

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

L i m i t e d

2017

ANNUAL
REPORT



C O N T E N T S

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ANNUAL REPORT

Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of P.O.L.I.C.Y. Limited for the year ended 31 December 2017. This report has been approved by the Board on 6 March 2018.

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

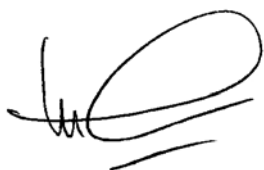
Date: 5th June 2018

Time: 10h00

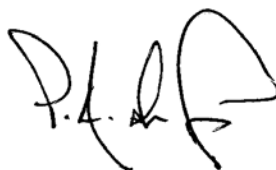
Place: c/o Abax Corporate Administrators Ltd
6th Floor, Tower A
1 CyberCity
Ebene

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

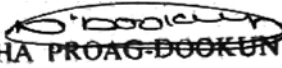
Notice is hereby given that the Annual Meeting of Shareholders of P.O.L.I.C.Y. Limited will be held at the Registered Office of the Company, at c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene on Tuesday 5 June 2018 at 10h00 to transact the following business in the manner 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 2017.
2. 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 2017.
3. To re-elect Mr. Vincent Ah Chuen, in accordance with Section 138(6) of the Companies Act 2001.
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, in accordance with Section 138(6) of the Companies Act 2001.
7. To re-elect Mr. Stéphane Henry, director retiring and eligible for re-election.
8. To re-elect Professor Donald Ah Chuen, G.O.S.K, in accordance with Section 138(6) of the Companies Act 2001.
9. To re-elect Mr. Sydney Ah Yoong, director retiring and eligible for re-election.
10. To re-elect Mrs. Danielle Lagesse, S.A., director retiring and eligible for re-election.
11. To elect Mr Ah-Lan Lam Yan Foon in accordance with Section 138(6) of the Companies Act 2001 as director of the Company, nominated by the Board on 6 March 2018 on the recommendation of the Nomination Committee.
12. To elect Mr Karl Braunecker as director of the Company, nominated by the Board on 6 March 2018 on the recommendation of the Nomination Committee.
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.

6 March 2018

BY ORDER OF THE BOARD


NISHA PRASAD DOOKUN
 FOR
ABAX CORPORATE
ADMINISTRATORS LTD

ABAX CORPORATE ADMINISTRATORS LTD
 COMPANY SECRETARY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Cont'd

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him, and that proxy need not also be a member.
2. Proxy forms are available with the 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 Monday 4 June 2018 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 9 May 2018.
5. The Annual Report for the year ended 31 December 2017 can be viewed at www.policylimited.mu or a copy can be requested by writing to the Company Secretary at c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene.
6. The minutes of the Annual Meeting held on 12 May 2017 are available for consultation by the shareholders during office hours at the registered office of the Company, 6th Floor, Tower A, 1 CyberCity, Ebene.
7. The minutes of the Annual Meeting to be held on 5 June 2018 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 19 June 2018.

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. *(Resigned on 15 February 2018)*

Mr. Marc Emmanuel Vives *(Resigned on 1 March 2018)*

Mr. Ah-Lan Lam Yan Foon *(Appointed on 6 March 2018)*

Mr. Karl Braunecker *(Appointed on 6 March 2018)*

COMMITTEES OF THE BOARD

Corporate Governance, Nomination and Remuneration Committees

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. *(Resigned on 15 February 2018)*

Mr. Ah-Lan Lam Yan Foon *(Appointed on 6 March 2018)*

Investment Committee

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

Mr. Vincent Ah Chuen

Mr. Sydney Ah Yoong

Mr. Marc Emmanuel Vives *(Resigned on 1 March 2018)*

Mr. Karl Braunecker *(Appointed on 6 March 2018)*

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

Investment Manager

IPRO Fund Management Ltd
3rd Floor, Ebene Skies
Rue de L'institut
Ebene

Auditors

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

Bankers

The Mauritius Commercial Bank Limited
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.

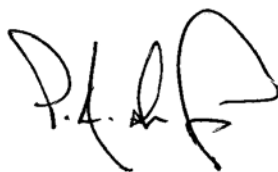
The Directors also confirm their responsibility for safeguarding the assets of the Company.

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,

I am pleased to present to you the 2017 Annual Report of P.O.L.I.C.Y. Limited.

2017 was a strong year for both global and local equities, despite the ongoing chatter about political risks on the local and international scenes. The MSCI All Country World Index rose by an impressive 17.0% in Mauritian Rupee terms during 2017, with China and Hong Kong leading from a geographical perspective and technology from a sectorial perspective. In Mauritius, the SEMTRI surged by 25.3%.

Shareholders of P.O.L.I.C.Y. Limited benefited from a total return of 31.1% over the year 2017. The share price of P.O.L.I.C.Y. Limited increased by 25.0%, from Rs. 5.76 to Rs. 7.20. The Company paid interim and final dividends of Re. 0.15 and Re. 0.20 respectively during the year under review.

In 2018, P.O.L.I.C.Y. Limited will continue to focus the local investment portfolio on the most promising opportunities. In parallel, it will continue to screen international markets for suitable investments which have the potential to generate attractive long-term returns. Valuations both locally and internationally can be considered as relatively expensive at this junction and caution will be exercised when selecting new investments.

I would like to thank you for your continued support. I express my gratitude to the Investment Manager, the Administrator and my fellow Directors for their dedication and contribution to the strong performance of the Company.

I take this opportunity to thank the two outgoing Directors, namely Me. Georges A. Robert G.O.S.K., O.B.E., S.A. and Mr. Marc-Emmanuel Vives. Me. Robert was a Director of the Company for thirty years, including several years as Chairman. His guidance and dedication have always been outstanding. Mr. Vives had joined the Board in 2015 and brought his expert advice over the last three years. Finally, I am pleased to welcome on the Board Mr. Ah-Lan Lam Yan Foon and Mr. Karl Braunecker.



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

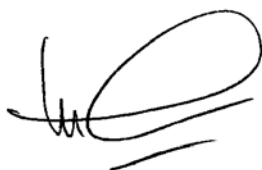
Reporting Period: 1 January to 31 December 2017

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.

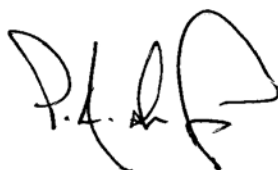
Reasons for non-compliance are as follows:

Sections 7.2 and 8.3.2	The Company has not adopted any Code of Ethics, 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. A board charter has been drafted and is in the process of being approved by the Board.
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SIGNED BY:



