SICOM
FINANCIAL SERVICES
A member of the SICOM Group

ANNUAL REPORT 2018

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Our Mission, Shared Values and Objectives

CORE VALUES

OUR MISSION

We are dedicated to provide, to a broad range of individual and corporate clients, the best in financial services, with focus on competitive quality products and excellent levels of customer care and satisfaction.

OUR SHARED VALUES

We strive to meet changing needs of our customers and exceed their expectations by providing consistently high quality products, services and solutions.
We foster a climate that encourages innovation and teamwork among our people while helping them to grow and develop to their full potential.
We ensure the creation of wealth for all stakeholders and provide fair reward and recognition accordingly.
We support mutually beneficial and enduring relationships with our stakeholders.
We respect the diversity of our team members, customers and communities.
We conduct our business with the highest level of integrity and ethical standards.

OUR OBJECTIVES

Provide excellent customer service and advice.
Respond proactively to new customer needs.
Highly effective and motivated team members.
Maximize profits and returns to stakeholders.
Increase market share.
Identify diversification and innovation opportunities.

Quality Policy

Service Excellence

We are committed to service excellence through providing a professional and timely service to our customers while maintaining value-adding relationship with all stakeholders.

Meeting Customer Expectations

Our ultimate goal is to meet customer expectations with a diligent and efficient service.

People Development

Our people are our most valuable asset and we shall: provide them with appropriate training in line with organisational needs and objectives,aim at achieving employee satisfaction and encouraging their participation in decision making processes, and promote safe, sound and motivating work environment.

Continual Improvement

We are committed towards developing and maintaining efficient and reliable processes. We undertake to continually improve / innovate our products and services.

Competitive Products and Services

We will design and deliver competitive products and services to suit the requirements of our customers as well as the market at large.

Compliance and Good Governance

We ensure compliance with relevant laws and regulations and are committed to good governance and effective practices.

Quality Objectives

This Quality Policy will serve as basis for defining the Quality Objectives of SICOM Financial Services Ltd and we will ensure that it is reviewed on a regular basis.

Corporate Information

Chairperson	Sakurdeep S
Directors	Chaperon J M C G (as from 22 December 2017) Bhoojedhur - Obeegadoo K G (Mrs) Gopy D K Hussenee N E S S (up to 27 August 2018) Late Nemchand S (up to 26 September 2017) Ramdhonee B I R Seewoochurn N (as from 23 October 2017) Yip Wang Wing Y S, C.S.K (up to 04 July 2017)
Company Secretary	Lee Shing Po T M (Mrs)
Manager	Chadien M
Deputy Manager	Kasenally - Boodoo A (Mrs)
Registered Office	SICOM Building Sir Célicourt Antelme Street, Port Louis Telephone : (230) 203 8420 Fax : (230) 208 0874 Email Address: the company@sicom.intnet.mu Website : www.the company.mu
Auditors	Ernst & Young
Main Banker	SBM Bank (Mauritius) Ltd

Directorate & Management

Directors' profile

SAKURDEEP S

Mr Subiraj Sakurdeep is an Attorney-at-Law, practicing since April, 1993 after having completed his Articleship with Attorneys and Senior Attorneys.

He has been legal adviser for various District Councils and various other companies and entities. Mr Subiraj SAKURDEEP has got a lot of experience in Labour Laws, Matrimonial Cases, in recovery of debts, in accident cases, in Petition for Division-in-kind, in encroachment cases and amongst others in defamation cases.

CHAPERON J M C Gilles (Appointed on 27 September 2017)

Acting Group Chief Executive Officer

Mr J M C Gilles Chaperon is currently the Acting Group Chief Executive Officer, effective as from 1st October 2017 and the Money Laundering Reporting Officer (MLRO) of the Group. He joined SICOM as a Technical Officer in 1981 and served in the Life and Pensions Department in various positions at management level before being promoted to Senior Manager (Legal and Compliance) in 2004.

He subsequently held the position of Chief Support Officer responsible for the Group's Corporate Marketing, Communication, CSR and Compliance functions. He was also overseeing the Group's Risk Management and IT functions. Gilles is an Associate of the Chartered Insurance Institute (ACII) and holds Chartered Insurer status.

BHOOJEDHUR-OBEEGADOO Karuna G (Mrs)

Mrs Karuna Bhoojedhur- Obeegadoo was the Group Chief Executive Officer heading the SICOM Group of Companies until her retirement in September 2017. She joined SICOM in 1984 and was in charge of the Life, Pensions and Actuarial Departments of the Company. She was appointed Actuarial Adviser to the National Pensions Fund and member of its Investment Committee. Prior to joining SICOM, she worked with M&G Reinsurance Company in London (now Swiss Re).

Currently, she is a Director on the Board of companies within the SICOM Group and is also a member of the Board of the MCB Group Ltd and of its Remuneration and Corporate Governance Committee. In the past, she has served as Director on the Board of several companies, including State Bank of Mauritius Ltd, National Mutual Fund Ltd, First Republic Fund Ltd, Cyber Properties Investment Ltd, Mauritius Housing Company Ltd, National Housing Development Company Ltd, China Index Fund Ltd and China Actis Ltd. She was also a Founding Member of the National Committee on Corporate Governance and of the Board of Investment.

Mrs Bhoojedhur- Obeegadoo holds a BSc (Hons) in Actuarial Science from the London School of Economics and Political Science and is a Fellow of the Institute of Actuaries, UK. She is also a Fellow of the Mauritius Institute of Directors.

GOPY D K

Mr Gopy is a qualified Stockbroker and holds a Diplôme d'Etude Approfondies in Finance and a Maîtrise in Financial Management from L'Institut D'Administration Des Entreprises of the University of Montpellier II, France. He joined SICOM in 2001 as Investment Analyst. Prior to joining SICOM, he has worked at a local leading banking institution.
He is responsible for defining, implementing and monitoring the investment objectives and strategies of the different funds managed by the SICOM Group locally and overseas as well as of subsidiaries in the financial services sector. He is also responsible for the proper running of the operations of Leasing and Unit trusts businesses transacted by SICOM Financial Services Ltd and the operations of SICOM Global Fund Ltd and SICOM Management Ltd.

Directorate & Management (Cont'd)

Directors' profile (cont'd)

GOPY D K

He currently serves as Executive Director on the board of SICOM Financial Services Ltd and is also a Director of the Stock Exchange of Mauritius Ltd and Cyber Properties Investments Ltd.

HUSSENEE N E S S (up to 27 August 2018)

Mr Noor-E-Shad Shayfiudhin Hussenee, is a barrister at law practicing since January 2010, after having completed his pupillage with Me Yousouf A. R. Mohamed SC, Me Tikanand Mukund Gujadhur and Me C. Seebaluck SA in 2009.

He is also the legal consultant of various other companies or entities, including the Mauritius Housing Company Ltd, the City Council of Port Louis and of Sport Data Feed Ltd and J S Henry Co ltd, two entities dealing in the Intellectual property of data in football matches played under the auspices of the Professional Football Leagues in the United Kingdom such as the FA Premier League Ltd.

Mr Hussenee is a holder of Bachelor in Law from the University of Mauritius and is also an associate member of the Association of Certified Fraud Examiners (ACFE). He has recently worked in collaboration with another CFE, to make representations to the Minister of Finance, in relation to the amendment in the civil code, with regards to "Capitalisation of Interest" by local banks on loans.

RAMDHONEE B I R

Mr Baboo Indraduth Rye Ramdhonee held the position of senior manager at SICMS, managing the Casinos of Mauritius for the past 30 years.

Additionally, he is active in the field of training and consultancy in Management & General Management. Mr Ramdhonee supported 23 companies in their journey towards ISO 9001:2008, Quality Standards. He was also the chairperson of the Casinos of Mauritius Pensions Fund. He used to be in attendance in board meetings of SICMS, advising the CEO/MD in Management and other affairs concerning the business in general. He has also participated in local and international seminars concerning fraud and corruption. Moreover, he has followed intensive courses in Quality Management at the Indian Institute of Quality Management, Jaipur.He is a holder of BSc in Economics and in Management from the University of Poona.

SEEWOOCHURN N (Appointed on 23 October 2017)

Mr Nankumar Seewoochurn is currently Assistant Permanent Secretary at the Ministry of Financial Services and Good Governance. Prior to that, he was posted at the Ministry of Social Integration and Economic Empowerment and the Ministry of Tourism.

Mr Seewoochurn reckons more than 20 years of service in the Public Service and has served different Ministries in various capacities as well in a Mauritius Diplomatic Mission overseas .He has also been a board member of different statutory bodies and served on different Committees.

Mr Seewoochurn is holder of a Diploma in Financial Management from the University of Mauritius.

Directorate & Management (Cont'd)

Company Secretary

LEE SHING PO Theresa M. (Mrs), Attorney at Law

Mrs Lee Shing Po was admitted as Attorney-at-Law in 1986. She joined the Company as Legal Officer in 2000 and is currently the Senior Executive Officer - Legal. Prior to joining the Company, she had her private practice and also worked in an international accounting & auditing firm and at the Attorney General's office.

She is responsible for the overall operational and strategic functions of the Legal Department and deals with and advises the Group in all legal matters. Theresa is also Company Secretary to the State Insurance Company of Mauritius Ltd, SICOM General Insurance Ltd, SICOM Financial Services Ltd and SICOM Foundation.

Management's Profile

Manager– SICOM Financial Services Ltd

Mr M Chadien

Mr Moorganaden Chadien is a fellow of the Association of Chartered Certified Accountants and holds a Master in Business Administration from the University of Surrey. He joined the State Insurance Company of Mauritius Ltd in 1994, where he gathered experience in different departments before moving to SICOM Financial Services Ltd during its setting-up in 2000. He has over the years achieved a rich experience in deposit taking, leasing and unit trust administration.

Mr Moorganaden Chadien is presently the Manager of SICOM Financial Services Ltd and is responsible for the day to day operations of the Company.

Deputy Manager– SICOM Financial Services Ltd

Mrs A Kasenally – Boodoo

Mrs Ameerah Kasenally-Boodoo holds a BSc (Honours) in Economics from the London School of Economics and Political Science and a Master in Business Administration from the University of Birmingham. She joined the State Insurance Company of Mauritius Ltd in 2003 where she worked in the Investment Department before moving to SICOM Financial Services Ltd in 2008 where she is assuming the post of Deputy Manager, assisting in the running of the Company's operations.

ANNUAL REPORT

The Directors have the pleasure to submit the eighteenth Annual Report of SICOM Financial Services Ltd (the "Company") together with the audited financial statements for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The Company is actively engaged in depository and investment business activities and holds a deposit taking license as a 'Non-Bank Financial Institution'. The Company also transacts leasing business and manages SICOM General Fund and SICOM Overseas Diversified Fund, which are constituted under the SICOM Unit Trust.

OVERVIEW

For the financial year under review, a number of new initiatives and consolidation of existing ones have been intitiated. These initiatives include marketing and sales deliverables in line with the yearly marketing and sales plan. Given the fierce competition in the market, it is essential to demarcate the Company by offering a better and more personalized customer service.In this respect, customers can now opt to bundle their motor insurance with their leasing facility which enables the client to split the insurance premium over the term of the lease. A special package for Hybrid cars has also been introduced.

A new IT application for the leasing business was implemented on 1 April 2018 which has made the lease processing more efficient resulting in an improvement in the lead time between lease application and final disbursement. Ongoing efforts are also being made to continually improve our accounting and reporting functions and accounts are now prepared using Oracle R12.

In terms of intitiates for the forthcoming year, the Company is planning to consolidate its Sales Team and to introduce a Customer Portal and upgrade the existing website to provide online services to enhance customer service. A new IT application for both the deposit taking business and the management of unit trust have also been planned for 2018/2019. The new Performance Management System (PMS) proposed in the last salary review exercise will also be implemented in 2018/2019. This will result in a more structured incentive program where initiatives in line with organisational objectives and targets will be rewarded.

ANNUAL REPORT (CONT'D)

FINANCIAL RESULTS

Deposits

The total deposits of the Company stood at Rs 2.2 billion for the financial year ended 30 June 2018 as compared to Rs 2.5 billion last year in line with the Company's strategy to improve its interest margin by not mobilizing costly deposits.

Leasing

Net investments in finance lease increased from Rs 432.7 million for the financial year ended 30 June 2017 to reach Rs 451.9 million for the financial year ended 30 June 2018. The amount of new leases approved amounted to Rs 189.3 million as compared to Rs 198.6 million last year due to the competitive leasing sector backdrop.

Net Interest Income

Net interest income amounted to Rs 55.7 million for the financial year ended 30 June 2018, as compared to Rs 60.8 million last year given the general drop in interest rates on the market.

Profit

Profit before tax stood at Rs 23.5 million for the financial year under review, as compared to Rs 30.3 million last year . The profit before tax is slightly higher than the budgeted profit of Rs 23.4 million.

AUDITORS

The remuneration of Auditors for the financial year amounted to Rs 500,000 (2017: Rs 322,000).

Chairman ....

Director ....

Director ....

Date 24 SEP 2018

MANAGEMENT DISCUSSION & ANALYSIS

The Bank of Mauritius Guideline on Public Disclosure of Information has been used for the preparation of this Management Discussion and Analysis (MDA) for the financial year ended 30 June 2018.

The MDA includes forward looking statements and that risk exists that forecasts, projections and other postulations contained therein may not materialise and that actual results may vary from the plans and expectations of the Company.

The reader should, therefore, stand cautioned not to place any undue reliance on such statements. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf.

ECONOMIC REVIEW

According to Statistics Mauritius, the domestic economy grew at a rate of 3.8% in 2017, same as in 2016. Growth in 2017 was supported by robust performances of all major sectors of the Mauritian economy, in particular financial and insurance activities, wholesale and retail trade, accommodation and food service activities and construction. Savings rate for 2017 is estimated to be around 10.6% of GDP, while the investment rate rose to 17.3%, supported by increased levels of private and public sector investments. The headline inflation rate was 4.3% for the twelve months ended 30 June 2018 compared to 2.4% for the corresponding period ended 30 June 2017. During the financial year ended 30 June 2018, there was an appreciation of the USD, GBP, EUR and YEN compared to the MUR while the local currency appreciated against the AUD, NZD and ZAR. The SEMDEX, SEM-10 and the DEMEX gained by 5.7%, 4.4% and 12.6% respectively over the financial year ended 30 June 2018.

In 2018, Statistics Mauritius expects real GDP growth of 3.9% on the basis of information gathered on key sectors of the economy and taking into account policy measures announced in the budget 2018/2019. In fact, higher growth rate is expected from sectors such as construction, wholesale & retail trade, information and communication, and public administration and defence. The investment rate in 2018 is expected to decrease slightly to 17.2% while the saving rate is projected to continue to slide to reach 10.4%. Private sector investment is expected to contract by 3.6% in 2018 compared to the 7.3% growth in 2017, while a rebound of 23.7% is anticipated in public sector investment after a contraction of 2.9% in 2017.

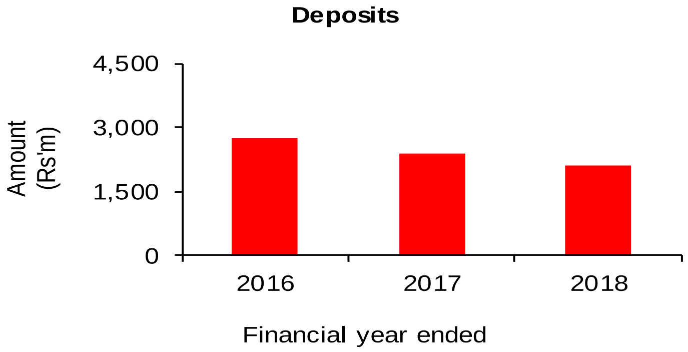
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL REVIEW

Performance Area	Current year's objective	Current year's performance	Next year's objective
Revenue growth	-8.95%	-18.52%	-10.86%
Interest expense growth	-16.73%	-24.34%	-15.19%
Operating profit growth	7.11%	-22.35%	-2.50%
Productivity	57.28%	-62.81%	49.17%
Return on equity	4.92%	5.05%	4.92%
Return on average assets	0.73%	0.84%	0.84%

Deposit Taking

The total deposits of the Company stood at Rs 2.1 billion for the year ended 30 June 2018, as compared to Rs 2.4 billion last year in line with the strategy of the Company to improve its interest margin by not mobilizing costly deposits.

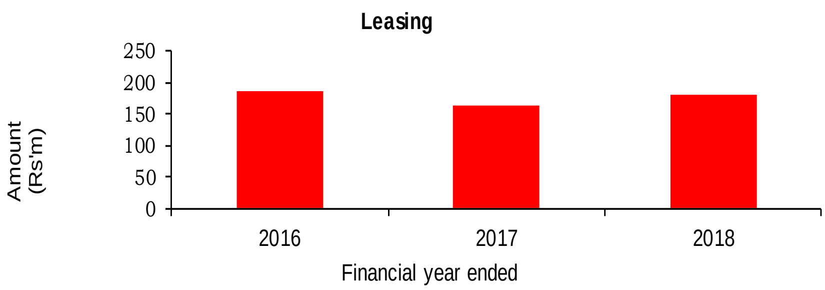


Deposits (Rs)	30- Jun-16 (Restated)	30-Jun-17 (Restated)	30- Jun-18
Deposit taking	2,757,955,425	2,402,113,414	2,120,244,863
Interest Expense	151,981,014	135,357,748	101,280,600
Average Interest/ Deposit (%)	**5.51**	**5.63**	**4.78**

Leasing

The amount of lease disbursed stood at Rs 179.1 million for the financial year ended 30 June 2018 while for last year the amount of lease disbursed stood at Rs 164.9 million.

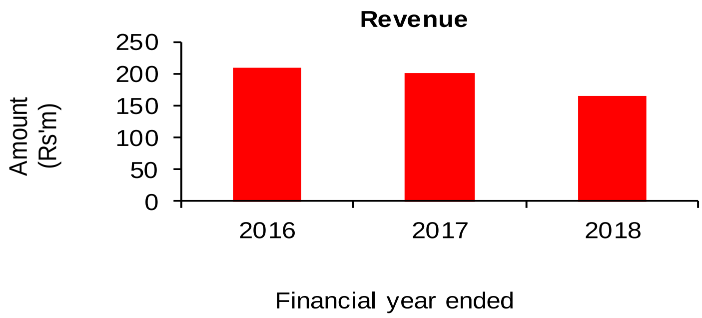
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)



Leasing (Rs)	30-Jun-16	30- Jun-17	30-Jun-18
Amount disbursed	186,068,657	164,945,800	179,171,388

Revenue

Revenue from leasing activities increased to reach Rs 39.6 million for the year under review as compared to Rs 38.5 million last year. Investment income decreased to Rs 125.1 million compared to Rs 164.4 million last year due the persisting low interest rate environment. Revenue from our Unit Trust activities increased slightly to Rs 2.5 million this year as compared to Rs 2.3 million last year.

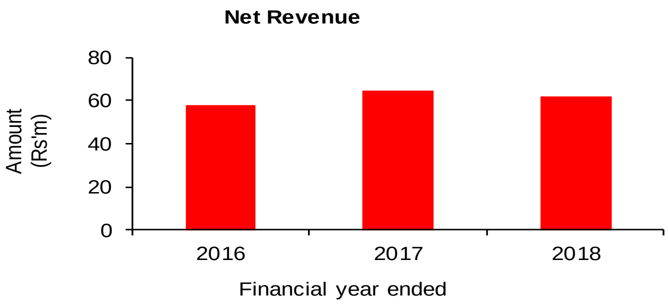


Revenue (Rs)	30-Jun-16 (Restated)	30-Jun-17 (Restated)	30-Jun-18
Investment Income	173,523,979	164,385,306	125,123,832
Net Leasing activities	34,713,364	38,510,611	39,638,353
Unit Trust	2,401,812	2,323,266	2,457,765
Total	**210,639,155**	**205,219,183**	**167,219,950**

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Net Revenue

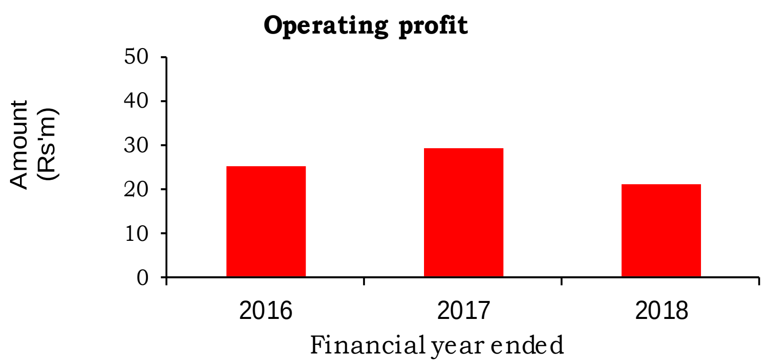
Net revenue reached Rs 63.2 million for the financial year ended 30 June 2018 as compared to Rs 67.3 million last year, due to lower investment income on the back of the general drop in interest rates.



Net Revenue (Rs)	30-Jun-16 (Restated)	30- Jun-17 (Restated)	30-Jun-18
Deposit takings	21,542,965	29,027,557	23,843,231
Unit Trust	2,401,812	2,323,266	2,457,765
Leasing activities	33,832,725	35,992,769	36,929,991
Total	**57,777,502**	**67,343,592**	**63,230,987**

Operating profit

The operating profit reached Rs 23.5 million as compared to Rs 30.3 million last year due to the negative impact of lower interest rates on the revenue stream of the Company.

