

INDIA ADVANTAGE FUND LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1.

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Macro Environment

2014 has been a pivotal year for India. The favourable outcome of general elections, wherein BJP led alliance was voted to power by huge margin, is a welcome change in the Indian political landscape. The macro challenges faced by India in the last 2-3 years are behind us. The slide in the economic growth has been arrested and there are visible green shoots indicating pick-up in economic growth. With low crude prices, ample global liquidity, pick-up in domestic growth rate and a possible rate cut in 6-12 months, the stars seem to be aligned for India. We now have a reform oriented government, supported by a credible Central Bank to ensure that India steps up and achieve its growth potential.

With 2015, we set course on a "Promising Voyage" propelled by favourable tailwinds of global, domestic and reforms based developments. Globally, with major developed markets in a low growth and a deflationary environment we expect the easy monetary policy to continue. In such a situation where liquidity remains conducive and global growth remains a challenge, India stands out as an oasis of growth with expectations of high and accelerating growth. The recent correction in commodity prices, especially crude oil, has been a blessing in disguise for India. Being a net energy importer, a sharp downward slide in energy prices has addressed concerns on twin deficits and inflation. Globally, as growth gets scarce we see Indian market getting larger recognition amongst global asset managers.

On the domestic front we have seen significant improvement in major macro parameters - inflation, interest rates, CAD, fiscal deficit and external reserves. Inflation, which had been stubborn for the past few years, has shown a significant easing. Commodity price correction, slower increase in MSP and rural wages has paved the way for a lower inflation trajectory. Going ahead also we see these factors to remain benign, keeping CPI inflation around 5%. With moderating inflationary expectations, RBI is expected to go for policy rate easing.

We believe India's structural growth story is very much in place. The key to long term secular growth for India are its structural drivers - infrastructure, exports and consumption. The government has realized the importance of investment cycle and has undertaken a series of measures to kick start stalled projects and revive the investment cycle. India's competitive advantage - abundant talent and resources and recovery in global exports will drive exports. India's favourable demographic dividend, which is a high proportion of youth population, falling dependency ratios, rising middle class and higher savings rate will drive consumption demand for a long period of time.

Equity Strategy and portfolio positioning

We believe that the equity markets will stand to gain in the medium to long term as it derives strength from the improving economic growth and corporate earnings growth trajectory. In our view, the global monetary policies will remain conducive. This will ensure liquidity flows in to emerging markets, especially India. Besides inflows from foreign institutional investors, inflows from domestic retail investors will continue to drive broader markets higher.

While Indian markets are trading at all-time high, market valuations are a tad above its long term average. With visible acceleration in corporate earnings growth over the next 3-5 years, we expect re-rating of Indian equity markets valuations. We believe the Government's pro-growth approach will aid revival in the economy and it bodes well for equity markets.

The portfolio is well positioned to capitalize on this multi-year growth opportunity. The fund is positioned for domestic recovery, with overweight on financials, consumer discretionary and industrial sectors. The portfolio has a positive bias towards the Information Technology and the Healthcare sector, as we believe that the growth story here is structural.

The portfolio is less focused on Consumer Staples sector as we believe that the valuations are expensive on relative basis. The portfolio is underweight on Energy sector (mainly index heavy weight Reliance Industries), however is overweight on Oil Marketing Companies, which stand to benefit from de-regulation of fuel prices in India. The portfolio is also underweight on Telecom Services and Utilities Sector.

Birla Sun Life AMC (Mauritius) Limited

The Directors present the audited financial statements of INDIA ADVANTAGE FUND LIMITED (the "Company") for the year ended 31 December 2014.

PRINCIPAL ACTIVITY

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 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. Birla 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 2014 were USD130,416,114 (2013: USD97,713,466) with an NAV per share of USD255.95 as at 31 December 2014 (2013: USD177.90). The increase in the NAV per share of the Company is attributable to the appreciation of the NAV per unit at the Sub Fund level during the year ended 31 December 2014.

DIRECTORS

The present membership of the Board is set out on page 35.

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 (2013: 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.

AUDITOR

The auditor, Ernst & Young, has indicated its 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 2014.



For International Financial Services Limited
Secretary

Registered Office:

IFS Court
TwentyEight, Cybercity
Ebène
Mauritius

25 March 2015

**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 34 which comprise the statements of financial position as at 31 December 2014 and the statements of profit or loss and other 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 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 34 give a true and fair view of the financial position of the Company as at 31 December 2014 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.

