SICOM

FINANCIAL SERVICES

A member of the SICOM Group

ANNUAL REPORT 2019

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Our Mission, Shared Values and Objective

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	Bhoojedhur – Obeegadoo K G (Mrs) Chaperon J M C G Gopy D K Hussenee N E S S (up to 27 August 2018) Late Ramdhonee B I R (up to 21 July 2019) Ramdewar N (Mrs) (as from 04 January 2019) Seewoochurn N
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: sfsl@sicom.intnet.mu Website : www.sfsl.mu
Auditor	Ernst & Young
Main Banker	SBM Bank (Mauritius) Ltd

Directorate & Management

Directors' profile

SAKURDEEP Subiraj

Attorney-at-Law

Subiraj Sakurdeep has been practicing since April 1993 after having completed his Articleship with Attorneys and Senior Attorneys. During his career, he has worked as legal adviser for various District Councils and other companies and entities. Subiraj Sakurdeep has extensive experience in Labour Laws, Matrimonial Cases, recovery of debts, accident cases, Petition for Division-in-kind, encroachment cases and defamation cases.

CHAPERON J M C Gilles

Associate of the Chartered Insurance Institute
Chartered Insurer

Gilles Chaperon joined SICOM as a Technical Officer in 1981 and served in the Life and Pensions Department in various positions at management level and was later promoted to Senior Manager (Legal and Compliance). He held the position of Chief Support Officer responsible for the Group's Corporate Marketing, Communication, CSR and Compliance functions. He was also the Money Laundering Reporting Officer (MLRO) of the Group and was overseeing the Group's Risk Management and IT functions. Since 1 October 2017, he is the Acting Group Chief Executive Officer.

BHOOJEDHUR-OBEEGADOO Karuna G

Fellow of the Institute of Actuaries, UK
Fellow of the Mauritius Institute of Directors
BSc (Hons) in Actuarial Science, London School of Economics and Political Science

Karuna Bhoojedhur-Obeegadoo was the Group Chief Executive Officer heading the SICOM Group of Companies until her retirement in September 2017. She has also worked with M&G Reinsurance Company in London (now Swiss Re) prior to joining SICOM and was appointed Actuarial Adviser to the National Pensions Fund and member of its Investment 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. She is currently 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.

Directors' profile (Cont'd)

GOPY Dev K

Diplôme d'Etude Approfondies (DEA) in Finance and
Maîtrise in Financial Management, Institut d'Administration des Entreprises (IAE) of the University of Montpellier II, France
Qualified Stockbroker

Dev Gopy joined SICOM in 2001 after working for a leading local banking institution. He is responsible for managing the different funds of the SICOM Group. He is also responsible for the proper running of the operations of the Leasing and Unit trusts businesses transacted by SICOM Financial Services Ltd and the operations of SICOM Global Fund Ltd and SICOM Management Ltd. He currently serves as Executive Director on the Board of SICOM Financial Services Ltd and is also a Director of Cyber Properties Investments Ltd.

RAMDEWAR Nandita

Fellow of the Association of Chartered Certified Accountants
Masters in Business Administration - specialisation in Finance, Manchester Business School
Fellow of the Mauritius Institute of Directors
Member of the International Fiscal Association (Mauritius)

Nandita Ramdewar joined SICOM in 1992 after working in a leading audit firm. Since then, she has been heading several departments of the Group at senior management level and acted as the Company Secretary. She has acquired along the years a broad experience in the areas of finance, strategy, insurance, financial services and corporate matters. In February 2018, she was appointed Deputy Group Chief Executive Officer, besides acting as Chief Finance Officer. She currently serves as Director on the Boards of SICOM Financial Services Ltd, SICOM Global Fund Limited and SICOM Management Limited. She has in the past acted as the Chairperson of the Private Secondary Schools Authority and has been a Director of the Stock Exchange of Mauritius Ltd and Central Depository and Settlement Co. Ltd.

Late RAMDHONEE Baboo Indraduth Rye

BSc in Economics and in Management, University of Poona

Late Baboo Indraduth Rye Ramdhonee held the position of Senior Manager at SICMS, managing the Casinos of Mauritius for the past 30 years. 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 has also participated in local and international seminars concerning fraud and corruption. Moreover, Baboo Indraduth Rye Ramdhonee has followed intensive courses in Quality Management at the Indian Institute of Quality Management, Jaipur.