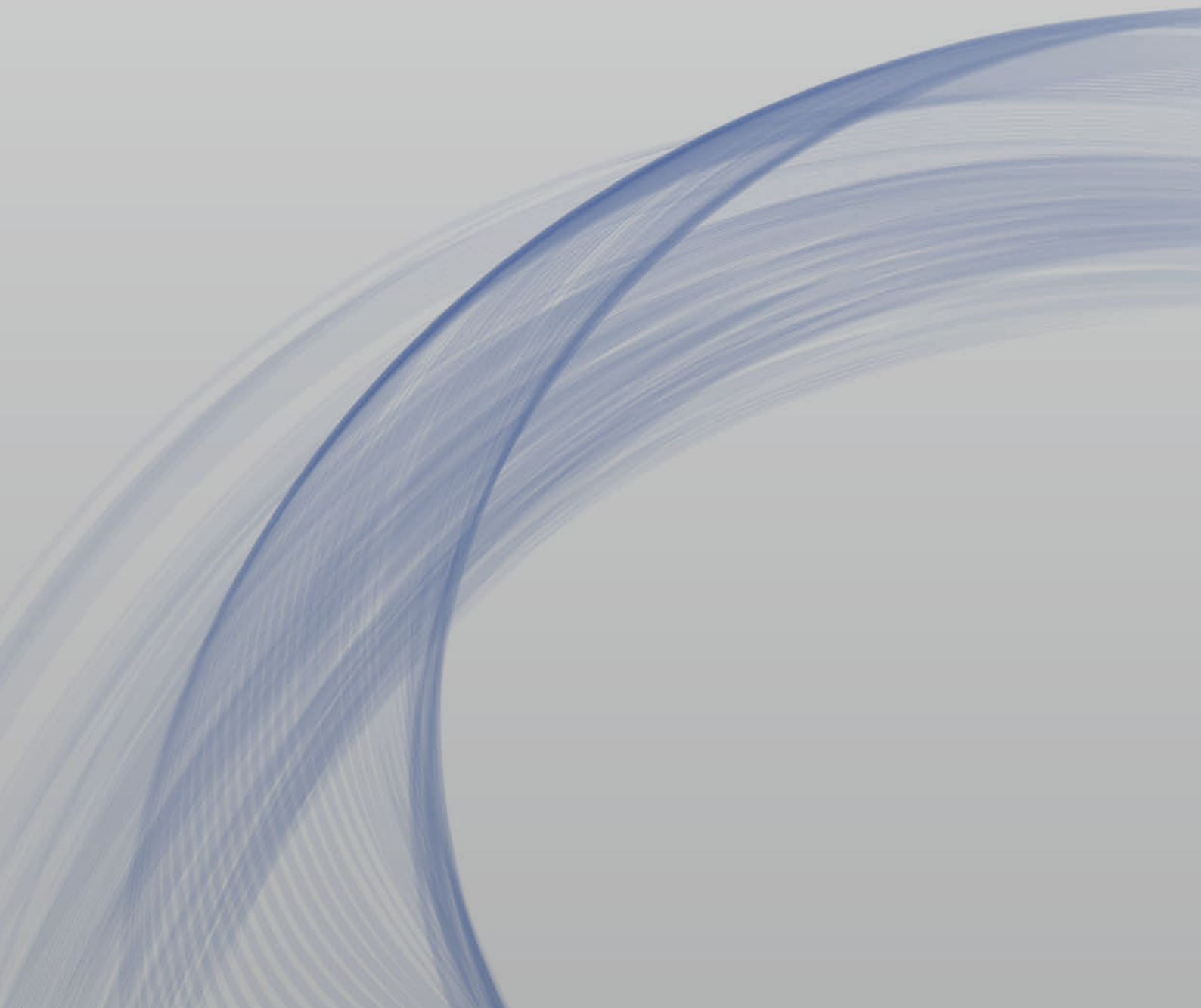
Mr. Vincent Ah Chuen
Chairperson



Mr. Pierre de Chasteigner du Mée
Vice Chairperson

Date: 6 March 2018

CORPORATE GOVERNANCE REPORT 2017



CORPORATE GOVERNANCE REPORT 2017

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 2004 (The "2004 Code").

A new code of corporate governance ('New Code') has been introduced in July 2017 and applicable for year-ends as from 30 June 2018. The board is putting in place the required framework to reflect the 8 principles of the New Code.

The Board adheres to the principle that knowledge and industry experience should not be sacrificed in favour of independence. As at 31 December 2017, the board is comprised of ten directors, amongst whom two are executive directors, two are independent directors and the remaining six are independent-minded non-executive directors.

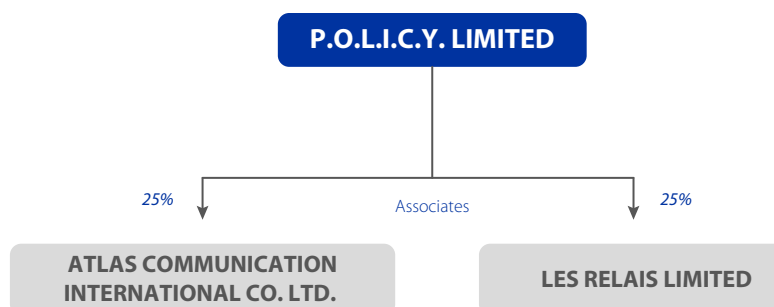
The directors disclose their interests at Board Meetings, as and when required for a specific transaction.

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, Investment 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 company, by formulating appropriate risk policies, corporate strategies, plans of action and performance objectives.

In accordance with the provisions of the 2004 Code, all directors stand for re-election at all Annual Meetings of Shareholders.

HOLDING STRUCTURE AND COMMON DIRECTORS



ASSOCIATE COMPANIES

- ATLAS COMMUNICATION INTERNATIONAL CO. LTD.
- LES RELAIS LIMITED

CORPORATE GOVERNANCE REPORT 2017

The Company owns 25% of Atlas Communication International Co. Ltd. and Les Relais Limited, two companies operating in the telecommunications sector, which are associates of the Company.

Mr Stéphane Henry has been appointed to represent the Company on the Board of Directors of the associate companies.

BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS HELD IN 2017

In 2017, the Board met four times. During that year, the Board approved, inter alia the Annual Report and Financial Statements for the year ended 31 December 2016, the interim condensed financial statements for the quarters ended 31 March, 30 June and 30 September 2017, 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	Board meeting (4)	Audit and Risk Committee (4)	Corporate Governance Committee (2)	Investment Committee (4)	Remuneration Committee (1)
Vincent Ah Chuen	4 out of 4	-	2 out of 2	4 out of 4	1 out of 1
Donald Ah Chuen	4 out of 4	4 out of 4	2 out of 2	-	1 out of 1
Sydney Ah Yoong	4 out of 4	4 out of 4	-	4 out of 4	-
Richard Arlove	3 out of 4	-	-	-	-
Pierre Arthur de Chasteigner du Mée	4 out of 4	-	2 out of 2	4 out of 4	1 out of 1
Stéphane Henry	4 out of 4	-	-	-	-
Danielle Lagesse	3 out of 4	-	2 out of 2	-	1 out of 1
Pierre Yves Pougnat	2 out of 4	4 out of 4	-	-	-
Georges André Robert, G.O.S.K., O.B.E., S.A.	4 out of 4	4 out of 4	-	-	-
Marc Emmanuel Vives	3 out of 4	-	-	3 out of 4	-

CORPORATE GOVERNANCE REPORT 2017

DIRECTORS' PROFILES

(i) **Vincent Ah Chuen**

Non-Executive Chairperson

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, Phoenix Transafrica Holdings Ltd and Chairman of Associated Brokers Ltd. He is a Director of ABC Motors Company Ltd. He is a member of MloD and Chinese Chamber of Commerce. He is also active in various social and cultural activities.

Mr Ah Chuen is a competent, skilled and knowledgeable person, capable of independent and impartial thinking.

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

Non-Executive Director

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 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**

Non-Executive Director

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**

Executive Director

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**

Non-Executive Director

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 2017

DIRECTORS' PROFILES (Cont'd)

(vi) **Stéphane Henry**

Executive Director

Stéphane Henry has been actively involved in the management of the portfolio of P.O.L.I.C.Y. Limited over the last twenty-three years. Stéphane has been the CEO of the IPRO Group since March 2005. The IPRO Group has over Rs.10 billion of assets under management and has two activities: portfolio management for private clients & pension funds and management of Collective Investment Schemes. These two activities are carried out both in Mauritius and in Botswana. Stéphane 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.

(vii) **Danielle Lagesse S.A.**

Independent Director

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 (MloD) created in 2007 to promote training of Directors, good corporate governance, competence and transparency within companies. She sat on its first elected Board of the MloD during 5 years. She is also a Member of the Australian Institute of Directors.

(Viii) **Pierre Yves Pougnet**

Non-Executive Director

Pierre Yves Pougnet, an accountant by profession, has been a Director of P.O.L.I.C.Y. Limited since 1981. He is presently the Chairman of the Audit and Risk Committee. He started his career with an audit firm. In 1975 he joined the Eclasia Group where he occupied executive functions, amongst which he was the managing director of Panagora Marketing and also managing director of Food and Allied Industries Ltd. He was the Vice Chairman of the Group when he retired in 2015.

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

Non-Executive Director

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.

Me Robert has submitted his resignation as director of the Company with effect from 15 February 2018.

CORPORATE GOVERNANCE REPORT 2017

DIRECTORS' PROFILES (Cont'd)

(x) **Marc Emmanuel Vives**

Independent Director

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.

Mr Vives has submitted his resignation as director of the Company with effect from 1 March 2018.

(xi) **Karl Braunecker**

Independent Director (Appointed on 6 March 2018)

Karl Braunecker, is the founder and Managing Director of Connections Tourism Management Ltd ('Connections'), which operates in Mauritius since 1996 as Destination Management Ltd and Inbound Tour Operator. Connections is the local partner of Expedia, one of the world's most important online travel companies. Mr Braunecker has more than 49 years of experience in the tourism industry in Mauritius and abroad.

(xii) **Ah-Lan Lam Yan Foon**

Non-Executive Director (Appointed on 6 March 2018)

Ah-Lan Lam Yan Foon is a fellow member of the Association of Chartered Certified Accountants. He has worked for about 10 years at Kemp Chatteris & Co, Chartered Accountants where he has acquired experience in various sectors of the economy. Over 24 years he worked for a leading freight forwarding and shipping company, Rogers Group, where he held the position of Finance & Administration Director and subsequently acted as Managing Director for 6 years up to his retirement. He provided, during the period 2000-2016, consultancy services in Auditing, General Financial Management and Quality Management Systems.

Mr Lam Yan Foon is a founder member of the ACCA (Mauritius Branch) and was its President in 1988. He was awarded the Certificate of Recognition for Dedication and Commitment to the service of ACCA in 2004.

He was the first elected President of the Mauritius Red Cross Society (2007-2010) at national level. He holds directorships in the following companies: ABC Motors Company Limited, ABC Autotech Ltd, Chue Wing & Company Limited, Expert Leasing Ltd and Oriental Foods Ltd.

