

INDIA ADVANTAGE FUND LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1.

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Macro Environment

Year 2015 was a historic year. Almost all asset classes across the world closed in red. It started with the Euro depreciation due to continuation of QE by ECB. It was followed by Swiss Franc un-pegging itself from Euro after being pegged for four years. Later, China devalued its currency for the first time in 21 years creating a flutter across Asian currencies.

Global growth has weakened below expectations, deepening the slowdown in developing economies and emerging markets. Chinese economic woes in particular, could warrant further downward revisions in forecasts. High volatility seems to have become the new normal in global financial markets, prominent triggers being concerns about China growth slowdown, currency devaluation, as well as the pace & direction of interest rate action by the US Federal Reserve. All commodities – be it oil, metals, food articles and precious metals have fallen, most of them touching multi year lows.

While India is not immune, in all this mayhem, India has stood out on relative basis. In 2015, MSCI India was down by 7.4%, while MSCI Emerging Market Index was down 17%, India thus has outperformed Emerging markets by 9.6%. India's relatively strong and improving macro fundamentals, resilient economic growth and stable government has helped India outperform Emerging Markets. However, Emerging Markets have significantly underperformed Developed Markets in the last five years mainly on account of weak global demand, crash in commodity prices and weaker currency. Many prominent Emerging Markets have also seen a change in their political & policy environments over this period as well.

Emerging Market funds also witnessed huge redemptions during the year. India being a part of Emerging Market basket has also been affected. While in 2015, FIIs remained net buyers of Indian equities at USD 3.1 billion, the inflows were lower compared to the previous 3 years. Domestic mutual funds on the other hand reported record high buying during the year at almost USD 11 billion.

Equity Strategy and portfolio positioning

While India's headline GDP growth of 7.5% looks quite robust on relative basis, corporate earnings are growing far slower and have seen significant downward revision. Year 2016 has begun on a weaker note for global financial markets in general and India in particular. Indian markets are down over 13% year-to-date, thus underperforming developed markets as well as MSCI Emerging markets Index, almost catching up with the other Emerging Markets in the process. We are back to levels of pre-Modi government era, as over optimistic earnings expectations have re-aligned.

On the macro economic front, concerns around India's current account deficit has subsided, government's medium term fiscal deficit target of 3% is well on target, inflation expectations are lower, real rates are higher now with inflation moving downward. Global energy prices coming down sharply fares well for the Indian economy. For now India has well mitigated macro-stability risks, however it needs to focus on growth. The urban consumption demand remains robust, however the rural consumption demand has been weaker. Going forward, we expect the government policies to be targeted towards improving the rural economic growth. The coming year will also see implementation of 7th pay commission by the central government followed by various state governments.

Equity Strategy and portfolio positioning (Continued)

We expect a long term readjustment of normal for growth and inflation at a lower level as compared to historical averages – both for developed as well as emerging markets. Going into FY17, statistically, monsoon should be normal in 2016. This could be a major stimulus to rural demand. With deflationary pressures easing off, we expect nominal growth to resume. Only ~70 bps of the 125 bps policy rate cut has been transmitted into the system and that too in the second half of FY16. FY17 will see full benefits of this transmission along with further transmission due to base rate formula change and expected further rate cuts. With these in mind, we expect that the earnings trend could reverse in FY17 to clock growth of 14-15%, up from the current 10-11%.

The key themes for FY17 that we expect to play out are Consumer Discretionary, Non-Banking Financial Companies (NBFCs) and Private Banks within Financials, Healthcare and Energy.

The Directors present the audited financial statements of INDIA ADVANTAGE FUND LIMITED (the "Company") for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

The principal activity of the Company is to operate as an open-ended collective investment scheme. The Company's investment objective is to achieve long-term growth of capital through a diversified, research-based approach to investment in Indian securities. The Company has invested more than 90 per cent of its assets in India Advantage (Offshore) Fund (the "Sub Fund"), a dedicated scheme of Birla Sun Life Mutual Fund, which has been sponsored by Aditya Birla Financial Services Private Limited and Sun Life (India) AMC Investments Inc. The Sub Fund has invested in Indian securities. The Company is the sole unit holder of the Sub Fund. Birla Sun Life Mutual Fund and its Indian advisor, Birla Sun Life Asset Management Company Limited ("BSLAMC") are regulated by the Securities and Exchange Board of India.

RESULTS

The results for the year are shown in the statement of profit or loss and other comprehensive income and related notes.

The Company's net assets as at 31 December 2015 were USD127,409,324 (2014: USD130,416,114) with NAV per share of USD250.06 as at 31 December 2015 (2014: USD255.95). The decrease in the NAV per share of the Company is attributable to the depreciation of INR vis-à-vis USD during the year ended 31 December 2015.