Directors' profile (Cont'd)

SEEWOOCHURN Nankumar

Diploma in Financial Management, University of Mauritius

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

LEE SHING PO Theresa M.

Company secretary
Attorney-at-Law

Theresa Lee Shing Po was admitted as Attorney-at-Law in 1986. She had her private practice and also worked in an international accounting and auditing firm, and at the Attorney General's Office. She joined SICOM in 2000 as Legal Officer. She currently serves as the Senior Executive Officer – Legal, responsible for the overall operational and strategic functions of the Legal Department and deals with and advises the Group in all legal matters. Theresa Lee Shing Po also acts as Company Secretary to the State Insurance Company of Mauritius Ltd, SICOM General Insurance Ltd, SICOM Financial Services Ltd and SICOM Foundation.

Management's Profile

CHADIEN Moorganaden

Manager

Fellow of the Association of Chartered Certified Accountants
Masters in Business Administration, University of Surrey, UK

Moorganaden Chadien 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. He is presently the Manager of SICOM Financial Services Ltd where he is responsible for the day-to-day operations of the Company

KASENALLY-BOODOO Ameerah

Deputy Manager

BSc (Honours) in Economics, London School of Economics and Political Science
Masters in Business Administration, University of Birmingham

Ameerah Kasenally-Boodoo 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. She is currently the Deputy Manager and is assisting in the running of the Company's operations.

Annual Report

The Directors have the pleasure to submit the nineteenth Annual Report of SICOM Financial Services Ltd (the "Company") together with the audited financial statements for the financial year ended 30 June 2019.

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

In line with the global and local trends in the financial services industry, the vision of the SICOM Group was to embark on a strategy that would re-invent the way the Group, including SICOM Financial Services Ltd (SFSL) was doing business. In this light, a Consultant was appointed to review SICOM Group's business strategy so as to enhance customers' experience, improve operational efficiency, grow revenue, market share and profitability and identify opportunities for diversification in terms of products, channels and regional expansion. A consultant is also assisting the Group in developing and implementing an effective and integrated Communication Strategy over the long term, thus adequately supporting the repositioning and re-boosting of SFSL's brand and image in the local market.

A number of initiatives were undertaken for the year under review to underpin the company's objectives regarding customer centricity, digital transformation, business development and operational efficiency. Indeed, new applications were deployed for the lease and deposit taking businesses respectively, the lease/car insurance bundling scheme was revamped and a number of sales and marketing initiatives were undertaken which included organisation and participation in events involving individual and corporate stakeholders.

FINANCIAL RESULTS

Deposits

The total deposits of the Company stood at Rs 1.8 billion for the financial year ended 30 June 2019 as compared to Rs 2.1 billion last year in line with the Company's strategy to improve its interest margin by not mobilizing costly deposits.

Leasing

Investments in finance lease increased from Rs 451.9 million for the financial year ended 30 June 2018 to reach Rs 576.5 million for the financial year ended 30 June 2019, that is a growth of 27.5 %. The amount of new leases approved amounted to Rs 285.5 million as compared to Rs 189.3 million last year. The growth in the leasing business is attributable to the different sales and marketing initiatives deployed during the year.

Net Interest Income

Net interest income increased to Rs 59.4 million for the financial year ended 30 June 2019, as compared to Rs 55.7 million last year, that is a growth of 6.6%. This improvement in the net interest income is based to a large extent on the asset/liability management decisions taken in recent years.

Profit before tax

Profit before tax increased significantly to Rs 33.8 million for the financial year under review, as compared to Rs 23.5 million last year . This 43.8% increase in profit before tax is due to ongoing efforts made to increase sales, improve the Company's interest margin and enhance arrears management.

Auditor

The remuneration of Auditor for the financial year amounted to Rs 525,000. (2018: Rs 500,000).

Chairman ....

Director ....

Director ....

Date 23 SEP 2019

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 2019.

