clearly defined and transparent procedure for shareholders to recommend potential candidates;
- Ensure that potential candidates are free from material conflicts of interest and are not likely to simply act in the interests of a major shareholder, substantial creditor or significant supplier of the company. This is of particular importance when the candidate has been nominated by virtue of a shareholders' agreement, or such other agreement. In any case, candidates so nominated can't be considered independent;
- Pay particular attention to the potential conflicts of interest and other ethical problems that could arise in cases where the potential candidate is already a director of a company, or forms part of a group, that is a competitor of the Company;
- Ensure that those directors who, in the opinion of the Board, have either acted in accordance with the instructions of a third party or have not discharged their duties as directors to the satisfaction of the Board, not to be nominated for re-election;
- Determine, develop and agree on the Company's general policy on directors remuneration; and
- Determine the level of non-executive and independent non-executive fees to be recommended to the shareholders.

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:

- Olivier Lagesse - Chairperson
- Bernard Mayer
- Pierre de Chasteigner du Mée
- Georges André Robert G.O.S.K., O.B.E., S.A.

The Committee met four times during the year 2013, where it 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 are to:

- 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;
- Access the Company's executives as necessary in order 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.

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:-

- Pierre de Chasteigner du Mée – Chairperson
- Vincent Ah-Chuen
- Pierre Yves Pougnet

The Audit & Risk Committee met four times in 2013. During the year 2013, the Committee mainly reviewed the Annual Report and Financial Statements for the year ended 31 December 2012, the Interim condensed financial statements for the quarters ended 31 March, 30 June and 30 September 2013, the remuneration package of the auditors.

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;
- Recommend the level of remuneration of the auditors and the terms of their engagement;
- Assess annually the independence and objectivity of the auditors.

(c) Internal Audit

The directors confirm their ultimate responsibility for the internal audit function / control. As the Company does not have any employee, the directors have ensured that the service providers (IPRO Fund Management Ltd and Abax Corporate Administrators Ltd) have adequate internal control procedures in place.

The Terms of Reference of the Audit and Risk Committee, as formally adopted by the Company, consist of the following:

- The functioning of the internal control system of the Company's service providers.
- The functioning of the internal audit department of the Company's service providers;
- The risk areas of the Company's operations and of its service providers;
- The assessment and assurance of the quality of the risk management process;
- The reliability and accuracy of the financial information provided by Management to the Board and other users of financial information;
- The use of the services of the external and internal auditors;
- The accounting or auditing concerns identified as a result of the external audits;
- 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.

The Audit Committee confirms that it has complied with its Terms of Reference, and that it is fully satisfied of its responsibilities for the year.

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.

RISK MANAGEMENT

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

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.

a) 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 or Company 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.

b) Interest Rate Risk

Changes in the level of interest rates impact on the return of cash flow and equities.

c) Credit Risk

The Company takes exposure on credit risk when dealing with third parties.

d) Liquidity Risk

The Company is exposed to liquidity risk in so far as it holds investments that cannot be bought or sold quickly, without significant price concessions.

e) Country Risk

The political, economic stability and viability of a country's economy, with more and more global investors, is becoming an important issue in the risk management process. The financial and political stability of the Republic of Mauritius being of prime importance for our Company, the Investment Committee regularly keeps abreast of the country's economic outlook.

DIRECTORS' EMOLUMENTS

Total emoluments and other benefits paid by the Company to the Directors in 2013 amounted to Rs 821,249. The 2013 payments were made as follows:

	Rs
Vincent Ah-Chuen	100,000
Richard Arlove	75,000
N.M. Robert Bigaignon	68,750
Pierre de Chasteigner du Mée	123,333
Olivier Lagesse	135,833
Pierre Yves Pougnet	108,333
Bernard Mayer	95,000
Georges André Robert G.O.S.K., O.B.E., S.A.	115,000

No remuneration was paid to the Directors of the subsidiary, nor to the alternate Director.

REMUNERATION OF BOARD AND COMMITTEE MEMBERS

Annual Remuneration as at 31 December 2013 are as follows:-

(a) Board Meeting
- Chairperson - Rs 105,000
- Director - Rs 75,000

(b) Audit Committee
- Chairperson - Rs 40,000
- Committee member - Rs 25,000

(c) Corporate Governance Committee
- Chairperson - Rs 30,000
- Committee member - Rs 20,000

(d) Investment Committee
- Chairperson - Rs 30,000
- Committee member - Rs 20,000

STATEMENT OF REMUNERATION PHILOSOPHY

All remuneration policy is reviewed and proposed by the Remuneration Committee. The directors' fees are paid on an annual basis, and take into account prevailing market conditions and members' contributions in their respective functions.

DIRECTORS DEALING IN COMPANY'S SHARES

With regards to directors dealing in the shares of the 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 2013, as follows:

Name of Director	No. of shares traded in 2013	
	Bought	**Sold**
Vincent Ah Chuen	-	100,000
Richard Arlove	-	-
Robert Bigaignon (until 31 May 2013)	-	-
Pierre Arthur de Chasteigner du Mée	-	-
Olivier Lagesse	-	-
Bernard Mayer	-	-
Pierre Yves Pougnet	-	-
Georges André Robert, G.O.S.K., O.B.E., S.A.	-	-
Priscille Koenig (*Alternate to Richard Arlove*)	-	-

CORPORATE GOVERNANCE REPORT

DIRECTORS' SHARE INTEREST

The Directors' direct and indirect interests in the shares of the Company in 2013 are as follows:

Name of Director	No. of shares - 31 December 2013	
	Direct	Indirect
Vincent Ah Chuen	1,091,158	2,133
Richard Arlove	168,237	Nil
N M Robert Bigaignon (Until 31 May 2013)	9,775,785	31,031,974
Pierre Arthur de Chasteigner du Mée	Nil	480,133
Olivier Lagesse	11,577,114	Nil
Bernard Mayer	1,762,841	31,538,827
Pierre Yves Pougnet	1,228,844	71,466
Georges André Robert, G.O.S.K., O.B.E., S.A.	2,399,777	396,226
Priscille Koenig (Alternate to Richard Arlove)	53,333	Nil

(Beneficial interest only; no non-beneficial interest)

CONTRACTS WITH EXECUTIVE DIRECTORS

The Company has no contract with its Executive Directors.

SHAREHOLDERS' AGREEMENTS

The Company has no Shareholders' Agreement.

THIRD PARTY MANAGEMENT CONTRACTS

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

MATERIAL CLAUSES OF THE CONSTITUTION

Section 20.11 of the Constitution provides that any unclaimed dividends ageing more than 5 years are deemed to be written off and credited in the Company's account.

RELATED PARTY TRANSACTIONS

During the year under review, Bernard Mayer, Richard Arlove, late N.M. Robert Bigaignon and Priscille Koenig (Directors of ABAX) are deemed to have had related party transactions with the Company.

For details of related party transactions, please refer to Note 21 of the Financial Statements.

DATA ANALYSIS ON SHAREHOLDINGS AS AT 31 DECEMBER 2013

Size of Shareholding	Number of Shareholders	Number of shares owned	Percentage Shareholding
1 - 5,000 shares	1,159	1,584,679	0.698
5,001 - 10,000 shares	260	1,898,875	0.837
10,001 - 50,000 shares	507	12,407,167	5.466
50,001 - 100,000 shares	134	9,505,743	4.188
100,001 - 250,000 shares	129	20,129,715	8.868
250,001 - 500,000 shares	57	20,361,114	8.970
500,001 - 15,000,000 shares	67	142,862,853	62.939
15,000,001 - 50,000,000 share	1	18,236,526	8.034
Total	2,314	226,986,672	100.000

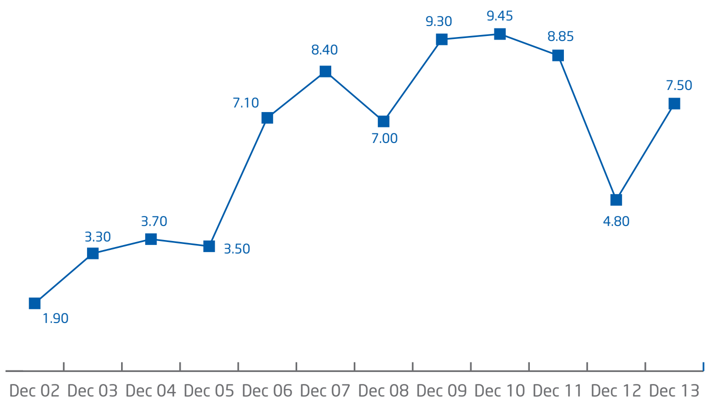
Shareholder Category	Number of Shareholders	Number of shares owned	Percentage Shareholding
Individuals	2,163	172,906,899	76.175
Insurance & Assurance Cos	3	1,373,865	0.605
Pension & Provident Funds	12	6,970,090	3.071
Investment & Trust Cos	21	2,444,883	1.077
Other Corporate Bodies	115	43,290,935	19.072
Total	2,314	226,986,672	100.000