DIRECTORS

The present membership of the Board is set out on page 33.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance and cash flows 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 applicable accounting 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 in business.

The directors have confirmed that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' INTERESTS

There are no service contracts in existence between the Company and any of its directors, nor are any such contracts proposed.

Mr Couldip Basanta Lala is also a director of International Financial Services Limited, the Administrator and Secretary of the Company.

Details of related party transactions are set out in Note 16 to the financial statements.

DIRECTORS' FEES

Director, Mr Subhas Lallah, independent of the service providers is entitled to receive fees of up to USD10,000 (2014: USD10,000) per annum.

MATERIAL CONTRACTS

Details of material contracts between the Company and its various service providers are set out in Note 6 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have indicated their willingness to continue in office until the next Annual Meeting.

**CERTIFICATE FROM THE SECRETARY
UNDER SECTION 166 (d) OF THE COMPANIES ACT 2001**

6.

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 **INDIA ADVANTAGE FUND LIMITED** under section 166(d) of the Companies Act 2001 during the financial year ended 31 December 2015.



**For International Financial Services Limited
Secretary**

Registered Office:

IFS Court, Bank Street
TwentyEight, Cybercity
Ebène 72201
Mauritius

28 March 2016

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
INDIA ADVANTAGE FUND LIMITED**

Report on the Financial Statements

We have audited the financial statements of India Advantage Fund Limited (the "Company") on pages 9 to 32 which comprise the statement of financial position as at 31 December 2015 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 a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 9 to 32 give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
INDIA ADVANTAGE FUND LIMITED (CONTINUED)**

Report on the Financial Statements (Continued)

Other matter

This report has been prepared solely for the Company's members, 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 Company's members those matters we are required to state to them 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

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

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



ERNST & YOUNG
Ebène, Mauritius



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

Date: 28 MAR 2016

INDIA ADVANTAGE FUND LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

9.

	Notes	2015 USD	2014 USD
Income			
Net gain on financial assets at fair value through profit or loss	9	-	43,205,087
		-	43,205,087
Expenses			
Net loss on financial assets at fair value through profit or loss	9	867,378	-
Investment management fees	6/16	1,003,447	888,332
Marketing expenses	6	903,964	761,587
Professional fees	6	93,158	108,086
Foreign exchange loss	11	82,666	-
Trailer fees		71,311	67,353
Audit fees		19,320	19,550
General expenses		25,122	14,794
Directors' remuneration	7/16	10,000	10,000
Bank charges		9,648	12,936
		3,086,014	1,882,638
(Loss)/profit before tax		(3,086,014)	41,322,449
Income tax expense	14	-	-
(Loss)/profit for the year, net of tax		(3,086,014)	41,322,449
Other comprehensive income		-	-
Total comprehensive (loss)/income, net of tax		(3,086,014)	41,322,449

The notes on pages 13 to 32 are an integral part of these financial statements.


INDIA ADVANTAGE FUND LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

10.

	Notes	2015 USD	2014 USD
ASSETS			
Cash and cash equivalents	8	6,525	327,073
Financial assets at fair value through profit or loss	9	127,785,035	130,459,413
Receivables	11	-	403,950
Prepayments		3,939	5,734
Total assets		127,795,499	131,196,170
LIABILITIES			
Management fees payable	16	79,077	90,228
Redemption payable		34,165	43,601
Other payables	12	272,933	646,227
Total liabilities		386,175	780,056
EQUITY			
Share capital- Management shares	13	1,300	1,300
Share capital- Redeemable participating shares	13	5,095	5,095
Share premium	13	6,378,577	6,299,353
Retained earnings		121,024,352	124,110,366
Total equity		127,409,324	130,416,114
Total liabilities and equity		127,795,499	131,196,170
Number of redeemable participating shares issued		509,500	509,530
Net asset value per redeemable participating share		250.06	255.95

Approved by the Board on 28 March 2016 and signed on its behalf by:


 Director


 Director

The notes on pages 13 to 32 are an integral part of these financial statements.

INDIA ADVANTAGE FUND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

11.

	Number of redeemable participating shares	Management shares		Redeemable participating shares		Share premium		Retained earnings		Total	
		USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
At 1 January 2014	549,245	1,300	5,492	14,918,757	82,787,917	97,713,466					
Profit and total comprehensive income for the year	-	-	-	-	41,322,449	41,322,449					
Issue of shares (Note 13)	13,498	-	135	3,216,275	-	3,216,410					
Redemption of shares (Note 13)	(53,213)	-	(532)	(11,835,679)	-	(11,836,211)					
At 31 December 2014	509,530	1,300	5,095	6,299,353	124,110,366	130,416,114					
Loss and total comprehensive loss for the year	-	-	-	-	(3,086,014)	(3,086,014)					
Issue of shares (Note 13)	18,890	-	189	5,101,488	-	5,101,677					
Redemption of shares (Note 13)	(18,920)	-	(189)	(5,022,264)	-	(5,022,453)					
At 31 December 2015	509,500	1,300	5,095	6,378,577	121,024,352	127,409,324					

The notes on pages 13 to 32 are an integral part of these financial statements.

