

SICOM Overseas  
Diversified Fund  
**2017**  
ANNUAL REPORT



**SICOM UNIT TRUST - SICOM OVERSEAS DIVERSIFIED FUND**

**MANAGER'S REPORT AND FINANCIAL STATEMENTS**

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**SICOM UNIT TRUST - SICOM OVERSEAS DIVERSIFIED FUND****MANAGEMENT AND ADMINISTRATION****MANAGER AND REGISTRAR**

SICOM Financial Services Ltd

**Directors of SICOM Financial Services Ltd**

Sakurdeep S  
Bhoojedhur-Obeegadoo K G (Mrs)  
Boodhoo B (up to 30 September 2016)  
Gopy D K  
Hussenee N E S S (as from 03 November 2016)  
Nemchand S  
Ramdhonee B I R (as from 03 November 2016)  
Yip Wang Wing Y S, C.S.K (up to 04 July 2017)

**Registered Office**

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SICOM Building  
Sir Celicourt Antelme Street, Port Louis  
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**TRUSTEE**

The Mauritius Commercial Bank Limited  
9-15 Sir William Newton Street  
Port Louis

**AUDITORS**

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

**BANKER**

The Mauritius Commercial Bank Limited

## SICOM UNIT TRUST - SICOM OVERSEAS DIVERSIFIED FUND

### MANAGER'S INVESTMENT REPORT

We are pleased to present our report of the SICOM Overseas Diversified Fund for the financial year ended 30 June 2017.

#### Investor Profile

The Fund is designed to give a broad exposure to global financial markets. Given that the Fund is diversified across a number of markets and a range of asset classes, it is more suited for investors who are looking for long-term capital appreciation with a moderate income flow.

The Fund is exposed to a certain number of risks such as economic and currency risks as well as to the high volatility of financial markets. The Fund is best suited for investors with at least a 3 to 5 year investment horizon.

#### Investment Objectives & Approach

The overall objectives of the SICOM Overseas Diversified Fund are as follows:

- To maximise returns over the long term
- To keep risks at an acceptable level through a diversified portfolio of assets invested globally
- To provide a yearly income flow

The Fund has a globally diversified portfolio and can invest up to 100% of its assets overseas. The financial instruments in which the Fund may invest might include, inter alia, mutual funds and other collective investment schemes, equity and equity linked securities, debt securities, convertible debt securities, bonds, fixed income securities and cash/short term/money market instruments.

SICOM Financial Services Ltd, the Manager of the Fund, has set up an Investment Committee, a sub-Committee of its Board of Directors, to define investment objectives and strategies of the Fund. The investment strategies are based on an in-depth analysis of the current financial market and economic perspectives. Moreover, investment strategy and key investment decisions are made with reference to the overall objectives of the portfolio of the Fund as a whole, available investment opportunities and instruments on financial markets, cash flow availability and the need for diversification of a well-balanced portfolio.

## SICOM UNIT TRUST - SICOM OVERSEAS DIVERSIFIED FUND

### **Risk Management**

The risk management framework of the Fund aims at reducing the absolute risk of the Fund. This objective is achieved mainly through set investment restrictions as well as specific allowable allocations in respect of asset classes, currencies and geographical location of investments being made so that the portfolio is well diversified. There is a comprehensive analysis of investments made so as to assemble an optimal mix of securities that would yield our targeted risk level.

### **Governance**

SICOM Overseas Diversified Fund is a Collective Investment Scheme with SICOM Financial Services Ltd (The Manager) carrying out the investment function as per the terms and conditions of the Trust Deed. The assets of the Fund are registered in the name of and held by the Trustee whose responsibility is to safeguard unitholders and ensure that the Manager carries out its duties. Therefore, through this governance structure, the best interests of unitholders are maintained.

### **Economic and Market Review**

According to the International Monetary Fund, world growth is projected to rise to 3.5% in 2017 supported by buoyant financial markets and a long-awaited cyclical recovery in investment, manufacturing and trade. Economic activity in both advanced economies and emerging and developing economies is forecast to accelerate by 2.0% and 4.6% respectively in 2017. In advanced economies, the pickup is primarily driven by higher projected growth in the United States, where activity was held back in 2016 by inventory adjustment and weak investment. The gradual improving conditions of commodity exporters as a result of the partial recovery in commodity prices should see markedly higher activity in emerging market and developing economies, while growth is projected to remain strong in China and many other commodity importers. Headline inflation, which has generally softened with the fading impact of the commodity price rebound experienced in the second half of 2016, remains at levels well below central bank targets in most advanced economies. A few emerging economies have also witnessed strong declines in inflation.

Despite the improved global outlook, binding structural obstacles continue to hold back a stronger recovery and the balance of risks remains skewed to the downside, more so over the medium term. On the upside, the cyclical rebound could be stronger and more sustained in Europe, where political risk has diminished. On the downside, rich market valuations and very low volatility in an environment of high policy uncertainty raise the likelihood of a market correction, which could dampen growth and confidence. Moreover, tightening global market conditions as a result of faster-than-anticipated monetary policy normalisation, a more protracted period of policy uncertainty, financial tensions, a turn toward inward-looking policies and geopolitical risks threaten the strength and durability of the recovery.

## SICOM UNIT TRUST - SICOM OVERSEAS DIVERSIFIED FUND

### Economic and Market Review (cont'd)

Receding political uncertainties and further indications of a more synchronized recovery in the global economy triggered a global rally of risk assets. Market sentiment has generally been strong, with notable gains in equity markets in both advanced and emerging market economies. During the financial year ended 30 June 2017, the S&P 500 and the MSCI World Index recorded a gain of 15.5% and 15.9% respectively. The MSCI Europe, DAX, CAC 40, FTSE 100 and Nikkei 225 were up by 17.8%, 27.3%, 20.8%, 12.4% and 28.6% respectively during the same period. Similarly, the MSCI Emerging Markets, MSCI China and MSCI India rose by 21.2%, 30.3% and 15.9% respectively.

