



Annual
Report & Accounts
for the year ended June **2008**

TRUST CONSTITUTION

TRUST CONSTITUTION

The NMF GENERAL FUND is constituted under the NMF UNIT TRUST which is authorized under the Unit Trust Act 1989 and established by a Trust Deed dated 30th May 1990 between the National Mutual Fund Ltd ("The Manager") and the State Bank of Mauritius Ltd ("The Trustee").

TRUST OBJECTIVE

The investment objective of the NMF GENERAL FUND is to produce both income and capital growth from a diversified portfolio of assets. Investments are predominantly made in equities and fixed income securities in the domestic Stock Exchange and in major international stock markets.

MANAGERS' REPORT

For the year ended 30 June 2008

We are pleased to present a report of the NMF GENERAL FUND for the year ended 30 June 2008.

ECONOMIC REVIEW

Preliminary estimates indicate that in 2007, the Mauritian economy grew by 5.4% in real terms. As for the main sectors of economic activity, the agricultural sector contracted by 7.4% amid a relatively poor sugar crop, while the manufacturing sector grew by 2.2% following the strong performance of its textile sub-sector. Similarly, Construction grew further by 15.2%, following construction of new hotels and implementation of projects under IRS. Finally, the financial intermediation sector grew by 7.5% due to robust performances from the banking and offshore activities while, tourism, rebounded by 14.0%, as the number of tourists who visited the country rose by 120,000 thereby generating additional earnings of Rs 8.7 bn compared to the previous year.

Turning to the country's main economic fundamentals, during the year under review,

the investment rate rose to reach 25.1% of GDP. Furthermore, a look at consumer price inflation shows that for the calendar year 2007, it stood at 8.8% while, the unemployment rate fell to 8.5%. As for the budget deficit, for the financial year 2006/07, it contracted to reach 4.3% of GDP.

On the external front, the balance of payments has posted a surplus of Rs 13.9 bn, while at the end of 2007, net international reserves were sufficiently strong to cover about 35 weeks of imports. Finally, on the monetary scene, the Repo rate rose to 9.25 %.

Taking into account the fact that the international credit crisis and the looming global recession are expected to take a toll on the local economy next year, in 2008 the economy is expected to grow by 5.6%. On a sectoral basis, the agricultural sector is expected to do well amid a recovery in Sugar production while, the manufacturing sector is expected to continue on a slow expansion path. As for the financial intermediation and construction sectors, they are both expected to remain robust on the back of continued buoyant activities and

the implementation of new building projects respectively. As for tourism, with 960,000 tourists expected during the year, the sector is expected to expand by 5.6 %.

PERFORMANCE REVIEW

Asset Allocation as at 30.06.08

	%
Local Quoted	78
Overseas Investments	21
T-Bills	-
Cash	1
Total	100

Capital

For the financial year under review, the Fund's Capital Value per unit increased by about 11.1 % as it rose from Rs 47.22 on 1 July 2007 to reach Rs 52.52 on 30 June 2008. As regard performance, the positive result registered on our local portfolio has more than compensated for the losses incurred on our overseas investments. An overview of the performance of the different asset classes making up the portfolio is set out below:

	Capital Gains / (Losses)	Revaluation Surplus / (Deficit)	Total
Local Portfolio (Rs 000)	(14)	84,297	84,283
Overseas Portfolio (Rs 000)	-	(19,939)	(19,939)
Total (Rs 000)	(14)	76,163	64,344

On the domestic scene, with the Semdex up 29.1 % for the year under review, the Fund's local portfolio of quoted shares has appreciated by Rs 84 m which, represents an appreciation of 24 % based on the portfolio valuation of 1 July 2007. Here,

the main drivers of growth have been the strong performances recorded on some of our main holdings namely, MCB, SBM, NMH, Sun, IBL and Naiade. On the trading side, we have increased our holdings in Sun, Naiade, NMH, and MCB.

As far as our overseas portfolio is concerned, bearing in mind that at balance sheet date, the present global financial and economic crisis had not yet completely unfolded, a negative result of Rs 19.9 m has been registered which, based on the portfolio valuation of 1 July 2007, represents a depreciation of about 12.5 %. In USD terms, with the MSCI World Index down 13.3 % during the period under review, the Fund's overseas portfolio has decreased by 1.7 % thereby vindicating, our strategy to invest about 49 % of our portfolio in Cash and alternative investments. Finally, it is worth noting that during the period under review, the USD and the GBP have respectively depreciated by 14.2 % and 14 % against the rupee while the Euro has appreciated by 1.6 %.

Income

For the period under review, the Fund has

paid a dividend of 65 cents per unit (2007: 76 cents per unit). Such a performance was mainly due to the fact that higher management fees have been paid.

