SBM UNIVERSAL FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2018

CONTENTS

INVESTMENT MANAGER	SBM Mauritius Asset Managers Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
REGISTRY	SBM Fund Services Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
BANKER	SBM Bank (Mauritius) Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
REGISTERED OFFICE	SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
AUDITORS	Ernst & Young 9th Floor, Tower 1, NeXTeracom Cybercity Ebene Mauritius
TRUSTEE	DTOS Trustees Ltd 10th Floor, Standard Chartered Tower 19, Cybercity Ebene Mauritius
INVESTMENT COMMITTEE	Mr Eric Venpin Mr Richard Robinson Mr Roshan Ramoly
CUSTODIAN	SBM Bank (Mauritius) Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius

Dear Unitholder,

We are pleased to present you with the annual report together with the audited financial statements of the SBM Universal Fund (the "Fund") for the year ended 30th June 2018.

The Fund's Net Asset Value (NAV) per unit stood at Rs 27.56 as at end of June 2018 and added 4.7% over the financial year. A dividend of 29.40 cents per unit was declared and will be paid out during the year resulting in a dividend yield of 1.1%. Despite the various market events, global equities ended the financial year in positive territory with the SEMDEX and MSCI World adding 5.7% and 9.0% in local currency, respectively.

Foreign equity markets experienced a sell-off in early 2018 with rising inflation rate expectations and US yields heading towards 3%. Trade sanctions and disputes between the U.S. and China raised market volatility. Despite downside risks posed by geopolitical tensions and monetary policy normalisation by the Fed, US equities recovered on the back of solid earnings, stronger economy and fiscal stimulus. The Eurozone showed positive signs of economic momentum with improving labour markets, consumer and business confidence yet European markets delivered modest returns compared to global peers. Emerging markets registered strong gains for the first half of financial year but the appreciation of the U.S. dollar combined with the escalating trade tensions capped the returns.

Current market conditions remain highly volatile but we shall continue to add long-term value for our unitholders by optimising on investment opportunities present on global markets while managing downside risks. We would like to recognize the contribution of all our stakeholders who continue to accompany us in the success of the fund.

SBM Mauritius Asset Managers Ltd

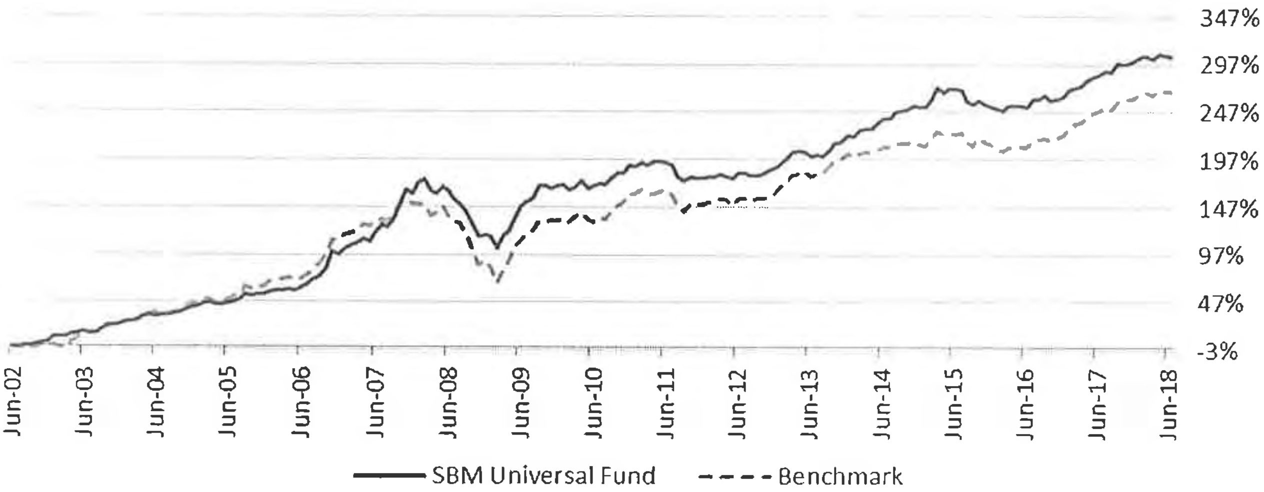
August 2018

1. Performance

1.1 Performance evolution

Global equity markets rallied during the financial year under review with major indices on the local and international scenes closing in green. The SEMDEX and MSCI World (USD) added 5.7% and 9.1% YoY respectively. The Fund's performance stood at 4.7% for the year ended 30 June 2018. The cumulative return of the Fund since its launch assuming dividend reinvestment totaled 305.3% (annualised return of 9.1%).

Cumulative return since inception



Note: 1. Assumes that any dividend is reinvested in the Fund

2. Benchmark = 35% SEMDEX + 30% 1yr Government of Mauritius Bill + 35% MSCI World (MUR)

Cumulative Return

	1 M	3 M	6 M	1 Yr	3 Yr	5 Yr	Inception
SBM Universal Fund	-0.3%	0.6%	1.0%	4.7%	9.2%	34.9%	305.3%
Benchmark*	0.1%	1.2%	2.0%	6.1%	14.1%	32.2%	269.3%

*Benchmark: 35% Semdex + 30% 1Y GoM T-bills + 35% MSCI World & Performance assumes that dividends are reinvested and is net of fees and taxes

Financial Year Return

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fund	8.7%	9.2%	-3.7%	6.3%	13.0%	9.3%	-5.0%	9.7%	4.7%
Benchmark	9.5%	14.5%	-3.6%	9.4%	10.9%	4.5%	-4.3%	12.4%	6.1%

2. Breakdown of Assets

2.1 Portfolio decomposition

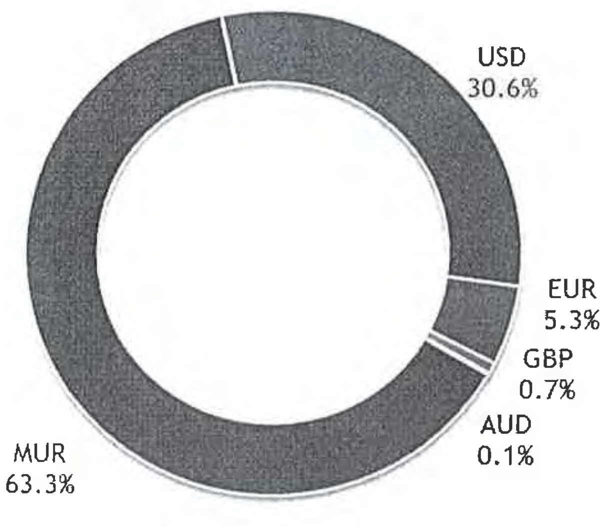
The Fund's asset size stood at MUR 436M as at 30 June 2018. During the year, the Fund booked profit on few local stocks and consolidated its foreign allocation. Investment in fixed income instruments remained unchanged. Local and foreign equities accounted 34.9% and 33.3% of the Fund's assets respectively while the fixed income segment made up 29.8% of the total portfolio and 2.0% was held as cash.

Asset Allocation

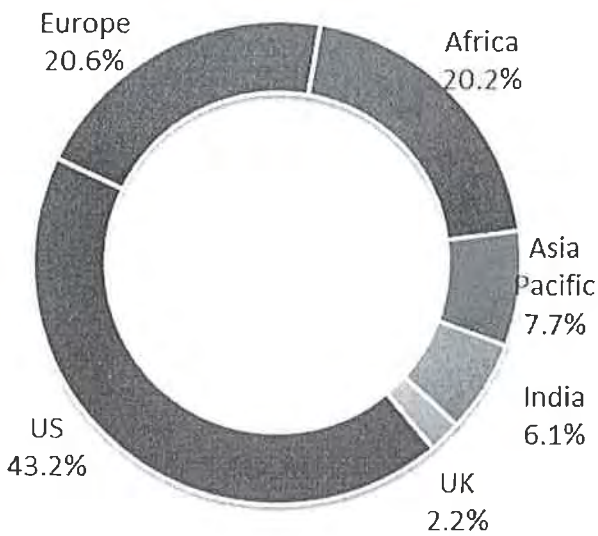
Security	% Net Assets (2018)	% Net Assets (2017)
Local fixed income	25.4	28.0
Local equities	34.9	36.9
Foreign equities	33.3	27.3
Foreign fixed income	4.4	2.7
Cash	2.0	5.1
Total	100.0	100.0

The Fund's assets are mostly denominated in MUR and USD - representing 63.3% and 30.6% respectively. The USD appreciated by roughly 7.5% against the MUR from February to June 2018. During the year, the Fund increased its exposure in Africa and US by tapping high dividend yield stocks and specific themes such as disruptive technology. The foreign equity investment is mainly invested in Africa, US and Europe.

