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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 statements of financial position as at 31 December 2013 and the statements of comprehensive income, statements of changes in equity and statements 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 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 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

INDIA ADVANTAGE FUND LIMITED (CONTINUED)

Report on the Financial Statements (Continued)

Other matter

This report, including the opinion, has been prepared for and only for the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

ANDRE LAI WAN LOONG, A.C.A.
Licensed by FRC

Date: 25 MAR 2014

	Notes	2013	2012
		USD	USD
Income			
Net gain on financial assets at fair value through profit or loss	8	-	23,756,190
		-	23,756,190
Expenses			
Investment Management fees	6/15	750,703	857,057
Marketing expenses	6	488,234	394,504
Professional fees	6	100,319	107,889
Trailer fees		85,183	111,067
Audit fees		19,860	27,405
General expenses		14,239	12,327
Directors' remuneration	7/15	14,044	22,000
Bank charges		11,297	12,028
Net loss on financial assets at fair value through profit or loss	8	5,039,690	-
		6,523,569	1,544,277
(Loss) / profit before tax		(6,523,569)	22,211,913
Income tax expense	13	-	-
(Loss) / profit and total comprehensive (loss) / income for the year, net of tax		(6,523,569)	22,211,913

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

	Notes	2013 USD	2012 USD
ASSETS			
Cash and cash equivalents	10	**156,377**	38,382
Prepayments		**4,637**	10,150
Financial assets at fair value through profit or loss	8	**98,319,325**	116,659,015
Total assets		**98,480,339**	116,707,547
LIABILITIES			
Management fees payable	15	**63,347**	73,372
Redemption payable		**13,149**	207,194
Other payables		**633,657**	434,597
Subscription monies pending allotment		**56,720**	-
Total liabilities		**766,873**	715,163
EQUITY			
Share capital- Management shares	11	**1,300**	1,300
Share capital- Redeemable participating shares	11	**5,492**	6,138
Share Premium	11	**14,918,757**	23,386,980
Reserves	12	**82,787,917**	92,597,966
		97,713,466	115,992,384
Total liabilities and equity		**98,480,339**	116,707,547
Number of redeemable participating shares		**549,245**	613,815
Net asset value per redeemable participating share		**177.90**	188.96

Approved by the Board on 25 March 2014 and signed on its behalf by:

Director

Director

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

	Number of redeemable participating shares	Management shares	Redeemable participating shares	Share Premium (Note 11)	Reserves (Note 12)	Total
		USD	USD	USD	USD	USD
At 1 January 2012	639,520	1,300	6,395	28,467,711	69,802,720	98,278,126
Profit and total comprehensive income for the year	-	-	-	-	22,211,913	22,211,913
Issue of shares	11,630	-	116	2,050,008	-	2,050,124
Redemption of shares (Note 11)	(37,335)	-	(373)	(7,130,739)	583,333	(6,547,779)
At 31 December 2012	613,815	1,300	6,138	23,386,980	92,597,966	115,992,384
Loss and total comprehensive loss for the year	-	-	-	-	**(6,523,569)**	**(6,523,569)**
Issue of shares	**1,680**	-	**17**	**291,747**	-	**291,764**
Redemption of shares (Note 11)	**(66,250)**	-	**(663)**	**(8,759,970)**	**(3,286,480)**	**(12,047,113)**
At 31 December 2013	**549,245**	**1,300**	**5,492**	**14,918,757**	**82,787,917**	**97,713,466**

