

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Unaudited as at 30 June 2017	Unaudited as at 30 June 2016	Audited as at 31 December 2016
	Rs'000	Rs'000	Rs'000
ASSETS			
Non-current assets	1,358,631	1,188,656	1,176,092
Current assets	29,547	7,303	48,421
Total assets	1,388,178	1,195,959	1,224,513
EQUITY AND LIABILITIES			
Capital and reserves			
Total equity	1,384,837	1,162,335	1,220,586
Current liabilities	3,341	33,624	3,927
Total equity and liabilities	1,388,178	1,195,959	1,224,513
Net asset value per share - (Rs)	6.10	5.12	5.38
No. of shares used in calculation	226,986,672	226,986,672	226,986,672

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

	Unaudited Three months to 30 June 2017	Unaudited Six months to 30 June 2017	As restated Unaudited Three months to 30 June 2016	As restated Unaudited Six months to 30 June 2016
	Rs'000	Rs'000	Rs'000	Rs'000
Income	8,576	9,992	6,385	10,955
Profit before finance costs	6,030	5,052	3,950	6,152
Finance costs	(540)	(662)	(82)	(526)
Profit before taxation	5,490	4,390	3,868	5,626
Taxation	(32)	4	(89)	(115)
Profit for the period	5,458	4,394	3,779	5,511
Other comprehensive income for the period, net of tax	157,399	193,905	10,915	(20,612)
Total comprehensive income for the period	162,857	198,299	14,694	(15,101)
Basic earnings per share for the year - (Rs.)	0.02	0.02	0.02	0.02
Dividends per share - (Rs.)	0.15	0.15	0.15	0.15
No. of shares in issue and ranking for dividends	226,986,672	226,986,672	226,986,672	226,986,672

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

	Share capital	Share Premium	Fair value reserve	Retained earnings	Total Equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2017	226,987	5,217	528,513	459,869	1,220,586
<i>Comprehensive income</i>					
Profit for the period	-	-	-	4,394	4,394
Other comprehensive income	-	-	189,821	4,084	193,905
Total comprehensive income for the period	-	-	189,821	8,478	198,299
<i>Transaction with owners</i>					
Dividends	-	-	-	(34,048)	(34,048)
At 30 June 2017	226,987	5,217	718,334	434,299	1,384,837
At 01 January 2016	226,987	5,217	556,586	422,694	1,211,484
Effect of adoption of IFRS 9					
<i>Comprehensive income</i>					
Profit for the period (restated)	-	-	-	5,511	5,511
Other comprehensive income (restated)	-	-	(55,280)	34,668	(20,612)
Total comprehensive income for the period	-	-	(55,280)	40,179	(15,101)
<i>Transaction with owners</i>					
Dividends	-	-	-	(34,048)	(34,048)
At 30 June 2016	226,987	5,217	501,306	428,825	1,162,335

Note:

Adoption of IFRS 9 did not have any impact on the total equity of the Company. The only effect is that realised gains or losses on disposal of investments are not recognised as profit or loss but is accounted through equity as a reclassification from fair value reserve to retained earnings. The prior period figures for total equity are therefore not restated in that respect.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017

	Unaudited Six months to 30 June 2017	Unaudited Six months to 30 June 2016
	Rs'000	Rs'000
Operating activities		
Net cash generated from operating activities	4,740	3,024
Investing activities		
Net cash generated from investing activities	11,536	29,679
Financing activities		
Net cash used in financing activities	(34,048)	(34,549)
Decrease in cash and cash equivalents	(17,772)	(1,846)
Movement in cash and cash equivalents		
At 1 January	46,353	(23,582)
Decrease in cash and cash equivalents	(17,772)	(1,846)
Effect of exchange difference on cash and cash equivalents	(662)	6
At 30 June	27,919	(25,422)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

BASIS OF ACCOUNTING

The unaudited interim quarterly condensed financial statements have been prepared using the same accounting policies set out in the statutory financial statements of the Company for the year ended 31 December 2016, except for the adoption of relevant new Standards, Amendments to published Standards and Interpretations issued now effective and standard early adopted.

The Company has early adopted IFRS 9 and the portfolio of investments has been classified as fair value through other comprehensive income (FVTOCI). Under the new classification, all gains/losses on disposal of investments are treated as reclassification adjustments from fair value reserve to retained earnings instead of being recognised in profit or loss.

The adoption of this standard does not have any impact on the Net Asset Value of the Company.