Currency Mix



Foreign Allocation

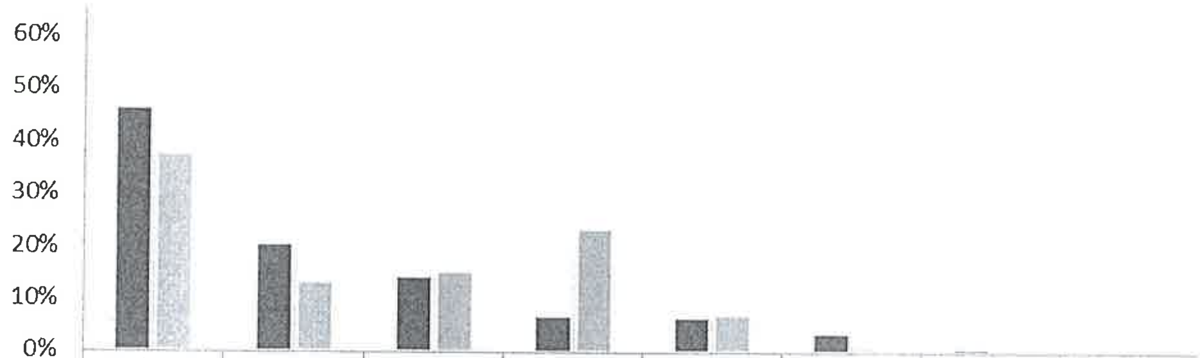


The local equity portfolio is mainly invested in the 'banking and insurance' and 'leisure and tourism' sectors which account for more than 65% of the total portfolio. Banking stocks are mainly MCBG and SBMH which provide good stability, regular dividend income and growth prospects in the portfolio. The hotel sector remains healthy and bold measures are taken to deleverage their high level of indebtedness.

2. Breakdown of Assets (Continued)

2.1 Portfolio decomposition (Continued)

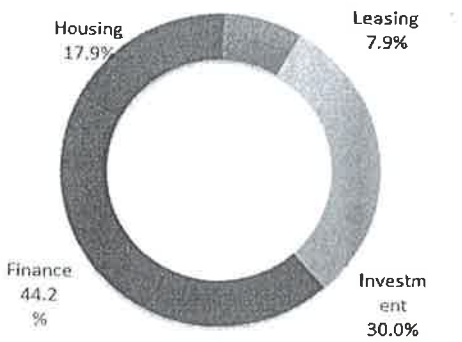
Local equity - Sector allocations



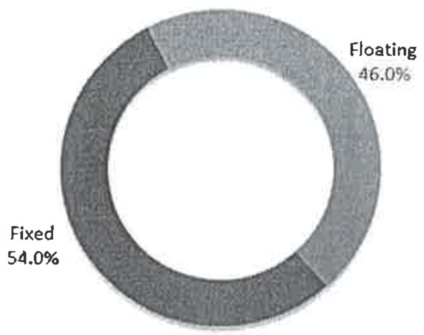
	Banking & Insurance	Leisure & Tourism	Commerce	Investment	Industry	Sugar	Transport	Others
Fund	46.3%	20.7%	14.5%	7.0%	6.8%	3.9%	0.8%	0.0%
Benchmark	37.8%	13.5%	15.4%	23.6%	7.4%	1.1%	0.5%	0.7%

The fixed income portfolio, excluding cash, accounted for 29.8% of the total portfolio. It is largely invested in the finance and investment sectors. The term to maturity of the portfolio is less than seven years. Despite a low yielding fixed income environment, the Fund has secured attractive yields whilst taking into consideration the financial soundness of issuers.

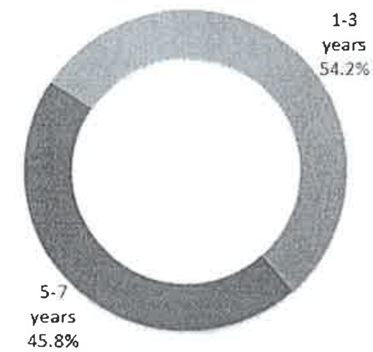
Breakdown by type of sector



Breakdown by type of interest rate



Breakdown by term to maturity



The Fund top ten holdings represented 49.0% of the total portfolio as at end of June 2018 against 57.8% as at end of June 2017.

2. Breakdown of Assets (Continued)

2.1 Portfolio decomposition (Continued)

Top 10 Holdings

Securities	Allocation
MCB Group Limited	9.8%
Mutual Aid	7.9%
MHC	5.3%
SBM Holdings Ltd	5.1%
SIT Bond	4.6%
Afrexim Depository Receipts	3.8%
Fidelity America Fund	3.5%
ARK Innovation ETF	3.2%
IBL Ltd	3.1%
Templeton Euroland Fund Class A (Acc)	2.7%
Total	49.0%

3. Market review

3.1 Local market review

The Mauritian economy grew by 3.8% in calendar year 2017 led by the construction sector which grew by 7.5% for the year, followed by business (5.8%) and financial services (5.5%) sectors. Adverse climatic conditions in early 2018 slowed down construction works and damaged agricultural output leading to a spike in inflation. Headline inflation rose to 4.3% in June 2018 compared to 2.4% in June 2017.

The Bank of Mauritius (BoM) reduced the Key Repo rate from 4.00% to 3.50% in September 2017 to stimulate more investment in the productive sectors of the Mauritian economy. Following the cut in Key Repo rate, financing conditions eased as reflected by the drop in lending rates. As an indication, the weighted average prime lending rate of banks moved to 6.28% as compared 6.84% in September 2016.

Excess cash holdings reached Rs25.76Bn on 21st June 2018 with the BoM striving to bring down banks' excess reserves to a tolerable level by issuing its own papers and by conducting sterilised foreign exchange interventions. Accordingly, outstanding BoM securities increased from Rs81 billion as at end of February 2018 to Rs92 billion as at May 2018.

Yields on the market tumbled over the first half of the financial year 2018 and was further accentuated following the cut in the key repo rate in September 2017. The trend on short-term securities reversed in 2018 mainly on account of higher inflation rate expectation. Yields on 91- and 182-days moved from 1.92% and 2.03% to 3.64% and 3.59% correspondingly over the financial year. Yields on 365-days increased from 2.19% to 3.78%. On the longer end of the yield curve, the 20-years GoM bond yield was 5.55% as at 30 June 2018, down from 6.54%.

On the local stock market, the SEMTRI gained 8.7% over the financial year while the DEMTRI gained 16.5%. SEMTRI's performance was driven by IBL, Phoenix Beverages and Gamma Civic's weighted performances. The top 3 price gainers of the SEM were Lottotech (71.1%), United Docks (65.4%) and Gamma Civic (50.8%). Top 3 price losers were Omnicane (-29.7%), Plastic industry (-17.8%) and Terra (-17.5%). The PE ratio of the market SEMDEX stood at 15.8x as at June 2018 while the dividend yield rose to 3.20% from 2.40%.

3. Market review (Continued)

3.2 Foreign market review

Global markets registered strong gains during the year with MSCI World posting 9.0% in USD terms (MUR terms: 10.1%). Amid supportive macroeconomic data, a robust reporting season and the further weakening of the U.S. dollar and boosted by tax reforms, S&P 500 rose by 12.2% in USD terms (MUR terms: 13.3%) over the financial year. The positive earnings momentum and supportive economic data outshone the China-U.S. trade tensions.

Conditions for emerging economies have been mixed for the financial year ending June 2018. Emerging markets performed well for much of the financial year as the acceleration in global growth during 2017 benefited emerging market exports and commodity producers. Weakness emerged later during the financial year due to a number of headwinds. Trade tensions between the U.S. and China along with growing protectionism have prompted some investors to move away from riskier investments in emerging markets. Interest rate hikes in U.S. and expectations of further hikes also contributed to an outflow of capital from emerging economies and weakening of emerging markets' currencies against the U.S. dollar. Overall, the MSCI Emerging markets posted gains of 5.8% in USD terms (6.9% MUR terms) over the financial year.

In the global bond markets, the Federal Reserve (Fed) maintained the normalisation of its monetary policy. The Fed Fund rate was raised three times during the financial year reaching 1.75% - 2.00% p.a. The US 10-year Treasury yields rose from 2.30% to 2.86% during the financial year, reaching a seven-year high in mid-May 2018 mainly on account of rising inflation expectations. In Europe, the European Central Bank (ECB) maintained its monetary policy but reduced its asset purchases from €60 billion to €30billion per month. In UK, the BoE raised interest rate in August 2018 by 25bps to 0.50% in order to contain inflation. The 10-year yield climbed from 1.26% to 1.28% over the reporting period with a peak to 1.51% in January 2018.

4. Outlook

4.1 Local market outlook

According to Statistics Mauritius, the domestic economy is projected to grow at a rate of 3.9% for 2018. The main contributors is projected to be the construction sector (9.5%) followed by the services sector (5.8%) and the information and communication sector (5.6%). Completion of massive public investment projects, falling unemployment levels, elevated business and consumer confidence levels, and accommodative monetary conditions should boost the domestic growth momentum.

The accommodation and food services is expected to stabilise at 3.6% after expanding over the past three years. The tourism sector is projected to grow by 3.9% compared to 5.2% in 2017. Under the Government's Three-year Strategic Plan 2018-21: Adapting to the Changing Global Environment, a number of measures have been proposed to tackle the challenges faced by the tourism sector. The government intends to further liberalise air access and go forward with various diversification programmes such as cruise tourism.

The main detractor to growth is the sugar sector which is expected to contract by 11% as a result of oversupply of sugar, falling international prices and liberalization of the EU sugar market. The United States Department of Agriculture (USDA) projects an increase of 6.8 million tons in the production of sugar led by Indian and Thai harvests.

