Melville Douglas Balanced Fund Limited

September 2016

Annual Report and Audited Financial Statements

Contents

Administration

Directors

Graham Baillie
Michael Farrow
Helen Holmes
Oliver Sonnbichler

Registered Office

Standard Bank House
47 – 49 La Motte Street
St. Helier
Jersey JE2 4SZ
Channel Islands

Manager and Secretary

STANLIB Fund Managers Jersey Limited
Standard Bank House
47 – 49 La Motte Street
St. Helier
Jersey JE2 4SZ
Channel Islands

Investment Manager

Standard Bank International Investments Limited
Standard Bank House
47 – 49 La Motte Street
St. Helier
Jersey JE2 4SZ
Channel Islands

Sub-Investment Manager

Melville Douglas Investment
Management (Proprietary) Limited
30 Baker Street
Rosebank
Johannesburg, 2196
South Africa

Custodian

Capita Trust Company (Jersey) Limited
12 Castle Street
St. Helier
Jersey JE2 3RT
Channel Islands

Sub-Custodian and Banker

The Bank of New York Mellon SA/NV London Branch
The Bank of New York Mellon Centre
160 Queen Victoria Street
London EC4V 4LA
United Kingdom

Administrator

BNY Mellon Fund Services (Ireland) Designated
Activity Company
Guild House, Guild Street
International Financial Services Centre
Dublin 1
Ireland

Independent Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Legal Adviser

Ogier
Ogier House
The Esplanade
St. Helier
Jersey JE4 9WG
Channel Islands

Report of the Directors

The directors submit their audited annual report and financial statements for the year ended 30 September 2016.

Incorporation

Melville Douglas Balanced Fund Limited (the "Company") is an open-ended investment company incorporated by way of a continuance in Jersey on 31 March 2003 with limited liability under the provisions of the Companies (Jersey) Law 1991 and regulated by the Jersey Financial Services Commission (JFSC). It was initially incorporated in the British Virgin Islands under the Mutual Funds Act 1996 on 19 November 1998. The Company is a public company within the meaning of Article 16 of the Companies (Jersey) Law 1991. Participating shares may be issued and redeemed at prices based upon each class's underlying net asset value.

Structure

The Company offers investors a choice of classes (each such class being referred to as a "Class Fund") and the opportunity to switch from one Class Fund to another. At present there is only one Class Fund available – Balanced Class Fund.

All shares not previously redeemed will be redeemed by the Company on the last subscription date in 2102 at their respective redemption price on such subscription date.

The assets, liabilities, income and expenses attributable to each class of participating share are applied to the Class Fund established for that class. If they are not attributable to any particular class of participating shares, they are allocated between all the Class Funds in such manner as the directors deem to be equitable. The Company is a single legal entity. As a result, although the assets, income, earnings, liabilities and expenses attributable to each Class Fund will be segregated and kept separate from those attributable to other Class Funds, in the event of the Company not being able to meet the liabilities attributable to any particular Class Fund out of the assets of such Class Fund, the excess liabilities may be met out of the assets attributable to other Class Funds. At 30 September 2016, the Company has only one Class Fund.

Objective and investment policy

The Class Fund is designed to provide long-term growth and to maximise investment returns in US dollars through investment in other funds for which Standard Bank International Investments Limited or any other Standard Bank Group Limited subsidiary or associate or Liberty Group Limited or any of its subsidiaries or associates acts as investment manager or adviser. For the avoidance of doubt the Class Fund may also invest in collective investment schemes and make other investments which are not prohibited by the investment restrictions set out in the Prospectus.

Results and dividends

The Company does not intend to distribute income and capital gains realised by the Company on its investments by way of dividend. Accordingly, income on investments and increases in the capital value of the investments of the Company will be reflected in the value of the Participating Shares. The results for the year are disclosed in the Statement of Comprehensive Income.

Directors

The directors of the Company are set out on page 3.

Graham Baillie is also director of Standard Bank International Investments Limited and Chairman of Melville Douglas Investment Management (Proprietary) Limited. Helen Holmes is also director of Standard Bank International Investments Limited, Oliver Sonnbichler is an executive of Melville Douglas Investment Management (Proprietary) Limited and Michael Farrow is an independent Non-Executive Director.

No director has a service contract with the Company or holds any interest in the capital of the Company.

Report of the Directors (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable Jersey law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard" Applicable in the UK and Republic of Ireland (FRS102).

The Companies (Jersey) Law, 1991 requires the directors to prepare the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the results of the Company for that year. In preparing these 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 assume that the Company will continue in operation.

The directors confirm 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 enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991 and FRS 102. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of error, fraud and non-compliance with law or regulations.

So far as each person who is a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of the information.

Independent Auditors

PricewaterhouseCoopers Ireland have indicated their willingness to continue in office. A resolution to reappoint PricewaterhouseCoopers Ireland as independent auditors of the Company will be proposed at the annual general meeting. A copy of the Notice of the Annual Form of Proxy General Meeting is attached and form part of these financial statements.

Secretary

The Secretary of the Company during the year ended 30 September 2016 was STANLIB Fund Managers Jersey Limited.

By order of the board

STANLIB Fund Managers Jersey Limited

Secretary

11 January 2017

Report of the Custodian

To the members of Melville Douglas Balanced Fund Limited.