SUBSTANTIAL SHAREHOLDERS

Shareholders holding directly at least 5% of the Company's shares as at 31 December 2013 were as follows:

- Société Roger de Chazal - 8.03%
- Chien Si Pui - 6.42%
- Olivier Lagesse - 5.10%

SHARE PRICE INFORMATION



CORPORATE GOVERNANCE REPORT

AUDITORS' FEES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	Rs' 000	Rs' 000	**Rs'000**	Rs'000
Audit fees for the year				
- BDO & Co	**249**	239	**195**	187
Fees for other services provided for the year:				
- Review of quarterly condensed accounts and other non-attested work	**84**	108	**76**	101
Total	**333**	347	**271**	288

DIVIDEND POLICY

The Company aims at a regular dividend return to shareholders, subject to the solvency test being satisfied as required 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

	2013		2012	
	Dividends per share	**Total dividends paid**	Dividends per share	Total dividends paid
	Rs	**Rs**	Rs	Rs
Interim (May)	**0.15**	**34,048,001**	0.15	25,536,001
Final (November)	**0.25**	**56,746,668**	0.22	49,937,068
TOTAL	**0.40**	**90,794,669**	0.37	75,473,069

SHARE OPTION PLAN

The Company does not have any employee share option plan.

ENVIRONMENTAL ISSUES

The Company's activities have no impact on the environment.

SOCIAL ETHICS

The Company contributes to charitable and educational actions.

DONATIONS

During the year, the Company had made charitable donations amounting to Rs 100,000 to Foyer Vivre Debout, under its Corporate Social Responsibility programme (2012: Rs 16,995)

No political donations were made during the year.

IMPORTANT EVENTS

The Calendar for the year ending 31 December 2014 is as follows:

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

Market overview

The local indices, SEMTRI, SEMDEX and SEM-7 gained 24.4%, 21.0% and 19.7% respectively in 2013. The Bank, Insurance & Finance sector posted return in line with indices. The main event of 2013 relates to the Leisure & Hotels sector, with New Mauritius Hotels Ltd, Sun Resorts Ltd and Lux Island Resorts Ltd achieving 58.5%, 50.7% and 142.6% respectively.

	1Q13	2Q13	3Q13	4Q13	2013
SEMTRI	11.4%	-0.3%	3.8%	7.9%	**24.4%**
SEMDEX	11.1%	-0.5%	2.4%	6.8%	**21.0%**
SEM-7	13.6%	-2.1%	1.7%	5.9%	**19.7%**

Sector	Performance
Banks, Insurance & Finance	**24.6%**
Commerce	**15.4%**
Industry	**7.7%**
Investments	**25.6%**
Leisure & Hotels	**85.6%**
Property Development	**0.0%**
Sugar	**29.2%**
Transport	**58.4%**
Foreign	**-45.7%**

Net Asset Value performance

POLICY's Net Asset Value ("NAV") increased from Rs. 4.99 as at 31 December 2012 to Rs. 5.75 as at 31 December 2013. Adjusted for the cash dividends paid to shareholders of Rs. 0.40, POLICY's performance over the period was 23.3%.

Share price performance

The total return to P.O.L.I.C.Y. Limited ("POLICY") shareholders over the year 2013 stood at 64.6%, based on:

- The share price of Rs. 4.80 on 31 December 2012;
- The share price of Rs. 7.50 on 31 December 2013;
- The interim cash dividend of Rs. 0.15 declared on 14 May 2013; and
- The final cash dividend of Rs. 0.25 declared on 11 November 2013.

Total portfolio

The value of the total portfolio stood at Rs. 1,306 million as at 31 December 2013 compared to Rs. 1,137 million as at 31 December 2012 representing an increase of 14.9%.

Portfolio Composition as at 31 December 2013

	31 December 2013		31 December 2012	
	Rs. in million	**% of total portfolio**	Rs. in million	% of total portfolio
SEM shares	**1,069**	**81.7%**	981	86.3%
DEM shares	**114**	**8.7%**	55	4.9%
Unquoted shares	**12**	**0.9%**	12	1.0%
Investment in subsidiary - UPIC*	**17**	**1.4%**	16	1.4%
Foreign mutual funds	**60**	**4.6%**	62	5.4%
Foreign shares	**15**	**1.2%**	11	1.0%
Liquidity	**19**	**1.5%**	0	0.0%
Total	**1,306**	**100.0%**	1,137	100.0%

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

Portfolio sector allocation as at 31 December 2013

	31 December 2013		31 December 2012	
Sector	**% of total portfolio**	**SEMDEX allocation**	% of total portfolio	SEMDEX allocation
Banks & Insurance	**56.6%**	**48.0%**	53.8%	49.5%
Investments	**18.9%**	**18.1%**	16.6%	19.0%
Leisure & Hotels	**7.2%**	**11.2%**	10.0%	8.2%
Industry	**4.2%**	**5.8%**	9.7%	6.8%
Sugar	**0.1%**	**8.2%**	0.1%	8.1%
Commerce	**0.0%**	**7.0%**	0.0%	7.7%
Transport	**0.0%**	**0.8%**	0.0%	0.6%
Property Development	**0.0%**	**0.9%**	0.0%	0.0%
Foreign	**5.7%**	**0.0%**	6.4%	0.1%
Others	**3.4%**	**0.0%**	1.0%	0.0%
Unquoted	**2.3%**	**0.0%**	2.4%	0.0%
Liquidity	**1.6%**	**0.0%**	0.0%	0.0%
Total	**100.0%**	**100.0%**	100.0%	100.0%

Top holdings

POLICY's top five holdings represented 71.4% of the total portfolio as at 31 December 2013 (compared to 77.2% in 2012).

During the quarter ended 30 June 2013, POLICY sold all of its shares held in United Basalt Products Ltd, generating a profit of Rs. 54.7 million on this transaction.

The Mauritius Commercial Bank Ltd remained POLICY's top holding.

Holdings	Rs. in million	2013 % of NAV
The Mauritius Commercial Bank Ltd	674	**51.6%**
Terra Mauricia Ltd	96	**7.3%**
Alteo Limited	90	**6.9%**
Phoenix Beverages Ltd	37	**2.9%**
Mauritian Eagle Insurance Co. Ltd	36	**2.7%**
Total	933	**71.4%**

Holdings	Rs. in million	2012 % of NAV	2011 % of NAV
The Mauritius Commercial Bank Ltd	561	**49.4%**	48.4%
Terra Mauricia Ltd	97	**8.5%**	-
United Basalt Products Ltd	93	**8.2%**	9.6%
New Mauritius Hotels Ltd	79	**6.9%**	9.5%
Alteo Ltd	48	**4.2%**	1.0%
Total	878	**77.2%**	68.5%

Performance figures and ratios

		2009	2010	2011	2012	2013
P.O.L.I.C.Y. Limited	Share price [1]	58.1%	7.0%	-1.1%	-23.2%	**64.6%**
	Net Asset Value [1]	24.5%	11.1%	-2.9%	-2.5%	**23.3%**
	Dividend in Rs.	1.77	0.50	0.50	0.37	**0.40**
	Dividend Yield [2]	19.0%	5.3%	5.6%	7.7%	**5.3%**
	Portfolio Turnover Ratio [3]	32.7%	19.7%	23.2%	31.8%	**27.0%**
	Share Turnover Ratio	6.2%	4.3%	2.5%	3.4%	**8.8%**
Local market	SEMTRI	45.7%	22.0%	-1.3%	-5.5%	**24.4%**
	SEM-7	35.0%	3.5%	-6.1%	-3.7%	**19.7%**
	Dividend Yield [4]	3.5%	2.5%	3.0%	3.4%	**2.8%**
	Market Turnover Ratio [5]	6.9%	6.6%	8.7%	5.4%	**4.9%**
	Market Turnover Ratio [6]	8.0%	7.1%	8.6%	5.5%	**5.0%**

1 Performance adjusted for dividends paid and bonus issue
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 NAV
4 Source: Stock Exchange of Mauritius Newsletter
5 Turnover (in Rs.) divided by the market capitalisation at year end
6 Turnover (in Rs.) divided by the average market capitalisation

MANAGER'S REPORT

Outlook

We believe that 2014 will be much more difficult compared to 2013 for equity investors in Mauritius and abroad. The stellar performance of 2013 will certainly not be repeated a second year in a row, while macroeconomic difficulties and political pre-election considerations should come to the forefront. Valuations for some local companies appear to be stretched as well.

More than ever, it will be important picking the right stocks and avoiding the laggards to create value for our shareholders. We have defined stringent investment criteria for our investee companies in this environment, such as a sustainable capital structure, the ability to generate sustainable free cash flow, and the potential to pay surplus cash out as dividends to shareholders. We will also continue to scrutinize management's guidance and strategy very closely. Companies with a clear strategy and the potential to grow outside of the Mauritian borders should be preferred investment targets in 2014.

