

**IIFL Asset Management (Mauritius) Limited**

**Financial statements**

**For the year ended 31 March 2018**

## IIFL Asset Management (Mauritius) Limited

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## IIFL Asset Management (Mauritius) Limited

### Corporate data

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		<b>Date of appointment</b>	<b>Date of resignation</b>
<b>Directors</b>	: Sarju Subhash Vakil	09 September 2011	17 August 2017
	Mihir Shirish Parekh	14 November 2011	-
	Parag Ranjitbhai Shah	14 November 2011	-
<b>Administrator and company secretary</b>	: Trident Trust Company (Mauritius) Limited 5 <sup>th</sup> Floor, Barkly Wharf Le Caudan Waterfront Port Louis Republic of Mauritius		
<b>Registered office</b>	: 5 <sup>th</sup> Floor, Barkly Wharf Le Caudan Waterfront Port Louis Republic of Mauritius		
<b>Independent auditors</b>	: KPMG KPMG Centre 31, Cybercity Ebène Republic of Mauritius		
<b>Bankers</b>	: Standard Chartered Bank (Mauritius) Limited 6 <sup>th</sup> Floor, Standard Chartered Tower 19, Bank Street Cybercity, Ebène 72201 Republic of Mauritius		
	Standard Chartered Bank, Singapore Marina Bay Financial Centre Tower 1, Level 14 8 Marina Boulevard Singapore 018981		
	SBM Bank (Mauritius) Ltd SBM Tower, 1 Queen Elizabeth II Avenue Port Louis Republic of Mauritius		
<b>Legal Advisor</b>	: CITILAW The Fabrique Sir Virgil Naz Street Port Louis Republic of Mauritius		

## **IIFL Asset Management (Mauritius) Limited**

### **Commentary of directors**

*for the year ended 31 March 2018*

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The Directors are pleased to present their commentary together with the audited financial statements of IIFL Asset Management (Mauritius) Limited (the "Company") for the year ended 31 March 2018.

#### **Principal activity**

The principal activity of the Company is to act as CIS Manager to provide Investment Advisory services and Distribution of Financial Products.

#### **Results and dividends**

The results for the year are disclosed in the statement of profit or loss and other comprehensive income on page 9.

The directors has distributed an interim dividend amounting to USD 5,650,000 for the year ended 31 March 2018 (2017: Nil) to the shareholders.

#### **Directors**

The present membership of the Board is set out on page 1.

#### **Directors' responsibility in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and of the statement of profit or loss and other comprehensive income of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue to operate.

The directors' responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Company's ability to continue as a going concern and believe that the business will continue in the year ahead.

#### **Independent Auditors**

The auditors, KPMG, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual Meeting of Shareholder.

**IIFL Asset Management (Mauritius) Limited**

**Certificate from company secretary  
Under Section 166 (d) of the Mauritius Companies Act**

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We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of **IIFL Asset Management (Mauritius) Limited** under Section 166(d) of the Mauritius Companies Act during the financial year ended 31 March 2018.



.....  
*for and on behalf of*  
**Trident Trust Company (Mauritius) Limited**  
Company Secretary



**Registered Office:**

5<sup>th</sup> Floor, Barkly Wharf  
Le Caudan Waterfront  
Port Louis  
Republic of Mauritius

Date: **25 APR 2018** .....



KPMG  
KPMG Centre  
31, Cybercity  
Ebène  
Mauritius  
Telephone +230 406 9999  
Telefax +230 406 9988  
BRN No. F07000189  
Website www.kpmg.mu

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF IIFL ASSET MANAGEMENT (MAURITIUS) LIMITED**

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of IIFL Asset Management (Mauritius) Limited (the Company), which comprise the statement of financial position as at 31 March 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 the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 36.

In our opinion, these financial statements give a true and fair view of the financial position of IIFL Asset Management (Mauritius) Limited as at 31 March 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act.

*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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with 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.



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF IIFL ASSET MANAGEMENT (MAURITIUS) LIMITED**

**Report on the Audit of the Financial Statements (continued)**

*Other Information*

The directors are responsible for the other information. The other information comprises Corporate Data, Commentary of directors and Certificate from company secretary. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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.

*Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act, 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 directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

*Auditors' 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 auditors' 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.

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF IIFL ASSET MANAGEMENT (MAURITIUS) LIMITED**

**Report on the Audit of the Financial Statements (continued)**

*Auditors' Responsibilities for the Audit of the Financial Statements (continued)*

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF IIFL ASSET MANAGEMENT (MAURITIUS) LIMITED**

**Report on the Audit of the Financial Statements (continued)**

*Other Matter*

This report is made solely to the Company's member, in accordance with Section 205 of the Mauritius Companies Act. Our audit work has been undertaken so that we might state to the Company's member those matters that we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member, for our audit work, for this report, or for the opinions we have formed.

**Report on Other Legal and Regulatory Requirements**

*Mauritius Companies Act*

We have no relationship with or interests in the Company other than in our capacities as auditors and tax advisors.