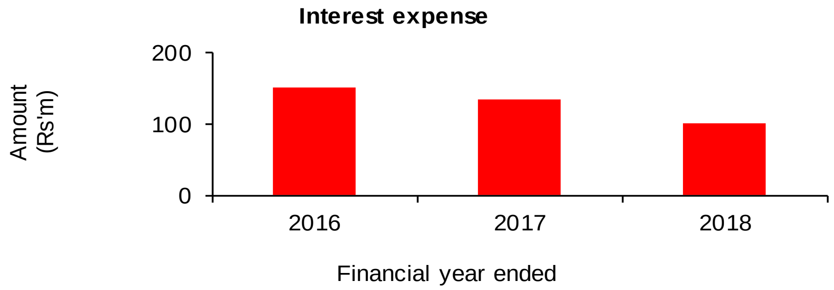


MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Operating profit (Rs)	30-Jun-16 (Restated)	30-Jun-17 (Restated)	30- Jun-18
Deposit taking and leasing	23,061,336	28,694,697	21,695,886
Unit Trust	1,662,637	1,588,540	1,817,568
Total	**24,723,973**	**30,283,237**	23,513,454

Interest expense

Interest paid to depositors fell from Rs 135.4 million for the financial year ended 30 June 2017 to Rs 101.3 million for the financial year ended 30 June 2018, with the decrease in the deposit base and lower interest rates provided on our deposits to clients.

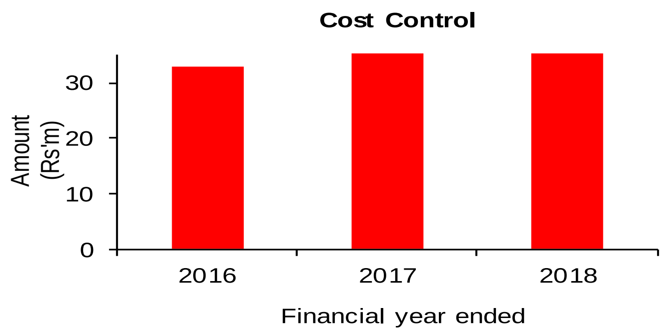


Interest expense (Rs)	30-Jun-16 (Restated)	30-Jun-17 (Restated)	30-Jun-18
Deposit takings	**151,981,014**	**135,357,748**	**101,280,600**

Cost Control

Non-interest expenses increased from Rs 37.1 million for financial year ended 30 June 2017 to Rs 39.7 million for financial year ended 30 June 2018. This increase is mainly due to payment of consultancy fee relative to the setting up of an IFRS9 compliant framework and of a cost of the Voluntary Retirement Scheme to the value of Rs 1.5 million.

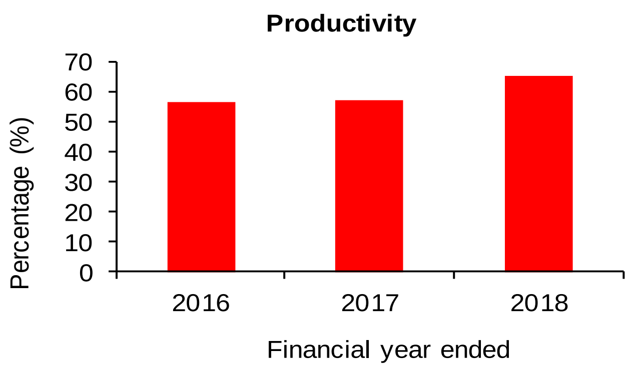
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)



Non- interest expenses (Rs)	30-Jun-16	30-Jun-17	30- Jun-18
Deposit takings and Leasing	32,314,355	36,325,630	39,077,338
Unit Trust	739,175	734,726	640,196
Total	**33,053,530**	**37,060,356**	**39,717,534**

Productivity Ratio

The productivity ratio stood at 62.8 % for the year under review as compared to 55.0% last year. This increase in the productivity ratio is explained by a rise in expenses and the fall in interest income as mentioned earlier on.

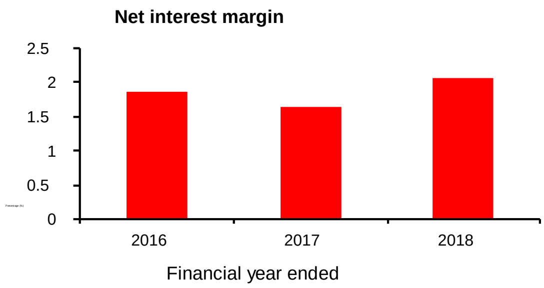


MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Year	Productivity ratio
30-Jun-16	57.21%
30-Jun-17	55.03%
30-Jun-18	62.81%

Net interest margin

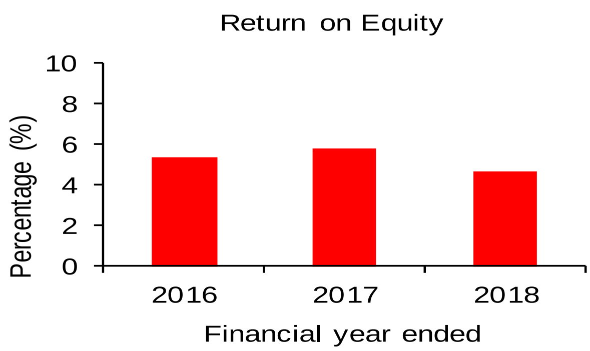
The net interest margin of the Company improved to 2.23% as compared to 2.15% last year as a result of ongoing efforts made to reduce our cost of funding and enhanced asset/liability framework put in place.



Year	Net Interest Margin
30-Jun-16	1.63%
30-Jun-17	2.15%
30-Jun-18	2.23%

Return on equity

The return on equity for the financial year ended 30 June 2018 stood at 5.05% as compared to 6.48 % in 2017.

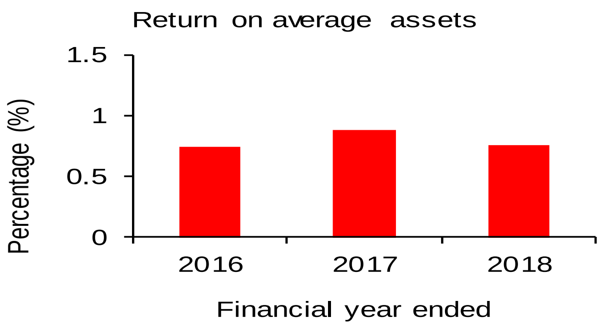


MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Year	Return on Equity
30-Jun-16	5.37%
30-Jun-17	6.48%
30-Jun-18	5.05%

Return on average assets

The return on average assets decreased from 0.96% last year to 0.84% for the financial year ended 30 June 2018.



Year	Return on Average Assets
30-Jun-16	0.72%
30-Jun-17	0.96%
30-Jun-18	0.84%

2. Capital Structure

Shareholding Profile

Ownership of stated capital at 30 June 2018 is given below:

Shareholders	Number of Shares Owned	% Holding
State Insurance Company of Mauritius Ltd	19,800,000	99
Development Bank of Mauritius Ltd	200,000	1
	20,000,000	100

Capital Base	30-June-16 Restated (Rs' million)	30-June-17 Restated (Rs' million)	30-June-18 (Rs' million)
Stated capital	200.0	200.0	200.0
Other Reserves	213.6	215.1	210.1
Statutory Reserve	42.9	46.8	49.9
Deferred Tax	-	(0.1)	(1.8)
Investment in available-for-sale securities	(31.3)	(34.0)	(34.2)
Other intangible assets	(7.6)	(6.3)	(5.1)
Tier 1 Capital	**417.6**	**421.5**	**418.9**

The Company has satisfied the regulatory minimum capital to customer deposit ratio required by the Bank of Mauritius.

	30-June-16	30-June-17	30-Jun-18
	(Rs' million)	(Rs' million)	(Rs' million)
Portfolio Provision	**4.3**	**4.4**	**5.5**
Capital Base	**421.9**	**425.9**	**424.3**
Risk Weighted Assets	**1,513.0**	**1,421.5**	**1,210.8**
Capital Adequacy Ratio (%)	27.89	29.95	35.04

Bank of Mauritius - Statement of Compliance

Name of Institution: SICOM FINANCIAL SERVICES LTD

Reporting Period: 30 JUNE 2018

I, S. Sakurdeep the Chairperson of the Board of Directors of SICOM Financial Services Ltd confirm, to the best of my knowledge that the SICOM Financial Services Ltd has materially complied with the provisions of the law, regulations and guidelines issued by the Bank.

SIGNED:

Chairperson of the Board of Directors

DATED: 24 SEP 2018

Corporate Governance Report

SICOM Financial Services Ltd (the 'Company') is a Public Interest Entity (PIE) under the Financial Reporting Act 2004 and as such is required to comply with the National Code of Corporate Governance for Mauritius, 2016 (the 'Code').

The Corporate Governance Report describes how the Company has implemented the recommendations of the Code.

Principle One – Governance Structure

All organisations should be headed by an effective Board. Responsibilities and accountabilities within the organisation should be clearly identified.

The Company is led by a unitary Board which is collectively responsible for its long term success, reputation and governance.

The Board assumes its responsibility for meeting all legal and regulatory requirements.The Board takes its fiduciary responsibilities with great care and diligence. The roles and responsibilities of the Board are set out in the Company's Board Charter.

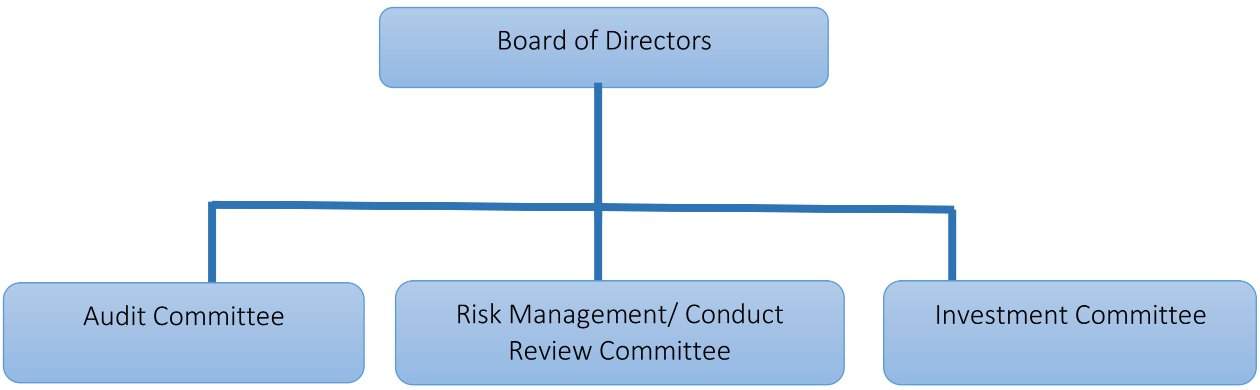
The Board has approved the following key governance documents which are available on the Company's website:

- Board Charter; and
- Board Committees Charters.

The Group Code of Ethics for Directors and the Group Code of Ethics for Employees have been approved by the State Insurance Company of Mauritius Ltd (the 'Holding Company').

The Company also has in place a Constitution which is in conformity with the Companies Act 2001.

Board Structure



The Company has a Board of Directors which oversees the general business of the Company. The Board exercises leadership, enterprise, integrity and judgment in directing the Company. The delegation of authority to any committee does not discharge the responsibility of the Board in respect of the actions and decisions of that committee.

Key Governance Responsibilities and accountabilities

The Board takes particular note of the following key governance positions which are critical to the Board performing against its strategy and achieving a high level of good governance. The Board of the Holding Company has approved the following job descriptions for key governance positions at Group Level:

1. Chairperson of the Board

The roles of the Chairperson and the Group Chief Executive Officer ('Group CEO') are distinct.The Chairperson is primarily responsible for the activities of the Board and its Committees. He acts as the spokesman for the Board and is the principal contact for the Group CEO. The Group CEO and the Chairperson of the Board meet regularly. The Chairperson discusses and sets the agenda with the Group CEO and the Company Secretary, and facilitates the effective contribution of non-executive directors and encourages active participation during Board meetings. He ensures that Board members, upon appointment, participate in an induction programme and that the development needs of directors are identified and appropriate training is provided.

2. Group CEO

The Group CEO is the head of the SICOM Group (the 'Group') and has the authority and responsibility to manage the overall operations and resources of the Group. He acts as the main point of contact between the Board and the Management. The other responsibilities of the Group CEO include among others: to develop and recommend to the Board a long-term vision and strategy for the Group as well as the annual business plans and budgets that support the Group's strategy; to execute and implement the strategy of the Board; to monitor the Group's performance and keep the Board appropriately informed; to foster a corporate culture that promotes ethical practices, rejects corrupt practices, offers equal opportunities, encourages individual integrity and meets social responsibility objectives and imperatives.

3. Company Secretary

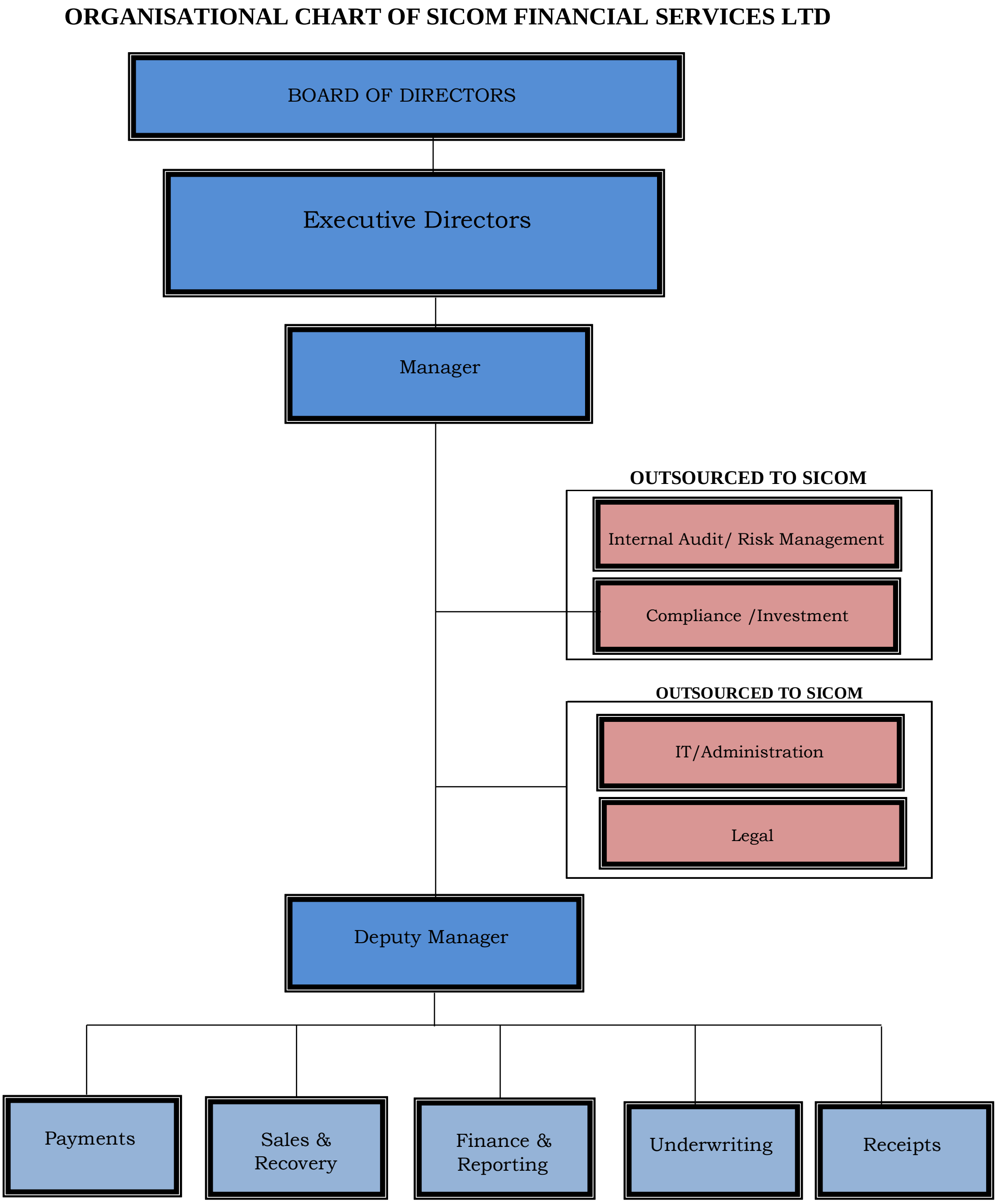
The Company Secretary is appointed by the Board in accordance with the Companies Act 2001. She assists and advises the Board. The main responsibilities of the Company Secretary include amongst others, to: prepare and circulate agendas of Board, Board Committees and Shareholders' meetings and any supporting papers; take minutes of meetings and circulate same to members; ensure that the procedure for the appointment of directors is properly carried out; and ensure that the Company complies with its Constitution and all relevant statutory and regulatory requirements and any procedures set by the Board.

Our Management Team

A brief profile and responsibilities of the members forming part of the Management Team is found on page 6.

Organisational Chart

The organisational chart of the Company is as follows:



Finally it may be noted that the terms of reference of the Board Sub-Committees have recently been reviewed and the statement of accountabilities of the Sub-Committees' Chairpersons will be finalised in the course of the financial year 2018/2019. A Group Corporate Governance Policy will also be adopted.

Principle Two – The Structure of the Board and Its Committees

The Board should contain independently minded directors. It should include an appropriate combination of executive directors, independent directors and non-independent non-executive directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board should be of a size and level of diversity commensurate with the sophistication and scale of the organisation. Appropriate Board Committees may be set up to assist the Board in the effective performance of its duties.

Directors' profile appears on pages 4 to 6.

The Company understands the importance of having a unitary Board which consists of an appropriate combination of executive, independent and non-executive directors with the right balance of skills, experience and diversity. The non-executive directors come from diverse business backgrounds so as to ensure a blend of knowledge, skills, objectivity, integrity, experience and commitment to make sound judgements on various key issues relevant to the business of the Company, independently of Management.

The Chairperson of the Board and the Chairperson of Board Committees are all carefully selected for their relevant knowledge and experience in these key governance roles. The Company has complied with the statutory number of directors required as at 30 June 2018. Mr N E S S Hussennee was a director up to on 27 August 2018 and procedures for his replacement have been initated.

As at 30 June 2018, out of the seven members of the Board, four were independent, one was non-executive and two were executive directors. The non-executive director does not have involvement in the operations of the Company. One of the directors was a former employee and an executive director of the Company.None of the appointed independent directors were employed by the Company during the past three years. Some of the non-executive directors have been appointed to the Board as representative of the substantial shareholders of the Company. The appointed members of the Board are ordinarily resident in Mauritius.

The Company has a Board Charter which may be reviewed by the Board as and when required.

Gender balance of the board

The Code provides that organisations should have directors from both genders as members of the Board i.e at least one male and one female director. As at 30 June 2018, the Company's Board comprised of one female director.

Other directorships held by members of the Board

Mr J M C G Chaperon - State Insurance Company of Mauritius Ltd, SICOM General Insurance Ltd, SICOM Global Fund Ltd and SICOM Management Ltd

Mrs K G Bhoojedhur-Obeegadoo - State Insurance Company of Mauritius Ltd ,SICOM General Insurance Ltd, SICOM Global Fund Ltd, SICOM Management Ltd and MCB Group Limited

Mr B I R Ramdhonee – SCL Management Services Ltd

Mr D K Gopy - Stock Exchange of Mauritius Ltd and Cyber Properties Investments Ltd

Attendance at Board meetings and Committees meetings

All directors are committed to attending the Board meetings and Sub Committee meetings on which they serve. Below is a record on the Board and Committees meetings held during financial year 2017/2018.

Board Composition	Classification	Board	Audit Committee	Risk Management/ Conduct Review Committee	Investment Committee
№ of Meetings held		5	4	4	-
Directors' attendance during their period of directorship					
Mr S Sakurdeep	Independent	5 of 5	4 of 4	4 of 4	-
Mrs K G Bhoojedhur-Obeegadoo	Non-Executive	4 of 5	-	3 of 4	-
Mr J M C G Chaperon (as from 22 December 2017)	Executive	1 of 2		-	-
Mr D K Gopy	Executive	5 of 5			
Mr N E S S Hussenee (up to 27 August 2018)	Independent	5 of 5	4 of 4	4 of 4	-
Late Mr S Nemchand (up tp 26 September 2017)	Non-Executive	1 of 2			-
Mr B I R Ramdhonee	Independent	5 of 5	4 of 4	4 of 4	-
Mr N Seewoochurn (as from 23 October 2017	Independent	2 of 3			-
Mr Y S Yip Wang Wing, C.S.K (up to 04 July 2017)	Non-Executive	-			-

BOARD COMMITTEES

Board Committees have been established in order to assist the Board in its roles and responsibilities and to enhance its efficacy. The Board has established the following Committees to assist it in the discharge of its responsibilities:

- Audit Committee
- Risk Management/ Conduct Review Committee
- Investment Committee

The following Committees established under the Board of the Holding Company, look at matters pertaining to the Company:

- Corporate Governance
- Staff Committee

Each Board Committee has its own charter, approved by the Board and reviewed as and when required.