Inflation rate is projected to end 2018 between 4% - 5% as a result of materials and energy price hikes but which may eventually be offset by lower interest rates on housing loan and lower prices on vegetables. Monetary policy is expected to remain accommodative throughout 2018 as global economic conditions remain more or less the same despite political tensions although the MPC could be tempted to gradually tighten in view of the movements in global interest rates and global growth pick up.

4. Outlook (Continued)

4.2 Foreign market outlook

In line with the forecast of the April 2018 World Economic Outlook (WEO), global growth is projected to reach 3.9% in 2018 and 2019. Growth is expected to be 2.4% for advanced economies this year against a projected 2.2% in 2019. The growth projections have been revised down for the euro area, Japan, and the United Kingdom, reflecting negative surprises to activity in early 2018. Among emerging market and developing economies, growth prospects are also becoming more uneven, amid rising oil prices, higher yields in the United States, escalating trade tensions, and market pressures on the currencies of some economies with weaker fundamentals. Emerging economies are expected to grow by 4.9% and 5.1% in 2018 and 2019, respectively.

The US Federal Reserve maintained the course of gradual policy normalisation and signaled two additional rate hikes in 2018 and three in 2019. Markets are likely to remain volatile with the anticipated tariff increases by the United States and retaliatory measures by trading partners. In Europe, the European Central Bank announced that it will taper its monthly asset purchases from the current €30 billion to €15 billion in October 2018, with an anticipated end to the program on December 31. It also indicated that it will maintain policy rates at their current levels at least through summer 2019.

Emerging markets offer relatively attractive valuations but there are nonetheless some downside risks related to dollar strength, interest rate hikes in the US and trade disputes. Emerging equities are currently trading at a discount of more than 20% to developed markets, compared with the five-year average discount of 12%.

The foreign investment strategy is likely to be geared towards blue chips companies in view of lowering the downside risks. Many economies have reached advanced stages of the business cycles and with the potential uptick in inflation, a sustained volatility is expected across markets - warranting a cyclical style of asset allocation.

The Trustee and Manager of the SBM Universal Fund ("**the Fund**") have the pleasure in submitting the Corporate Governance Report for the year ended 30 June 2018 along with other statutory disclosures.

1. INTRODUCTION

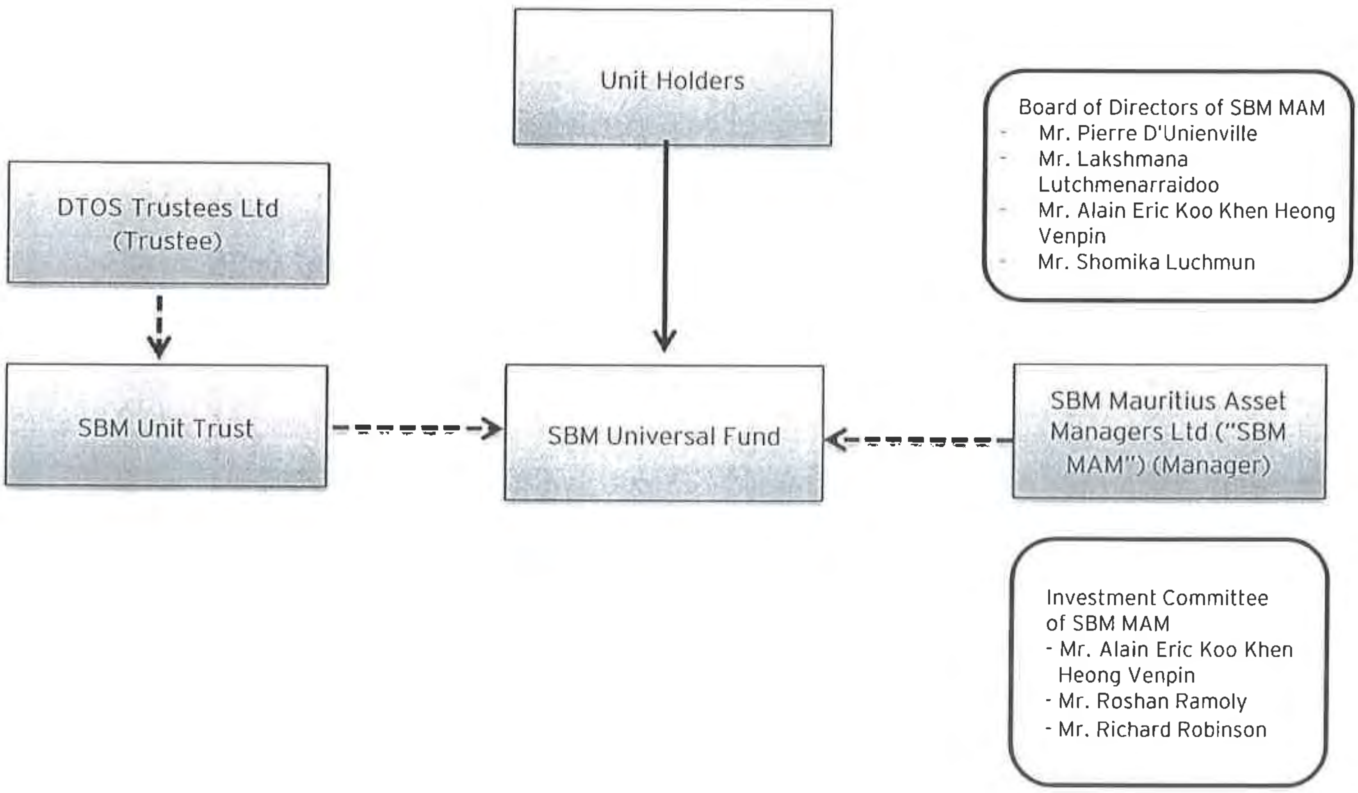
The SBM Universal Fund was authorised by the Financial Services Commission under the Unit Act, 1989 as amended, and established as a Unit Trust by a trust deed of the SBM Unit Trust dated 7 June 2002 between SBM Mauritius Asset Managers Ltd (The manager) and Sun Insurance Co. Ltd (The Trustee) and subsequently governed by the Supplemental Deed dated 30 November 2012, Supplemental Deed No. 1 dated 14 November 2013 and Supplemental Deed No. 2 dated 20th October 2017. It is an open-ended Collective Investment Scheme established under Section 3 of the Unit Trust Act. 1989, authorised and regulated under the Trust Act, 2001, Securities Act, 2005 and the Securities (Collective Investment Schemes and Closed-end Funds) Regulation, 2008 by the Financial Services Commission.

The Fund's objectives are to maximise returns on a long term basis and to provide regular income to its Unitholders whilst keeping a balanced-risk strategy.

The Fund is a public interest entity.

SBM Universal Fund's corporate governance framework includes its Trustee, Investment Committee, Manager, the board of the Manager and Unit-holders.

The organisation's structure is as follows:



1. INTRODUCTION (CONTINUED)

The Trustee, the Manager and the board of the Manager are fully committed to achieving and sustaining the highest standards of corporate governance with the aim of maximising long-term value creation for the unit-holders of the Fund and all the stakeholders at large. Much emphasis is on the conduct of business practices that display characteristics of good corporate governance namely discipline, transparency, independence, integrity, accountability, social responsibility, professionalism and fairness.

In addition, the Trustee, the Manager and the board of the Manager of the Fund continuously review the implications of corporate governance principles and practices in light of their experience, regulatory requirements and investor expectations. They hereby confirm that the Fund, as set out in this report, has strived to comply in all material aspects with the following legal and regulatory framework:

- Trust deed and subsequent Supplemental Deeds;
- Terms of reference of the Trustee and sub-committee;
- Disclosures required under the Code of Corporate Governance for Mauritius (the "Code");
- The Trust Act, 1989;
- The Trust Act, 2001;
- The Securities Act, 2005; and
- The Securities (Collective Investment Schemes and Closed-end Funds) Regulations, 2008.

The Board of the Trustee and Manager is composed of skilled, knowledgeable and experienced professionals, carefully selected to be highly effective in the governance of the Fund. They assume full responsibility for leading and controlling the Fund and for meeting all legal and regulatory obligations.

The Trust Deed and subsequent Supplemental Deeds of the Fund comply with the provisions of the Trust Act, 1989, the Trust Act, 2001, The Securities Act, 2005 and The Securities (Collective Investment Schemes and Closed-end Funds) Regulations, 2008. A copy is available upon written request to the Manager at the Registered Office of the Fund.

Salient features of the documents are:

- No unit-holder shall be entitled to:

    - require the transfer to him of any of the assets comprised in the Fund;
    - interfere with or question the exercise or non-exercise by the Trustee or the Manager of the rights and powers of the Trustee and the Manager in their dealings with the Fund or its assets or any part thereof;
    - attend meetings whether as unit-holders or otherwise, or to vote or to take part in or consent to any action concerning any property of any entity in which the Fund holds an interest;

- A unit-holder is entitled to any distribution as approved and declared by the Manager as per provisions of the Trust Deed;

2. GOVERNANCE STRUCTURE

Corporate Profile of the Trustee - DTOS TRUSTEES LTD

DTOS Trustees Ltd is a private company incorporated in Mauritius on 23rd May 2003. DTOS Trustees Ltd is a wholly owned subsidiary of DTOS Ltd and is duly licensed by the Financial Services Commission to act as a qualified trustee. It offers a complete and comprehensive range of trust services including trust formation / migration, corporate trusteeship, advice on tax, regulatory and statutory matters, accounting, administration and tax filings, where required.