CORPORATE GOVERNANCE REPORT 2017

DIRECTORS' PROFILES (Cont'd)

The directorship of the directors of P.O.L.I.C.Y. Limited in other listed companies as at 31 December 2017 is as follows:

Directors	Directorship in Listed Companies
Vincent Ah Chuen	The Mauritius Union Assurance Co. Ltd 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 Fund 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 Ltd

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 Corporate Governance, Nomination and Remuneration Committees is currently 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 2018 to review the Corporate Governance Report for the year 2017 before due recommendation to the Board. It also met as Remuneration Committee in February 2018 to consider and recommend the directors' fees as well as the fees of the members of the various committees.

CORPORATE GOVERNANCE REPORT 2017

COMMITTEES OF THE BOARD OF DIRECTORS (Cont'd)

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

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

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

- Ascertain whether potential new directors are fit and proper and are not disqualified from being directors. Prior to their appointment, their background is thoroughly investigated;
- Ensure that the potential new director is fully cognizant of what is expected from a director, in general, and from him or her in particular;
- Ensure that the right balance of skills, expertise and independence is maintained;
- Ensure that there is a clearly defined and transparent procedure for shareholders to recommend potential candidates;
- Ensure that potential candidates are free from material conflicts of interest and are not likely to simply act in the interests of a major shareholder, substantial creditor or significant supplier of the company. This is of particular importance when the candidate has been nominated by virtue of a shareholders' agreement, or such other agreement. In any case, candidates so nominated 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 Investment Committee is currently composed of the following members:

- **Pierre de Chasteigner du Mée – Chairperson**
- **Vincent Ah Chuen**
- **Sydney Ah Yoong**
- **Marc Emmanuel Vives** (*Resigned on 1 March 2018*)
- **Karl Braunecker** (*Appointed on 6 March 2018*)

The Committee met four times during the year 2017, 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 2017

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 Audit and Risk Committee is currently 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.** (*Resigned on 15 February 2018*)
- **Mr Ah-Lan Lam Yan Foon** (*Appointed on 6 March 2018*)

The Audit & Risk Committee met four times in 2017. During the year 2017, the Committee mainly reviewed the Annual Report and Financial Statements for the year ended 31 December 2016, the Interim condensed financial statements for the quarters ended 31 March, 30 June and 30 September 2017, the remuneration package of the auditors.

CORPORATE GOVERNANCE REPORT 2017

COMMITTEES OF THE BOARD OF DIRECTORS (Cont'd)

AUDIT AND RISK COMMITTEE (Cont'd)

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

(a) Financial Reporting

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

(b) External Audit

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

(c) Internal Audit

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

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

- The functioning of the internal control system of the Company's service providers;
- The functioning of the internal audit department of the Company's service providers;
- The risk areas of the Company's operations and of its service providers;
- The assessment and assurance of the quality of the risk management process;
- The reliability and accuracy of the financial information provided by Management to the Board and other users of financial information;
- The use of the services of the external and internal auditors;
- The accounting or auditing concerns identified as a result of the external audits;
- The Company's compliance with legal and regulatory requirements with regard to financial matters;
- The scope and results of the external audit and its cost effectiveness, as well as the independence and objectivity of the external auditors;
- The nature and extent of non-audit services provided by the external auditors, where applicable; and
- The financial information to be published by the Board.

The Audit 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 2017

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 2017

DIRECTORS' EMOLUMENTS

Total emoluments and other benefits paid by the Company to the directors in 2017 amounted to Rs 1,630,000. The 2017 payments were made as follows:

	Rs
Mr. Vincent Ah Chuen	230,000
Prof. Donald Ah Chuen G.O.S.K.	190,000
Mr. Sydney Ah Yoong	200,000
Mr. Richard Arlove	100,000
Mr. Pierre Arthur de Chasteigner du Mée	205,000
Mr. Stéphane Henry	100,000
Mrs. Danielle Lagesse S.A.	140,000
Mr. Pierre Yves Pougnet	165,000
Me. Georges André Robert, G.O.S.K., O.B.E., S.A.	150,000
Mr Marc Emmanuel Vives	150,000

REMUNERATION OF BOARD AND COMMITTEE MEMBERS

Annual Remuneration as at 31 December 2017 is as follows:

(a) Board Meeting

- Chairperson – Rs 130,000
- Director – Rs 100,000

(b) Audit and Risk Committee

- Chairperson – Rs 65,000
- Committee member – Rs 50,000

(c) Corporate Governance, Nomination and Remuneration Committees

- Chairperson – Rs 50,000
- Committee member – Rs 40,000

(d) Investment Committee

- Chairperson – Rs 65,000
- Committee member – Rs 50,000

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 2017

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 did not trade in the company's shares in the year 2017.

DIRECTORS' SHARE INTEREST

The directors' direct and indirect interests in the shares of the Company in 2017 are as follows:

Name of Director	No. of shares – 31 December 2017	
	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 Arthur 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.

BOARD APPRAISAL

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

SHAREHOLDERS' AGREEMENTS

The Company has no Shareholders' Agreement.

CORPORATE GOVERNANCE REPORT 2017

THIRD PARTY MANAGEMENT CONTRACTS

IPRO Fund Management Ltd, being the Company's Investment 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 2017

Size of Shareholding	Number of Shareholders	Number of shares owned	Percentage Shareholding
1 – 5,000 shares	1,162	1,598,768	0.704
5,001 – 10,000 shares	251	1,851,774	0.816
10,001 – 50,000 shares	490	12,047,491	5.308
50,001 – 100,000 shares	140	10,251,250	4.516
100,001 – 250,000 shares	141	21,749,554	9.582
250,001 – 500,000 shares	71	25,622,180	11.288
500,001 – 15,000,000 shares	60	99,578,332	43.870
15,000,001 – 50,000,000 shares	3	54,287,323	23.917
Total	2,318	226,986,672	100.000

Shareholder Category	Number of Shareholders	Number of shares owned	Percentage Shareholding
Individuals	2,172	147,720,702	65.079
Insurance & Assurance Cos	8	930,539	0.410
Pension & Provident Funds	15	6,184,864	2.725
Investment & Trust Cos	22	18,186,065	8.012
Other Corporate Bodies	100	53,914,501	23.752
Plc Groups	1	50,001	0.022
Total	2,318	226,986,672	100.000

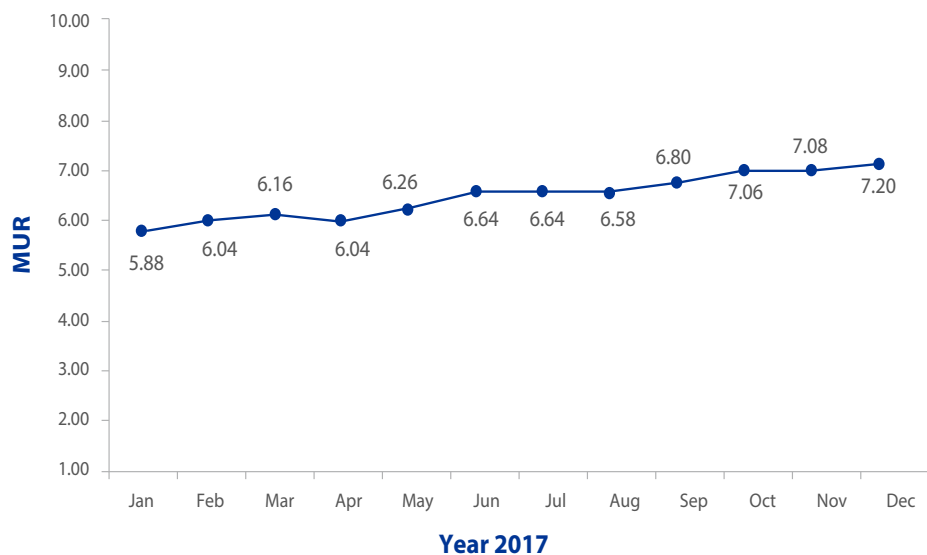
CORPORATE GOVERNANCE REPORT 2017

SUBSTANTIAL SHAREHOLDERS

Shareholders holding directly at least 5% of the Company's shares as at 31 December 2017 were as follows:

- Mr Pierre Joseph Emile Latour-Adrien – 9.0581%
- Jemlac Investment Ltd – 7.5790%
- ABC Motors Co Ltd – 7.2794%
- Devlin Investments Ltd – 6.3294%
- Mr Chien Si Pui – 6.2560%

SHARE PRICE INFORMATION



AUDITORS' FEES

Audit fees for the year	THE COMPANY	
	2017	2016
	Rs'000	Rs'000
- BDO & Co	228	216
Fees for other services provided for the year:		
- Review of quarterly condensed accounts and other non-attested work	92	89
Total	320	305

CORPORATE GOVERNANCE REPORT 2017

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

	2017		2016	
	Dividends per share	Total dividends paid	Dividends per share	Total dividends paid
	Rs	Rs	Rs	Rs
Interim (May)	0.15	34,048,001	0.15	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.