Regarding our international investments, we will diversify the current portfolio in 2014. If we add to international investments, it will be most likely in the U.S. The economic recovery seems to be on an advanced track there, while U.S. equities are still far from the overvalued levels witnessed in 2000 or 2007.

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 of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2013, all such returns as are required of the Company under the Companies Act 2001.

Abax Corporate Administrators Ltd **20 March 2014**

Corporate Secretary

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 (together referred to as the "Group") and the Company's separate financial statements on pages 28 to 62 which comprise the statements of financial position at 31 December 2013, 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, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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.

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 28 to 62 give a true and fair view of the financial position of the Group and of the Company at 31 December 2013, 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, 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.

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius (the "Code"). Our responsibility is to report on these disclosures.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

BDO & Co

BDO & CO

Chartered Accountants

Ameenah Ramdin, FCCA, ACA

Licensed by the FRC

Port Louis,

Mauritius.

20 March 2014

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes		THE GROUP		THE COMPANY	
			2013	2012	**2013**	2012
			Rs'000	Rs'000	**Rs'000**	Rs'000
Revenue	4		**42,171**	35,088	**41,042**	34,345
Net gain on investments	5		**91,987**	81,306	**88,895**	82,635
			134,158	116,394	**129,937**	116,980
Administrative expenses	6		**(9,957)**	(10,484)	**(9,082)**	(9,865)
Impairment	13 (d)		**(4,648)**	(5,504)	**(4,648)**	(5,504)
Profit before finance costs			**119,553**	100,406	**116,207**	101,611
Finance costs	7		**(146)**	(560)	**(146)**	(560)
Profit before income tax			**119,407**	99,846	**116,061**	101,051
Income tax expense	8		**(311)**	(139)	**(311)**	(139)
Profit for the year			**119,096**	99,707	**115,750**	100,912
Other comprehensive income:						
Item that may be subsequently reclassified to profit or loss						
Available-for-sale financial assets	9		**145,308**	(128,101)	**148,654**	(129,306)
Total comprehensive income for the year			**264,404**	(28,394)	**264,404**	(28,394)
Profit attributable to:						
Owners of the parent			**119,096**	99,707		
Total comprehensive income attributable to:						
Owners of the parent			**264,404**	(28,394)		
Basic EPS for profit attributable to the equity owners of the parent during the year	10	Rs.	**0.52**	0.44	**0.51**	0.44

The notes on pages 33 to 62 form an integral part of these financial statements.

Auditors' report on page 27

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	THE GROUP 2013 Rs'000	THE GROUP 2012 Rs'000	THE COMPANY 2013 Rs'000	THE COMPANY 2012 Rs'000
ASSETS					
Non-current assets					
Investment in subsidiary	11	**-**	-	**19,583**	16,237
Financial assets at fair value through profit or loss	12 (a)	**7,649**	-	**7,649**	-
Available-for-sale financial assets	13	**1,263,451**	1,121,923	**1,263,451**	1,121,923
		1,271,100	1,121,923	**1,290,683**	1,138,160
Current assets					
Financial assets at fair value through profit or loss	12 (b)	**16,816**	13,870	**-**	-
Trade and other receivables	14	**3,376**	3,092	**3,347**	3,065
Cash and cash equivalents	15	**18,063**	21,042	**15,136**	18,416
		38,255	38,004	**18,483**	21,481
Total assets		**1,309,355**	1,159,927	**1,309,166**	1,159,641
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	16	**226,987**	226,987	**226,987**	226,987
Share premium		**5,217**	5,217	**5,217**	5,217
Fair value reserve		**642,207**	496,899	**648,300**	499,646
Retained earnings		**431,335**	403,034	**425,242**	400,287
Total equity		**1,305,746**	1,132,137	**1,305,746**	1,132,137
Current liabilities					
Trade and other payables	17	**3,374**	4,756	**3,185**	4,470
Current tax payable	8	**235**	103	**235**	103
Bank overdraft	15	**-**	22,931	**-**	22,931
Total liabilities		**3,609**	27,790	**3,420**	27,504
Total equity and liabilities		**1,309,355**	1,159,927	**1,309,166**	1,159,641

These financial statements have been approved for issue by the Board of Directors on 20 March 2014.

Name of Director: Olivier Lagesse — Signature

Name of Director: Pierre de Chasteigner du Mée — Signature

The notes on pages 33 to 62 form an integral part of these financial statements.
Auditors' report on page 27

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

(a) THE GROUP		Attributable to owners of the parent				
		Share capital	Share premium	Fair value reserve	Retained earnings	Total equity
	Notes	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2013		**226,987**	**5,217**	**496,899**	**403,034**	**1,132,137**
Profit for the year		**-**	**-**	**-**	**119,096**	**119,096**
Other comprehensive income for the year	9	**-**	**-**	**145,308**	**-**	**145,308**
Total comprehensive income for the year		**-**	**-**	**145,308**	**119,096**	**264,404**
Dividends	18	**-**	**-**	**-**	**(90,795)**	**(90,795)**
At 31 December 2013		**226,987**	**5,217**	**642,207**	**431,335**	**1,305,746**
At 01 January 2012		170,240	61,964	625,000	378,800	1,236,004
Profit for the year		-	-	-	99,707	99,707
Other comprehensive income for the year	9	-	-	(128,101)	-	(128,101)
Total comprehensive income for the year		-	-	(128,101)	99,707	(28,394)
Bonus issue		56,747	(56,747)	-	-	-
Dividends	18	-	-	-	(75,473)	(75,473)
At 31 December 2012		226,987	5,217	496,899	403,034	1,132,137

The notes on pages 33 to 62 form an integral part of these financial statements.

Auditors' report on page 27

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

(b) THE COMPANY	Notes	Share capital Rs'000	Share premium Rs'000	Fair value reserve Rs'000	Retained earnings Rs'000	Total equity Rs'000
At 01 January 2013		**226,987**	**5,217**	**499,646**	**400,287**	**1,132,137**
Profit for the year		**-**	**-**	**-**	**115,750**	**115,750**
Other comprehensive income for the year	9	**-**	**-**	**148,654**	**-**	**148,654**
Total comprehensive income for the year		**-**	**-**	**148,654**	**115,750**	**264,404**
Bonus issue		**-**	**-**	**-**	**-**	**-**
Dividends	18	**-**	**-**	**-**	**(90,795)**	**(90,795)**
At 31 December 2013		**226,987**	**5,217**	**648,300**	**425,242**	**1,305,746**
At 01 January 2012		170,240	61,964	628,952	374,848	1,236,004
Profit for the year		-	-	-	100,912	100,912
Other comprehensive income for the year	9	-	-	(129,306)	-	(129,306)
Total comprehensive income for the year		-	-	(129,306)	100,912	(28,394)
Bonus issue		56,747	(56,747)	-	-	-
Dividends	18	-	-	-	(75,473)	(75,473)
At 31 December 2012		226,987	5,217	499,646	400,287	1,132,137

The notes on pages 33 to 62 form an integral part of these financial statements.

Auditors' report on page 27

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	THE GROUP 2013 Rs'000	THE GROUP 2012 Rs'000	THE COMPANY 2013 Rs'000	THE COMPANY 2012 Rs'000
Cash flows from operating activities					
Profit before income tax		**119,407**	99,846	**116,061**	101,051
Adjustments for:					
Net gain on available-for-sale financial assets		**(89,538)**	(82,635)	**(89,538)**	(82,635)
Fair value changes in financial assets at fair value through profit or loss		**643**	-	**643**	-
Other income		**-**	(1,100)	**-**	(1,100)
Interest income		**(3,099)**	(1,328)	**(2,641)**	(1,164)
Interest expense		**108**	443	**108**	443
Foreign exchange loss/(gain)		**37**	(133)	**37**	(133)
Impaiment of available-for-sale financial assets		**4,648**	5,504	**4,648**	5,504
Dividend in specie received		**-**	(153)	**-**	(153)
Operating profit before working capital changes		**32,206**	20,444	**29,318**	21,813
Changes in working capital:					
(Increase)/decrease in held-for-trading financial assets		**(2,946)**	1,170	**-**	-
(Increase)/decrease in dividend receivable		**(196)**	6,963	**(194)**	6,907
(Increase)/decrease in trade and other receivables		**(14)**	22	**(14)**	11
(Decrease)/increase in trade and other payables		**(1,885)**	711	**(1,788)**	623
Cash generated from operations		**27,165**	29,310	**27,322**	29,354
Tax paid		**(179)**	(129)	**(179)**	(129)
Net cash generated from operating activities		**26,986**	29,181	**27,143**	29,225
Cash flows from investing activities					
Purchase of available-for-sale financial assets	13	**(136,970)**	(176,604)	**(136,970)**	(176,604)
Proceeds from disposal of available-for-sale financial assets		**217,751**	190,939	**217,751**	190,939
Interest received		**3,099**	1,234	**2,641**	1,071
Net cash generated from investing activities		**83,880**	15,569	**83,422**	15,406
Cash flows from financing activities					
Dividends paid to owners of the parent		**(90,795)**	(135,057)	**(90,795)**	(135,057)
Interest paid		**(108)**	(443)	**(108)**	(443)
Net cash used in financing activities		**(90,903)**	(135,500)	**(90,903)**	(135,500)
Increase/(decrease) in cash and cash equivalents		**19,963**	(90,750)	**19,662**	(90,869)
Cash and cash equivalents at 01 January		**(1,889)**	88,728	**(4,515)**	86,221
Exchange loss on cash and cash equivalents		**(11)**	133	**(11)**	133
Increase/(decrease) in cash and cash equivalents		**19,963**	(90,750)	**19,662**	(90,869)
Cash and cash equivalents at 31 December	15	**18,063**	(1,889)	**15,136**	(4,515)

The notes on pages 33 to 62 form an integral part of these financial statements.