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: 25 MAR 2015

INDIA ADVANTAGE FUND LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

9.

| | Notes | 2014 | 2013 |
|---|-------|-------------------|--------------------|
| | | USD | USD |
| Income | | | |
| Net gain on financial assets at fair value through profit or loss | 9 | 43,205,087 | - |
| | | <u>43,205,087</u> | <u>-</u> |
| Expenses | | | |
| Net loss on financial assets at fair value through profit or loss | 9 | - | 5,039,690 |
| Investment Management fees | 6/16 | 888,332 | 750,703 |
| Marketing expenses | 6 | 761,587 | 488,234 |
| Professional fees | 6 | 108,086 | 100,319 |
| Trailer fees | | 67,353 | 85,183 |
| Audit fees | | 19,550 | 19,860 |
| General expenses | | 14,794 | 14,239 |
| Directors' remuneration | 7/16 | 10,000 | 14,044 |
| Bank charges | | 12,936 | 11,297 |
| | | <u>1,882,638</u> | <u>6,523,569</u> |
| Profit / (loss) before tax | | 41,322,449 | (6,523,569) |
| Income tax expense | 14 | - | - |
| Profit / (loss) for the year, net of tax | | 41,322,449 | (6,523,569) |
| Other comprehensive income | | - | - |
| Total comprehensive income, net of tax | | 41,322,449 | (6,523,569) |

The notes on pages 13 to 34 are an integral part of these financial statements.

INDIA ADVANTAGE FUND LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

10.

| | Notes | 2014 USD | 2013 USD |
|---|-------|--------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | 8 | 327,073 | 156,377 |
| Financial assets at fair value through profit or loss | 9 | 130,459,413 | 98,319,325 |
| Other receivables | 11 | 403,950 | - |
| Prepayments | | 5,734 | 4,637 |
| Total assets | | 131,196,170 | 98,480,339 |
| LIABILITIES | | | |
| Management fees payable | 16 | 90,228 | 63,347 |
| Redemption payable | | 43,601 | 13,149 |
| Other payables | 12 | 646,227 | 633,657 |
| Subscription monies pending allotment | | - | 56,720 |
| Total liabilities | | 780,056 | 766,873 |
| EQUITY | | | |
| Share capital- Management shares | 13 | 1,300 | 1,300 |
| Share capital- Redeemable participating shares | 13 | 5,095 | 5,492 |
| Share premium | 13 | 6,299,353 | 14,918,757 |
| Retained earnings | 13 | 124,110,366 | 82,787,917 |
| Total equity | | 130,416,114 | 97,713,466 |
| Total liabilities and equity | | 131,196,170 | 98,480,339 |
| Number of redeemable participating shares | | 509,530 | 549,245 |
| Net asset value per redeemable participating share | | 255.95 | 177.90 |

Approved by the Board on 25 March 2015 and signed on its behalf by:

Director

Director

The notes on pages 13 to 34 are an integral part of these financial statements.

INDIA ADVANTAGE FUND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

11.

| | Number of redeemable participating shares | | Management shares | | Redeemable participating shares | | Share premium | | Retained earnings | | Total | |
|--|---|-----|-------------------|-----|---------------------------------|-----|---------------|-----|-------------------|-----|--------------|-----|
| | | USD | | USD | | USD | | USD | | USD | | USD |
| At 1 January 2013 | 613,815 | | 1,300 | | 6,138 | | 23,386,980 | | 92,597,966 | | 115,992,384 | |
| Loss and total comprehensive income for the year | - | | - | | - | | - | | (6,523,569) | | (6,523,569) | |
| Issue of shares (Note 13) | 1,680 | | - | | 17 | | 291,747 | | - | | 291,764 | |
| Redemption of shares (Note 13) | (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 | |
| 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 | |

The notes on pages 13 to 34 are an integral part of these financial statements.

INDIA ADVANTAGE FUND LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

12.

| | Notes | 2014 | 2013 |
|---|-------|--------------------|---------------------|
| | | USD | USD |
| Cash flows from operating activities | | | |
| Profit / (loss) before tax | | 41,322,449 | (6,523,569) |
| Adjustment to reconcile profit/ (loss) to net cash from operating activities | | | |
| Net change in the fair value of the financial assets | 9 | (43,205,087) | 5,039,690 |
| Net change in operating assets and liabilities | | | |
| (Increase) / decrease in prepayments | | (1,097) | 5,513 |
| Increase / (decrease) in management fees payable | | 26,881 | (10,025) |
| Increase in other payables | | 43,022 | 5,015 |
| Proceeds from disposal of financial assets | 9 | 13,290,000 | 13,300,000 |
| Payment for purchase of financial assets | 9 | (2,225,001) | - |
| Advances given to ABSL | | (403,950) | - |
| Net cash from operating activities | | 8,847,217 | 11,816,624 |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 13 | 3,159,690 | 291,764 |
| Payment for redemption of shares | 13 | (11,836,211) | (12,047,113) |
| Subscription monies pending allotment | | - | 56,720 |
| Net cash flows used in financing activities | | (8,676,521) | (11,698,629) |
| Net increase in cash and cash equivalents | | 170,696 | 117,995 |
| Cash and cash equivalents at 1 January | | 156,377 | 38,382 |
| Cash and cash equivalents at 31 December | 8 | 327,073 | 156,377 |

The notes on pages 13 to 34 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 registered address is IFS Court, TwentyEight, Cybercity, Ebène, Mauritius.