DONATIONS

During the year, the Company had made the following charitable donations totalling Rs 205,000 under its Corporate Social Responsibility programme (2016: Rs 200,000):

NGOs	Amount (Rs)
Foyer Vivre Debout	75,000
PILS	40,000
Link to Life	40,000
Centre de Solidarité	50,000
Total	205,000

No political donations were made during the year.

CORPORATE GOVERNANCE REPORT 2017

IMPORTANT EVENTS

The Calendar for the year ending 31 December 2018 is as follows:

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

MANAGER'S REPORT

MARKET OVERVIEW

The SEMDEX closed the calendar year at 2,204 points, representing a price increase of 21.8%. Inclusive of dividends, the return stood at 25.3% for the same period. Over 2017, the favourable global economic environment and declining interest rates in Mauritius underpinned the rally witnessed on the SEMDEX (Official Market). The appreciation of the Euro against the U.S. Dollar over the calendar year and strong performance of global equity markets provided additional tailwinds to the rally of Mauritian equities. Retail investors bid up share prices on the local market in hunt for dividends, as remuneration on savings deposits at local banks declined further.

In terms of market breadth, 25 stocks posted double-digit returns in 2017. Total return for 2017 of shares in MCB Group and IBL, the two largest companies by market capitalisation, was 31.3% and 50.5%, respectively. The notable underperformers over the year were shares of Omnicane (-8.7%), Terra (-6.5%) and Bluelife (-6.1%). We like to highlight that earnings growth and quality have remained mediocre for the SEMDEX constituents during 2017. Earnings need to increase strongly in 2018 to justify current valuations. As inflation rates in Mauritius have risen recently, further decreases in benchmark interest rates should not be expected.

Turnover on the Official Market in 2017 was Rs. 15.4 billion, up from Rs. 13.6 billion in 2016. Foreign investors were net sellers to the tune of Rs. 1.5 billion, compared to Rs. 1.3 billion of foreign net sales last year.

As for the Development & Enterprise Market (DEM), it returned 13.0% in 2017. Turnover on the DEM was Rs. 3.2 billion in 2017, as compared to Rs. 1.8 billion in 2016.

	1Q17	2Q17	3Q17	4Q17	2017
SEMTRI	7.0%	10.7%	5.9%	-0.1%	25.3%
SEMDEX	6.9%	9.8%	5.0%	-1.2%	21.8%
SEM-10	7.7%	11.0%	7.7%	-2.5%	22.3%

The sectoral breakdown of the Official Market performance, as classified by the Stock Exchange of Mauritius, was as follows in 2017:

Sector	Price Performance
Banks, Insurance & Finance	21.9%
Commerce	42.6%
Industry	18.0%
Investments	6.5%
Leisure & Hotels	27.1%
Property Development	0.0%
Sugar	-8.7%
Transport	10.6%
Foreign	-7.1%

NET ASSET VALUE

The Net Asset Value (NAV) per share of POLICY rose by Rs. 0.83 to Rs. 6.21 over the financial year 2017. Interim and final dividends of Rs. 0.15 and Rs. 0.20 respectively were paid to shareholders. The investment portfolio yielded a return of 21.9%, as measured by the increase in NAV and dividends distributed. The premium of the share price relative to NAV widened from 7.1% at the close of the previous financial year to 15.9% as at 31 December 2017. Total return for shareholders stood at 31.1% for the calendar year 2017.

MANAGER'S REPORT

PORTFOLIO COMPOSITION AS AT 31 DECEMBER 2017

Investments listed on the Official Market of the Stock Exchange of Mauritius represented 81% of the total portfolio as at 31 December 2017.

	31 December 2017		31 December 2016	
	Rs. in million	% of total portfolio	Rs. in million	% of total portfolio
SEM shares	1,133	80.5%	940	77.0%
DEM shares	163	11.5%	150	12.3%
Unquoted shares	24	1.7%	23	1.9%
International Investments	67	4.8%	62	5.1%
Liquidity	21	1.5%	46	3.7%
Total	1,408	100.0%	1,221	100.0%

PORTFOLIO SECTOR ALLOCATION AS AT 31 DECEMBER 2017

Banks, Insurance & Other Finance represented 62% of the total portfolio as at 31 December 2017, compared to 59% as at 31 December 2016.

Sector	31 December 2017		31 December 2016	
	% of total portfolio	SEMDEX allocation	% of total portfolio	SEMDEX allocation
Banks, Insurance & Other Finance	61.9%	39.4%	58.5%	39.8%
Investments	8.3%	24.5%	10.6%	26.8%
Leisure & Hotels	10.5%	12.6%	9.5%	11.4%
Industry	10.9%	6.8%	10.1%	6.6%
Property Development	0.0%	0.4%	0.2%	0.5%
Sugar	0.0%	1.4%	0.0%	1.9%
Transport	0.0%	0.5%	0.2%	0.7%
Commerce	0.4%	14.3%	0.2%	12.2%
Foreign	4.8%	0.1%	5.1%	0.1%
Unquoted	1.7%	0.0%	1.9%	0.0%
Liquidity	1.5%	0.0%	3.7%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

MANAGER'S REPORT

TOP 10 HOLDINGS

POLICY's top 10 holdings represented 82% of the total portfolio as at 31 December 2017 compared to 79% as at 31 December 2016. MCB Group Limited remained POLICY's top holding, with 49% of the portfolio allocated to shares of the lender as at 31 December 2017.

Holdings	2017 % of NAV
MCB Group Limited	48.9%
Lux*	7.2%
ABC Banking	6.2%
Phoenix Bev	5.4%
Ciel Textile Ltd	3.0%
Mauritian Eagle Insurance	2.4%
African Market Leaders Fund	2.3%
Sun	2.2%
Terra	2.2%
United Basalt Product	2.1%
Total	81.9%

MAIN INVESTMENT TRANSACTIONS FOR 2017

During the financial year 2017, Rs. 29 million of investments were disposed of whilst Rs.10 million of new investments were made. Dividend payments amounted to Rs. 79 million, identical to the previous year. The main addition to the portfolio was to the existing position in Lux*, with a further Rs. 6 million being invested into shares of the hotel operator. The main disposals were Terra (Rs. 10 million) and Alteo (Rs. 14 million). We will continue to focus on our highest convictions in 2018 and further rationalise the local equity portfolio accordingly.

PERFORMANCE FIGURES AND RATIOS

	2012	2013	2014	2015	2016	2017
Share price ¹	-23.2%	64.6%	5.3%	-8.7%	-6.0%	31.1%
Net Asset Value ¹	-2.5%	23.3%	2.6%	3.5%	7.3%	21.9%
Dividend in Re	0.37	0.40	0.40	0.35	0.35	0.35
Dividend Yield ²	7.7%	5.3%	5.3%	5.4%	6.1%	4.3%
SEMTRI	-5.5%	24.4%	1.8%	-10.1%	3.3%	25.3%
SEM-10 ³	-3.7%	19.7%	-4.4%	-10.2%	-0.4%	22.3%
Market Dividend Yield ⁴	3.4%	2.8%	3.0%	3.7%	3.3%	2.3%

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

MANAGER'S REPORT

OUTLOOK

Profitability and share price trends of listed banks in 2018 will predominantly depend on an increase in economic activity which could result in the long-awaited growth of higher-yielding assets, such as corporate loans. As for the hotel sector, investor sentiment continues to be positively impacted by continued growth in tourist arrivals. The tightening of occupancy rates across the sector should lead to higher room rates and profit margins in the coming months. Certain listed companies in the sector are still struggling with negative free cash flows, although moderate improvement should be witnessed going forward. The strong acceleration in economic activity in Europe remains crucial for the hotel sector, and further diversification towards Asia is required in 2018. The 30% decline in sugar price in 2017 will adversely impact the profitability of producers of the commodity in 2018. In addition, low sugar yields in Mauritius continue to weigh on the top-line of local sugar companies. At this junction, the main action taken by companies active in the sugar sector to counter the structural shifts in the industry has been a reinforcement of their property development activities. Several new property projects should see the light in 2018, which should become accretive to earnings in some cases.

At the same time, dark clouds are hanging over the manufacturing sector in Mauritius, particularly the textile industry. Exports of goods were 7.4% lower in 2017 compared to 2016 and would have even been down by 8.9% year-on-year if not for the strong pick-up in bunkering activities. Several small- and mid-sized textile businesses had to close shop during 2017 as their cost base became unsustainable. Even the market-leading textile business Floreal Knitwear announced a relocation of its Mauritian production to Madagascar on the back of competitive pressures. The deficit in the trade balance for 2017 reached Rs. 100 billion, an increase of 22.9% year-on-year. In 2018, Mauritius will be once more dependent on foreign investments - which are almost exclusively channelled into the property sector - to alleviate the balance of payments of the country.