2. GOVERNANCE STRUCTURE (CONTINUED)

Role of the Trustee

The Trustee has been appointed in order to ensure that the affairs of the Fund are being managed and administered for the benefit of the unit-holders and to their best interests along the following principles:

- International best standards and regulatory compliance.

Overseeing the conduct of the Fund's business and monitoring whether the business is being properly managed at all levels according to international best standards and in accordance to provisions of its regulatory regime.

- Accounts and risk management

Reviewing and, where appropriate, approving risk policy, financial statements, annual budgets, business plans and internal reports.

- Supervision of fund intermediaries

Supervising the fund intermediaries in their delivery of services to the Fund and ensure that such delivery is done diligently and creates most value for the unit-holders of the Fund.

Corporate Profile of the Manager – SBM MAM

SBM Mauritius Asset Managers Ltd ("SBM MAM") is the fund management arm of the SBM Group. The SBM Group is a public company listed on the Stock Exchange of Mauritius. The company specializes in conducting asset management services for mutual funds and institutional investors. It additionally distributes a wide range of financial products including foreign funds and fixed income securities. SBM MAM is licensed by the Financial Services Commission to act as Investment Advisor (Unrestricted) and CIS Manager. It currently has a total asset under management close to MUR. 9.2 billion.

It shall conduct its business in a proper and efficient manner to ensure that any undertaking in the affairs of the Fund is carried out in a proper, ethical and efficient manner.

Supervision of assets

The Manager shall manage and supervise all assets of the Fund to the best interest of the unit-holders.

Trade in units of the Fund

It shall sell and issue units of the Fund in accordance to the provisions of the Trust Deed and Prospectus and in so doing shall ensure that the interests of unit-holders are protected at all times.

Dealing in the Fund's shares

On the 28th of April 2017, Mr. Lakshmana Lutchmenarraidoo, Executive Member of the Board of SBM MAM, subscribed to 19,322.0345 units for a total amount of MUR 500,000. No other director dealt in the Fund shares during the year under review and no other director held shares in the Fund.

Managing Conflict of Interest and Related Party Transactions

The Fund adheres to the Group Conflict of Interest and Related Party Transactions policy to assist the Board of the Trustee and Manager in identifying and disclosing actual and potential conflicts and help ensure the avoidance of conflicts of interest, where necessary.

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

Information, information technology and information security policy

The Trustee and Manager confirm that information, information technology and information security policy exists within the Group.

3. RISK GOVERNANCE AND INTERNAL CONTROL

RISK MANAGEMENT

The Trustee and Manager are responsible for the risk management practice and procedures in place within the operating structure of the Fund for risk management. They also define the overall strategy for risk tolerance and are responsible for the design, implementation and review of a risk management framework, processes and day-to-day management of risk as performed by the intermediaries and service providers of the Fund. Part of the responsibility to monitor the framework and processes has been delegated to the Investment Committee which conducts reviews on a quarterly basis.

The Fund's policy on risk management encompasses all business risks including operational, technology, business continuity, financial, compliance and reputational risks which could influence the achievement of the Fund's objectives. In context, a due diligence exercise is undertaken in collaboration with nominated intermediaries to ensure that they have the capability to commit on the implementation of appropriate customised procedures and controls for the purpose of the Fund.

The risk management mechanisms in place include:

- A system for the ongoing identification and assessment of risk;
- Development of strategies in respect of risk and definition of acceptable and non-acceptable levels of risk;
- The communication of risk management policies across the multiple parties and functionaries involved in the processes;
- The implementation of a documented system of processes with appropriate controls and approval mechanism that closely align the control effort to the nature and importance of the risk;
- Processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined and agreed by the Board of the Manager;
- Compliance reports are prepared and presented to the board of the Manager on a quarterly basis; and
- Internal audit functions exist at the level of the Manager and Fund Administrator whereby the processes pertaining to the affairs of the Fund are scrutinised and undergo audit reviews. Quarterly reports are prepared and presented to the boards of the Manager and Fund Administrator.

Risk exposure of the Fund falls within the following areas or risk:

Operational risks

Operational risk is defined as risk of direct or indirect loss resulting from inadequate or failed internal process, people and systems or from external events. Assets of the Fund are properly safeguarded and reporting infrastructures are adequate and effective for timely and accurate data collection.

Compliance risks

Compliance risk is defined as risk of loss from failure to comply with regulations governing the conduct of an organisation's business. It is a composite risk made up of risk of legal or regulatory sanctions, financial loss, or loss of reputation.

Technology risks

Technology risks include hardware and software failures, system development and infrastructure issues. To varying degrees, the Fund is reliant upon certain technologies and systems for the smooth and efficient running of its operations. Disruption to these technologies could adversely affect its efficiency.

Business continuity risks

This relates to losses from failed transaction processing and process management.

Reputational risks

This relates to losses due to unintentional or negligent failure to meet a professional obligation to specific clients or from the nature or design of a product.

3. RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Financial risks

The primary sources of financial risks faced by the Fund are risks inherent to its investment activities. Investment values and returns are dependent on the performance of financial markets and may adversely affect the Fund's financial results. The financial risks faced by the Fund and management of these risks are further discussed in the notes to the financial statements.

INTERNAL CONTROL

The Trustee, the Manager and the board of the Manager acknowledge their responsibility for internal control and work closely together and with the Fund Administrator to put in place a system of internal controls which is designed to provide the Trustee with reasonable assurance that the assets are safeguarded; that operations are carried out effectively and efficiently; that the financial controls are reliable and in compliance with applicable laws and regulations and that material frauds and other irregularities are either prevented or detected within a reasonable time.

The Manager and Fund Administrator prepare compliance and risk monitoring reports that are submitted to the Investment Committee and Board of the Manager on a quarterly basis for their review, following which recommendations are made to the Manager on an on-going basis. Preventive and corrective actions are then duly implemented to address internal control deficiencies and opportunities for improving the systems.

WHISTLEBLOWING POLICY

In order to enhance good governance and transparency, the Group has a Whistleblowing policy. The main aims of the policy are to provide an avenue for raising concerns related to fraud, corruption and any other misconduct. The policy addresses the following:

- Protection of and Remedies for Whistle blowers and Complainants;
- Channels and Procedures;
- Hotline, Email and PO Box facilities

Reports can be made through the following channels:

Hotline (Toll free numbers)

Territory	International Dial Number
Kenya	0800221832
India	0008000402246
Mauritius	8002111
Madagascar	336545559*

E-mail: whistleblowing@sbmgroup.mu

PO Box: 11, Caudan, Port Louis, Mauritius

4. REPORTING WITH INTEGRITY

The Trustee and Manager are required to ensure that adequate accounting records are maintained so as to disclose at any time, and with reasonable adequacy, the financial position of the Fund. They are also responsible for taking reasonable steps to safeguard the assets of the Fund to prevent and detect fraud and other irregularities.

They must present financial statements for each financial year, which give a true and fair view of the affairs of the Fund, and the results for that period. In preparing such financial statements, they are required to:

- select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment

4. REPORTING WITH INTEGRITY (CONTINUED)

- state whether or not the Trust Act, 1989, the Trust Act, 2001 and International Financial Reporting Standards (IFRS) have been adhered to and explain material departures thereto
- use the going concern basis unless it is inappropriate.

The Trustee and Manager acknowledge their responsibility for ensuring the preparation of the financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Trustee and Manager are responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management and the selection of appropriate accounting policies.

Nothing has come to the Trustee's and Manager's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the period under review, which could have a material impact on the business. The financial statements are prepared from the accounting records on the basis of consistent use of appropriate accounting records supported by reasonable and prudent judgments and estimates that fairly present the state of affairs of the Fund.

The financial statements have been prepared on a going concern basis and there is no reason to believe that the Fund will not continue as a going concern in the next financial year.

The Trustee and Manager confirm that in preparing the financial statements, they have:

- selected suitable accounting policies and applied them consistently
- made judgments and estimates that are reasonable and prudent
- followed the International Financial Reporting Standards
- prepared the financial statements on the going concern basis
- adhered to the Code of Corporate Governance in all material aspects and reasons have been provided for non-compliance.

The Trustee and Manager are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the Trust Act 1989, the Trust Act 2001, the Securities Act 2005, the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 and have been prepared in accordance with the International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The reporting on Environmental, Health and Safety, Social and Corporate Social Responsibility issues as well as Charitable and Political contributions is made at the Fund Manager's level (SBM Mauritius Asset Managers Ltd).

The Annual report is published in full on the website of the Manager of the Fund.

5. AUDIT

Internal Audit

The Non-Banking Financial cluster has its own permanent Internal Audit function reporting to the Audit and Risk Committee of the cluster. The Internal Audit team comprises of three fully qualified accountants. The internal auditors provide assurance about the effectiveness of the risk management and control processes in place and they maintain their independence by reporting to the Audit and Risk Committee. The Head of Internal Audit has regular access to the Trustee and Manager and the chairperson of the Audit and Risk Committee.

The Audit and Risk Committee reviews and approves Internal Audit's plan and resources and evaluates the effectiveness of the function. The Audit and Risk Committee ensures that a consistent risk-based audit methodology is applied. The audit reports are thereafter tabled at the Committee and the findings and methodologies are reviewed and discussed by the Audit and Risk Committee.