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 2018, same as in 2017. Growth in 2018 was supported by robust performances of all major sectors of the Mauritian economy, in particular financial and insurance activities, wholesale & retail trade, construction and accommodation and food service activities. Savings rate for 2018 is estimated to be around 9.0% of GDP, while the investment rate rose to 18.7%, supported by increased levels of both private and public sector investments. The headline inflation rate was 1.0% for the twelve months ended 30 June 2019 compared to 4.3% for the corresponding period last year. During the financial year ended 30 June 2019, there was an appreciation of the USD and YEN compared to the MUR while the local currency appreciated against the EUR, GBP, AUD and ZAR. The SEMDEX, SEM-10 and the DEMEX retracted by 5.2%, 2.9% and 4.8% respectively over the financial year ended 30 June 2019.

Statistics Mauritius expects real GDP growth of 3.9% in 2019, based on the information gathered on key sectors of the economy and considering policy measures announced in the budget 2019/2020. In fact, higher growth rates are expected from sectors such as agriculture, forestry and fishing, manufacturing and public administration and defence, while industries such as construction, wholesale & retail trade and financial and insurance activities are projected to post lower growth rates. Both the investment and the saving rates are expected to increase in 2019 to reach 19.3% and 9.5% respectively. Private sector investment is predicted to grow by 0.1% in 2019 compared to the 10.4% growth seen in 2018, while public sector investment is anticipated to expand by 26.7% after posting a growth of 12.7% in 2018.

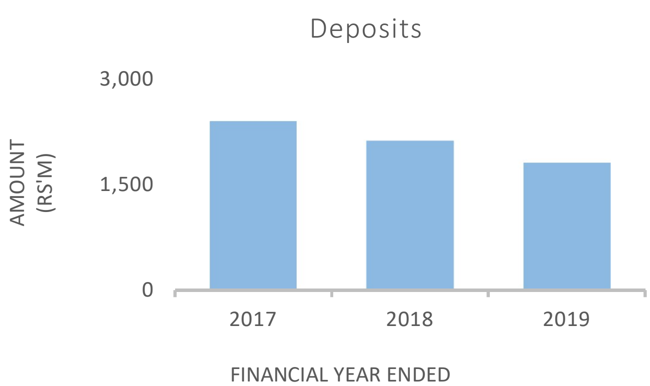
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL REVIEW

Performance Area	Current year's objective	Current year's performance	Next year's objective
Revenue growth	-10.86%	-9.80%	-4.23%
Interest expense growth	-15.19%	-22.06%	-0.56%
Operating profit growth	-2.50%	46.51%	-4.44%
Productivity	49.17%	53.87%	41.61%
Return on equity	4.92%	7.25%	6.77%
Return on average assets	0.84%	1.35%	1.37%

Deposit Taking

The total deposits of the Company stood at Rs 1.8 billion for the year ended 30 June 2019, as compared to Rs 2.1 billion last year in line with the strategy of the company to improve its interest margin by not mobilizing costly deposits.



Deposits (Rs)	30-June-17	30- June-18	30-June-19
Deposit taking	2,402,113,414	2,120,244,863	1,842,752,457
Interest Payable to Depositors	135,357,748	101,280,600	78,815,465
Average Interest/ Deposit (%)	**5.63**	**4.78**	**4.28**

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

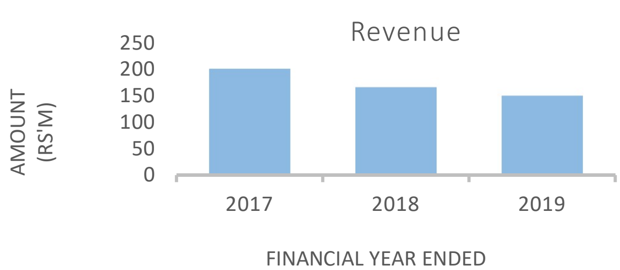
Leasing

The amount of lease disbursed stood at Rs 263.7 million for the financial year ended 30 June 2019 while for last year the amount of lease disbursed stood at Rs 179.2 million. This improved performance can be attributed to the different sales and marketing initiatives undertaken during the year which had a positive impact on business growth.

Leasing (Rs)	30- Jun-17	30-Jun-18	30-Jun-19
Amount disbursed	164,945,800	179,171,388	263,671,874

Revenue

Revenue from leasing activities increased to reach Rs 40.3 million for the year under review as compared to Rs 39.6 million last year. Investment income decreased to Rs 105.6 million from Rs 125.1 million last year due the persisting low interest rate environment. Revenue from our Unit Trust activities increased healthily to Rs 4.0 million this year as compared to Rs 2.5 million last year.