A positive top-down element are the expected spillover effects of the long-awaited pick-up in public and private sector investments, which should provide an impetus to earnings of several listed companies during 2018. Moreover, the prevailing low interest rate environment locally and in the Euro area should provide continued support to the local equity market. Nonetheless, in the absence of decent earnings growth over 2018, the strong double-digit returns witnessed in 2017 across constituent members of the market are unlikely to be repeated.

At the international level, valuation levels in developed and large emerging markets are even more demanding compared to Mauritius. The MSCI All Country World Index posted a total return of 17.0% in Mauritian Rupee terms in 2017 while an investment into the iShares MSCI Emerging Markets ETF would have resulted in a total return of 28.9% once converted into Mauritian Rupees during the same period. Additions to the international allocation are planned during 2018, but in a measured way. The focus remains on the long-term sustainability and return potential of any investments. With valuations at record highs from the U.S. over Europe to China and Hong Kong, additions to the international portfolio will be made very selectively.

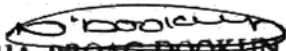
SECRETARY'S CERTIFICATE

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 the records and information made available to us by the Directors of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2017, all such returns as are required of the Company under the Mauritian Companies Act 2001.

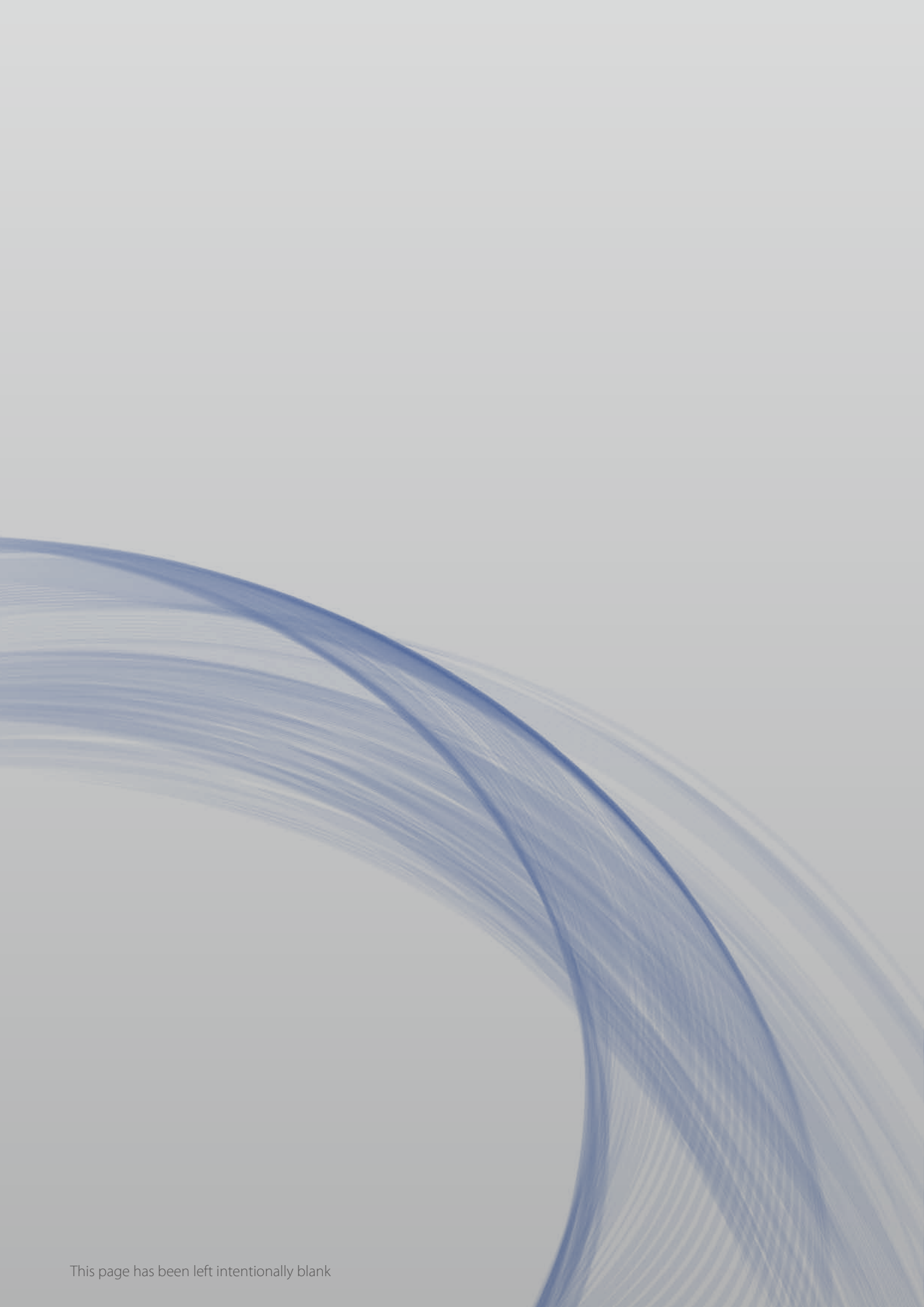
Dated 06 March 2018


NISHA PROAG-DOOKUN
FOR
ABAX CORPORATE
ADMINISTRATORS LTD

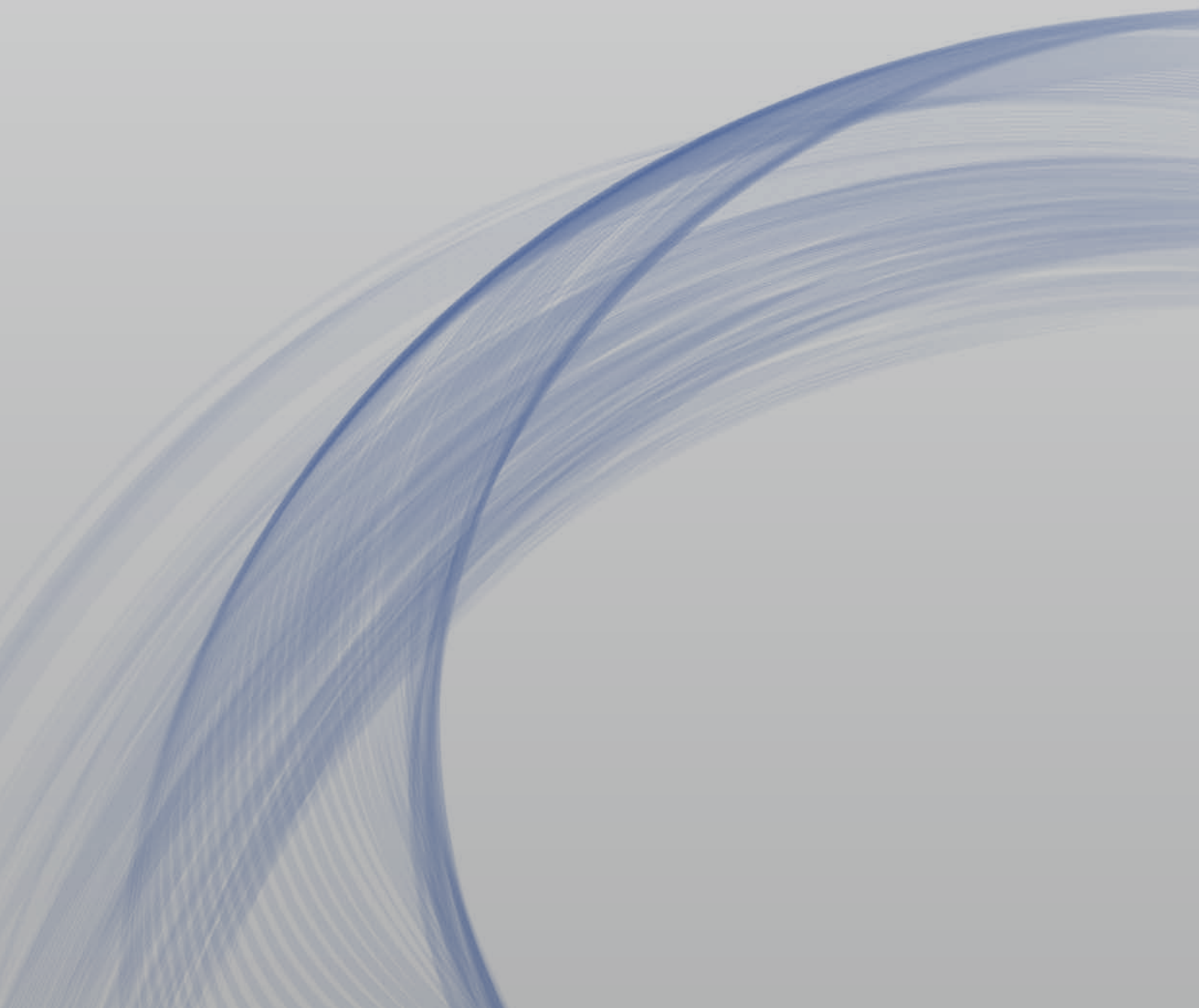
COMPANY SECRETARY

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 9 May 2018 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.
- The Annual Report for the year ended 31 December 2017 can be viewed at www.policylimited.mu or a copy can be requested by writing to the Company Secretary at c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene.