The Custodian is responsible for the safekeeping of all the property of the Company which is entrusted to it, as prescribed in the Custodian Agreement.

Under the principles of the Guide to open-ended unclassified collective investment funds offered to the general public (the "OCIF Guide"), issued by the Jersey Financial Services Commission, the Custodian has a duty to take reasonable care to ensure that the methods adopted by the Company's Manager in respect to the pricing of, and dealing in, shares in the Company are compliant with the Company's principal documents.

It is the opinion of Capita Trust Company (Jersey) Limited in respect of the year ended 30 September 2016 that to the best of our information, knowledge and belief, that in all material respects, the Manager managed the Class Funds in that year:

a) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Articles and Prospectus and;

b) otherwise in accordance with the provisions of the Management and Custodian Agreements.

Capita Trust Company (Jersey) Limited

Custodian

11 January 2017

Investment Manager's Report

For the year ended 30 September 2016

Balanced Class Fund (the "Class Fund")

Investment objective

To provide long-term growth and to maximise investment returns in US dollars through investment in other funds for which Standard Bank International Investments Limited or any other Standard Bank Group Limited subsidiary or associate or Liberty Group Limited or any of its subsidiaries or associates acts as investment manager or adviser. For the avoidance of doubt the Class Fund may also invest in collective investment schemes and make other investments which are not prohibited by the investment restrictions set out in the Prospectus.

Quantitative analysis

Over the past 12 months, the Class Fund returned +3.34% compared to a benchmark return of +6.3%. The underperformance was the result of the equity strategies in the Class Fund. The investment style, which is biased towards high quality was not in favour during the period under review, and lead to an extended period of underperformance in all of the underlying equity funds.

Commentary

A positive 12 months for stock markets was punctuated by two notable bouts of risk aversion emanating from China and the UK. The reporting year started with a rally in October as investors regained their poise following a summer slump on concerns about a spluttering Chinese economy. Central bank largesse once again came to the rescue with policy actions from both the People's Bank of China and the European Central Bank. Meanwhile, despite solid economic data, the Federal Reserve only hiked rates once, by a meagre quarter of a percent. China worries returned at the dawn of the New Year. Mindful of last August's devaluation, investors were spooked by a further slide in the offshore renminbi, a barometer of the Chinese economy. By mid-January the MSCI All-Country World index had plunged -10%, the oil price fell below $30 and safe havens were bid up (i.e. hard currencies, government bonds and gold). In addition to "China plays" (i.e. resources, industrials and emerging markets) banking shares, particularly Deutsche Bank and the Italian banks, slumped on concerns over low profitability and weak balance sheets in a low interest rate/growth world. As with last year's sell-off, the losses were soon recovered on a combination of accommodative central bank policy and reassuring economic data, the latter assuaging earlier fears of a US recession.

The UK referendum in June was the second major risk event of the year. The vote to leave the EU broke the global financial market's uneasy calm that had settled in after the China scare of the first quarter had dissipated. Despite opinion polls indicating a too-close-to-call result, the "leave" win came as a complete shock to traders who complacently bet on the status quo. Sterling plummeted over -10%, a record single day move against the dollar, on the morning of the result as bullish positions, macroeconomic assumptions and the political framework were all unravelled. Apart for a few nervous days, the rest of the world's equity markets largely shrugged off the UK's "little local difficulty" and ended the reporting year at higher levels as low volatility swayed some investors to take more risk in more economically sensitive stocks.

The Class Fund's asset allocation was adjusted earlier this year to take account of a slower growth environment coupled with less attractive valuations in equity. We have adjusted the equity allocation lower to be in line with the benchmark and have more recently sold out of the Standard Bank Absolute Return fund in favour of a USD money market fund managed by JPMorgan.

Forward thinking

Globally, it is hard to see that cheap assets are widely available. It appears also that the world generally may be about to embark on yet another macroeconomic experiment, this time one with poor precedents. If the political trend indeed produces more protectionist and nationalistic policies, in theory global trade will deteriorate; but this might be happening at a moment where the cyclical impetus that central banks have so long pushed for begins to emerge more convincingly, as now seems likely in the US. If so, the outcome might be somewhat unpredictable, but perhaps less dire and certainly not worse than the current state of play. For investors, however, almost any likely scenario is well priced in, and even with positive economic surprise, volatility will likely remain high. As a result, we remain cautious and particularly careful with valuation and determining margins of safety.

Standard Bank International Investments Limited
Investment Manager
14 November 2016

Independent auditors' report to the members of Melville Douglas Balanced Fund Limited.