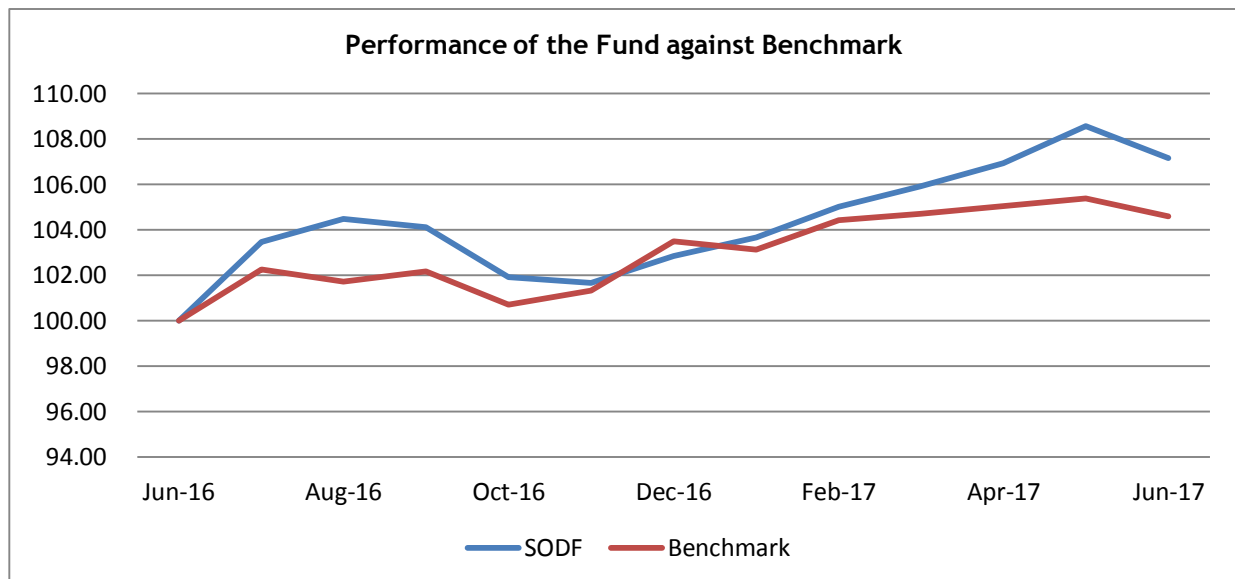
### Fund Review

#### Total Value & Total Assets

The total value of the SICOM Overseas Diversified Fund was Rs 73.5 million as at 30 June 2017 compared to Rs 69.8 million as at 30 June 2016. The total assets of the Fund stood at Rs 75.9 million as at 30 June 2017 as compared to Rs 72.1 million last year. The Net Asset Value per Unit of the Fund was Rs 11.76 as at 30 June 2017 as compared to Rs 11.28 as at 30 June 2016.

#### Performance

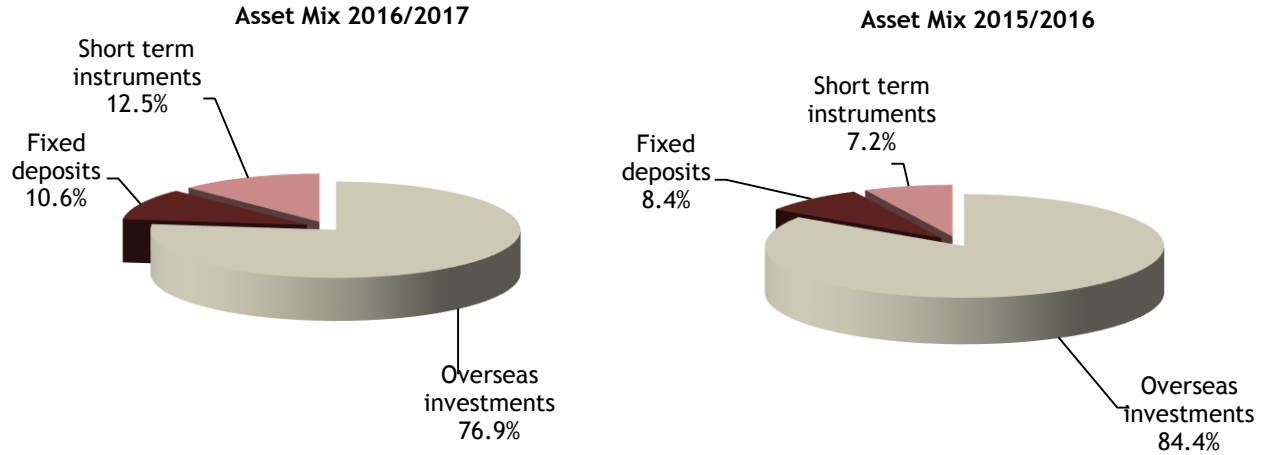
The return of the SICOM Overseas Diversified Fund stood at 7.2% for the year under review as compared to a decrease of 6.4% last year and the Fund also outperformed its benchmark.



**SICOM UNIT TRUST - SICOM OVERSEAS DIVERSIFIED FUND**

**Asset Mix**

The asset mix of the investment portfolio of the Fund as at 30 June 2017 as compared to 30 June 2016 is represented below:



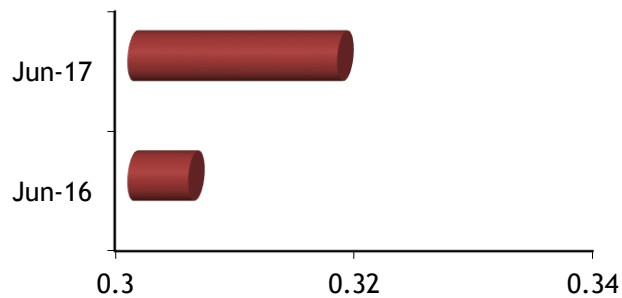
**Investment Income**

Gross investment income for the financial year ended 30 June 2017 was same as last year at Rs 3.0 million.