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

	Notes	2013	2012
		USD	USD
Cash flows from operating activities			
(Loss) / profit before tax		(6,523,569)	22,211,913
Adjustment to reconcile (loss) / profit to net cash from operating activities			
Net change in the fair value of the financial assets	8	5,039,690	(23,756,190)
Net changes in operating assets and liabilities			
Decrease / (increase) in receivables		5,513	(6,598)
(Decrease) / increase in payables		(5,010)	70,254
Net cash used in operating activities		(1,483,376)	(1,480,621)
Cash flows from investing activities			
Proceeds from disposal of investment	8	13,300,000	6,710,000
Payment for purchase of investment	8	-	(810,000)
Net cash from investing activities		13,300,000	5,900,000
Cash flows from financing activities			
Proceeds from issue of shares		291,764	2,050,124
Payment for redemption of shares		(12,047,113)	(6,547,779)
Subscription monies pending allotment		56,720	(54,000)
Net cash flows used in financing activities		(11,698,629)	(4,551,655)
Net increase / (decrease) in cash and cash equivalents		117,995	(132,276)
Cash and cash equivalents at 1 January		38,382	170,658
Cash and cash equivalents at 31 December	10	156,377	38,382

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

1. GENERAL

India Advantage Fund Limited (the "Company") is an open-ended public company with limited liability incorporated in Mauritius on 23 May 1996 and holds a Category 1 Global Business Licence and a Collective Investment Scheme License issued by the Financial Services Commission. The Company's principal 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 scheme of the 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 in turn invested in domestic Indian securities. The Company is the sole unit holder of the Sub Fund.

The Company's registered address is IFS Court, TwentyEight, Cybercity, Ebène, Mauritius.

The financial statements of the Company for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 25 March 2014.

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 in the separate financial statements 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 period, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation (Continued)

Transactions and balances (Continued)

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 profit or loss in the statement of comprehensive income as part of the "net loss or gain on financial assets at fair value through profit or loss".

(d) Financial instruments

(i) Financial assets

a) 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 though 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 included under loans and receivables and financial assets at fair value through profit or loss.

b) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

(i) Financial assets (Continued)

b) Subsequent measurement (Continued)

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 in finance costs for loans and in cost of sales or other operating expenses for receivables.

c) Derecognition of financial assets

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.

(ii) Impairment of financial assets

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

(iii) Financial liabilities

a) 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.

The Company's financial liabilities include other short term payables. The financial liabilities are subsequently measured at amortised cost.

b) Derecognition of financial liabilities

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.

(iv) 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.

(v) Determination of fair value

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 the fair value of the fund 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.

(e) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and cash at bank. Cash and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Share capital

(i) Classification of redeemable 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 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 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 shares are classified as equity instruments.

The Company continuously assesses the classification of the redeemable shares. If the redeemable 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 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)

(f) Share capital (Continued)

(ii) Classification of Management shares

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

Capital redemption reserve

The Capital redemption reserve is used to record redemption made by investors in excess / short of share capital and share premium.

(g) 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 profit or loss.

(h) Current income tax

Current income tax assets and liabilities for the current period 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 taxation

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

New and amended standards and interpretations

The accounting policies adopted in the current year are consistent with those of the previous year, except that the Company has adopted some of the following new and revised accounting standards:

- IAS 1 Presentation of Financial Statements
- IFRS 13 Fair Value Measurement

The adoption of the above standards is described below:

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. This standard has not impacted the financial statements of the Company.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

New and amended standards and interpretations (Continued)

IAS 1 ***Presentation of Financial Statements***
Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will not be reclassified. The amendment has not impacted the Company's accounts as the Company has no other comprehensive income.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Additional disclosures where required, are provided in the individual notes related to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 9.

During the previous year, the Company had early adopted the following standards retrospectively with an initial application date of 1 January 2012.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Involvement with Other Entities, with consequential amendment to IAS 27 Separate Financial Statements (as revised in 2011), IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) - Early adoption

Subsidiaries

As a result of the adoption of *IFRS 10 Consolidated Financial Statements*, the Company has voluntarily changed its accounting policy with respect to determining whether it has control over its investees. Control arises when the Company is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. The Company re-assessed its control conclusion for its investees at 1 January 2012 and determined that there has been no change. The Company has not presented consolidated financial statements for the year under review since it is exempted from consolidation by meeting the criteria of being an investment entity as set out in IFRS 10.