INDIA ADVANTAGE FUND LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

12.

	Notes	2015 USD	2014 USD
Cash flows from operating activities			
(Loss)/profit before tax		(3,086,014)	41,322,449
<i>Adjustment to reconcile (loss)/profit to net cash from operating activities</i>			
Net (loss)/gain on financial assets at fair value through profit or loss	9	867,378	(43,205,087)
Foreign exchange loss	11	82,666	-
Net change in operating assets and liabilities			
Decrease/(increase) in prepayments		1,795	(1,097)
(Decrease)/increase in management fees payable		(11,151)	26,881
(Decrease)/increase in redemption payable and other payables		(382,730)	43,022
Proceeds from disposal of financial assets	9	4,517,000	13,290,000
Payment on purchase of financial assets	9	(2,710,000)	(2,225,001)
Advances refunded by/(given to) ABSL	11	321,284	(403,950)
Net cash (used in)/from operating activities		(399,772)	8,847,217
Cash flows from financing activities			
Proceeds from issue of shares	13	5,101,677	3,159,690
Payment on redemption of shares	13	(5,022,453)	(11,836,211)
Net cash flows used in financing activities		79,224	(8,676,521)
Net increase in cash and cash equivalents		(320,548)	170,696
Cash and cash equivalents at 1 January		327,073	156,377
Cash and cash equivalents at 31 December	8	6,525	327,073

The notes on pages 13 to 32 are an integral part of these financial statements.

1. GENERAL INFORMATION

India Advantage Fund Limited (the "Company") was incorporated in Mauritius on 23 May 1996 as a public company with liability limited by shares and has registered office at IFS Court, Bank Street, TwentyEight, Cybercity, Ebène 72201, Mauritius. It holds a Category 1 Global Business Licence and a Collective Investment Scheme Licence issued by the Financial Services Commission under the Financial Services Act 2007 and the Securities Act 2005 respectively.

The financial statements of the Company for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 28 March 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

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

(b) Basis of preparation

The financial statements are prepared on a historical basis except for financial assets at fair value through profit or loss that have been measured at fair value. The financial statements are presented in United States Dollar (USD).

The Company meets the definition of an investment entity as defined by IFRS 10 and its investment in the Sub Fund has been accounted as financial assets at fair value through profit and loss. These separate financial statements are the only financial statements presented by the Company.

(c) Foreign currency translation

Functional and presentation currency

The Company's financial statements are presented in United States Dollars ("USD") which is also the currency of the primary economic environment in which the Company operates (functional currency).

Management determines the functional currency of the Company to be USD. In making this judgment, management evaluates among other factors, the regulatory and competitive environments, the fee and performance reporting structures of the Company and in particular, the economic environment of its investors.

Transactions and balances

Transactions during the year, including purchases and sales of securities are translated at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign currency transaction gains and losses on financial assets classified at fair value through profit or loss are included in the statement of profit or loss and other comprehensive income as part of "net gain / loss on financial assets at fair value through profit or loss".

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss where transaction costs are taken to profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets are cash and cash equivalents, receivables included under loans and receivables, and financial assets at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at fair value through profit or loss upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

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

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Company has not designated any financial assets at fair value through profit or loss during the year.

The Company evaluates its financial assets at fair value through profit or loss, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

- Loans and receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

Financial assets (Continued)

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Impairment

The Company assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, and subsequently measured at amortised cost.

The Company's financial liabilities include short term payables.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

Offsetting of financial instruments

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

Determination of fair value

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

All securities which are traded on a stock exchange are valued on the basis of their last traded prices. Listed securities for which there is an ascertainable market value will be valued generally at the last known price dealt with on the market on which the securities are traded on the relevant valuation day and unlisted securities for which there is no ascertainable market value will be valued at fair value. The directors may permit some other method of valuation to be used if they consider that such valuation better reflects fair value.

The investment in the Sub Fund is classified as fair value through profit or loss and is fair valued by using the net assets of the Sub Fund. The net assets of the Sub Fund is considered to be its fair value as there are no rights and obligations attached to the units of the Sub Fund that would result in the fair value being different to the net asset value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Cash and cash equivalents

Cash comprises cash in hand and cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value.