Auditors' report on page 27

1. GENERAL INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 20 March 2014. The Company 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 at c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene, Republic of Mauritius.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial statements of P.O.L.I.C.Y. Limited and its subsidiary (together referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention as modified by the fair valuation of available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described below:

Critical accounting estimates and assumptions

Fair valuation of unquoted investments

Fair values of unquoted investments classified as available-for-sale and at fair value through profit or loss are determined by using valuation techniques. The Fund Manager's evaluation takes into consideration a business review of the underlying investments (performance development compared with plans) and the actual and planned transactions in the investments. The valuation techniques adopted make use of observable data, assumptions and estimates to which the Fund Manager relies on for their valuation of unquoted investments. Given the inherent uncertainty and the assumptions involved, the resulting fair value of unquoted investments could differ from the value that would have been used had a ready market for those assets existed. Certain available-for-sale investments are stated at cost less impairment as their fair value cannot be reliably measured as there is no active market and an absence of trade records for such or similar investments.

Critical judgements in applying the Group's accounting policies

Impairment of available-for-sale equity investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Changes in accounting policy and disclosures

(i) New and amended standards and interpretations adopted by the Group

The following standards have been adopted by the Group for the first time for the year beginning on 1 January 2013 and have no material impact on the Group except for certain additional disclosures in the notes to the financial statements.

Amendments to IAS 1, 'Financial statements presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustment).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Changes in accounting policy and disclosures (Cont'd)

(i) New and amended standards and interpretations adopted by the Group (Cont'd)

IAS 28, 'Investments in associates and joint ventures', prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard also provides exemption from applying the equity method.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is diffucult to assess.

IFRS 12, 'Disclosure of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

IFRS 13, ' Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

The adoption of the other IFRSs has not resulted in any changes to the Group's accounting policies that would affect the amounts reported for the current or prior years.

(ii) New standards and amendments issued, but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 01 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standards also results in one impairment method replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

There are no other standards and IFRIC interpretations that are issued but not yet effective that would be expected to have a material impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose vehicle) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are initially and subsequently measured at fair value in the separate financial statements. Gains and losses on fair valuation of investment in subsidiaries are shown as a component of other comprehensive income. Dividends, if any, earned on investments are recognised in profit or loss as "Dividend received" when the right of payment is established. If an investment in subsidiary is impaired, an amount comprising of the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. There were no non-controlling interest during the year under review.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The financial statements of the subsidiary is prepared for the same reporting period as the Company.

(ii) Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and loans and receivable. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Held for trading investments

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Financial assets designated at fair value through profit or loss

IAS 28 requires that the equity method be applied in accounting for investment in associates. However, when an investment in associate is held through an entity that is a venture capital organisation, or mutual fund, unit trust, and similar entities including investment-linked insurance funds, the entity may elect to measure those investments in associates at fair value through profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity investments and debt securities. Equity assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Debt securities are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or due to changes in market conditions. Interest earned whilst holding debt securities is reported as interest income.

(iii) 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 are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise of trade and other receivables and cash and cash equivalents in the statements of financial position.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within 'net gain on investments' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of investment income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss as 'net gain/loss on disposal of available-for-sale financial assets'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of 'investment income' when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(d) Impairment of financial assets

(i) Financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale

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. For debt securities, the Group uses the criteria referred to in (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed.

(e) Impairment of non-financial assets

The carrying amount of non-financial assets is assessed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, the Group estimates the recoverable amount of the asset being the higher of the asset's net selling price and its value in use, in order to determine the extent of the impairment loss (if any). An impairment loss is recognised for any excess of the asset's carrying amount over its recoverable amount and is taken directly to profit or loss.

(f) Trade and other receivables

Trade receivables comprise of amounts due from broker for unsettled trades performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(g) Trade and other payables

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

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(i) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(j) Derecognition of financial assets and liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Mauritian Rupees ("Rs") which is the Group's functional and presentation currency. The Mauritian Rupee is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

Translation differences on non-monetary items, such as equities held for trading, are reported as part of the fair value gain or loss.

All foreign gains and losses (including cash and cash equivalents) are presented in profit or loss within "finance income/costs".

(l) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

- Dividend income is recognised when the right to receive payment is established.

- Interest income is recognised using the effective interest method.

(m) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets on accumulated tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(n) Dividend distribution

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

(o) Provisions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Provisions (Cont'd)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

(p) 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 revenue and expenses that relate to transactions with any of the Group's other components.

(q) 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.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's and Company's activities expose them to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk. This note presents information about the Group's and Company's exposure to each of the said risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors and the fund manager have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group to set appropriate measures and controls and to monitor risks and adherence to limits.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United Stated Dollars ("USD") and Euro ("EUR"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The following table indicates the approximate change in the Group's and Company's post-tax profits and equity had foreign exchange rates weakened/strengthened by 5% against the Mauritian Rupee with all other variables held constant.

THE GROUP AND THE COMPANY

	Effect on post tax profits		Effect on equity	
	2013	2012	**2013**	2012
	Rs'000	Rs'000	**Rs'000**	Rs'000
	+/-	+/-	**+/-**	+/-
USD	**3**	62	**3,155**	3,012
EUR	**3**	218	**599**	642

Post tax profit for the year would increase/decrease as a result of gains/losses on cash and cash equivalents. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial risk factors (Cont'd)

Market risk (Cont'd)

(i) Foreign exchange risk (Cont'd)

Currency profile

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

THE GROUP	MUR	EUR	USD	TOTAL
As at 31 December 2013	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Financial assets:				
Available-for-sale financial assets	**1,188,501**	**11,917**	**63,033**	**1,263,451**
Financial assets at fair value through profit or loss	**24,465**	**-**	**-**	**24,465**
Trade and other receivables	**3,232**	**-**	**-**	**3,232**
Cash and cash equivalents	**17,941**	**57**	**65**	**18,063**
Total assets	**1,234,139**	**11,974**	**63,098**	**1,309,211**
Financial liabilities:				
Trade and other payables	**3,374**	**-**	**-**	**3,374**

	MUR	EUR	USD	TOTAL
As at 31 December 2012	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets:				
Available-for-sale financial assets	1,048,844	12,844	60,235	1,121,923
Financial assets at fair value through profit or loss	13,870	-	-	13,870
Trade and other receivables	2,962	-	-	2,962
Cash and cash equivalents	15,449	4,359	1,234	21,042
Total assets	1,081,125	17,203	61,469	1,159,797
Financial liabilities:				
Trade and other payables	4,756	-	-	4,756
Bank overdraft	22,931	-	-	22,931
Total liabilities	27,687	-	-	27,687

THE COMPANY	MUR	EUR	USD	TOTAL
As at 31 December 2013	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Financial assets:				
Available-for-sale financial assets	**1,188,501**	**11,917**	**63,033**	**1,263,451**
Financial assets at fair value through profit or loss	**7,649**	**-**	**-**	**7,649**
Trade and other receivables	**3,203**	**-**	**-**	**3,203**
Cash and cash equivalents	**15,014**	**57**	**65**	**15,136**
Total assets	**1,214,367**	**11,975**	**63,098**	**1,289,439**
Financial liabilities:				
Trade and other payables	**3,185**	**-**	**-**	**3,185**

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial risk factors (Cont'd)

Market risk (Cont'd)

(i) Foreign exchange risk (Cont'd)

Currency profile (Cont'd)

THE COMPANY (CONT'D)	MUR	EUR	USD	TOTAL
As at 31 December 2012	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets:				
Available-for-sale financial assets	1,048,844	12,844	60,235	1,121,923
Trade and other receivables	2,935	-	-	2,935
Cash and cash equivalents	12,823	4,359	1,234	18,416
Total assets	1,064,602	17,203	61,469	1,143,274
Financial liabilities:				
Trade and other payables	4,470	-	-	4,470
Bank overdraft	22,931	-	-	22,931
Total liabilities	27,401	-	-	27,401

(ii) Cash flow interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's and Company's income and operating cash flows are somewhat independent of changes in interest rates. The significant interest bearing financial assets held by the Group and Company are cash and cash equivalents. Interest on cash at bank may fluctuate in amount, in particular due to changes in market interest rates.