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Net Asset Value

With a dividend of 65 cents per unit together with a registered capital appreciation of Rs 5.30, the Fund's Net Asset Value per unit has increased by about 12.6% as it rose from Rs 47.22 on 1 July 2007 to reach Rs 52.52 on 30 June 2008.

Prospects

The performance of our highly diversified portfolio is closely linked to the evolution of stockmarkets both locally and worldwide.

On the Local front, since the balance sheet date, the market has moved further down into negative territory as the international credit crisis continues to unfold thereby leading to a looming global recession. In fact, a sharp sell-off in locally quoted equities during the past two months has resulted in collapsing stock prices as coherence and rationality give way to anxiety and panic. Given such a scenario, the Semdex has plummeted by around 40%, on a year to date basis.

It is true that based on prevailing fundamentals, the local equity market still offers good potential given the healthy state of companies in terms of debt and profitability levels. However, the lack of depth of the domestic stock market is a great cause of concern in such volatile and uncertain times.

Turning to the International scene, since balance sheet date, the credit crisis has been spreading in two directions namely, from the US to the rest of the World and, out of the financial markets (Wall Street) into the real economy (Main Street). With the Financial Crisis getting global, early signals seem to indicate that the World economy is heading towards a deep and

painful recession. As a result, stock prices have been collapsing as coherence and rationality give way to anxiety and panic.

Against such a backdrop, governments and central banks have been coordinating emergency responses to unfreeze credit markets and halt a worldwide meltdown. Although such actions have been enough to get the credit markets moving again, attention now has shifted to what lies ahead.

Here, the economic picture remains dark as it is likely that, the U.S. is heading into a very deep recession, perhaps the worst in the post-World War II era. Furthermore, the severe downturn is not only likely to happen in the U.S. and Europe only but also, in key emerging markets as the decoupling theory proves to be a non-starter. For these countries, a collapse in demand in the U.S. and Europe will dramatically change the dynamics as it is expected that these countries are going to be hit hard by a triple whammy namely: plunging manufacturing exports to the U.S., falling commodity prices, and outflows of dollars.

In fact, what makes this financial crisis so different from many of the others faced in the past three decades is that it did not originate with peripheral emerging markets. It struck the core of global capitalism. As such, unlike previous U.S. recessions, this crisis cannot be fixed with changes in monetary and fiscal policy alone. It will require a complete financial workouts and restructuring such that the fallout, is likely to radiate out across the globe in countless unforeseen ways.

Against such a background, our current stance is one of caution.

The National Mutual Fund Ltd

AUDITORS' REPORT
TO THE UNITHOLDERS OF THE NMF GENERAL FUND
CONSTITUTED UNDER THE NMF UNIT TRUST

This report is made solely to the Fund's unitholders, as a body. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's 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 Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of The NMF General Fund on pages 6 to 20 which comprise the statement of assets and liabilities as at 30 June 2008 and the statement of movements in net assets, income and distribution statement and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Responsibilities of manager and trustee

The manager and trustee 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 Trust Deed and the Financial Reporting Act 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 Au-

ditng. 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 auditor's judgment, 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 auditor considers internal control relevant to the entity'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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 6 to 20 give a true and fair view of the financial position of the Fund as at 30 June 2008, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Trust Deed and the Financial Reporting Act 2004.

*Kemp Chatteris Deloitte & Touche
Chartered Accountants,
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La Chaussée, Port Louis,
Mauritius*

NMF GENERAL FUND
STATEMENT OF ASSETS AND LIABILITIES AT 30 JUNE 2008

	Note	2008		2007	
		Rs	% of Fund	Rs	% of Fund
Assets					
Non-Current Assets					
Portfolio of Mauritian Securities	6	485,295,525	78.38	366,806,269	65.45
Portfolio of International Securities	7	128,457,151	20.75	148,090,212	26.43
		613,752,676	99.13	514,896,481	91.88
Current Assets					
Treasury bills	5	-	-	32,147,196	5.74
Debtors and accrued income	8	798,324	0.13	40,535	0.01
Bank balances and short term deposits		9,766,669	1.58	19,298,998	3.44
		10,564,993	1.71	51,486,729	9.19
Total Assets		624,317,669	100.84	566,383,210	101.07
Current Liabilities					
Creditors and accruals	9	3,013,320	0.49	2,423,135	0.42
Distribution to unitholders	13	1,850,378	0.30	3,182,960	0.57
Taxation payable	12	318,818	0.05	423,711	0.08
Total Liabilities		5,182,516	0.84	6,029,806	1.07
Net Assets Attributable to Unitholders		Rs 619,135,153	100.00	560,353,404	100.00