**Dividend**

The income available for distribution for the financial year ended 30 June 2017 stood at Rs 2.0 million compared to Rs 1.9 million as at 30 June 2016. The dividend per unit is Re 0.3176 for the year under review as compared to Re 0.3051 per unit last year.

**Dividend Per Unit (Rs)**



**SICOM UNIT TRUST - SICOM OVERSEAS DIVERSIFIED FUND****Prospect**

The global recovery is likely to gain further momentum in 2017 on the back of faster U.S. growth, stable developed markets growth and rebounding emerging markets momentum. Monetary policy continues to be broadly accommodative, while inflation remains low. Against this backdrop, earnings have rebounded in developed and emerging markets, with revenue growth coming from a pickup in global economic activity. While growth becomes more balanced, material risks emanate from late-cycle fiscal stimulus, rich market valuations, faster Fed rate hikes and a broad globalisation backlash. In general, market and policy realities such as full valuations, legislative bottlenecks and diminishing excess economic capacity point towards lower annualised returns from risk assets.

Depending on market conditions, we shall continue to research for attractive investment opportunities locally and overseas and invest for the long-term in identified markets.

**Acknowledgements**

The Directors would like to place on record their appreciation of the support given to the SICOM Overseas Diversified Fund by the Financial Services Commission, its valued Unitholders, its Trustee, Registrar, Stockbrokers, duly authorised Agents and the dedication of staff and Management.



**SICOM Financial Services Ltd**  
Manager

Date: 22 SEP 2017



## SICOM UNIT TRUST - SICOM OVERSEAS DIVERSIFIED FUND

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### INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SICOM Unit Trust - SICOM Overseas Diversified Fund

This report is made solely to the members of SICOM Unit Trust - SICOM Overseas Diversified Fund (the "Fund"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the 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.

### Report on the audit of the Financial Statements

#### Opinion

We have audited the financial statements of SICOM Unit Trust - SICOM Overseas Diversified Fund (the "Fund"), on pages 8 to 31 which comprise the statement of financial position as at June 30, 2017, 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 a summary of significant accounting policies.

In our opinion, the financial statements on pages 8 to 31 give a true and fair view of the financial position of the Fund as at June 30, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

#### Basis for Opinion

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

#### Other information

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

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

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

**INDEPENDENT AUDITOR'S REPORT (Continued)**

To the Shareholders of SICOM Unit Trust - SICOM Overseas Diversified Fund

**Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, the directors are responsible for assessing the 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 directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.



SICOM UNIT TRUST - SICOM OVERSEAS DIVERSIFIED FUND

7(b)

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders of SICOM Unit Trust - SICOM Overseas Diversified Fund

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

*Companies Act 2001*

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

We have obtained all information and explanations we have required.

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

  
BDO & Co  
Chartered Accountants  


Port Louis,  
Mauritius

Per Georges Chung Ming Kan, FCCA  
Licensed by FRC

22 SEP 2017

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	2017		2016	
		Rs.	% of Fund	Rs.	% of Fund
<b>ASSETS</b>					
<b>Non-current assets</b>					
Overseas quoted equities	5	58,289,584	79.32	60,803,718	87.07
Deferred tax assets	10	125,508	0.17	31,389	0.04
		<u>58,415,092</u>	<u>79.49</u>	<u>60,835,107</u>	<u>87.11</u>
<b>Current assets</b>					
Local currency denominated deposits	6	8,058,855	10.96	6,053,911	8.67
Other receivables	7	1,916,117	2.61	62,796	0.09
Bank balances		7,543,278	10.27	5,154,990	7.38
		<u>17,518,250</u>	<u>23.84</u>	<u>11,271,697</u>	<u>16.14</u>
<b>TOTAL ASSETS</b>		<u>75,933,342</u>	<u>103.33</u>	<u>72,106,804</u>	<u>103.25</u>
<b>CURRENT LIABILITIES</b>					
Other payables	8	409,755	0.56	326,779	0.47
Dividend payable	9	2,038,870	2.77	1,940,704	2.78
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,448,625</u>	<u>3.33</u>	<u>2,267,483</u>	<u>3.25</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>Rs. 73,484,717</u>	<u>100.00</u>	<u>69,839,321</u>	<u>100.00</u>
<b>NET ASSET VALUE PER UNIT</b>					
- Before distribution		<u>Rs. 11.76</u>		<u>11.28</u>	
- After distribution		<u>Rs. 11.45</u>		<u>10.98</u>	

These financial statements have been approved for issue by the Manager on 22 SEP 2017

Signed on behalf of the Manager by:

  
Signature  
S. Sapurdeep

  
Signature  
A.K. Gopy

The notes on pages 13 to 31 form an integral part of these financial statements.  
Auditors' report on pages 7 to 7(b).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED  
30 JUNE 2017