The financial statements of the Company for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 25 March 2015.

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 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.

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, other 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

- 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.

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

Financial liabilities (Continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

Determination of fair value (Continued)

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.

(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.

(f) 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 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Share capital (Continued)

Classification of redeemable participating shares (Continued)

- (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 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.

Classification of management shares

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

(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 statement of profit or loss and other comprehensive income.

(h) Current and deferred 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 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 accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations adopted in the year commencing 1 January 2014:

| Amendments | Effective for accounting period beginning on or after |
|--|---|
| Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) | 1 January 2014 |
| Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) | 1 January 2014 |

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

| Amendments | Effective for accounting period beginning on or after |
|---|---|
| Recoverable amount disclosures for non-financial assets (Amendments to IAS 36) | 1 January 2014 |
| Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) | 1 January 2014 |
| IFRIC 21 Levies | 1 January 2014 |

Where the adoption of the standard or interpretation or improvement is deemed to have an impact on the financial statements or performance of the Company, its impact is described below.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities - effective 1 January 2014

This amendment to IAS 32 Financial Instruments: Presentation was made to clarify certain aspects because of diversity in application of the requirements on offsetting thereby focusing on four main areas:

- The meaning of 'currently has a legally enforceable right of set-off';
- The application of simultaneous realisation and settlement;
- The offsetting of collateral amounts; and
- The unit of account for applying the offsetting requirements.

This amendment did not have an impact on the financial position or performance of the Company.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) - effective 1 January 2014

As a result of the adoption of IFRS10 Consolidated Financial Statements, the Company has assessed 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 2014 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.

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 participating 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.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – effective 1 January 2014 (Continued)

- (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.

The amendment became effective on 1 January 2014. Since the Company has early adopted these amendments in 2012, there is no impact on the Company for this year.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) – effective 1 January 2014

IAS 36 Impairment of Assets was amended to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

This amendment did not have an impact on the financial position or performance of the Company.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) – effective 1 January 2014

The amendments to IAS 39 Financial Instruments: Recognition and Measurement were made to clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

The Company did not enter into any hedge arrangement during the financial year and as such this Standard had no effect on the financial position and performance of the Company.

IFRIC 21 Levies – effective 1 January 2014

Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time; and
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

This new interpretation had no effect on the financial position and performance of the Company.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The applicable standards, amendments to existing standards and interpretations for the Company which were in issue but not yet effective are as follows.

| | Effective for accounting period beginning on or after |
|--|---|
| New or revised standards applicable to the Company | |
| IFRS 9 Financial Instruments | 1 January 2018 |
| IFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2017 |
| Amendments applicable to the Company | |
| Equity Method in Separate Financial Statements (Amendments to IAS 27) | 1 January 2016 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | 1 January 2016 |
| Disclosure Initiative (Amendments to IAS 1) | 1 January 2016 |
| Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) | 1 January 2016 |

They are mandatory for accounting periods beginning on the specified dates, but the Company has not early adopted them.

New or revised standards

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

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for 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. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

IFRS 14 Regulatory Deferral Accounts - effective 1 January 2016

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

This new standard will not have an impact, as the Company is not a first time adopter of IFRS.

IFRS 15 Revenue from Contracts with Customers - effective 1 January 2017

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 15 Revenue from Contracts with Customers - effective 1 January 2017 (Continued)

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

This new standard is not expected to impact the Company significantly as interest and dividend income and gains/losses on investments are generated by transactions that are outside the scope of IFRS 15.

Amendments to IAS 27: Equity Method in Separate Financial Statements - 1 January 2016

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

This amendment will have no impact on the Company since the Company is exempted from consolidation by meeting the criteria of being an investment entity.

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

This standard clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 *Business Combinations*)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The amendment will not have an impact for the Company.

Disclosure Initiative (Amendments to IAS 1)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements as follows:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Disclosure Initiative (Amendments to IAS 1) (Continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

Early application is permitted and entities do not need to disclose that fact because the Board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates.