Sensitivity analysis

The Group's and Company's interest rate risk arises from interest received on cash at bank. Based on the assumption that the interest rate had been 0.5% higher or lower on the applicable interest rate, the Group's and Company's post-tax profits and equity would have been Rs.'000 117 and Rs.'000 104 lower/higher respectively (2012: Rs.'000 258 and Rs.'000 246 lower/higher respectively).

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the statements of financial position either as available-for-sale or held for trading. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in equity of other entities are publicly traded on the DEM and the SEM.

Sensitivity analysis

The table below summarises the impact of increases/decreases of 5% in the fair value of the investments in the Group's and Company's post-tax profits and equity for the year.

THE GROUP	Effect on post tax profits		Effect on other components of equity	
	2013	2012	**2013**	2012
	Rs'000	Rs'000	**Rs'000**	Rs'000
	+/-	+/-	**+/-**	+/-
Impact	**1,223**	693	**63,172**	56,096

THE COMPANY	Effect on post tax profits		Effect on other components of equity	
	2013	2012	**2013**	2012
	Rs'000	Rs'000	**Rs'000**	Rs'000
	+/-	+/-	**+/-**	+/-
Impact	**382**	-	**63,172**	56,096

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at held for trading. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial risk factors (Cont'd)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents held at banks, other receivables, including dividend and interest receivable, with a maximum exposure equal to the carrying amount of these financial assets at the reporting date. The Group and Company bank with reputable banking institutions.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed overdraft facilities and the ability to close out market positions.

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 amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statements of financial position, as the impact of discounting is not significant.

THE GROUP	Less than 1 year	1-5 years	Total
	Rs'000	Rs'000	Rs'000
As at 31 December 2013			
Assets			
Available-for-sale financial assets	**-**	**1,263,451**	**1,263,451**
Financial assets at fair value through profit or loss	**16,816**	**7,649**	**24,465**
Trade and other receivables	**3,232**	**-**	**3,232**
Cash and cash equivalents	**18,063**	**-**	**18,063**
Total	**38,111**	**1,271,100**	**1,309,211**
Liabilities			
Trade and other payables	**3,374**	**-**	**3,374**

	Less than 1 year	1-5 years	Total
	Rs'000	Rs'000	Rs'000
As at 31 December 2012			
Assets			
Available-for-sale financial assets	-	1,121,923	1,121,923
Financial assets at fair value through profit or loss	13,870	-	13,870
Trade and other receivables	2,962	-	2,962
Cash and cash equivalents	21,042	-	21,042
Total	37,874	1,121,923	1,159,797
Liabilities			
Trade and other payables	4,756	-	4,756
Bank overdraft	22,931	-	22,931
Total	27,687	-	27,687

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial risk factors (Cont'd)

Liquidity risk (Cont'd)

THE COMPANY	Less than 1 year	1-5 years	Total
	Rs'000	Rs'000	Rs'000
As at 31 December 2013			
Assets			
Available-for-sale financial assets	**-**	**1,263,451**	**1,263,451**
Financial assets at fair value through profit or loss	**-**	**7,649**	**7,649**
Trade and other receivables	**3,203**	**-**	**3,203**
Cash and cash equivalents	**15,136**	**-**	**15,136**
Total	**18,339**	**1,271,100**	**1,289,439**
Liabilities			
Trade and other payables	**3,185**	**-**	**3,185**

	Less than 1 year	1-5 years	Total
	Rs'000	Rs'000	Rs'000
As at 31 December 2012			
Assets			
Available-for-sale financial assets	-	1,121,923	1,121,923
Trade and other receivables	2,935	-	2,935
Cash and cash equivalents	18,416	-	18,416
Total	21,351	1,121,923	1,143,274
Liabilities			
Trade and other payables	4,470	-	4,470
Bank overdraft	22,931	-	22,931
Total	27,401	-	27,401

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group and Company's assets that are measured at fair value as at 31 December 2013 on a recurring basis:

THE GROUP	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Assets				
Financial assets at fair value through profit or loss				
- Trading securities	16,816	-	-	16,816
- Designated at fair value through profit or loss	-	-	7,649	7,649
Available-for-sale financial assets				
- Equity securities	1,197,710	-	65,741	1,263,451
Total assets measured at fair value	1,214,526	-	73,390	1,287,916

THE COMPANY	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Assets				
Financial assets at fair value through profit or loss				
- Designated at fair value through profit or loss	-	-	7,649	7,649
Available-for-sale financial assets				
- Equity securities	1,197,710	-	65,741	1,263,451
Total assets measured at fair value	1,197,710	-	73,390	1,271,100

Available-for-sale financial assets amounting to Rs.'000 15,399 have been transferred from Level 2 to Level 1 since these represent quoted foreign investments. The transfers are deemed to have occurred at the beginning of the reporting period.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

THE GROUP	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Assets				
Financial assets at fair value through profit or loss				
- Trading securities	13,870	-	-	13,870
Available-for-sale financial assets				
- Equity securities	1,037,094	73,079	11,750	1,121,923
Total assets measured at fair value	1,050,964	73,079	11,750	1,135,793

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Fair value estimation (Cont'd)

THE COMPANY	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Assets				
Available-for-sale financial assets				
- Equity securities	1,037,094	73,079	11,750	1,121,923
Total assets measured at fair value	1,037,094	73,079	11,750	1,121,923

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1, comprise of investments listed on the SEM and DEM and are classified as held for trading or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using Net Asset Value and these investments are classified under level 3 as there are no observable market data. There has been no change in valuation methodology during the year.

Should NAV be shifted by +/-5%, the impact on profit or loss and equity would be Rs.'000 382 and Rs.000' 3,670 respectively.

Foreign investment amounting to Rs'000 59,551 has been transferred from level 2 to level 3 during the reporting period (2012: nil) as the inputs used for the fair valuation of this investment is not based on observable market data. Also, Rs'000 153 have been transferred from level 3 to level 1 since the valuation for this investment is based on quoted market price. The following table shows a reconciliation of the level 3 fair value measurements:

	Available-for-sale financial assets Rs'000	Financial assets at fair value through profit or loss Rs'000	Total Rs'000
31 December 2013:			
Opening balance	**11,750**	**-**	**11,750**
Purchases	**3,341**	**-**	**3,341**
Disposal at fair value	**(2,607)**	**-**	**(2,607)**
Reclassification to fair value through profit or loss	**(8,292)**	**8,292**	**-**
Total gains or losses:			
- in profit or loss	**-**	**(643)**	**(643)**
- in other comprehensive income	**3,730**	**-**	**3,730**
Impairment	**(3,744)**	**-**	**(3,744)**
Transfer to level 1	**(153)**	**-**	**(153)**
Transfer from level 2	**61,716**	**-**	**61,716**
	65,741	**7,649**	**73,390**
31 December 2012:			
Opening balance	10,442	-	10,442
Disposal at fair value	(938)	-	(938)
Total gains or losses:			
- in other comprehensive income	2,144	-	2,144
Impairment	(51)	-	(51)
Dividend in specie	153	-	153
	11,750	-	11,750

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Fair value estimation (Cont'd)

The above gains/losses are unrealised and are recorded within 'net gain on investment' in profit or loss and 'available-for-sale financial assets' in other comprehensive income.

Assets and liabilities not carried at fair value but for which fair value is disclosed

Trade and other receivables and trade and other payables are classified within level 2 whereas cash and cash equivalents are classified within level 1 of the fair value hierarchy.

The assets mentioned above are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include bank overdraft, deposits held at call with banks and other short term investments in an active market.

Trade and other receivables represent the contractual amounts receivable by the Company for settlements of trade. Trade and other payables represent the contractual amounts and obligations due by the Company for settlements of trade and expenses.

(c) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy has remained unchanged from 2012.

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.