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 40 to 66 which comprise the statement of financial position as at December 31, 2017, and 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 40 to 66 give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 judgment, 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. Carrying value of investments

The Company holds investment in financial assets with a carrying amount of MUR 1,388M at reporting date. The significance of the investment in financial assets on the statement of financial position resulted in it being identified as a key audit matter. The Company has financial assets at fair value through profit or loss and through other comprehensive income. The fair value of listed financial assets is based on the Official Market and the DEM quoted prices at the end of reporting period. In assessing the fair value of unquoted financial assets, the Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Many of the inputs required can be obtained from readily available liquid market prices and rates. Where observable market data is not available, estimates were developed based on the most appropriate source data and are subject to significant judgement.

AUDIT RESPONSE

Our audit procedures include the following:

- We performed audit procedures over the valuation and accounting of investments in financial assets held by the Company.
- We tested the valuation at reporting date and ascertained that the valuation techniques used are appropriate and consistent with prior years.
- For unquoted financial assets, we tested that the valuation techniques adopted reflect the best appropriate for valuation of the investments. We checked the reasonableness of inputs to the valuation techniques used.
- We ensured that the carrying value of the investments is fairly stated.

Refer to notes 11 and 12 of the accompanying financial statements.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Report of the Directors and Other statutory disclosures, 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.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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
06 MAR 2018

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

			As restated
	Notes	2017 Rs'000	2016 Rs'000
Revenue	4	43,246	45,349
Net gain on investments	5	993	4,454
		44,239	49,803
Administrative expenses	6	(10,167)	(9,311)
Profit before finance costs		34,072	40,492
Finance costs	7	(1,135)	(872)
Profit before income tax		32,937	39,620
Income tax expense	8	(65)	(239)
Profit for the year		32,872	39,381
Other comprehensive income:			
<u>Items that will not be subsequently reclassified to profit or loss</u>			
Gain on investments classified as FVTOCI	9	235,164	49,166
Other comprehensive income for the year		235,164	49,166
Comprehensive income for the year		268,036	88,547
Earnings per share (Rs.)	10	0.14	0.17

The notes on pages 44 to 66 form an integral part of these financial statements.

Auditor's report on page 36 to 39

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		31 December 2017 Rs'000	As restated 31 December 2016 Rs'000	As restated 01 January 2016 Rs'000
Notes				
ASSETS				
Non-current assets				
Financial assets at fair value through profit or loss	11	15,648	14,655	10,201
Financial assets at fair value through other comprehensive income	12 (a)	1,372,131	1,161,437	1,226,521
		1,387,779	1,176,092	1,236,722
Current assets				
Current tax receivable	8	-	-	73
Trade and other receivables	13	1,542	2,068	1,870
Cash and cash equivalents	14	22,666	46,353	18,580
		24,208	48,421	20,523
Total assets		1,411,987	1,224,513	1,257,245
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	15	226,987	226,987	226,987
Share premium		5,217	5,217	5,217
Fair value reserve		747,450	516,682	551,246
Retained earnings		429,523	471,700	428,034
Total equity		1,409,177	1,220,586	1,211,484
Current liabilities				
Trade and other payables	16	2,803	3,856	3,599
Current tax payable	8	7	71	-
Bank overdraft		-	-	42,162
Total liabilities		2,810	3,927	45,761
Total equity and liabilities		1,411,987	1,224,513	1,257,245

These financial statements have been approved for issue by the Board of Directors on: 06 March 2018

Mr. Vincent Ah Chuen

Name of Director


Signature

Mr. Sydney Ah Yoong

Name of Director


Signature

The notes on pages 44 to 66 form an integral part of these financial statements.

Auditor's report on page 36 to 39

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	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 (as previously reported)		226,987	5,217	556,586	422,694	1,211,484
Effect of adoption of IFRS 9						
Impairment reclassified to OCI		-	-	(5,340)	5,340	-
At 01 January 2016 (as restated)		226,987	5,217	551,246	428,034	1,211,484
Profit for the year (as restated)		-	-	-	39,381	39,381
Other comprehensive income for the year (as restated)	9	-	-	(34,564)	83,730	49,166
Comprehensive income for the year (as restated)		-	-	(34,564)	123,111	88,547
Dividends	17	-	-	-	(79,445)	(79,445)
At 31 December 2016 (as restated)		226,987	5,217	516,682	471,700	1,220,586
Profit for the year		-	-	-	32,872	32,872
Other comprehensive income for the year	9	-	-	230,768	4,396	235,164
Comprehensive income for the year		-	-	230,768	37,268	268,036
Dividends	17	-	-	-	(79,445)	(79,445)
At 31 December 2017		226,987	5,217	747,450	429,523	1,409,177

The notes on pages 44 to 66 form an integral part of these financial statements.

Auditor's report on page 36 to 39

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Rs'000	As restated 2016 Rs'000
Cash flows from operating activities			
Profit before income tax		32,937	39,620
Adjustments for:			
Fair value changes in financial assets at FVTPL		(993)	(4,454)
Interest income		(227)	(294)
Interest expense		-	827
Foreign exchange loss/(gain)		1,135	(39)
Dividend in specie		-	(2,036)
Operating profit before working capital changes		32,852	33,624
Changes in working capital:			
Decrease/(increase) in dividends receivable		523	(188)
Decrease/(increase) in trade and other receivables		3	(10)
(Decrease)/increase in trade and other payables		(1,053)	257
Cash generated from operations		32,325	33,683
Tax paid		(129)	(133)
Receipt of refund of income tax		-	38
Net cash generated from operating activities		32,196	33,588
Cash flows from investing activities			
Purchase of financial assets at FVTOCI		(24,133)	(58,491)
Proceeds from disposal of financial assets at FVTOCI		48,603	174,776
Interest received		227	294
Net cash generated from investing activities		24,697	116,579
Cash flows from financing activities			
Dividends paid		(79,445)	(79,445)
Interest paid		-	(826)
Net cash used in financing activities		(79,445)	(80,271)
(Decrease)/increase in cash and cash equivalents		(22,552)	69,896
Cash and cash equivalents at 01 January		46,353	(23,582)
Exchange (loss)/gain on cash and cash equivalents		(1,135)	39
(Decrease)/increase in cash and cash equivalents		(22,552)	69,896
Cash and cash equivalents at 31 December	14	22,666	46,353

The notes on pages 44 to 66 form an integral part of these financial statements.
Auditor's report on page 36 to 39

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

The financial statements of the Company for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on **06 March 2018**. 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 basis, except for the fair valuation of financial assets at fair value through other comprehensive income ("FVTOCI") and financial assets at fair value through profit or loss ("FVTPL").

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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described below:

Critical accounting estimates and assumptions

Fair valuation of unquoted investments

Fair values of unquoted investments classified at fair value through other comprehensive income 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 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. Most of 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.

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 2017.

The nature and the impact of each new standard or amendment relevant to the Company are described below:

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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)

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

The amendments to International Accounting Standards ("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 (such as foreign exchange gains and losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments are intended to provide information to help investors better understand changes in a company's debt.

The Company does not have financial liabilities arising from financing activities.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective for accounting periods beginning on or after 01 January 2017)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses.

The application of these amendments had no impact on the Company's financial statements.

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

As explained in note 21, the Company has early adopted the following standard which was not yet effective on 01 January 2017:

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, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

There is no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

Changes in accounting policies and disclosures (Cont'd)

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

IFRIC 22 — Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 01 January 2018)

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. Earlier application is permitted.

IFRIC 23 — Uncertainty over Income Tax Treatments (effective from accounting periods beginning on or after 01 January 2018)

The interpretation clarifies the accounting for uncertainties in income taxes. It addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers whether tax treatments should be considered collectively, assumptions for taxation authorities' examinations, the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and the effect of changes in facts and circumstances. Full retrospective application is permitted.

Significant accounting policies

(a) Financial assets and financial liabilities

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 ("FVTOCI"), 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).

Financial assets at FVTOCI

Financial assets at FVTOCI comprise of equity securities which are not held for trading and for which the Company has made an irrevocable election at initial recognition to recognise the changes in fair value through OCI rather than profit or loss as these investments are held for long term capital appreciation and the Company considered this to be more relevant.

Financial assets at FVTPL

IAS 28 requires that the equity method be applied in accounting for investment in associates. However, when an investment in associate is held through an entity that is a venture capital organisation, or mutual 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

Significant accounting policies (Cont'd)

(a) Financial assets and financial liabilities (Cont'd)

Financial assets at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost include trade and other receivables (excluding prepayments) and cash and cash equivalents.