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

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

**KPMG**  
Ebène, Mauritius

**Marcelle Fouché**  
*Licensed by FRC*

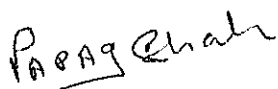
Date: **25 April 2018**

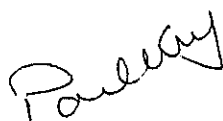
**IIFL Asset Management (Mauritius) Limited**

**Statement of financial position**  
as at 31 March 2018

	Note	2018 USD	2017 USD
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	16	-	5,371,320
Equipment	10	4,779	6,736
<b>Total non-current assets</b>		<b>4,779</b>	<b>5,378,056</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	16	6,108,131	-
Trade receivables	11	2,365,824	2,238,043
Prepayments and other receivables	12	5,154,615	28,368
Cash and cash equivalents	13	2,923,566	4,207,364
<b>Total current assets</b>		<b>16,552,136</b>	<b>6,473,775</b>
<b>Total assets</b>		<b>16,556,915</b>	<b>11,851,831</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Stated capital	14	69,975	69,975
Retained earnings		15,756,031	10,805,733
<b>Total equity</b>		<b>15,826,006</b>	<b>10,875,708</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other payables	15	681,260	933,795
Tax liability	7	49,649	42,328
<b>Total current liabilities</b>		<b>730,909</b>	<b>976,123</b>
<b>Total equity and liabilities</b>		<b>16,556,915</b>	<b>11,851,831</b>

Approved and authorised for issue by the Board of Directors on ...~~2.5~~...~~APR~~... 2018... and signed on its behalf by:

  
.....  
Director

  
.....  
Director

The notes on pages 12 to 36 form an integral part of these financial statements.

**IIFL Asset Management (Mauritius) Limited****Statement of profit or loss and other comprehensive income**  
*for the year ended 31 March 2018*

	Note	<u>2018</u>	<u>2017</u>
		USD	USD
<b>Revenue</b>			
Income from operations	17	19,407,868	10,161,110
Net (loss)/gain on financial assets at fair value through profit or loss	16	(339,419)	271,320
<b>Total revenue</b>		<u>19,068,449</u>	<u>10,432,430</u>
<b>Operating expenses</b>			
Salaries and allowances		498,016	403,992
Referral, marketing expenses and distribution fees	18	6,443,361	3,540,227
Professional expenses		99,333	19,903
Incentive fee		96,281	-
Advisory fees		93,456	-
Rent expenses	19	16,446	13,701
Audit fees		6,500	7,820
License fees		91,250	85,000
Fund running expenses		691,569	539,896
Depreciation	10	4,888	4,865
Other operating expenses		89,079	25,736
<b>Total operating expenses</b>		<u>8,130,179</u>	<u>4,641,140</u>
<b>Profit before taxation</b>		<u>10,938,270</u>	<u>5,791,290</u>
Taxation	7	(337,972)	(166,129)
<b>Profit for the year</b>		<u>10,600,298</u>	<u>5,625,161</u>
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		<u>10,600,298</u>	<u>5,625,161</u>



The notes on pages 12 to 36 form an integral part of these financial statements.

**IIFL Asset Management (Mauritius) Limited**

**Statement of changes in equity**  
*for the year ended 31 March 2018*

	<u>Stated capital</u> USD	<u>Retained earnings</u> USD	<u>Total</u> USD
Balance as at 1 April 2016	69,975	5,180,572	5,250,547
Total comprehensive income for the year and profit for the year	-	5,625,161	5,625,161
Balance as at 31 March 2017	<u>69,975</u>	<u>10,805,733</u>	<u>10,875,708</u>
<b>Balance as at 1 April 2017</b>	<b>69,975</b>	<b>10,805,733</b>	<b>10,875,708</b>
Total comprehensive income for the year and profit for the year	-	10,600,298	10,600,298
<i>Transactions with owners of the Company</i>			
Dividend distribution	-	(5,650,000)	(5,650,000)
<b>Balance as at 31 March 2018</b>	<u><b>69,975</b></u>	<u><b>15,756,031</b></u>	<u><b>15,826,006</b></u>

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The notes on pages 12 to 36 form an integral part of these financial statements.

**IIFL Asset Management (Mauritius) Limited**

**Statement of cash flows**

*for the year ended 31 March 2018*

	<u>2018</u>	<u>2017</u>
	USD	USD
<b>Cash flows from operating activities</b>		
Profit before taxation	10,938,270	5,791,290
<i>Adjustments for:</i>		
Depreciation	4,888	4,865
Net (loss)/gain on financial assets at fair value through profit or loss	339,419	(271,320)
<i>Changes in:</i>		
Trade receivables	(127,781)	(580,482)
Prepayments and other receivables	(10,576)	(12,332)
Other payables	(252,535)	(64,709)
	<u>10,891,685</u>	<u>4,867,312</u>
Taxation paid	(330,651)	(333,234)
<b>Net cash generated from operating activities</b>	<u>10,561,034</u>	<u>4,534,078</u>
<b>Cash flows from investing activities</b>		
Acquisition of financial assets at fair value through profit or loss	(10,300,000)	(5,100,000)
Disposal of financial assets at fair value through profit or loss	4,108,099	-
Acquisition of equipment	(2,931)	(1,093)
<b>Net cash used in investing activities</b>	<u>(6,194,832)</u>	<u>(5,101,093)</u>
<b>Cash flows from financing activities</b>		
Dividend distribution	(5,650,000)	-
<b>Net cash used in financing activities</b>	<u>(5,650,000)</u>	<u>-</u>
<b>Net change in cash and cash equivalents</b>	<u>(1,283,798)</u>	<u>(567,015)</u>
Cash and cash equivalents at start	<u>4,207,364</u>	<u>4,774,379</u>
<b>Cash and cash equivalents as at 31 March</b>	<u>2,923,566</u>	<u>4,207,364</u>

The notes on pages 12 to 36 form an integral part of these financial statements.

## IIFL Asset Management (Mauritius) Limited

### Notes to the financial statements

for the year ended 31 March 2018

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#### 1. General

IIFL Asset Management (Mauritius) Ltd (the “Company”) was incorporated as a private company limited by shares in the Republic of Mauritius on 15 December 2010 under the name of IIFL Private Wealth (Mauritius) Ltd and was granted a Category 1 Global Business Licence on 16 December 2010. The Company changed name on 16 September 2016. The Company’s registered office is 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Republic of Mauritius.

