



ANNUAL
REPORT
2016

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

L i m i t e d

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 2016. This report has been approved by the Board on 08 March 2017.

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

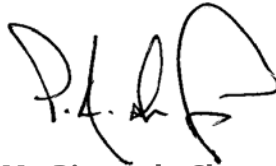
Date: 12 May 2017
Time: 10h00
Place: c/o Abax Corporate Administrators Ltd
6th Floor, Tower A
1 CyberCity
Ebene

We look forward to seeing you.

Sincerely



Mr. Vincent Ah Chuen
Chairperson



Mr. Pierre de Chasteigner du Mée
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, 1 CyberCity, Ebene on Friday 12 May 2017 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 12 May 2016.
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 2016.
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. Pierre Yves Pougnet, Director retiring and eligible for re-election.
7. 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.
8. To re-elect Mr. Stéphane Henry, Director retiring and eligible for re-election.
9. To re-elect Mr. Marc Emmanuel Vives, Director retiring and eligible for re-election.
10. To re-elect Professor Donald Ah Chuen, G.O.S.K, in accordance with Section 138(6) of the Companies Act 2001.
11. To re-elect Mr. Sydney Ah Yoong, Director retiring and eligible for re-election.
12. To re-elect Mrs. Danielle Lagesse, S.A., Director retiring and eligible for re-election.
13. To fix the Directors' remuneration as recommended by the Remuneration Committee.
14. 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

KJELL EKSTROM
FOR
ABAX CORPORATE
ADMINISTRATORS LTD



ABAX CORPORATE ADMINISTRATORS LTD
COMPANY SECRETARY

08 March 2017

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

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 Company 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 Thursday 11 May 2017 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 13 April 2017.
5. The minutes of the Annual Meeting held on 12 May 2016 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 12 May 2017 will be available for consultation and comments during office hours at the registered office of the Company, 6th Floor, Tower A, 1 CyberCity, Ebene as from 01 June 2017.



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. Vincent Ah Chuen

Vice Chairperson

Mr. Pierre de Chasteigner du Mée

Directors

Mr. Vincent Ah Chuen

Professor Donald Ah Chuen G.O.S.K.

Mr. Sydney Ah Yoong

Mr. Richard Arlove

Mr. Pierre de Chasteigner du Mée

Mr. Stéphane Henry

Mrs. Danielle Lagesse S.A.

Mr. Pierre Yves Pougnet

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

Mr. Marc Emmanuel Vives

COMMITTEES OF THE BOARD

Corporate Governance, Nomination and Remuneration Committee

Mr. Vincent Ah Chuen (*Chairperson*)

Mr. Pierre de Chasteigner du Mée

Professor Donald Ah Chuen G.O.S.K.

Mrs. Danielle Lagesse S.A.

Audit & Risk Committee

Mr. Pierre Yves Pougnet (*Chairperson*)

Professor Donald Ah Chuen G.O.S.K.

Mr. Sydney Ah Yoong

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

Investment Committee

Mr. Pierre de Chasteigner du Mée (*Chairperson*)

Mr. Vincent Ah Chuen

Mr. Sydney Ah Yoong

Mr. Marc Emmanuel Vives

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 Board accepts the responsibility 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 have:

- Selected suitable accounting policies and then apply them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Adhered to the provisions of the Code of Corporate Governance or explain instances where compliance has not been possible.

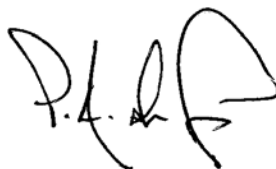
The Directors also confirm their responsibility for safeguarding the assets of the Company.

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. Vincent Ah Chuen
Chairperson



Mr. Pierre de Chasteigner du Mée
Vice Chairperson

CHAIRPERSON'S STATEMENT

Dear Shareholder,

It is my privilege to present the Annual Report 2016 as Chairman of P.O.L.I.C.Y. Limited. 2016 marks my second year as Chairman of your Company – a year not short of surprises and volatility in financial markets.

The “Brexit” vote in the United Kingdom in June 2016 and the election of Donald Trump as the 45th President of the United States in November 2016 were two key defining historical events, the effects of which are unknown. Global equity markets remained volatile in 2016, but performed remarkably well on a year-to-year basis. The MSCI World Index in Mauritian Rupee terms rose by 5.6% during the year, excluding dividends paid.

In the local market, representing over 90% of the portfolio of your Company, the SEMDEX decreased marginally by 0.2% in 2016. The SEMTRI was up by 3.3%, demonstrating that total return in 2016 for investors into the local stock market was mainly driven by dividend payments, not capital appreciation.

Our portfolio broadly followed this trend, but managed to outperform the SEMTRI in 2016. An interim dividend of Re 0.15 and a final dividend of Re 0.20 were paid during the year, representing a dividend yield of 5.4% based on a share price of Rs 6.50 as at 31 December 2015. The Net Asset Value of your Company rose by 0.8% during the year. The premium to Net Asset Value of the shares of your Company declined to 7.1% as at 31 December 2016.

We continue to focus on our long-term investment strategy, keeping the course in volatile times and continuing to search for fundamentally sound and value-accretive investments on behalf of our Shareholders.

I would like to thank the Investment Manager and the Administrator for their dedication to and hard work for the Company in 2016. I would also like to thank my fellow Directors for their commitment and all of our Shareholders for their continued support.



Mr. Vincent Ah Chuen
Chairperson

STATEMENT OF COMPLIANCE

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

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

Reporting Period : 01 January to 31 December 2016

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 Code of Ethics or Board Charter, as such, but the Board bases itself on the Code of Corporate Governance as Guideline, and on the Code of Ethics of the Service Providers.

SIGNED BY:



Mr. Vincent Ah Chuen
Chairperson



Mr. Pierre de Chasteigner du Mée
Vice Chairperson

Date: 08 March 2017



CORPORATE
GOVERNANCE
REPORT

CORPORATE GOVERNANCE REPORT

The Board recognises corporate governance as a matter of priority. 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”).

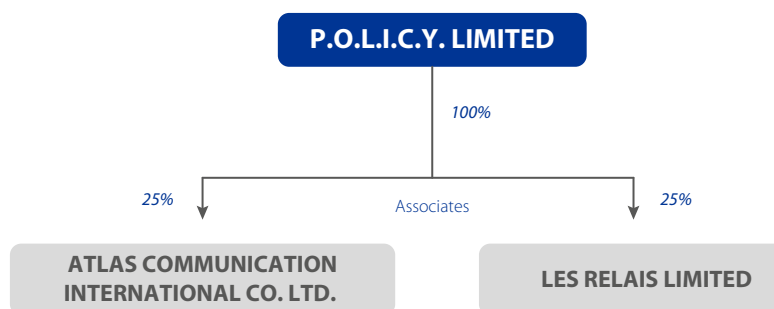
As at 31 December 2016, the Board is comprised of ten Directors, amongst whom six are Independent Non-Executives; two are Non-Executive and two are Executive Directors. The Directors disclose their interests at Board Meetings, as and when required for a specific transaction.

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

Union and P.O.L.I.C.Y. Investment Co. Ltd has been dissolved on 17 January 2017 as per Section 151 (5) of the Insolvency Act 2009.

ASSOCIATE COMPANIES

- ATLAS COMMUNICATION INTERNATIONAL CO. LTD
- LES RELAIS LIMITED

CORPORATE GOVERNANCE REPORT

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

Mr Stéphane Henry had been appointed to represent the Company on the Board of Directors of the Associate companies.

BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS HELD IN 2016

In 2016, the Board met five times. During that year, the Board approved, inter alia the Annual Report and Financial Statements for the year ended 31 December 2015, the interim condensed financial statements for the quarters ended 31 March, 30 June and 30 September 2016, 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 (5)	Remuneration Committee (1)
Vincent Ah Chuen	b	5 out of 5	-	1 out of 1	5 out of 5	1 out of 1
Donald Ah Chuen, G.O.S.K.	b	5 out of 5	4 out of 4	1 out of 1	-	1 out of 1
Sydney Ah Yoong	a	4 out of 5	3 out of 4	-	4 out of 5	-
Richard Arlove	c	4 out of 5	-	-	-	-
Pierre de Chasteigner du Mée	a	5 out of 5	-	1 out of 1	5 out of 5	1 out of 1
Stéphane Henry	c	5 out of 5	4 out of 4	-	5 out of 5	-
Danielle Lagesse, S.A.	a	4 out of 5	-	0 out of 1	-	0 out of 1
Pierre Yves Pougnet	a	5 out of 5	4 out of 4	-	-	-
Georges André Robert, G.O.S.K., O.B.E., S.A.	a	5 out of 5	4 out of 4	-	-	-
Marc Emmanuel Vives	a	3 out of 5	-	-	4 out of 5	-

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. He is a Director on the Board of Mauritius Union Assurance Company Limited, La Prudence Mauricienne Assurance Ltée and Chairman of Associated Brokers Ltd. He is a Director of ABC Motors Company Ltd, Les Moulins de la Concorde Ltée and Amigel Ltd. He is a member of MloD and Chinese Chamber of Commerce. He is also active in various social and cultural activities.

(ii) **Professor Donald Ah-Chuen G.O.S.K.**

Professor Donald Ah-Chuen holds an M.B.A (University of Strathclyde, UK). He is also a Fellow of the Institute of Chartered Accountants (England & Wales) and Fellow of the Institute of Chartered Accountants (Australia) and holds an M.C.I.P.D (Chartered Institute of Personnel & Development, UK). In March 2009, he was conferred the distinction of G.O.S.K (Grand Officer of the Order of the Star and Key of the Indian Ocean) in recognition of his valuable contribution in the sectors of Banking & Financial Services and Tertiary Education. Professor Ah-Chuen is the Vice-Chairman of the Stock Exchange of Mauritius Ltd and the Managing Director of ABC Banking Corporation Limited. He is also a Director of ABC Motors Co. Ltd, company listed on the DEM.

(iii) **Sydney Ah Yoong**

Sydney Ah Yoong is a fellow member of the Association of Chartered Certified Accountants (ACCA) since 1987. He has worked at Deloitte for more than 38 years and is a retired partner since December 2012. He is also a Director of ABC Banking Corporation Ltd, company listed on the DEM.

(iv) **Richard Arlove**

Richard Arlove is the Chief Executive Officer of ABAX, a group providing integrated advisory, 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 and audit, mainly at PwC in Mauritius and the UK; and 10 years as General Manager with companies involved mainly in the marketing of global brands of consumer and electronic products. He is a Fellow member of the Association of Chartered Certified Accountants.

(v) **Pierre de Chasteigner du Mée**

Pierre de Chasteigner du Mée, A.C.E.A., Director and Secretary of Associated Brokers Ltd., is a Sworn Broker, a Stockbroker, on the Stock Exchange of Mauritius, a licensed Company Secretary and a fellow member of the Chartered Management Institute (England). He is a member of the National Pensions Board and National Pension Fund / National Savings Fund Investment Committee. He is also a Director of Investec Bank (Mauritius) Ltd.

CORPORATE GOVERNANCE REPORT

DIRECTORS' PROFILES (Cont'd)

(vi) Stéphane Henry

Stéphane Henry has been actively involved in the management of the portfolio of P.O.L.I.C.Y. Limited over the last twenty years. Stéphane has been the CEO of the IPRO Group since March 2005. The IPRO Group has over Rs. 8 billion of assets under management. He holds a Master II degree in Wealth Management (Gestion de Patrimoine) from the University of Clermont-Ferrand, France and a Master's degree from the Pau Business School, France. Mr Henry is a Director of IPRO Growth Fund Ltd and IPRO Funds Ltd (African Market Leaders Fund), which are listed on the Mauritius Stock Exchange and of India Fund Inc, which is listed on the New York Stock Exchange.

(vii) Danielle Lagesse S.A.

Danielle Lagesse S.A., qualified as Attorney at Law of the Supreme Court of Mauritius in 1980 and was appointed Senior Attorney for the Republic of Mauritius on 16 June 2010. Although she has now partly retired from active litigation, she still appears as Instructing Attorney to Q.C.s and Senior Counsels in Supreme Court cases involving important corporate issues. She is a great supporter of Alternate Dispute Resolution, mainly Mediation and Arbitration.

She is a founder member and Fellow of the MAURITIUS INSTITUTE OF DIRECTORS (MIoD) created in 2007 to promote training of Directors, good corporate governance, competence and transparency within companies. In fact she sat on its first elected Board during 5 years. She is also a Member of the Australian Institute of Directors.

(viii) Pierre Yves Pougnet

Pierre Yves Pougnet, an accountant by profession, is the Chairman of the Audit and Risk Committee of the Company. Mr Pougnet is a Director of Eclosia Group and also a Director on the Board of Livestock Feed Ltd, Les Moulins de la Concorde Ltée and Tropical Paradise Co. Ltd.

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

Georges André Robert, holder of an honors 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. 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.

CORPORATE GOVERNANCE REPORT

DIRECTORS' PROFILES (Cont'd)

(x) Marc Emmanuel Vives

Marc Emmanuel Vives has joined CIEL Finance as CEO in September 2014, bringing with him more than 25 years of experience at Société Générale. After initial steps within the General Inspection of the Group, he spent the next 18 years of his career in various assignments in emerging countries, first in Argentina as Commercial Director, then Chairman & CEO of Société Générale Argentina, later in Russia, as CEO of Bank Société Générale Vostok, before becoming First Deputy Chairman of Rosbank, finally in India as Country manager. Marc Emmanuel holds a Master's degree in Business Administration from HEC Business School France, as well as a degree in History from Sorbonne University in Paris.

The directorship of the Directors of P.O.L.I.C.Y. Limited in other listed companies as at 31 December 2016 is 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
Donald Ah Chuen, G.O.S.K.	ABC Motors Co. Ltd and ABC Banking Corporation Limited
Sydney Ah Yoong	ABC Banking Corporation Limited
Richard Arlove	Triangle Real Estate India Fund LLC
Pierre de Chasteigner du Mée	None
Stéphane Henry	IPRO Growth Funds Ltd and IPRO Funds Ltd
Danielle Lagesse, S.A.	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
Marc Emmanuel Vives	IPRO Growth Fund Limited

CORPORATE GOVERNANCE REPORT

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 COMMITTEES

The functions and mandate of the Corporate Governance, Nomination and Remuneration Committees 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, Nomination and Remuneration Committees is composed of the following members:

- **Vincent Ah Chuen – Chairperson**
- **Donald Ah Chuen, G.O.S.K.**
- **Pierre de Chasteigner du Mée**
- **Danielle Lagesse, 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 February 2016 to review the Corporate Governance Report for the year 2015 before due recommendation to the Board. It also met as Remuneration Committee in February 2016 to consider and recommend 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;

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD OF DIRECTORS (Cont'd)

CORPORATE GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEES (Cont'd)

- 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 cannot 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:

- **Pierre de Chasteigner du Mée – Chairperson**
- **Vincent Ah Chuen**
- **Sydney Ah Yoong**
- **Marc Emmanuel Vives**

The Committee met five times during the year 2016, 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.

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD OF DIRECTORS (Cont'd)

INVESTMENT COMMITTEE (Cont'd)

- 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 Yves Pougnet - Chairperson**
- **Donald Ah Chuen, G.O.S.K.**
- **Sydney Ah Yoong**
- **Me Georges André Robert, G.O.S.K., O.B.E., S.A.**

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD OF DIRECTORS (Cont'd)

AUDIT AND RISK COMMITTEE (Cont'd)

The Audit & Risk Committee met four times in 2016. During the year 2016, the Committee mainly reviewed the Annual Report and Financial Statements for the year ended 31 December 2015, the Interim condensed financial statements for the quarters ended 31 March, 30 June and 30 September 2016, 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.