Initial and subsequent measurement of financial assets

At initial recognition, the Company measures a financial asset at its fair value, plus in the case of a financial asset not at FVTPL transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The Company subsequently measures all equity investments at fair value. When the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "revenue" when the Company's right to receive payment is established.

Changes in the fair value of financial assets at FVTPL are recognised in "net gain on investments" in profit or loss. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Debt instruments are subsequently measured at amortised cost using the effective interest ("EIR") method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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 FVTOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15 "Revenue from Contracts with Customers"; 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 ECL are always recognised.

Classification and measurement of financial liabilities

Financial liabilities comprise of trade and other payables and are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

Significant accounting policies (Cont'd)

(b) 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.

(c) 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, if any.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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 2017

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

Significant accounting policies (Cont'd)

(h) 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 at FVTOCI 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 costs".

(i) 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.

(j) Current income tax

The tax expense for the year comprises current 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 operates and generates 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.

(k) 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 dividends are approved.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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	
	2017 Rs'000	2016 Rs'000	2017 Rs'000	2016 Rs'000
	+/-	+/-	+/-	+/-
USD	856	647	3,964	3,514
EUR	12	17	276	254

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 FVTOCI.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial risk factors (Cont'd)

Market risk (Cont'd)

Currency profile

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

As at 31 December 2017	MUR Rs'000	EUR Rs'000	USD Rs'000	TOTAL Rs'000
Financial assets:				
Financial assets at FVTOCI	1,304,708	5,277	62,146	1,372,131
Financial assets at FVTPL	15,648	-	-	15,648
Trade and other receivables	1,395	-	-	1,395
Cash and cash equivalents	5,297	241	17,128	22,666
Total assets	1,327,048	5,518	79,274	1,411,840
Financial liabilities:				
Trade and other payables	2,803	-	-	2,803

As at 31 December 2016 (as restated)

Financial assets:				
Financial assets at FVTOCI	1,099,355	4,733	57,349	1,161,437
Financial assets at FVTPL	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

(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 not materially dependent 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial risk factors (Cont'd)

Market risk (Cont'd)

(ii) Cash flow interest rate risk (Cont'd)

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. 139,000** lower/higher (2016: Rs. 154,000 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 at FVTOCI or at FVTPL. 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 Investment Committee or Board.

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	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
	+/-	+/-	+/-	+/-
Impact	782	733	68,325	58,805

Post-tax profits for the year would increase/decrease as a result of gains/losses on equity securities classified as at FVTPL. Equity would increase/decrease as a result of gains/losses on equity securities classified as at FVTOCI.

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 and other receivables, including dividend, 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial risk factors (Cont'd)

Liquidity risk (Cont'd)

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 2017	Less than 1 year Rs'000	1-5 years Rs'000	Total Rs'000
Assets			
Financial assets at FVTOCI	-	1,372,131	1,372,131
Financial assets at FVTPL	15,648	-	15,648
Trade and other receivables	1,395	-	1,395
Cash and cash equivalents	22,666	-	22,666
Total	39,709	1,372,131	1,411,840
Liabilities			
Trade and other payables	2,803	-	2,803
As at 31 December 2016 (as restated)			
Assets			
Financial assets at FVTOCI	-	1,161,437	1,161,437
Financial assets at FVTPL	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
Liabilities			
Trade and other payables	3,856	-	3,856

(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).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Fair value estimation (Cont'd)

The following table presents the Company's assets that are measured at fair value as at 31 December 2017 on a recurring basis:

	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Assets				
Financial assets at FVTPL				
- Designated at FVTPL	-	-	15,648	15,648
Financial assets at FVTOCI				
- Equity securities	1,330,448	-	41,683	1,372,131
Total assets measured at fair value	1,330,448	-	57,331	1,387,779

There have been no transfers between levels during the year under review (2016: nil).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2016 (as restated).

	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Assets				
Financial assets at FVTPL				
- Designated at FVTPL	-	-	14,655	14,655
Financial assets at FVTOCI				
- Equity securities	1,110,752	-	50,685	1,161,437
Total assets measured at fair value	1,110,752	-	65,340	1,176,092

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 at FVTOCI.

The fair value of financial instruments that are not traded in an active market is determined by using Net Asset Value ("NAV") 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. 782,000** and **Rs. 2,084,000** respectively (2016: Rs. 733,000 and Rs. 2,534,000 respectively).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Fair value estimation (Cont'd)

There have been no transfers between levels during the reporting period (2016: nil). The following table shows a reconciliation of the level 3 fair value measurements:

	Financial assets at FVTOCI Rs'000	Financial assets at FVTPL Rs'000	Total Rs'000
31 December 2017:			
Opening balance	50,685	14,655	65,340
Disposal at fair value	(15,154)	-	(15,154)
Total gains or losses:			
- in profit or loss	-	993	993
- in other comprehensive income	6,152	-	6,152
	<u>41,683</u>	<u>15,648</u>	<u>57,331</u>
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)
	<u>50,685</u>	<u>14,655</u>	<u>65,340</u>

The above gains/losses are recorded within 'net gain on investment' in profit or loss and '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 2017

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 2017	Assets at FVTOCI Rs'000	Assets at FVTPL Rs'000	Loans and receivables Rs'000	Total Rs'000
Financial assets				
Financial assets at FVTOCI	1,372,131	-	-	1,372,131
Financial assets at FVTPL	-	15,648	-	15,648
Trade and other receivables (excluding prepayments)	-	-	1,395	1,395
Cash and cash equivalents	-	-	22,666	22,666
	<u>1,372,131</u>	<u>15,648</u>	<u>24,061</u>	<u>1,411,840</u>

31 December 2017	Other financial liabilities at amortised cost Rs'000	Total Rs'000
Financial liabilities		
Trade and other payables	2,803	2,803

31 December 2016 (as restated)	Assets at FVTOCI Rs'000	Assets at FVTPL Rs'000	Loans and receivables Rs'000	Total Rs'000
Financial assets				
Financial assets at FVTOCI	1,161,437	-	-	1,161,437
Financial assets at FVTPL	-	14,655	-	14,655
Trade and other receivables (excluding prepayments)	-	-	1,918	1,918
Cash and cash equivalents	-	-	46,353	46,353
	<u>1,161,437</u>	<u>14,655</u>	<u>48,271</u>	<u>1,224,363</u>

31 December 2016 (as restated)	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 2017

4. REVENUE

	2017 Rs'000	2016 Rs'000
(a) Dividend income from Investments at FVTOCI		
Listed - SEM	33,689	35,040
Listed - DEM	5,415	8,805
Unquoted - Local	2,019	298
Foreign	433	770
	41,556	44,913
(b) Dividend income from financial assets at FVTPL		
Unquoted	1,250	-
(c) Other income	440	436
TOTAL	43,246	45,349

5. NET GAIN ON INVESTMENTS

	2017 Rs'000	As restated 2016 Rs'000
Changes in fair value of financial assets at FVTPL	993	4,454

6. ADMINISTRATIVE EXPENSES

	2017 Rs'000	2016 Rs'000
Management fees (Note (a)(i))	4,199	3,853
Administrator fees (Note (a)(ii))	2,203	1,990
Directors' fees	1,630	1,231
Other administrative expenses	1,145	1,290
Other professional fees	457	442
Auditors' remuneration	320	305
Corporate social responsibility	213	200
	10,167	9,311

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

6. ADMINISTRATIVE EXPENSES (CONT'D)

(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.

(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 COST

	2017 Rs'000	2016 Rs'000
Net foreign exchange loss	1,135	45
Interest expense	-	827
	1,135	872

8. INCOME TAX

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

The tax charge is made up as follows:

	2017 Rs'000	2016 Rs'000
Current tax on profit for the year	100	133
Withholding tax on foreign dividend	-	70
Tax (over)/under provided in previous years	(35)	36
Income tax expense	65	239

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

8. INCOME TAX (CONT'D)

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

	2017 Rs'000	2016 Rs'000
At 01 January	71	(73)
Charge for the year	65	239
Receipt of tax refund	-	38
Paid during the year	(129)	(133)
At 31 December	7	71
Analysed as:		
Current tax payable	7	71

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

	2017 Rs'000	As restated 2016 Rs'000
Profit before taxation	32,937	39,620
Tax calculated at the rate of 15% (2016:15%)	4,941	5,943
Unauthorised deductions	1,690	2,476
Income not subject to tax	(6,531)	(8,286)
Current tax on profit for the year	100	133
Withholding tax on foreign dividend	-	70
Tax (over)/under provided in previous years	(35)	36
Income tax expense	65	239

9. OTHER COMPREHENSIVE INCOME

(a) Movement that will not be subsequently reclassified to profit or loss:

	2017 Rs'000	As restated 2016 Rs'000
Changes affecting fair value reserve:		
Fair value gains on financial assets at FVTOCI	230,488	47,757
Release on disposal of investments	280	(82,321)
	230,768	(34,564)
Changes affecting retained earnings:		
Gain on disposal of financial assets at FVTOCI	4,396	83,730
	235,164	49,166

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

9. OTHER COMPREHENSIVE INCOME (CONT'D)

(b) Realised gain on investment

	2017 Rs'000	2016 Rs'000
Financial assets		
Foreign	6,411	(1,226)
Listed - SEM	(2,015)	79,242
Listed - DEM	-	5,030
Unquoted	-	684
	4,396	83,730

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.