(d) Financial instruments by category

THE GROUP

31 December 2013	Available for sale	Assets at fair value through profit or loss	Loans and receivables	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets				
Available-for-sale financial assets	1,263,451	-	-	1,263,451
Financial assets at fair value through profit or loss	-	24,465	-	24,465
Trade and other receivables	-	-	3,232	3,232
Cash and cash equivalents	-	-	18,063	18,063
	1,263,451	24,465	21,295	1,309,212

	Other financial liabilities at amortised cost	Total
	Rs'000	Rs'000
Financial liabilities		
Trade and other payables	3,374	3,374

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Financial instruments by category (Cont'd)

THE GROUP (CONT'D)

31 December 2012	Available for sale	Assets at fair value through profit or loss	Loans and receivables	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets				
Available-for-sale financial assets	1,121,923	-	-	1,121,923
Financial assets at fair value through profit or loss	-	13,870	-	13,870
Trade and other receivables	-	-	2,962	2,962
Cash and cash equivalents	-	-	21,042	21,042
	1,121,923	13,870	24,004	1,159,797

	Other financial liabilities at amortised cost	Total
	Rs'000	Rs'000
Financial liabilities		
Trade and other payables	4,756	4,756
Bank overdraft	22,931	22,931
	27,687	27,687

THE COMPANY

31 December 2013	Available for sale	Assets at fair value through profit or loss	Loans and receivables	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets				
Available-for-sale financial assets	**1,263,451**	**-**	**-**	**1,263,451**
Financial assets at fair value through profit or loss	**-**	**7,649**	**-**	**7,649**
Trade and other receivables	**-**	**-**	**3,203**	**3,203**
Cash and cash equivalents	**-**	**-**	**15,136**	**15,136**
	1,263,451	**7,649**	**18,339**	**1,289,439**

	Other financial liabilities at amortised cost	Total
	Rs'000	Rs'000
Financial liabilities		
Trade and other payables	**3,185**	**3,185**

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Financial instruments by category (Cont'd)

THE COMPANY (CONT'D)

31 December 2012	Available for sale	Loans and receivables	Total
	Rs'000	Rs'000	Rs'000
Financial assets			
Available-for-sale financial assets	1,121,923	-	1,121,923
Trade and other receivables	-	2,935	2,935
Cash and cash equivalents	-	18,416	18,416
	1,121,923	21,351	1,143,274

	Other financial liabilities at amortised cost	Total
	Rs'000	Rs'000
Financial liabilities		
Trade and other payables	4,470	4,470
Bank overdraft	22,931	22,931
	27,401	27,401

4. REVENUE

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
(a) Dividend income from available-for-sale financial assets	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Listed - SEM	**31,467**	28,809	**31,467**	28,809
Listed - DEM	**3,891**	2,140	**3,891**	2,140
Foreign	**237**	53	**237**	53
Unquoted - Local	**302**	914	**302**	914
	35,897	31,916	**35,897**	31,916
(b) Dividend in specie from available-for-sale financial assets				
Unquoted - Local	**-**	153	**-**	153
(c) Dividend income from financial assets at fair value through profit or loss				
Listed - SEM	**388**	298	**-**	-
Listed - DEM	**283**	152	**-**	-
Unquoted	**1,567**	-	**1,567**	-
	2,238	450	**1,567**	-
(d) Other income	**4,036**	2,569	**3,578**	2,276
TOTAL	**42,171**	35,088	**41,042**	34,345

5. NET GAIN ON INVESTMENTS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
(a) Net gain on disposal of available-for-sale financial assets	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Listed - SEM	**86,854**	64,034	**86,854**	64,034
Listed - DEM	**-**	18,599	**-**	18,599
Unquoted - Local	**1,360**	2	**1,360**	2
Unquoted - Foreign	**1,324**	-	**1,324**	-
	89,538	82,635	**89,538**	82,635
(b) Net gain on disposal of financial assets at fair value through profit or loss				
Listed - SEM	**1,231**	71	**-**	-
Listed - DEM	**466**	206	**-**	-
	1,697	277	**-**	-
(c) Changes in fair value of financial assets at fair value through profit or loss				
Listed	**1,395**	(1,606)	**-**	-
Unquoted	**(643)**	-	**(643)**	-
	752	(1,606)	**(643)**	-
TOTAL	**91,987**	81,306	**88,895**	82,635

6. ADMINISTRATIVE EXPENSES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	Rs'000	Rs'000	**Rs'000**	Rs'000
Management fees (Note (a)(i))	**4,269**	4,179	**4,269**	4,179
Other professional fees	**410**	410	**410**	410
Administrator fees (Note (a)(ii))	**2,518**	2,670	**2,058**	2,210
Other administrative expenses	**1,506**	2,170	**1,153**	2,069
Auditors' remuneration	**333**	347	**271**	289
Directors' fees	**821**	691	**821**	691
Corporate social responsibility	**100**	17	**100**	17
	9,957	10,484	**9,082**	9,865

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

(i) Fund Manager

The Company entered into a Management Agreement with IPRO Fund Management Ltd ("IFML" or the "Fund Manager"). 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 shall be remunerated as per the clause set out in the Management Agreement.

(ii) Administrator

There is an Administration and Custody Agreement between the Company and Abax Corporate Administrators Ltd (the "Administrator"). As Administrator, Abax Corporate Administrators Ltd is responsible to carry out the general administration of the Company, set up internal control, keep accounting records and ledgers, provide accounting services and secretarial services and act as registry. The Administrator shall be remunerated as per the clause set out in the Administration Agreement.

(b) There are no employees in the Company and the Group.

7. FINANCE COSTS

	THE GROUP AND THE COMPANY	
	2013	2012
	Rs'000	Rs'000
Net foreign exchange loss/(gain)	**37**	(133)
Interest expense	**109**	443
Overdraft commitment fee	**-**	250
	146	560

8. INCOME TAX

The Group and the Company are subject to income tax in Mauritius on their net income at 15%. Capital gains of the Company are exempt from tax in Mauritius. The foregoing is based on current interpretation and practice and is subject to any future changes in the Mauritian tax laws.

8. INCOME TAX (CONT'D)

The tax charge is made up as follows:

	THE GROUP AND THE COMPANY	
	2013	2012
	Rs'000	Rs'000
Current tax on profit for the year	**305**	136
Adjustments in respect of prior years	**6**	3
Income tax expense	**311**	139

A reconciliation between the opening and closing tax liability can be found below:

	THE GROUP AND THE COMPANY	
	2013	2012
	Rs'000	Rs'000
At 01 January	**103**	93
Charge for the year	**311**	139
Paid during the year	**(179)**	(129)
At 31 December	**235**	103
Analysed as:		
Current tax payable	**235**	103

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	
	2013	2012	**2013**	2012
	Rs'000	Rs'000	**Rs'000**	Rs'000
Profit before taxation	**119,407**	99,846	**116,061**	101,051
Tax calculated at the rate of 15% (2012:15%)	**17,911**	14,977	**17,409**	15,158
Expenses not allowed for tax purposes	**2,138**	2,632	**2,051**	2,347
Income not subject to tax	**(19,720)**	(17,497)	**(19,155)**	(17,369)
(Utilised)/unutilised tax losses	**(24)**	24	**-**	-
Adjustments in respect of prior years	**6**	3	**6**	3
Income tax expense	**311**	139	**311**	139

9. OTHER COMPREHENSIVE INCOME

(a) THE GROUP	Available-for-sale fair value reserve	Total
	Rs'000	Rs'000
31 December 2013		
Fair value changes on financial assets	**204,222**	**204,222**
Reclassification adjustment on:		
- Disposal of financial assets	**(58,458)**	**(58,458)**
- Reclassification of investment in associates	**(1,360)**	**(1,360)**
- Impairment of financial assets	**904**	**904**
Other comprehensive income for the year	**145,308**	**145,308**
31 December 2012		
Fair value changes on financial assets	(46,319)	(46,319)
Reclassification adjustment on:		
- Disposal of financial assets	(87,235)	(87,235)
- Impairment of financial assets	5,453	5,453
Other comprehensive income for the year	(128,101)	(128,101)

(b) THE COMPANY	Available-for-sale fair value reserve	Total
	Rs'000	Rs'000
31 December 2013		
Fair value changes on financial assets	**207,568**	**207,568**
Reclassification adjustment on:		
- Disposal of financial assets	**(58,458)**	**(58,458)**
- Reclassification of investment in associates	**(1,360)**	**(1,360)**
- Impairment of financial assets	**904**	**904**
Other comprehensive income for the year	**148,654**	**148,654**
31 December 2012		
Fair value changes on financial assets	(47,524)	(47,524)
Reclassification adjustment on:		
- Disposal of financial assets	(87,235)	(87,235)
- Impairment of financial assets	5,453	5,453
Other comprehensive income for the year	(129,306)	(129,306)

(c) The components of other comprehensive income are not subject to tax.