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD OF DIRECTORS (Cont'd)

AUDIT AND RISK COMMITTEE (Cont'd)

(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 and Risk 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 and Risk Committee at the Registered Office of the Company.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT

The Company, being an investment company and having no employee, is not exposed directly to 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.

CORPORATE GOVERNANCE REPORT

DIRECTORS' EMOLUMENTS

Total emoluments and other benefits paid by the Company to the Directors in 2016 amounted to Rs 1,295,000. The 2016 payments were made as follows:

	Rs
Mr. Vincent Ah Chuen	185,000
Prof. Donald Ah Chuen G.O.S.K.	150,000
Mr. Sydney Ah Yoong	150,000
Mr. Richard Arlove	85,000
Mr. Pierre de Chasteigner du Mée	155,000
Mr. Stéphane Henry	85,000
Mrs. Danielle Lagesse S.A.	115,000
Mr. Pierre Yves Pougnet	135,000
Me. Georges André Robert, G.O.S.K., O.B.E., S.A.	120,000
Mr. Marc Emmanuel Vives	115,000

REMUNERATION OF BOARD AND COMMITTEE MEMBERS

Annual Remuneration as at 31 December 2016 is as follows:-

(a) Board Meeting

- Chairperson – Rs 115,000
- Director – Rs 85,000

(b) Audit and Risk Committee

- Chairperson – Rs 50,000
- Committee member – Rs 35,000

(c) Corporate Governance, Nomination and Remuneration Committees

- Chairperson – Rs 40,000
- Committee member – Rs 30,000

(d) Investment Committee

- Chairperson – Rs 40,000
- Committee member – Rs 30,000

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.

CORPORATE GOVERNANCE REPORT

DIRECTORS DEALING IN COMPANY'S SHARES

With regard 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 2016, as follows:

Name of Director	No. of shares traded in 2016	
	Bought	Sold
Mr. Vincent Ah Chuen	-	-
Prof. Donald Ah Chuen, G.O.S.K.	-	-
Mr. Sydney Ah Yoong	460,000	-
Mr. Richard Arlove	-	-
Mr. Pierre de Chasteigner du Mée	-	-
Mr. Stéphane Henry	-	-
Mrs. Danielle Lagesse, S.A.	-	-
Mr. Pierre Yves Pougnet	-	-
Me. Georges André Robert, G.O.S.K., O.B.E., S.A.	-	-
Mr. Marc Emmanuel Vives	-	-

DIRECTORS' SHARE INTEREST

The Directors' direct and indirect interests in the shares of the Company in 2016 are as follows:

Name of Director	No. of shares – 31 December 2016	
	Direct	Indirect
Mr. Vincent Ah Chuen	1,091,158	54,907,684
Prof. Donald Ah Chuen, G.O.S.K.	26,421	54,043,351
Mr. Sydney Ah Yoong	460,000	-
Mr. Richard Arlove	168,237	-
Mr. Pierre de Chasteigner du Mée	-	480,133
Mr. Stéphane Henry	-	-
Mrs. Danielle Lagesse, S.A.	-	-
Mr. Pierre Yves Pougnet	639,933	-
Me. Georges André Robert, G.O.S.K., O.B.E., S.A.	2,399,777	396,226
Mr. Marc Emmanuel Vives	-	-

(Beneficial interest only; no non-beneficial interest)

CONTRACTS WITH EXECUTIVE DIRECTOR

The Company has no contract with its Executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD APPRAISAL

Once a year, the Directors are assessed both individually and collectively as a Board.

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

There were no Material Clauses.

RELATED PARTY TRANSACTIONS

During the year under review, Richard Arlove (Director of ABAX) and Stephane Henry (Director of IPRO) are deemed to have had related party transactions with the Company.

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

DATA ANALYSIS ON SHAREHOLDINGS AS AT 31 DECEMBER 2016

Size of Shareholding	Number of Shareholders	Number of shares owned	Percentage Shareholding
1 – 5,000 shares	1,131	1,550,844	0.683
5,001 – 10,000 shares	245	1,809,239	0.797
10,001 – 50,000 shares	498	12,335,437	5.434
50,001 – 100,000 shares	132	9,411,677	4.146
100,001 – 250,000 shares	145	23,123,920	10.187
250,001 – 500,000 shares	58	21,104,507	9.298
500,001 – 15,000,000 shares	64	89,587,171	39.468
15,000,001 – 50,000,000 share	4	68,063,877	29.986
Total	2,277	226,986,672	100.000

CORPORATE GOVERNANCE REPORT

DATA ANALYSIS ON SHAREHOLDINGS AS AT 31 DECEMBER 2016 (Cont'd)

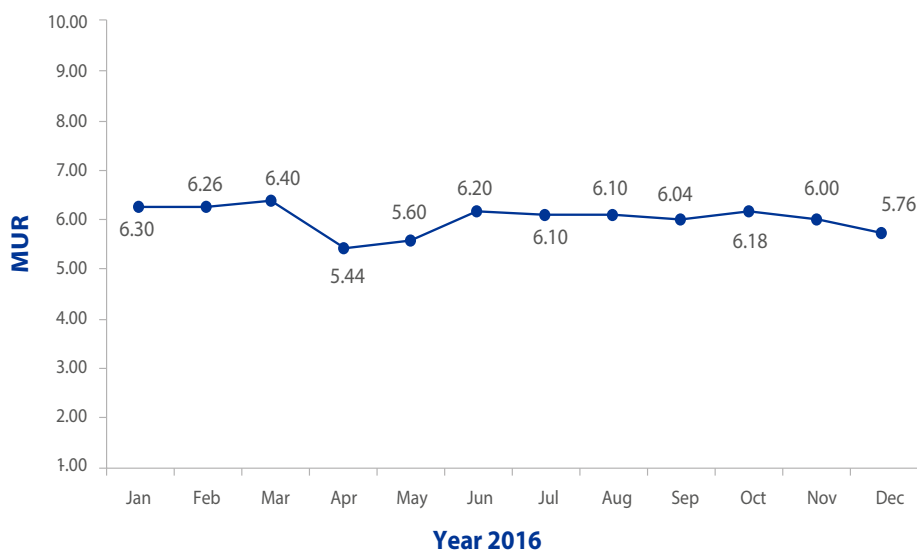
Shareholder Category	Number of Shareholders	Number of shares owned	Percentage Shareholding
Individuals	2,134	149,691,538	65.947
Insurance & Assurance Cos	6	823,539	0.363
Pension & Provident Funds	13	5,800,131	2.555
Investment & Trust Cos	20	18,033,158	7.945
Other Corporate Bodies	103	52,588,305	23.168
Plc Groups	1	50,001	0.002
Total	2,277	226,986,672	100.000

SUBSTANTIAL SHAREHOLDERS

Shareholders holding directly at least 5% of the Company's shares as at 31 December 2016 were as follows:

- Mr Pierre Joseph Emile Latour-Adrien – 8.65%
- Jemlac Investment Ltd – 7.40%
- ABC Motors Co Ltd – 7.28%
- Mr Chien Si Pui – 6.64%
- Devlin Investments Ltd – 6.01%

SHARE PRICE INFORMATION



CORPORATE GOVERNANCE REPORT

AUDITORS' FEES

	THE COMPANY	
	2016 Rs'000	2015 Rs'000
Audit fees for the year		
- BDO & Co	216	207
Fees for other services provided for the year:		
- Review of quarterly condensed accounts and other non-attested work	89	86
Total	305	293

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

	2016		2015	
	Dividends per share Rs	Total dividends paid Rs	Dividends per share Rs	Total dividends paid Rs
Interim (May)	0.15	34,048,001	0.15	34,048,001
Final (November)	0.20	45,397,334	0.20	45,397,334
TOTAL	0.35	79,445,335	0.35	79,445,335

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.