These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendment will 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 any impact as the Company is not a subsidiary of an investment entity.

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.

Judgements

In the process of applying the Company's accounting policies, the Company's Board of directors 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.

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

Judgments (Continued)

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.

6. INVESTMENT MANAGEMENT, MARKETING AND PROFESSIONAL FEES (CONTINUED)

Investment Management fees (Continued)

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

| | <u>2014</u> | <u>2013</u> |
|--------------|----------------|----------------|
| | USD | USD |
| Cash at bank | <u>327,073</u> | <u>156,377</u> |

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

| | 2014 | 2013 |
|--|--------------|--------------|
| | USD | USD |
| At 1 January | 98,319,325 | 116,659,015 |
| Additions | 2,225,001 | - |
| Disposals | (13,290,000) | (13,300,000) |
| Net gain / (loss) on financial assets at fair value through profit or loss | 43,205,087 | (5,039,690) |
| At 31 December | 130,459,413 | 98,319,325 |

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

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 as at 31 December 2014.

31 December 2014

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|---------|-------------|---------|-------------|
| | USD | USD | USD | USD |
| Financial instruments | | | | |
| Fair value through profit or loss | | | | |
| - Equity securities | - | 130,459,412 | - | 130,459,412 |
| | - | 130,459,412 | - | 130,459,412 |

31 December 2013

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

There has been no transfer between level during the financial year 2014 and 2013.

11. OTHER RECEIVABLES

During the year 2014, the Company has advanced USD403,950 equivalent of EUR300,000 in ABSL. The advance was used to launch ABSL and is receivable on demand.

12. OTHER PAYABLES

| | 2014 | 2013 |
|---------------------------------------|----------------|----------------|
| | USD | USD |
| Trailer fees payable | 28,067 | 25,222 |
| Brokerage fees | - | 1,089 |
| Director fees payable | 5,000 | - |
| Audit fees payable | 19,320 | 9,200 |
| Statement of holdings fees payable | 1,000 | 1,000 |
| Marketing fees payable | 592,839 | 597,146 |
| Payable to ABSL for subscriber shares | 1 | - |
| | <u>646,227</u> | <u>633,657</u> |

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 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 2010-2014, 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.

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. The share capital and share premium of the Company consists of management shares and redeemable participating shares as detailed below:

Management shares

The shares issued and fully paid at 31 December 2014 and 2013 are as follows:

| | Number of shares | Share capital |
|---|---------------------|------------------|
| | | USD |
| As at 31 December 2014 and 31 December 2013 | | |
| Class A shares | 90 | 900 |
| Class B shares | 40 | 400 |
| | <u>130</u> | <u>1,300</u> |

13. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Management shares (Continued)

The par value of the management shares is USD10 each. At 31 December 2014, 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 at 31 December 2014 are as follows:

| Class C shares | Number of shares | Share capital | Share premium | Retained earnings | Total |
|--|---------------------|------------------|------------------|----------------------|--------------|
| | USD | USD | USD | USD | USD |
| At 1 January 2013 | 613,815 | 6,138 | 23,386,980 | 92,597,966 | 115,991,084 |
| Loss and total comprehensive income for the year | - | - | - | (6,523,569) | (6,523,569) |
| 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 1 January 2014 | 549,245 | 5,492 | 14,918,757 | 82,787,917 | 97,712,166 |
| Profit and total comprehensive income for the year | - | - | - | 41,322,449 | 41,322,449 |
| Issue of shares | 13,498 | 135 | 3,216,275 | - | 3,216,410 |
| Redemption of shares | (53,213) | (532) | (11,835,679) | - | (11,836,211) |
| At 31 December 2014 | 509,530 | 5,095 | 6,299,353 | 124,110,366 | 130,414,814 |

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 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 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 redeemable participating shares.

14. 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.

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 no chargeable income as at 31 December 2014 (31 December 2013: nil).

Reconciliation of the tax charge and accounting profit

| | <u>2014</u> | <u>2013</u> |
|---------------------------------|-------------------|--------------------|
| | USD | USD |
| Profit / (loss) before taxation | <u>41,322,449</u> | <u>(6,523,569)</u> |
| Tax at 15% | 6,198,367 | (978,535) |
| <i>Tax effect of:</i> | | |
| Income not subject to tax | (6,480,763) | (699,802) |
| Non allowable expenses | <u>282,396</u> | <u>1,678,337</u> |
| Income tax charge | <u>-</u> | <u>-</u> |

15. 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.