External Audit

Ernst & Young were appointed as statutory auditors of the Fund for the financial year ended 30 June 2018. The Trustee and Manager assess and review on a regular basis the independence of the external auditor.

5. AUDIT (CONTINUED)

The fees paid to the external auditors for audit services were Rs. 71,073 (2017: Rs. 43,305).

No significant issues have been identified during the Audit and Risk Committee in relation to the Financial Statements.

6. RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

The Manager interacts with key stakeholders on a regular basis to discuss the performance of the Fund.

Prospectus

The Fund has a Prospectus in relation to the issuance of its units. The Prospectus is available for inspection at the registered office of the Fund during business hours situated at SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

Holding Structure - 30 June 2018

As at 30 June 2018, the Fund had issued 15,838,075.92 units for a total fund size of Rs. 436,530,975.69. The NAV per unit of the Fund as at 30 June 2018 was Rs. 27.56.

The NAV per unit for the past five years are as follows:

Year	NAV per unit
June 2014	24.27
June 2015	26.17
June 2016	24.63
June 2017	26.66
June 2018	27.56

Analysis of ownership

The Fund had 1,194 unit-holders as at 30 June 2018. A breakdown of the category of unit-holders and the unit ownership as at 30 June 2018 are set out below:

Market Value (Rs)	Number of shareholders	Number of shares owned	% Holdings
0-59,999	441	293,970.92	1.86
60,000 - 99,999	86	236,518.89	1.49
100,000 - 124,999	42	168,825.90	1.07
125,000 - 199,999	102	573,609.88	3.62
200,000 - 499,999	301	3,213,646.51	20.29
500,000 - 999,999	152	3,747,844.52	23.66
1M - 1,499,999	24	1,042,535.57	6.58
1.5M - 1,999,999	9	556,094.23	3.51
2M - 2,999,999	15	1,262,099.44	7.97
3M - 5,999,999	13	1,968,866.30	12.43
6M - 10M	7	1,927,390.12	12.17
10M-20 M	2	846,673.63	5.35
ABOVE 20 M	0	-	0
Total	1,194	15,838,075.92	100.00%

6. RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)

Unit-holder's Agreement

To the best knowledge of the Manager and Trustee, there has been no such agreement with any of its unit-holders for the year under review.

Unit-holders' Relations and Communication

Unit-holders are strongly encouraged to visit the website of the Manager to remain updated on the Fund's initiatives/projects, goals and prices.

Unit-holders' Calendar

The Fund has planned the following forthcoming events:

Reporting date	30 June 2018
Publication of year end results	Within 90 days from end of 30 June 2018
Declaration of dividend	Within 2 months from end of 30 June 2018

SHAREHOLDING

Dividend Policy

The objective of the Fund is to pay out all income available for distribution on a yearly basis. In that respect, income excludes capital gains, both realised and unrealised. While fixing the dividend rate, the Trustee and Manager also take into account other considerations that might affect the economic interests and proper long term running of the Fund.

For financial year 2017/2018, it was agreed to pay out an amount of MUR 4,656,394.32 as dividend which resulted in a dividend per unit of MUR 0.2940.

Employee Share Option Scheme

The Fund has no share option plans.

OTHER STATUTORY DISCLOSURES

The following agreements have been approved by the Trustee and Manager and are still effective as at end of the financial year 2017-2018:

- Custody Agreement with the SBM Bank (Mauritius) Limited.
- Administration Agreement with SBM Fund Services Ltd.
- Fund Management Agreement with SBM Mauritius Asset Managers Ltd.

Directors and Officers Liability Insurance

The Fund has subscribed to a Directors and Officers Liability Insurance policy in respect of legal actions or liability which may arise against its Trustee, Manager and officers. The cover does not provide insurance against fraudulent, malicious or wilful acts or omissions.

OTHER STATUTORY DISCLOSURES (CONTINUED)

Ethics and Business Conduct

Under regulatory supervision of the Financial Services Commission, all officers and agents of the Fund are expected to maintain a high level of ethics in their behaviour and business transactions. The transactions of the Fund are carried out as per its Manager's and Fund Administrator's Code of Business Conduct and Ethics, applicable to all direct and indirect employees who deal with the matters of the Fund. The Code of Business Conduct and Ethics is re-assessed by the Board of the Manager on a yearly basis.

The Fund is involved in the provision of services and its operations do not materially impact on the environment. Investing strategies include investment in sound, ethical and environmental friendly entities.

TRUSTEES LTD The Common Seal of

On behalf of the Trustee

On behalf of the Manager

Date: 21 SEP 2018

STATEMENT OF COMPLIANCE

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

Name of PIE: The SBM Universal Fund

Reporting Period: Year ended 30 June 2018

Throughout the year ended 30 June 2018 to the best of the knowledge of the Trustee and Manager the SBM Universal Fund (the "Fund") has complied with most of its obligations and requirements under the Code of Corporate Governance except for Principle 2, 3 and 4 of the Code of Corporate Governance.

The reason for non-compliance is that the Fund is set-up as a Trust and not a company. In this context, it does not have any directors, no board of directors, no board committees and no company secretary.

However, the main roles as described under Principle 2, 3 and 4 of the Code of Corporate Governance are fulfilled by the Trustee, the Manager and the Board of the Manager as described above.

On behalf of the Trustee and Manager

DTOS TRUSTEES LTD The Common Seal of

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On behalf of the Trustee On behalf of the Manager

Date: 21 SEP 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBM UNIVERSAL FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SBM Universal Fund (the "Fund") set out on pages 7 to 34 which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the SBM Universal Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and and the Financial Reporting Act 2004.

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 Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Manager's Report and the Corporate Governance report and the Trustee's and Manager's responsibilities, 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 on the other information obtained prior to the date of this auditor's report, 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 the Manager and the Trustees for the Financial Statements

The manager and the trustee are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Financial Reporting Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the manager and the trustee are responsible for assessing the Fund'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 manager and the trustee either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBM UNIVERSAL FUND (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

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 judgement and maintain professional scepticism 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 Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager and the trustee.

- Conclude on the appropriateness of the manager's and the trustee's 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 Fund'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 Fund 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 the manager and the trustee 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.

Use of our report

This report is made solely to the Fund's members, as a body. Our audit work has been undertaken so that we might state to the Fund'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 Fund and the Fund's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBM UNIVERSAL FUND (CONTINUED)

Report on Other Legal and Regulatory Requirements

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

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Fund as far as it appears from our examination of those records.

Financial Reporting Act 2004

The manager and the trustee are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and whether the disclosure is consistent with the requirement of the Code.

In our opinion, the disclosures in the Annual report are consistent with the requirements of the Code.

ERNST & YOUNG
Ebène, Mauritius

LI KUNE LAN POOKIM, F.C.A, F.C.C.A
Licensed by FRC

Date: 21 SEP 2018

SBM UNIVERSAL FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018	2017
		MUR'000	MUR'000
ASSETS			
Cash and cash equivalents		9,934	18,898
Other receivables	5	748	1,582
Financial assets at fair value through profit or loss	6	305,640	247,535
Loan and receivables	7	119,423	117,421
Available-for-sale investments	8	2,034	2,034
Income tax recoverable	10(a)	122	241
TOTAL ASSETS		437,901	387,711
LIABILITIES			
Other payables	9	1,370	1,404
EQUITY			
Stated capital	4	224,755	187,506
Retained earnings		4,657	5,133
Capital reserves		207,119	193,668
TOTAL EQUITY		436,531	386,307
TOTAL LIABILITIES AND EQUITY		437,901	387,711

Approved by the Trustee and the Manager and authorised for issue on 21 SEP 2018

Signed on behalf of the Trustee:

Signed on behalf of the Manager:

The notes on pages 11 to 34 form part of these financial statements

	Notes	2018	2017
		MUR'000	MUR'000
INCOME			
Dividend income	11	5,432	6,756
Interest income	11	5,998	5,696
Net movement in fair value of investments	6	12,411	30,650
Gain on disposal on investments		607	617
Net exchange differences		433	(746)
		24,881	42,973
FUND EXPENSES			
Manager's fees	12	4,137	3,816
Trustee's fees	13	284	572
Auditors' fees		71	43
Registry fees	14	568	572
Custodian fees	15	306	293
Administrators' fees	16	568	572
Brokerage fees		6	3
Sundry expenses		199	775
		6,139	6,646
PROFIT FROM OPERATING ACTIVITIES		18,742	36,327
EQUALISATION			
Income received on units created		(395)	(54)
Income paid on units liquidated		153	295
		(242)	241
PROFIT BEFORE TAXATION		18,500	36,568
Income tax expense	10(b)	(392)	(914)
Profit for the year		18,108	35,654
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,108	35,654

The notes on pages 11 to 34 form part of these financial statements.

	Issued units	Retained earnings	Capital reserve (Note A)	Total
	MUR'000	MUR'000	MUR'000	MUR'000
As at 01 July 2016	212,558	5,089	163,147	380,794
Issue of units	10,100	-	-	10,100
Redemption of units	(35,152)	-	-	(35,152)
Total comprehensive income for the year	-	35,654	-	35,654
Distribution to unit holders (Note 18)	-	(5,089)	-	(5,089)
Transfer	-	(30,521)	30,521	-
As at 30 June 2017	187,506	5,133	193,668	386,307
As at 01 July 2017	**187,506**	**5,133**	**193,668**	**386,307**
Issue of units	**55,941**	-	-	**55,941**
Redemption of units	**(18,692)**	-	-	**(18,692)**
Total comprehensive income for the year	-	**18,108**	-	**18,108**
Distribution to unit holders (Note 18)	-	**(5,133)**	-	**(5,133)**
Transfer	-	**(13,451)**	**13,451**	-
As at 30 June 2018	**224,755**	**4,657**	**207,119**	**436,531**

Note A:

As per the Fund's prospectus, capital gains arising from the changes in the value of investments, both realised and unrealised are credited to the capital reserve and shall not be available for distribution as dividends. Capital losses arising from changes in the value of investment will be debited to the said reserve and shall not be offset against income received.