Approved by the Manager of the NMF General Fund on 27 August 2008

The National Mutual Fund Ltd

**NMF GENERAL FUND
STATEMENT OF MOVEMENT IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2008**

	INVESTMENTS	OTHER NET ASSETS	FUND TOTAL
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 1 JULY 2006	372,744,042	(4,021,111)	368,722,931
Cash received for units created	-	40,302,540	40,302,540
Cash paid for units liquidated	-	(30,653,128)	(30,653,128)
NET CASH MOVEMENT FROM UNITS	-	9,649,412	9,649,412
Net cost of Investments Purchased	115,724,372	(115,724,372)	-
Proceeds from sale of Investments	(107,250,321)	107,250,321	-
NET CASH MOVEMENT FROM INVESTMENTS	8,474,051	(8,474,051)	-
Interest on treasury bills receivable for the year	2,664,599	(2,664,599)	-
NET GAINS ON INVESTMENTS AND BANK ACCOUNTS			
Net income after net gains on HFT investments and bank accounts for the year	-	181,981,061	181,981,061
Transfer of net gains on HFT investments and bank accounts	(182,459,983)	(182,459,983)	-
	182,459,983	(478,922)	181,981,061
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 30 JUNE 2007	566,342,675	(5,989,271)	560,353,404
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 1 JULY 2007	566,342,675	(5,989,271)	560,353,404
Cash received for units created	-	39,959,625	39,959,625
Cash paid for units liquidated	-	(44,080,913)	(44,080,913)
NET CASH MOVEMENT FROM UNITS	-	(4,127,425)	(4,127,425)
Net cost of investments purchased and sold	24,840,228	(24,840,228)	-
Proceeds from sale of investments	(31,056,233)	31,056,233	-
NET CASH MOVEMENT FROM INVESTMENTS	(6,216,005)	6,216,005	-
Interest on treasury bills receivable	(1,095,790)	1,095,790	-
NET GAINS ON INVESTMENTS AND BANK ACCOUNTS			
Net income after net gains on HFT investments and bank accounts for the year	-	62,909,174	62,909,174
Transfer of net gains on HFT investments and bank accounts	64,488,465	(64,488,465)	-
	64,488,465	(1,579,291)	62,909,174
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 30 JUNE 2008	Rs 623,519,345	(4,384,192)	619,135,153

**NMF GENERAL FUND
INCOME AND DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 Rs	2007 Rs
GROSS INVESTMENT INCOME	10	16,477,587	15,227,402
FUND EXPENSES			
Manager's Fees	14	8,072,824	5,632,871
Trustee Fees	15	150,000	150,000
Auditors' Remuneration		82,800	69,000
Other Expenses	11	93,247	78,155
		8,398,871	5,930,026
NET INCOME FROM OPERATING ACTIVITIES		8,078,716	9,297,376
EQUALISATION			
Add: Income received on units created		99,805	172,715
Less: Income paid on units liquidated		(81,291)	(106,034)
		18,514	66,681
NET INCOME BEFORE TAXATION		8,097,230	9,364,057
Taxation charge	12	296,061	396,772
NET INCOME AFTER TAXATION		7,801,169	8,967,285
FINANCE COSTS DISTRIBUTION TO UNIT HOLDERS	13	(7,801,169)	(8,967,285)
NET INCOME BEFORE NET GAINS ON INVESTMENTS		-	-
NET GAINS ON INVESTMENTS			
Net increase in fair value of HFT investments		64,502,499	152,839,386
Loss/gains realised on disposals of HFT investments		(14,034)	29,620,597
		64,488,465	182,459,983
CURRENCY DEPRECIATION ON FOREIGN BANK ACCOUNTS			
Net unrealised exchange loss		(1,579,291)	(478,922)
NET INCOME AFTER NET GAINS ON INVESTMENTS		Rs 62,909,174	181,981,061

NMF GENERAL FUND
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	2008 Rs	2007 Rs
CASH FLOW FROM OPERATING ACTIVITIES		
Net income before taxation		
(after finance costs and net gain on investments)	63,205,235	182,377,833
Adjustments for:		
Interest on treasury bills	(2,664,597)	(2,664,599)
Finance costs - distributions to unitholders	7,801,169	8,967,285
Net increase in fair value of HFT investments	(64,502,499)	(152,839,386)
Loss/(gain) on disposal of HFT investments	14,034	(29,620,597)
Operating profit before working capital changes	3,853,342	6,220,536
Increase in debtors and accrued income	(757,789)	(40,506)
Increase in creditors and accruals	590,185	767,427
Cash generated from operating activities	3,685,738	6,947,457
Dividend paid	(9,133,751)	(8,008,796)
Tax paid	(400,954)	(114,022)
Net cash absorbed by operating activities	(5,848,967)	(1,175,361)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cost of investments purchased, excluding movements in bank balances	(34,372,557)	(128,031,488)
Proceeds on sale of investments	31,056,233	107,250,321
Interest received on maturity of treasury bills	3,760,387	-
Net cash used in investing activities	(5,404,904)	(21,956,528)
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash movement from units	(4,127,425)	9,649,412
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,532,329)	(12,307,116)
CASH AND CASH EQUIVALENTS AT 1 JULY	19,298,998	31,606,114
CASH AND CASH EQUIVALENTS AT 30 JUNE	Rs 9,766,669	19,298,998
CASH AND CASH EQUIVALENTS		
Represented by:		
Bank balances and short term deposits	Rs 9,766,669	19,298,998