1. Audit Committee

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities related to corporate accounting, financial reporting practices, quality and integrity of financial reports, compliance, risk management and business ethics. Key components of fulfilling this charge include:

- Facilitating and maintaining an open avenue of communication among the Board of Directors, Audit Committee, Senior Management, the external auditor and the internal audit staff.
- Serving as an independent and objective party to monitor the Company's financial reporting process and internal control system.
- Providing direction to and oversight of the Internal Audit function.

During the financial year 2017/2018, the Committee met four times.

Members	Category
Mr N E S S Hussenee (Chairperson)	Independent director
Mr B I R Ramdhonee	Independent director
Mr S Sakurdeep	Independent director

It is to be noted that Mr N E S S Hussenee was a director up to 27 August 2018.

As at 30 June 2018, the composition of the Audit Committee was in line with the Bank of Mauritius Guideline on Corporate Governance.

2. Risk Management/Conduct Review Committee

The Risk Management/Conduct Review Committee monitors all related party transaction issues of the Company. Related party transactions are disclosed in note 25 of the financial statements for the financial year ended 30 June 2018. The Risk Management/Conduct Review Committee also advises the Board on the Company's overall current and future risk appetite and reports to the Board on the state of risk culture in the financial institution.

During the financial year 2017/2018, the Committee met four times.

Members	Category
Mr B I R Ramdhonee (Chairperson)	Independent director
Mr N E S S Hussenee	Independent director
Mr S Sakurdeep	Independent director
Mrs K G Bhoojedhur-Obeegadoo	Non-executive director
Mr J M C Gilles Chaperon	Executive director

It is to be noted that Mr J M C Gilles Chaperon was appointed as member on 15 February 2018 while Mr N E S S Hussenee was a member up to 27 August 2018.

3. Investment Committee

The Investment Committee of the Company lays down and reviews investment strategy, that is, the Committee has the objective of selecting investments and investment products to yield superior returns within a present risk management structure. It also takes key investment decisions and ensures that investments are in all respect reasonable and proper. Moreover, the Committee monitors and reviews investment performance.

There was no meeting of the Investment Committee during the financial year and the items usually considered by the Committee were dealt with at the level of the Board

Members	Category
Mrs K G Bhoojedhur-Obeegadoo	Non-executive director
Mr J M C Gilles Chaperon	Executive director
Mr D K Gopy	Executive director
Mr N E S S Hussenee	Independent director
Mr B I R Ramdhonee	Independent director
Mr S Sakurdeep	Independent director
Mr N Seewoochurn	Independent director

It is to be noted that Mr J M C Gilles Chaperon and Mr N Seewoochurn were appointed as members on 22 December 2017 and 23 October 2017 respectively while Late Mr S Nemchand and Mr N E S S Hussenee were members up to 26 September 2017 and 27 August 2018 respectively.

The criteria to determine the Board size and composition will be finalised during the financial year 2018/2019. A Group Non-Discrimination Policy will also be adopted.

Principle Three – Directors Appointment Procedures

There should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. The search for Board candidates should be conducted, and appointments made, on merit, against objective criteria (to include skills, knowledge, experience, and independence and with due regard for the benefits of diversity on the Board, including gender). The Board should ensure that a formal, rigorous and transparent procedure be in place for planning the succession of all key officeholders.

Upon his or her election, each director receives an induction pack which consists of the Company's corporate information, the Constitution of the Company, the Code, latest Annual Report, Board Charter, Charters of Sub-Committees, Code of Ethics for Directors and statutory duties and responsibilities of Directors.

Appointment

The appointment of new directors is on the basis of objective criteria such as skills, knowledge, experience, independence and with due regard for the benefits of diversity on the Board, including gender and in the best interest of the Company. Each director is elected by a separate resolution at the Annual Meeting of Shareholders, for one year but may be eligible for re-election.

A recommendation to the Annual Meeting of Shareholders for a candidate for the Board shall state particulars including the candidate's age and his/her profession.

Before a director is appointed, members of the Corporate Governance Committee will review the profile of the prospective director and make their recommendations to the Board. The Board agrees on each appointment. Once a prospective director has been selected, his/her appointment is put forward to the shareholders at the Annual Meeting or by way of resolution for appointment. The appointment of any director is subject to the approval of the Bank of Mauritius and the Financial Services Commission.

It is to be noted that, in accordance with the Constitution of the Company, directors may appoint any person to be a director to fill a casual vacancy or as an addition to the existing directors but the total number of directors shall not at any time be less than seven (7) nor more than nine (9).

As part of its mandate, the Board carefully considers the needs of the organisation in appointing directors onto the Board. Factors considered include the following:

- Skills, knowledge and expertise of the candidate;
- Previous experience as a director;
- Balance required on the Board such as gender and age;
- Independence where required;
- Conflicts of interest.

Once a prospective non-executive director is appointed , he/she will be given a letter of appointment.

Training and Development

During the financial year 2017/2018, trainings on corporate governance, International Financial Reporting Standard (IFRS) 9 were delivered to directors.

The Company has a Director Selection and Orientation policy in line with the Guideline of the Bank of Mauritius.

A succession plan for directors and senior executives will be formalised during the financial year 2018/2019.

Principle Four – Directors Duties, Remuneration and Performance

Directors should be aware of their legal duties. Directors should observe and foster high ethical standards and a strong ethical culture in their organisation. Each director must be able to allocate sufficient time to discharge his or her duties effectively.Conflicts of interest should be disclosed and managed. The Board is responsible for the governance of the organisation's information, information technology and information security. The Board, Committees and individual directors should be supplied with information in a timely manner and in an appropriate form and quality in order to perform to required standards. The Board, Committees and individual directors should have their performance evaluated and be held accountable to appropriate stakeholders. The Board should be transparent, fair and consistent in determining the remuneration policy for directors and senior executives.

Legal Duties

All of the Directors on the Board including any alternate Directors, are aware of their fiduciary duties at the time of their appointment. As stated in Principle Three, upon appointment, new directors are given a copy of the Constitution and the relevant extracts of the Companies Act 2001 regarding their statutory duties and responsibilities.

Code of Ethics

The Group's Code of Ethics for Directors and the Group's Code of Ethics for Employees were approved by the Board of the Holding Company and published on the Group's website. Both directors and employees are made aware of the requirements of the respective Code.

Conflicts of Interest

As a PIE, the Company makes every effort to ensure that directors disclose any interest in writing to the Board. They should also disclose any related party transactions. An interest register is maintained by the Company Secretary and is updated as and when required. The register may also be made available to the Shareholders of the Company upon request to the Company Secretary.

It is also to be noted that at the end of each financial year, directors are requested to fill in a disclosure of interest form.

The Company adheres to its Policy on Related Party as per the Guideline on Related Party Transactions issued by the Bank of Mauritius. The Company's top six related parties for the financial year ended 30 June 2018 were Rs 245.9 million, Rs 60.1 million, Rs 20.3 million, Rs 14.9 million, Rs 6.5 million and Rs 2.6 million. These balances represented 58.7%, 14.3%, 4.9%, 3.6%, 1.6% and 0.6% respectively of Tier 1 Capital. Approval was obtained from the Bank of Mauritius for exposures exceeding required limits.

Information Technology and IT Security

The Group's Information Security Policy is a key component of the Company's overall information security management framework and reflects Management intents on information security commitments. The aim of this policy is to establish and maintain the security and confidentiality of information, information systems, applications and networks owned or held by the Group. In this respect, security solutions are being deployed to keep abreast of new security threats. The policy applies to all information, information systems, networks, applications, locations and users of the Group or suppliers under contract to it.

Assessment and Evaluation of Board Members

The directors forming part of the Board, especially those who are members of the Board Committees, have been appointed in the light of their wide range of skills and competence acquired through several years of working experience and professional background. The Company has a Policy on the Evaluation of the Board in line with the requirements of the Bank of Mauritius. The procedure for the evaluation of the Board has been initiated and will be completed shortly.

The Policy on the Evaluation of the Board, and the Policy on Related Party Transactions will be reviewed, and a Remuneration Policy will be developed at Group Level in line with the Code during the financial year 2018/2019.

Principle FIVE- Risk Governance and Internal Control

The Board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management.The Board should ensure the maintenance of a sound internal control system.

RISK MANAGEMENT

Enterprise Risk Management

The Board of Directors is responsible for the governance of risk and for determining the nature and extent of the principal risks the Company is willing to take in achieving its strategic objectives.

The objective of the Enterprise Risk Management ('ERM') Program is to support the Board of Directors' efforts to prudently run the Company by consistently and effectively identifying, assessing, managing, monitoring and reporting all material risks facing the Company. A fully integrated ERM framework enables an enhanced understanding of the Company risk profile by providing a platform for analysing the interrelationship between risks.

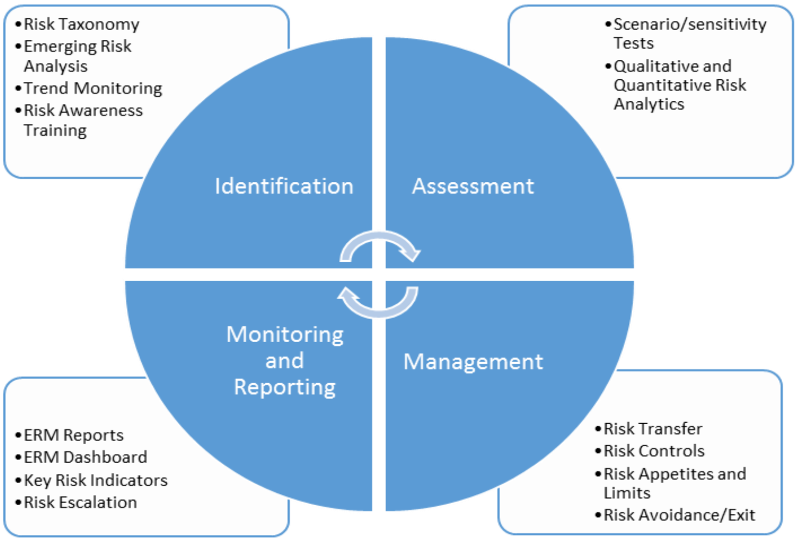
Risk Management Process

The risk management process ('RMP') refers to the continuous cycle of identifying, assessing, monitoring, managing and reporting of risks, as applicable. The RMP is the cornerstone of any ERM framework and is formalised in the form of a risk register.

The risks were identified and classified in a consistent manner across the organisation with reference to the Company's Risk Taxonomy. The inherent risks that were identified were then assessed in terms of their probability of occurrence, their financial impact as well as their reputational impact. A corresponding rating was given for the residual risk along with a control description of how each risk identified is being mitigated, together with improvement plans. The monitoring frequency of risks differs and is stipulated in the risks registers.

Risk Management Process (Cont'd)

Below is a high-level depiction of the ERM processes embedded within the day-to-day business operations of the Company to manage its risk exposure.



Risk Language and Taxonomy

A common Risk Language and Risk Taxonomy is established which acts as a reference point to any ERM framework. The Common Risk Language ensures that a single source of all risk-related definitions are provided within the Company and seeks to embed a risk language that is consistent within the organisation. The risk language further aims to enable effective communication of risk related issues within the Company and facilitates the integration of various risk-related frameworks and policies that are developed as part of any regulatory requirements and global best practice. The Risk Taxonomy refers to the structured process followed by the Company in classifying risks and breaking them down into subcomponents. The Taxonomy includes the definition and categorisation of the material risk types and sub risk types to which the Company is exposed.

Risk Management Function

The Risk Management Function coordinates and oversees risk management activities, processes, and controls and their implementation across the Company. The function's core responsibility is ensuring that the Company has an effective best practice risk governance system, enabling the identification and management of all key risks, current or emerging. This requires the Risk Management Function to monitor the risk management framework and the internal control framework in order to identify any material shortcomings and provide possible solutions.

In addition, the function continually reviews the most effective risk management tools, techniques, concepts, and approaches to make sure that the Company has a robust and effective risk governance system.

An Internal Risk Committee ("IRC") is in place which includes membership from all key business units and subsidiary companies. The IRC meets as frequently as necessary to review the management of current and emerging risks and provide guidance for areas of focus. The IRC is responsible to ensure that risk appetites and tolerances for key risks are properly managed and reported.

Three lines of Defence

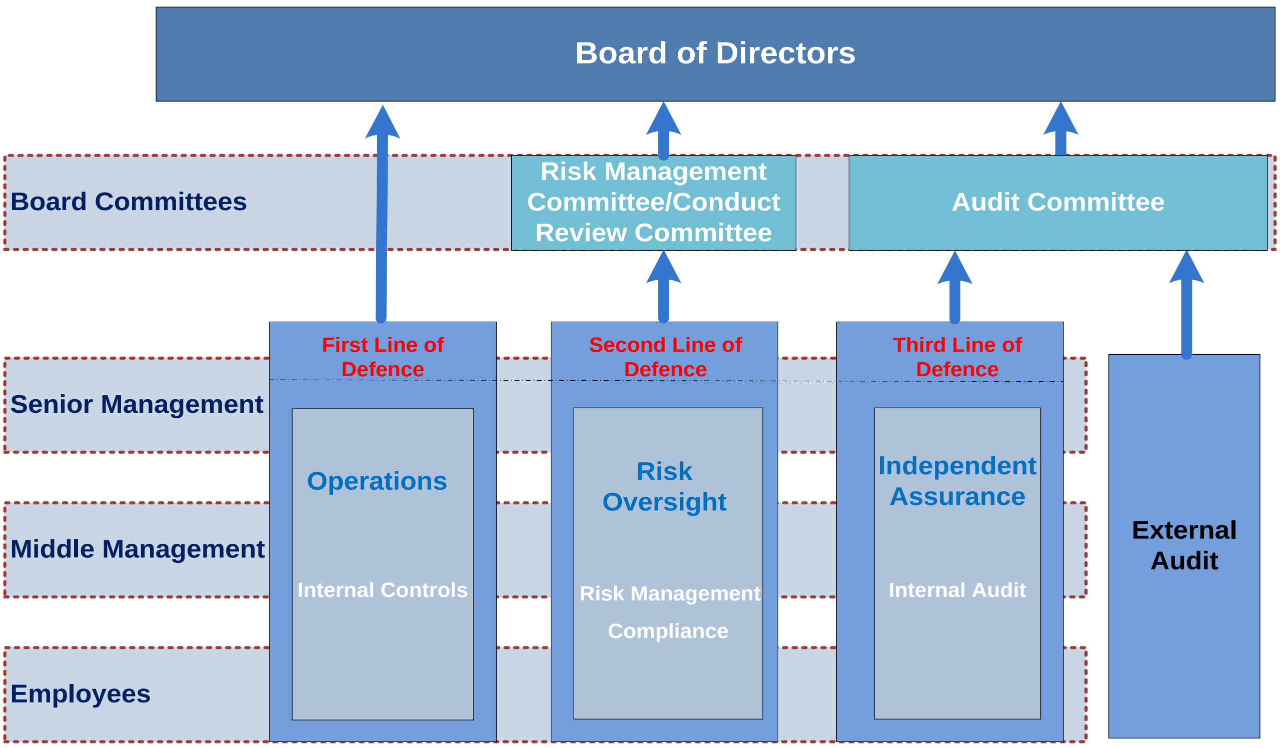
There are a variety of risk management models necessitated by the need to tailor the risk management approach to each organisation's risk profile and the Three Lines of Defence Model is adopted by the Company.

The Three Lines of Defence Model is one of the leading models implemented by many companies with best practice frameworks and recommended by many regulatory regimes. With the Three Lines of Defence Model, key functions and operations are grouped into three categories or lines of defence depending on their specific roles and responsibilities. For each line of defence, the corresponding functions' roles and responsibilities are defined such that they align with that particular line of defence.

Risk management relates to all activities undertaken by the Company. Consequently, all areas and employees have a risk management role to play in order to have an effective system of governance.

The model is depicted graphically below.

Three Lines of Defence Model



First Line of Defence: Operations

The First Line of Defence comprises of all functions that own and manage risks on a day to day basis. These functions are responsible for identifying, assessing and managing risks on an ongoing basis. They would also report on any risk-related issues or concerns.

Second Line of Defence: Oversight

Oversight functions are necessary to avoid potential conflicts of interest and lack of impartiality. This line of defence is comprised of the Risk Management and Compliance functions, which oversee the management of risks by Operations but are not involved in the day to day operations of the Company. The roles and responsibilities of the Second Line functions are to assist the Company to identify, assess, monitor, manage and report on its key risks in a timely manner by overseeing the ERM Program, and to ensure that the Company meets its legal and regulatory obligations and to promote and sustain a culture of compliance within the Company.

Third Line of Defence: Independent Assurance

The Third Line of Defence, which has the highest level of independence achievable internally, is responsible for independently reviewing the effectiveness of the risk governance system. This line is comprised of the Internal Audit function. Internal Auditors provide comprehensive assurance based on utmost independence and objectivity.

Risk Culture

Risk culture is the backbone that holds the ERM framework together, embedding risk management in all business processes. The Company is committed to establishing a supportive risk culture which is underpinned by the following principles and practices:

- The risk culture is set from the top.
- Key decisions fully incorporate risk analysis. The Board and Management receive input from risk owners and risk experts.
- Proactive responses towards risk should be encouraged across the organisation.
- An “open-door” environment is cultivated and information flows as freely as possible given confidentiality requirements.
- Organisational learning is actively encouraged making sure that the Company learns from experience inside and outside the Company.
- Management and risk owners have been provided with risk-related training. Ongoing training will be given to ensure all employees have the necessary knowledge to perform risk management effectively and optimally.

Management of Key Risks

Credit risk

Credit risk may arise if the loans and leases given become non-performing. The Company has internal procedures to ensure that facilities provided are within set risk parameters. Moreover, a close monitoring of loan and lease repayments is made to minimise credit risk. Moreover, a credit/arrears committee is held on a regular basis.

by industry sector

Total finance lease as at 30 June 2018, classified by industry sectors:

Name of Sector	2016 (Rs)	2017 (Rs)	2018 (Rs)
Retail	312,772,795	324,030,824	344,869,883
Corporate	113,344,781	116,057,371	115,971,063
Total	426,117,576	440,088,195	460,840,946
Percentage of Tier 1 Capital	102.03%	104.40%	110.05%

Industry wise breakup on the credit quality in the current year is as under:

	Gross amount of loans (Rs)	Specific provision (Rs)	General Provision (Rs)	**2018** Total Provision (Rs)	**2017** Total Provision (Rs)	**2016** Total Provision (Rs)
Agriculture and fishing	-	-	-	-	168	2,488
Manufacturing	2,606,077	-	26,061	26,061	43,947	61,938
Transport	38,018,225	1,406,464	366,117	1,772,581	1,824,107	919,315
Construction	13,291,735	-	132,917	132,917	119,759	120,369
Personal	344,869,883	3,055,273	3,348,913	6,404,186	4,744,300	3,342,929
Financial & business services	8,354,787	-	83,548	83,548	71,760	108,009
Global Business Licence holders	8,455,465	-	84,555	84,555	36,867	43,208
Education	1,518,965	-	15,190	15,190	22,408	28,686
Tourism	1,182.053	-	11,820	11,820	13,902	5,109
Information, Communication and Technology	4,661,450	-	46,615	46,615	42,956	53,617
Others	37,882,306	-	378,822	378,822	449,318	336,429
Total	**460,840,946**	**4,461,737**	**4,494,558**	**8,956,295**	**7,369,492**	**5,022,097**

Management of Key Risks

Details of Business Loans

	2016 Rs	2017 Rs	2018 Rs
Unsecured loan to holding Company bearing interest rates of 9% (2017 & 2016 :9%) p.a with monthly capital repayments	339,497,178	294,802,692	245,915,555
Percentage of Tier 1 Capital	81.29%	69.35%	58.72%

The above loans were the only credit exposure to a Related Party.

Interest rate risk

As the liabilities of the Company are mainly fixed deposits, over the term of the deposits it is aimed as far as possible to match these liabilities with an appropriate fixed interest rate investment with a similar term. Hence, there is a minimisation of risks as both the interest rate and time components of the liabilities are being catered for.

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient marketable assets that can be realised to meet financial obligations.

The management of liquidity risk by the Company is underpinned by three main areas of focus:

- To have a dedicated allocation to highly marketable assets
- To have a diverse base of deposits in terms of profile and deposit period
- To have a tight control on cash flow management

Operational risk

Operational risk could arise, inter alia, from inadequate or failed processes, insufficient internal control systems, human error and fraud.

The Company has also adopted a Whistle Blowing Policy in line with the Bank of Mauritius Guideline.

Strategic risk

Strategic risk would arise if there is a significant change in the financial market structure that would force the Company to change its business plan, resource allocation and strategic direction.

To monitor this risk the Company regularly :

- Analyses the markets trends
- Communicates with Regulators as required
- Assesses its 3- Year Strategic Plan and its annual action plan
- Measures its performance relative to its budget

Compliance risk

The Compliance function is outsourced at Group level and regular reviews are conducted to monitor the complany's compliance with the rules, regulations, codes and the guidelines of the Bank of Mauritius and FSC.

Principle Six – Reporting with Integrity

The Board should present a fair, balanced and understandable assessment of the organisation's financial, environmental, social and governance position, performance and outlook in its Annual Report and on its website.