	Notes	2018	2017
		MUR'000	MUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		18,500	36,568
Adjustments for:			
Dividend income	11	(5,432)	(6,756)
Interest income	11	(5,998)	(5,696)
Net movement in fair value of investments	6	(12,411)	(30,650)
Gain on disposal of investments		(607)	(617)
Operating loss before working capital changes		(5,948)	(7,151)
Decrease/(Increase) in other receivables		660	(370)
Decrease in other payables		(34)	(5,103)
Addition of investments		(107,401)	(92,993)
Disposal/maturity of investments		62,629	120,432
Interest received		3,679	7,634
Dividend received		5,607	6,495
		(40,808)	28,944
Tax paid	10(a)	(272)	(722)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(41,080)	28,222
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of units		55,941	10,100
Redemption of units		(18,692)	(35,152)
Distributions to unitholders paid		(5,133)	(5,089)
NET CASH FLOW GENERATED FROM / (USED IN) FINANCING ACTIVITIES		32,116	(30,141)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,964)	(1,919)
CASH AND CASH EQUIVALENTS AT START OF YEAR		18,898	20,817
CASH AND CASH EQUIVALENTS AT END OF YEAR		9,934	18,898

The notes on pages 11 to 34 form part of these financial statements.

1. LEGAL FORM AND PRINCIPAL ACTIVITY

SBM Universal Fund ("the Fund") was authorised by the Minister and approved by the Financial Services Commission under the Unit Trust Act 1989 (repealed and replaced by the Trust Act 2001) and established as a Unit Trust by a Trust Deed dated 7 June 2002 between SBM Mauritius Asset Managers Ltd ("The Manager") and Sun Insurance Co Ltd ("The Trustee").

The Fund's objective is to provide regular income and maximise returns on a long term basis for the benefit of the unitholders.

The Trust's application made further to the transitional provisions set out under Section 160 of the Securities Act 2005, it has been authorised to operate as a Collective Investment Scheme under Section 97 of the Securities Act 2005.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, which are measured at fair value.

The financial statements are presented in Mauritian Rupee ("MUR'000") and all values are rounded to the nearest thousand, except when otherwise indicated.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

The financial statements are presented in MUR (presentation currency) which is also the currency of the primary economic environment in which the Fund operates (functional currency). The Fund determines its own functional currency and items included in the financial statements of the Fund are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Fund at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences arising on settlement or retranslation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding value added tax or duty. The Fund assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Fund has concluded that it is acting as a principal in all of its revenue arrangements.

Interest income

Interest revenue and expense are recognised in the statement of profit or loss and other comprehensive income for all interest-bearing financial instruments using the effective interest method.

Dividend income

Dividend income is recognised when the Fund's right to receive the payment is established.

(c) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Taxes (Continued)

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

The Fund does not hold any financial assets classified as Held-to-maturity.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(i) Financial assets (Continued)

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in finance costs for loans and in other operating expenses for receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Fund has designated its financial assets at fair value through profit or loss upon initial recognition.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Fund has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in statement of profit or loss and other comprehensive income as finance costs.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Fund of similar financial assets) is primarily derecognised (i.e. removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(i) Financial assets (Continued)

Derecognition (Continued)

Impairment of financial assets

The Fund assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Fund first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income, included in finance income, continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings including payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.
The Fund's financial liabilities include other payables.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(ii) Financial liabilities (Continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in statement of profit or loss and other comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of profit or loss and other comprehensive income.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) Determination of fair value

The fair value for financial instruments traded in active markets at reporting date is based on their quoted price or binding dealer price quotations.

For all other financial assets not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis making as much use of available and supportable market data as possible.

An analysis of fair value instruments and further details as to how they are measured are provided in Note 21.3.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation(based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank.

(g) Provisions

Provisions are recognised when the Fund 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 Fund 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(h) Redeemable units

Classification of redeemable units

Redeemable units are classified as equity instruments when:

The redeemable shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.

The redeemable units are in the class of instruments that is subordinate to all other classes of instruments. All redeemable shares in the class of instruments that is subordinate to all other classes of instruments have identical features.

The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets

The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable units having all the above features, the Fund must have no other financial instrument or contract that has:

Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund.

The effect of substantially restricting or fixing the residual return to the holders of redeemable units.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Redeemable units (Continued)

Classification of redeemable units

Upon issuance of units, the consideration received is included in equity.

Transaction costs incurred by the Fund in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. The Fund's policy is not to keep units in treasury, but rather to cancel them once repurchased.

No gain or loss is recognised in profit or loss on the purchase, sale, issuance or cancellation of the Fund's own equity instruments.

2.1 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in these financial statements are consistent with those of the previous financial year. There were a number of new standards and interpretations which were effective for this financial year, none of which have an impact on the Company.

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Company has not early adopted them and intends to adopt those standards when they become effective.

	Effective for accounting period beginning on or after
<u>New or revised standards</u>	
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
<u>Amendments</u>	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Deferred indefinitely
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	1 January 2018
IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters	1 January 2018

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Amendments	Effective for accounting period beginning on or after
IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice	1 January 2018
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
Long-term Interests in Associates and Join Ventures	1 January 2019
Plan Amendments, Curtailment or Settlement	1 January 2019
IFRS 3 Business Combinations- Previously held interest in a joint operation	1 January 2019
IFRS 11 Joint Arrangements- Previously held interests in a joint operation	1 January 2019
IAS 12 Income Taxes- Income tax consequences of payments on financial instruments classified as equity	1 January 2019
IAS 23 Borrowing Costs- Borrowings costs eligible for capitalisation	1 January 2019

The new standards and interpretations that are expected to have an impact are disclosed below.

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and will be effective as from 1 January 1 2018. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The impairment requirements will lead to significant changes in the accounting for financial instruments for the Company. The Company will not restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial Instruments: Disclosures. Any change in the carrying value of financial instruments upon initial application of IFRS 9 will be recognised in equity.

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

(a) Classification and measurement of financial assets

IFRS 9 will require financial assets to be classified on the basis of two criteria:

1) The business model within which financial assets are managed; and
2) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition (Continued)

(a) Classification and measurement of financial assets (Continued)

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition and impairment is not recognised in profit or loss.
The accounting for financial liabilities is largely unchanged.
An assessment of potential changes to financial assets has been conducted, including an assessment of business models across various portfolios, and a review of contractual cash flow features for complex financial assets.
The initial application of the Company's new classification and measurement policies on January1, 2018 is not expected to result in any material changes to the measurement of the Company's financial assets and financial liabilities.

(b) Impairment

IFRS 9 introduces a revised impairment model which requires entities to recognise Expected Credit Losses ('ECL') based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss based on the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This presents a change from the scope of the IAS 39 impairment model which excludes loan commitments and financial guarantee contracts (these were covered by IAS 37: Provisions, Contingent Liabilities and Contingent Assets).

The measurement of expected credit loss will involve increased complexity and judgement including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

Exposures would be divided into 3 stages as follows:

Stage 1: Exposures for where a significant increase in credit risk has not occurred since origination. For these exposures a 12 months expected credit loss will be recognised.

Stage 2: Exposures for which a significant increase in credit risk has occurred since origination. The Bank will assess whether a significant increase in credit risk has occurred based on qualitative and quantitative drivers; as well as exposures that are more than 30 days past due contractual payment date. Lifetime expected credit losses will be recognised for these assets.

Stage 3: Exposures which meet the definition of default. The Company has aligned its definition of default with the guideline issued by the Bank of Mauritius on Credit Impairment Measurement and Income Recognition, which considers exposures that are more than 90 days past due, forbearance, as well as indicators that an exposure is unlikely to pay. Lifetime expected credit losses will be recognized for these assets.
The revised impairment model is expected to have a material financial impact on the recognition of impairment losses going forward, as well as existing impairment provisions previously recognised in terms of the requirements of IAS 39. Impairment provisions are expected to increase from IAS 39 provisioning as a result of:

- The removal of the emergence period that was necessitated by the incurred loss model of IAS 39. All stage 1 assets will carry a 12 months expected credit loss provision. This differs from IAS 39 where unidentified impairments were typically measured with an emergence period of between 3 to 12 months.
- The provisioning for lifetime expected credit losses on stage 2 assets; where some of these assets would not have attracted a lifetime expected credit loss measurement per IAS 39.
- The implementation of a default definition for exposures that are more than 90 days past due, as well as for certain indicators that an exposure or obligor is unlikely to pay.
- The inclusion of forecasted macroeconomic scenarios into the expected credit losses of a portfolio;

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition (Continued)

(b) Impairment (Continued)

Exposures would be divided into 3 stages as follows: (Continued)

- The inclusion of expected credit losses on items that typically would not have been impaired under IAS 39, such as loan commitments.