NOTES TO THE ACCOUNTS for the year ended 30 June 2008

1. GENERAL INFORMATION

The NMF General Fund is an open-ended collective Investment Scheme which is constituted under the NMF Unit Trust. It was authorised under the Unit Trust Act 1989 and established by a Trust Deed dated 30 May 1990 made between The National Mutual Fund Ltd ("The Manager") and The State Commercial Bank Ltd ("The Trustee").

The investment objective of the NMF General Fund is to produce both income and capital growth from a diversified portfolio of assets. Investments are mostly in equities and fixed interest securities in the domestic and in the major international stock markets.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current year, the Fund has adopted all of the new and revised standard and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2007. The adoption of these new and revised standards and interpretations has not resulted in any changes to the Fund's accounting policies that would affect the amounts reported for the current or prior years.

The Fund has adopted IFRS 7: Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 July 2007. The impact of the adoption of IFRS 7 has been to expand the disclosures provided in these financial statements regarding financial instruments.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 1 Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income
- IAS 1 Presentation of Financial Statements - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation
- IAS 1 Presentation of Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 16 Property, Plant and Equipment - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 19 Employee Benefits - Amendments resulting from May 2008 Annual improvement to IFRSs
- IAS 20 Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 23 Borrowing Costs - Comprehensive revision to prohibit immediate expensing
- IAS 23 Borrowing Costs - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 27 Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3
- IAS 27 Consolidated and Separate Financial Statements - Amendment relating to cost of an investment on first time adoption
- IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 28 Investments in Associates - Consequential amendments arising from amendments to IFRS 3
- IAS 28 Investments in Associates - Amendments resulting from May 2008 Annual improvements to IFRSs
- IAS 29 Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 31 Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3
- IAS 31 Interests in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 32 Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation
- IAS 36 Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs

- IAS 38 Intangible Assets - amendments resulting from May 2008 Annual Improvements to IFRSs
 - IAS 39 Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs
 - IAS 40 Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs
 - IAS 41 Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs
 - IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption
 - IFRS 2 Share-based Payment - Amendment relating to vesting conditions and cancellations
 - IFRS 3 Business Combinations - Comprehensive revision on applying the acquisition method
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs
 - IFRS 8 Operating Segments
 - IFRIC 11 Group and Share Treasury Transactions
 - IFRIC 12 Service Concession Arrangements
 - IFRIC 13 Customer Loyalty Programme
 - IFRIC 14 IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
 - IFRIC 15 Agreements for the construction of real estate
 - IFRIC 16 Hedges of a net investment in a foreign operation
- The manager and the trustee anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Fund except for IAS 32 Financial instruments presentation.
- The adoption of the revised IAS 32 will impact on the presentation on the face of the statement of assets and liabilities which requires that instruments that meet the definition of a financial liability should be classified as equity instruments if they have all the features and meet the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of IAS 32. The proposed effective date that the amendments should be applied for is for annual periods beginning on or after 1 January 2009, with earlier application permits.

3. ACCOUNTING POLICIES

The principal accounting policies adopted by the Fund are as follows:

(a) Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of investments and in accordance with International Financial Reporting Standards ("IFRS").

(b) Dividend and interest income

- (i) Dividends receivable from listed investments are credited to the Income and Distribution Statement when they are first quoted ex-dividend.
- (ii) Dividends from unquoted investments and international equities are accounted for in the Income and Distribution Statement on a receipt basis.
- (iii) Interest receivable from bank, short term deposits and fixed interest stocks is credited to the Income and Distribution Statement on a daily basis.

(c) Deferred taxation

Deferred taxation is provided on the comprehensive basis using the liability method. Deferred tax liabilities are recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is possible that taxable profit will be available against which the deductible temporary differences can be utilised.

(d) Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into rupees at rates of exchange ruling at the year end. Any exchange gains or losses arising are recognised in the Income and Distribution Statement. Revenue items denominated in foreign currencies are converted into rupees at the exchange rates ruling at the dates of their transactions.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of

securities held. Such fluctuations are included with the net realised and unrealised gains or losses from investments.

(e) Capital gains

Not more than 30% of the gains derived on realisation of any investments is statutorily allowed to be considered as distributable income.