CORPORATE GOVERNANCE REPORT

DONATIONS

During the year, the Company had made the following charitable donations totalling Rs 200,000 under its Corporate Social Responsibility programme (2015: Rs 150,000):

- Foyer Vivre Debout – Rs 100,000
- PILS – Rs 30,000
- Link to Life – Rs 35,000
- Centre de Solidarité – Rs 35,000

No political donations were made during the year.

IMPORTANT EVENTS

The Calendar for the year ending 31 December 2017 is as follows:

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

MANAGER'S REPORT

MARKET OVERVIEW

Statistics Mauritius reviewed the 2016 growth rate downwards several times over the last twelve months; from 3.9% in June, to 3.7% in September, and finally to 3.6% in December. This was mainly due to a reduced growth in the manufacturing sector which was partially linked to the Brexit and pound weakness, as well as a subdued growth in the agriculture sector. Tourist arrivals surpassed Statistics Mauritius' December forecast of 1.265 million to reach a remarkable 1.275 million for the year 2016 (+10.8%). Tourism and financial services remained the thriving sectors of the Mauritian economy, while construction was again weighing on growth, as no major projects in both the public and the private sector went ahead during the year.

Turnover on the Official Market in 2016 was Rs. 13.64 billion, compared to Rs. 17.98 billion in 2015, thus witnessing a decline of 24%. A highlight in 2016 was the amalgamation of IBL into GML, with the latter being listed on the Official Market on 14 July 2016 under the name of IBL Ltd. The stock closed at Rs. 28.00 on its first day of trading, and rose by 10.0% during 2016 on rather subdued turnover. It now represents the 2nd largest capitalization on the Official Market, with a weight of 10%. MCB Group (price performance +3.2%), New Mauritius Hotels (price performance +8.3%) and Alteo (price performance -8.0%) represented altogether 57.2% of total turnover on the Official Market. The DEM finished the year with a total turnover of Rs. 1.78 billion, mainly geared towards ABC Banking (price performance +52.8%) and Ciel Textile (price performance +7.6%).

For both segments of the Stock Exchange of Mauritius (SEM), total turnover amounted to Rs. 15.4 billion, with foreign participation for the year at 31.6% of total transaction. Foreign investors were again net sellers of Rs. 1.2 billion, particularly of SBM Holding; but were net buyers of Rs. 91.5 million of ABC Banking.

The SEMTRI posted positive performance of +3.3%, while SEMDEX and SEM-10 posted negative performance -0.1% and -0.4% respectively.

	1Q16	2Q16	3Q16	4Q16	2016
SEMTRI	-0.3%	-1.9%	5.5%	0.1%	3.3%
SEMDEX	-0.8%	-2.5%	4.4%	-1.2%	-0.1%
SEM-10	-0.5%	-2.1%	3.9%	-1.6%	-0.4%

The performance per sector in 2016 was as follows:

Sector	Performance
Banks, Insurance & Finance	2.8%
Commerce	-3.5%
Industry	13.0%
Investments	-1.0%
Leisure & Hotels	11.7%
Property Development	-28.3%
Sugar	-10.8%
Transport	28.2%
Foreign	0.0%

MANAGER'S REPORT

NET ASSET VALUE

POLICY's Net Asset Value ("NAV") increased from Rs. 5.34 as at 31 December 2015 to Rs. 5.38 as at 31 December 2016. Adjusted for the cash dividends paid to Shareholders of Re. 0.35, POLICY's performance over the period was 7.3%. POLICY's NAV out-performed the local indices in 2016.

TOTAL PORTFOLIO

The value of the total portfolio stood at Rs. 1,221 million as at 31 December 2016, compared to Rs. 1,211 million as at 31 December 2015, representing an increase of 0.8%. Rs. 79 million of dividends were paid to Shareholders in 2016.

PORTFOLIO COMPOSITION AS AT 31 DECEMBER 2016

Investments listed on the Official Market of the Stock Exchange of Mauritius represented 77.0% of the total portfolio as at 31 December 2016.

	31 December 2016		31 December 2015	
	Rs. in million	% of total portfolio	Rs. in million	% of total portfolio
SEM shares	940	77.0%	1046	86.3%
DEM shares	150	12.3%	85	7.0%
Unquoted shares	23	1.9%	17	1.4%
Investment in subsidiary - UPIC*	-	-	13	1.1%
International Investments	62	5.1%	75	6.2%
Liquidity	46	3.7%	(25)	-2.0%
	1,221	100.0%	1,211	100.0%

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

MANAGER'S REPORT

PORTFOLIO SECTOR ALLOCATION AS AT 31 DECEMBER 2016

Banks, Insurance & Other Finance represented 58.5% of the total portfolio as at 31 December 2016, compared to 59.3% as at 31 December 2015.

Sector	31 December 2016		31 December 2015	
	% of total portfolio	SEMDEX allocation	% of total portfolio	SEMDEX allocation
Banks, Insurance & Other Finance	58.5%	39.8%	59.3%	43.4%
Investments	10.6%	26.8%	17.0%	28.1%
Leisure & Hotels	9.5%	11.4%	8.0%	11.3%
Industry	10.1%	6.6%	9.8%	6.6%
Property Development	0.2%	0.5%	0.3%	0.8%
Sugar	0.0%	1.9%	0.0%	2.3%
Transport	0.2%	0.7%	0.0%	0.6%
Commerce	0.2%	12.2%	0.0%	6.8%
Foreign	5.1%	0.1%	6.2%	0.1%
Unquoted	1.9%	0.0%	1.4%	0.0%
Liquidity	3.7%	0.0%	-2.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

TOP 10 HOLDINGS

POLICY's top 10 holdings represented 79.0% of the total portfolio as at 31 December 2016 compared to 84.8% as at 31 December 2015.

MCB Group Limited remained POLICY's top holding, with 44.4% of the portfolio allocated to shares of the bank as at 31 December 2016.

Holdings	2016 % of NAV	Holdings	2015 % of NAV
MCB Group Limited	44.4%	MCB Group Limited	51.5%
ABC Banking Corporation Limited	7.4%	Alteo Ltd	6.4%
Lux* Island Resorts Ltd	6.6%	Lux* Island Resorts Ltd	5.9%
Phoenix Beverages Ltd	4.7%	Phoenix Beverages Ltd	4.4%
Terra Mauricia Ltd	3.4%	Ciel Textile Ltd	4.0%
Alteo Ltd	3.1%	Terra Mauricia Ltd	3.7%
Ciel Textile Ltd	3.0%	Mauritian Eagle Insurance Co. Ltd	2.5%
Mauritian Eagle Insurance Co. Ltd	2.3%	Swan Insurance Co. Ltd	2.5%
Ciel Ltd	2.1%	Ciel Ltd	2.2%
United Basalt Products Ltd	2.0%	The Mauritius Union Assurance Co. Limited	1.7%
Total	79.0%	Total	84.8%

MANAGER'S REPORT

MAIN INVESTMENT TRANSACTIONS FOR 2016

During the financial year 2016, Rs. 174 million of investments were disposed of, while Rs. 58 million of new investments were made. With total dividends of Rs. 79 million paid during the year, the company avails of a liquidity buffer for reinvestment.

The main addition in 2016 was ABC Banking Corporation Ltd, where a total of Rs. 56 million was invested. ABC Banking is the latest entrant in the local banking market and, with the raise of additional equity capital, the bank will be in a position to grow the loan book and net interest income substantially.

Main disposals were MCB Group (Rs. 100 million) and Alteo (Rs. 31 million), followed by Ciel Textile (Rs. 14 million). The purchase of ABC Banking was financed through a sale of MCB, to keep the sector allocation constant. MCB Group remains the core holding of POLICY with an appreciable fundamental performance. The position in Alteo was reduced by roughly 50% during the year as local sugar operations weigh on total return to investors.