(e) Share capital

Classification of redeemable participating shares

A puttable financial instrument is classified as an equity instrument if it has all of the following features:

- It entitles the holder to a pro rata share of the Company's net assets in the event of the Company's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments and all instruments in that class have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Company's net assets.

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

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Company, and
- The effect of substantially restricting or fixing the residual return to the puttable instrument holders.

The Company's redeemable participating shares meet the definition of puttable instruments classified as equity instruments under the revised IAS 32, "Financial Instruments: Presentation", given that in the event of winding up, the assets available for distribution among the shareholders shall be applied in the following priority:

- (i) First, to the holders of Class A, Class B and Class C Shares a sum equal to the nominal amount paid up on the shares held by such holders respectively; and
- (ii) Second, to the holders of the Class C Shares and redeemable participating shares any balance remaining pertaining to their respective classes, as nearly as practicable in proportion to the number of Class C Shares and Participating Shares.

Consequently, the Company's redeemable participating shares are classified as equity instruments.

The Company continuously assesses the classification of the redeemable participating shares. If the redeemable participating shares cease to have all the features or meet all the conditions set out in paragraphs 16A and 16B of IAS 32, the Company will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable shares subsequently have all the features and meet the conditions set out in paragraphs 16A and 16B of IAS 32, the Company will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and resale of redeemable participating shares are accounted for as equity transactions. Upon issuance of shares, the consideration received is included in equity.

No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Share capital (Continued)

Classification of management shares

The Class A and B management shares are non-redeemable and are classified as equity.

(f) Net gain or loss on financial assets at fair value through profit or loss

The net changes in fair value of financial assets at fair value through profit or loss are recognised in the statement of profit or loss and other comprehensive income.

(g) Current and deferred income tax

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

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has applied the following standards, amendments and improvements to existing standards for the first time in 2015:

	Effective for accounting period beginning on or after
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements 2010-2012 Cycle	
IFRS 2 Share-based Payment	1 July 2014
IFRS 3 Business Combinations	1 July 2014
IFRS 8 Operating Segments	1 July 2014
IAS 16 Property, Plant and Equipment	1 July 2014
IAS 38 Intangible Assets	1 July 2014
IAS 24 Related Party Disclosures	1 July 2014
Annual Improvements 2011-2013 Cycle	
IFRS 3 Business Combinations	1 July 2014
IFRS 13 Fair Value Measurement	1 July 2014
IAS 40 Investment Property	1 July 2014

Where the adoption of the standards or amendments or improvements is deemed to have an impact on the financial statements or performance of the Company, their impact is described below:

Annual Improvements 2010-2012 Cycle

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Transactions and balances with related parties are disclosed under Note 16.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Annual Improvements 2011-2013 Cycle

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. The Company would adopt these standards, if applicable, when they become effective. No early adoption of these standards and interpretations is intended by the Board of directors.

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	1 January 2018
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statement	1 January 2016
Disclosure Initiative (Amendments to IAS 1)	1 January 2016
Annual Improvements 2012 - 2014 Cycle	1 January 2016

An assessment of the standards, amendments to existing standards and interpretations that may impact on the Company's financial statements when they become effective, given existing operations and financial position, is as follows:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition - 1 January 2018

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

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 9 Financial Instruments (Continued)

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition – 1 January 2018 (Continued)

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

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.

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. Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised. The Company is still assessing the impact of the expected credit losses.

Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, can be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. No impact is expected as the Company has not entered into any hedge transactions.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) - effective 1 January 2016

This amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) was made to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The amendment will not have an impact on the Company.

Disclosure Initiative (Amendments to IAS 1) - effective 1 January 2016

This amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

The Company is still assessing the impact of the amendments and will adopt this standard on the effective date.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Judgements

In the process of applying the Company's accounting policies, the Company's Board of directors has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Determination of functional currency

The determination of functional currency of the Company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. As described in Note 2, the directors have considered those factors therein and have determined that the functional currency of the Company is the USD.

Going Concern

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

Assessment as investment entity

The Company's Board of directors has made an assessment of the Company's eligibility in satisfying the three elements of the definition per IFRS 10.27 as described under Note 2. Although the Company does not meet all of the typical characteristics of an investment entity, it possesses the three elements of the definition of an investment entity set out in IFRS 10, and is consequently classified as an investment entity. This conclusion will be reassessed on an annual basis, if any of these criteria or characteristics change.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Company has based its assumption and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond control of the Company. Such changes are reflected in the assumption when they occur.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The fair value of the unquoted equity shares has been estimated using the net asset value of the Sub Fund and all investments held by the Sub Fund are quoted investments. The directors have determined that this was the most appropriate technique to value the investments.