Independent auditors' report to the members of Melville Douglas Equity Fund Limited

Report on the financial statements

Our opinion

In our opinion Melville Douglas Balanced Fund Limited's financial statements ("the financial statements");

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland"; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The financial statements comprise:

- the Statements of Financial Position as at 30 September 2016;
- the Statements of Comprehensive Income for the year then ended;
- the Statements of Changes in Equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice, including FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Declan Murphy
for and on behalf of PricewaterhouseCoopers
Chartered Accountants
Dublin
11 January 2017

Statement of Financial Position

As at 30 September 2016 (Comparatives as at 30 September 2015)

	Notes	Balanced Class Fund 30 September 2016 USD	Balanced Class Fund 30 September 2015 USD
Assets			
Financial assets at fair value through profit or loss	2(b), 8.4	11,884,277	15,283,997
Term deposits	2(c)	300,000	–
Cash and cash equivalents	2(c)	1,225,488	1,730,923
Income receivable		8,164	5,490
Total assets		13,417,929	17,020,410
Liabilities			
Management fees payable	2(g)	2,643	3,101
Administration fees payable	2(g)	1,973	2,428
Custodian fees payable	2(g)	493	466
Sub-Custodian fee payable	2(g)	783	1,246
Director fees payable	2(g)	9,186	12,308
Audit fees payable	2(g)	8,181	7,991
Other payables		1,890	1,923
Total liabilities		25,149	29,463
Net assets attributable to holders of redeemable shares		13,392,780	16,990,947
Net asset value per share			
Class A Shares		153.82	148.83

The financial statements were approved by the Board on 11 January 2017 and signed on its behalf by:

Director

The notes on pages 14 to 24 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year 1 October 2015 to 30 September 2016
(Comparatives are for the year 1 October 2014 to 30 September 2015)

	Notes	Balanced Class Fund 30 September 2016 USD	Balanced Class Fund 30 September 2015 USD
Income			
Dividend income	2(d)	4,940	2,893
Interest income	2(d)	13,041	16,699
Deposit interest	2(d)	1,706	–
Net gain/(loss) on financial assets at fair value through profit or loss	2(h), 3	555,090	(522,217)
Total net gain/(loss)		574,777	(502,625)
Expenses			
Management fees	2(g)	33,026	29,908
Custodian fees	2(g)	5,014	5,001
Sub-Custodian fees	2(g)	2,291	3,777
Administration fees	2(g)	25,035	26,091
Directors' fees	2(g)	33,512	36,378
Audit fees	2(g)	7,557	8,094
Sundry expenses		5,576	7,816
Total operating expenses		112,011	117,065
Net income/(expense) before finance costs		462,766	(619,690)
Taxation	5	(1,352)	(394)
Increase/(Decrease) in net assets attributable to holders of redeemable shares from operations		461,414	(620,084)

All the above results are from continuing operations. There are no recognised gains or losses for the year other than those set out in the Statement of Comprehensive Income. There are no differences between the results above and those under historical cost.

The notes on pages 14 to 24 form an integral part of these financial statements.

Statement of Changes in Equity

For the year 1 October 2015 to 30 September 2016

(Comparatives are for the year 1 October 2014 to 30 September 2015)

	Notes	Balanced Class Fund 30 September 2016 USD	Balanced Class Fund 30 September 2015 USD
Net assets attributable to holders of redeemable shares at the beginning of the year		16,990,947	16,772,290
Proceeds from the issue of shares	6	2,071,829	2,566,923
Payments on the redemption of shares	6	(6,131,410)	(1,728,182)
Increase/(Decrease) in net assets attributable to holders of redeemable shares from investment activities		461,414	(620,084)
Net assets attributable to holders of redeemable shares at the end of the year		13,392,780	16,990,947

The notes on pages 14 to 24 form an integral part of these financial statements.

Notes to the Financial Statements

1. Incorporation

The Company was originally incorporated in the British Virgin Islands on 19 November 1998 and was incorporated in Jersey, Channel Islands by way of a continuance on 31 March 2003.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented. These financial statements have been prepared on a going concern basis under the historical cost convention as modified by the measurement at fair value of investments in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard" applicable in the UK and Republic of Ireland ("FRS 102"). The Company is regulated by the Jersey Financial Services Commission (JFSC) as an unclassified fund. A summary of the more important accounting policies is set out below.

2. Accounting Policies

a. Basis of Accounting

These audited annual financial statements for the year ended 30 September 2016 have been prepared in accordance with FRS102: the Financial Reporting Standard applicable in the UK and Republic of Ireland as issued by the Financial Reporting Council.

The Directors of the Company have applied Financial Reporting Standards 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" for its annual and interim financial statements effective 1 October 2014.

The information required by FRS 102, to be included in the Statement of Total Recognised Gains and Losses and Reconciliation of Movements in Shareholders' Funds is, in the opinion of the directors, contained in the Statement of Comprehensive Income and Statement of Changes in Equity on pages 10 and 11. In arriving at the results for the year, all amounts in the Statement of Comprehensive Income on page 10 relate to continuing activities.

The Company has availed of the exemption available to open-ended investment funds under Section 7 "Statement of Cash Flows" of FRS 102 (Section 7.1a (c)), not to prepare a cash flow statement on the basis that substantially all of the Company's investments are highly liquid and carried at fair value, and the Company provides Statement of Changes in Equity.

b. Investments

Investments are recognised on the Statement of Financial Position at the date on which the Company becomes party to contractual provisions of the instruments. Investments are initially recognised at cost which is the fair value at date of recognition. Subsequently investments are re–measured at fair value being the mid-market price at the Statement of Financial Position date. Gains or losses arising from revaluation are recognised in the Statement of Comprehensive Income.

On disposal of investments, gains and losses on sale of investments are calculated on an average cost basis and are taken to the Statement of Comprehensive Income in the year in which they arise.