The Company is a holder of a Category 1 Global Business License under the Mauritius Companies Act and the Financial Services Act 2007. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies, the Company has chosen to retain the United States dollar (“USD”) as its reporting currency.

The principal activity of the Company is to act as a CIS Manager and to provide Investment Management and Advisory services to the Funds as specified in Note 19 to these financial statements.

The Company holds a CIS Manager license, an Investment Advisor license and Investment Distribution of Financial Products Licence. The Company is also registered with Securities Exchange Board of India (SEBI) as a Category II Foreign Portfolio Investors (FPI). The Company is also an AMFI Registered Mutual Fund Advisory (ARMFA) – Overseas Distributor to distribute Mutual Fund products in India to overseas investors.

#### 2. Basis of preparation

##### (a) Statement of compliance

The financial statements have been prepared in compliance with the Mauritius Companies Act and in accordance with International Financial Reporting Standards (“IFRS”) and the interpretations adopted by the International Accounting Standards Board (“IASB”). The financial statements were authorised for issue by the Board of directors on 25<sup>th</sup> April 2018 stamped on page 8.

##### (b) Basis of measurement

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

#### 3. Functional and presentation currency

Functional currency is the currency of primary economic environment in which the Company operates. When indicators of the primary economic environment are mixed, management uses its judgement to determine the functional currency that most faithfully represents the economic effect to the underlying transactions, event and conditions. Management has determined that the denominated functional currency of the Company is USD. The majority of Company’s transactions are denominated in USD.

The financial statements are thus prepared in USD which is the functional currency of the Company. Transaction and balance in other currencies are translated into reporting currency for presentation in these financial statements.

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**4. Use of judgements and estimates**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Note 6 and 10 – Impairment test: key assumptions underlying recoverable amounts and fair value of financial instruments.

**5. Financial instruments and risk management**

*Overview*

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- operational risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

*Risk management structure*

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet contractual obligations, and arises from the Company's receivables and cash and cash equivalents.

The Company manages its exposure to credit risk by dealing with counterparties that has a good credit rating and group companies. Management does not expect related parties to fail to meet its obligations. The credit risk is monitored on an ongoing basis in accordance with policies and procedures in place and is reported to the Board of Directors.

The cash and cash equivalents are held with Standard Chartered (Mauritius) Limited, Standard Chartered (Singapore) Limited and State Bank of Mauritius Ltd. Standard Chartered (Mauritius) Limited and Standard Chartered (Singapore) Limited which are wholly owned subsidiaries of Standard Chartered Bank Plc, had a short term issuer credit rating of A-2 from Standard and Poor's Investor Services. State Bank of Mauritius Ltd has a short term issuer credit rating of Baa3 from Moody's Investor Services.



Notes to the financial statements  
for the year ended 31 March 2018

5. Financial instruments and risk management (continued)

*Credit risk (continued)*

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit risk at the reporting date was:

	<u>2018</u>	<u>2017</u>
	USD	USD
Trade receivables	2,365,824	2,238,043
Other receivables	5,119,917	12,373
Cash and cash equivalents	2,923,566	4,207,364
	<u>10,409,307</u>	<u>6,457,780</u>

Ageing of trade receivables and other receivables that were not impaired are as follows:

	<u>2018</u>		<u>2017</u>	
	Amount outstanding	Provision made	Amount outstanding	Provision made
	USD	USD	USD	USD
Neither past due nor impaired	-	-	-	-
Past due 1-30 days	6,635,524	-	1,841,792	-
Past due 31-90 days	791,818	-	362,260	-
Past due 91-120 days	52,081	-	-	-
Past due 121 days and above	6,318	-	46,364	-
	<u>7,485,741</u>	<u>-</u>	<u>2,250,416</u>	<u>-</u>

Cash and cash equivalents amounting to **USD 2,923,566** (2017: USD 4,207,364) have not been included in the ageing.

The maximum exposure to credit risk for financial asset at the reporting date by geographic region is as follows:

	<u>2018</u>	<u>2017</u>
	USD	USD
Domestic	8,526,814	4,367,410
India	1,067,105	290,816
Bermuda	776,393	1,750,914
Singapore	37,613	47,258
United Kingdom	1,382	1,382
	<u>10,409,307</u>	<u>6,457,780</u>

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk of the Company is monitored on a timely basis by the directors.

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5. Financial instruments and risk management (continued)

*Liquidity risk (continued)*

The Company maintains sufficient balance with banks to cater its day to day working capital needs. Besides, the Company also enjoys adequate financial support from its holding company.

The table above shows the undiscounted cash flows of the Company's financial liabilities on the basis of their earliest possible contractual maturity.

*Non-derivative financial liabilities*

	<u>Contractual cash flows</u>	<u>On call</u>
	USD	USD
<b>31 March 2018</b>		
Other payables	<u>681,260</u>	<u>681,260</u>
<b>31 March 2017</b>		
Other payables	<u>933,795</u>	<u>933,795</u>

*Fair value*

The Company's financial assets and liabilities include financial assets at fair value through profit or loss, trade and other receivables, cash and cash equivalents and other payables.

The financial instruments not measured at fair value through profit or loss are short terms financial assets and financial liabilities whose carrying amounts approximate their fair values and hence no fair value hierarchy disclosure has been made in the financial statement.