	Notes	2017 Rs.	2016 Rs.
Investment income	12	<u>2,988,184</u>	<u>2,989,588</u>
<b>FUND EXPENSES</b>			
Manager's fees	13	735,065	736,470
Trustee's fees	14	110,260	110,470
Auditors' remuneration		186,300	179,400
Other operating expenses		<u>7,330</u>	<u>30,493</u>
		<u>1,038,955</u>	<u>1,056,833</u>
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>1,949,229</b>	<b>1,932,755</b>
<b>EQUALISATION</b>	3(d)		
<u>Add:</u> Income received on units created		279	1,609
<u>Less:</u> Income paid on units liquidated		<u>(4,715)</u>	<u>(24,800)</u>
		<u>(4,436)</u>	<u>(23,191)</u>
<b>Profit before taxation</b>		<b>1,944,793</b>	<b>1,909,564</b>
Income tax credit	11(i)	<u>94,119</u>	<u>31,388</u>
<b>Profit after taxation</b>		<b>2,038,912</b>	<b>1,940,952</b>
Income brought forward		<u>265</u>	<u>17</u>
<b>PROFIT FOR DISTRIBUTION</b>		<b>2,039,177</b>	<b>1,940,969</b>
Dividend - distribution to unitholders	9	<u>(2,038,870)</u>	<u>(1,940,704)</u>
<b>PROFIT BEFORE NET UNREALISED GAINS/(LOSSES) ON INVESTMENTS</b>		<b>307</b>	<b>265</b>
Net increase/(decrease) in fair value of held-for-trading (HFT) investments		<u>5,120,299</u>	<u>(3,810,415)</u>
<b>PROFIT/(LOSS) AFTER NET GAINS/(LOSSES) ON INVESTMENTS</b>	Rs.	<u><u>5,120,606</u></u>	<u><u>(3,810,150)</u></u>

The notes on pages 13 to 31 form an integral part of these financial statements.  
Auditors' report on pages 7 to 7(b).

## STATEMENT OF MOVEMENTS IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Investments	Other Net Assets	Income and Distribution Account	Total
	Rs.	Rs.	Rs.	Rs.
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 1 JULY 2016</b>	66,857,629	2,981,427	265	69,839,321
<b>MOVEMENT IN UNITS</b>				
Cash receivable for units created	-	1,618,269	-	1,618,269
Cash payable for units liquidated	-	(915,016)	-	(915,016)
<b>Net cash movement from units</b>	<b>-</b>	<b>703,253</b>	<b>-</b>	<b>703,253</b>
<b>MOVEMENT IN INVESTMENTS</b>				
Cost of investments purchased	30,643,015	(30,643,015)	-	-
Proceeds of investments sold/matured	(36,671,003)	36,671,003	-	-
<b>Net cash movement from investments</b>	<b>(6,027,988)</b>	<b>6,027,988</b>	<b>-</b>	<b>-</b>
<b>Gains on disposal/maturity of investments</b>				
Gains on disposal of shares	2,576,697	(2,576,697)	-	-
Transfer to gross investment income	(2,178,198)	-	-	(2,178,198)
	398,499	(2,576,697)	-	(2,178,198)
Profit after net gain on investments	-	5,120,299	307	5,120,606
Transfer of net gain on investments	5,120,299	(5,120,299)	-	-
	5,120,299	-	307	5,120,606
Income and distribution account	66,348,439	7,135,971	572	73,484,982
	-	-	(265)	(265)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 30 JUNE 2017</b>	<b>Rs. 66,348,439</b>	<b>7,135,971</b>	<b>307</b>	<b>73,484,717</b>

The notes on pages 13 to 31 form an integral part of these financial statements.  
Auditors' report on pages 7 to 7(b).

## STATEMENT OF MOVEMENTS IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Investments	Other Net Assets	Income and Distribution Account	Total
	Rs.	Rs.	Rs.	Rs.
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 1 JULY 2015</b>	73,380,602	1,975,707	17	75,356,326
<b>MOVEMENT IN UNITS</b>				
Cash receivable for units created	-	1,983,753	-	1,983,753
Cash payable for units liquidated	-	(671,427)	-	(671,427)
<b>Net cash movement from units</b>	-	1,312,326	-	1,312,326
<b>MOVEMENT IN INVESTMENTS</b>				
Cost of investments purchased	13,694,788	(13,694,788)	-	-
Proceeds of investments sold/matured	(15,670,618)	15,670,618	-	-
<b>Net cash movement from investments</b>	(1,975,830)	1,975,830	-	-
<b>Gains on disposal/maturity of investments</b>				
Gains on disposal of shares	2,282,436	(2,282,436)	-	-
Transfer to gross investment income	(3,019,164)	-	-	(3,019,164)
	(736,728)	(2,282,436)	-	(3,019,164)
(Loss)/profit after net (loss)/gain on investments	-	(3,810,415)	265	(3,810,150)
Transfer of net loss on investments	(3,810,415)	3,810,415	-	-
	(3,810,415)	-	265	(3,810,150)
	66,857,629	2,981,427	282	69,839,338
Income and distribution account	-	-	(17)	(17)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 30 JUNE 2016</b>	<b>Rs. 66,857,629</b>	<b>2,981,427</b>	<b>265</b>	<b>69,839,321</b>

The notes on pages 13 to 31 form an integral part of these financial statements.  
Auditors' report on pages 7 to 7(b).

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	Rs.	Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation (after dividend and net gains/(losses) on investments)	5,026,222	(3,841,555)
Adjustments for:		
Gain on disposal of investment securities	(2,576,697)	(2,282,436)
Net (increase)/decrease in fair value of HFT investments	(5,120,299)	3,810,415
Distribution to unitholders	2,038,870	1,940,704
<b>Operating loss before working capital changes</b>	<b>(631,904)</b>	<b>(372,872)</b>
(Increase)/decrease in other receivables	(1,853,321)	101,736
Increase/(decrease)in other payables	82,976	(75,972)
<b>Cash used in operations</b>	<b>(2,402,249)</b>	<b>(347,108)</b>
Dividend paid	(1,940,704)	(2,427,326)
Tax paid	-	(54,022)
Cost of investments purchased	(30,643,015)	(13,694,788)
Proceeds of investments sold/matured	36,671,003	15,670,618
<b>Net cash generated from/(used in) operating activities</b>	<b>1,685,035</b>	<b>(852,626)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received for units created	1,618,269	1,983,753
Cash paid for units liquidated	(915,016)	(671,427)
<b>Net cash generated from financing activities</b>	<b>703,253</b>	<b>1,312,326</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,388,288</b>	<b>459,700</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>5,154,990</b>	<b>4,695,290</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>Rs. 7,543,278</b>	<b>5,154,990</b>