	2017	As restated 2016
Profit for the year (Rs'000)	32,872	39,381
<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)	0.14	0.17

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 Rs'000	2016 Rs'000
At 01 January	14,655	10,201
Fair value changes	993	4,454
At 31 December	15,648	14,655

The above represent investment in associates of the Company as at 31 December 2017, which 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2017						As restated 2016
(a)	Quoted			Unquoted		Total	Total
	SEM	DEM	Overseas	Local	Overseas		
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January (as restated)	940,463	150,474	19,815	8,418	42,267	1,161,437	1,226,521
Additions	7,372	3,790	12,971	-	-	24,133	58,491
Disposals at fair value	(28,773)	-	-	-	(15,154)	(43,927)	(176,525)
Adjustments (Note (c))	-	-	-	-	-	-	5,193
Fair value changes	214,317	8,251	1,768	396	5,756	230,488	47,757
At 31 December	1,133,379	162,515	34,554	8,814	32,869	1,372,131	1,161,437

(b) The fair value of investment at fair value through other comprehensive income 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.

(d) All impairment previously recognised have been reclassified to OCI following early adoption of IFRS 9 on 01 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D)

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

	2017 Rs'000	2016 Rs'000
Quoted investments - SEM		
Banks & Insurance	783,906	623,821
Leisure & hotels	147,195	116,461
Industry	111,466	86,357
Investments	86,770	106,224
Commerce	4,042	2,762
Property Development	-	2,717
Transport	-	2,121
	1,133,379	940,463
Quoted investments - DEM		
Banks & Insurance	87,120	90,750
Others	42,538	36,895
Investments	30,790	22,829
Transport	2,067	-
	162,515	150,474
Overseas investments:		
Quoted	34,554	19,815
Unquoted	32,869	42,267
	67,423	62,082
Unquoted local investments	8,814	8,418
Total	1,372,131	1,161,437

Listed investments include 336,000 shares held in The Mauritius Commercial Bank Limited (Value Rs. 91,728,000) 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.

13. TRADE AND OTHER RECEIVABLES

	2017 Rs'000	2016 Rs'000
Dividends receivable	1,395	1,918
Other receivables and prepayments	147	150
	1,542	2,068

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

14. CASH AND CASH EQUIVALENTS

	2017 Rs'000	2016 Rs'000
Cash at bank	5,297	33,074
Cash held with custodian	17,369	13,279
Cash and cash equivalents	22,666	46,353

15. SHARE CAPITAL

	2017 and 2016	
	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

16. TRADE AND OTHER PAYABLES

	2017 Rs'000	2016 Rs'000
Amount due to related parties	1,318	2,099
Accruals and other payables	1,485	1,757
	2,803	3,856

17. DIVIDENDS

	Amount per share		Total	
	2017 Rs.	2016 Rs.	2017 Rs'000	2016 Rs'000
Interim ordinary paid - 15% (2016 - 15%)	0.15	0.15	34,048	34,048
Final ordinary paid - 20% (2016 - 20%)	0.20	0.20	45,397	45,397
			79,445	79,445
Dividend per share	0.35	0.35		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

18. RELATED PARTY DISCLOSURES

During the year ended 31 December 2017, the Company had transactions with related entities. The nature, volume of transactions and the balances outstanding at 31 December 2017 and 2016 are as follows:

	2017 Rs'000	2016 Rs'000
Volume of transaction		
Management fees payable to the Fund Manager	4,199	3,853
Service fees paid to Company in which a director has a significant influence	2,203	1,990
Fees to directors	1,630	1,231
Balances with related parties		
Management fees payable to the Fund Manager	351	650
Service fees payable to Company in which a director has a significant influence	760	335
Fees payable to directors	207	1,114

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

19. PRESENTATION CURRENCY

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

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

	2017 Rs'000	As restated 2016 Rs'000	As restated 2015 Rs'000
Statement of comprehensive income			
Total revenue	44,239	49,803	40,807
Profit before taxation	32,937	39,620	32,912
Income tax expense	(65)	(239)	(105)
Profit for the year	32,872	39,381	32,807
Dividend per share (Rs.):			
- Interim: Fully paid shares	0.15	0.15	0.15
- Final: Fully paid shares	0.20	0.20	0.20
Total dividend	0.35	0.35	0.35
Dividend per share (Rs.)	0.35	0.35	0.35
Earnings per share (Rs.)	0.14	0.17	0.14
Statement of financial position			
Non-current assets	1,387,779	1,176,092	1,236,722
Current assets	24,208	48,421	20,523
Total assets	1,411,987	1,224,513	1,257,245
Shareholders' interest	1,409,177	1,220,586	1,211,484
Current liabilities	2,810	3,927	45,761
Total equity and liabilities	1,411,987	1,224,513	1,257,245
Net assets per share (Rs.)	6.21	5.38	5.34
Number of shares in issue (000's)	226,987	226,987	226,987

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

21. EARLY ADOPTION OF IFRS 9

On 01 January 2017, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 January 2017) and has classified its financial instruments into the appropriate IFRS 9 categories.

The Company elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale because these investments are held for long term capital appreciation.

As a result, assets with a fair value of Rs. 1,161,437,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI.

All fair value gains on the available-for-sale investments (Rs. 556,586,000) were recorded in fair value reserve and the same reserve has been used for fair value movements in FVTOCI investments.

Gains/losses on disposal of investments at FVTOCI are no more reported in profit or loss.

All other financial assets have been classified and are measured on the same basis as IAS 39.

Trade receivables consist of dividends receivable and prepaid expenses. All of the dividends were received before the end of the reporting period, therefore, no expected credit losses have been recognised.

The other effects resulting from the above classification are as follows:

	Available-for-sale financial assets Rs'000	Financial assets at FVTOCI Rs'000	Total financial assets Rs'000
At 01 January 2016			
Opening balance - IAS 39	1,226,521	-	1,226,521
Reclassify from available-for-sale to FVTOCI	(1,226,521)	1,226,521	-
Opening balance - IFRS 9	-	1,226,521	1,226,521
At 31 December 2016			
Opening balance - IAS 39	1,161,437	-	1,161,437
Reclassify from available-for-sale to FVTOCI	(1,161,437)	1,161,437	-
	-	1,161,437	1,161,437

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

21. EARLY ADOPTION OF IFRS 9 (CONT'D)

The impact of these changes on the Company's equity is as follows:

	Effect on fair value reserve Rs'000	Effect on retained earnings Rs'000
At 01 January 2016		
Opening balance - IAS 39	556,586	422,694
Impairment reclassified to OCI	(5,340)	5,340
Opening balance - IFRS 9	551,246	428,034
At 01 January 2017		
Opening balance - IAS 39	528,513	459,869
Impairment reclassified to OCI	(11,831)	11,831
Opening balance - IFRS 9	516,682	471,700

The impact on the Company's net profit and OCI is as follows:

	Effect on net profit after tax Rs'000	Effect on OCI Rs'000
For the year 2016:		
As previously reported - IAS 39	116,620	(28,073)
Gain on disposal reclassified to OCI	(83,730)	83,730
Impairment reclassified to OCI	6,491	(6,491)
As restated - IFRS 9	39,381	49,166

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

L i m i t e d

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 Tuesday 5 June 2018 at 10h00 at the Registered Office of the Company, at c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene and at any adjournment thereof.

I/We desire my/our vote(s) to be cast on the Resolutions as follows: -

	FOR	AGAINST	ABSTAIN
1. To consider and adopt the financial statements, to receive the auditor's report and to consider the annual report for the year ended 31 December 2017.			
2. To re-elect Mr. Vincent Ah Chuen as director, in accordance with Section 138(6) of the Companies Act 2001.			
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, in accordance with Section 138(6) of the Companies Act 2001.			
6. To re-elect Mr Stéphane Henry as director.			
7. To re-elect Professor Donald Ah Chuen, G.O.S.K., as director, in accordance with Section 138(6) of the Companies Act 2001.			
8. To re-elect Mr Sydney Ah Yoong as director.			
9. To re-elect Mrs Danielle Lagesse, S.A. as director.			
10. To elect Mr Ah-Lan Lam Yan Foon as director, in accordance with Section 138(6) of the Companies Act 2001.			
11. To elect Mr Karl Braunecker 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 this2018

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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, Ebene by 4 June 2018 at latest.

NOTES

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

L i m i t e d

6th Floor, Tower A, 1 CyberCity, Ebene
Republic of Mauritius

www.policylimited.mu