The fair values for both financial assets and liabilities together with the carrying amounts shown in the statement of financial position are as follows:

	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	2018	2018	2017	2017
	USD	USD	USD	USD
<i>Financial assets at fair value through profit or loss</i>				
Funds investments, unquoted	6,108,131	6,108,131	5,371,320	5,371,320
<i>Loans and receivables:</i>				
Trade receivables	2,365,824	2,365,824	2,238,043	2,238,043
Other receivables	5,119,917	5,119,917	12,373	12,373
Cash and cash equivalents	2,923,566	2,923,566	4,207,364	4,207,364
<i>Other financial liabilities:</i>				
Other payables	<u>681,260</u>	<u>681,260</u>	<u>933,795</u>	<u>933,795</u>

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5. Financial instruments and risk management (continued)

*Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its investment objective of generating returns to investors. The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors.

*Market risk*

Market risk represents the potential loss that can be caused by a change in the market value of the financial instruments. The Company's exposure to market risk is determined by a number of factors, including market volatility, interest rates and foreign currency exchange rates. The Company's strategy for market risk is driven by the Company's investment objective. The Company's market risk and the market positions are managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place.

*Price risk*

Price risk is the risk of unfavourable changes in fair values of mutual funds as a result of changes in the value of individual shares.

Management has determined that a fluctuation of 5% in the unobservable input is reasonably possible considering the economic environment in which the investee companies operate.

The sensitivity analysis below has been determined based on the exposure to fund price risks at the reporting date. The analysis is based on the assumption that the fair value had increased/decreased by 5% with all other variables held constant. If fund prices had been 5% higher/lower, the effect on net profit and equity for the year would have been as follows:

	Increase/ decrease in funds price	Effect on profit before tax and equity	
		2018	2017
		USD	USD
Change in share price	+5%	305,406	268,566
	-5%	(305,406)	(268,566)

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**Notes to the financial statements**  
for the year ended 31 March 2018

**5. Financial instruments and risk management (continued)**

*Market risk (continued)*

*Currency risk*

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

	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	2018	2018	2017	2017
	USD	USD	USD	USD
United States Dollar (USD)	15,423,543	586,186	11,526,526	663,493
Indian Rupees (INR)	1,067,105	-	290,815	-
Singapore Dollar (SGD)	15,000	95,074	-	195,232
Great Britain Pound (GBP)	1,382	-	-	75,070
Mauritius Rupees (MUR)	10,408	-	11,759	-
	<u>16,517,438</u>	<u>681,260</u>	<u>11,829,100</u>	<u>933,795</u>

Prepayments of **USD 34,698** (2017: USD 15,995) and equipment of **USD 4,779** (2017: USD 6,736) have been excluded from the financial assets.

*Sensitivity analysis*

The following table indicates the approximate change in the changes in mutual fund in response to reasonable possible changes in the foreign exchange rates to which the Company has significant exposure at the reporting date. The Company is mainly exposed to the Indian rupee.

The below increase and decrease in the USD against each relevant foreign currency is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Percentage	Effect on changes in equity	
		2018	2017
		USD	USD
Increase in INR	2%	(20,924)	(26,434)
Decrease in INR	2%	<u>21,778</u>	<u>32,313</u>
Increase in SGD	1%	793	17,748
Decrease in SGD	1%	<u>(809)</u>	<u>21,692</u>
Increase in GBP	5%	(66)	6,825
Decrease in GBP	5%	<u>73</u>	<u>(8,341)</u>
Increase in MUR	4%	(400)	(1,069)
Decrease in MUR	4%	<u>434</u>	<u>1,307</u>

**5. Financial instruments and risk management (continued)**

*Market risk (continued)*

*Interest rate risk*

The majority of the Company's financial assets and liabilities are non-interest bearing, with the exception of cash and cash equivalents.

Interest income from cash deposits may fluctuate in amount, in particular due to changes in the interest rates. The Company has not earned any interest income from bank balances. Thus, no sensitivity analysis for interest rate risk has been presented.

**6. Fair values of financial instruments**

(i) Valuation models

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for asset or liability.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes asset or liability valued using: quoted market prices in active markets for similar asset or other valuation technique in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets or liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the investment's valuation. This category includes asset or liability that are valued based on the quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the asset or liability.

The following valuation methodology has been used to fair value investment designated at financial assets at fair value through profit or loss. The valuation technique applied is the net asset value method as described below:

*Net asset value method*

This valuation technique involves deriving the value of a business by reference to the value of its net assets. This valuation technique is likely to be appropriate for a business whose value derives mainly from the underlying fair value of its assets rather than its earnings.

The objective of valuation technique is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.



**Notes to the financial statements**  
for the year ended 31 March 2018

**6. Fair values of financial instruments (continued)**

(ii) Fair value hierarchy – Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

	<u>Level 1</u> USD	<u>Level 2</u> USD	<u>Level 3</u> USD	<u>Total</u> USD
<b>31 March 2018</b>				
Financial assets at fair value through profit or loss				
Fund investments, unlisted	-	<u>6,108,131</u>	-	<u>6,108,131</u>
	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>31 March 2017</b>				
Financial assets at fair value through profit or loss				
Fund investments, unlisted	-	<u>5,371,320</u>	-	<u>5,371,320</u>

The Company has invested in funds which are not quoted in an active market. Investments in those funds are valued based on the Net Asset Value (“NAV”) per share published by the Administrator of those funds. The price published is used for transaction in active market for such identical asset and these are classified as Level 2.

**7. Taxation**

*Income tax*

Under the current laws and regulations, the Company is subject to tax in Mauritius on its chargeable income at the rate of 15%. The Company is however eligible for a tax credit equivalent to the higher of actual foreign tax suffered and 80% of Mauritius tax payable on its foreign source income. The effective tax rate is thus reduced by 3%. Capital gains of the Company are exempt from tax in Mauritius.

