

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Audited 31 December 2017	Audited 31 December 2016
	Rs'000	Rs'000
ASSETS		
Non-current assets	1,387,779	1,176,092
Current assets	24,208	48,421
Total assets	1,411,987	1,224,513
EQUITY AND LIABILITIES		
Capital and reserves	1,409,177	1,220,586
Current liabilities	2,810	3,927
Total equity and liabilities	1,411,987	1,224,513
Net asset value per share - (Rs)	6.21	5.38
No. of shares used in calculation	226,986,672	226,986,672

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Audited Year to 31 December 2017	Audited Year to 31 December 2016 Restated
	Rs'000	Rs'000
Income	43,246	45,349
Profit before finance costs	34,072	40,492
Finance costs	(1,135)	(872)
Profit before taxation	32,937	39,620
Taxation	(65)	(239)
Profit for the year	32,872	39,381
Other comprehensive income for the year, net of tax	235,164	49,166
Comprehensive income for the year	268,036	88,547
Basic earnings per share for the year - (Rs.)	0.14	0.17
Dividends per share - (Rs.)	0.35	0.35
No. of shares in issue and ranking for dividends	226,986,672	226,986,672

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium	Fair value reserve	Retained earnings	Total Equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2017 (as restated)	226,987	5,217	516,682	471,700	1,220,586
<i>Comprehensive income</i>					
Profit for the year	-	-	-	32,872	32,872
Other comprehensive income	-	-	230,768	4,396	235,164
Comprehensive income for the year	-	-	230,768	37,268	268,036
<i>Transaction with owners</i>					
Dividends	-	-	-	(79,445)	(79,445)
At 31 December 2017	226,987	5,217	747,450	429,523	1,409,177
At 01 January 2016	226,987	5,217	556,586	422,694	1,211,484
<i>Effect of adoption of IFRS 9</i>					
Impairment reclassified to OCI	-	-	(5,340)	5,340	-
At 01 January 2016 (as restated)	226,987	5,217	551,246	428,034	1,211,484
<i>Comprehensive income</i>					
Profit for the year (restated)	-	-	-	39,381	39,381
Other comprehensive income (restated)	-	-	(34,564)	83,730	49,166
Comprehensive income for the year (restated)	-	-	(34,564)	123,111	88,547
<i>Transaction with owners</i>					
Dividends	-	-	-	(79,445)	(79,445)
At 31 December 2016 (as restated)	226,987	5,217	516,682	471,700	1,220,586

Note:
The early adoption of IFRS 9 did not have any impact on the total equity of the Company. The only effect is that realised gains or losses on disposal of investments are recognised as a reclassification from fair value reserve to retained earnings. Also, previously recognised impairment were reclassified as part of other comprehensive income ("OCI"). The prior period figures for total equity are therefore not impacted in that respect.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Audited Year to 31 December 2017	Audited Year to 31 December 2016
	Rs'000	Rs'000
Operating activities		
Net cash generated from operating activities	32,196	33,588
Investing activities		
Net cash generated from investing activities	24,697	116,579
Financing activities		
Net cash used in financing activities	(79,445)	(80,271)
(Decrease)/increase in cash and cash equivalents	(22,552)	69,896
Movement in cash and cash equivalents		
At 1 January	46,353	(23,582)
(Decrease)/increase in cash and cash equivalents	(22,552)	69,896
Effect of exchange difference on cash and cash equivalents	(1,135)	39
At 31 December	22,666	46,353

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

AUDITED ABRIDGED FINANCIAL STATEMENTS

The Directors are pleased to present the audited abridged financial statements of the Company for the year ended 31 December 2017.

BASIS OF ACCOUNTING

The financial statements comply with International Financing Reporting Standards and are prepared under the historical cost convention as modified by the fair valuation of financial assets at fair value through other comprehensive income ("FVTOCI") and financial assets at fair value through profit or loss ("FVTPL").

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

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

COMMENTS AND REVIEW

- (i) The increase in Net Asset Value per share from Rs. 5.38 at 31 December 2016 to Rs. 6.21 at 31 December 2017 is attributable to a rise in the unrealised gain on fair valuation of investments. The increase in fair valuation is reflected as part of other comprehensive income.
- (ii) Dividends per share were as follows:

	2017	2016
	Rs.	Rs.
Interim	0.15	0.15
Final	0.20	0.20
Total dividends	0.35	0.35

By Order of the Board
Abax Corporate Administrators Ltd
Secretary

06 March 2018

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

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

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

The auditors of the Company are BDO & Co.

Manager's Report for the year ended 31 December 2017

NAV Performance for Financial Year 2017

The Net Asset Value (NAV) per share of POLICY rose by Re. 0.83 to Rs. 6.21 over the financial year 2017. Interim and final dividends of Re. 0.15 and Re. 0.20, respectively, were paid to shareholders. The investment portfolio yielded a return of 21.9%, as measured by the increase in NAV and dividends distributed. The share price of POLICY on the Official Market rose from Rs. 5.76 to Rs. 7.20 over 2017. The premium of the share price relative to the NAV therefore widened from 7.1% to 15.9%. Inclusive of dividends paid, holders of the quoted security obtained a return of 31.1% compared to a return of 25.3% for the SEMTRI over the financial year.

Share price and NAV

Period ending	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17
Share price	5.76	6.16	6.60	6.80	7.20
NAV	5.38	5.53	6.10	6.40	6.21
Premium to NAV	7.1%	11.4%	8.2%	6.3%	15.9%

Performance ratios

		Year ended 31 December				
		2013	2014	2015	2016	2017
POLICY	Share price ¹	64.6%	5.3%	-8.7%	-6.0%	31.1%
	Net Asset Value ¹	23.2%	2.6%	3.5%	7.3%	21.9%
Local market	SEMTRI	24.4%	1.8%	-10.1%	3.3%	25.3%
	SEM-10 ²	19.7%	-4.4%	-10.2%	-0.4%	22.3%
1 Performance adjusted for dividends paid and bonus issue						
2 SEM-10 replaced the SEM-7 as from Oct-14						

Sector allocation as at 31 December 2017	Portfolio allocation	SEMDEX allocation
Banks, Insurance & Other Finance	61.9%	39.4%
Industry	10.9%	6.8%
Leisure & Hotels	10.5%	12.6%
Investments	8.3%	24.5%
Foreign	4.8%	0.1%
Commerce	0.4%	14.3%
Property Development	0.0%	0.4%
Sugar	0.0%	1.4%
Transport	0.0%	0.6%
Unquoted	1.7%	0.0%
Liquidity	1.5%	0.0%
Total	100.0%	100.0%

Top 5 holdings as at 31 December 2017	Rs. in million	% of NAV	FY17 Performance
MCB Group Limited	689	48.9%	31.3%
Lux* Island Resorts Ltd	102	7.2%	18.1%
ABC Banking Corporation Ltd	87	6.2%	-1.7%
Phoenix Bev Ltd	76	5.4%	33.4%
Ciel Textile Ltd	43	3.0%	22.4%
Total	997	70.7%	

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