On initial application of FRS 102, in accounting for all of its financial instruments, an entity is required to apply either (a) the full requirements of Sections 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments Issues" of FRS 102, (b) the recognition and measurement provisions of International Accounting Standards ("IAS") 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") as adopted for use in the European Union and the disclosure requirements of Sections 11 and 12, or (c) the recognition and measurement provisions of International Financial Reporting Standards ("IFRS") 9 "Financial Instruments" ("IFRS 9") and the disclosure requirements of Sections 11 and 12. The Company has applied FRS 102 from the year ended 30 September 2015 and has elected to apply the full requirements of Sections 11 and Section 12 of FRS 102.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

c. Cash and cash equivalents and term deposits

Cash is valued at cost, which approximates fair value.

Cash is held in accounts at The Bank of New York Mellon SA/NV London Branch which allows the Class Fund instant access to its accounts. Term deposits are deposits which may be held with various financial institutions bearing fixed or variable interest rates payable at maturity.

d. Income

Interest income is accounted for on an accruals basis using the effective yield basis. Dividend income is accounted for on the ex-dividend date. Dividend income is reported gross of withholding tax deducted at source and the related withholding tax is disclosed separately as a tax charge in the Statement of Comprehensive Income. Interest on deposit accounts is included on an accruals basis.

e. Foreign currencies

Transactions in foreign currencies are translated into the reporting currency of the Class Fund at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the reporting currency of the Class Fund at the rates of exchange ruling at the Statement of Financial Position date. The reporting currency of the Balanced Class Fund is US Dollars.

Differences arising on translation are included in the Statement of Comprehensive Income within income or expenses in the year in which they arise.

f. Share issues and redemptions

Shares in the Company may be issued at the issue price and redeemed at the redemption price on subscription days at the prices calculated in accordance with the Articles of Association and based on the value of the underlying investments held in the relevant Class Fund. The directors' present policy is that:

i) On the issue of shares, the amount received is credited to the share capital account.

ii) On redemption, the amount paid is debited to the share capital account. Should that account be fully utilised, the amount payable on redemption is debited to realised reserves.

g. Expenses

The Company is responsible for the payment of management, custodian, sub-custodian and administration fees, which are accrued for on each subscription day (see Note 7). The Company is also responsible for the payment of auditor's and directors' remuneration together with reporting expenses and operational costs in accordance with the prospectus. All expenses are accounted for on an accruals basis.

h. Net gains/(losses) on financial assets at fair value through profit or loss

This item includes changes in the fair value of financial assets held for trading and excludes interest and dividend income and expenses. Unrealised gains and losses comprise changes in the fair value of financial instruments for the year. Realised gains and losses on disposals are calculated using the average cost method and are reflected as net gains or losses on investments in the Statement of Comprehensive Income.

i. Withholding taxes

In some jurisdictions investment income is subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income and is not significant for the Portfolio. Withholding tax is disclosed separately as a tax charge from the gross investment income in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

j. Distribution policy

The Company's policy is to not distribute any income on its participating shares.

3. Gains and losses on financial assets at fair value through profit or loss

	Balanced Class Fund 30 September 2016 USD	Balanced Class Fund 30 September 2015 USD
Non-derivative securities:		
Net realised gain on investments	357,304	466,820
Net movement in unrealised investment schemes	197,408	(975,853)
	554,712	(509,033)
Derivative securities:		
Net realised gain/(loss) on foreign currency contracts	378	(13,184)
	378	(13,184)
Net gain/(loss) on financial assets at fair value through profit or loss	555,090	(522,217)

4. Investment Purchases, Investment Sales and Commissions

Balanced Class Fund	30 September 2016 USD	30 September 2015 USD
Purchases in year before transaction costs	7,495,455	3,077,445
Commissions	–	2,582
Gross purchases total	7,495,455	3,080,027
Sales in year before transaction costs	11,150,094	2,677,824
Commissions	(50)	–
Net sales total	11,150,044	2,677,824

5. Taxation

For the purposes of Jersey taxation, the Company will fall under Article 123C of the Income Tax (Jersey) Law 1961, as amended, as a Jersey resident Company which is neither a "utility company" nor a "financial services company" and as such will be charged to Jersey income tax at a rate of 0% on its income (other than on any rental income or property development profits arising in respect of Jersey situs real property or land). The Company will not be subject to tax in Jersey on any capital arising to it.

Under applicable foreign tax laws, withholding taxes may be deducted from interest, dividends and capital gains attributable to the Company, at various rates. The Company pays withholding tax on dividends, which is deducted at source. This is shown separately as a taxation charge in the Statement of Comprehensive Income.

Balanced Class Fund	30 September 2016 USD	30 Sep tember 2015 USD
Overseas tax – withholding tax on dividend income	1,352	394

Notes to the Financial Statements (continued)

6. Share capital

The Company is authorised to issue 100 management shares of USD1.00 each and an unlimited number of participating shares of no par value.

The management shares exist solely to comply with Jersey Law, which requires that participating redeemable preference shares ("participating shares") must have a preference over another class of capital. The holders of the management shares are entitled to receive notice of general meetings of the Company and to attend and vote thereat. On a poll a holder of management shares is entitled to one vote for each management share held by him. Management shares carry no right to a dividend and are not redeemable. In a winding up, they rank only for a return of paid up nominal capital out of the assets of the Company (before the return of nominal capital paid up on participating shares).