The annual report is published in full on the Company's website: www.the company.mu

Company Overview

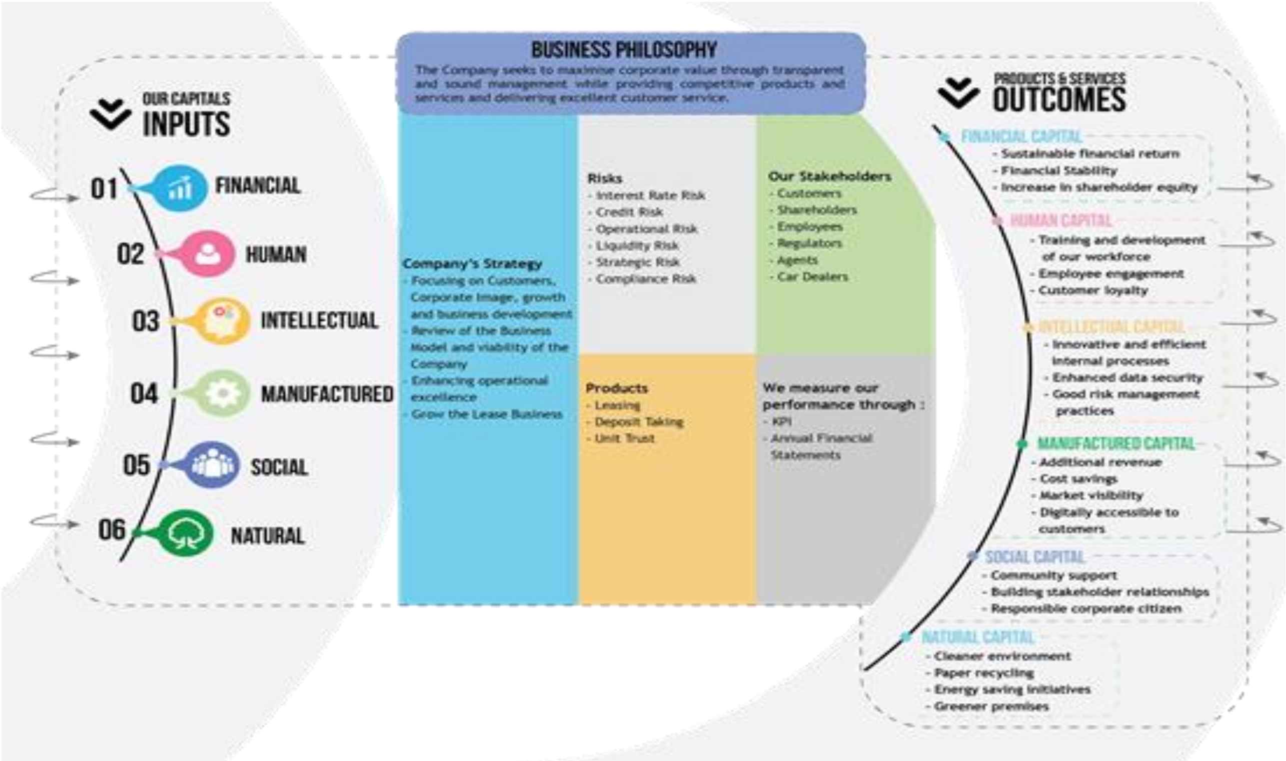
The Company is actively engaged in depository and investment business activities and holds a deposit taking license as a 'Non-Bank Financial Institution'. The Company also transacts leasing business and manages SICOM General Fund and SICOM Overseas Diversified Fund, which are constituted under the SICOM Unit Trust.

ULTIMATE HOLDING COMPANY

The Company's operations rely on a number of resources and their interactivity. Our business model shows how the Company makes use of them before transforming them to create value for the various stakeholders. These inputs are categorised into six capitals which are relevant to the Company's business namely financial, human, intellectual, manufactured, social and natural capitals. The Company's activities impact on the six capitals and its various stakeholders while facing key risk elements in its different lines of business namely Leasing, Deposit Taking and Unit Trust. The outcomes are measured through different Key Performance Indicators (KPIs).

The business model below enunciates our operations and how we deliver value to stakeholders and economic benefits to society.

BUSINESS MODEL



Financial Capital

The Company invests in its strategy from internally generated funds. These are used to sustain income and financial returns of the Group, reinforce its financial stability and on a broader scale, contribute to growth of the financial services industry.

Human Capital

Human capital is an asset for the Company as the skills, knowledge and approach of its people are vital to the success of the business. At Group level, the agents are rewarded for their outstanding performance on an annual basis. Our frontline staffs are trained to better serve our clients and back-office employees are encouraged to become more tech-savvy. The Company has been committed to recruit high level professionals with appropriate knowledge, experience and qualifications since the past years in order to drive projects ahead for tangible actions. The outcome of managing our human capital is a rewarding employee trust and confidence in the Company and customer loyalty.

Intellectual Capital

The Company makes use of intellectual assets to ensure the best possible performance and operational efficiency. The Group continuously invests in technology solutions and IT tools to help manage documents, facilitate knowledge sharing, improve delivery of services to customers, and safeguard customer and corporate data. A risk management framework is also being developed in order to pool risks faced by the Group. These provide the Group with a competitive advantage that contribute to reinforce our brand and image.

Manufactured Capital

The Group makes use of manufactured capitals such as physical buildings and IT infrastructure to carry out its business activities. Apart from the Head Office building, SICOM also owns SICOM Building 2 and SICOM Tower to generate revenue for the Group and value for shareholders. The Group also plans to invest in digital infrastructure for new distribution strategies which will underpin its visibility on the market and enable customers to connect with it online.

Social Capital

For the Company, relationships with the various stakeholders such as customers, shareholders, employees, agents and government, regulators and the community are of key importance. Through its activities, products and services, it builds relationships to further the business. At Group level, SICOM associates with Non Governmental Organisation ("NGOs") on different projects relevant to its CSR objectives. Being critical to our success, we, therefore, maintain excellent relationship with our different partners in business and support vulnerable communities as a way of giving back to society.

Natural Capital

At Group level, the use of natural capitals relies predominantly on electricity, water and paper. Given the nature of financial services, the Group's direct impact on the environment is relatively low. However, the Group is committed to demonstrate sound environmental practices such as recycling paper, starting energy audits, keeping the office environment clean and planting flowers and trees around our head office and parking area of SICOM Tower Ebene.

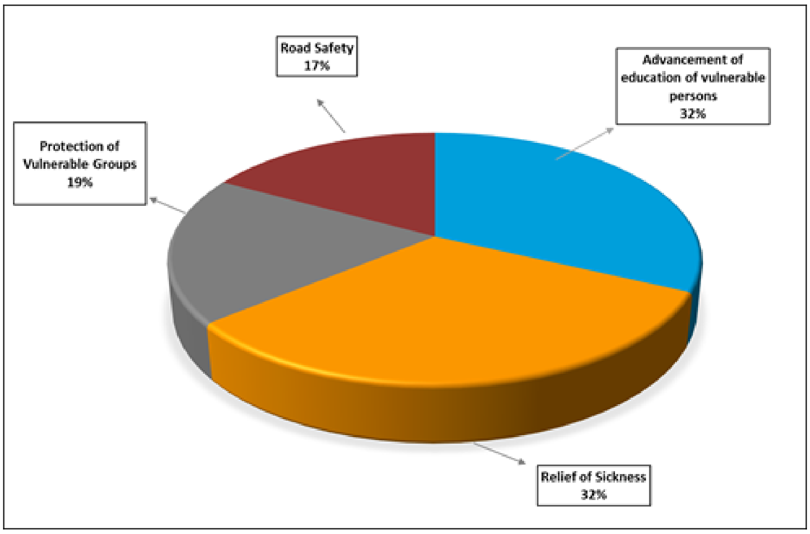
Environmental Report

The Holding Company through several initiatives has maintained its action towards the improvement of the environment. Paper usage is being controlled through close monitoring and reporting. Maximum use is made of online bank transfer facilities to minimise the printing of cheques. Support departments make use of helpdesk systems to limit paper usage and scanners have been deployed to all departments. Used paper is being disposed of for paper recycling. Document Management Solution (DMS) has been implemented to reduce consumption of stationary. Printers that can print in duplex mode (recto-verso) are procured to ensure less consumption of paper and storage space.

As part of the Group's contribution to promote energy efficiency, several measures have been undertaken. All the glazing in lift lobbies have been replaced to optimise use of natural daylight. Worn out insulation for air conditioning units have been replaced where required to reduce energy losses in chilled water pipes. Passive infra-red sensors and LEDs have been prescribed for renovation projects to enable energy saving and to reduce costs.

Corporate Social Responsibility

In accordance with the Finance (Miscellaneous Provisions) Act 2017, 50% of the CSR Fund of the Company has been remitted to the Mauritius Revenue Authority (MRA) and remaining 50% amounting to Rs 299,154 has been transferred to SICOM Foundation, the dedicated vehicle responsible for the efficient and effective implementation of the Group's CSR initiatives. During the year under review, SICOM Foundation has provided support to NGOs by financing 15 projects to the tune of Rs 3 million, for initiatives in favour of the advancement of education of vulnerable persons, Relief of sickness, Protection of vulnerable groups and Road Safety.The Foundation also supported Link to Life, an NGO engaged in the fight against cancer, for the free transport of vulnerable children suffering from cancer for their treatment at the hospital, through our annual charity walk and run - SICOM Les Foulées de L'Espoir which was held in October 2017.



Health and Safety Report

It is the policy of the Company to ensure a safe and healthful workplace for all its employees and clients. It is through the Safety and Health Committee meeting at Group Level ,that employees voice out their opinions, ideas and find solutions to their complaints. All employees are encouraged to participate in safety and health program activities including the following: identifying and reporting hazards, risk assessments and fire drills.

Human Resource Development

As a dedicated and responsible employer, the Company advocates an employee-centered environment with focus on staff welfare and the work-life balance of its people. And in line with same, a series of staff initiatives such as awareness talk on health related issue, medical screening by 'Caravane de Santé', vaccination against flu, 3D movie projection for staff and their family, end of year party and celebration of 50th Independence anniversary have been carried out during the financial year was organized at Group Level.

Voluntary Retirement Scheme

The SICOM Group has successfully implemented a Voluntary Retirement Scheme ('VRS') in October 2017 as part of a restructuring exercise to support its long term strategic objectives.

Code of Ethics

The Company is committed to ethical practices in the conduct of its business and its Code of Ethics sets out standards of business behaviour for its employees.

Donations

The Company did not make any political donation during the year.

Dividend Policy

The Company's objective is to provide value to its shareholders through an optimum return on equity. The current policy of dividend distribution is a minimum of 25% of the profit after tax of the Company. During the year under review, the Board has declared and approved a dividend of 85% of the profit after tax. During the financial year ended 30 June 2018, the Company declared a dividend of Rs 0.89 (2017: Rs 1.00) per share.

Share Price Information

As the Company is not listed, share price information is not available.

Employee Price Information

The Company does not have any share option plan for its employees.

The Company is pursuing its plan to enhance its integrated reporting framework in line with Principle Six of the Code.

Principle Seven - Audit

Organisations should consider having an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board and the management. The Board should establish formal and transparent arrangements to appoint and maintain an appropriate relationship with the organisation's internal and external auditors.

Directors' Responsibilities

The Directors are responsible for the fair preparation of the financial statements in accordance with International Financial Reporting Standards and all the requirements of the Companies Act 2001, the Banking Act 2004 and Financial Reporting Act 2004 and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Any deviations on the above will be reported in the independent auditor's report attached to the financial statements.

Internal Audit

The Internal Audit function of the Company is outsourced to the Internal Audit Department of the SICOM Group. The Internal Audit function has the overall responsibility of providing independent and objective assurance designed to add value and improve the Company's operations. The scope of work of the Internal Audit function is to enable the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its risk management, control, information systems and governance processes.

The Internal Audit function reports to the Audit Committee and it derives its authority from the Board through the Audit Committee. The Internal Audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management. It is not responsible for the implementation of controls.

The Internal Auditor has a direct reporting line to the Audit Committee and maintains an open communication channel with Management. He has unfettered access to the records, management or employees of the Group. This reporting structure allows the Internal Auditor to remain independent and report all items of significance to the Audit Committee.

The Internal Auditor's profile is available on SICOM Group's website.

The scope of work of the Internal Audit function encompasses: -

- Assessing financial and operating information and the means used to initiate, authorise, record, process and report such information to validate the reliability and integrity of the process;
- Ascertaining the extent of compliance with good internal accounting controls; established policies and procedures; laws and regulations;
- Reviewing the means to safeguard assets as well as the adequacy and effectiveness of applicable policies and practices;
- Appraising the economy and efficiency with which processes are executed and resources are employed;
- Reviewing operations and programs to ascertain whether results are consistent with established objectives.
- Participating in special projects as directed by corporate management.

The Internal Audit plan, which is approved by the Audit Committee, is based on the principles of risk management to ensure that the scope of work is aligned with the degree of risks attributable to the areas audited. The internal audit plan of the Company forms part of SICOM Group's internal audit plan and during the financial year ended 30 June 2018, internal audit reviews were conducted on the following areas :-

1) Investments and Investment Income
2) Credit Lease Monitoring and Submission of Returns to Bank of Mauritius through XBRL system

No major weaknesses were noted in the reviews carried out.

Principle Seven – Audit (Cont'd)

External Audit

The Audit Committee and External Auditors

The roles and responsibilities of the Audit Committee members in the external audit process are to:

- Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual Meeting of Shareholders, in relation to the appointment, re-appointment and removal of the Company's external auditor.
- Meet with the external auditor and management of the Company to review the scope of the proposed external audit for the current year.
- Review performance and remuneration of external auditors and their provision of non-audit services.
- Assess the external auditor's independence in providing non-audit services.
- Meet with the external auditor, as and when required and at least once a year, without Management being present to discuss the auditor's remit and any issues arising from the audit.
- Review the appropriateness of accounting standards and make appropriate estimates and judgements taking into account the views of external auditors.
- Examine and review the quality and integrity of the financial statements, including the Annual Report.

Appointment of External Auditors

The contract with the previous external auditors, BDO & Co, expired as at the reporting financial year ended 30th June 2017 and a tender exercise was launched for provision of Audit and Taxation services for the SICOM Group. After evaluation of bids received and recommendation by the Audit Committee, the Board approved the appointment of Ernst & Young as the external auditors of the SICOM Group for the reporting periods 2018 to 2022.

Audit fees and fees for other services

	2018	2017
	Rs'000	Rs'000
Statutory Audit	**500**	322
Review of Tax Computation	**60**	34

The report of Ernst & Young, external auditors, is annexed to the financial statements of the Company.

Quality Assurance

The Quality Management System in place in the Company is continually being improved, through its dedicated and motivated workforce, with main focus on our clients, our people and other stakeholders. Our workforce and Management consistently work towards ensuring that the Quality Objectives of the Company are met with the prime objective of maximising our shareholder's value.

The Quality Policy of the Company is set out on page 2.

Principle EIGHT – Relations with Shareholders and Other Key Stakeholders

The Board should be responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders. The Board should respect the interests of its shareholders and other key stakeholders within the context of its fundamental purpose.

The Company is a public company under the Companies Act 2001 with the State Insurance Company of Mauritius Ltd being the major shareholder. It transacts deposit taking and leasing business and is regulated by both the Bank of Mauritius and the Financial Services Commission.

Corporate governance is the framework by which institutions are directed and controlled, that is, it takes into consideration relationships between a company and its different stakeholders. Thus, we strive to maintain effective relationships with our various stakeholders.

Shareholders

1. Shareholding structure

As at 30 June 2018 the following Shareholder held more than 5% of the ordinary share capital of the Company:

	% Holding
State Insurance Company of Mauritius Ltd	99

2. Shareholders communication

The Company holds an annual meeting of shareholders and all the shareholders are required to express their vote on matter includingfor the approval of accounts, approval of dividend and appointment/re-appointment of directors.

Stakeholders

The Company's other key stakeholder groups are:

1. Clients

The Company places its customers at the centre of its activities. It provides increasingly adapted and simplified products to its clients and caters for all income groups. It continually reviews its processes, procedures and systems to improve the ease of doing business for its customers. The Company has in place different channels through which a customer may transact and obtain any required information, namely through its Post-Assurance Hubs, Ebene Branch, , on-line platform, email, the Company's website, by phone and directly at the head office.

The Company ensures that its staff members and intermediaries possess the necessary skills, experience and knowledge to better serve its customers with transparent advice and timely service delivery while abiding to all relevant legislations, rules, codes and guidelines.

2. Employees

The Company maintains a constant dialogue with its employees through departmental meetings, the Comité d'Entreprise which cuts across the entities of the Group and on a more frequent basis, through the Employee Hub which posts communiqués from Management and also serves as a platform for employees to express opinions and suggestions.

Employees are also regrouped under the SICOM staff club. The staff club has recently been revived and more activities are expected and these will supplement the staff welfare activities regularly organised by the Company.

Training needs of employees are regularly assessed and addressed. It is expected that the personal development needs of employees will be the subject of discussions during the new performance management system which is being implemented. More emphasis is being put on human resource development as a key contributor to ensuring organisational effectiveness.

3. Regulators

We view our relationship with the regulators as critical to the success of our Company and the sustainability of our brand. We view this relationship as key partnerships to ensure that we uphold and maintain global best practices with full transparency.

4. Introducers

The Company engages with introducers who are involved in the selling of car leasing and deposit taking products.

5. Car Dealers

To increase the lease business of the Company, much reliance is placed on car dealers be it for new or second hand vehicles.

Statement of Directors's Responsibilities

Directors acknowledge their responsibilities for:

i. adequate accounting records and maintenance of effective internal control systems,

ii. the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year 2017/2018 and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards, and

iii. the selection of appropriate accounting policies supported by reasonable and prudent judgements.

The External Auditors are responsible for reporting on whether the financial statements are fairly presented.

The directors report that:

i. adequate accounting records and an effective system of internal controls and risk management have been maintained,

ii. appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently,

iii. to the best of the Board's knowledge, the Company has applied most of the recommendations of the Code and remedial measures will be taken, during the next financial year, to address the parts which have not been complied with during this financial year, and

iv. International Financial Reporting Standards have been adhered to.

Signed on behalf of the Board of Directors:

Chairman

Director

Date 24 SEP 2018

Statement of Management's Responsibility for Financial Reporting

The Financial Statements for the Company's operations in Mauritius presented in this Annual Report have been prepared by Management, who is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act and the Guidelines issued thereunder have been applied and Management has exercised its judgement and made best estimates were deemed necessary.

The Company has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Company's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Company.

The Company's Board of Directors, acting in part through the Audit Committee and Risk Management/ Conduct Review Committee, which are comprised of independent Directors who are not officers or employees of the Company, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Holding Company's Internal Auditor, who has full and free access to the Audit Committee, conducts a well designed program of internal audits in coordination with the Company's external auditors. In addition, the Company's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Company as it deems necessary.

The Company's External Auditors, Ernst & Young, have full and free access to the Board of Directors and its Committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

For and on behalf of the Board of Directors

Chairman　　Director　　Director

Acknowledgements:

The Board of Directors would like to thank its past members for their contributions to the affairs of the Board and would also like to welcome Mr J M C G Chaperon and Mr N Seewoochurn who have been appointed as new members on the Board. The Board of Directors would also like to thank the former Group CEO, Mrs K G Bhoojedhur-Obeegadoo for her invaluable contribution to the Group.

The Board of Directors expresses its appreciation of the support given to all the stakeholders of SICOM Financial Services Ltd by the Government of Mauritius, the Financial Services Commission, the Bank of Mauritius, Bankers, Salesmen and Stockbrokers. The Board of Directors is also thankful to its customers and stakeholders' loyalty and trust and would like to thank Management and staff for their dedicated effort and commitment to the Company.

For and on behalf of the Board of Directors.

Certificate from the Company Secretary

I certify to the best of my knowledge and belief that for the year ended 30 June 2018, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

Mrs Theresa M. LEE SHING PO

Company Secretary

Date: 2 4 SEP 2018

Statement of Compliance
(Section 75(3) of the Financial Reporting Act)

Name of PIE: SICOM Financial Services Ltd
Reporting Period: 30 June 2018

Throughout the year ended 30 June 2018, to the best of the Board's knowledge, the Company has not fully applied Principles One to Four and Six of the Code.

The areas of non-application, which are included in the Corporate Governance Report, are as follows:

- Principle One - Statement of accountabilities of the Sub-Committees' Chairpersons and adoption of Group Corporate Governance Policy
- Principle Two - Board size and composition, and adoption of Group Non-Discrimination Policy
- Principle Three -Directors' orientation process and a succession plan for directors and senior executives
- Principle Four - Review of the Policy on the Evaluation of the Board and the Policy on Conflict of interest and Related Party Transactions and adoption of a Remuneration Policy
- Principle Six - Enhancement of the Integrated Reporting Framework.

S. Sajaurdeep
Chairman

Dk Gopy
Director

Signature

Signature

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SICOM FINANCIAL SERVICES LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SICOM Financial Services Ltd (the "Company") set out on pages 50 to 106 which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises Statement of Management's Responsibility for Financial Reporting, the Secretary's Certificate as required by the Companies Act 2001, the Management Discussion and Analysis, Corporate Governance Report and Statement of Compliance but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SICOM FINANCIAL SERVICES LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SICOM FINANCIAL SERVICES LTD (CONTINUED)

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

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

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

Banking Act 2004

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn and comply with Banking Act 2004 and the regulations and guidelines of Bank of Mauritius.