PERFORMANCE FIGURES AND RATIOS

	2012	2013	2014	2015	2016
Share price ¹	-23.2%	64.6%	5.3%	-8.7%	-6.0%
Net Asset Value ¹	-2.5%	23.3%	2.6%	3.5%	7.3%
Dividend in Re	0.37	0.40	0.40	0.35	0.35
Dividend Yield ²	7.7%	5.3%	5.3%	5.4%	6.1%
SEMTRI	-5.5%	24.4%	1.8%	-10.1%	3.3%
SEM-10 ³	-3.7%	19.7%	-4.4%	-10.2%	-0.4%
Market Dividend Yield ⁴	3.4%	2.8%	3.0%	3.7%	3.3%

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 SEM-10 replaced the SEM-7 as from Oct-14

⁴ Source: Stock Exchange of Mauritius Newsletter

OUTLOOK

2016 was a tale of two tales in the local equity market, with the SEMTRI witnessing a decline in the first half, then rising from its July lows to finish the year at +3.3%. A major catalyst of the rally in the second half of the year was the listing of the "new" IBL in July 2016. Overall, the SEMTRI earned exactly its dividend yield of 3.3%, which is indicative of the current challenges by many Mauritian companies to show accretive cash earnings, let alone earning their cost of capital.

This environment makes it increasingly difficult for investors to identify well-performing businesses in the country. As already alluded to in last years' annual report, Mauritian companies need to look for better opportunities outside of the island, above all on the African continent.

MANAGER'S REPORT

2017 might see an increase in fixed asset investments by both the public and the private sector (infrastructure for the former, smart cities for the latter). This will arguably give the construction sector some breathing space, though supply side bottlenecks such as labor force and high import cost will remain. The non-performing loan ratio in the banking sector has moved to a worrying level of 7.5% in 2016, and superior credit risk management is required by the executive teams to stay ahead of the curve. The hotel & leisure sector should continue to benefit from increasing seats and airlines flying to Mauritius. However, some of the listed companies in the sector are struggling with excessive leverage ratios, and any incremental cash flow will likely end up in the hands of the creditors for the time being.

In absence of any decent opportunities in Mauritius, the company will start to look abroad for more promising investments in the coming years.

SECRETARY'S CERTIFICATE


TO THE MEMBERS OF P.O.L.I.C.Y. LIMITED

UNDER SECTION 166 (d) OF THE MAURITIAN COMPANIES ACT 2001

We certify that, based on 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 2016, all such returns as are required of the Company under the Mauritius Companies Act 2001.

Dated 08 March 2017

KJELL EKSTROM
FOR
ABAX CORPORATE
ADMINISTRATORS LTD



COMPANY SECRETARY



FINANCIAL
STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of P.O.L.I.C.Y. Limited

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of P.O.L.I.C.Y. Limited (the "Company"), on pages 41 to 72 which comprise the statement of financial position as at December 31, 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 41 to 72 give a true and fair view of the financial position of the Company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of P.O.L.I.C.Y. Limited

KEY AUDIT MATTER

1. Impairment of Investments

The fall in value of Available-for-sale financial assets if prolonged may lead to impairment losses. This determination requires significant judgement. In making this judgement, the Company 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 near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Refer to note 13 of the accompanying financial statements.

AUDIT RESPONSE

Our audit procedures include the following:

- We reviewed the Company's assessment whether there is objective evidence that a financial asset is impaired.
- We identified the investments with declining market value and carried out Impairment tests. Impairment tests, include review of performance and factors affecting the investee company, ability to pay dividend and analysis of market price trend.

KEY AUDIT MATTER

2. Income Recognition

Dividend Income is recognised when the right to receive payment is established.

Refer to note 4 of the accompanying financial statements.

AUDIT RESPONSE

Our audit procedures to address the risk of material misstatement relating to revenue recognition include:

- We obtained an understanding of key controls management has in place to ensure that revenue is recognised in the appropriate period.
- We ensured proper revenue recognition by reviewing dividend declared for listed companies before and after financial year end.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of P.O.L.I.C.Y. Limited

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Chairperson's statement and Manager's Report, but does not include the financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of P.O.L.I.C.Y. Limited

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors. Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of P.O.L.I.C.Y. Limited

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

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

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the 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. Our responsibility is to report the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.



BDO & Co

Chartered Accountants



Ameenah Ramdin, FCCA, ACA

Licensed by FRC

Port Louis,
Mauritius.

Date
08 MAR 2017

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 Rs'000	2015 Rs'000
Revenue	4	45,349	40,031
Net gain on investments	5	88,184	19,341
		133,533	59,372
Administrative expenses	6	(9,311)	(9,482)
Impairment	13 (d)	(6,491)	(5,340)
Profit before finance (costs)/income		117,731	44,550
Finance (costs)/income	7	(872)	1,587
Profit before income tax		116,859	46,137
Income tax expense	8	(239)	(105)
Profit for the year		116,620	46,032
Other comprehensive income:			
<u>Items that may be subsequently reclassified to profit or loss</u>			
Available-for-sale financial assets	9	(28,073)	(3,414)
Other comprehensive income for the year		(28,073)	(3,414)
Total comprehensive income for the year		88,547	42,618
Earnings per share (Rs.)	10	0.51	0.20

The notes on pages 45 to 72 form an integral part of these financial statements.

Auditor's report on page 36 to 40

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 Rs'000	2015 Rs'000
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	12	14,655	10,201
Available-for-sale financial assets	13 (a)	1,161,437	1,226,521
		1,176,092	1,236,722
Current assets			
Current tax receivable	8	-	73
Trade and other receivables	14	2,068	1,870
Cash and cash equivalents	15	46,353	18,580
		48,421	20,523
Total assets		1,224,513	1,257,245
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	226,987	226,987
Share premium		5,217	5,217
Fair value reserve		528,513	556,586
Retained earnings		459,869	422,694
Total equity		1,220,586	1,211,484
Current liabilities			
Trade and other payables	17	3,856	3,599
Current tax payable	8	71	-
Bank overdraft	15	-	42,162
Total liabilities		3,927	45,761
Total equity and liabilities		1,224,513	1,257,245

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

Mr. Vincent Ah Chuen

Name of Director



Signature

Mr. Pierre Yves Pougnet

Name of Director



Signature

The notes on pages 45 to 72 form an integral part of these financial statements.

Auditor's report on page 36 to 40

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	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 2016		226,987	5,217	556,586	422,694	1,211,484
Profit for the year		-	-	-	116,620	116,620
Other comprehensive income for the year	9	-	-	(28,073)	-	(28,073)
Total comprehensive income for the year		-	-	(28,073)	116,620	88,547
Dividends	18	-	-	-	(79,445)	(79,445)
At 31 December 2016		226,987	5,217	528,513	459,869	1,220,586
At 01 January 2015		226,987	5,217	560,000	456,107	1,248,311
Profit for the year		-	-	-	46,032	46,032
Other comprehensive income for the year	9	-	-	(3,414)	-	(3,414)
Total comprehensive income for the year		-	-	(3,414)	46,032	42,618
Dividends	18	-	-	-	(79,445)	(79,445)
At 31 December 2015		226,987	5,217	556,586	422,694	1,211,484

The notes on pages 45 to 72 form an integral part of these financial statements.
Auditor's report on page 36 to 40

STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	2016	2015
Note	Rs'000	Rs'000
Cash flows from operating activities		
Profit before income tax	116,859	46,137
Adjustments for:		
Net gain on available-for-sale financial assets	(83,730)	(18,565)
Fair value changes in financial assets at fair value through profit or loss	(4,454)	(776)
Interest income	(294)	(311)
Interest expense	827	332
Foreign exchange gain	(39)	(1,898)
Impairment of available-for-sale financial assets	6,491	5,340
Dividend in specie	(2,036)	-
Operating profit before working capital changes	33,624	30,259
Changes in working capital:		
(Increase)/decrease in dividend receivable	(188)	1,092
(Increase)/decrease in trade and other receivables	(10)	91
Increase in trade and other payables	257	1,019
Cash generated from operations	33,683	32,461
Tax paid	(133)	(349)
Receipt of refund of income tax	38	-
Net cash generated from operating activities	33,588	32,112
Cash flows from investing activities		
Purchase of available-for-sale financial assets	(58,491)	(138,781)
Proceeds from disposal of available-for-sale financial assets	174,776	94,590
Interest received	294	405
Net cash generated from/(used in) investing activities	116,579	(43,786)
Cash flows from financing activities		
Dividends paid	(79,445)	(79,445)
Interest paid	(826)	(332)
Net cash used in financing activities	(80,271)	(79,777)
Increase/(decrease) in cash and cash equivalents	69,896	(91,451)
Cash and cash equivalents at 01 January	(23,582)	65,971
Exchange gain on cash and cash equivalents	39	1,898
Increase/(decrease) in cash and cash equivalents	69,896	(91,451)
Cash and cash equivalents at 31 December	46,353	(23,582)

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The notes on pages 45 to 72 form an integral part of these financial statements.

Auditor's report on page 36 to 40

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

1. GENERAL INFORMATION

The financial statements of the Company for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on **08 March 2017**. 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 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 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 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 that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. It also requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement 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. Foreign unquoted investments are valued by the Fund Manager; 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's 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. The local unquoted investments are valued based on their Net Assets Value ("NAV"), which is derived from the most recent audited financial statements. These investments represent only 2% of the Company's portfolio, therefore, the impact of any uncertainty that could result in the fair value of these local investments being different from the fair value that would have been used had a ready market for those assets existed is considered as not material.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Critical judgements in applying the Company's accounting policies

Impairment of available-for-sale equity investments

The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. Impairment exists when there is a significant and prolonged fall in the fair value of the available-for-sale securities. This determination requires significant judgement. In making this judgement, the Company 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 policies and disclosures

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

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 01 January 2016.

Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the financial statements of the Company. The nature and the impact of each new standard or amendment relevant to the Company are described below:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1 - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated - where this is relevant to an understanding of the entity's financial position or performance.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of other comprehensive income.

These amendments affect presentation only and do not have any impact on the financial position or performance of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in accounting policies and disclosures (Cont'd)

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

Annual improvements 2012-2014 Cycle

These improvements include:

(a) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

(b) IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These improvements affect presentation only and do not have any impact on the financial position or performance of the Company.

(ii) Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Company

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these applicable standards when they become effective. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 – Financial Instruments (effective for accounting periods beginning on or after 01 January 2018)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after 01 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in accounting policies and disclosures (Cont'd)

(ii) Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Company (Cont'd)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in accounting policies and disclosures (Cont'd)

(ii) Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Company (Cont'd)

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective for accounting periods beginning on or after 01 January 2017)

The amendments to IAS 7, 'Statement of Cash Flows', are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted. The amendments are intended to provide information to help investors better understand changes in a Company's debt. The Directors have not yet assessed the potential impact of the adoption of these amendments.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose vehicle) over which the Company has control. The Company controls an entity when the Company 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 Company. They are deconsolidated from the date that control ceases.

The investee company went into voluntary winding up effective 31 December 2015 and the investment in subsidiary was reclassified as available-for-sale investments. All the assets of the investee company were transferred to the Company in 2016 and therefore this investment has been fully derecognised from the Company's records.

(b) Financial assets

Classification

The Company 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 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 associates is held through an entity that is a venture capital organisation, or mutual funds, unit trusts, 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 investments

Available-for-sale financial investments include equity investments. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Financial assets (Cont'd)

Classification (Cont'd)

(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 Company's loans and receivables comprise of trade and other receivables and cash and cash equivalents in the statement of financial position.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company 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 Company 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 Company'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'.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Impairment of financial assets

(i) Financial assets carried at amortised cost

The Company 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 Company 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 Company 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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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 Company 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 Company is recognised as a separate asset or liability.

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

(k) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company 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 Company'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 Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Foreign Currency translation (Cont'd)

(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 Company 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 Company'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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Current and deferred income tax (Cont'd)

Deferred income tax assets on accumulated tax losses are recognised to the extent that it is probable that future taxable amount will be available against which the temporary differences and losses 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 taxes 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 Company's financial statements in the year in which the dividend are approved.

(o) Provisions

Provisions are recognised when the Company 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 Company 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.

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) Segmental reporting

An operating segment is a component of the Company 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 Company's other components. No segmental information was disclosed during the year since the investment in subsidiary has been derecognised. The Directors therefore consider that as at year end, the Company has no separate business or geographical segment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Company's activities expose it 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 Company's exposure to each of the said risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company'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 Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company 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 Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States 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 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.

	Effect on post-tax profits		Effect on equity	
	2016 Rs'000	2015 Rs'000	2016 Rs'000	2015 Rs'000
	+/-	+/-	+/-	+/-
USD	647	24	3,514	3,293
EUR	17	58	254	540

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

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 Company's financial assets and liabilities is summarised below:

As at 31 December 2016	MUR Rs'000	EUR Rs'000	USD Rs'000	TOTAL Rs'000
Financial assets:				
Available-for-sale financial assets	1,099,355	4,733	57,349	1,161,437
Financial assets at fair value through profit or loss	14,655	-	-	14,655
Trade and other receivables	1,918	-	-	1,918
Cash and cash equivalents	33,075	345	12,933	46,353
Total assets	1,149,003	5,078	70,282	1,224,363
Financial liabilities:				
Trade and other payables	3,856	-	-	3,856

As at 31 December 2015	MUR Rs'000	EUR Rs'000	USD Rs'000	TOTAL Rs'000
Financial assets:				
Available-for-sale financial assets	1,151,490	9,650	65,381	1,226,521
Financial assets at fair value through profit or loss	10,201	-	-	10,201
Trade and other receivables	1,730	-	-	1,730
Cash and cash equivalents	(25,216)	1,158	476	(23,582)
Total assets	1,138,205	10,808	65,857	1,214,870
Financial liabilities:				
Trade and other payables	3,599	-	-	3,599

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Financial risk factors (Cont'd)

Market risk (Cont'd)

(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 Company's income and operating cash flows are somewhat independent of changes in interest rates. The significant interest bearing financial assets held by the 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 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 Company's post-tax profits and equity would have been Rs. 154,000 lower/higher (2015: Rs. 153,000 lower/higher).

(iii) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified in the statement of financial position either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

A significant portion of the Company'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 on the Company's post-tax profits and equity for the year.

	Effect on post-tax profits		Effect on equity	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
	+/-	+/-	+/-	+/-
Impact	733	510	58,805	61,836

Post-tax profits for the year would increase/decrease as a result of gains/losses on equity securities designated as at fair value through profit or loss. Equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

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 Company 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 Company banks 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 Company 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 Company 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 statement of financial position, as the impact of discounting is not significant.