6. INVESTMENT MANAGEMENT, MARKETING AND PROFESSIONAL FEES

Investment Management fees

On 18 July 1996, the Company entered into an Investment Management Agreement with Birla Sun Life Asset Management Company (AMC) (Mauritius) Limited (the "Investment Manager"), a related party, pursuant to which the latter is entitled to a fee. Subsequent Supplemental Management Agreements were entered into from time to time to make amendments to the Investment Management Agreement.

With effect from 1 February 2012 pursuant to a Supplemental Management Agreement dated 18 January 2012, the Investment Manager is entitled to a monthly fee payable in arrears, accruing at the annual rate of 0.75% of the daily net asset value of the Company. The annual rate shall be subject to such adjustments as the investment committee of the Company shall consider necessary from time to time.

The agreement shall be effective until terminated by either party giving at least ninety days' notice in writing on the Valuation Day falling in March, June, September or December in any year on or after December 1999. The Company will indemnify the Investment Manager against any claim as specified in clause 17.3 of the Investment Management Agreement and to the extent that such claim is not due to breach of duty, negligence, wilful default or liability on the part of the Investment Manager.

Birla Sun Life Asset Management Company Limited holds 100% of the Class A and B shares in the Company.

Marketing fees

On 23 May 2012, the Company entered into a Marketing and Services Agreement with Aditya Birla Sun Life Asset Management Company Ltd, Dubai (the "Agents"). The Agent is entitled to fees payable quarterly in arrears, accruing at the annual rate of 0.25% of the daily net asset value of the Company. The agreement shall be effective until terminated by either party giving thirty days' notice.

On 25 March 2014, the Company entered into a Marketing and Services Agreement with Aditya Birla Sun Life Asset Management Company Ltd, Singapore (the "Agents"). The Agent is entitled to fees payable quarterly in arrears, accruing at the annual rate of 0.25% of the daily net asset value of the Company. The agreement shall be effective until terminated by either party giving thirty days' notice.

On 18 December 2014, the Company entered into a Strategic Services Agreement with Aditya Birla Financial Services Pte. Ltd (the "Agents"). The Agent is entitled to an aggregate fee of USD600,000 which is payable as follows:

- USD300,000 payable immediately on signing of Agreement; and
- USD300,000 payable within three months after signing the Agreement.

Professional fees

International Financial Services Limited ("IFS") has been appointed to provide administrative, registrar and secretarial as well as tax compliance services to the Company in Mauritius and professional fees are paid to IFS.

7. DIRECTORS' INTERESTS AND REMUNERATION

None of the directors have any interest in the shares of the Company, except that Mr Couldip Basanta Lala is also director of IFS.

Directors' remuneration is disclosed under note 16.

8. CASH AND CASH EQUIVALENTS

	2015	2014
	USD	USD
Cash at bank	6,525	327,073

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company holds 100% unquoted equity shares in India Advantage (Offshore) Fund (the "Sub Fund"), a mutual fund incorporated in India.

During the financial year 2014, the Company acquired one subscriber share for EUR1 in ABSL Umbrella UCITS Fund Public Limited Company ("ABSL"), a company incorporated in Ireland. The subscriber share is measured at cost as it is unquoted and entitles its holder to return of only paid up capital on winding up.

	2015	2014
	USD	USD
At 1 January	130,459,413	98,319,325
Additions	2,710,000	2,225,001
Disposals	(4,517,000)	(13,290,000)
Net (loss) / gain	(867,378)	43,205,087
At 31 December	127,785,035	130,459,413

The fair value of the unquoted equity shares of the Sub Fund has been determined using the net asset value. Management has determined that this is the most appropriate technique to value the investment in the Sub Fund. The directors consider this value to be a proxy for the fair value, given that the shares are unlisted.

10. FAIR VALUE HIERARCHY

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Company's assets that are measured at fair value.

At 31 December 2015

	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
Financial assets				
Fair value through profit or loss				
- Equity securities	-	127,785,035	-	127,785,035
	-	127,785,035	-	127,785,035

10. FAIR VALUE HIERARCHY (CONTINUED)

At 31 December 2014

	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
Financial assets				
Fair value through profit or loss				
- Equity securities	-	130,459,413	-	130,459,413
	-	130,459,413	-	130,459,413

There has been no transfer between the levels during the financial year 2015 and 2014.

11. RECEIVABLES

During the financial year 2014, the Company had advanced USD403,950 (equivalent of EUR300,000) to ABSL. During the year under review, the Company was refunded in full settlement of the EUR300,000, which amounted to USD321,284. The Company has recorded a loss on foreign exchange of USD82,666.