The notes on pages 13 to 31 form an integral part of these financial statements.  
Auditors' report on pages 7 to 7(b).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**1. GENERAL INFORMATION**

SICOM Overseas Diversified Fund is an open ended Collective Investment Scheme established as a Unit Trust. The address of its registered office is SICOM Financial Services Ltd, SICOM Building, Sir Celicourt Antelme Street, Port Louis. It was authorised under Section 3(1)(a) of the Unit Trust Act 1989 which was repealed and replaced by the Securities (Amendment) Act 2007 and established by a Supplemental Trust Deed dated 31 May 2006 between SICOM Financial Services Ltd (The Manager) and The Mauritius Commercial Bank Ltd (The Trustee). A Unit Trust is a Collective Investment Fund requiring two parties, a Manager to carry out the investment function, and a Trustee which performs a fiduciary role on behalf of the investors.

The overall objective of the SICOM Overseas Diversified Fund is to maximise returns whilst acting prudently at all times and diversifying its portfolio with a long term view.

**2. STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE REPORTING PERIOD**

IFRS 14 Regulatory Deferral Accounts provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The standard is not expected to have any impact on the Fund's financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. The amendment has no impact on the Fund's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. The amendment has no impact on the Fund's financial statements.

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate FS. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. The amendment has no impact on the Fund's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**2. STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE REPORTING PERIOD (CONT'D)**

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. The amendment has no impact on the Fund's financial statements.

**Annual Improvements to IFRSs 2012-2014 cycle**

- IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The amendment has no impact on the Fund's financial statements.
- IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. The amendment has no impact on the Fund's financial statements.
- IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. The amendment has no impact on the Fund's financial statements.
- IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The amendment has no impact on the Fund's financial
- IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. The amendment has no impact on the Fund's financial statements.

Disclosure Initiative (Amendments to IAS 1). The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**2. STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE REPORTING PERIOD (CONT'D)****Annual Improvements to IFRSs 2012-2014 cycle (cont'd)**

Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. The amendment has no impact on the Fund's financial statements.

***Standards, Amendments to published Standards and Interpretations issued but not yet***

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2017 or later periods, but which the Fund has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contract with Customers

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IFRS 16 Leases

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Amendments to IAS 7 Statement of Cash Flows

Clarifications to IFRS 15 Revenue from Contracts with Customers

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

Annual Improvements to IFRSs 2014-2016 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Transfers of Investment Property (Amendments to IAS 40)

IFRS 17 Insurance Contracts

IFRIC 23 Uncertainty over Income Tax Treatments

Where relevant, the Fund is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

The financial statements of SICOM Overseas Diversified Fund comply with the Trust Deed and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that held-for-trading financial assets are stated at fair value and held-to-maturity securities are carried at amortised cost.

**(b) Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when the Fund has become party to the contractual provisions of the financial instruments.

**Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'held-to-maturity'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**(i) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

**(ii) Financial assets at FVTPL**

Financial assets are classified as at FVTPL where the financial assets are either held for trading or are designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management and investment strategy, and information about the grouping is provided internally on that basis.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Financial instruments (cont'd)****Financial assets (cont'd)****(ii) Financial assets at FVTPL (cont'd)**

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the profit or loss. The net gain or loss recognised in the profit or loss incorporates any dividend on the financial asset. Fair Value is determined in the manner described in note 3(g).

**(iii) Held-to-maturity**

Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment.

**(iv) Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**(v) Derecognition of financial assets**

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Financial instruments (cont'd)****(v) Derecognition of financial assets (cont'd)****Financial liabilities**

Financial liabilities are classified other financial liabilities.

**(i) Other financial liabilities**

Other financial liabilities, including borrowings and other payables, are initially measured at fair value, net of transaction costs. Subsequently they are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**(ii) Derecognition of financial liabilities**

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

**(iii) Units**

Units issued by the Fund are recorded at the proceeds received net of direct issue costs. They are redeemable at any time at the option of the unitholder for cash and do not have a par value and an unlimited number of units may be issued. The units are financial liabilities and therefore the net assets attributable to unitholders are classified within liabilities in the statement of financial position and distributions to unitholders are included as dividend in profit or loss.

**(c) Dividend and interest income**

Interest receivable from bank and foreign deposits are credited to profit or loss on an accrual basis using the effective interest method.

Dividends receivable from quoted securities are accounted for in profit or loss when the right for payment is established.

**(d) Equalisation**

Accrued income included in the issue and repurchase prices of units are dealt with in profit or loss.

**(e) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(e) Taxation (cont'd)****(i) Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Fund's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

**(ii) Deferred taxation**

Deferred taxation is provided on the comprehensive basis using the liability method. Deferred tax liabilities are recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply on the period when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

**(f) Foreign currency translation**

Monetary assets and monetary liabilities denominated in foreign currencies at the end of the reporting period are translated into Mauritian rupees at the rate of exchange ruling at that date. Any exchange gains or losses arising are recognised in the profit or loss. Foreign currency transactions are converted into Mauritian rupees at the exchange rate ruling at the dates of the transactions.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date of the transactions.

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

**(g) Fair value**

Except where stated elsewhere, the carrying amounts of the Fund's financial assets and financial liabilities approximate their fair values due to the short-term nature of the balances involved.

The fair value of the financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities is the current market price.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(h) Provisions**

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, and 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. Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate.

**(i) Cash and cash equivalents**

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They are measured at fair value, based on the relevant exchange rates at the reporting date.

**(j) Related parties**

Related parties are individuals and companies where the individual or company has the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions.

**(k) Dividend distribution**

Dividend distribution to the Fund's unitholders is recognised as a liability in the Fund's financial statements in the period in which the dividends are declared.