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 | |
|------------------------------------|-------------------------|-----------|
| | 2014 | 2013 |
| | USD | USD |
| +1.00% | 1,304,594 | 983,193 |
| -1.00% | (1,304,594) | (983,193) |

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.

The Company is also exposed to currency risk in relation to the investment made in ABSL (acquisition of subscriber shares and advances made to ABSL) which is denominated in EURO. There is the risk that the exchange rate of the USD relative to EURO may change in a manner which has a material effect on the reported value of the Company's investments and other receivables denominated in EURO.

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 | |
|------|--|--------------------------|---------------|
| | | 2014 | 2013 |
| | | USD | USD |
| INR | | (14,495,490) | (10,924,3693) |
| EURO | +10% | (44,883) | - |
| INR | | 11,859,946 | 8,938,120 |
| EURO | -10% | (36,722) | - |

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

| | Financial assets 2014 | Financial liabilities 2014 | Financial assets 2013 | Financial liabilities 2013 |
|----------------------|--------------------------|-------------------------------|--------------------------|-------------------------------|
| | USD | USD | USD | USD |
| Indian Rupee | 130,459,412 | - | 98,319,325 | - |
| United States dollar | 327,073 | 780,056 | 156,377 | 710,153 |
| EURO | 403,951 | - | - | - |
| | 130,190,436 | 780,055 | 98,475,702 | 710,153 |

Prepayments amounting to USD5,734 (2013: USD4,637) 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 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 2014 | Carrying amount 31 December 2013 |
|---------------------------|--|--|
| | USD | USD |
| Other receivables | 403,950 | - |
| Cash and cash equivalents | 327,073 | 156,377 |
| | <u>731,023</u> | <u>156,377</u> |

The financial assets are neither past due nor impaired at reporting date. 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 at 31 December 2014 based on contractual undiscounted payments.

| | 2014 | | 2013 | |
|---|--------------------|--------------------|-------------------|-------------------|
| | On demand | Total | On demand | Total |
| | USD | USD | USD | USD |
| Other receivables | 403,950 | 403,950 | - | - |
| Financial assets at fair value through profit or loss | 130,459,413 | 130,459,413 | 98,319,325 | 98,319,325 |
| Cash and cash equivalents | 327,073 | 327,073 | 156,377 | 156,377 |
| Total financial assets | <u>131,190,436</u> | <u>131,190,436</u> | <u>98,475,702</u> | <u>98,475,702</u> |

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

| | 2014 | | | 2013 | |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | On demand | 3 to 6 months | Total | On demand | Total |
| | USD | USD | USD | USD | USD |
| Management fees payable | 90,228 | - | 90,228 | 63,347 | 63,347 |
| Redemption payable | 43,601 | - | 43,601 | 13,149 | 13,149 |
| Other payables | 220,442 | 425,785 | 646,227 | 633,657 | 633,657 |
| Total financial liabilities | 354,271 | 425,785 | 780,056 | 710,153 | 710,153 |

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 | |
|--|-----------------------------|-------------------------------|------------------------|------------|-------------|------------|
| | | | 2014 | 2013 | 2014 | 2013 |
| | | | USD | USD | USD | USD |
| Birla Sun Life AMC (Mauritius) Limited | Investment manager | Investment management fees | 888,332 | 750,703 | 90,228 | 63,347 |
| India Advantage (Offshore) Fund | Subsidiary | Additions & Disposal (Note 9) | (11,065,000) | 13,300,000 | 130,459,412 | 98,319,325 |
| ABSL | Investee Company | Subscriber shares | 1 | - | 1 | - |
| | | Advances | 403,950 | - | 403,950 | - |
| International Financial Services Limited | Administrator and Secretary | Professional fees | 102,814 | 94,479 | (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 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 USD10,000 (2013: USD 14,044) were paid to Mr Subhas Chandra Lallah in the year 2014 and Mr Subhas Chandra Lallah and Late Mr Mohamad Amade Hajee Dawjee Vayid in the year 2013. Mr Subhas Chandra Lallah is independent of the Administrator/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 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.

18. EVENTS AFTER THE REPORTING DATE

Subsequent to year end, the other receivables from ABSL of USD403,950 has been refunded to the Company.

| Directors | Date of appointment | Date of resignation |
|-------------------------|----------------------------|----------------------------|
| Couldip Basanta Lala | 23 May 1996 | - |
| Subhas Chandra Lallah * | 26 November 1999 | - |
| Sandeep Asthana | 1 June 2011 | 2 April 2014 |
| Mithilesh 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
 TwentyEight, Cybercity
 Ebène
 Mauritius

Registered Office
 IFS Court
 TwentyEight, Cybercity
 Ebène
 Mauritius

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

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

Auditor
 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