12. OTHER PAYABLES

	2015	2014
	USD	USD
Trailer fees payable	28,753	28,067
Director fees payable	-	5,000
Audit fees payable	18,975	19,320
Professional fees payable	1,000	1,000
Marketing fees payable	216,173	592,839
General expenses payable	8,031	-
Payable to ABSL for subscriber shares	1	1
	272,933	646,227

13. SHARE CAPITAL AND SHARE PREMIUM

All issued redeemable participating shares are fully paid and are listed and traded on the Channel Islands Securities Exchange. The Company's capital is represented by management shares and redeemable participating shares. Quantitative information about the Company's capital is provided in the statement of changes in equity and in the tables below. Based on historical information for the years 2010-2015, between 5% to 15% of the Company's issued shares are redeemed annually at their net asset value calculated in accordance with redemption provisions. For the purpose of calculating the net asset value attributable to holders of redeemable shares, the Company's assets and liabilities are valued using the price of the most recent transactions which provide evidence of the current fair value.

As per the terms of the Constitution, the shares of the Company shall consist of 120 Class A shares of USD10.00 each, 80 Class B shares of USD10.00 each, Class C shares of USD0.01 each and redeemable participating shares to be issued in such classes of shares as the Directors may determine with such preferred or qualified or other special rights or restrictions whether in regard to voting, dividend, return of capital or otherwise. The Directors may issue such number of Class C shares, redeemable participating shares or classes of redeemable participating shares or fractions thereof.

Class A and Class B are management shares and Class C shares are redeemable participating shares classified as equity. The share capital and share premium of the Company consists of management shares and redeemable participating shares as detailed below:

13. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Management shares

The shares issued and fully paid are as follows:

	Number of shares	Share capital
		USD
As at 31 December 2015 and 31 December 2014		
Class A shares	90	900
Class B shares	40	400
	<u>130</u>	<u>1,300</u>

The par value of the management shares is USD10 each. At 31 December 2015, the Class A and B shares were held by Birla Sun Life Asset Management Company Limited. The Class A and Class B shares carry voting rights. No dividend is payable to the Class A and B shareholders.

Redeemable participating shares

The shares issued and fully paid are as follows:

Class C shares	Number of shares	Share capital	Share premium
		USD	USD
At 1 January 2014	549,245	5,492	14,918,757
Issue of shares	13,498	135	3,216,275
Redemption of shares	<u>(53,213)</u>	<u>(532)</u>	<u>(11,835,679)</u>
At 1 January 2015	509,530	5,095	6,299,353
Issue of shares	18,890	189	5,101,488
Redemption of shares	<u>(18,920)</u>	<u>(189)</u>	<u>(5,022,264)</u>
At 31 December 2015	<u>509,500</u>	<u>5,095</u>	<u>6,378,577</u>

The Class C shares are redeemable participating shares having par value of USD0.01 each and are entitled to notice of general meetings but are not entitled to attend or vote thereat, except in respect of a resolution to (i) vary the rights of the Class C shares (ii) approve any material change in the principal investment objective and policies of the Company from time to time (iii) wind up the Company.

The Class C shares may be issued and redeemed at prices based on the Company's net assets value as determined in accordance with the Constitution. Redemption is at the option of the shareholder. The Directors may from time to time if they think fit pay such interim and final dividends on Class C shares or participating shares in a class out of the assets of the class as appear to the Directors to be justified by the profits of the Class.

In case of winding-up, the assets available for distribution among the shareholders shall then be applied in the following priority:

- (i) First, to the holders of Class A, Class B and Class C shares a sum equal to the nominal amount paid up on the shares held by such holders respectively; and
- (ii) Second, to the holders of the Class C shares any balance remaining.

14. INCOME TAX

Mauritius

The Company is liable to income tax its chargeable income at the rate of 15%. It is, however, entitled to a tax credit equivalent to the higher of actual foreign tax paid or 80% of the Mauritian tax payable in respect of its foreign source income, thus reducing its maximum effective tax rate to 3%.

Capital gains are outside the scope of the Mauritian tax net while trading profits made by the Company from the sale of securities are exempt from tax.

The Company had no chargeable income as at 31 December 2015 (31 December 2014: nil).

Reconciliation of tax charge and accounting profit

	2015	2014
	USD	USD
(Loss)/profit before taxation	<u>(3,086,014)</u>	<u>41,322,449</u>
Tax at 15%	(462,902)	6,198,367
<i>Tax effect of:</i>		
Expense/(income) not subject to tax	130,107	(6,480,763)
Non allowable expenses	-	282,396
Tax loss carried forward	<u>332,795</u>	<u>-</u>
Income tax charge	-	-

India

The Company invests in India and the directors expect to obtain benefits under the double taxation treaty between Mauritius and India. The Indian Supreme Court has re-affirmed in a ruling dated 7 October 2003 the validity of the circular 789 issued by the Central Board of Direct Taxes which provides that wherever a "Certificate of Residence" is issued by the Mauritian Tax Authorities, such certificate constitutes sufficient evidence for accepting the status of residence and beneficial ownership and for applying the benefits of the tax treaty between India and Mauritius. The Company has obtained a tax residence certification from the Mauritian authorities which is renewable annually subject to meeting certain conditions and considers such certification is determinative of its residence status for treaty purposes.