Participating shares carry the right to a proportionate share in the assets of the relevant Class Fund and to any dividends that may be declared. Holders of the shares are entitled to receive notice of all general meetings of the Company and to attend and vote thereat. The holder of each share is entitled to one vote for each share of which he is a holder. Shares are redeemable by shareholders at prices based on the value of the net assets of the relevant Class Fund as determined in accordance with its Articles of Association.

Management shares

The management shares have been issued to the Manager at par and the proceeds of the issue are represented by a separate management fund. Details of the management fund at the Statement of Financial Position date are as follows:

	30 September 2016 USD	**30 September 2015 USD**
Current account	100	100
Management shares of USD1.00 each		
Authorised, issued and fully paid	100	100

The management fund is not reflected in the Statement of Financial Position.

Notes to the Financial Statements (continued)

6. Share capital (continued)

Movements of participating shares

The following table shows the movement in participating shares during the year ended 30 September 2016.

	Number of shares at 30 September 2015	Issued during the year	Redeemed during the year	Number of shares at 30 September 2016
Balanced Class Fund – Class A Shares	114,167	13,725	(40,824)	87,068

The following table shows the movement in participating shares during the year ended 30 September 2015.

	Number of shares at 30 September 2014	Issued during the year	Redeemed during the year	Number of shares at 30 September 2015
Balanced Class Fund – Class A Shares	108,556	16,623	(11,012)	114,167

7. Related Party Transactions and Other Expenses

The following disclosures are made in accordance with the requirements of Section 33 "Related Party Disclosures" of FRS 102.

STANLIB Fund Managers Jersey Limited (the "Manager"), Standard Bank International Investments Limited (the "Investment Manager"), Melville Douglas Investment Management (Proprietary) Limited (the "Sub-Investment Manager") and all directors are related parties of the Company.

The Manager is considered a related party by virtue of its contractual arrangements. The Investment Manager and the directors are considered related parties to the Company as they make key operating decisions for the Company.

The Manager has the primary responsibility for the management and administration of the Company.

The Manager has appointed the Investment Manager to provide it with investment management services in relation to the Company. The fees of the Investment Manager are paid by the Manager out of its fees.

The Manager is entitled to an annual administration fee at a rate of 0.15% of the net asset value of the Class Fund out of which the Administrator will be paid.

The annual management fee payable to the Manager monthly in arrears is calculated as 0.5% of the net asset value of the Class Fund. The Manager remits the above fee in full to the Investment Manager as an investment management fee. It has been agreed that the management fees would only be payable as a percentage of the total of third party investments that the Class Fund held on each valuation day. The 0.5% fee is waived on investment into any of the Standard Bank Group products.

The Custodian has agreed with the Company that it will be paid a fee at the following rates, subject to an overall minimum fee in respect of each Class Fund of USD5,000 per annum:

On amounts less than USD50 million 0.035%

On amounts of more than USD50 million, but less than USD100 million 0.025%

On amounts of more than USD100 million, but less than USD500 million 0.010%

On amounts over USD500 million 0.005%

Notes to the Financial Statements (continued)

7. Related Party Transactions and Other Expenses (continued)

Such fees shall accrue daily and shall be payable to the Custodian by monthly payments in arrears becoming due on the first business day of each month in respect of the preceding month.

The Custodian is also entitled to be reimbursed out of the Class Fund for charges and transaction fees levied on it by the Sub-Custodian and other sub-custodians which shall be at rates which have been negotiated on an arm's length basis or are otherwise on commercial terms.

Michael Farrow is entitled to receive GBP4,000 per annum as director fees. Helen Holmes, Graham Baillie and Oliver Sonnbichler are entitled to USD10,000 per director per annum. Directors fees incurred during the year ended 30 September 2016 amounted to USD33,512 (30 September 2015: USD36,378) with USD9,186 (30 September 2015: USD12,308) outstanding at the year end.

All transactions with the above related parties are at arm's length.

The fees incurred during the year ended 30 September 2016 and 30 September 2015 are as disclosed in the Statement of Comprehensive Income with the amounts outstanding at the year end disclosed in the Statement of Financial Position.

The Company invests in other Melville Douglas Funds, which also receive services from the Manager, Investment Manager, Custodian and Sub-Custodian of the Company. The Company held investments in other Melville Douglas funds during the year. These funds are under the common management of Standard Bank International Investments Limited, the Investment Manager. The investments were made on an arms length basis in the ordinary course of business. Please refer to the portfolio statement on pages 26 and 27.

8. Financial risk management

Consistent with the investment objectives, as noted in the Report of the Directors, the Company's financial instruments comprise mainly collective investment schemes. In addition, the Company holds cash, liquid assets and various items such as debtors and creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments are market risk (comprising market price risk, interest rate risk and currency risk), credit risk and liquidity risk. The Board reviews and agrees with the Manager and Investment Manager policies for managing each of these risks and they are summarised below.

8.1. Market risk

Market risk is the risk that the fair value of, or future cash flows arising from, financial instruments will fluctuate because of the changes in market variables. Market risk comprises three types of risks: market price risk, interest rate risk and currency risk.

Market price risk

Market price risk arises mainly from uncertainty about future prices of equity and equity-linked financial instruments. It represents the potential loss the Company may suffer due to movements in securities prices.