The Company has appointed a consultant in connection with the Group's IFRS 9 implementation project and the impact is currently being assessed.

Hedge accounting

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, this will not have an impact on the Company as it does not have any hedge.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES ANSD ASSUMPTIONS

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainties about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Fund's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the financial statements:

a) Determination of functional currency

The primary objective of the Fund is to generate returns in MUR, its capital-raising currency. The liquidity of the Fund is managed on a day-to-day basis in MUR. The Fund's performance is evaluated in MUR. Therefore management considers MUR as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions.

b) Going concern note

The Manager of the Fund has made an assessment of its ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Manager is not aware of any material uncertainty that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4. CAPITAL MANAGEMENT

As a result of the ability to issue, repurchase and resell units, the capital of the Fund can vary depending on the demand for redemption and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Funds's prospectus.

The investment objective of the Fund is to achieve attractive risk-returns through a combination of long-term capital appreciation and current income by making portfolio investments.

4. CAPITAL MANAGEMENT (CONTINUED)

The Fund's objectives for managing capital are:

- To invest the capital in investments, meeting the description, risk, exposure and expected return indicated in its prospectus.
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise.
- To maintain sufficient size to make the operation of the Fund cost efficient.

The capital of the Fund consists of units denominated in Mauritian Rupees and is redeemable at the option of the unit holder based on net asset value. The redeemable participation units have been classified as equity.

(a) Movement in units during the

	2018	2018	2017	2017
	No of units	MUR'000	No of units	MUR'000
At start of year	14,487,784	187,506	15,463,512	212,558
Units created	2,043,777	55,941	388,247	10,100
Units liquidated	(693,485)	(18,692)	(1,363,975)	(35,152)
At end of year	15,838,076	224,755	14,487,784	187,506

(b) Net asset value per unit

	2018	2017
Before distribution (MUR)	27.56	26.66
After distribution (MUR)	26.35	26.36

(c) Prices per unit

	2018	2017
Issue price (MUR)	27.84	26.63
Repayment price (MUR)	27.29	26.10

5. OTHER RECEIVABLES

	2018	2017
	MUR'000	MUR'000
Dividend receivable	668	842
Receivable from broker	-	660
Prepayments	80	80
	748	1,582

The carrying value of other receivables approximates its fair value and is receivable within 3 months.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Local and Foreign investments

	Local	Foreign	Total
	MUR'000	MUR'000	MUR'000
At 01 July 2016	171,423	83,802	255,225
Additions	10,787	40,517	51,304
Disposals	(47,151)	(42,493)	(89,644)
Fair value adjustment	24,705	5,945	30,650
At 30 June 2017	159,764	87,771	247,535

Equities	**Local**	**Foreign**	**Total**
	MUR	**MUR**	**MUR**
Listed equity securities	**148,007**	**83,256**	**231,263**
Unlisted equity securities	**11,757**	**4,515**	**16,272**
	159,764	**87,771**	**247,535**
Disposal proceeds	**48,068**	**41,642**	**89,710**

	Local	Foreign	Total
	MUR	MUR	MUR
At 01 July 2017	159,764	87,771	247,535
Additions	45,009	62,392	107,401
Disposals	(32,748)	(28,959)	(61,707)
Fair value adjustment	8,486	3,925	12,411
At 30 June 2018	**180,511**	**125,129**	**305,640**

Equities	**Local**	**Foreign**	**Total**
	MUR	**MUR**	**MUR**
Listed equity securities	**174,201**	**116,260**	**174,317**
Unlisted equity securities	**6,310**	**8,869**	**6,319**
	180,511	**125,129**	**180,636**
Disposal proceeds	**28,255**	**34,374**	**62,629**

Fair value measurement hierarchy

IFRS 13 requires disclusures relating to fair value measurement using a three level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement. Assessing the significance of a particular input requiires judgement, considering factors specific to the asset or liability.

- Level 1 fair value measurements are those derived from quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 fair value measurements are those derived from Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Local and Foreign investments (Continued)

Fair value measurement hierarchy (Continued)

The following table provides an analysis of local and foreign investments grouped into level 1 to 2 based on the degree to which the fair value is observable.

	Level 1	Level 2	Total
	MUR'000	MUR'000	MUR'000
Financial assets at fair value through profit or loss:			
Local investments	148,007	11,757	159,764
Foreign investments	83,256	4,515	87,771
At 30 June 2017	231,263	16,272	247,535
Financial assets at fair value through profit or loss:			
Local investments	174,201	6,310	180,511
Foreign investments	116,260	8,869	125,129
At 30 June 2018	290,461	15,179	305,640

There were no transfer between level 1 and 2 during the year.

Concentration of equity price risk

The following table analyses the Fund's concentration of equity price in the Fund's equity portfolio by industrial distribution:

Local investments	2018	2017	2018	2017
	MUR'000	MUR'000	%	%
Banks, insurance and other finance sector	68,968	76,818	38.21%	51.90%
Industry sector	8,068	4,760	4.47%	3.22%
Commerce sector	24,281	13,552	13.45%	9.16%
Leisure and Hotels sector	31,474	33,204	17.44%	22.43%
Sugar sector	1,144	1,627	0.63%	1.10%
Investment sector	10,562	7,468	5.85%	5.05%
Others	36,014	22,335	19.95%	7.14%
	180,511	159,764	100.00%	100.00%

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Local and Foreign investments (Continued)

Fair value measurement hierarchy (Continued)

Concentration of equity price risk (Continued)

The following table analyses the Fund's concentration of equity price in the Fund's equity portfolio by geographical distribution:

Local and foreign investments	2018	2017	2018	2017
	MUR'000	MUR'000	%	%
Mauritius	180,511	159,764	59.06%	59.79%
United States of America	83,576	32,087	27.34%	17.71%
Luxembourg	41,553	55,684	13.60%	22.50%
	305,640	247,535	100.00%	100.00%

7. LOAN AND RECEIVABLES

Deposits with financial institutions	Interest rate	Maturitiy	2018	2017
			MUR'000	MUR'000
Term deposits with other financial institutions	5.1% - 6.8%	2018-2024	119,423	117,421
			119,423	117,421

8. AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	MUR'000	MUR'000
Investment in Bonds	2,034	2,034

The available-for-sale investments are classified as level 1 as these instruments are quoted in an active market.

9. OTHER PAYABLES

	2018	2017
	MUR'000	MUR'000
Manager's fees (Note 19)	349	288
Trustee's fees (Note 19)	-	138
Auditors' fees	72	73
Administrator's fees (Note 19)	44	42
Custodian's fees	124	30
Entry and exit fee (Note 19)	83	25
Redemption payable	410	419
Other payables	288	389
	1,370	1,404

The carrying amount of other payables approximate their fair value.

Other payables are unsecured, interest free and repayble within 3 months.

10. TAXATION

Income tax is calculated at the rate of 15% on profit for the year as adjusted for income tax purposes (2017:15%).

	2018	2017
	MUR'000	MUR'000
(a) Income tax recoverable		
At 01 July	(241)	(433)
Provision for the year (Note 10(b))	124	830
Tax paid during the year	(272)	(722)
Under provision in previous year	267	84
At 30 June	(122)	(241)

(b) Reconciliation between tax expense and tax on accounting profit

	2018	2017
	MUR'000	MUR'000
Accounting profit	18,500	36,568
Tax on accounting profit at the tax rate of 15%	2,775	5,485
Exempt income	(711)	(918)
Non-taxable income	(2,363)	(4,726)
Non deductible expenses	423	989
Under provision in previous year	268	84
Tax expense	392	914

	2018	2017
	MUR'000	MUR'000
Tax expense		
Current tax provision for the year	124	830
Under provision in previous year	268	84
Tax expense	392	914

11. INCOME

	2018	2017
	MUR'000	MUR'000
Interest income:		
Debt securities	-	145
Term deposits	5,998	5,551
	5,998	5,696
Dividend income	5,432	6,756
TOTAL	11,430	12,452

Investment revenue earned on financial assets analysed by category of assets is as follows:

	2018	2017
	MUR'000	MUR'000
Available-for-sale	-	145
Loans and receivables (including cash and bank balances)	5,998	5,739
Fair value through profit or loss	5,432	6,756
	11,430	12,640

12. MANAGER'S FEES

Manager's fees are computed daily based on 1% p.a of net asset value of the Fund and are payable monthly in arrears.

13. TRUSTEE'S FEES

Trustee's fees are computed daily based on 0.15% p.a of net asset value of the Fund plus VAT up to 30 May 2017 and revised to 0.085% p.a of net asset value of the Fund plus VAT as from 1 June 2017 and the fees are payable monthly in arrears.

14. REGISTRY'S FEES

Registry's fees are computed daily based on 0.15% p.a of net asset value of the Fund up to 31 December 2017 and revised to 0.125% p.a of net asset value of the Fund as from 01 January 2018 and the fees are payable monthly in arrears.

15. CUSTODIAN'S FEES

Custodian's fees are computed daily based on 0.06% p.a of investment value of the Fund and are payable monthly in arrears.

16. ADMINISTRATOR'S FEES

Administrator's fees are computed daily based on 0.15% p.a of net asset value of the Fund up to 31 December 2017 and revised to 0.125% p.a of net asset value of the Fund as from 01 January 2018 and the fees are payable monthly in arrears.