*Recognised in statement of profit or loss and other comprehensive income:*

	<u>2018</u> USD	<u>2017</u> USD
<b>Current tax expense:</b>		
Income tax charge	<u>338,446</u>	<u>166,123</u>



**IIFL Asset Management (Mauritius) Limited**

**Notes to the financial statements**  
for the year ended 31 March 2018

**7. Taxation (continued)**

	<u>2018</u>	<u>2017</u>
	USD	USD
<i>Reconciliation of effective taxation:</i>		
Profit before taxation	<u>10,938,270</u>	<u>5,791,920</u>
Income tax at 15%	1,640,741	868,694
Non allowable expenses	51,732	3,431
Other deductible items	(242)	(41,510)
Tax adjustment from previous year	(474)	6
Foreign tax credit	<u>(1,353,785)</u>	<u>(664,492)</u>
Tax charged for the year	<u>337,972</u>	<u>166,129</u>
<i>Recognised in statement of financial position</i>		
Tax due at beginning of year	42,328	209,433
Tax charges	338,446	166,123
Tax adjustment from previous year	(474)	6
Tax payment	<u>(330,651)</u>	<u>(333,234)</u>
Tax due at end of year	<u>49,649</u>	<u>42,328</u>

**8. Contingent liabilities and capital commitments**

There are no other contingent liabilities and capital commitments as at 31 March 2018 (2017: Nil).

**9. Classification of financial assets and financial liabilities**

The following table analyses the carrying amounts of the financial assets and liabilities by category as defined in IAS 39:

	<b>Designated at fair value through profit and loss</b>	<b>Loans and receivables</b>	<b>Other financial liabilities</b>	<b>Total</b>
<b>31 March 2018</b>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Cash and cash equivalent	-	2,923,566	-	2,923,566
Other receivables	-	5,119,917	-	5,119,917
Trade receivables	-	2,365,824	-	2,365,824
Financial assets at fair value through profit or loss	<u>6,108,131</u>	<u>-</u>	<u>-</u>	<u>6,108,131</u>
	<u>6,108,131</u>	<u>10,409,307</u>	<u>-</u>	<u>16,517,438</u>
Other payables	<u>-</u>	<u>-</u>	<u>681,260</u>	<u>681,260</u>

**IIFL Asset Management (Mauritius) Limited**

**Notes to the financial statements**  
for the year ended 31 March 2018

**9. Classification of financial assets and financial liabilities (continued)**

	Designated at fair value through profit and loss	Loans and receivables	Other financial liabilities	Total
31 March 2017	USD	USD	USD	USD
Cash and cash equivalent	-	4,207,364	-	4,207,364
Other receivables	-	12,373	-	12,373
Trade receivables	-	2,238,043	-	2,238,043
Financial assets at fair value through profit or loss	<u>5,371,320</u>	<u>-</u>	<u>-</u>	<u>5,371,320</u>
	<u>5,371,320</u>	<u>6,457,780</u>	<u>-</u>	<u>11,829,100</u>
Other payables	<u>-</u>	<u>-</u>	<u>933,795</u>	<u>933,795</u>

**10. Equipment**

	Computer Equipment	Office Equipment	Furniture	Electrical Equipment	Total
	USD	USD	USD	USD	USD
<i>Cost</i>					
At 1 April 2016	19,562	4,582	168	-	24,312
Additions	<u>1,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,093</u>
At 31 March 2017	<u>20,655</u>	<u>4,582</u>	<u>168</u>	<u>-</u>	<u>25,405</u>
At 1 April 2017	<u>20,655</u>	<u>4,582</u>	<u>168</u>	<u>-</u>	<u>25,405</u>
Additions	<u>987</u>	<u>-</u>	<u>1,878</u>	<u>66</u>	<u>2,931</u>
At 31 March 2018	<u>21,642</u>	<u>4,582</u>	<u>2,046</u>	<u>66</u>	<u>28,336</u>
<i>Depreciation</i>					
At 1 April 2016	10,466	3,217	121	-	13,804
Charge for the year	<u>4,206</u>	<u>625</u>	<u>34</u>	<u>-</u>	<u>4,865</u>
At 31 March 2017	<u>14,672</u>	<u>3,842</u>	<u>155</u>	<u>-</u>	<u>18,669</u>
At 1 April 2017	<u>14,672</u>	<u>3,842</u>	<u>155</u>	<u>-</u>	<u>18,669</u>
Charge for the year	<u>4,254</u>	<u>332</u>	<u>292</u>	<u>10</u>	<u>4,888</u>
At 31 March 2018	<u>18,926</u>	<u>4,174</u>	<u>447</u>	<u>10</u>	<u>23,557</u>
<i>Net book values</i>					
At 31 March 2017	<u>5,983</u>	<u>740</u>	<u>13</u>	<u>-</u>	<u>6,736</u>
At 31 March 2018	<u>2,716</u>	<u>408</u>	<u>1,599</u>	<u>56</u>	<u>4,779</u>



## IIFL Asset Management (Mauritius) Limited

### Notes to the financial statements for the year ended 31 March 2018

#### 11. Trade receivables

	<u>2018</u>	<u>2017</u>
	USD	USD
Management fee receivable	1,190,499	1,528,438
Distribution fees receivable	1,168,943	691,973
Advisory fees receivable	5,000	16,250
Other trade receivables	<u>1,382</u>	<u>1,382</u>
	<u><b>2,365,824</b></u>	<u><b>2,238,043</b></u>

#### 12. Prepayments and other receivables

	<u>2018</u>	<u>2017</u>
	USD	USD
Loan to employees	4,246	12,373
Unsettled investment proceeds	4,100,000	-
Deposit on shares	1,015,671	-
Other prepaid expenses	<u>34,698</u>	<u>15,995</u>
	<u><b>5,154,615</b></u>	<u><b>28,368</b></u>

#### 13. Cash and cash equivalents

Cash and cash equivalents represents the current account balances maintained with Standard Chartered (Mauritius) Limited, Standard Chartered (Singapore) Limited and State Bank of Mauritius Ltd amounting to **USD 2,923,566** (2017: USD 4,207,364).