(f) Cash and cash equivalents

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

(g) Financial instruments

Financial assets and liabilities are recognised on the statement of Assets and Liabilities when the Fund has become party to the contractual provisions of the financial instruments.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below:-

(i) *Investments*

Investments are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, investments classified as loans-and-receivables ("L&R") or as held-to-maturity ("HTM") are measured at amortised cost, less any impairment loss. Investments other than L&R and HTM investments are classified as either held-for-trading ("HFT"), which is a subset of the fair-value-through-profit-or-loss ("FVTPL") category, or available-for-sale ("AFS") and are normally measured at subsequent reporting dates at fair value. However, AFS investments which do not have a quoted market price and whose fair value cannot be reliably measured are subsequently measured at amortised cost or cost, depending on whether they have a fixed maturity or not, less any impairment loss.

For FVTPL (including HFT) assets and liabilities, unrealised gains and losses are included in the Income and Distribution Statement. For AFS investments, unrealised gains and losses are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity in respect of that investment is included in the Income and Distribution Statement.

The Fund has the possibility to designate any financial asset or financial liability as at FVTPL i.e. at fair value with changes in fair value recognised through profit or loss provided that the financial asset or financial liability satisfies certain conditions.

The gains and losses on disposal of HFT and AFS investments are recognised in the Income and Distribution Statement.

Fair value of the investments is determined by the Fund as follows:

- Investments quoted on the local market are valued on the basis of the market prices prevailing at year end or at the trading sessions immediately preceding the year end.
- International securities are valued on the basis of the latest valuation report submitted by fund managers immediately preceding the year end.
- Unquoted investments are valued by the manager at cost. Unquoted investments which are traded are valued on the basis of the market prices published by the newspapers at year end. Dividends received in specie are debited and special non-recurrent dividend received in cash credited to investment account and due adjustments made to capital account on revaluation of investments.

(ii) *Treasury bills*

Treasury bills are classified as L&R and are measured at amortised cost.

(iii) *Accounts receivable*

Accounts receivable originated by the Fund are stated at cost less provision for doubtful debts. An estimate of doubtful debts is made based on a review of all outstanding amounts at balance sheet date. Bad debts are written off during the period in which they are identified.

(iv) *Cash and cash equivalents*

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the year end.

(v) *Accounts payable*

Accounts payable are stated at amortised cost.

(vi) *Units*

Units of the Fund, which are redeemable at any time at the option of the unitholder for cash, do not have a par value and an unlimited number of units may be issued. The units are financial liabilities and therefore the net assets attributable to unitholders are classified within liabilities in the statement of Assets and Liabilities and distributions to unitholders are included as finance costs in the Income and Distribution Statement.

(h) **Impairment**

The carrying amounts of assets are assessed at each year date to determine whether there is any indication of impairment. If such indication exists, the Fund estimates the recoverable amount of the assets, being the higher of assets' net selling price and their value in use, and reduces the carrying amount of the assets to their recoverable amounts.

(i) **Provisions**

A provision is recognised when and only when there is a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each year end and adjusted to reflect the current best estimate.

(j) **Equalisation**

Accrued income included in the issue and repurchase of prices of units are dealt with in the Income and Distribution Statement.

(k) **Comparative figures**

Comparative figures have been restated or regrouped where necessary to conform to the current year's presentation.

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. TREASURY BILLS

Treasury bills are classified as L&R and are detailed as follows:

	Interest Rate per annum %	2008 Rs	2007 Rs
357 Day treasury bill expiring 22/02/2008		-	8,790,804
175 Day treasury bill expiring 24/08/2007		-	7,258,020
347 Day treasury bill expiring 14/03/2008		-	15,002,582
		-	31,051,406
Interest receivable		-	1,095,790
		Rs -	32,147,196

6. PORTFOLIO OF MAURITIAN SECURITIES

(i) Held for trading

	Official list	Development & Enterprises Market	Total
At 1 July 2007	321,167,703	45,638,566	366,806,269
Additions	34,210,696	-	34,210,696
Disposals	(18,861)	-	(18,861)
Increase/(decrease) in fair value of investments	85,131,660	(834,239)	84,297,421
At 30 June 2008	Rs 440,491,198	44,804,327	485,295,525
Proceeds on sale of investments	Rs 4,827	-	4,827