As at 31 December 2016	Less than 1 year Rs'000	1-5 years Rs'000	Total Rs'000
<i>Assets</i>			
Available-for-sale financial assets	-	1,161,437	1,161,437
Financial assets at fair value through profit or loss	14,655	-	14,655
Trade and other receivables	1,918	-	1,918
Cash and cash equivalents	46,353	-	46,353
Total	62,926	1,161,437	1,224,363
<i>Liabilities</i>			
Trade and other payables	3,856	-	3,856

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Financial risk factors (Cont'd)

Liquidity risk (Cont'd)

As at 31 December 2015	Less than 1 year Rs'000	1-5 years Rs'000	Total Rs'000
<i>Assets</i>			
Available-for-sale financial assets	-	1,226,521	1,226,521
Financial assets at fair value through profit or loss	10,201	-	10,201
Trade and other receivables	1,730	-	1,730
Cash and cash equivalents	(23,582)	-	(23,582)
Total	(11,651)	1,226,521	1,214,870
<i>Liabilities</i>			
Trade and other payables	3,599	-	3,599

(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 Company's assets that are measured at fair value as at 31 December 2016 on a recurring basis:

	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Assets				
Financial assets at fair value through profit or loss				
- Designated at fair value through profit or loss	-	-	14,655	14,655
Available-for-sale financial assets				
- Equity securities	1,110,752	-	50,685	1,161,437
Total assets measured at fair value	1,110,752	-	65,340	1,176,092

There has been no transfer between levels during the year under review (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Fair value estimation (Cont'd)

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Assets				
Financial assets at fair value through profit or loss				
- Designated at fair value through profit or loss	-	-	10,201	10,201
Available-for-sale financial assets				
- Equity securities	1,162,222	-	64,299	1,226,521
Total assets measured at fair value	<u>1,162,222</u>	<u>-</u>	<u>74,500</u>	<u>1,236,722</u>

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 Company is the current bid price. These instruments are included in level 1, comprise of listed investments and are classified as 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 post-tax profits and equity would be Rs. 733,000 and Rs. 2,534,000 respectively (2015: Rs. 510,000 and Rs. 3,215,000 respectively).

There has been no transfer between levels during the reporting period (2015: nil). The following table shows a reconciliation of the level 3 fair value measurements:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Fair value estimation (Cont'd)

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
	Rs'000	Rs'000	Rs'000
31 December 2016:			
Opening balance	64,299	10,201	74,500
Disposal at fair value	(96)	-	(96)
Adjustment	(9,246)	-	(9,246)
Total gains or losses:			
- in profit or loss	-	4,454	4,454
- in other comprehensive income	(4,272)	-	(4,272)
	50,685	14,655	65,340
31 December 2015:			
Opening balance	57,698	9,425	67,123
Purchases	7,211	-	7,211
Disposal at fair value	(12,701)	-	(12,701)
Reclassification from investment in subsidiary	13,532	-	13,532
Total gains or losses:			
- in profit or loss	-	776	776
- in other comprehensive income	(1,441)	-	(1,441)
	64,299	10,201	74,500

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company's strategy has remained unchanged from previous years.

The Company sets the amount of capital in proportion to risk. The Company 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 Company 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

31 December 2016	Available-for-sale Rs'000	Assets at fair value through profit or loss Rs'000	Loans and receivables Rs'000	Total Rs'000
Financial assets				
Available-for-sale financial assets	1,161,437	-	-	1,161,437
Financial assets at fair value through profit or loss	-	14,655	-	14,655
Trade and other receivables	-	-	1,918	1,918
Cash and cash equivalents	-	-	46,353	46,353
	1,161,437	14,655	48,271	1,224,363

	Other financial liabilities at amortised cost Rs'000	Total Rs'000
Financial liabilities		
Trade and other payables	3,856	3,856

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

3. FINANCIAL RISK MANAGEMENT (Cont'd)

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

31 December 2015	Available-for-sale Rs'000	Assets at fair value through profit or loss Rs'000	Loans and receivables Rs'000	Total Rs'000
Financial assets				
Available-for-sale financial assets	1,226,521	-	-	1,226,521
Financial assets at fair value through profit or loss	-	10,201	-	10,201
Trade and other receivables	-	-	1,730	1,730
Cash and cash equivalents	-	-	(23,582)	(23,582)
	<u>1,226,521</u>	<u>10,201</u>	<u>(21,852)</u>	<u>1,214,870</u>

	Other financial liabilities at amortised cost Rs'000	Total Rs'000
Financial liabilities		
Trade and other payables	<u>3,599</u>	<u>3,599</u>

4. REVENUE

	2016 Rs'000	2015 Rs'000
(a) Dividend income from available-for-sale financial assets		
Listed - SEM	35,040	33,858
Listed - DEM	8,805	3,543
Foreign	770	608
Unquoted - Local	298	884
	<u>44,913</u>	<u>38,893</u>
(b) Dividend income from financial assets at fair value through profit or loss		
Unquoted	-	582
(c) Other income	<u>436</u>	<u>556</u>
TOTAL	<u>45,349</u>	<u>40,031</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

5. NET GAIN ON INVESTMENTS

	2016	2015
	Rs'000	Rs'000
(a) Net gain on derecognition of available-for-sale financial assets		
Listed - SEM	79,242	11,118
Listed - DEM	5,030	4,084
Unquoted	684	-
Foreign	(1,226)	3,363
	83,730	18,565
(b) Changes in fair value of financial assets at fair value through profit or loss		
Unquoted	4,454	776
TOTAL	88,184	19,341

6. ADMINISTRATIVE EXPENSES

	2016	2015
	Rs'000	Rs'000
Management fees (Note (a)(i))	3,853	4,148
Administrator fees (Note (a)(ii))	1,990	2,062
Other administrative expenses	1,290	1,070
Directors' fees	1,231	1,321
Other professional fees	442	438
Auditors' remuneration	305	293
Corporate social responsibility	200	150
	9,311	9,482

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

(i) *Fund Manager*

There is a Management Agreement between the Company and 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

6. ADMINISTRATIVE EXPENSES (Cont'd)

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

(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.

7. FINANCE (COSTS)/INCOME

	2016	2015
	Rs'000	Rs'000
Net foreign exchange (loss)/gain	(45)	1,919
Interest expense	(827)	(332)
	(872)	1,587

8. INCOME TAX

The Company is 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.

The tax charge is made up as follows:

	2016	2015
	Rs'000	Rs'000
Current tax on profit for the year	133	105
Withholding tax on foreign dividend	70	-
Tax underprovided in previous year	36	-
Income tax expense	239	105

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

8. INCOME TAX (Cont'd)

A reconciliation between the opening and closing tax liability/(receivable) can be found below:

	2016 Rs'000	2015 Rs'000
At 01 January	(73)	171
Charge for the year	239	105
Receipt of tax refund	38	-
Paid during the year	(133)	(349)
At 31 December	71	(73)
Analysed as:		
Current tax payable/(receivable)	71	(73)

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

	2016 Rs'000	2015 Rs'000
Profit before taxation	116,859	46,137
Tax calculated at the rate of 15% (2015:15%)	17,529	6,921
Expenses not allowed for tax purposes	2,476	2,240
Income not subject to tax	(19,872)	(9,056)
Income tax expense	133	105

9. OTHER COMPREHENSIVE INCOME

	Movement in available- for-sale fair value reserve	
	2016 Rs'000	2015 Rs'000
Fair value changes on financial assets	48,259	14,385
Reclassification adjustment on:		
- Disposal of financial assets	(82,321)	(17,132)
- Impairment of financial assets	5,989	(667)
Other comprehensive income for the year	(28,073)	(3,414)

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

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.

	2016	2015
Profit for the year (Rs'000)	116,620	46,032
<i>Number of ordinary shares:</i>		
Shares in issue at start and end of the year	226,986,672	226,986,672
Basic earnings per share (Rs. per share)	0.51	0.20

11. INVESTMENT IN SUBSIDIARY

	2016	2015
	Rs'000	Rs'000
At 01 January	-	20,368
Fair value changes	-	(6,836)
Reclassified as available-for-sale	-	(13,532)
At 31 December	-	-

Details of the subsidiary are as follows :

Name of company	Country of incorporation and principal place of business	% ownership interest 2016 and 2015	Principal activity	Stated capital 2016 and 2015 Rs'000
UNION AND P.O.L.I.C.Y. INVESTMENT CO. LTD	Mauritius	100	Trading in financial assets	15,000

The Company has approved the voluntary winding up of UNION AND P.O.L.I.C.Y. INVESTMENT CO. LTD ("UPIC") effective 31 December 2015 and a liquidator has been appointed to distribute in specie or in kind, the whole or part of the assets of the investee company.