**4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The following is the critical judgement, apart from those involving estimations, that the Manager has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

**(a) Units in issue**

The Fund has classified the units in issue as financial liabilities on the basis that apart the contractual obligation to redeem the units, the Fund has a contractual obligation to distribute income to the unitholders either by way of dividend, bonus issue or in whatever form the Manager may think fit.

**(b) Held-to-maturity investments**

The Fund follows the guidance of International Accounting Standards (IAS) 39 - "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Fund evaluates its intention and ability to hold such investments to maturity.

If the Fund fails to keep these investments to maturity other than for specified circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 5. OVERSEAS QUOTED EQUITIES

(a) The movement in investments is as follows:

<i>Fair value through profit or loss - held for trading investments</i>	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
At 1 July	60,803,718	65,495,739
Additions	12,560,982	7,640,878
Disposals	(20,195,415)	(8,522,484)
Fair value gains/(losses)	5,120,299	(3,810,415)
<b>At 30 June</b>	<b>Rs. <u>58,289,584</u></b>	<b><u>60,803,718</u></b>

(b) Held-for-trading investments are denominated in the following currency:

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
United States Dollar (USD)	58,289,584	45,079,731
Great Britain Pound (GBP)	-	15,723,987
	<b>Rs. <u>58,289,584</u></b>	<b><u>60,803,718</u></b>

			<u>% of Fund</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	Rs.	Rs.		
Mature Market	6,635,200	853,488	9.03	1.22
Mutual Funds:				
Equity Funds	37,544,146	48,628,391	51.09	69.64
Mixed Allocation Funds	14,110,238	11,321,839	19.20	16.21
	<b>Rs. <u>58,289,584</u></b>	<b><u>60,803,718</u></b>	<b><u>79.32</u></b>	<b><u>87.07</u></b>

The overseas equities are stated at fair value based on values of the overseas markets as at 30 June 2017.

## 6. LOCAL CURRENCY DENOMINATED DEPOSITS

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
(a) Held-to-maturity financial assets		
At 1 July	6,053,911	7,884,862
Additions	18,082,033	6,053,911
Maturity	(16,077,089)	(7,884,862)
<b>At 30 June</b>	<b>Rs. <u>8,058,855</u></b>	<b><u>6,053,911</u></b>

(b) These consist of deposits with financial institutions with interest rates 2.45% to 3.85% per annum and maturing between September 2017 to June 2018. None of the financial assets are either past due or impaired.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7. OTHER RECEIVABLES			% of Fund	
	2017	2016	2017	2016
	Rs.	Rs.		
Interest receivable on deposits	24,078	62,796	0.03	0.09
Other Receivables	1,892,039	-	2.58	
<b>Rs.</b>	<b>1,916,117</b>	<b>62,796</b>	<b>2.61</b>	<b>0.09</b>

The carrying amount of other receivables approximates their fair value. The classes within other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Fund does not hold any collateral as security.

8. OTHER PAYABLES			% of Fund	
	2017	2016	2017	2016
	Rs.	Rs.		
Manager's fees	189,465	123,709	0.26	0.18
Trustee's fees	28,420	18,556	0.04	0.03
Auditors' remuneration	186,300	179,400	0.25	0.25
Other fees	5,570	5,114	0.01	0.01
<b>Rs.</b>	<b>409,755</b>	<b>326,779</b>	<b>0.56</b>	<b>0.47</b>

The carrying amount of other payables approximates their fair value.

9. DIVIDENDS PAYABLE - DISTRIBUTION TO UNITHOLDERS		
	2017	2016
	Rs.	Rs.
Distribution of Re 0.3176 (2016: Re 0.3051) per unit	<b>2,038,870</b>	<b>1,940,704</b>

Distribution is recognised as a liability because in terms of the Trust Deed, the Fund has to distribute its net income.

10. DEFERRED TAX ASSETS		
	2017	2016
	Rs.	Rs.
At 1 July	31,389	-
Credited to profit or loss (note 11(i))	94,119	31,389
<b>At 30 June</b>	<b>125,508</b>	<b>31,389</b>

Deferred income tax is calculated on all temporary differences under the liability method at the rate of 15% (2016: 15%). The tax losses expire on a rolling basis over 5 years.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 11. TAXATION

Income tax is calculated at the rate of 15% on the net income of the Fund as adjusted for income tax purposes.

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
(i) <i>Income tax credit</i>		
Underprovision in previous year	-	1
Deferred tax (note 10)	<u>(94,119)</u>	<u>(31,389)</u>
To profit or loss	Rs. <u><u>(94,119)</u></u>	<u><u>(31,388)</u></u>

(ii) The tax on the Fund's profit before tax differs from the theoretical amount that would arise using basic tax rate of the Fund as follows:

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
Profit for the year	<u>1,944,793</u>	<u>1,909,564</u>
Tax calculated at 15% (2016: 15%)	291,719	286,435
Tax effects of:		
- Expenses not deductible for tax purposes	666	3,479
- Income not subject to tax	<u>(386,504)</u>	<u>(321,303)</u>
- Under provision in previous year	-	1
Tax credit	Rs. <u><u>(94,119)</u></u>	<u><u>(31,388)</u></u>

## 12. INVESTMENT INCOME

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
<u>Loans and receivables</u>		
Interest on deposits	166,028	248,018
<u>Cash and cash equivalents</u>		
Interest and net exchange losses/gains on bank balances	111,577	211,164
<u>Held for trading</u>		
Dividend on overseas securities	133,882	247,970
Profit on disposal of overseas securities	<u>2,576,697</u>	<u>2,282,436</u>
	Rs. <u><u>2,988,184</u></u>	<u><u>2,989,588</u></u>

## 13. MANAGER'S FEES

Manager's fees are paid to SICOM Financial Services Ltd based on 1% p.a of the Net Asset Value of the Fund. The fees which are calculated on a daily basis are payable monthly in arrears.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 14. TRUSTEE'S FEES

Trustee's fees are paid to the Mauritius Commercial Bank Limited based on 0.15% p.a of the Net Asset Value of the Fund. The fees are calculated on a daily basis and are payable monthly in arrears.