(ii) Details of securities

	2008 Rs	2008 Rs
SUGAR INDUSTRY	47,686,561	51,695,058
Official List		Development & Enterprises Market
Harel Frères Limited (Ord)		Alma Investment Co Ltd (Ord)
Mount Sugar Estates Co Ltd (Ord)		Beau Champ Holdings Ltd (Ord)
Mon Trésor Mon Désert Ltd (Ord)		Deep River Beau Champ Ltd (Ord)
Mon Désert Alma Ltd (Ord)		Deep River Beau Champ Ltd (Pref)
Savannah Sugar Estates Co Ltd (Ord)		Flacq United Estates Ltd (Ord)
		Médine Share Holdings Ltd (Ord)
		Médine Sugar Estates Co Ltd (Pref)
		The Union Sugar Estate Ltd (Ord)
		Union Flacq Sugar Estates
FINANCE & INVESTMENT COMPANIES	239,622,252	149,495,351
Official List		Development & Enterprises Market
British American Insurance Co (Mtius) Ltd (Ord)		Forward Investment and
Mauritian Eagle Insurance Co Ltd (Ord)		Development Enterprises Ltd (Ord)
Mauritius Commercial Bank Ltd (Ord)		Espitalier Noel Investment Trust (Units)
Mauritius Development Investment Trust Ltd (Ord)		
National Investment Trust Co Ltd (Ord)		Unquoted traded
P.O.L.I.C.Y Ltd (Ord)		Policy Growth Fund (units)
Swan Insurance Co Ltd (Ord)		TMFLF Unit Trust
State Bank of Mauritius Ltd (Ord)		NIT Local Equity Fund
Fincorp (Ord)		NIT Global opportunities fund
United Docks (Ord)		
MANUFACTURING AND INDUSTRIAL	13,332,885	12,311,845
Official List		Development & Enterprises Market
Mauritius Oil Refineries Ltd (Ord)		Bychemex Ltd (Ord)
Plastic Industry Ltd (Ord)		Chemco Ltd (Ord)
United Basalt Products Ltd (Ord)		Consolidated Investments and Enterprises Ltd (Ord)
		CIEL Textile Ltd (Ord)
		Gaz Industriels Ltd (Ord)
		Livestock Feed Ltd (Ord)
		Livestock Feed Ltd (Pref)
CONGLOMERATE	31,450,756	23,706,600
Official List		
Rogers & Co Ltd (Ord)		

(ii) Details of securities (Cont'd)

	2008 Rs	2008 Rs
LEISURE & TOURISM	119,768,686	101,730,083
Official List		Development & Enterprises Market
New Mauritius Hotels Ltd (Ord)		Casino Ltd (Ord)
Automated Systems Ltd (Ord)		Naiade Resort Ltd (Ord)
Sun Resorts Ltd (Ord)		
AIR TRANSPORT	1,748,640	1,460,114
Official List		
Air Mauritius Ltd (Ord)		
FOOD & BEVERAGES	3,296,753	3,488,920
Official List		Development & Enterprises Market
Happy World Foods Ltd(Ord)		Moulins de la Concorde Ltd (Ord)
Innodis Ltd (Ord)		Moulins de la Concorde Ltd (Pref)
COMMERCE	27,643,667	22,120,803
Official List		
Compagnie des Magasins Populaires Ltée (Ord)		
Shell (Mauritius) Ltd (Ord)		
Ireland Blyth Limited (Ord)		
PROPERTY	745,325	797,495
Official List		
Promotion and Development Co Ltd (Ord)		
Caudan Development & Co Ltd (Ord)		
TOTAL VALUE of Mauritian Securities	485,295,525	366,806,269
PORTFOLIO CHANGES		
Holdings Purchased		Holdings Sold
Naiade Resorts Ltd (Ord)		Mon Désert Alma Ltd (Pref)
Ireland Blyth Limited (Ord)		Falaise Rouge (Ord)
New Mauritius Hotels Ltd (Ord)		
Sun Resorts Ltd (Ord)		
The Mauritius Commercial Bank Ltd (Ord)		

7. PORTFOLIO OF INTERNATIONAL SECURITIES

(i) Held for trading

	2008 (Rs)	2007 (Rs)
At 1 July	148,090,212	121,172,116
Additions	161,861	47,250,729
Disposals		(30,526,578)
Decrease/(increase) in fair value	(19,794,922)	10,193,945
At 30 June	Rs 128,457,151	148,090,212
Proceeds on sale of investments	Rs -	55,735,389

7. PORTFOLIO OF INTERNATIONAL SECURITIES (Cont'd)

(ii) Details of securities

	2008 Rs	2007 Rs
Prudential World Value Fund (units)	20,742,479	26,749,761
Long Investment Management Limited		
- Global Funds:		
Lim Asia Arbitrage Fund (shares)	23,024,448	25,298,728
Man - IP 220 Plus Limited (bonds)	2,830,609	2,992,353
HSBC Funds Nominee (Jersey) Limited:		
HSBC Global Investment Funds Sicav		
- Brazil Equity (shares)	3,996,122	4,111,244
JF Equity Funds		
- Global Equity (Units)	10,218,917	13,364,463
- Germany Global (units)	3,064,063	3,666,981
- Japan Equity Fund (units)	4,470,641	6,444,877
- Asia Pacific Single Country - India (units)	6,510,217	8,874,119
- Eastern Europe Global (units)	9,509,208	9,008,537
- Asia Pacific Single Country - China (units)	2,960,857	3,495,103
- JPM USD	27,232,893	30,511,947
- JPM Euro	11,473,538	10,836,529
- HSBC USD Reserve	2,423,159	2,735,570
TOTAL VALUE OF INTERNATIONAL SECURITIES	Rs 128,457,151	148,090,212