The explanations or information call for or given to us by the officers or agents of the Company were satisfactory.

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and whether the disclosure is consistent with the requirement of the Code.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

Ernst & Young

ERNST & YOUNG
Ebène, Mauritius

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

Date: 24 SEP 2018

SICOM FINANCIAL SERVICES LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018	2017	2016
			Restated	Restated
ASSETS		Rs.	Rs.	Rs.
Cash and cash equivalents	4	**27,633,256**	101,003,678	46,121,035
Investment securities	5	**374,677,548**	374,171,278	392,111,050
Term deposits	6	**1,534,733,335**	1,720,556,972	2,123,785,214
Loans and advances	7	**246,615,992**	296,613,934	341,675,464
Property, plant and equipment	8	**13,335,019**	17,309,530	17,662,840
Intangible assets	9	**5,054,984**	6,257,115	7,630,217
Net investment in finance leases	10	**451,884,651**	432,718,703	421,095,479
Other assets	11	**9,088,548**	7,498,882	8,591,831
Current tax asset	13(a)	**73,700**	-	-
Deferred tax assets	13(d)	**1,808,190**	81,364	-
TOTAL ASSETS		**2,664,905,223**	2,956,211,456	3,358,673,130
EQUITY AND LIABILITIES				
LIABILITIES				
Deposits from customers	12	**2,168,837,198**	2,463,585,144	2,874,945,264
Current tax liabilities	13(a)	-	645,603	1,141,839
Deferred tax liabilities	13(d)	-	-	521,965
Retirement benefit obligation	15	**8,379,000**	2,268,000	1,443,000
Dividend	16	**17,898,597**	19,906,407	18,369,532
Other liabilities	14	**4,060,424**	2,367,756	2,015,862
TOTAL LIABILITIES		**2,199,175,219**	2,488,772,910	2,898,437,462
EQUITY				
Stated capital	17	**200,000,000**	200,000,000	200,000,000
Retained earnings		**216,742,234**	216,742,234	214,498,384
Other reserves	18	**48,987,770**	50,696,312	45,737,284
TOTAL EQUITY		**465,730,004**	467,438,546	460,235,668
TOTAL EQUITY AND LIABILITIES		**2,664,905,223**	2,956,211,456	3,358,673,130

These financial statements have been approved for issue by the Board of Directors on 24 SEP 2018

Signature	Signature	Signature
S. Sakurdeep	J.M.C. G. Chaperon	D. Gopy
Chairman	Director	Director

The notes on pages 56 to 106 form an integral part of these financial statements.
Auditors' report on pages 47 to 49.

	Notes	2018	2017	2016
			Restated	Restated
		Rs.	Rs.	Rs.
Interest income	19	**156,972,594**	196,112,102	202,436,048
Interest expense	19	**(101,280,600)**	(135,357,748)	(151,981,014)
Net interest income	19	**55,691,994**	60,754,354	50,455,034
Operating lease rental income		**3,673,899**	3,731,934	2,879,425
Fee and commission income		**3,794,360**	3,948,203	4,154,825
Gain on disposal of shares		**1,164,562**	-	-
Dividend income	20	**1,556,358**	1,345,104	1,053,155
Other income		**58,177**	81,840	115,702
		10,247,356	9,107,081	8,203,107
Operating income		**65,939,350**	69,861,435	58,658,141
Allowance for credit impairment	20(a)	**(2,600,410)**	(2,517,842)	(880,639)
Impairment on investment	5	**(107,952)**	-	-
Personnel expenses	21	**(12,708,153)**	(11,688,640)	(9,717,603)
Other expenses	22	**(27,009,381)**	(25,371,716)	(23,335,926)
Profit before taxation		**23,513,454**	30,283,237	24,723,973
Income tax expense	13(b)	**(2,456,281)**	(4,224,110)	(3,741,308)
Profit for the year		**21,057,173**	26,059,127	20,982,665
Transfer for the year to statutory reserve		**3,158,576**	3,908,870	3,147,400
Earnings per share	23	**1.05**	1.30	1.05

The notes on pages 56 to 106 form an integral part of these financial statements.
Auditors' report on pages 47 to 49.

	Notes	2018	2017	2016
			Restated	Restated
		Rs.	Rs.	Rs.
Profit for the year		**21,057,173**	26,059,127	20,982,665
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of post employment benefit obligations	15(a)(vii)	**(6,264,000)**	(972,000)	1,368,000
Income tax relating to components of other comprehensive income	13(d)(ii)	**1,064,880**	145,800	(205,200)
Items that may be reclassified subsequently to profit or loss:				
Increase/(decrease) in fair value of available-for-sale investments	5	**332,002**	1,876,358	(2,988,736)
Other comprehensive income for the year, net of tax		**(4,867,118)**	1,050,158	(1,825,936)
Total comprehensive income for the year		**16,190,055**	27,109,285	19,156,729

The notes on pages 56 to 106 form an integral part of these financial statements.
Auditors’ report on pages 47 to 49.

	Notes	Stated capital	Retained earnings	Other reserves Statutory reserves	Other reserves Investment revaluation	Other reserves Actuarial losses	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2015- As previously reported		200,000,000	224,426,273	41,378,392	6,697,726	(2,002,600)	470,499,791
Restatement			(9,393,622)	(1,657,698)			(11,051,320)
Balance at 1 July 2015 - As restated		200,000,000	215,032,651	39,720,694	6,697,726	(2,002,600)	459,448,471
Profit for the year		-	21,611,212	-	-	-	21,611,212
Restatement		-	(628,547)				(628,547)
Profit for the year- restated		-	20,982,665	-	-	-	20,982,665
Other comprehensive income for the year		-	-	-	(2,988,736)	1,162,800	(1,825,936)
Total comprehensive income for the year- As restated		-	20,982,665	-	(2,988,736)	1,162,800	19,156,729
Dividend	16	-	(18,369,532)	-	-	-	(18,369,532)
Transfer to statutory reserve	18	-	(3,241,682)	3,241,682	-	-	-
Restatement			94,282	(94,282)	-	-	-
Transfer to statutory reserve- As restated		-	(3,147,400)	3,147,400	-	-	-
At 30 June 2016- As restated	Rs.	**200,000,000**	**214,498,384**	**42,868,094**	**3,708,990**	**(839,800)**	**460,235,668**
At 1 July 2016- As restated		200,000,000	214,498,384	42,868,094	3,708,990	(839,800)	460,235,668
Profit for the year		-	23,419,303	-	-	-	23,419,303
Restatement		-	2,639,824	-	-	-	2,639,824
Profit for the year - restated		-	26,059,127	-	-	-	26,059,127
Other comprehensive income for the year		-	-	-	1,876,358	(826,200)	1,050,158
Total comprehensive income for the year - As restated		-	26,059,127	-	1,876,358	(826,200)	27,109,285
Dividend	16	-	(19,906,407)	-	-	-	(19,906,407)
Transfer to statutory reserve	18	-	(3,512,896)	3,512,896	-	-	-
Restatement		-	(395,974)	395,974			-
Transfer to statutory reserve - As restated		-	(3,908,870)	3,908,870	-	-	-
At 30 June 2017 - As restated	Rs.	**200,000,000**	**216,742,234**	**46,776,964**	**5,585,348**	**(1,666,000)**	**467,438,546**

The notes on pages 56 to 106 form an integral part of these financial statements.
Auditors' report on pages 47 to 49.

	Notes	Stated capital	Retained earnings	Other reserves: Statutory reserves	Other reserves: Investment revaluation	Other reserves: Actuarial losses	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2017 - As restated		200,000,000	216,742,234	46,776,964	5,585,348	(1,666,000)	467,438,546
Profit for the year		-	21,057,173	-	-	-	21,057,173
Other comprehensive income for the year		-	-	-	332,002	(5,199,120)	(4,867,118)
Total comprehensive income for the year		-	21,057,173	-	332,002	(5,199,120)	16,190,055
Dividend	16	-	(17,898,597)	-	-	-	(17,898,597)
Transfer to statutory reserve	18	-	(3,158,576)	3,158,576	-	-	-
At 30 June 2018		**200,000,000**	**216,742,234**	**49,935,540**	**5,917,350**	**(6,865,120)**	**465,730,004**

The notes on pages 56 to 106 form an integral part of these financial statements.
Auditors’ report on pages 47 to 49.

	2018	2017	2016
		Restated	Restated
	Rs.	Rs.	Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year	**21,057,173**	26,059,127	20,982,665
Adjustments for:			
Allowance for credit impairment	**2,600,410**	2,517,842	880,639
Impairment of investment	**107,952**	-	-
Interest income	**(156,972,594)**	(196,112,102)	(202,436,048)
Interest expense	**101,280,600**	135,357,748	151,981,014
Income tax expense	**2,456,281**	4,224,110	3,741,308
Dividend income	**(1,556,358)**	(1,345,104)	(1,053,155)
Movement in retirement benefit obligations	**(153,000)**	(147,000)	180,000
Depreciation on property, plant and equipment	**3,287,765**	3,681,710	3,223,280
Amortisation of intangible assets	**1,373,893**	1,373,102	1,373,102
Profit on disposal of investment securities	**(1,164,562)**	-	-
Loss on disposal of property, plant and equipment	**(315,515)**	-	235,000
Loss/(profit) on disposal of repossessed leased assets	**1,204,495**	1,039,941	485,640
Changes in operating assets and liabilities	**(26,793,460)**	(23,350,626)	(20,406,555)
Decrease in term deposits	**212,844,369**	277,638,192	247,224,021
Increase in other liabilities	**1,692,672**	351,894	1,130,777
Interest received	**128,473,955**	319,155,946	282,292,141
Dividend received	**1,354,388**	1,078,022	1,111,280
Interest paid	**(114,159,992)**	(190,875,858)	(164,021,256)
Income tax paid	**(3,837,530)**	(5,177,875)	(4,324,935)
Net cash generated from operating activities	**199,574,402**	378,819,695	343,005,473
CASH FLOWS FROM INVESTING ACTIVITIES			
Other assets	**(447,544)**	(662,207)	(148,885)
Purchase of investment securities	**(1,071,415)**	(156,105,583)	(266,095,347)
Purchase of property, plant and equipment	**(710,212)**	(3,328,400)	(11,406,416)
Proceeds from sale and maturity of investment securities	**2,257,228**	180,000,000	53,600,000
Increase in net investment in finance leases	**(23,955,233)**	(16,956,723)	(57,337,605)
Disposal of repossessed leased assets	**2,218,655**	2,265,873	1,052,428
Proceeds from sale of assets held under operating lease	**1,540,712**	-	765,000
Loans and advances disbursed	**(475,140)**	(77,750)	(87,600)
Loans and advances repaid	**49,473,082**	45,139,281	41,308,046
Net cash generated from investing activities	**28,830,133**	50,274,491	(238,350,379)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits from customers-net	**(281,868,550)**	(355,842,011)	(117,822,177)
Dividend paid	**(19,906,407)**	(18,369,532)	(25,763,103)
Net cash used in financing activities	**(301,774,957)**	(374,211,543)	(143,585,280)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(73,370,422)**	54,882,643	(38,930,186)
CASH AND CASH EQUIVALENTS AT 1 JULY	**101,003,678**	46,121,035	85,051,221
CASH AND CASH EQUIVALENTS AT 30 JUNE	**27,633,256**	101,003,678	46,121,035

The notes on pages 56 to 106 form an integral part of these financial statements.
Auditors' report on pages 47 to 49.

1. GENERAL INFORMATION

SICOM Financial Services Ltd is a public company incorporated in Mauritius on 28th December 1999 and started operations on 26th April 2000. Its registered office and place of business is situated at SICOM Building, Sir Celicourt Antelme Street, Port Louis, Mauritius. The Company is engaged in depository business, investment business and finance and operating lease activities and holds a deposit taking licence as a Non-Bank Financial-Institution. These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of Shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of SICOM Financial Services Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements are presented in Mauritian Rupees.

The financial statements are prepared under the historical cost convention, except that:-

(a) available for sale financial assets and relevant financial assets and liabilities are stated at their fair values; and

(b) held-to-maturity investments, loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS adopted in the year commencing July 1, 2017:

	Effective for accounting period beginning on or after
__Amendments__	
IAS 7 Disclosure Initiative - Amendments to IAS 7	January 1, 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12	January 1, 2017
IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 2	January 1, 2017

The adoption of the above amended standards did not have a material impact on the Company's financial statements.

2.3 Accounting standards and interpretations issued but not yet effective

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Company has not early adopted them and intends to adopt those standards when they become effective.

	Effective for accounting period beginning on or after
__New or revised standards__	
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Accounting standards and interpretations issued but not yet effective (Cont'd)

	Effective for accounting period beginning on or after
New or revised standards	
Amendments	
Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018
Prepayment Features with Negative Compensation - Amendments to IFRS 9	January 1, 2019
IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice	January 1, 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	January 1, 2018
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	January 1, 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	January 1, 2018
IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters	January 1, 2018
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	January 1, 2019
IAS 12 – Income Taxes – Income tax consequences of payments on financial instruments classified as equity	January 1, 2019
IAS 23 – Borrowing Costs – Borrowing costs eligible for capitalisation	January 1, 2019
IFRS 11 – Joint Arrangements – Previously held interests in joint	January 1, 2019

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

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and will be effective as from 1 January 2018. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The impairment requirements will lead to significant changes in the accounting for financial instruments for the Company. The Company will not restate comparatives on initial application of IFRS 9 on 1 July 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial Instruments: Disclosures. Any change in the carrying value of financial instruments upon initial application of IFRS 9 will be recognised in equity.

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

(a) Classification and measurement of financial assets

IFRS 9 will require financial assets to be classified on the basis of two criteria:

1) The business model within which financial assets are managed; and
2) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Accounting Standards and Interpretations issued but not yet effective (Cont'd)

IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition (Cont'd)

(a) Classification and measurement of financial assets (Cont'd)

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition and impairment is not recognised in profit or loss.

The accounting for financial liabilities is largely unchanged.

An assessment of potential changes to financial assets has been conducted, including an assessment of business models across various portfolios, and a review of contractual cash flow features for complex financial assets.

(b) Impairment

IFRS 9 introduces a revised impairment model which requires entities to recognise Expected Credit Losses ('ECL') based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss based on the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income. This presents a change from the scope of the IAS 39 impairment model which excludes loan commitments and financial guarantee contracts (these were covered by IAS 37: Provisions, Contingent Liabilities and Contingent Assets).

The measurement of expected credit loss will involve increased complexity and judgement including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

Exposures would be divided into 3 stages as follows:

Stage 1: The 12 months ECL is calculated as the portion of Lifetime (LT) ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast Exposure at Default (EAD) and multiplied by the expected Loss Given Default (LGD) and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but Probability of Defaults (PDs) and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Accounting Standards and Interpretations issued but not yet effective (Cont'd)

IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition (Cont'd)

(b) Impairment (Cont'd)

Debt instruments measured at fair value through OCI:

The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon de-recognition of the assets.

Expected impact:

The estimated impact of the adoption of IFRS 9 on the Company's equity as at 01 July 2018 based on assessment undertaken upto date 30 June 2017 is summarized below.

	As reported at 30 June 2018	**Estimated Adjustment due to IFRS 9**	**Estimated adjusted balance at 01 July 2018**
	Rs.	**Rs.**	**Rs.**
Retained Earnings	216,742,234	(866,080)	215,876,154

The total estimated adjustment (net of tax) to the opening balance of the Company's equity at 1 July 2018 is Rs. 866,080.

The actual impacts of adopting the standards at 1 July 2018 may change because the Company is still assessing the impact as at year ended 30 June 2018. Also these estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Company finalises its financial statements for the year ending 30 June 2019.

Hedge accounting

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, this will not have an impact on the Company as it does not have any hedge.

IFRS 15 Revenue from Contracts with Customers

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

The five steps in the model are as follows:

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

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

The Company is still assessing the impact of this new standard and will adopt the standard when it becomes effective

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Accounting standards and interpretations issued but not yet effective (Cont'd)

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

This new standard is not expected to have a material impact as the company is a lessor, however the Company expects an impact on the additional level of disclosures that will be required to be provided.

2.4 Financial instruments

Financial assets and liabilities are recognised in the statement of financial position when the Company has become party to the contractual provisions of the financial instruments.

Financial instruments are measured as set out below:-

(i) Financial assets

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in the Statement of profit or loss.

Financial assets are classified into the following specified categories: financial assets at fair-value-through-profit-or-loss ("FVTPL"), loans-and- receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Loans and advances are classified under loan and receivables and are measured at amortised cost, less allowance for credit impairment. Allowance for credit impairment consists of specific and portfolio allowances.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has positive intention and ability to hold until maturity. After initial measurement, Held-to-maturity investments are carried at amortised cost using the effective interest method less any impairment. The EIR amortisation is included in investment income in the statement of profit and loss. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Available-for-sale (AFS) investments

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The fair values of the AFS investment securities are subsequently remeasured based on quoted market prices in active markets or estimated using the dividend growth model, discounted cash flows or net assets value. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates are recognised in the Statement of profit or loss. Other changes in the carrying amount of AFS investment securities are recognised in other comprehensive income and accumulated under the heading of revaluation reserve.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Other unquoted available-for-sale investments are generally in the form of units. These are stated at fair value derived from the net asset value of SICOM Genera Fund and SICOM Overseas Diversified Fund. The net asset value is derived from the fair values of the underlying investments traded in the active market by these funds.

Impairment of financial assets

Financial assets carried at amortized cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or the obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- Significant cash flow or financial difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of lease agreements or conditions;
- The lender for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- Initiation of bankruptcy proceedings by the borrower;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

Financial assets carried at amortized cost (Cont'd)

- Observable data indicating that there is a reasonable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  - Adverse change in the payment status of borrowers in the portfolio; and
  - Natural or local economic conditions that correlate with defaults in the assets of that portfolio.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

An allowance for impairment is established if there is objective evidence that the Company will not be able to collect the amount due according to the original contractual terms of the asset. The amount of impairment loss on loans and receivables, comprising mainly of financial leases to customers carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

The calculation of present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining or selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When an asset is uncollectible, it is written off against the related allowance for credit impairment. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loans impairment in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income in impairment charge for credit losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

Financial assets carried at amortized cost (Cont'd)

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Available-for-sale investments

For available-for-sale (AFS) equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, its carrying amount is reduced by the impairment loss for loans and advances to customers where the carrying amount is reduced through the use of an allowance account.

For AFS financial assets the cumulative gains or losses previously recognised in Other comprehensive income are reclassified to the Statement of profit or loss. In respect of AFS equity investments, any increase in fair value subsequent to an impairment loss is recognised in Other comprehensive income and accumulated under the Net unrealised investment fair value reserve.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(ii) Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include other payables and deposits from customers.

Subsequent measurement

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in profit or loss.

Derecognition of financial liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Leasing

The Company as lessor

- Finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable.

The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Finance lease income is allocated to the accounting period so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

- Operating lease

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognised on a straight-line basis over the lease term.

2.6 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Mauritian rupees, which is the Company's functional and presentation currency.

Monetary assets and monetary liabilities denominated in foreign currencies at the end of each reporting period are translated into Mauritian rupees at the rate of exchange ruling at that date. Foreign currency transactions are converted into Mauritian rupees at the exchange rate ruling at the dates of the transactions. Exchange differences arising on the settlement and the retranslation of monetary items are recognised in profit or loss.

2.7 Comparative figures

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

3. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS IN APPLYING ACCOUNTING ESTIMATES

Estimates, judgements and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates 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 are discussed below.

3.2 Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty.

4. CASH AND CASH EQUIVALENTS

Accouting Policy

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

	2018	2017	2016
	Rs.	Rs.	Rs.
Cash at bank	24,171,032	87,055,422	2,791,004
Call deposits	3,462,224	13,948,256	43,330,031
Cash and cash equivalents	**27,633,256**	101,003,678	46,121,035

(i) Call deposits bear interests in the range of 0.00% to 1.80% (2017: 0.00% to 1.80% and 2016: 0.00% to 2.25%%) per annum.

(ii) The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents.

5. INVESTMENT SECURITIES

	Available-for-sale		Loans and	2018	2017	2016
	Quoted	Unquoted	receivables	Total	Total	Total
					Restated	Restated
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July	2,882,890	31,095,567	340,192,816	374,171,273	392,111,050	185,987,557
Additions	-	1,071,415	-	1,071,415	156,105,583	266,095,347
Matured/disposals	(1,092,666)	-	-	(1,092,666)	(180,000,000)	(53,600,000)
Increase/(decrease) in fair value	(662,272)	994,274	-	332,002	1,876,358	(2,988,736)
Impairment	(107,952)	-	-	(107,952)	-	-
Interest adjustment	-	-	303,476	303,476	4,078,287	(3,383,118)
At 30 June	**1,020,000**	**33,161,256**	**340,496,292**	**374,677,548**	374,171,278	392,111,050
Remaining term to maturity:						
- 1 to 5 years	-	-	88,794,594	88,794,594	88,225,082	263,052,113
- more than 5 years	-	-	251,701,698	251,701,698	251,967,739	97,808,421
- no fixed term	1,020,000	33,161,256	-	34,181,256	33,978,457	31,250,516
	1,020,000	33,161,256	340,496,292	374,677,548	374,171,278	392,111,050

5. INVESTMENT SECURITIES (CONT'D)

(i) Available-for-sale (AFS) securities comprise principally local quoted securities and unquoted units in local funds. The fair value of local quoted securities is based on the latest market price published by The Stock Exchange of Mauritius Ltd at the end of the reporting date. For unquoted units in local funds, the fair value is based on the latest prices at the close of business at the end of the reporting date.