## 15. UNITS

## (a) Movements in units during the year:

	2017		2016	
	No. of Units	Rs.	No. of Units	Rs.
Net assets of the Fund at 01-Jul	6,360,879.34	69,839,321	6,251,161.87	75,356,326
Units created	140,223.95	1,618,269	172,888.79	1,983,753
Units liquidated	(81,486.37)	(915,016)	(63,171.32)	(671,427)
Profit/(loss) not distributed for the year	-	5,120,606	-	(3,810,150)
Realised loss on disposal of securities	-	(2,178,198)	-	(3,019,164)
Income and distribution account	-	(265)	-	(17)
<b>Net assets of the Fund at 30 June</b>	<b>6,419,616.92</b>	<b>73,484,717</b>	<b>6,360,879.34</b>	<b>69,839,321</b>

## (b) Net asset value per unit:

	2017	2016
	Rs.	Rs.
NAV per unit (cum-div)	Rs. <u>11.76</u>	<u>11.28</u>
NAV per unit (ex-div)	Rs. <u>11.45</u>	<u>10.98</u>

## (c) Prices per unit at 2017 and 2016 (valuation dates)

	2017	2016
	Rs.	Rs.
Issue price (cum-div)	Rs. <u>12.17</u>	<u>11.30</u>
Re-purchase price (cum-div)	Rs. <u>11.47</u>	<u>10.55</u>

## 16. RELATED PARTY TRANSACTIONS

The Fund is making the following disclosures in accordance with IAS 24 (Related Party Disclosures):

(a) Investment manager's holding company

	2017	2016
	Rs.	Rs.
(i) Units in Fund held at fair value		
At 1 July (ex-div)	36,116,390	40,252,917
Additions	1,037,553	1,277,288
Change in fair value	2,882,129	(4,376,262)
At end (cum-div)	40,036,072	37,153,943
Dividend payable	(1,108,617)	(1,037,553)
<b>At 30 June (ex-div)</b>	<b>Rs. <u>38,927,455</u></b>	<b><u>36,116,390</u></b>
(ii) Dividend payable to investment manager's holding company	Rs. <u>1,108,617</u>	<u>1,037,553</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

16. RELATED PARTY TRANSACTIONS (CONT'D)	2017	2016
	Rs.	Rs.
(b) <u>Investment manager</u>		
(i) Units in Fund held at end of year (fair value)	Rs. <u>13,322,485</u>	<u>12,446,556</u>
(ii) Investment Manager's fees	Rs. <u>735,065</u>	<u>736,470</u>
(iii) Dividend payable to Manager	Rs. <u>369,539</u>	<u>345,851</u>
(iv) Outstanding balances payable:		
- Manager's fees	Rs. <u>189,465</u>	<u>123,709</u>
(c) <u>Trustee</u>		
(i) Trustee's fees	Rs. <u>110,260</u>	<u>110,470</u>
(ii) Interest income on balances and deposits with local bank (Trustee)	Rs. <u>36,155</u>	<u>28,086</u>
(iii) Bank charges	Rs. <u>5,329</u>	<u>27,504</u>
(iv) Balances and deposits with local bank (Trustee)	Rs. <u>7,543,278</u>	<u>4,541,494</u>
(v) Outstanding balances payable:		
- Trustee's fees	Rs. <u>28,420</u>	<u>18,556</u>

## 17. FINANCIAL RISK MANAGEMENT

## 17.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and market price risk), credit and counterparty risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

A description of the significant risk factors is given below:

(i) Market price risk

The Fund trades in overseas quoted securities.

All securities investment present a risk of loss of capital. The Fund's investment securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Fund Manager moderates this risk through a careful selection of securities, investment diversification and by having investment limits. The maximum risk resulting from investment securities is determined by the fair value of the financial instruments. The Fund's overall market positions are monitored on a regular basis by the Fund Manager.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 17. FINANCIAL RISK MANAGEMENT (CONT'D)

## 17.1 Financial risk factors (cont'd)

(i) Market price risk (cont'd)

The following table details the Fund's sensitivity to a 5% and 10% increase/decrease in the prices of securities.

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
<i>Increase/decrease of 5% in the prices of securities</i>		
Increase/decrease in net assets attributable to Unitholders	Rs. <u>2,914,479</u>	<u>3,040,186</u>
<i>Increase/decrease of 10% in the prices of securities</i>		
Increase/decrease in net assets attributable to Unitholders	Rs. <u>5,828,958</u>	<u>6,080,372</u>

(ii) Foreign currency risk

The Fund has deposits and overseas investments denominated in USD, GBP and EUR. The Manager monitors the Fund's currency position on a regular basis. The carrying amount of the Fund's foreign currency denominated assets and liabilities at the reporting date are as follows:-

<b>Assets</b>	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
Concentration of assets under:		
USD	65,221,175	48,191,220
GBP	50,491	16,780,549
EUR	-	165,380
	Rs. <u>65,271,666</u>	<u>65,137,149</u>

**Liabilities**

The Fund has no foreign currency denominated liabilities.

Consequently the fund is exposed to risks that the exchange rate of the Rupee relative to those other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Fund's assets which is denominated in currencies other than the Rupee.

The following table details the Fund's sensitivity to a 5% and 10% increase/decrease of the Rupee against the USD, GBP and EUR.