The investment was therefore reclassified as available-for-sale investment and UPIC is no longer accounted for as a subsidiary since 31 December 2015.

All documents have been lodged with the Director of Insolvency on 12 October 2016 and UPIC was dissolved on 17 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 Rs'000	2015 Rs'000
At 01 January	10,201	9,425
Fair value changes	4,454	776
At 31 December	14,655	10,201

The above represents investment in associates of the Company as at 31 December 2016, which, in the opinion of the Directors, are not material to the Company. The associates have share capital consisting solely of ordinary shares, which are held directly by the Company. These investment are measured at fair value.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a)	2016						2015
	Quoted			Unquoted			Total Rs'000
	SEM Rs'000	DEM Rs'000	Overseas Rs'000	Local Rs'000	Overseas Rs'000	Total Rs'000	
At 01 January	1,045,684	85,137	31,401	20,669	43,630	1,226,521	1,152,151
Additions	2,165	56,326	-	-	-	58,491	138,781
Disposals at fair value	(149,285)	(13,825)	(13,319)	-	(96)	(176,525)	(93,157)
Impairment (Note (d))	(502)	(14,411)	-	-	-	(14,913)	(6,007)
Adjustments (Note (c))	28,850	-	-	(9,244)	(2)	19,604	13,532
Fair value changes	13,551	37,247	1,733	(3,007)	(1,265)	48,259	21,221
At 31 December	940,463	150,474	19,815	8,418	42,267	1,161,437	1,226,521

- (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 made in 2016 pertain to derecognition of investments and dividend in specie received during the year.

Adjustment made in 2015 relates to investment in UNION AND P.O.L.I.C.Y. INVESTMENT CO. LTD which has been reclassified from investment in subsidiary to available-for-sale investment (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Cont'd)

(d) Provision for impairment

	2016	2015
	Rs'000	Rs'000
Reclassification adjustment on impairment of financial assets (Note 9)	5,989	(667)
Charge to profit or loss directly on impairment of financial assets	502	6,007
Total provision	6,491	5,340

The impairment arose on shares held in Bluelife Ltd (2015: Lottotech).

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

	2016	2015
	Rs'000	Rs'000
Quoted investments - SEM		
Banks & Insurance	623,821	717,897
Leisure & hotels	116,461	96,489
Investments	106,224	155,012
Industry	86,357	72,143
Commerce	2,762	-
Property Development	2,717	4,143
Transport	2,121	-
	940,463	1,045,684
Quoted investments - DEM		
Banks & Insurance	90,750	-
Others	36,895	48,069
Investments	22,829	37,068
	150,474	85,137
Overseas investments		
Quoted	19,815	31,401
Unquoted	42,267	43,630
	62,082	75,031
Unquoted local investments	8,418	20,669
TOTAL	1,161,437	1,226,521

Listed investments include 336,000 shares held in The Mauritius Commercial Bank Limited (Value Rs. 72,240,000) which have been pledged as security for a bank overdraft facility. Please refer to the manager's report for details on the top 10 holdings of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

14. TRADE AND OTHER RECEIVABLES

	2016 Rs'000	2015 Rs'000
Dividends receivable	1,918	1,730
Other receivables and prepayments	150	140
	2,068	1,870

15. CASH AND CASH EQUIVALENTS

	2016 Rs'000	2015 Rs'000
Cash at bank	33,074	16,946
Cash held with custodian	13,279	1,634
Cash and cash equivalents (excluding bank overdraft)	46,353	18,580
Bank overdraft	-	(42,162)

	2016 Rs'000	2015 Rs'000
Cash and cash equivalents include the following for the purposes of the statement of cash flows:		
Cash and cash equivalents	46,353	18,580
Bank overdraft	-	(42,162)
	46,353	(23,582)

16. SHARE CAPITAL

	2016 and 2015	
	No. of shares	Rs'000
Stated, issued and fully paid		
Ordinary shares at Rs.1 each		
At 01 January and 31 December	226,986,672	226,987

17. TRADE AND OTHER PAYABLES

	2016 Rs'000	2015 Rs'000
Amount due to related parties	2,099	1,986
Accruals and other payables	1,757	1,613
	3,856	3,599

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

18. DIVIDENDS

	Amount per share		Total	
	2016	2015	2016	2015
	Rs	Rs	Rs'000	Rs'000
Interim ordinary paid - 15% (2015 - 15%)	0.15	0.15	34,048	34,048
Final ordinary paid - 20% (2015 - 20%)	0.20	0.20	45,397	45,397
			79,445	79,445
Dividend per share	0.35	0.35		

19. RELATED PARTY DISCLOSURES

During the year ended 31 December 2016, the Company had transactions with related entities. The nature, volume of transactions and the balances outstanding at 31 December 2016 and 2015 are as follows:

	2016	2015
	Rs'000	Rs'000
<u>Volume of transaction</u>		
Management fees payable to the Fund Manager	3,853	4,148
Service fees paid to company in which a Director has a significant influence	1,990	2,062
Fees to Directors	1,231	1,321
<u>Balances with related parties</u>		
Management fees payable to the Fund Manager	650	328
Service fees payable to company in which a Director has a significant influence	335	588
Fees payable to Directors	1,114	1,070

The outstanding balances are unsecured, interest free, repayable on demand and recorded as part of "accruals and other payables".

20. PRESENTATION CURRENCY

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

21. THREE YEAR SUMMARY OF PUBLISHED RESULTS AND ASSETS AND LIABILITIES

Statement of comprehensive income	2016 Rs'000	2015 Rs'000	2014 Rs'000
Revenue	133,533	59,372	131,104
Profit before taxation	116,859	46,137	121,907
Taxation	(239)	(105)	(247)
Profit for the year	116,620	46,032	121,660
Dividend per share (Rs.):			
- Interim: Fully paid shares	0.15	0.15	0.15
- Final : Fully paid shares	0.20	0.20	0.25
Total dividend	0.35	0.35	0.40
Dividend per share (Rs.)	0.35	0.35	0.40
Earnings per share (Rs.)	0.51	0.20	0.54
Statement of financial position			
Non-current assets	1,176,092	1,236,722	1,161,576
Current assets	48,421	20,523	89,830
Total assets	1,224,513	1,257,245	1,251,406
Shareholders' interest	1,220,586	1,211,484	1,248,311
Current liabilities	3,927	45,761	3,095
Total equity and liabilities	1,224,513	1,257,245	1,251,406
Net assets per share (Rs.)	5.38	5.34	5.50
Number of shares in issue (000's)	226,987	226,987	226,987

No group information disclosed since the investment in subsidiary was derecognised on 31 December 2015.

SHAREHOLDERS' INFORMATION

- 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 13 April 2017 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.

PROXY FORM

I/We of
 being a member of P.O.L.I.C.Y. Limited hereby appoint
 of
 or failing him,
 of

as my/our proxy to vote for me/us on my/our behalf at the Annual Meeting of Shareholders of the Company to be held on Friday 12 May 2017 at 10h00 at the Registered Office of the Company, at c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1CyberCity, 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 2016.			
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. Pierre Yves Pougnet as Director			
6. To re-elect Me. Georges André Robert, G.O.S.K., O.B.E., S.A., as Director			
7. To re-elect Mr Stéphane Henry as Director			
8. To re-elect Mr Marc Emmanuel Vives as Director			
9. To re-elect Professor Donald Ah Chuen, G.O.S.K., as Director			
10. To re-elect Mr Sydney Ah Yoong as Director			
11. To re-elect Mrs Danielle Lagesse, S.A., as Director			
12. To fix the Directors' remuneration as recommended by the remuneration committee.			
13. To authorise the Directors to fix the remuneration of the auditors, BDO & Co.			

Signed this2017

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 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 11 May 2017 at latest.

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

6th Floor, Tower A, 1 Cybercity, Ebène
Republic of Mauritius

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