	<u>2018</u>	<u>2017</u>
	USD	USD
Standard Chartered (Mauritius) Limited	2,890,545	4,164,598
Standard Chartered (Singapore) Limited	22,613	31,007
State Bank of Mauritius Ltd	<u>10,408</u>	<u>11,759</u>
	<u><b>2,923,566</b></u>	<u><b>4,207,364</b></u>

#### 14. Stated capital

	<u>2018</u>	<u>2017</u>
	USD	USD
69,975 Ordinary shares (2017: 69,975) of USD 1 each, fully paid	<u><b>69,975</b></u>	<u><b>69,975</b></u>

The stated capital of the Company comprise of ordinary shares of USD 1 each and each share shall have equal rights on distribution of income and capital.

The entire ordinary shares are held by IIFL Wealth Management Limited during the year.

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**IIFL Asset Management (Mauritius) Limited**

**Notes to the financial statements**  
for the year ended 31 March 2018

<b>15. Other payables</b>	<u>2018</u>	<u>2017</u>
	USD	USD
Referral fees	227,521	621,132
Other payables	85,667	105,687
Accrued expenses	368,072	206,977
	<u>681,260</u>	<u>933,795</u>

<b>16. Financial assets at fair value through profit or loss</b>	<u>2018</u>	<u>2017</u>
	USD	USD
Fund investments; <i>unquoted</i>	<u>6,108,131</u>	<u>5,371,320</u>
Balance at beginning of the year	5,371,320	-
Additions during the year	10,300,000	5,100,000
Disposals during the year	<u>(9,223,770)</u>	-
Balance at end of the year	6,447,550	5,100,000
Net (loss)/ gain on fair value of financial assets held at fair value through profit or loss	<u>(339,419)</u>	<u>271,320</u>
Fair value at end of the year	<u>6,108,131</u>	<u>5,371,320</u>

The fund investments, held as at 31 March 2017, were classified as non-current assets and have been disposed completely during the year under review. Subsequent to the full redemption, the Company acquired investments which have been classified as current assets as at 31 March 2018 considering its investment objective and strategy.

<b>17. Income from operations</b>	<u>2018</u>	<u>2017</u>
	USD	USD
Management fees	7,971,029	6,675,713
Distribution fees	7,760,454	3,376,267
Advisory fees	2,927,250	26,250
Other fees	749,135	82,880
	<u>19,407,868</u>	<u>10,161,110</u>

<b>18. Referral, marketing expenses and distribution fees</b>	<u>2018</u>	<u>2017</u>
	USD	USD
Referral fees	4,295,539	2,309,178
Marketing fees	2,147,822	1,231,049
	<u>6,443,361</u>	<u>3,540,227</u>

**19. Lease agreement**

On 1 August 2012, the Company entered into a lease agreement with Trident Trust Company (Mauritius) Limited ("Trident").

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## IIFL Asset Management (Mauritius) Limited

### Notes to the financial statements for the year ended 31 March 2018

#### 19. Lease agreement (continued)

At 31 March, the future minimum lease payments under non-cancellable leases were as follows:

	<u>2018</u>	<u>2017</u>
	USD	USD
<i>Future minimum lease payments</i>		
Less than one year	16,446	13,701
Between one and five years	-	5,127
More than five years	-	-
	<u>16,446</u>	<u>13,701</u>
<i>Amounts recognized in profit or loss</i>		
Lease expense	<u>16,446</u>	<u>13,701</u>

#### 20. Related party transactions and balances

The Company, in the normal course of business, enters into transactions with companies that fall within the definition of a 'related party'.

During the year ended 31 March 2018, the Company had the following related parties:

<b>Name of related party</b>	<b>Nature of relationship</b>
IIFL Wealth Management Limited	Parent company
Emerging India Focus Funds ("EIFF")	Investment manager
Asia Vision Fund ("AVF")	Investment manager
EM Resurgent Fund ("EMRF")	Investment manager
Abner India Diversified Growth Fund ("ABNER")	Investment manager
POLO TITANIUM (MAURITIUS) LIMITED ("POLO")	Investment manager
IIFL Capital Ganges Fund ("IIFL Ganges")	Investment manager
Lakedale Fund ("Lakedale")	Investment manager
IIFL Opportunities Fund 1 ("IOF 1")	Investment manager
IIFL Opportunities Fund 4 ("IOF 4")	Investment manager
IIFL Opportunities Fund 5 ("IOF 5")	Investment manager
IIFL Opportunities Fund 6 ("IOF 6")	Investment manager
IIFL DYNAMIC OPPORTUNITIES FUND ("IDOF")	Investment manager
Strategic India Equity Fund ("SIEF")	Investment manager
IIFL Opportunities Fund 7 ("IOF 7")	Investment manager
IIFL Opportunities Fund 8 ("IOF 8")	Investment manager



**IIFL Asset Management (Mauritius) Limited**

**Notes to the financial statements**  
for the year ended 31 March 2018

**20. Related party transactions and balances (continued)**

<b>Name of related party</b>	<b>Nature of relationship</b>
IIFL Opportunities Fund 9 (“IOF 9”)	Investment manager
IIFL Opportunities Fund 10 (“IOF 10”)	Investment manager
IIFL Inc	Fellow Subsidiary
IIFL Private Wealth Management (Dubai) Limited	Fellow Subsidiary
IIFL Private Wealth Hongkong Ltd	Fellow Subsidiary
IIFL Wealth (UK) Ltd	Fellow Subsidiary
IIFL Securities Pte Ltd	Fellow Subsidiary
IIFL Private Wealth (Suisse) SA	Fellow Subsidiary
IIFL Capital (Canada) Ltd	Fellow Subsidiary
Mihir Shirish Parekh	Director – Key Management Personnel (“KMP”)
Parag Ranjitbhai Shah	Director – Key Management Personnel (“KMP”)
Trident Trust Company (Mauritius) Limited	Administrator

*Transactions with key management personnel*

Salaries of **USD 177,427** (2017: USD 147,099) have also been incurred for the Directors.