Investment entity

The amendment to *IFRS 10 Consolidated Financial Statements* requires entities that meet the definition of an investment entity to apply exemption from consolidation and instead account for its investments in subsidiaries at fair value through profit or loss. The Company undertook an assessment as of 1 January 2012 and concluded that it is an investment entity as follows:

The Company has multiple investors and indirectly holds multiple investments through the Sub Fund. Ownership interests in the Company are in the form of redeemable shares classified as equity in accordance with IAS 32 and which are exposed to variable returns from changes in fair value of the Company's net assets.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

New and amended standards and interpretations (Continued)

Investment entity (Continued)

The Company has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

(a) The Company has obtained funds for the purpose of providing investors with investment management services.
(b) The Company's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income, through the Sub Fund.
(c) The performance of investments made through the Sub Fund are measured and evaluated on a fair value basis.

Since the investment in the Sub Fund was already accounted for at fair value through profit or loss, the major impact is that the Company ceases to present consolidated financial statements of the group, but only presents separate financial statements as required by IAS 27.8A.

4. AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt applicable standards when they become effective.

IFRS 9 Financial Instruments - Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) amending IFRS 9 to include the new general hedge accounting model, allow adoption of the treatment of fair value changes due to own credit on liabilities designated at fair value through profit or loss, and remove the 1 January 2015 effective date.

Accordingly, the current version of IFRS 9 does not include an effective date but is available for adoption (subject to local endorsement requirements). An effective date will be added once the standard is complete with a new impairment model and finalisation of any limited amendments to classification and measurement.

Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of currently has a legally enforceable right to set-off. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

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)

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, 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 management 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 management 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 management 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 3. Although the Company does not meet all of the typical characteristics of an investment entity (namely, the Company does not directly have multiple investments), 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, as 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. Management has 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 has entered into an Investment Management Agreement with Birla Sun Life 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.

Before 1 February 2012, the annual rate was as follows:

- 0.25% of the net proceeds of the initial placing until 30 September 1996.
- 0.25% of the daily NAV of the Company on the last Business day in each calendar month with effect from 1 October 1996.
- 1.25% of the daily NAV of the Company on the last Business day in each calendar month with effect from 1 August 2005.

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.

At 31 December 2013, Birla Sun Life Asset Management Company Limited held 100% of the Class A and B shares in the Company.

Marketing fees

On 23 May 2012 the Company has entered into a Marketing and Services Agreement with Aditya Birla Sun Life Asset Management Company Ltd (the "Agent"). 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.

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' REMUNERATION AND INTERESTS

Directors' fees were paid to two of the Company's Mauritian directors who are independent of the Administrator and the Investment Manager.

None of the directors had any interest in the shares of the Company. Mr Couldip Basanta Lala is also a director of IFS and Mr Dev Joory, who is a director of IFS, is also a director in Birla Sun Life AMC (Mauritius) Limited.

Directors' remuneration is disclosed under note 15.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement statement

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

	2013 USD	2012 USD
At 1 January	**116,659,015**	98,802,825
Additions	**-**	810,000
Disposal	**(13,300,000)**	(6,710,000)
Net (loss) / gain on financial assets at fair value through profit or loss	**(5,039,690)**	23,756,190
At 31 December	**98,319,325**	116,659,015

The fair value of the unquoted equity shares has been estimated using the net asset value of the Sub Fund. Management has determined that this was the most appropriate technique to value the investments.

9. 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 as at 31 December 2013.

31 December 2013

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial instruments				
Fair value through profit or loss				
- Equity securities	**-**	**98,319,325**	**-**	**98,319,325**
	-	**98,319,325**	**-**	**98,319,325**

31 December 2012

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial instruments				
Fair value through profit or loss				
- Equity securities	-	116,659,015	-	116,659,015
	-	116,659,015	-	116,659,015

10. CASH AND CASH EQUIVALENTS

	2013	2012
	USD	USD
Cash at bank	156,377	38,382

11. 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 the management 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 2010-2013, between 5% to 15% of the Company's issued shares are redeemed annually at their net asset value calculated in accordance with redemption requirements. 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.

Authorised share capital

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 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, Participating Shares or Classes of Participating Shares or fractions thereof.