(ii) Loans and receivables comprise:-

Government of Mauritius Bonds bearing interests at rates in the range of 4.45 % to 8.29 % (2017: ranging from 4.45% to 8.29% and 2016: ranging from 4.45% to 8.29%) per annum and maturing from June 2020 to January 2028.

(iii) Investment in securities are denominated in Mauritian rupees.

(iv) The maximum exposure to credit risk at the reporting date is the fair value of securities classified as available-for-sale.

6. TERM DEPOSITS

Accounting policy

Term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Term deposits are classified as loans and receivables and are measured at amortised cost using the effective interest rate. Interest income is recognised by applying the effective interest rate.

These consist of deposits with local banks and other financial institutions for period ranging from one to ten years and with interest at rates in the range of 3.3% to 10.50% (2017: 3.85% to 10.50%, 2016: 3.10 % to 10.50%) per

	2018	2017	2016
		Restated	Restated
	Rs	Rs	Rs
Term deposits	**1,365,508,349**	1,578,352,721	1,855,990,913
Accrued interest receivable	**169,224,986**	142,204,251	267,794,301
	1,534,733,335	**1,720,556,972**	**2,123,785,214**

	2018	2017	2016
	Rs.	Rs.	Rs.
Remaining term to maturity			
Within 3 months	**46,599,257**	-	-
Over 3 months and up to 6 months	**-**	108,226,747	-
Over 6 months and up to 12 months	**342,218,633**	192,653,297	1,117,057,250
Over 1 year and up to 5 years	**1,145,915,445**	1,402,298,022	975,084,510
Over 5 years	**-**	17,378,906	31,643,454
	1,534,733,335	1,720,556,972	2,123,785,214

7. LOANS AND ADVANCES

Accounting policy

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

The maximum exposure to credit risk at the reporting date is the carrying value of loans and advances mentioned below;

	Note	2018	2017	2016
		Rs.	Rs.	Rs.
Loans and advances to holding company	7.1	**244,915,555**	294,802,692	339,497,178
Other loans	7.2	**1,700,437**	1,811,242	2,178,286
		246,615,992	296,613,934	341,675,464

7.1 Loans and advances to holding company

	2018	2017	2016
	Rs	Rs	Rs
Loans and advances to holding company	**245,915,555**	294,802,692	339,497,178
Less: allowance for credit impairment	**(1,000,000)**	-	-
	244,915,555	294,802,692	339,497,178

	2018	2017	2016
Remaining term to maturity	Rs.	Rs.	Rs.
Up to 3 months	**12,922,191**	11,813,960	10,800,773
Over 3 months and up to 6 months	**13,215,126**	12,081,772	11,045,617
Over 6 months and up to 12 months	**27,335,771**	24,991,405	22,848,096
Over 1 year and up to 5 years	**192,442,467**	245,915,555	224,825,383
Over 5 years	**-**	-	69,977,309
Less: allowance for credit impairment	**(1,000,000)**	-	-
	244,915,555	294,802,692	339,497,178

The above loans are unsecured and bear interest at the rate of 9.00% p.a. with monthly capital repayments.

7.2 Other Loans

	2018	2017	2016
	Rs.	Rs.	Rs.
At 01 July	**1,811,242**	2,178,286	2,537,327
Additions	**475,140**	77,750	87,600
Repayments	**(585,945)**	(444,794)	(446,641)
At 30 June 2018	**1,700,437**	1,811,242	2,178,286

7. LOANS AND ADVANCES (CONT'D)

7.2 Other Loans (Cont'd)

Remianing term of maturity	2018	2017	2016
	Rs.	Rs.	Rs.
Upto 3 months	**123,029**	126,675	119,079
Over 3 months and upto 6 months	**114,026**	114,758	110,621
Over 6 months and upto 1 year	**231,269**	272,758	224,536
Over 1 year and upto 5 years	**1,108,288**	1,297,051	1,550,985
Over 5 years	**123,825**	-	173,065
	1,700,437	1,811,242	2,178,286

Other loans bear interest at 2.00% to 4.00% (2017 and 2016: 2% to 4%) per annum and have repayment terms of ranging between three to seven years.

8. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property and equipment are stated at cost less accumulated depreciation and any cumulative impairment loss.

Depreciation is calculated from the month the asset is capitalised.

With the exception of motor vehicles under operating lease, depreciation is calculated to write off the cost or revalued amount of the assets on a straight line basis over their estimated useful lives as follows: -

Improvement to building on leasehold land	10%
Furniture and fittings	10%
Computer equipment	20%
Motor vehicles - owned	20%

For motor vehicles under operating lease, depreciation is calculated to write off the cost over the lease terms.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. These are included within Other operating income in the Statement of profit or loss.

Impairment of non-financial assets

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of its fair value less cost to disposal and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised as an expense immediately, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease upto the amount booked in revaluation reserve account.

Significant accounting estimates and judgements

Useful lives and residual values of property and equipment

Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The directors have used historical information relating to the Company in order to best determine the useful lives and residual values of property and equipment.The assets residual values, useful lives and depreciation method are reviewed and adjusted prospectively if appropriate at the end of each reporting period.

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Improvement to leasehold Building	Computer Equipment	Furniture and Fittings	Motor Vehicle	Operating lease Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(a) COST						
At 1 July 2015	3,611,987	2,945,984	326,772	512,648	8,620,139	16,017,530
Additions	-	78,239	-	-	11,328,177	11,406,416
Disposals	-	-	-	-	(2,670,813)	(2,670,813)
At 30 June 2016	3,611,987	3,024,223	326,772	512,648	17,277,503	24,753,133
Additions	-	41,573	59,888	-	3,226,939	3,328,400
At 30 June 2017	3,611,987	3,065,796	386,660	512,648	20,504,442	28,081,533
Disposals	-	-	-	-	(2,130,324)	(2,130,324)
Additions		527,950	10,500	-	-	538,450
At 30 June 2018	**3,611,987**	**3,593,746**	**397,160**	**512,648**	**18,374,118**	**26,489,659**
DEPRECIATION						
At 1 July 2015	1,354,002	1,862,389	109,891	275,565	1,695,979	5,297,826
Charge for the year	361,199	620,976	32,677	102,530	2,105,898	3,223,280
Disposal adjustment	-	-	-		(1,430,813)	(1,430,813)
At 30 June 2016	1,715,201	2,483,365	142,568	378,095	2,371,064	7,090,293
Charge for the year	361,199	460,133	38,562	102,530	2,719,286	3,681,710
At 30 June 2017	2,076,400	2,943,498	181,130	480,625	5,090,350	10,772,003
Disposal adjustment	-	-	-		(905,127)	(905,127)
Charge for the year	361,199	84,982	42,633	32,023	2,766,927	3,287,764
At 30 June 2018	**2,437,599**	**3,028,480**	**223,763**	512,648	**6,952,150**	**13,154,640**
NET BOOK VALUE						
At 30 June 2016	1,896,786	540,858	184,204	134,553	14,906,439	17,662,840
At 30 June 2017	1,535,587	122,298	205,530	32,023	15,414,092	17,309,530
At 30 June 2018	**1,174,388**	**565,266**	**173,397**	**-**	**11,421,968**	**13,335,019**

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Depreciation charge of Rs.3,287,764 (2017: Rs.3,681,710 and 2016: Rs.3,223,280) has been included in other expenses.

(c) Property, plant and equipment include motor vehicles leased out under operating leases to third parties, that are expected to generate yield of 7.5% to 8.0% on an ongoing basis. The motor vehicles held have committed lessees for up to the next five years.

At the end of the reporting period, the Company has contracted with lessees the following future rentals:

	Motor Vehicles
	Rs.
Within one year	4,761,866
In the first to the second year	4,435,758
In the second to the third year	3,180,351
In the third to the forth year	1,879,144
In the forth to the fifth year	642,000
	14,899,119

Operating lease contracts contain market review clauses. The lease terms are for a period from 3 to 7 years.

9. INTANGIBLE ASSETS

Accounting policy

Intangible assets with finite lives are amortized over the useful economic life and are assessed at each reporting period whether there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognized.

Computer software is initially recorded at cost and amortized using the straight-line method over the estimated useful life of 5 to 12.5 years.

9. INTANGIBLE ASSETS (CONT'D)

		Computer Software
(a)	**COST**	**Rs.**
	At 1 July 2015	13,406,328
	Additions	-
	At 30 June 2016	13,406,328
	Additions	-
	At 30 June 2017	13,406,328
	Additions	171,762
	At 30 June 2018	**13,578,090**
	AMORTISATION	
	At 1 July 2015	4,403,009
	Charge for the year	1,373,102
	At 30 June 2016	5,776,111
	Charge for the year	1,373,102
	At 30 June 2017	7,149,213
	Charge for the year	1,373,893
	At 30 June 2018	**8,523,106**
	NET BOOK VALUE	
	At 30 June 2016	7,630,217
	At 30 June 2017	6,257,115
	At 30 June 2018	**5,054,984**

(b) Amortisation charge of Rs.1,373,893 (2017 and 2016: Rs.1,373,102) has been included in other expenses.

10. NET INVESTMENT IN FINANCE LEASES

Accounting policy

Amounts due from lessees under finance leases are recorded as investment in finance lease at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

10. NET INVESTMENT IN FINANCE LEASES (CONT'D)

(a) Movement during the year:-

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**440,088,195**	426,117,576	369,512,484
Leases granted during the year	**179,171,388**	163,304,781	173,117,244
Capital repayment during the year	**(158,418,637)**	(149,334,162)	(116,512,152)
At 30 June	**460,840,946**	440,088,195	426,117,576
Allowance for credit impairment	**(8,956,295)**	(7,369,492)	(5,022,097)
Net investment in finance lease	**451,884,651**	432,718,703	421,095,479

Before granting lease to clients, the Company has an appraisal process to assess the potential client's credit quality and reliability. Upon satisfactory appraisal and submission of all necessary documents, the lease is granted.

The Company enters into finance lease arrangements for inter-alia motor vehicles and equipments for an average term of 3 to 7 years. Finance leases are secured by the assets under lease.

(b) Gross and net investment in finance leases

	2018	2017	2016
	Rs.	Rs.	Rs.
Gross investment in finance leases:-			
- within one year	**158,518,752**	159,395,744	155,168,950
- in the second to fifth years inclusive	**349,498,163**	335,000,239	323,097,741
- more than five years	**30,286,842**	25,382,765	25,636,853
	538,303,757	519,778,748	503,903,544
Less: Unearned finance income	**(77,462,811)**	(79,690,553)	(77,785,968)
	460,840,946	440,088,195	426,117,576
Allowance for credit impairment	**(8,956,295)**	(7,369,492)	(5,022,097)
Present value of minimum lease payments receivable	**451,884,651**	432,718,703	421,095,479
Analysed as:-			
- Current finance lease receivable	**128,705,443**	127,027,263	123,427,306
- Non-current finance lease receivable	**332,135,503**	313,060,932	302,690,270
	460,840,946	440,088,195	426,117,576
Less: Allowance for credit impairment	**(8,956,295)**	(7,369,492)	(5,022,097)
	451,884,651	**432,718,703**	**421,095,479**

(c) Remaining term to maturity

	2018	2017	2016
Corporate customers	Rs.	Rs.	Rs.
Up to 3 months	**12,910,358**	11,444,417	11,302,954
Over 3 months and up to 6 months	**8,114,654**	8,391,382	8,208,732
Over 6 months and up to 12 months	**16,117,069**	16,135,298	15,622,153
Over 1 year and up to 5 years	**75,972,732**	76,641,812	75,524,737
Over 5 years	**2,856,248**	3,444,462	4,572,845
	115,971,061	116,057,371	115,231,421

10. NET INVESTMENT IN FINANCE LEASES (CONT'D)

(c) Remaining term to maturity

	2018	2017	2016
	Rs.	Rs.	Rs.
Other customers			
Up to 3 months	**30,639,312**	28,366,117	27,734,769
Over 3 months and up to 6 months	**20,649,876**	21,329,517	20,667,193
Over 6 months and up to 12 months	**40,274,175**	41,360,532	39,891,505
Over 1 year and up to 5 years	**227,353,887**	213,108,402	203,092,203
Over 5 years	**25,952,635**	19,866,256	19,500,485
	344,869,885	324,030,824	310,886,155
Allowance for credit impairment	**(8,956,295)**	(7,369,492)	(5,022,097)
TOTAL	**451,884,651**	432,718,703	421,095,479

The maximum exposure to credit risk of finance lease receivables for the current and prior years is the carrying amount net of allowance for credit losses.

(d) Credit concentration of risk by industry sectors

	2018	2017	2016
	Rs.	Rs.	Rs.
Agriculture and Fishing	**-**	16,629	246,339
Manufacturing	**2,580,016**	4,350,714	6,131,871
Transport	**36,245,644**	34,124,876	38,326,765
Construction	**13,158,818**	11,856,093	11,916,531
Personal	**338,465,697**	319,286,524	307,543,226
Financial and business services	**8,271,239**	7,104,211	10,692,911
Global Business Licence Holders	**8,370,910**	3,649,854	4,277,619
Education	**1,503,775**	2,218,359	2,839,899
Tourism	**1,170,233**	1,376,314	505,815
Information, Communication and Technology	**4,614,835**	4,252,678	5,308,047
Others	**37,503,484**	44,482,451	33,306,456
	451,884,651	432,718,703	421,095,479

(e) Allowance for credit impairment

	2018 Specific	2018 General	2018 Total
	Rs	Rs	Rs
At 1 July	**3,017,367**	**4,352,125**	**7,369,492**
Provision charge for the year	**2,101,368**	**142,434**	**2,243,802**
Provision released during the year	**(656,997)**	**-**	**(656,997)**
Provision previously recongnized write off	**-**	**-**	**-**
At 30 June	**4,461,738**	**4,494,559**	**8,956,297**
Allowance for credit impairment for the year	**1,444,371**	142,434	1,586,805

10. NET INVESTMENT IN FINANCE LEASES (CONT'D)

(e) Allowance for credit impairment (Cont'd)

	2017 Specific	2017 General	2017 Total
	Rs	Rs	Rs
At 1 July	771,566	4,250,531	5,022,097
Provision charge for the year	2,354,429	101,594	2,456,023
Provision released during the year	(108,629)	-	(108,629)
Provision previously recongnized write off	-	-	-
At 30 June	3,017,366	4,352,125	7,369,491
Allowance for credit impairment for the year	2,245,800	101,594	2,347,394

	2016 Specific	2016 General	2016 Total
	Rs	Rs	Rs
At 1 July	505,366	3,681,967	4,187,333
Provision charge for the year	403,011	568,564	971,575
Provision released during the year	(136,811)	-	(136,811)
Provision previously recongnized write off	-	-	-
At 30 June	771,566	4,250,531	5,022,097
Allowance for credit impairment for the year	266,200	568,564	834,764

(i) The specific provision is made in respect of non-performing leases.

(ii) The allowance for credit impairment is analysed as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Agriculture and fishing	**-**	168	2,488
Manufacturing	**26,061**	43,947	61,938
Transport	**1,772,581**	1,824,107	919,315
Construction	**132,917**	119,759	120,369
Personal	**6,404,186**	4,744,300	3,342,929
Financial and business services	**83,548**	71,760	108,009
Global Business Licence Holders	**84,555**	36,867	43,208
Education	**15,190**	22,408	28,686
Tourism	**11,820**	13,902	5,109
Information, Communication and Technology	**46,615**	42,956	53,617
Others	**378,822**	449,318	336,429
Total	**8,956,295**	7,369,492	5,022,097

The above allowance for credit impairment includes impaired finance lease, which are past due at the end of the reporting date.

10. NET INVESTMENT IN FINANCE LEASES (CONT'D)

(f) Ageing of past due debt which is impaired (specific provision)

	2018	2017	2016
	Rs.	Rs.	Rs.
1-90 days	**-**	-	-
91-180 days	**2,292,060**	-	-
181-360 days	**6,641,073**	1,891,397	233,888
More than 360 days	**2,451,885**	2,984,429	830,634
	11,385,018	4,875,826	1,064,522

Leases are classified as "past-due and impaired", when contractual payments are in arrears for more than 90 days.

(g) Interest rate profile

The interest rate inherent in the finance lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is 7.71% (2017:7.77% and 2016:7.93%) per annum with interest rate ranging from 6.50% to 12.50% (2017 and 2016: ranging between 6.75% to 12.5%).

Unguaranteed residual values of assets leased under finance leases at end of reporting date are estimated at Rs.11,499,438 (2017: Rs.10,877,154 and 2016: Rs.9,884,183).

(h) For purpose of the Company's disclosure regarding credit quality, its finance leases have been analysed as follows:

	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Net Investment in finance lease before impairment**	**Allowance for credit impairment**	**Net Investment in finance lease**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Leases	438,889,791	10,565,467	11,385,688	460,840,946	(8,956,295)	**451,884,651**

(i) Ageing of Finance lease past due but not impaired

	1-90 days	**More than 90 days**	**Total**
	Rs.	**Rs.**	**Rs.**
	9,130,985	1,434,482	**10,565,467**

11. OTHER ASSETS

	2018	2017	2016
	Rs.	Rs.	Rs.
Interest receivable on lease	**3,143,878**	2,190,120	4,041,912
Allowance for credit impairment	**(266,867)**	(253,261)	(82,813)
Net interest receivable on leases	**2,877,011**	1,936,859	3,959,099
Dividend receivable	**1,460,938**	1,258,968	991,886
Prepayments	**2,022,727**	1,751,842	1,656,710
Others	**2,727,872**	2,551,213	1,984,136
	9,088,548	7,498,882	8,591,831

The carrying amount of other assets approximates their fair value and are denominated in Mauritian rupees. The other classes within other assets do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

12. DEPOSITS FROM CUSTOMERS

Accounting policy

Deposits from customers are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Company's obligations are discharged, cancelled or they expire.

	2018	2017	2016
		Restated	Restated
	Rs.	Rs.	Rs.
Deposits from customer	**2,120,244,863**	**2,402,113,414**	**2,757,955,425**
Accrued interest	**48,592,335**	**61,471,730**	**116,989,839**
	2,168,837,198	**2,463,585,144**	**2,874,945,264**

Time deposits with remaining term to maturity	**2018**	2017	2016
	Rs.	Rs.	Rs.
<u>Retail customers</u>			
Up to 3 months	**54,927,606**	89,024,800	42,525,217
Over 3 months and up to 6 months	**64,291,194**	101,605,070	146,605,602
Over 6 months and up to 12 months	**124,735,750**	221,359,056	504,867,915
Over 1 year and up to 5 years	**909,090,166**	901,520,262	991,648,389
	1,153,044,716	1,313,509,188	1,685,647,123
<u>Corporate customers</u>			
Up to 3 months	**71,222,359**	95,664,470	60,362,572
Over 3 months and up to 6 months	**9,324,712**	84,110,677	235,898,684
Over 6 months and up to 12 months	**199,917,119**	238,400,675	147,399,743
Over 1 year and up to 5 years	**735,328,292**	731,900,134	745,637,142
	1,015,792,482	1,150,075,956	1,189,298,141
TOTAL	**2,168,837,198**	2,463,585,144	2,874,945,264

The time deposits bear interests at rates ranging from 1.50% to 6.50% (2017: 2.00% to 6.50% and 2016: 2.00% to 8.00%) per annum.

13. TAXATION

Accounting Policy

Income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Corporate social responsibility (CSR)

Corporate social responsibility (CSR) was legislated by the government of Mauritius in July 2009. In terms of the legislation, the Company is required to allocate 2% of its chargeable income of the preceding financial year to government approved CSR NGOs. As from July 2017, following amendments to the Finance Act 2017, the Company will now be required as from 01 January 2017 to 31 December 2018 to remit to the Director General at least 50% of the CSR contribution. After 01 January 2019, the Company will be required to remit to the Director General at least 75% of the CSR contribution. This is recorded as part of income tax expense.

The applicable income tax rate in Mauritius is 15% (2017 :15%). An additional charge of 2% is applicable in respect of Corporate Social Responsibility.

Income Tax

Income tax is calculated at the rate of 17% (2017 and 2016: 17%) on the profit for the year as adjusted for income tax purposes.

(a) Current tax liabilities

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	645,603	1,141,839	1,472,051
Under/(over) provision in previous years	(159,110)	35,217	79,137
Income tax charge for the year	2,363,849	4,646,422	3,915,586
CSR	913,488	-	-
Tax paid	(3,837,530)	(5,177,875)	(4,324,935)
At 30 June	(73,700)	645,603	1,141,839

(b) Tax expense

	2018	2017	2016
	Rs.	Rs.	Rs.
Current tax expense	2,363,849	4,646,422	3,915,586
CSR	913,488	-	-
Under/(over) provision in previous years	(159,110)	35,217	79,137
Underprovision of deferred tax	(7,315)	-	-
Deffered tax	(654,631)	(457,529)	(253,415)
Charge for the year	2,456,281	4,224,110	3,741,308

13. TAXATION (CONT'D)

(c) The tax on the Company's profit before tax differs from the theoretical amount that would arise from using the basic tax rate of the Company as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Profit before tax	**23,513,454**	30,283,237	24,723,973
Tax at the rate of 17% (2016 and 2015: 15%)	**3,997,287**	4,542,486	3,802,878
Tax effect of:			
- Exempt income	**(444,204)**	(201,766)	(157,973)
- Other deductible item	**(1,536,807)**	-	-
- CSR	**598,308**	-	-
- Expenses not deductible for tax purposes	**8,122**	244,147	17,266
- Underprovision of deferred tax	**(7,315)**	-	-
- Under/(over) provision in previous years	**(159,110)**	35,217	79,137
Charge for the year	**2,456,281**	4,620,084	3,741,308

(d) Deferred tax assets and liabilities

Accounting Policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

13. TAXATION (CONT'D)

(d) Deferred tax liabilities (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income taxes are calculated on all temporary differences under the liability method at the rate of 17% (2017 and 2016: 15%).