COMMENTS AND REVIEW FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2017

- (i) The Company reported lower net profit for the half year ended 30 June 2017 as opposed to the same period in 2016 due to lower dividend income.
- (ii) The increase in other comprehensive income generated during the six months under review is attributable to unrealised gain on its investments at 30 June 2017.
- (iii) At 30 June 2017, the Net Assets Value per share of the Company stood at Rs. 6.10 compared to Rs. 5.38 at 31 December 2016 and Rs. 5.12 at 30 June 2016. Shareholders' interest was Rs. 1.38 billion at 30 June 2017 compared to Rs. 1.22 billion and Rs. 1.16 billion at 31 December 2016 and 30 June 2016 respectively.
- (iv) An interim dividend of Rs 0.15 per share was declared and paid during the quarter under review (quarter ended 30 June 2016: Rs 0.15 per share).

By Order of the Board
Abax Corporate Administrators Ltd
Secretary

14 August 2017

This communiqué is issued pursuant to Listing Rule 12.20 and Securities Act 2005.

The Board of Directors of P.O.L.I.C.Y. Limited accepts full responsibility for the accuracy of the information contained in these financial statements.

Copies of the full financial statements and the statement of direct and indirect interests of the Company, pursuant to rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007, are available to the public, free of charge, at the registered office of the Company, c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene.

The auditors of the Company are BDO & Co.

Manager's Report for the quarter ended 30 June 2017

NAV Performance for Q2 2017

The Net Asset Value of POLICY rose by 13.0%, net of a dividend of Rs. 0.15 paid during the second quarter of 2017, while the SEMTRI posted a positive performance of 10.7%.

For the quarter under review, the top 5 holdings of the Fund posted positive total returns. MCB Group (+21.7%), Alteo (+12.3%), and PBL (+9.9%) performed strongly, with Lux* and ABC Banking both yielding returns of +3.9% and +3.7%, respectively.

Outlook

Globally, stocks of financial companies are performing well in 2017 but are still trading at a discount to overall market valuations. This valuation discount might narrow further in the quarters ahead, particularly if international banks are relieved from regulatory burden by the respective U.S. and E.U. administrations. The "Banks, Insurance & Other Finance" sector has a weight of 62.5% in the portfolio of POLICY. A scenario of further rising valuations for the sector will be positively reflected in the NAV of POLICY. The strong momentum on the SEM is likely to persist in an environment of a strengthening Euro and rallying European equity markets.

Share price and NAV

Period ending	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17
Share price	6.20	6.04	5.76	6.16	6.60
NAV	5.12	5.41	5.38	5.53	6.10
Premium to NAV	21.1%	11.6%	7.1%	11.4%	8.2%

Performance ratios

	Year ended 31 December						
	2012	2013	2014	2015	2016	1Q17	2Q17
POLICY							
Share price ¹	-23.2%	64.6%	5.3%	-8.7%	-6.0%	6.9%	9.6%
Net Asset Value ¹	-2.5%	23.2%	2.6%	3.5%	7.3%	2.8%	13.0%
Local market							
SEMTRI	-5.5%	24.4%	1.8%	-10.1%	3.3%	7.0%	10.7%
SEM-10 ²	-3.7%	19.7%	-4.4%	-10.2%	-0.4%	7.7%	11.0%

¹ Performance adjusted for dividends paid and bonus issue

² SEM-10 replaced the SEM-7 as from Oct-14

Sector allocation as at 30 June 2017	Portfolio allocation	SEMDEX allocation
Banks, Insurance & Other Finance	62.5%	40.5%
Investments	0.3%	13.4%
Leisure & Hotels	9.9%	6.1%
Industry	10.0%	26.6%
Property Development	8.9%	10.6%
Sugar	0.2%	0.4%
Transport	0.0%	1.7%
Commerce	0.0%	0.6%
Foreign	4.6%	0.1%
Unquoted	1.7%	0.0%
Liquidity	1.9%	0.0%
Total	100.0%	100.0%

Top 5 holdings as at 30 June 2017

	Rs. in million	% of NAV	2Q17 Performance
MCB Group Limited	686	49.6%	21.7%
ABC Banking Corporation Ltd	92	6.7%	3.7%
Lux* Island Resorts Ltd	86	6.2%	3.9%
Phoenix Beverages Ltd	63	4.5%	9.9%
Alteo Limited	46	3.3%	12.3%
Total	973	70.3%	

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