10. EARNINGS PER SHARE

Basic earnings per share ("EPS") are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
Profit for the year (Rs'000)	**119,096**	99,707	**115,750**	100,912
Number of ordinary shares:				
Shares in issue at start of the year	**226,986,672**	170,240,004	**226,986,672**	170,240,004
Capitalisation issue	**-**	56,746,668	**-**	56,746,668
Number of shares at end of the year	**226,986,672**	226,986,672	**226,986,672**	226,986,672
Basic earnings per share (Rs. per share)	**0.52**	0.44	**0.51**	0.44

11. INVESTMENT IN SUBSIDIARY

	THE COMPANY	
	2013 Rs'000	2012 Rs'000
At 01 January	**16,237**	17,442
Fair value changes	**3,346**	(1,205)
At 31 December	**19,583**	16,237

Details of the subsidiary are as follows :

Name of company	**Country of incorporation and principal place of business**	**% voting and ownership interest 2013 and 2012**	**Principal activity**	**Stated capital 2013 and 2012**
				Rs'000
UNION AND P.O.L.I.C.Y. INVESTMENT CO. LTD	Mauritius	100	Trading in financial assets	**15,000**

The subsidiary's undertakings are included in the consolidated financial statements. There are no restrictions on the ability of the Company to access or use the assets and settle the liabilities of the Group. Investment in subsidiary has been valued on a net asset basis and classified under level 3 as the Company is asset rich and all its underlying investments are recorded at fair value. There has been no change in valuation methodology during the year under review.

11. INVESTMENT IN SUBSIDIARY (CONT'D)

There were no transfers in and out of level 3 during the year under review. Please refer to the above table for a reconciliation of the level 3 fair value measurement. Details of the Company's information on fair value hierarchy at 31 December 2013 are as follows:

THE COMPANY	Level 1	Level 2	Level 3	Fair value
	Rs'000	Rs'000	Rs'000	Rs'000
Investment in subsidiary				
Equity investment	-	-	19,583	19,583

The above gains/losses are unrealised and are recorded within 'available-for-sale financial assets' in other comprehensive income in the separate financial statements. These gains/losses are eliminated on consolidation.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS: NON-CURRENT

THE GROUP AND THE COMPANY	2013	2012
	Rs'000	Rs'000
At 01 January	-	-
Reclassification from available-for-sale financial assets	8,292	-
Additions	-	-
Fair value changes	(643)	-
At 31 December	7,649	-

The above represent investment in associates of the Group as at 31 December 2013, which, in the opinion of the directors, are not material to the Group. The associates have share capital consisting solely of ordinary shares, which are held directly by the Company. These investments are measured at fair value through profit or loss.

(b) HELD-FOR-TRADING: CURRENT

THE GROUP	2013	2012
	Rs'000	Rs'000
At 01 January	13,870	15,040
Additions	20,570	4,365
Disposals	(19,249)	(4,127)
Adjustments	-	198
Dividend	230	-
Fair value changes (note 5(c))	1,395	(1,606)
At 31 December	16,816	13,870

(i) Held-for-trading investments are based on the quoted bid prices at the close of business on the date of the statement of financial position.

(ii) Adjustments to held-for-trading financial assets arose on amalgamation of FUEL and DRBC and net distribution made by Union Flacq Ltd in terms of Alteo shares.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) THE GROUP AND THE COMPANY	2013 SEM	2013 DEM	2013 Overseas Investments	2013 Unquoted	2013 Total	2012 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	980,670	56,424	73,079	11,750	1,121,923	1,185,974
Additions	98,941	35,191	-	3,341	137,473	176,604
Dividend in specie received	-	-	-	-	-	153
Disposals at fair value	(185,524)	-	(2,607)	-	(188,131)	(195,186)
Impairment (Note 13(d))	-	-	(3,744)	-	(3,744)	(51)
Adjustments	-	153	-	(153)	-	748
Transfer to investment at fair value through profit or loss	-	-	-	(8,292)	(8,292)	-
Fair value changes	174,071	22,385	8,222	(456)	204,222	(46,319)
At 31 December	1,068,158	114,153	74,950	6,190	1,263,451	1,121,923

(b) The fair value of available-for-sale securities is based on the quoted bid prices at the close of business on the date of the statement of financial position. For unquoted investments, the fair value is estimated by reference to the future maintainable earnings, net assets value of the underlying assets and indices of similar entities.

(c) Adjustments to available-for-sale financial assets arose from migration of Bluelife Limited to being quoted on the DEM.

(d) Impairment provision

	THE GROUP AND THE COMPANY 2013	2012
	Rs'000	Rs'000
Reclassification adjustment on impairment of financial assets	904	5,453
Charge to profit or loss directly on impairment of financial assets	3,744	51
Total provision	4,648	5,504

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D)

(e) Portfolio of investments of P.O.L.I.C.Y. Limited

	THE GROUP AND THE COMPANY	
	2013	2012
	Rs'000	Rs'000
Listed investments - SEM		
Banks & Insurance	**739,933**	611,283
Investments	**189,748**	150,504
Industry	**54,686**	110,620
Hotels	**77,684**	102,646
Debentures	**4,497**	4,376
Sugar	**1,610**	1,241
	1,068,158	980,670
DEM - quoted investments		
Investments	**57,762**	37,816
Others	**44,713**	11,349
Hotels	**11,678**	7,259
	114,153	56,424
Overseas investments	**74,950**	73,079
Unquoted investments	**6,190**	11,750
Total	**1,263,451**	1,121,923

Listed investments include 336,000 shares held in The Mauritius Commercial Bank Limited (Value Rs.' 000 70,560) which have been pledged as security for a bank overdraft facility.

(f) Top 5 holdings of the Group and Company

	2013	
At 31 December 2013:	THE GROUP AND THE COMPANY	
	Rs'000	**% of total investments**
The Mauritius Commercial Bank Limited	**673,541**	**53%**
Terra Mauricia Ltd	**95,870**	**8%**
Alteo Limited	**89,595**	**7%**
Phoenix Beverages Limited	**37,390**	**3%**
Mauritian Eagle Insurance Ltd	**35,867**	**3%**
Total	**932,263**	**74%**

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D)

(f) Top 5 holdings of the Group and Company (Cont'd)

At 31 December 2012:	2012 THE GROUP AND THE COMPANY	
	Rs'000	% of total investments
The Mauritius Commercial Bank Limited	560,989	50%
Terra Mauricia Ltd	96,681	9%
United Basalt Products Limited	93,073	8%
New Mauritius Hotels Limited	78,565	7%
Alteo Limited	48,276	4%
Total	877,584	78%

14. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	Rs'000	Rs'000	**Rs'000**	Rs'000
Dividends receivable	**3,065**	2,869	**3,036**	2,842
Due from broker	**73**	-	**73**	-
Other receivables and prepayments	**144**	130	**144**	130
Interest receivable	**94**	93	**94**	93
	3,376	3,092	**3,347**	3,065

15. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cash at bank	**17,940**	15,491	**15,013**	12,865
Cash held with custodian	**123**	5,551	**123**	5,551
Cash and cash equivalents (excluding bank overdraft)	**18,063**	21,042	**15,136**	18,416
Bank overdraft	**-**	(22,931)	**-**	(22,931)
Cash and cash equivalents include the following for the purposes of the statement of cash flows:				
Cash and cash equivalents	**18,063**	21,042	**15,136**	18,416
Bank overdraft	**-**	(22,931)	**-**	(22,931)
	18,063	(1,889)	**15,136**	(4,515)

16. SHARE CAPITAL

THE COMPANY	2013		2012	
	No. of shares	**Rs'000**	No. of shares	Rs'000
Stated, issued and fully paid				
Ordinary shares at Rs.1 each				
At 01 January	**226,986,672**	**226,987**	170,240,004	170,240
Issue of bonus shares	**-**	**-**	56,746,668	56,747
At 31 December	**226,986,672**	**226,987**	226,986,672	226,987

17. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	Rs'000	Rs'000	**Rs'000**	Rs'000
Due to broker	**503**	-	**503**	-
Accruals and other payables	**2,871**	4,756	**2,682**	4,470
	3,374	4,756	**3,185**	4,470

18. DIVIDENDS

THE COMPANY	Amount per share		Total	
	2013	2012	**2013**	2012
	Rs.	Rs.	**Rs'000**	Rs'000
Interim ordinary paid - 15% (2012 - 15%)	**0.15**	0.15	**34,048**	25,536
Final ordinary paid - 25% (2012 - 22%)	**0.25**	0.22	**56,747**	49,937
			90,795	75,473
Adjusted dividend per share	**0.40**	0.33		

19. DEFERRED INCOME TAX

(a) Deferred income tax is calculated on all temporary differences under the liability method at 15% (2012: 15%).

(b) Deferred tax liablity attributable to the reversal of unrealised exchange loss have not been recognised in the Group's financial statements as it is not material.

(c) Defered tax assets on carried forward tax losses of the subsidiary, UPIC, amounting to Rs'000 39 (2012:Rs'000 24), have not been recognised in the Group's financial statements due to unpredictability of future taxable profits.