(i) There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity. The following amounts are shown in the statements of financial position.

	2018	2017	2016
	Rs.	Rs.	Rs.
Deferred tax assets	**3,162,368**	1,483,613	982,187
Deferred tax liabilities	**(1,354,178)**	(1,402,249)	(1,504,152)
	1,808,190	81,364	(521,965)

(ii) The movement on the deferred income tax account is as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**81,364**	(521,965)	(570,180)
Charged to profit or loss (note 13(b))	**654,631**	457,529	253,415
Underprovision of deffered tax (note 13(b))	**7,315**	-	-
Charged to other comprehensive income	**1,064,880**	145,800	(205,200)
At 30 June	**1,808,190**	81,364	(521,965)

(iii) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same fiscal authority on the same entity, is as follows:

Deferred tax liabilities	**Accelerated tax depreciation**
	Rs.
At 1 July 2015	1,599,967
Credited to profit or loss	(95,815)
At 30 June 2016	1,504,152
Credited to profit or loss	(101,903)
At 30 June 2017	1,402,249
Credited to profit or loss	(48,071)
At 30 June 2018	**1,354,178**

13. TAXATION (CONT'D)

(d) Deferred tax liabilities (Cont'd)

Deferred tax assets

	Allowance for credit impairment	Retirement benefit plan	Total
	Rs.	Rs.	Rs.
At 30 June 2015	635,137	394,650	1,029,787
Credited to profit or loss	130,600	27,000	157,600
Charged to other comprehensive income	-	(205,200)	(205,200)
At 30 June 2016	765,737	216,450	982,187
Credited to profit or loss	377,676	(22,050)	355,626
Charged to other comprehensive income	-	145,800	145,800
At 30 June 2017	1,143,413	340,200	1,483,613
Credited to profit or loss	594,525	19,350	613,875
Charged to other comprehensive income	-	1,064,880	1,064,880
At 30 June 2018	**1,737,938**	**1,424,430**	**3,162,368**

14. OTHER LIABILITIES

Accounting Policy

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation, which has arisen as a result of past events and for which a reliable estimate can be made. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

	2018	2017	2016
	Rs.	Rs.	Rs.
Staff cost	**834,696**	904,727	830,563
Audit fee	**500,000**	322,000	310,500
Professional fee	**922,500**	33,350	32,200
Stale cheque	**272,509**	263,652	51,941
Others	**1,530,719**	844,027	790,658
	4,060,424	2,367,756	2,015,862

The Company considers that the carrying amount of other liabilities approximates their fair value.

15. RETIREMENT BENEFIT OBLIGATIONS

Accounting Policy

(i) Defined Contribution Plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

(ii) Defined Benefit Plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

(iii) *State plan and Defined Contribution Plan*

Contributions to the National Pension Scheme and defined contribution pension plan are expensed to the profit or loss in the period in which they fall due.

Significant accounting estimates and judgements

Valuation of employee benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

15. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Accounting Policy (Cont'd)

(iii) *State plan and Defined Contribution Plan (Cont'd)*

Significant accounting estimates and judgements (Cont'd)

Valuation of employee benefit obligations (Cont'd)

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions.

(a) Defined benefit plan

(i) The Company operates a defined benefit pension plan. The plan is final salary plan, which provides benefits to members in the form of a guaranteed level of pension payable for 5 years. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

The assets of the fund are held independently and administered by the State Insurance Company of Mauritius Ltd.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out at 30 June 2018 by Aon Hewitt Ltd (Actuarial Valuer). The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

(ii) The amounts recognised in the statement of financial position are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Present value of funded obligations	**19,181,000**	12,783,000	10,471,000
Fair value of plan assets	**(10,802,000)**	(10,515,000)	(9,028,000)
Liability recognised in the statement of financial position	**8,379,000**	2,268,000	1,443,000

(iii) The movements in the statement of financial position are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**2,268,000**	1,443,000	2,631,000
Profit or loss charge	**494,000**	460,000	596,000
Other comprehensive income charge	**6,264,000**	972,000	(1,368,000)
Contributions paid	**(647,000)**	(607,000)	(416,000)
At 30 June	**8,379,000**	2,268,000	1,443,000

15. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

(iv) The movement in the defined benefit obligations over the year is as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**12,783,000**	10,471,000	11,203,000
Current service cost	**435,000**	391,000	436,000
Interest expense	**757,000**	730,000	779,000
Employee contributions	**324,000**	315,000	277,000
Benefits paid	**(1,667,000)**	(88,000)	(156,000)
Liability experience loss/(gain)	**6,415,000**	1,035,000	(203,000)
Liability gain due to change in demographic assumptions	**-**	-	(1,064,000)
Liability (gain)/ loss due to change in financial assumption	**134,000**	(71,000)	(801,000)
At 30 June	**19,181,000**	12,783,000	10,471,000

(v) The movement in the fair value of plan assets over the year is as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**10,515,000**	9,028,000	8,572,000
Interest income	**698,000**	661,000	619,000
Contributions to plan assets	**971,000**	922,000	693,000
Benefits paid	**(1,667,000)**	(88,000)	(156,000)
Return on plan assets excluding interest income	**285,000**	(8,000)	(700,000)
At 30 June	**10,802,000**	10,515,000	9,028,000

(vi) The amounts recognised in profit or loss are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Current service cost	**435,000**	391,000	436,000
Net interest on net defined benefit liabilities	**59,000**	69,000	160,000
Total included in "employee benefit expense" (note 21)	**494,000**	460,000	596,000
Actual return on plan assets	**983,000**	653,000	(81,000)

15. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

(vii) The amounts recognised in other comprehensive income are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Return on plan assets below/(above) interest income	**(285,000)**	8,000	700,000
Liability experience loss/(gain)	**6,415,000**	1,035,000	(203,000)
Liability gain due to change in demographic assumptions	**-**	-	(1,064,000)
Liability (gain)/ loss due to change in financial assumptions	**134,000**	(71,000)	(801,000)
Total actuarial gain/(loss)	**6,264,000**	972,000	(1,368,000)

(viii) The fair value of the plan assets at the end of the reporting period for each category are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Distribution of plan assets at end of year			
Loans, Government securities and cash	**6,481,200**	6,203,850	5,597,360
Local equities	**1,944,360**	1,787,550	1,354,200
Overseas bonds and equities	**2,268,420**	2,418,450	1,986,160
Property	**108,020**	105,150	90,280
Total	**10,802,000**	10,515,000	9,028,000

(ix) Principal actuarial assumptions at end of period:

	2018	2017	2016
	%	%	%
Discount rate	**7.30**	6.50	7.00
Future long term salary increases	**5.30**	4.50	5.00
Future pension increases	**3.30**	2.50	3.00

(x) Sensitivity analysis on defined benefit obligations at end of the reporting date:

	2018	2017	2016
Increase due to 1% decrease in discount rate	**4,603,000**	3,776,000	3,195,000
Decrease due to 1 % increase in discount rate	**3,607,000**	2,827,000	2,376,000
Increase due to 1% increase in salary	**2,667,000**	N/A	N/A
Decrease due to 1% decrease in salary	**2,198,000**	N/A	N/A
Increase due to 1% increase pension	**1,897,000**	N/A	N/A
Decrease due to 1% decrease in pension	**1,615,000**	N/A	N/A

15. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

(x) Sensitivity analysis on defined benefit obligations at end of the reporting date (Cont'd):

An increase/decrease of 1% in salary and pension assumptions would not have a material impact on defined benefit obligations at the end of the reporting period 2017 and 2016.

The sensitivity above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(xi) The defined benefit pension plan exposes the Company to normal risks such as market (investment) risk, interest risk, longevity risk and salary risk.

<u>Market (investment) risk</u>

The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

<u>Interest risk</u>

A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

<u>Longevity risk</u>

The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

<u>Salary risk</u>

The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

(xii) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

(xiii) The Company expects to pay Rs.585,000 in contributions to its post-employment benefit plans for the year ending 30 June 2019.

(xiv) The weighted average duration of the defined benefit obligation is 21 years at the end of the reporting period.

(b) State plan

	2018	2017	2016
	Rs.	Rs.	Rs.
Contributions expensed	**52,214**	57,988	50,952

16. DIVIDEND

Accounting Policy

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are declared. The liability is extinguished when actual payments are made to the shareholders.

	2018	2017	2016
	Rs.	Rs.	Rs.
Dividend	**17,898,597**	19,906,407	18,369,532

A dividend of Rs. 0.89 per share (2017: Rs.1.0 and 2016: Rs.0.92) representing 85% of the profit after tax in respect of the year ended 30 June 2018 was declared by the directors on 30 June 2018.

17. STATED CAPITAL

Accounting Policy

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

The stated capital comprise of 20,000,000 ordinary shares at Rs 10 each for the three years ended 30 June 2018. The Company has one class of ordinary shares which carries a right to vote.

18. OTHER RESERVES

	2018	2017	2016
		Restated	Restated
	Rs.	Rs.	Rs.
Statutory reserve (note (a) below)	**49,935,540**	46,776,964	42,868,094
Investment revaluation reserve (note (b) below)	**5,917,350**	5,585,348	3,708,990
Actuarial losses reserve (note (c) below)	**(6,865,120)**	(1,666,000)	(839,800)
At 30 June	**48,987,770**	50,696,312	45,737,284

(a) Statutory reserve

Under Section 21 of the Banking Act 2004, any financial institution shall maintain a reserve account and shall, each year, transfer therein a sum equal to not less than 15% of the profit of the year after due provision for income tax until the balance in the Reserve Account is equal to the amount paid as stated capital. An amount of Rs.3,158,576 was transferred in 2018 (2017: Rs.3,908,870 and 2016: Rs.3,147,400).

(b) Investment revaluation reserve

Investment revaluation reserve comprises the cumulative net change in the fair value of investment securities that have been recognised in other comprehensive income until the investments are derecognised or impaired.

(c) Actuarial losses reserve

Actuarial losses reserve represents the cumulative remeasurement of the defined benefit obligation recognised.

19. NET INTEREST INCOME

Accounting Policy

Revenue Recognition

Interest income

Interest income is recognised on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend Income

Dividends are accounted when the right for payment is established.

Management fees and other income

Rental income, management fees and commission are accounted on accrual basis.

Realised gains and losses

Realised gains and losses recorded in profit or loss include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

	2018	2017	2016
		Restated	Restated
	Rs.	Rs.	Rs.
Interest income			
Cash and cash equivalents	**694,441**	868,737	313,010
Investment securities	**19,016,477**	24,656,510	14,130,607
Term deposits	**78,074,650**	108,693,277	125,356,118
Loans and advances to holding company	**24,548,291**	28,740,942	32,574,024
Investment in finance leases	**34,569,708**	33,071,900	29,967,358
Others	**69,027**	80,736	94,931
Total interest income	**156,972,594**	196,112,102	202,436,048
Interest expense			
Deposits from customers	**101,280,600**	135,357,748	151,981,014
Net interest income	**55,691,994**	60,754,354	50,455,034

20. DIVIDEND INCOME

	2018	2017	2016
	Rs.	Rs.	Rs.
Available-for-sale securities	**1,556,358**	1,345,104	1,053,155

20(a). Allowance for credit impairment

	2018	2017	2016
	Rs.	Rs.	Rs.
Investment in finance leases (note 10 (e))	**1,586,803**	2,347,394	834,764
Loans and advances (note 7.1)	**1,000,000**	-	-
Other assets	**13,607**	170,448	45,875
	2,600,410	2,517,842	880,639

21. PERSONNEL EXPENSES

	2018	2017	2016
	Rs.	Rs.	Rs.
Wages and salaries	**12,161,939**	11,170,652	9,070,651
Pension costs - defined benefit plans (note 15(a)(vi))	**494,000**	460,000	596,000
Other post retirement benefit (note 15(b))	**52,214**	57,988	50,952
	12,708,153	11,688,640	9,717,603

22. OTHER EXPENSES

	2018	2017	2016
	Rs.	Rs.	Rs.
Management fees payable to holding company	**7,800,000**	7,800,000	7,800,000
Rent payable to holding company	**1,838,749**	1,838,749	1,838,749
Directors and secretary fees	**2,487,382**	1,360,940	663,419
Licence fees	**2,268,500**	2,265,163	1,498,340
Loss on disposal of repossessed assets	**888,980**	1,039,941	-
Depreciation (note 9)	**3,287,764**	3,681,710	3,223,280
Amortisation (note 10)	**1,373,893**	1,373,102	1,373,102
Professional Charges	**1,560,000**	33,350	32,200
Audit Fees	**500,000**	322,000	310,500
IT expenses	**3,258,710**	3,569,361	2,573,836
Others	**1,745,403**	2,087,400	4,022,500
	27,009,381	25,371,716	23,335,926

23. EARNING PER SHARE

	2018	2017	2016
	Rs.	Rs.	Rs.
Profit for the year	**21,057,173**	26,059,127	20,982,665
Number of ordinary shares in issue	**20,000,000**	20,000,000	20,000,000
Earnings per share	**1.05**	1.30	1.05

24. HOLDING COMPANY

The Directors regard the State Insurance Company of Mauritius Ltd, a Company incorporated in Mauritius, as the holding Company.

25. RELATED PARTY DISCLOSURE

Accounting Policy

Parties are considered to be related if one party has control, joint control or exercise significant influence over the other party or is a member of the key management personnel of the other party.

The Company is making the following disclosures in accordance with IAS 24 (Related Party Disclosures):

(i) Loans and advances to Holding Company

(a) Capital element

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**296,613,934**	339,497,178	380,358,583
Repayments	**(49,887,137)**	(42,883,244)	(40,861,405)
At 30 June	**246,726,797**	296,613,934	339,497,178

The terms of the loans are set out in note 7.

(b) Interest received/receivable

	2018	2017	2016
	Rs.	Rs.	Rs.
Receivable and received for the year	**24,548,291**	28,740,942	32,574,024

(ii) Directors and key management personnel

(a) Capital element - Deposits from customers

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**50,339,706**	52,919,884	56,573,067
Additions	**26,123,850**	18,077,447	1,755,846
	76,463,556	70,997,331	58,328,913
Repayments	**(16,623,850)**	(20,657,625)	(5,409,029)
At 30 June	**59,839,706**	50,339,706	52,919,884

The terms of the deposits from customers are set out in note 12.

25. RELATED PARTY DISCLOSURE (CONT'D)

(ii) Directors and key management personnel (Cont'd)

(b) Interest payable

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**237,059**	306,594	327,820
Payable for the year	**2,624,889**	2,886,458	3,266,692
	2,861,948	3,193,052	3,594,512
Paid during the year	**(2,631,478)**	(2,955,993)	(3,287,918)
At 30 June	**230,470**	237,059	306,594

(iii) Finance lease to key management personnel

(a) Capital element

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**2,213,509**	1,534,529	866,452
Additions	**2,000,000**	1,320,000	1,191,400
Repayments	**(1,522,909)**	(641,020)	(523,323)
At 30 June	**2,690,600**	2,213,509	1,534,529

The terms of the finance lease are set out in note 10(g).

(b) Interest receivable

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**1,000**	8,333	2,403
Receivable during the year	**256,930**	167,780	142,541
Received during the year	**(252,973)**	(175,113)	(136,611)
At 30 June	**4,957**	1,000	8,333

(iv) Rent payable to Holding Company

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July		-	-
Payable during the year	**1,838,749**	1,838,749	1,838,749
	1,838,749	1,838,749	1,838,749
Paid during the year	**(1,838,749)**	(1,838,749)	(1,838,749)
At 30 June	**-**	-	-

The terms of the above expenses are set out in a service level agreement between SICOM Ltd and the Company.

25. RELATED PARTY DISCLOSURE (CONT'D)

(v) Amount due to Holding Company for capital expenditure and other expenses

	2018	2017	2016
	Rs.	Rs.	Rs.
Payable during the year	**528,755**	68,962	193,124
At 30 June	**528,755**	68,962	193,124

(vi) Management fees from Sicom Unit Trust - Sicom General Fund

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**410,692**	263,919	420,274
Receivable for the year	**1,645,672**	1,554,633	1,572,913
	2,056,364	1,818,552	1,993,187
Received during the year	**(1,627,798)**	(1,407,860)	(1,729,268)
At 30 June	**428,566**	410,692	263,919

The terms of the above management fees are set out in a Trust deed between SICOM General Fund and the Company.

(vii) Management fees from Sicom Unit Trust - Sicom Overseas Diversified Fund

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**189,465**	123,709	181,956
Receivable for the year	**766,390**	735,065	722,028
	955,855	858,774	903,984
Received during the year	**(756,949)**	(669,309)	(780,275)
At 30 June	**198,906**	189,465	123,709

The terms of the above management fees are set out in a Trust deed between SICOM Overseas Diversified Fund and the Company.

(viii) Management fees to Holding Company

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July		-	-
Payable for the year	**7,800,000**	7,800,000	7,800,000
	7,800,000	7,800,000	7,800,000
Paid during the year	**(7,800,000)**	(7,800,000)	(7,800,000)
At 30 June	**-**	-	-

The terms of the above expenses are set out in a service level agreement between SICOM Ltd and the Company.

25. RELATED PARTY DISCLOSURE (CONT'D)

(ix) Dividend payable to Holding Company

	2018	2017	2016
	Rs.	Rs.	Rs.
Payable during the year	**17,898,597**	19,707,343	18,185,837

(x) Dividend income from Sicom Unit Trust - Sicom General Fund

	2018	2017	2016
	Rs.	Rs.	Rs.
Receivable during the year	**970,412**	889,429	646,035

(xi) Dividend income from Sicom Unit Trust - Sicom Overseas Diversified Fund

	2018	2017	2016
	Rs.	Rs.	Rs.
Receivable during the year	**471,626**	369,539	345,851

(xii) Other transactions with Holding Company

	2018	2017	2016
	Rs.	Rs.	Rs.
Charge for the year	**338,430**	347,970	381,207

(xiii) Investment in Sicom Unit Trust - Sicom General Fund

(a) Number of units

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**1,290,710**	1,253,221	1,221,635
Additions	**49,638**	37,489	31,586
At 30 June	**1,340,348**	1,290,710	1,253,221

(b) Value of units

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	**14,450,563**	13,944,831	13,486,524
Additions	**701,876**	505,732	458,307
At 30 June	**15,152,439**	14,450,563	13,944,831

(c) Market value of units

	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July (ex-div)	**17,773,082**	16,254,276	17,176,193
Additions	**701,876**	505,732	458,307
Fair value adjustment	**423,947**	1,013,074	(1,380,224)
At 30 June	**18,898,905**	17,773,082	16,254,276

25. RELATED PARTY TRANSACTIONS (CONT'D)

(xiv) Investment in Sicom Unit Trust - Sicom Overseas Diversified Fund

(a) Number of units	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	1,163,536	1,133,566	1,096,479
Additions	31,967	29,970	37,087
At 30 June	**1,195,503**	1,163,536	1,133,566

(b) Value of units	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July	11,721,927	11,376,076	10,950,313
Additions	369,539	345,851	425,763
At 30 June	**12,091,466**	11,721,927	11,376,076

(c) Market value of units	2018	2017	2016
	Rs.	Rs.	Rs.
At 1 July (ex-div)	13,322,485	12,446,555	13,223,533
Addition	369,539	345,851	425,763
Fair value adjustment	570,325	530,079	(1,202,741)
At 30 June	**14,262,349**	13,322,485	12,446,555

(xvi) Compensation of Directors and key management personnel

	2018	2017	2016
	Rs.	Rs.	Rs.
Short term benefits	6,497,609	5,071,006	3,489,208

(xvii) Sale of Securities to Holding Company

	2018	2017	2016
	Rs.	Rs.	Rs.
Disposal of investments	-	185,782,728	-

(xviii) Contribution to defined benefit pension plan

	2018	2017	2016
	Rs.	Rs.	Rs.
Contribution	970,742	921,905	691,830

26. FINANCIAL RISK MANAGEMENT

Capital risk management

The capital structure of the Company consists of stated capital, reserves and retained earnings. Notes on stated capital and reserves are disclosed in notes 17 and 18 respectively. The Company has to comply with the Banking Act 2004 in respect of both its stated capital and reserves, which is detailed in the notes. As at 30 June 2018, the legislative requirement has been met for both stated capital and reserves. The Company manages its capital with an aim to maximize return to its shareholders.