8. DEBTORS AND ACCRUED INCOME

	2008 (Rs)	2007 (Rs)
Dividend receivable	782,103	29
Interest receivable on term deposit	16,221	40,506
	Rs 798,324	40,535

9. CREDITORS AND ACCRUALS

	2008 (Rs)	2007 (Rs)
Uncleared distribution	646,056	611,288
Other creditors and accruals	2,367,264	1,811,847
	Rs 3,013,320	2,423,135

10. GROSS INVESTMENT INCOME

	2008 (Rs)	2007 (Rs)
Dividends on HFT Investments	12,613,749	11,318,908
Interest on:		
Bank and short term deposits	807,954	1,037,152
Overseas deposit	391,287	206,743
Treasury bills	2,664,597	2,664,599
	Rs 16,477,587	15,227,402

11. OTHER EXPENSES

	2008 (Rs)	2007 (Rs)
Bank Charges	31,747	14,155
Printing	61,500	64,000
	Rs 93,247	78,155

12. TAXATION

(i) Income tax

Income tax has been charged on the net income of the Fund, as adjusted for tax purposes, at the rate of 15% as follows:

	2008 (Rs)	2007 (Rs)
Provision for current year	318,818	423,711
Overprovision in previous year	(22,757)	(26,939)
Taxation charge	296,061	396,772

(ii) Tax reconciliation

	2008 (Rs)	2007 (Rs)
Net income before taxation	8,097,230	9,364,057
Tax at 15%	1,214,585	1,404,609
Tax effects of:		
- Exempt income	(1,870,563)	(1,600,151)
- Expenses attributable to exempt income	974,796	619,253
Overprovision last year	(22,757)	(26,939)
Taxation expense	296,061	396,772

(iii) Deferred tax

The Fund had no deferred tax asset/liability at 30 June 2008 and at 30 June 2007.

13. FINANCE COSTS - DISTRIBUTIONS TO UNITHOLDERS

	2008 (Rs)	2007 (Rs)
Interim distribution of Re 0.49 (2007: Re 0.49) per unit	5,950,791	5,784,325
Final distribution of Re 0.16 (2007: Re 0.27) per unit	1,850,378	3,182,960
	7,801,169	8,967,285

The final distribution is recognised as a liability and as an expense in the year to which it relates because in terms of the Trust Deed, the Fund has to distribute all its net income for the year (excluding capital gains both realised and unrealised).

14. MANAGER'S FEES

	2008 (Rs)	2007 (Rs)
These comprise fees payable to:		
- National Mutual Fund Ltd	7,865,399	5,414,948
- Prudential World Value Fund's Investment Manager	207,425	217,923
	Rs 8,072,824	5,632,871

Manager's fees payable to the Fund's Investment Manager, National Mutual Fund Ltd is based on 1.25% of the Net Asset Value of the Fund. The fees which are calculated on a weekly basis are payable monthly in arrears.

15. TRUSTEE FEES

Trustee's fees payable to State Bank of Mauritius Ltd are at a flat rate of Rs 150,000 annually. The fees are payable half yearly in arrears.

16. UNITS

(a) Movements in units during the year:	2008		2007	
	Units	Rs	Units	Rs
Net assets attributable to unitholders at 1 July	11,867,967.17	560,353,404	11,669,746.50	368,722,931
Units created	768,299.52	39,953,488	983,747.88	40,302,540
Units liquidated	(848,631.32)	(44,080,913)	(785,527.21)	(30,653,128)
Income not distributed for the year	-	64,488,465	-	183,797,879
Currency depreciation	-	(1,579,291)	-	(478,922)
Adjustment to gains on investments	-	-	-	(1,337,896)
Net assets attributable to unitholders at 30 June	11,787,635.37	619,135,153	11,867,967.17	560,353,404
(b) Net asset value per unit		2008		2007
Ex-div		Rs 52.52		47.22
(c) Prices per unit at 30 June (valuation date)				
Issue price		Rs 53.04		47.69
Repurchase price		Rs 51.99		46.74

17. ENTRY AND EXIT FEE

On the issue of units, an entry fee of 1% (2007: 1%) of the capital and income values of the units is paid by the unitholder to the Fund and, on the repurchase of units, an exit fee of 1% (2007: 1%) of the capital and income values of the units is paid by the unitholder to the Fund. The sums collected are then remitted to the Manager.