Market price risk is mainly reduced through diversification. The Class Funds investments are in collective investment funds which achieve the diversification. These are usually the relevant matching class funds of other Melville Douglas Funds. Investments restrictions are in place to ensure that the impact of market price risk is minimised. In particular, the following restrictions/guidelines are applicable:

Not more than 10% of the net asset value of the Class Fund may be invested in any one real property fund;

The assets of the Class Fund may be invested in at least three collective investment schemes and not more than 70% of the net asset value of the Class Fund may be invested in any one collective investment scheme;

Not more than 5% of the net asset value of the Class Fund shall be invested in any warrant fund, leveraged fund, futures and options fund or geared futures and options fund; and

Not more than 10% of the securities of any one class of any issuer shall be held by the Class Fund.

Notes to the Financial Statements (continued)

8. Financial risk management (continued)

8.1. Market risk (continued)

Market price risk (continued)

Full details regarding the investment restrictions can be obtained from the prospectus.

Sensitivity analysis

The table below summarises the sensitivity of the Class Funds' net assets attributable to holders of redeemable shares to market price movements. It shows the increase/(decrease) in the net assets attributable to holders of redeemable shares for the Class Fund given a 5% movement in the underlying investment prices at year end; all other variables remaining constant (5% is considered to be a reasonable possible change in price):

	30 September 2016 USD	30 September 2015 USD
Balanced Class Fund	594,214	764,200

Interest rate risk

Interest rate risk is the risk that fair value of, or future cash flows arising from, the financial instruments will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk as the instruments held comprise fixed rate interest investments. Market forces (in terms of a general increase or decrease in interest rates in a particular currency) may therefore have a detrimental or positive effect on the carrying value of its financial instruments and income generated thereon, depending upon the average maturity of the portfolio held.

In accordance with the Class Funds' policy, the Investment Manager and Board of Directors monitor the Class Funds' overall interest sensitivity on a regular basis.

The breakdown of the Class Funds' assets as at 30 September 2016 and 30 September 2015 is detailed in the Portfolio Statement.

Balanced Class Fund
30 September 2016

	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
USD	1,602,574	–	11,790,206	13,392,780
	1,602,574	–	11,790,206	13,392,780

Balanced Class Fund
30 September 2015

	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
USD	413,720	–	16,577,227	16,990,947
	413,720	–	16,577,227	16,990,947

Notes to the Financial Statements (continued)

8. Financial risk management (continued)

8.1. Market risk (continued)

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

The Class Funds' assets and liabilities may be denominated in currencies other than the reporting currency of the Class Fund. Therefore the value of such assets and liabilities may be affected favourably or unfavourably by fluctuations in currency rates.

The Company may enter into derivative transactions for the purposes of hedging against currency risk on behalf of the Class Fund, subject to various maximum exposure limits.

The following tables show the currency exposure of the Class Fund as at 30 September 2016 and 30 September 2015.

Balanced Class Fund

Exposure currency 30 September 2016	Investments USD	Cash/Term Deposits USD	Other net liabilities USD	Total net assets USD	% of net assets
EUR	–	29	–	29	0.00
USD	11,884,277	1,525,459	(16,985)	13,392,751	100.00
	11,884,277	1,525,488	(16,985)	13,392,780	100.00

Balanced Class Fund

Exposure currency 30 September 2015	Investments USD	Cash USD	Other net liabilities USD	Total net assets USD	% of net assets
EUR	341,725	29	–	341,754	2.01
GBP	855,827	–	–	855,827	5.04
USD	14,086,445	1,730,894	(23,973)	15,793,366	92.95
	15,283,997	1,730,923	(23,973)	16,990,947	100.00

Currency risk is not managed in its separate form. Significant currency risk arises from the portfolio of investments denominated in foreign currencies and this affects the carrying value of the securities, hence is considered as part of price risk.

The following sensitivity analysis shows the change in the net assets of the Class Fund given a 5% increase or decrease in the value of a foreign currency relative to the Class Funds' reporting currency for all significant foreign currency positions of the Class Fund (5% is considered to be a reasonable possible change in foreign currency rates).

Balanced Class Fund		Change in net assets 30 September 2016 USD	Change in net assets USD
EUR	+/-5%	1	17,088
GBP	+/-5%	–	42,791

Notes to the Financial Statements (continued)

8. Financial risk management (continued)

8.2. Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its liabilities as they fall due. This also relates to the risk that the Company may not be able to realise its investments at current market values in time to meet its obligations.

Shareholders have the right to redeem their shares in the Company at every subscription day. The Company therefore needs to have adequate liquid resources to meet these redemptions and the maturity profile of the Company's investments may affect the Company's liability to meet the redemptions if the weighted average days to maturity is longer than the weighted average days to redemption.

The prospectus permits the redemptions in any one Class Fund be limited to 10% of the shares in issue at any one subscription day. The following investment restrictions/guidelines also apply:

- In order to enable the Class Fund to pay redemptions, the Class Fund may borrow up to 10% of its net asset value;

  and

- The Class Fund is also allowed to hold up to 100% of the net asset value on deposit.

8.3. Credit risk

Credit risk is the risk that the counterparties to the Company may be unable or unwilling to meet their obligations to the Company under the contractual or agreed terms. The Company's maximum exposure to credit risk is represented by the carrying value of cash and debtors.