26. FINANCIAL RISK MANAGEMENT (CONT'D)

Categories of financial instruments	2018	2017	2016
		Restated	Restated
	Rs.	Rs.	Rs.
Financial assets			
Cash and cash equivalents	**27,633,256**	101,003,678	46,121,035
Investment securities:			
- loans and receivebales	**340,496,292**	340,192,821	360,860,534
- available-for-sale	**34,181,256**	33,978,457	31,250,516
	374,677,548	374,171,278	392,111,050
Term deposits	**1,534,733,335**	1,720,556,972	2,123,785,214
Loans and advances	**246,615,992**	296,613,934	341,675,464
Net investment in finance leases	**451,884,651**	432,718,703	421,095,479
Other assets	**9,088,548**	7,498,882	8,591,831
	2,242,322,526	2,457,388,491	2,895,147,988
Total financial assets	**2,644,633,330**	2,932,563,447	3,333,380,073
Financial liabilities			
Deposits from customers	**2,168,837,198**	2,463,585,144	2,874,945,264
Other liabilities	**4,060,424**	2,367,756	2,015,862
Dividend	**17,898,597**	19,906,407	18,369,532
Total financial liabilities	**2,190,796,219**	2,485,859,307	2,895,330,658

26.1 Financial risk factors

The Company manages its exposure to market risk (including interest rate risk and price risk), credit risk and liquidity risk through the Risk Management function.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company manages its exposure to interest rate risk by use of a proper mix in fixed and floating rate borrowings and use of natural hedging.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

(i) *Interest rate risk*

The Company is exposed to interest rate fluctuations on the domestic markets. The Company monitors closely interest rate trends and related impact on investment income for performance evaluation and better fund management.

26. FINANCIAL RISK MANAGEMENT (CONT'D)

26.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) *Interest rate risk (Cont'd)*

The interest rate profile of the Company at 30 June was:

	2018	2017	2016
	% p.a.	% p.a.	% p.a.
Financial assets			
Investment in finance leases	**6.50 to 12.50**	6.75 to 12.5	6.75 to 12.5
Balances with local banks	**0.00 to 1.80**	0.00 to 1.80	0.00 to 2.25
Loans to holding company	**9.00**	9.00	9.00
Term deposits	**3.30 to 10.50**	3.85 to 10.50	3.10 to 10.50
Loans and receivables			
Government of Mauritius Bonds	**4.45 to 8.29**	4.45 to 8.29	4.45 to 8.29
Financial liabilities			
Deposit from customers	**1.5 to 6.50**	2.00 to 6.50	2.00 to 8.00

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity.

	2018		2017		2016	
Change in interest rate	**Impact on Profit before tax**	**Impact on Equity**	Impact on Profit before tax	Impact on Equity	Impact on Profit before tax	Impact on Equity
	Rs.	**Rs.**	Rs.	Rs.	Rs.	Rs.
+5 basis point	**87,088**	**74,024**	118,530	100,751	84,009	71,408
-5 basis points	**(87,088)**	**(74,024)**	(118,530)	(100,751)	(84,009)	(71,408)

The increase or decrease in the interest rate sensitivity is due to fluctuations in bank balances and term deposits with floating rates at 30 June 2018 as compared to 30 June 2017 and 30 June 2016.

The interest rate sensitivity analysis excludes Government Securities and fixed deposits, which have fixed interest rates and will not be affected by fluctuations in the level of interest rates.

26. FINANCIAL RISK MANAGEMENT (CONT'D)

26.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(ii) *Other price risks*

The Company is exposed to equity price risks arising from equity investments.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

	2018	2017	2016
	Rs	Rs	Rs
Equity	**34,181,259**	33,978,461	31,250,516

The following table details the Company's sensitivity to a 5% and 10% increase/decrease in the prices of securities investments.

	2018	2017	2016
	Rs	Rs	Rs
Increase/decrease of 5% in prices of securities *Increase/decrease in net assets/income*	**1,709,063**	1,698,924	1,562,526
Increase/decrease of 10% in prices of securities *Increase/decrease in net assets/income*	**3,418,126**	3,397,846	3,125,052

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is mainly attributable to its business loans and finance leases receivable. The amounts presented in the statement of financial position are net of allowances for doubtful debts estimated by the Company's management based on prior experience.

The Company's credit risk is concentrated on loans and advances granted to the holding company.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled either by delivery of cash or another financial asset.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables

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

26. FINANCIAL RISK MANAGEMENT (CONT'D)

26.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

The maturity profile of the financial instruments is summarised as follows:

AT 30 JUNE 2018

	Within 3 Months	3-6 Months	6-12 Months	1 - 5 Years	Over 5 Years	On Demand	Total
Financial assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	-	-	-	-	-	27,633,256	27,633,256
Investment securities							
Available-For-Sale	-	-	-	-	-	34,181,256	34,181,256
Loans and receivables	-	-	-	88,794,594	251,701,698	-	340,496,292
	-	-	-	88,794,594	251,701,698	34,181,256	374,677,548
Term deposits	46,599,257	-	342,218,633	1,145,915,445	-	-	1,534,733,335
Loans and advances							
Holding company	12,922,191	13,215,126	27,335,771	192,442,467	-	-	245,915,555
Other loans	123,029	114,026	231,269	1,108,288	123,825		1,700,437
	13,045,220	13,329,152	27,567,040	193,550,755	123,825	-	247,615,992
Investments in finance leases	43,549,670	28,764,530	56,391,244	303,326,619	28,808,883		460,840,946
Other assets	-	-	-	-	-	9,088,548	9,088,548
Total financial assets	103,194,147	42,093,682	426,176,917	1,731,587,413	280,634,406	70,903,060	2,654,589,625
Financial liabilities							
Amortised Cost							
Deposits from customers	143,171,518	89,586,049	361,245,175	1,773,603,765	-	-	2,367,606,507
Other liablities						4,060,424	4,060,424
Dividend	-	-	-	-	-	17,898,597	17,898,597
Total financial liabilities	143,171,518	89,586,049	361,245,175	1,773,603,765	-	21,959,021	2,389,565,528
Net liquidity gap	(39,977,371)	(47,492,367)	64,931,742	(42,016,352)	280,634,406	48,944,039	265,024,097

26. FINANCIAL RISK MANAGEMENT (CONT'D)

26.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

The maturity profile of the financial instruments is summarised as follows:

AT 30 JUNE 2017

	Within 3 Months	3-6 Months	6-12 Months	1 - 5 Years	Over 5 Years	On Demand	Total
Financial assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents		-	-	-	-	101,003,678	101,003,678
Investment securities							
Available-For-Sale	-	-	-	-	-	33,978,457	33,978,457
Loans and receivables	-	-	-	88,225,082	251,967,739	-	340,192,821
	-	-	-	88,225,082	251,967,739	33,978,457	374,171,278
Term deposits	-	108,226,747	192,653,297	1,402,298,022	17,378,906	-	1,720,556,972
Loans and advances							
Holding company	11,813,960	12,081,772	24,991,405	245,915,555	-	-	294,802,692
Other loans	126,675	114,758	272,758	1,297,051	-	-	1,811,242
	11,940,635	12,196,530	25,264,163	247,212,606	-	-	296,613,934
Investments in finance leases	39,810,534	29,720,899	57,495,830	289,750,214	23,310,718	-	440,088,195
Other assets	-	-	-	-	-	7,498,882	7,498,882
Total financial assets	51,751,169	150,144,176	275,413,290	2,027,485,924	292,657,363	142,481,017	2,939,932,939
Financial liabilities							
Amortised Cost							
Deposits from customers	204,797,296	205,508,549	494,516,234	1,777,861,681			2,682,683,760
Other liablities					-	2,367,756	2,367,756
Dividend	-	-	-	-	-	19,906,407	19,906,407
Total financial liabilities	204,797,296	205,508,549	494,516,234	1,777,861,681	-	22,274,163	2,704,957,923
Net liquidity gap - Restated	(153,046,127)	(55,364,373)	(219,102,944)	249,624,243	292,657,363	120,206,854	234,975,016

26. FINANCIAL RISK MANAGEMENT (CONT'D)

26.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

The maturity profile of the financial instruments is summarised as follows:

AT 30 JUNE 2016

	Within 3 Months	3-6 Months	6-12 Months	1 - 5 Years	Over 5 Years	On Demand	Total
Financial assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents		-	-	-	-	46,121,035	46,121,035
Investment securities							
Available-For-Sale	-	-	-	-	-	31,250,516	31,250,516
Loans and receivables	-	-	-	263,052,113	97,808,421	-	360,860,534
	-	-	-	263,052,113	97,808,421	31,250,516	392,111,050
Term deposits	-	-	1,117,057,250	975,084,510	31,643,454	-	2,123,785,214
Loans and advances							-
Holding company	10,800,773	11,045,617	22,848,096	224,825,383	69,977,309	-	339,497,178
Other loans	119,079	110,621	224,536	1,550,985	173,065	-	2,178,286
	10,919,852	11,156,238	23,072,632	226,376,368	70,150,374	-	341,675,464
Investments in finance leases	39,037,723	28,875,925	55,513,658	278,616,940	24,073,330	-	426,117,576
Other assets	-	-	-	-	-	8,591,831	8,591,831
Total financial assets	49,957,575	40,032,163	1,195,643,540	1,743,129,931	223,675,579	85,963,382	3,338,402,170
Financial liabilities							
Amortised Cost							
Deposits from customers	125,608,323	408,636,182	699,137,231	1,890,983,713	-	-	3,124,365,449
Other liablities					-	2,015,862	2,015,862
Dividend	-	-	-	-	-	18,369,532	18,369,532
Total financial liabilities	125,608,323	408,636,182	699,137,231	1,890,983,713	-	20,385,394	3,144,750,843
Net liquidity gap - Restated	(75,650,748)	(368,604,019)	496,506,309	(147,853,782)	223,675,579	65,577,988	193,651,327

26. FINANCIAL RISK MANAGEMENT (CONT'D)

26.2 Fair value of financial instruments

The carrying amounts of financial assets at available for sale investments, cash at bank and in hand, investment in finance lease, other assets approximate their fair values either because they are measured at fair value or because of the short term nature. Financial assets and liabilities, which are accounted for at amortised cost, are carried at values which may differ materially from their fair values. These are other financial assets and loans receivables that are carried at amortised cost less impairment and whose fair values have been calculated and compared with the carrying amount.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Company's assets and liabilities measured at fair values

AT 30 JUNE 2018	**Level 1**	**Level 2**	**Total**
	Rs.	**Rs.**	**Rs.**
Financial Assets			
Available- for-sale securities			
- Mauritian quoted equities	**1,020,000**	**-**	**1,020,000**
- Mauritian unquoted equities	**-**	**33,161,256**	**33,161,256**
	1,020,000	**33,161,256**	**34,181,256**

AT 30 JUNE 2017	Level 1	Level 2	Total
	Rs.	Rs.	Rs.
Assets			
Available- for-sale securities			
- Mauritian quoted equities	1,020,000	-	1,020,000
- Mauritian unquoted equities	-	33,161,256	33,161,256
	1,020,000	33,161,256	34,181,256

AT 30 JUNE 2016	Level 1	Level 2	Total
	Rs.	Rs.	Rs.
Assets			
Available- for-sale securities			
- Mauritian quoted equities	2,549,685	-	2,549,685
- Mauritian unquoted equities	-	28,700,831	28,700,831
	2,549,685	28,700,831	31,250,516

26. FINANCIAL RISK MANAGEMENT (CONT'D)

26.2 Fair value of financial instruments (Cont'd)

Fair Value of the Company's financial assets and liablities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

	Carrying value			Fair Value		
	2018	2017	2016	**2018**	2017	2016
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Financial Assets						
Cash and cash equivalents	**27,633,256**	101,003,678	46,121,035	**27,633,256**	101,003,678	46,121,035
Term deposits	**1,534,733,335**	1,720,556,972	2,123,785,214	**1,653,906,121**	1,912,313,126	2,223,783,006
Loans and advances						
-Holding company	**244,915,555**	294,802,692	339,497,178	**263,039,809**	317,695,116	368,372,111
-Other loans	**1,700,437**	1,811,242	2,178,286	**1,700,437**	1,811,242	2,178,286
Loans and receivables						
- Bonds	**340,496,292**	340,496,292	360,860,534	**353,584,078**	365,013,591	389,915,285
Other assets	**9,088,548**	7,498,882	8,591,831	**9,088,548**	7,498,882	8,591,831
Financial Liablities						
Deposit from customers	**2,168,837,198**	2,463,585,144	2,874,945,264	**2,162,699,552**	2,372,949,752	2,893,445,299
Other liablities	**4,060,424**	2,367,756	2,015,862	**4,060,424**	2,367,756	2,015,862

(i) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and call deposit to be recevied on demand.

(ii) Term deposits

The estimated fair value of fixed interest bearing Term deposits not quoted in active market is based on discounted cash flows using interest rates for new deposits with similar maturity.

(iii) Loans and recievables

The estimated fair value of loans and advances to holding company and investment in Bonds represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

26. FINANCIAL RISK MANAGEMENT (CONT'D)

26.2 Fair value of financial instruments (Cont'd)

(iv) Deposits from customer

The estimated fair value of fixed interest bearing Term deposits not quoted in active market is based on discounted cash flows using interest rates for new deposits with similar maturity.

(v) Other loans

Other loans comprises of staff loans and their carrying amount approximates their fair value.

(vi) Other financial assets and liablities

Other assets and liablities are repayable on demand. Their fair values are therefore considered as being equal to their carrying value.

During the year, the Company has made no transfer from Level 1 to Level 2.

Currency profile

The Company has no financial assets and liabilities in any other currency than Mauritian Rupees.

27. COMMITMENTS FOR FUTURE LEASES

At 30 June 2018, the Company had capital commitment of Rs.10,230,500 (2017: Rs. 33,620,702) in respect of future leases.

28. PRIOR YEAR ADJUSTMENT

The board of directors have identified the following adjustments which have been applied retrospectively in analogy to "IAS 8 -Accounting Policy, Changes in Accounting Estimate and Errors" in order to achieve improved disclosure.

a. Deposits from customer

In prior years, the Company has not measured its " deposit from customers" at amortised cost using the effective interest method.

Due to the amount involved, the Company has aligned the measurement method on deposits from customers with its accounting policy and with IAS 39. As such the Company has calculated the carrying amount of its deposits from customers using the amortised cost method. Accordingly, the financial statements have been restated. The effect on the comparative information is disclosed below:

	30-Jun-17	30-Jun-16	01-Jul-15
Statement of profit or loss	Rs	Rs	Rs
Effect on Interest expense			
Interest expense	1,711,236	1,472,531	-
Increase / (decrease)	1,711,236	1,472,531	-

28. PRIOR YEAR ADJUSTMENT (CONT'D)

a. Deposit from customer (Cont'd)

	30-Jun-17	30-Jun-16	01-Jul-15
Statement of profit or loss	Rs	Rs	Rs
Effect profit before tax			
Interest expense	(1,711,236)	(1,472,531)	-
Increase /(decrease)	(1,711,236)	(1,472,531)	-
Statement of financial position			
Effect on deposit from customers			
As previously stated	2,464,551,427	2,877,622,783	-
Decrease in deposits from customers	(966,283)	(2,677,519)	-
As restated	2,463,585,144	2,874,945,264	-
Effect on Retained Earnings			
Interest expense decrease	966,283	2,677,519	4,150,053
Transfer (to)/from statutory reserve	(144,942)	(401,628)	(622,508)
Increase	821,341	2,275,891	3,527,545

Summary

	30-Jun-17	30-Jun-16	01-Jul-16
	Rs	Rs	Rs
Effect of interest expense (Statement ofprofit or loss)	1,711,236	1,472,531	-
Effect on Profit before tax	(1,711,236)	(1,472,531)	-
Deposits from customers (Statement of financial position)	(966,283)	(2,677,519)	-
Effect on statutory reserve	144,942	401,628	622,508
Effect on Retained earnings	821,341	2,275,891	3,527,545

b. Term Deposits

In prior years, the Company has not measured its " Term Deposits" at amortised cost using the effective interest method.

Due to the amount involved, the Company has aligned the measurement method on term on deposit with its accounting policy and with IAS 39. As such the Company has calculated the carrying amount of its term deposits using the amortised cost method. Accordingly, the financial statements have been restated. The effect on the comparative information is disclosed below:

	30-Jun-17	30-Jun-16	01-Jul-15
Statement of profit or loss	Rs	Rs	Rs
Effect on Interest Income			
Interest income	3,447,668	4,555,225	-
Increase /(decrease)	3,447,668	4,555,225	-
Effect profit before tax			
Interest income	3,447,668	4,555,225	-
Increase /(decrease)	3,447,668	4,555,225	-

28. PRIOR YEAR ADJUSTMENT (CONT'D)

b. Term Deposits (Cont'd)

	30-Jun-17	30-Jun-16	01-Jul-15
	Rs	Rs	Rs
Statement of financial position			
Effect on Term Deposits			
As previously stated	1,727,612,793	2,134,288,704	-
Decrease in term deposit	(7,055,821)	(10,503,489)	-
As restated	1,720,556,972	2,123,785,215	-
Effect on Retained Earnings			
Interest Income increase/ (decrease)	(7,055,821)	(10,503,489)	(15,058,714)
Transfer (to)/from statutory reserve	1,058,373	1,575,523	2,258,807
Decrease	(5,997,448)	(8,927,966)	(12,799,907)

Summary

	30-Jun-17	30-Jun-16	01-Jul-15
	Rs	Rs	Rs
Effect of interest Income (Statement ofprofit or loss)	3,447,668	4,555,225	-
Effect on Profit before tax	3,447,668	4,555,225	-
Term Deposit (Statement of financial position)	(7,055,821)	(10,503,489)	-
Effect on statutory reserve	(1,058,373)	(1,575,523)	(2,258,807)
Effect on Retained earnings	(5,997,448)	(8,927,966)	(12,799,907)

c. Investment Securities

In prior years, the Company has not measured its " Investment securities classified as loans and receivables" at amortised cost using the effective interest method.

Due to the amount involved, the Company has aligned the measurement method on investment securities clasiified as loans and receivables with its accounting policy and with IAS 39. As such the Company has calculated the carrying amount of its investment using the amortised cost method. Accordingly, the financial statements have been restated. The effect on the comparative information is disclosed below:

	30-Jun-17	30-Jun-16	01-Jul-15
Statement of profit or loss	Rs	Rs	Rs
Effect on Interest expense			
Interest income	903,392	(3,711,241)	-
Increase /(decrease)	903,392	(3,711,241)	-
Effect profit before tax			
Interest income	903,392	(3,711,241)	-
Increase /(decrease)	903,392	(3,711,241)	-

28. PRIOR YEAR ADJUSTMENT (CONT'D)

c. Investment securities (Cont'd)

	30-Jun-17	30-Jun-16	01-Jul-15
	Rs	Rs	Rs
Statement of financial position			
Effect on Investment Securities			
As previously stated	343,143,325	364,714,431	-
Decrease in investment securities	(2,950,504)	(3,853,897)	-
As restated	340,192,821	360,860,534	-
Effect on Retained Earnings			
Interest income increase/(decrease)	(2,950,504)	(3,853,897)	(142,656)
Transfer (to)/from statutory reserve	442,576	578,085	21,398
Increase/ (decrease)	(2,507,928)	(3,275,812)	(121,258)

Summary

	30-Jun-17	30-Jun-16	01-Jul-15
	Rs	Rs	Rs
Effect of interest income (Statement of profit or loss)	903,392	(3,711,241)	-
Effect on Profit before tax	903,392	(3,711,241)	-
Investment securities (Statement of financial position)	(2,950,504)	(3,853,897)	-
Effect on statutory reserve	(442,576)	(578,085)	(21,398)
Effect on Retained earnings	(2,507,928)	(3,275,812)	(121,258)

d. Impact of prior year restatement on profit for year, statutory reserve and retained earning which are impacted by prior year adjustments (a), (b) and (c)

Statement of profit or loss	30-Jun-17	30-Jun-16	01-Jul-15
	Rs	Rs	Rs
Effect on profit for the year			
Effect of interest expense - (a)	(1,711,236)	(1,472,531)	-
Effect of interest income - (b) & (c)	4,351,060	843,984	-
	2,639,824	(628,547)	-

Statement of financial position

	30-Jun-17	30-Jun-16	01-Jul-15
Effect on transfer to statutory reserve	Rs	Rs	Rs
As previously stated	48,132,970	44,620,074	41,378,392
Effect of restatement of profit or loss	(1,356,006)	(1,751,980)	(1,657,698)
As restated	46,776,964	42,868,094	39,720,694
Movement in statutory reserve	395,974	(94,282)	(1,657,698)

28. PRIOR YEAR ADJUSTMENT (CONT'D)

	30-Jun-17	30-Jun-16	01-Jul-15
Effect on Retained Earnings	Rs	Rs	Rs
As previously stated	224,426,271	224,426,271	224,426,271
Interest expense-(a)	966,283	2,677,519	4,150,053
Interest income - (b) & (c)	(10,006,325)	(14,357,386)	(15,201,370)
Transfer from statutory reserve	1,356,006	1,751,980	1,657,698
Decrease from prior year adjustment (a),(b) & (c)	(7,684,037)	(9,927,887)	(9,393,620)
As restated	216,742,234	214,498,384	215,032,651

29. EVENTS AFTER THE REPORTING PERIOD

There are no events after the end of reporting period which the directors consider may materially affect the financial statements for the year ended 30 June 2018.

SICOM Financial Services Ltd
SICOM Building, Sir Célicourt Antelme Street, Port Louis, Mauritius
t: (230) 203 8420 | f: (230) 208 0874 | e: sfsl@sicom.intnet.mu | w: www.sicomgroup.mu