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
<i>Increase/decrease of 5% in rate of exchange</i>		
Increase/decrease in net assets attributable to Unitholders	Rs. <u>3,263,583</u>	<u>3,256,857</u>
<i>Increase/decrease of 10% in rate of exchange</i>		
Increase/decrease in net assets attributable to Unitholders	Rs. <u>6,527,167</u>	<u>6,513,715</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 17. FINANCIAL RISK MANAGEMENT (CONT'D)

## 17.1 Financial risk factors (cont'd)

(iii) Interest rate risk

The Fund is exposed to interest rate fluctuations on the international and domestic markets. The Manager monitors closely interest rate trends and related impact on investment income for performance evaluation and better fund management.

The interest rate profile of the Fund at 30 June was:

Financial assets	2017	2016
	% p.a	% p.a
<i>Cash and cash equivalents</i>		
Local currency denominated deposit	2.45 to 3.85	3.10 to 4.00
Bank Balances	1.30	1.75 to 2.75

**Financial liabilities**

None of the Fund's financial liabilities are interest bearing.

The following table details the Fund's sensitivity to a 5% and 10% increase/decrease of the rate of interest of financial assets.

	2017	2016
	Rs.	Rs.
<i>Increase/decrease of 5% in interest rate</i>		
Increase/decrease in net assets attributable to Unitholders	Rs. <u>1,595</u>	<u>719</u>
Increase/decrease in income available for distribution to Unitholders	Rs. <u>1,595</u>	<u>719</u>
<i>Increase/decrease of 10% in interest rate</i>		
Increase/decrease in net assets attributable to Unitholders	Rs. <u>3,189</u>	<u>1,438</u>
Increase /decrease in income available for distribution to Unitholders	Rs. <u>3,189</u>	<u>1,438</u>

The increase or decrease in the interest rate sensitivity is due to fluctuations in bank balances and foreign deposits at 30 June 2017 as compared to 30 June 2016.

The interest rate sensitivity analysis excludes local fixed deposits which have fixed interest rates and will not be affected by fluctuations in the level of interest rates.

(iv) Credit and counterparty risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments which potentially expose the Fund to credit and counterparty risk consist principally of cash and cash equivalents and investments in equity securities. The Fund seeks to mitigate its exposure to credit and counterparty risk by placing its cash and transacting its securities with reputable financial institutions.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 17. FINANCIAL RISK MANAGEMENT (CONT'D)

## 17.1 Financial risk factors (cont'd)

(v) Liquidity risk

The Fund is exposed to daily cash redemptions of units and to repayment of other financial liabilities. Redemptions of units are permitted weekly. The Fund's other financial liabilities have contractual repayment ranging from on demand to six months. It therefore invests mostly in assets that are easily convertible into cash.

The Manager monitors the Fund's liquidity position on a regular basis. The Fund does not anticipate any significant liquidity concerns in funding redemption requests and other liabilities.

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial assets.

The Fund manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of the financial assets and liabilities. It includes the Fund's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

The maturity profile of the financial instruments is summarised as follows:

At 30 June 2017	Less than 1 month	1 to 3 Months	3 months to 1 year	On Demand	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial assets</b>					
<i>Held for trading</i>					
Overseas quoted equities	-	-	-	58,289,584	58,289,584
All the quoted investments are classified as held-for-trading					
Local deposits	-	2,000,000	6,058,855	-	8,058,855
Other receivables	-	1,906,807	9,310	-	1,916,117
<i>Cash and cash equivalents</i>					
Bank balances	7,543,278	-	-	-	7,543,278
<b>Total financial assets</b>	Rs. 7,543,278	3,906,807	6,068,165	58,289,584	75,807,834
<b>Financial Liabilities</b>					
Other payables	409,755	-	-	-	409,755
Dividend payable	-	2,038,870	-	-	2,038,870
Net assets attributable to unitholders	-	-	-	73,484,717	73,484,717
<b>Total financial liabilities</b>	Rs. 409,755	2,038,870	-	73,484,717	75,933,343
<b>Total interest sensitivity gap</b>	7,133,523	1,867,936	6,068,165	(15,195,133)	(125,508)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 17. FINANCIAL RISK MANAGEMENT (CONT'D)

(v) Liquidity risk (cont'd)

At 30 June 2016	Less than 1 month	1 to 3 Months	3 months to 1 year	On Demand	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Held for trading</i>					
Overseas quoted equities	-	-	-	60,803,718	60,803,718
All the quoted investments are classified as held-for-trading					
Local deposits	-	1,792,725	4,261,186	-	6,053,911
Other receivables	-	2,358	60,439	-	62,796
<i>Cash and cash equivalents</i>					
Bank balances	5,154,990	-	-	-	5,154,990
<b>Total financial assets</b>	Rs. 5,154,990	1,795,083	4,321,624	60,803,718	72,075,416
<b>Financial Liabilities</b>					
Other payables	326,779	-	-	-	326,779
Dividend payable	-	1,940,704	-	-	1,940,704
Net assets attributable to unitholders	-	-	-	69,839,321	69,839,321
<b>Total financial liabilities</b>	Rs. 326,779	1,940,704	-	69,839,321	72,106,804
<b>Total interest sensitivity gap</b>	4,828,211	(145,621)	4,321,624	(9,035,603)	(31,389)

## 17.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market price at the end of the reporting period. A market is regarded as active if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions. The quoted market price used for financial assets held by the Fund is the last traded price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as held-for-trading.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 17. FINANCIAL RISK MANAGEMENT (CONT'D)

## 17.2 Fair value estimation (cont'd)

The fair value hierarchy of the Fund's financial assets (by class) measured at fair value is analysed as follows:

**At 30 June 2017**

<b>Assets</b>	<u>Level 1</u> Rs.
Financial assets held-for-trading - Overseas quoted equities	Rs. <u><u>58,289,584</u></u>

**At 30 June 2016**

<b>Assets</b>	<u>Level 1</u> Rs.
Financial assets held-for-trading - Overseas quoted equities	Rs. <u><u>60,803,718</u></u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include overseas quoted equities. The Fund does not adjust the quoted price for these instruments.

The nominal value less estimated credit adjustments of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.



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