17. ENTRY FEE AND EXIT FEE

On the issue of units, an entry fee of 1% of the net assets value of the Fund per unit is paid by the unitholder to the Fund and, on the repurchase of units, an exit fee of 1% of the net asset value of the Fund per unit is paid by the unitholder to the Fund. The sums collected are then remitted to the Manager.

18. DISTRIBUTION TO UNITHOLDERS

	2018	2017
	MUR'000	MUR'000
Proposed distribution to unitholders at 30 June (MUR'000)	4,657	5,133
Proposed distribution per unit (MUR)	0.2940	0.3543

19. RELATED PARTY DISCLOSURES

During the years ended 30 June 2018 and 2017, the Fund transacted with related entities. Details of the nature, volume of transactions and balances with the entities are shown below.

	2018	2017
	MUR'000	MUR'000
Amount due to related party		
Trustee		
Trustee fees payable	-	138
Investment Manager		
Management fees payable	349	288
Entry and exit fees payable	83	25
Administrator fees		
Administrator fees payable	44	42
Fund expenses		
Trustee		
Trustee's Fees	284	572
Investment Manager		
Manager fees	4,137	3,816
Registrar fees		
Registry fees	568	572
Administrator		
Administrator's fees	568	572
Custodian	306	293
Custody fees		

No compensation was paid to key management personnel during the year (2018: Nil).

Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivable or payable.

20. FINANCIAL INSTRUMENTS

20.1 Financial risk management

Risk is inherent in the Fund's activities and is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls put in place at the investment manager company level. The Fund is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds. The Fund has investment guidelines that set out its overall business strategies and its tolerance for risk.

20.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

20.3 Fair value

The carrying amount of the other receivables and other payables approximate their fair value because of their short term nature.

20.4 Categories of financial assets and liabilities

	2018	2017
	MUR'000	MUR'000
Financial assets		
Fair value through profit or loss	305,640	247,452
Loans and receivables (including cash and cash equivalents)	130,026	137,904
Available-for-sale investments	2,034	2,034
	437,700	387,390
Financial liabilities		
Other payables	1,370	1,404

20.5 Market risk

Market risk is the risk of loss resulting from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices.

Foreign currency risk

The Fund invests in securities, including maintenance of cash that are denominated in such currencies other than in Mauritian Rupee ("MUR"). Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates. Therefore, the Fund will necessarily be subject to foreign exchange risk.

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Market risk (Continued)

Foreign currency risk (Continued)

At the reporting date, the carrying amounts of foreign currency denominated monetary assets were as follows:

Monetary assets (Balances with local banks)	2018 MUR'000	2017 MUR'000
USD	1,088	9,974
EUR	99	69
GBP	21	21
AUD	406	424

Monetary and Non-monetary assets (Balances with local banks and Investments)	2018 MUR'000	2017 MUR'000
USD	127,305	96,911
EUR	23,060	17,722
GBP	3,204	2,920
AUD	406	424
CHF	-	1,008
CAD	-	1,823

Foreign currency sensitivity analysis

The following shows the Fund's sensitivity to a 10% appreciation/depreciation in the Mauritian Rupee (MUR) against the relevant foreign currencies. 10% represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (mainly bank balances) and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the MUR weakens by 10% against the relevant currency. For a 10% strengthening of the MUR against the relevant currency, there would be an equal but opposite impact on the profit and the balances below would be negative.

Monetary assets (Balances with local banks)	2018 MUR'000	2017 MUR'000
Impact on profit before tax		
USD	109	997
EUR	10	7
GBP	2	2
AUD	41	42

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Market risk (Continued)

Foreign currency sensitivity analysis (Continued)

Monetary and Non-monetary assets (Balances with local banks and investments)	2018	2017
	MUR'000	MUR'000
Impact on profit before tax		
USD	12,731	9,691
EUR	2,306	1,772
GBP	320	292
AUD	41	42
CHF	-	101
CAD	-	182

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The following table analyses the Fund's interest rate risk exposure:

	2018	2017
	MUR'000	MUR'000
Variable rate asset		
Available-for-sale investments	2,034	2,034
Deposits with financial institutions	57,748	55,966
	59,782	58,000
Fixed rate assets		
Deposits with financial institutions	61,675	61,538
	61,675	61,538

The Fund is exposed to interest rate risk on its variable rate assets.

Interest rate sensitivity analysis

The sensitivity analysis below assesses the impact of a change in interest rate over a 12-month period.

	Change in interest rate	2018	2017
	%	MUR'000	MUR'000
Profit before tax	+ 2	769	773

A decrease in interest rate by 2% would have resulted in an equal but opposite impact on profit before tax and equity.

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Market risk (Continued)

Equity price risk

The Fund is exposed to the risk that the value of its equity securities will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or factors affecting all securities traded in the market. Market risk is managed through diversification of the investment portfolio.

Equity price sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risks at the reporting date and assesses the impact of a 5% change in the equity price of equity investments. A positive number below indicates an increase in profits.

	2018	2017
	MUR'000	MUR'000
Profit before tax	15,282	12,373
Equity	102	102

A fall in equity prices by 5% would have resulted in an equal but opposite impact on profit before tax and equity.

20.6 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund seeks to mitigate its exposure to credit and counterparty risk by placing its cash, transacting in securities, placing deposits and bonds with reputable financial institutions. The Fund also has exposure to credit risk though other receivables.

The carrying amount of financial assets as disclosed in the statement of financial position represents the maximum credit exposure.

20.7 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holder's option based on the Fund's NAV per unit at the time of redemption, calculated in accordance with the Fund's prospectus. However, the manager may limit the total number of units in the fund that may be redeemed on any business day to 10% of the outstanding units in the fund.

The Fund's policy is to satisfy redemption requests by the following means (in decreasing order of priority):

- Searching for new investors
- Withdrawal of cash deposits
- Disposal of highly liquid assets (i.e., short-term, low-risk debt investments)
- Disposal of other assets

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.7 Liquidity risk (Continued)

The Fund invests primarily in marketable securities and other financial instruments which, under normal market conditions, are readily convertible to cash. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

The following table summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Fund's contractual commitments and liquidity.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

Financial assets

Analysis of equity and debt securities into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

2018	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	9,934	-	-	-	-	9,934
Other receivables	668	-	-	-	-	668
Financial assets at fair value through profit or loss	-	-	-	-	305,640	305,640
Available-for-sale investments	-	-	-	2,034	-	2,034
Loan and receivables	-	-	51,469	67,954	-	119,423
Total financial assets	10,602	-	51,469	69,988	305,640	437,699
Other payables	1,370	-	-	-	-	1,370
Total financial liabilities	1,370	-	-	-	-	-
Liquidity gap	9,232	-	51,469	69,988	305,640	436,329

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.7 Liquidity risk (Continued)

2017	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	18,898	-	-	-	-	18,898
Other receivables	1,502	-	-	-	-	1,502
Financial assets at fair value through profit or loss	-	-	-	-	247,535	247,535
Available-for-sale investments	-	-	-	2,034	-	2,034
Loan and receivables	-	-	86,431	30,990	-	117,421
Total financial assets	20,400	-	86,514	33,024	247,452	387,390
Other payables	1,404	-	-	-	-	1,404
Total financial liabilities	1,404	-	-	-	-	1,404
Liquidity gap	18,996	-	86,514	33,024	247,452	385,986

20.8. Excessive risk concentration

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arises when a number of financial instruments or contracts are enterred into with the same counterparty or when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in econimic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of liquidity risk may arise from repayment terms of financial liabilities. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency. In order to avoid excessive concentration of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure to excessive risk concentrations. The Fund shall not invest more than 20% of its Net asset Value in securities issued by single issuer (a company on other corporate entity including the subsidiaries thereof) at the time of purchase. The Fund shall not hold more than 20% of any class of security listed or unlisted, issued by a single issuer.

Appendix 1

SBM UNIT TRUST (SBM UNIVERSAL FUND) - NET ASSET VALUE

	30-Jun-18	30-Jun-17	30-Jun-16
	MUR'000	**MUR'000**	**MUR'000**
Net assets value at start of year	**386,308**	**380,794**	**385,168**
Total revenue	11,862	11,894	12,110
Total expenses	(6,530)	(7,748)	(7,703)
Equalisation	(243)	241	(441)
Realised gains/(losses) for the year (Note 1)	607	617	(1,561)
Unrealised gains/(losses) for the year (Note 1)	12,411	30,650	(23,550)
Total increase/(decrease) from operations	18,107	35,654	(21,145)
Dividend paid	(5,133)	(5,089)	(3,897)
Net movement in units	37,249	(25,052)	20,667
	32,116	(30,141)	16,771
Net asset value at end of year	**436,531**	**386,308**	**380,794**

As per Seventh Schedule of the Securities Act 2005, Sec 1(h)
SBM UNIT TRUST (SBM UNIVERSAL FUND) - RATIOS & SUPPLEMENT DATA

	30-Jun-18	30-Jun-17	30-Jun-16
	MUR'000	**MUR'000**	**MUR'000**
Net Assets	436,531	386,308	380,794
Number of shares outstanding	15,838,076	14,487,784	15,463,512
Management expense ratio	1.00%	1.00%	1.00%
Total expense ratio	1.59%	1.97%	2.01%
Portfolio turnover rate	15.22%	24.25%	18.14%