<b>Name of entity</b>	<b>Nature of transactions</b>	<b>Transactions for the year</b>		<b>Outstanding Balance</b>	
		<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
		<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
EMERGING INDIA FOCUS FUNDS	Management fees & other fees income	<b>1,993,568</b>	682,177	<b>424,134</b>	68,652
Asia Vision Fund	Management & other Fees income	<b>352,014</b>	256,208	<b>20,778</b>	42,587
Abner India Diversified Growth Fund	Management fees income	<b>24,489</b>	32,819	<b>1,237</b>	2,881
HIDDEN CHAMPIONS FUND	Management fees	<b>237,382</b>	202,758	<b>26,873</b>	36,124

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**IIFL Asset Management (Mauritius) Limited**
**Notes to the financial statements**  
*for the year ended 31 March 2018*
**20. Related party transactions and balances (continued)**

Name of entity	Nature of transactions	Transactions for the year		Outstanding Balance	
		2018	2017	2018	2017
Tantallon India Fund	Management fees & Other fees income	82,894	58,085	5,720	28,338
POLO TITANIUM (MAURITIUS) LIMITED	Other fees income	-	15,916	-	-
LAKEDALE FUND	Management Fees	169	451	13	97
STRATEGIC INDIA EQUITY FUND ("SIEF")	Management fees & Other fees income	71,623	-	-	-
IIFL OPPORTUNITIES FUND 7 ("IOF 7")	Management Fees	1,323	-	-	-
IIFL OPPORTUNITIES FUND 8 ("IOF 8")	Management fees & Other fees income	13,200	-	-	-
IIFL OPPORTUNITIES FUND 9 ("IOF 9")	Management fees & Other fees income	6,093	-	-	-
IIFL OPPORTUNITIES FUND 10 ("IOF 10")	Management fees & Other fees income	5,614	-	-	-
IIFL OPPORTUNITIES FUND 5 ("IOF 5")	Management fees	3	-	-	-
IIFL PRIVATE WEALTH MANAGEMENT (DUBAI) LIMITED	Referral & marketing fees expense	1,200,000	1,200,000	-	(200,000)
IIFL PRIVATE WEALTH HONG KONG LTD	Referral fees expense	307,231	309,291	-	-
IIFL WEALTH (UK) LTD.	Marketing fees & Incentive fees expense	825,470	506,611	-	(75,070)
IIFL SECURITIES PTE LTD	Referral fees expense	853,434	898,820	95,074	(195,234)
IIFL INC.	Referral fees expense	425,000	300,000	-	-

**IIFL Asset Management (Mauritius) Limited**

**Notes to the financial statements**  
for the year ended 31 March 2018

**20. Related party transactions and balances (continued)**

Name of entity	Nature of transactions	Transactions for the year		Outstanding Balance	
		2018	2017	2018	2017
		USD	USD	USD	USD
IIFL INC.	Reimbursement of expense	17,500	-	-	-
IIFL PRIVATE WEALTH (SUISSE) SA	Referral and marketing fee expenses	31,031	30,361	-	-
IIFL Capital (Canada) Ltd	Referral and marketing fee expenses	50,000	-	-	-
IIFL Wealth Management Limited	Ordinary shares	-	-	69,975	69,975
Trident Trust Company (Mauritius) Limited	Rent / Administration fees	336,312	288,950	(66,333)	44,880

**21. Capital risk management**

The Company's primary objectives when managing capital is to safeguard the Company's ability to continue as a going concern. As the Company is part of a larger Group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the Group's capital management objectives. Being the holder of a CIS Manager and Investment (Unrestricted) Advisor Licence, the Company is required under the Securities Act to maintain a minimum unimpaired capital of MUR 1,000,000 and MUR 600,000 respectively. The Company complied with this requirement as at 31 March 2018.

The Company defines "Capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Company as Capital.

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the Group. The results of the Directors' review of the Company's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

**22. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

**(a) Revenue recognition**

Revenue is recognised in the statement of profit or loss and other comprehensive income as follows:

Management fees are recognised on an accrual basis in accordance with the respective agreements between the Company and the funds.

**22. Significant accounting policies (continued)**

**(a) Revenue recognition (continued)**

As an investment manager, the Company is responsible for managing the assets of the Fund or Funds. It is responsible for the overall administration and supervision of business and affairs of the Fund or Funds. In turn, the Company receives management fees as per the Investment Management Agreement, read with the addendums made on a time to time basis.

Income from advisory fees and other fees are recognised on an accrual basis on completion of the services rendered in accordance with the agreements.

***Net movement from financial instruments at fair value through profit or loss***

Net movement from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences.

Net realised movement from financial instruments at fair value through profit or loss is calculated using the First-In First Out method.

**(b) Taxation**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(c) Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency (USD) at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to USD at the closing exchange rate ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to USD at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences arising on translation are recognised in statement of profit or loss and other comprehensive income

**Notes to the financial statements**

*for the year ended 31 March 2018*

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**22. Significant accounting policies (continued)**

**(d) Financial assets and financial liabilities**

Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Classification

The Company classifies financial assets and financial liabilities into the following categories.