The risk arising from debtors is considered minimal and therefore not actively managed. Significant debtors may arise from outstanding sales receipts. This is controlled by ensuring that securities are not transferred before settlement. Debtors arising from dividends and interest received are not considered material for the purpose of credit risk exposure.

Credit risk arising from cash at bank is mitigated by following the investment restriction that generally sets a limit of 20% of the net asset value of each Class Fund, or USD1 million (or equivalent base currency), whichever is greater, to be held with any one counterparty and its associates unless the counterparty or its associates are an approved bank (in which case a limit of 25% applies).

The Custodian, Capita Trust Company (Jersey) Limited is not rated with Standard & Poor's, Moody's or Fitch.

For the year ended 30 September 2016 the Sub-Custodian and Banker, The Bank of New York Mellon SA/NV London Branch has a credit rating of AA- (2015 : AA-) with Standard & Poor's, Aa1 (2015 : Aa2) with Moody's and AA- (2015 : AA-) with Fitch.

8.4. Fair value hierarchy

The Financial Reporting Council ("FRC") has issued "Amendments to FRS 102 - Fair value hierarchy disclosures", effective for accounting periods beginning on or after 1 January 2017, with early adoption permitted. FRED 62 proposes to amend paragraphs 34.22 and 34.42 of FRS 102 to require disclosure of financial instruments held at fair value on the basis of a fair value hierarchy consistent with EU-adopted IFRS based on Level 1, 2 and 3 classification. The Company has availed of early adoption and the financial statements have been prepared in accordance with these amendments and fair value measurement is categorised based on Level 1, 2 and 3. These amendments did not have any impact on the Funds' financial position or performance.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted mid-market prices on the year end date.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Notes to the Financial Statements (continued)

8. Financial risk management (continued)

8.4. Fair value hierarchy (continued)

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

FRS 102 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The fair value hierarchy has the following levels:

- Listed prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following tables analyse within the fair value hierarchy the Company's financial assets measured at fair value at 30 September 2016 and 30 September 2015 in accordance with FRS 102. The comparative figures have been reclassified to conform to current year presentation.

30 September 2016

Balanced Class Fund	**Level 1 USD**	**Level 2 USD**	**Level 3 USD**	**Total USD**
Investment Companies	10,581,703	–	–	10,581,703
Government Bonds	–	1,302,574	–	1,302,574
Total Assets	**10,581,703**	**1,302,574**	**–**	**11,884,277**

30 September 2015

Balanced Class Fund	**Level 1 USD**	**Level 2 USD**	**Level 3 USD**	**Total USD**
Investment Companies	14,870,277	–	–	14,870,277
Corporate Bonds	–	413,720	–	413,720
Total Assets	**14,870,277**	**413,720**	**–**	**15,283,997**

Notes to the Financial Statements (continued)

9. Reconciliation of net asset value

The following tables reconcile the difference between the Class Funds' net assets for financial reporting purposes and its net assets for shareholder dealing purposes for the year ended 30 September 2016 and year ended 30 September 2015.

	Balanced Class Fund 30 September 2016 USD	Balanced Class Fund 30 September 2015 USD
Net asset value per financial statements	13,392,780	16,990,947
Pricing differences[1]	–	2,222
Net asset value for shareholder dealing	13,392,780	16,993,169
Net asset value per share for reporting purposes	153.82	148.83
Net asset value per share for shareholder dealing purposes	153.82	148.84

[1] The adjustment is the difference between the mid value of investments on the valuation date and the bid value of investments on the final trading day of the fiscal year. Investments are valued at mid-price where available for the purpose of shareholder dealing valuation in accordance with the prospectus.

10. Exchange rates

The following exchange rates at 30 September 2016 and 30 September 2015 were used to translate foreign currency assets and liabilities:

	30 September 2016	30 September 2015
EUR/USD	0.88983	0.89586
GBP/USD	0.76982	0.66017

11. Significant events during the year

There were no significant events during the year that require disclosure in these financial statements.

12. Post statement of financial position events

There were no significant post statement of financial position events that require disclosure in these financial statements.

13. Approval of Financial Statements

The financial statements were approved by the Directors on 11 January 2017.

Notes to the Financial Statements (continued)

Fund Statistics (unaudited)

Balanced Class Fund – Class A Shares	Net asset value USD	Net asset value per share USD	% change in year	Number of shares in issue	Highest Price* USD	Lowest Price* USD
24 September 2004	8,241,828	104.40	9.06	78,944	113.23	96.46
30 September 2005	8,985,059	115.43	10.57	77,838	121.67	104.65
29 September 2006	7,031,187	126.83	9.88	55,437	137.78	111.97
28 September 2007	9,429,307	143.61	13.23	65,657	154.02	127.16
26 September 2008	11,261,493	123.08	(14.30)	91,494	155.32	122.06
30 September 2009	13,022,850	120.29	(2.27)	108,264	123.65	97.49
30 September 2010	16,527,109	126.73	5.35	130,408	128.98	118.55
30 September 2011	18,803,340	120.89	(4.61)	155,540	141.40	120.03
30 September 2012	17,239,049	139.27	15.20	123,782	139.39	121.49
30 September 2013	16,919,878	147.24	5.72	114,911	148.38	136.25
30 September 2014	16,772,290	154.50	4.93	108,556	157.97	144.97
30 September 2015	16,990,947	148.83	(3.67)	114,167	161.93	148.84
30 September 2016	13,392,780	153.82	3.35	87,068	156.26	143.81

* Prior to 30 September 2016 the highest price/lowest price was based on the reported net asset value for shareholder dealing, which may be different from the financial statements.