A Company which is tax resident in Mauritius under the treaty, but has no branch or permanent establishment in India, will not be subject to capital gains tax in India on the sale of securities but is subject to Indian withholding tax on interest earned on Indian securities at the basic rate of 5% (increased by a surcharge and education cess where applicable). Net investment income and gains derived by the Sub Fund are exempt from Indian tax as the Sub Fund qualifies as a recognised Mutual Fund under Section 10(23D), of the Income Tax Act, 1961 of India.

India does not levy withholding tax on dividends. However, Indian companies making distributions are liable to Dividend Distribution Tax at a rate of 15% (plus surcharge of 12% and education cess of 3%). A company holding at least 5% of the share capital of an Indian company and receiving dividends may claim a credit for tax paid by the Indian company on its profits out of which the dividends were distributed including the Dividend Distribution Tax.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

Cash flow interest rate risk

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

No interest is being generated from cash held in the bank for the Company. Therefore the Company is not exposed to cash flow interest rate risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The primary exposure of the Company is to the Sub Fund, which is denominated in Indian Rupee ("INR"). The underlying assets of the Sub Fund are only in INR. The objective is to generate returns linked to the Indian equity markets and the currency risk is borne by the investor. The currency risk is appropriately highlighted in the risk factors in the offer document. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the INR may change in a manner which has a material effect on the reported value of the Company's investments denominated in INR.

At 31 December 2014, the Company was also exposed to currency risk in relation to the EURO denominated advances made to ABSL. At 31 December 2015, the Company is longer exposed to currency risk due to movements in USD-EURO exchange rate, as the advances were refunded.

The following demonstrates the sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Company's profit or loss.

	Increase/decrease in foreign exchange rate	Effect on profit or loss	
		2015	2014
		USD	USD
INR		(1,265,198)	(1,449,549)
EURO	+1%	-	(4,488)
INR		1,290,758	1,185,995
EURO	-1%	-	(3,672)

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

	Financial assets 2015	Financial liabilities 2015	Financial assets 2014	Financial liabilities 2014
	USD	USD	USD	USD
Indian Rupee	127,785,034	-	130,459,412	-
United States dollar	6,525	386,175	327,073	780,056
EURO	1	-	403,951	-
	<u>127,791,560</u>	<u>386,175</u>	<u>130,190,436</u>	<u>780,056</u>

Prepayments amounting to USD3,939 (2014: USD5,734) have not been included in financial assets.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company's main credit risk concentration is its cash and cash equivalents and other receivables.

With respect to credit risk arising from cash and cash equivalents, the Company's exposure to credit risk arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these financial assets.

The Company manages credit risk related to cash and cash equivalents by banking with reputable financial institutions.

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

	Carrying amount 31 December 2015	Carrying amount 31 December 2014
	USD	USD
Receivables	-	403,950
Cash and cash equivalents	6,525	327,073
	<u>6,525</u>	<u>731,023</u>

The financial assets are neither past due nor impaired at reporting date and no collateral is held for these financial assets. The cash and cash equivalents are maintained with reputable financial institutions.

The Company is not exposed to credit risk with respect to its investment in financial assets at fair value.

Concentration risk

The Company holds investments in India which involves certain considerations and risks not typically associated with investments in other more developed countries. Future economic and political developments in India could adversely affect the operations of the investee companies.

Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company is not exposed to any significant liquidity risk.

The table below summarises the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments.

	2015		2014	
	On demand USD	Total USD	On demand USD	Total USD
Cash and cash equivalents	6,525	6,525	327,073	327,073
Financial assets at fair value through profit or loss	127,785,035	127,785,035	130,459,413	130,459,413
Receivables	-	-	403,950	403,950
Total financial assets	<u>127,791,560</u>	<u>127,791,560</u>	<u>131,190,436</u>	<u>131,190,436</u>

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	2015			2014		
	On demand	3 to 6 months	Total	On demand	3 to 6 months	Total
	USD	USD	USD	USD	USD	
Management fees payable	79,077	-	79,077	90,228	-	90,228
Redemption payable	34,165	-	34,165	43,601	-	43,601
Other payables	247,680	25,253	272,933	220,442	425,785	646,227
Total financial liabilities	360,922	25,253	386,175	354,271	425,785	780,056

Fair values of financial instruments

The fair value of the Company's investment has been estimated using the net asset value of the Sub Fund. The Company's other financial assets and liabilities approximate their fair values given their short term nature.