Financial assets at fair value through profit or loss:

- Designated as at fair value through profit or loss: fund investments.

Financial assets at amortised cost:

- Loans and receivables: cash and cash equivalents and trade and other receivables.

*Cash and cash equivalents*

Cash and cash equivalents in the statement of financial position comprise cash on hand, demand deposits, short term deposits in banks with original maturities of three months or less and 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.

Financial liabilities at amortised cost:

- Other liabilities: other payables.

The Company designates all equity investments at fair value through profit or loss on initial recognition because it manages these securities on a fair value basis in accordance with its investment strategy. Internal reporting and performance measurement of these securities are on a fair value basis.

For a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IAS 39, see Note 9.

Subsequent recognition

Subsequent to initial recognition, all instruments classified as financial asset at fair value through profit or loss are measured at fair value with changes in their fair value other than impairment losses, are recognised in profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

**22. Significant accounting policies (continued)**

**(d) Financial assets and financial liabilities (continued)**

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures the instruments based on the closing NAV of the funds.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Impairment of assets

*Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

*Financial assets measured at amortised cost*

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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**22. Significant accounting policies (continued)**

**(d) Financial assets and financial liabilities (continued)**

Impairment of assets (continued)

*Financial assets measured at amortised cost (continued)*

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. All impairment are recognized in the income statement. Impairment is reversed if the reversal can be related objectively to an event after the impairment was recognised.

Losses are recognised in profit or loss and reflected in an allowance account against trade and other receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses, if any are recognised in profit or loss.

**Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

**22. Significant accounting policies (continued)**

**(d) Financial assets and financial liabilities (continued)**

**Derecognition (continued)**

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

**(e) Stated capital**

**Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**(f) Expenses**

Expenses are accounted for in profit or loss on the accruals basis.

**Lease payments**

Payments made under operating leases are recognised in profit or loss over the term of the lease and payment are made in advance. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**(g) Equipment**

**Recognition and measurement**

Items of equipment are measured at cost less accumulated depreciation and impairment losses.

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**Notes to the financial statements**  
*for the year ended 31 March 2018*

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**22. Significant accounting policies (continued)**

**(g) Equipment (continued)**

Recognition and measurement (continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an equipment has different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognised net within "other income" in statement of profit or loss and other comprehensive income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Subsequent costs

The costs of replacing part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and the cost can be measured reliably. The costs of the day-to-day servicing of the equipment are recognised in statement of profit or loss or other comprehensive income.

Depreciation

Depreciation is recognised in statement of profit or loss and other comprehensive income on a straight line method basis over the estimated useful lives of each part of an item of equipment.

The useful lives for the purpose of calculating depreciation charge are as follows:

Computer equipment	3 years
Office equipment	5 years
Furniture	5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate.

**(h) Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year.

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**22. Significant accounting policies (continued)**

*(i) Standards and interpretations adopted in current year*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for financial year beginning on 1 April 2017 that would be expected to have a material impact on the Company except for the following:

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

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The adoption of this standard did not have any impact on the financial statements.

**23. Standards and interpretations issued and not yet effective**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2017, and have not been applied in preparing these financial statements. At the date of authorization of the financial statements for the year ended 31 March 2018, the following Standards and Interpretations were in issue but not yet effective:

<b>Standard/Interpretation</b>	<b>Effective date</b>
IFRS 9 - Financial Instruments	Annual periods beginning on or after 1 January 2018
IFRS 15 - Revenue from contracts with customers	Annual periods beginning on or after 1 January 2018
IFRIC 22 - Foreign Currency Transactions and Advance Considerations	Annual periods beginning on or after 1 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

The amendments to this standard will include changes in the measurement bases of the financial statements to amortised cost, fair value through other comprehensive income or fair value through profit or loss.

**23. Standards and interpretations issued and not yet effective (continued)**

***IFRS 9 Financial Instruments***

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application and early adoption is permitted.

Overall, the Company expects no significant impact on its statement of financial position and equity.

***Classification and measurement***

The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI, FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

As at 31 March 2018, the Company had investments classified as financial assets at fair value through profit and loss and all other financial assets will continue to be measured on the same bases as is currently adopted under IAS 39.

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

***Impairment***

The impairment requirements are based on an expected credit loss ("ECL") model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. The financial assets at amortised cost are short-term (i.e. no longer than 12 months), of high credit quality and / or highly collateralised. Accordingly, the ECLs on such assets are expected to be small.

***IFRS 15 Revenue from contracts with customers***

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The Company receives management fees from various funds under its management as part of its revenue for the year ended 31 March 2018, as provided in note 17 to the financial statements.

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**23. Standards and interpretations issued and not yet effective (continued)**

***IFRS 15 Revenue from contracts with customers (continued)***

This new standard is not expected to have a significant impact on the Company as the Company has not entered into contracts with customers.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

***IFRIC 22 Foreign Currency Transactions and Advance Considerations***

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the entity initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies for annual reporting periods beginning on or after 1 January 2018. The directors have assessed that the adoption of the standard will not have any impact as the Company does not have any advance consideration.

***IFRIC 23 Uncertainty over Income Tax Treatments***

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted. The directors have not yet assessed the impact of the adoption of this standard on the financial statements.

**24. Holding company**

IIFL Wealth Management Limited, a company incorporated in India, is the holding company of IIFL Asset Management (Mauritius) Limited.

**25. Events after reporting date**

There were no material post balance sheet date events after reporting date that could affect the financial statements as at 31 March 2018.