20. SEGMENTAL INFORMATION

(a) **Operating segment**

The Group is organised into the following main business segments:

	Investments
Available-for-sale financial assets	Long-term
Financial assets at fair value through profit or loss - designated	Long-term
Financial assets at fair value through profit or loss - trading	Short-term

		Long-term investments Rs' 000	Short-term investments Rs' 000	Total Rs' 000
(i)	Operating segments			
	Year ended 31 December 2013			
	Investment income	41,042	1,129	42,171
	Net gain on investments	88,895	3,092	91,987
	Total income	129,937	4,221	134,158
	Segment results			
	Administrative expenses	(9,082)	(875)	(9,957)
	Impairment	(4,648)	-	(4,648)
	Finance costs	(146)	-	(146)
	Profit before taxation	116,061	3,346	119,407
	Taxation	(311)	-	(311)
	Profit after taxation	115,750	3,346	119,096
	Non-controlling interest			-
	Profit attributable to owners of the parent			119,096

	Long-term investments Rs' 000	Short-term investments Rs' 000	Total Rs' 000
Segment assets			
Available-for-sale financial assets	1,263,451	-	1,263,451
Financial assets at fair value through profit or loss - designated	7,649	-	7,649
Financial assets at fair value through profit or loss - trading	-	16,816	16,816
Other assets	18,483	2,956	21,439
	1,289,583	19,772	1,309,355
Segment liabilities			
Other liabilities	3,420	189	3,609
Capital Expenditure	137,473	20,570	158,043

20. SEGMENTAL INFORMATION (CONT'D)

(a) Operating segment (Cont'd)

The Group is organised into the following main business segments:

	Investments
Available-for-sale financial assets	Long-term
Financial assets at fair value through profit or loss - designated	Long-term
Financial assets at fair value through profit or loss - trading	Short-term

	Long-term investments Rs' 000	Short-term investments Rs' 000	Total Rs' 000
(i) Operating segment			
Year ended 31 December 2012			
Investment income	34,345	743	35,088
Net gain/(loss) on investments	82,635	(1,329)	81,306
Total income/(expense)	116,980	(586)	116,394
Segment results			
Administrative expenses	(9,865)	(619)	(10,484)
Impairment	(5,504)	-	(5,504)
Finance costs	(560)	-	(560)
Profit before taxation	101,051	(1,205)	99,846
Taxation	(139)	-	(139)
Profit after taxation	100,912	(1,205)	99,707
Non-controlling interest			-
Profit attributable to owners of the parent			99,707

	Long-term investments Rs' 000	Short-term investments Rs' 000	Total Rs' 000
Segment assets			
Available-for-sale financial assets	1,121,923	-	1,121,923
Financial assets at fair value through profit or loss - designated	-	-	-
Financial assets at fair value through profit or loss - trading	-	13,870	13,870
Other assets	21,481	2,653	24,134
	1,143,404	16,523	1,159,927
Segment liabilities			
Other liabilities	27,504	286	27,790
Capital Expenditure	176,604	4,365	180,969

20. SEGMENTAL INFORMATION (CONT'D)

(b) Geographical information

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

	Income		Total assets		Capital expenditure	
	2013	2012	**2013**	2012	**2013**	2012
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000	**Rs' 000**	Rs' 000
Mauritius	**132,597**	116,341	**1,234,405**	1,086,848	**158,043**	170,322
Other countries	**1,561**	53	**74,950**	73,079	**-**	10,647
	134,158	116,394	**1,309,355**	1,159,927	**158,043**	180,969

21. RELATED PARTY DISCLOSURES

During the year ended 31 December 2013, the Group and Company had transactions with related entities. The nature, volume of transactions and the balances outstanding at 31 December 2013 and 2012 are as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
Volume of transaction	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Management fees payable to the Fund Manager	**4,269**	4,179	**4,269**	4,179
Service fees paid to company in which				
a director has a significant influence	**2,518**	2,670	**2,058**	2,210
Fees paid to directors	**821**	691	**821**	691

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	Rs'000	Rs'000	**Rs'000**	Rs'000
Balances with related parties				
Management fees payable to the Fund Manager	**355**	(340)	**355**	(340)
Service fees paid to company in which				
a director has a significant influence	**484**	(354)	**365**	(136)

The outstanding balances are unsecured, interest free and repayable on demand.

22. PRESENTATION CURRENCY

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

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

	2013	2012	2011
	Rs'000	Rs'000	Rs'000
Statements of comprehensive income			
Revenue	**134,158**	116,394	106,389
Profit before taxation	**119,407**	99,846	94,227
Taxation	**311**	139	126
Profit for the year	**119,096**	99,707	94,101
Profit attributable to owners of the parent	**119,096**	99,707	94,101
Dividend per share (Rs.) :			
- Interim: Fully paid shares	**0.15**	0.15	0.15
- Final: Fully paid shares	**0.25**	0.22	0.35
Total dividend	**0.40**	0.37	0.50
Adjusted dividend per share (Rs.) *	**0.40**	0.33	0.37
Basic earnings per share (Rs.)	**0.52**	0.44	0.55
Adjusted earnings per share (Rs.) *	**0.52**	0.44	0.41

	2013	2012	2011
Statements of financial position	**Rs'000**	Rs'000	Rs'000
Non-current assets	**1,271,100**	1,121,923	1,185,974
Current assets	**38,255**	38,004	113,752
Total assets	**1,309,355**	1,159,927	1,299,726
Shareholders' interest	**1,305,746**	1,132,137	1,236,004
Current liabilities	**3,609**	27,790	63,722
Total equity and liabilities	**1,309,355**	1,159,927	1,299,726
Net assets per share (Rs.)	**5.75**	4.99	7.26
Adjusted net assets per share (Rs.)*	**5.75**	4.99	5.45
Number of shares in issue (000's)	**226,987**	226,987	170,240
Adjusted number of shares in issue (000's)*	**226,987**	226,987	226,987

* Adjusted for bonus issue made in 2012.

- In compliance with Section 120 (3) of the Companies Act 2001, the Board has resolved that members registered in the share register of P.O.L.I.C.Y. Limited as at 22 April 2014 are entitled to attend and vote at the meeting.
- Any shareholder can make a request to obtain the minutes of proceedings of the last Annual Meeting prior to the Annual Meeting.
- Shareholders, present in person or by proxy, shall have one vote on a show of hands. Where a poll is taken, each Shareholder shall have the number of votes that corresponds to the number of shares held by him/her in the Company.

STATEMENT OF COMPLIANCE

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

Name of PIE : P.O.L.I.C.Y. LIMITED

Reporting Period : 1 January to 31 December 2013

We, the Directors of P.O.L.I.C.Y. Limited, confirm that, to the best of our knowledge, P.O.L.I.C.Y. Limited has complied with all of its obligations and requirements under the Code of Corporate Governance, except for Sections 7.2 and 8.3.2.

Reasons for non-compliance are as follows:

Sections 7.2 and 8.3.2 The Company has not adopted any formal Code of Ethics or Board Charter, as such, but the Board relies on the Code of Corporate Governance as Guideline, and on the Code of Ethics of the Service Providers.

SIGNED BY:

Mr. Olivier Lagesse
Chairperson

Mr. Bernard Mayer
Vice Chairperson

Date: 20 March 2014

P.O.L.I.C.Y.
Limited

PROXY FORM

I/We ______________________ of ______________________ being a member of P.O.L.I.C.Y. Limited hereby appoint ______________________ of ______________________ or failing him, ______________________ of ______________________ as our proxy to vote for me/us on my/our behalf at the Annual Meeting of Shareholders of the Company to be held on Tuesday 13 May 2014 at 10h00 at the Registered Office of the Company, at c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene and at any adjournment thereof.

I/We desire my/our vote(s) to be cast on the Resolutions as follows:-	FOR	AGAINST	ABSTAIN
1. To consider and adopt the financial statements, to receive the auditor's report and to consider the annual report for the year ended 31 December 2013.			
2. To re-elect Mr. Vincent Ah Chuen, as director			
3. To re-elect Mr. Richard Arlove as director			
4. To re-elect Mr. Pierre de Chasteigner du Mée, as director			
5. To re-elect Mr. Olivier Lagesse, as director			
6. To re-elect Mr. Bernard Mayer as director			
7. To re-elect Mr. Pierre Yves Pougnet, as director			
8. To re-elect Me. Georges André Robert, G.O.S.K., O.B.E., S.A. as director			
9. To fix the directors' remuneration as recommended by the remuneration committee.			
10. To authorise the directors to fix the remuneration of the auditors, BDO & Co.			

Signed this ______________________ 2014.

Signature/s ______________________

Notes

1. **A member of the Company entitled to attend and vote at this meeting may appoint a proxy of his/her own choice (whether a member or not of the Company) to attend and vote on his/her behalf.**
2. **Please mark in the appropriate box how you wish to vote. If no specific direction as to voting is given, the proxy will exercise his/her discretion as to how he/she votes.**
3. **The instrument appointing a proxy or any general power of attorney should reach Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebène by Monday 12 May 2014 at 10h00 at latest.**

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