16. RELATED PARTY DISCLOSURES

During the year under review, the Company transacted with the following related parties. The nature, volume of transactions and balances with related parties are as follows:

Name of company	Relationship	Nature of transactions	Volume of transactions		Balances	
			2015	2014	2015	2014
			USD	USD	USD	USD
Birla Sun Life AMC (Mauritius) Limited	Investment manager	Investment management fees	1,003,447	888,332	79,077	90,228
India Advantage Fund (Offshore) Fund	Subsidiary	Additions & Disposal (Note 9)	(1,807,000)	(11,065,000)	127,785,034	130,459,412
ABSL Umbrella UCITS Fund Public Limited Company	Investee Company	Subscriber shares	-	1	1	1
		Advances	321,284	403,950	-	403,950
International Financial Services Limited	Administrator and Secretary	Professional fees	83,131	102,814	(1,000)	(1,000)
Mr Subhas Chandra Lallah	Director	Director fees	10,000	10,000	-	(5,000)

16. RELATED PARTY DISCLOSURES (CONTINUED)

Investment management fees

The Company has entered into an Investment Management Agreement with Birla Sun Life AMC (Mauritius) Limited (the "Investment Manager"). During the year under review, the Company transacted with the Investment Manager.

As disclosed under Note 6, the Investment Manager is entitled to a fee, accrued on a daily basis at the rate of 0.75% of the daily NAV of the Company. It is payable monthly in arrears (within seven days of the end of the period in respect of which the payment falls to be made) in US dollars or as may otherwise be agreed.

Professional fees

One director of the Company namely, Mr Couldip Basanta Lala, exercises joint control over International Financial Services Limited ("IFS", the Administrator/Secretary) and is deemed to have beneficial interest in the Administration Agreement and the Tax Letter of Engagement between the Company and the Administrator/Secretary.

Directors' fees

Directors' fees amounting to USD10,000 (2014: USD10,000) were paid to Mr Subhas Chandra Lallah. Mr Subhas Chandra Lallah is independent of the Administrator or the Investment Manager and does not have any shareholding in the Company.

17. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. As a result of the ability to issue, repurchase and resell shares, the capital of the Company can vary depending on the demand for redemptions and subscriptions to the Company. The Company is not subject to externally imposed capital requirements.

The Company also maintains an appropriate level of liquidity, in view of meeting shareholder's redemption request and to meet its liabilities when they fall due. Therefore the Company maintains an adequate level of liquidity in its investment and mainly invest in listed equities through the sub fund which are considered as highly liquid investment and can be realised upon short term notice.

The Company meets its objectives by:

- (i) investing the proceeds from investors in investments meeting the description, risk exposure and expected return indicated in its prospectus;
- (ii) achieving consistent returns while safeguarding investor fund by investing in diversified portfolio and by using various investment strategies;
- (iii) maintaining sufficient liquidity to meet its expenses and to meet redemption requests as they arise; and
- (iv) maintaining sufficient size to make its operation cost-efficient.

18. EVENTS AFTER THE REPORTING DATE

There have been no material events since the end of the reporting period which would require disclosures or adjustments to the financial statements for the year ended 31 December 2015.

Directors	Date of appointment	Date of resignation
Couldip Basanta Lala	23 May 1996	-
Subhas Chandra Lallah *	26 November 1999	-
Mithilesh Lallah (permanent alternate director to Mr Subhas Chandra Lallah)	16 August 2011	-
Dwarka Dass Rathi	8 August 2012	-
Adesh Kumar Gupta	8 August 2012	-
Mark Christopher Rogers	2 April 2014	-

(*) Independent of Investment Manager

Investment Manager
 Birla Sun Life AMC (Mauritius) Limited
 IFS Court, Bank Street
 TwentyEight, Cybercity
 Ebène 72201
 Mauritius

Registered Office
 IFS Court, Bank Street
 TwentyEight, Cybercity
 Ebène 72201
 Mauritius

Administrator, Secretary and Registrar
 International Financial Services Limited
 IFS Court, Bank Street
 TwentyEight, Cybercity
 Ebène 72201
 Mauritius

Banker
 Barclays Bank Mauritius Limited
 3rd Floor, Barclays House
 68-68A, Cybercity
 Ebène
 Mauritius

Auditors
 Ernst & Young
 9th Floor, NeXTeracom Tower 1
 Cybercity
 Ebène
 Mauritius

Legal Adviser
 ARA LAW Advocates & Solicitors
 3/F, Mahatma Gandhi Memorial Building
 7, Netaji Subhash Road
 Charni Road (West)
 Mumbai - 400 002
 India