	Share capital 2013	Share premium 2013	Total 2013	Total 2012
	USD	USD	USD	USD
Issued share capital				
Class A of USD10 each	900	-	900	900
Class B of USD10 each	400	-	400	400
Class C shares USD0.01 each	5,492	14,918,757	14,924,249	23,393,118
	6,792	14,918,757	14,925,549	23,394,418

Classes A and B are Management Shares and Class C shares are Redeemable Participating Shares. The share capital and share premium of the Company consists of management shares and redeemable participating shares as detailed below:

(i) Management Shares

The shares issued and fully paid at 31 December 2013 and 2012 are as follows:

	Number of shares	Share capital
		USD
As at 31 December 2013 and 31 December 2012		
Class A shares	90	900
Class B shares	40	400
	130	1,300

11. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

(i) Management Shares (continued)

The par value of the management shares is USD10 each. At 31 December 2013, 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.

(ii) Redeemable Participating Shares

The shares issued and fully paid at 31 December 2013 are as follows:

Class C shares	Number of shares	Share capital USD	Share premium USD	Capital redemption reserve USD	Total USD
At 1 January 2012	639,520	6,395	28,467,711	(63,921,116)	(35,447,010)
Issue of shares	11,630	116	2,050,008	-	2,050,124
Redemption of shares	(37,335)	(373)	(7,130,739)	583,333	(6,547,779)
At 1 January 2013	613,815	6,138	23,386,980	(63,337,783)	(39,944,665)
Issue of shares	**1,680**	**17**	**291,747**	-	**291,764**
Redemption of shares	**(66,250)**	**(663)**	**(8,759,970)**	**(3,286,480)**	**(12,047,113)**
At 31 December 2013	**549,245**	**5,492**	**14,918,757**	**(66,624,263)**	**(51,700,014)**

The Class C shares are participating redeemable 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 shareholders. 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 and 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.

12. RESERVES

Reserves are made up of:

	Retained earnings		Capital redemption reserve		Total	
	2013	2012	**2013**	2012	**2013**	2012
	USD	USD	**USD**	USD	**USD**	USD
At 1 January	**155,935,749**	133,723, 836	**(63,337,783)**	(63,921,116)	**92,597,966**	69,802,720
(Loss) / profit and total comprehensive (loss) / income for the year	**(6,523,569)**	22,211,913	**-**	-	**(6,523,569)**	22,211,913
Movement	**-**	-	**(3,286,480)**	583,333	**(3,286,480)**	583,333
At 31 December	**149,412,180**	155,935,749	**(66,624,263)**	(63,337,783)	**82,787,917**	92,597,966

13. INCOME TAX EXPENSE

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 20.6% (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.

With effect from 1 April 2003, dividends are exempt in the hands of shareholders. Indian companies making distributions are however liable to a Dividend Distribution Tax equivalent to 16.995% of the dividends distributed effective 1 April 2012. 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.

13. INCOME TAX EXPENSE (CONTINUED)

Mauritius

The Company is a "Category 1 Global Business Licence Company" for the purpose of the Financial Services Act 2007. The Company is liable to pay income tax on the profit of the Company, as adjusted for income tax purposes, at a rate of 15%. The Company is entitled to a tax credit equivalent to the higher of actual foreign tax paid and 80% of Mauritius tax payable in respect of its foreign source income, thus reducing its maximum effective tax rate to 3%. There is no capital gains tax in Mauritius. The Company had a tax loss of USD nil as at 31 December 2013 (31 December 2012: nil).

Reconciliation of the tax charge and accounting profit

	2013	2012
	USD	USD
(Loss) / Profit before taxation	(6,523,569)	22,211,913
Tax at 15%	(978,535)	3,331,786
Tax effect of:		
Income not subject to tax	(699,802)	(3,563,429)
Non allowable expenses	1,678,337	231,643
Income tax charge	-	-

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors

The Company's objective in managing risk is the creation and protection of shareholder's value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Company's continuing profitability.

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

Risk management structure

The Company's Investment Manager is responsible for identifying and controlling risks. The Board of directors supervises the Investment Manager and is ultimately responsible for the overall risk management approach within the Company.