The performance data in this table covers the year from incorporation by way of a continuance in Jersey to date. Performance data for previous years can be found in the fact sheets issued by the Investment Manager.

Total Expense Ratio (Unaudited)

The Total Expense Ratio ("TER") is calculated and disclosed as per the guidelines issued by the Investment Management Association. The ratio expresses the sum of all costs charged on an ongoing basis to the Class Fund taken retrospectively as a percentage of the Class Fund's average net assets. For clarity, when the Class Fund is investing in other funds, the ongoing cost of these funds is not incorporated in the calculation of the TER.

Balanced Class Fund

	30 September 2016	30 September 2015
Total Expense Ratio	0.68%	0.67%

Portfolio Statement

Balanced Class Fund

As at 30 September 2016

	Nominal holding	Cost USD	Fair Value USD	% of Net Assets
Transferable Securities Admitted to an Official Stock Exchange Listing or Dealt in on Another Regulated Market				
Investment Companies				
Ireland				
iShares $ Short Duration Corporate Bond UCITS ETF	2,938	300,378	298,809	2.23
Jersey				
Melville Douglas Select Fund Limited – Global Equity Class Fund	533,233	6,004,411	6,673,627	49.83
Melville Douglas Income Fund Limited – US$ Income Class Fund	7,904	1,284,472	1,308,414	9.77
			7,982,041	59.60
Luxembourg				
JPMorgan Liquidity Funds – US Dollar Liquidity Fund	144	2,000,000	2,001,206	14.94
United States				
iShares Barclays 1 – 3 Year Credit Bond ETF	2,833	300,445	299,647	2.24
Total Investment Companies			**10,581,703**	**79.01**
Government Bonds				
South Africa				
South Africa Government International Bond 6.875% 27/05/2019	270,000	301,998	302,400	2.26
United States				
United States Treasury Note/Bond 0.625% 31/05/2017	500,000	500,269	500,094	3.74

Portfolio Statement (continued)

Balanced Class Fund (continued)

As at 30 September 2016 (continued)

	Nominal holding	Cost USD	Fair Value USD	% of Net Assets
Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market (continued)				
Government Bonds (continued)				
United States (continued)				
United States Treasury Note/Bond 0.375% 31/10/2016	500,000	500,034	500,080	3.73
			1,000,174	7.47
Total Government Bonds			**1,302,574**	**9.73**
Total Investments		**11,192,007**	**11,884,277**	**88.74**
Total Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market			**11,884,277**	**88.74**
Total Investments			**11,884,277**	**88.74**
Net current assets			1,508,503	11.26
Total net assets			**13,392,780**	**100.00**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN pursuant to the Articles of Association of Melville Douglas Balanced Fund Limited (the "Company") that the Annual General Meeting of the Company will take place on 1 February 2017 at Standard Bank House, 47 – 49 La Motte Street, St. Helier, Jersey, Channel Islands at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following Resolutions:

Ordinary resolution

1. That the financial statements for the year ended 30 September 2016 be approved and adopted.
2. That directors fees in the sum of USD30,000 and GBP4,000 for the year ended 30 September 2016 be approved.
3. That PricewaterhouseCoopers Ireland, be reappointed auditors of the Company to hold office until the conclusion of the next general meeting at which the accounts are laid before the Company and that their remuneration be fixed by the directors.

By order of the board
STANLIB Fund Managers Jersey Limited
Secretary
11 January 2017

Notes

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead a proxy need not be a member of the Company.
2. To be valid this proxy form must be completed and deposited at the registered office of the Company not less than 48 hours before the time fixed for the meeting.
3. If the shareholder is a corporation the form must be executed either under its common seal or under the hand of an officer or attorney so authorised.
4. In the case of joint holders, the signature of any one joint holder will be sufficient, but the names of all joint holders should be stated.

The Secretary
Melville Douglas Balanced Fund Limited
Standard Bank House
47 – 49 La Motte Street
St Helier
JERSEY
JE2 4SZ

Melville Douglas Balanced Fund Limited (the "Company")

Form of Proxy

Please complete in block capitals

I/We ....

Complete only if Special proxy desired. (See Note a. below)

being a holder(s) of.............Participating shares in the capital of the Company hereby appoint the Chairman of the Meeting or failing him:

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as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 1 February 2017 at 10:00 a.m. and at any adjournments thereof, in the following manner:

Resolutions

**Strike out whatever is not desired*

Ordinary Resolution	No. 1	For/Against*
	No. 2	For/Against*
	No. 3	For/Against*

Signed this ____________ day of ___________________ 2016

Signature ______________________________________

a. If you desire to appoint a proxy other than indicated above, please delete the appropriate words and insert the name and address of your proxy.

b. Unless otherwise instructed, the proxy will vote or abstain from voting as he thinks fit in relation to the resolutions referred to above.

c. To be valid, the proxy must be lodged with the secretary of the Company 48 hours prior to the time of the meeting.

d. A corporation should complete this form under its common seal or under the hand of a duly authorised officer or attorney.