18. RELATED PARTY TRANSACTIONS

The Fund is making the following disclosures in respect of related party transactions:

	2008 (Rs)	2007 (Rs)
(i) Outstanding balances		
<i>payable to related parties</i>		
NMF Property Trust	8,080	612,300
National Mutual Fund Ltd	714,612	599,418
State Bank of Mauritius Ltd	75,000	75,000
	Rs 797,692	1,286,718
<i>Bank balances and short term deposits with</i>		
State Bank of Mauritius Ltd	Rs 9,766,669	19,298,998
<i>Investments in</i>		
National Investment Trust	10,856,586	48,715,485
NIT Local Equity Fund	30,273,194	-
NIT Global Opportunities Fund	14,531,133	-
	Rs 55,660,913	48,715,485
(ii) Manager's fees to		
National Mutual Fund Ltd	Rs 7,865,399	5,414,948
(iii) Trustee's fees to		
State Bank of Mauritius Ltd	Rs 150,000	150,000
(iv) Interest income from		
State Bank of Mauritius Ltd	Rs 1,199,241	1,243,895
(v) Bank charges payable to		
State of Mauritius Ltd	Rs 31,747	14,155

19. FINANCIAL INSTRUMENTS

Fair values

Except where stated elsewhere, the carrying amounts of the Fund's financial instruments approximate their fair values.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenditure are recognised, in respect of each class of financial instruments are disclosed in note 3 to the financial statements

Categories of financial instruments

	2008 (Rs)	2007 (Rs)
Financial assets		
HFT financial assets	613,752,676	514,896,481
Receivables	798,324	32,187,731
Cash and cash equivalents	9,766,669	19,298,998
	Rs 624,317,669	566,383,210
Financial liabilities		
Amortised cost	Rs 4,863,698	5,606,095

Financial risk management

- Market risk

The Fund's activities expose it primarily to the financial risks of changes foreign currency exchange rates, investment prices and interest rates. These exposures are closely monitored by the Fund's management.

- Foreign currency risk management

At the reporting date, the Fund held foreign investments denominated in foreign currencies. The Fund, therefore, is exposed to foreign currency fluctuations. The currency profile of the Fund's financial assets and financial liabilities at 30 June 2008 was:

	2008 (Rs)	2007 (Rs)
Financial assets		
EURO	24,046,812	12,675,518
USD	114,080,951	146,225,610
GBP	44,098	51,278
Mauritian Rupee	486,145,808	407,430,804
	Rs 624,317,669	566,383,210

All of the Fund's financial liabilities are denominated in Mauritian Rupees, the Fund's functional and presentation currency. Therefore, the Fund is not exposed to foreign currency fluctuations on its financial liabilities.

- Foreign currency sensitivity analysis

The fund is mainly exposed to Euro and USD on its financial assets.

The following table details the Fund's sensitivity to a 10% increase and decrease in the Rupee against the relevant foreign currencies. The sensitivity analysis includes only financial assets denominated in foreign currency and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit where the Rupee strengthens by 10%

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against the relevant foreign currencies assuming all other variables to remain constant. There would be an equal and opposite impact on the profit, and the balances below would be positive where the Rupee weakens by 10% against the relevant foreign currencies.

	EURO Impact	
	2008 (Rs)	2007 (Rs)
Effect on Income and Distribution - profit/(loss)	(2,404,681)	(1,267,552)

	USD Impact	
	2008 (Rs)	2007 (Rs)
Effect on Income and Distribution - profit/(loss)	(11,408,095)	(14,622,561)

Interest rate risk management

The Fund is exposed to interest rate risk as it has investments that bear floating interest rates.

Financial assets	Currency	Floating interest rates	
		2008 %	2007 %
Treasury bills	MRU	-	11.20-12.90
Call deposit with banks	MRU	7.00	7.50
	USD	1.00	4.90
	GBP	3.00	3.25

Financial liabilities

None of the Fund's financial liabilities is interest-bearing.

Other price risks

The Fund is exposed to price risks arising from its foreign and local investments. Foreign investments are held as part of the Fund's business activities.

Assuming all other variables to remain constant, if prices had been 2% higher and lower, net income for the year ended 30 June 2008 and net assets attributable to unitholders at 30 June 2008 would have both increased and decreased respectively by Rs 12,275,054 (2007: Rs 10,297,930) since investments are classified as Held-For-Trading.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Fund. At 30 June 2008, management considers that the Fund's exposure to credit risk was insignificant.

Liquidity and interest risk tables

The following table details the Fund's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The table includes both interest and principal cash flows.

	At call 2008 (Rs)	At call 2007 (Rs)
Non-interest bearing	4,863,698	5,606,095