Risk mitigation

The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy. The stock selection strategy identifies companies with sound corporate management and prospects of good future growth. Past performance of the companies is also taken into consideration with the focus remaining on long-term fundamentally driven values. However, short-term opportunities are also considered, provided that underlying values support them.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Equity price risk

Equity price risk is the risk of unfavourable changes in fair values of equities as the result of changes in the value of individual shares.

The Company is exposed to equity price risk because of investments held by the Company and classified on the statement of financial position as financial at fair value through profit or loss. The Company manages the equity price risk through diversification and placing limits on individuals and total equity instruments.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. If equity prices had been 1.00% higher/lower, the effect on profit or loss and equity for the year would have been as follows:

Increase/decrease in equity prices	Effect on profit/equity 2013	2012
	USD	USD
+1.00%	983,193	1,166,590
-1.00%	(983,193)	(1,166,590)

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.

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 2013	2012
		USD	USD
INR	+10%	(10,924,3693)	(12,962,113)
INR	-10%	8,938,120	10,605,365

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

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

	Financial assets 2013	Financial liabilities 2013	Financial assets 2012	Financial liabilities 2012
	USD	USD	USD	USD
Indian Rupee	98,319,325	-	116,659,015	-
United States dollar	156,377	710,153	38,382	715,163
	98,475,702	710,153	116,697,397	715, 163

Prepayments amounting to **USD4,637** (2012: USD10,150) and subscription monies pending allotment amounting to **USD56,720** (2012: Nil) have not been included in financial assets and financial liabilities respectively in the above table.

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.

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 and 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:

	Carrying amount 31 December 2013
	USD
Cash and cash equivalents	156,377
	156,377

	Carrying amount 31 December 2012
	USD
Cash and cash equivalents	38,382
	38,382

The financial assets are neither past due nor impaired at reporting date. The cash and cash equivalents are maintained with reputable financial institutions.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

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

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 liabilities at 31 December 2013 based on contractual undiscounted payments.

	2013		2012	
	On demand	**Total**	On demand	Total
	USD	**USD**	USD	USD
Management fees payable	**63,347**	**63,347**	73,372	73,372
Redemption payable	**13,149**	**13,149**	207,194	207,194
Other payables	**633,657**	**633,657**	434,597	434,597
	710,153	**710,153**	715,163	715,163

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.

15. 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**	
			2013	2012	**2013**	2012
			USD	USD	**USD**	USD
Birla Sun Life AMC (Mauritius) Limited	Investment manager	Investment management fees	**750,703**	857,057	**63,247**	73,372

15. RELATED PARTY DISCLOSURES (CONTINUED)

Name of company	Relationship	Nature of transactions	Volume of transactions 2013 USD	Volume of transactions 2012 USD	Balances 2013 USD	Balances 2012 USD
India Advantage (Offshore) Fund	Subsidiary	Additions & Disposal (Note 8)	**13,300,000**	(5,900,000)	**98,319,325**	116,659,015
International Financial Services Limited	Administrator and Secretary	Professional fees	**94,479**	103,725	**(1,000)**	(1,000)
Late Mr Mohamad Amade Hajee Dawjee Vayid	Director until 5 May 2013	Director fees	**4,044**	12,000	-	-
Mr Subhas Chandra Lallah	Director	Director fees	**10,000**	10,000	-	-

Investment management fees

The Company has entered into an Investment Management Agreement with Birla Sun Life AMC (Mauritius) Limited (the "Investment Manager"). During the period 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 (the annual rate has been revised from 1.25% to 0.75% with effect from 1 February 2012). 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 **USD14,044** (2012: USD 22,000) were paid to two of the Company's Mauritian directors namely Late Mr Mohamad Amade Hajee Dawjee Vayid and Mr Subhas Chandra Lallah, who are independent of the Administrator and the Investment Manager.

The directors do not have any shareholding in the Company.

16. 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 external 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.

17. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date which would require disclosure in or adjustment to the financial statements for the year ended 31 December 2013.