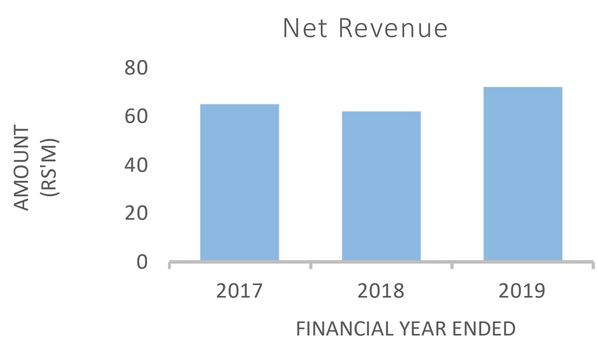
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Revenue (Cont'd)

Revenue (Rs)	30-Jun-17	30-Jun-18	30-Jun-19
Investment Income	164,385,306	125,123,832	105,643,645
Net Leasing activities	38,510,611	39,638,353	40,263,454
Unit Trust	2,323,266	2,457,765	4,024,587
Total	**205,219,183**	**167,219,950**	**149,931,686**

Net Revenue

Net revenue reached Rs 73.2 million for the financial year ended 30 June 2019 as compared to Rs 63.2 million last year, on the back of better performances from the Company's leasing and deposit taking businesses.



Net Revenue (Rs)	30- Jun-17	30-Jun-18	30-Jun-19
Deposit takings	29,027,557	23,843,231	26,828,180
Unit Trust	2,323,266	2,457,765	4,024,584
Leasing activities	35,992,769	36,929,991	42,321,411
Total	**67,343,592**	**63,230,987**	**73,174,175**

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

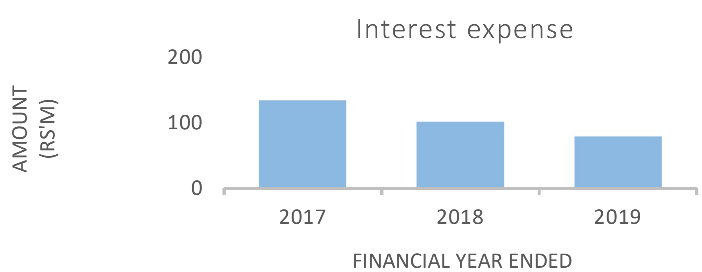
Operating profit

The operating profit reached Rs 33.8 million as compared to Rs 23.5 million last year. This is mainly due to an improved interest margin and lower provisioning charges.The fall in profit generated from the Unit Trust business is mainly due to an update in the methodology of cost allocation between the business units.

Operating profit (Rs)	30-June-17	30- June-18	30-Jun-19
Deposit taking and leasing	28,694,697	21,695,886	33,015,470
Unit Trust	1,588,540	1,817,568	740,200
Total	**30,283,237**	23,513,454	33,755,670

Interest expense

Interest paid to depositors fell from Rs 101.3 million for the financial year ended 30 June 2018 to Rs 78.8 million for the financial year ended 30 June 2019 in line with the Company's strategy not to mobilise costly deposits.



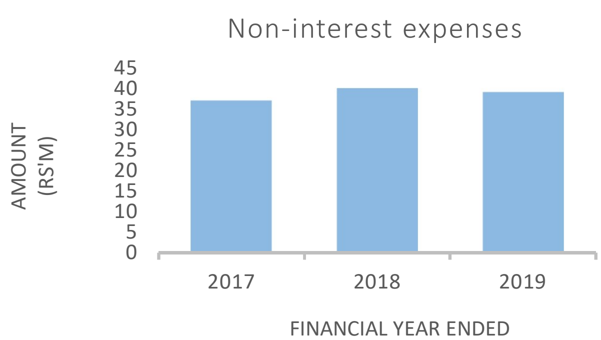
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Interest expense (Cont'd)

Interest expense (Rs)	30-Jun-17	30-Jun-18	30-Jun-19
Deposit takings	**135,357,748**	**101,280,600**	**78,815,465**

Cost Control

Non-interest expenses fell slightly from Rs 39.7 million for financial year ended 30 June 2018 to Rs 39.4 million for financial year ended 30 June 2019. The increase in non- interest expenses for the Unit Trust business is due to the review in the methodology used for cost allocation between the business units.



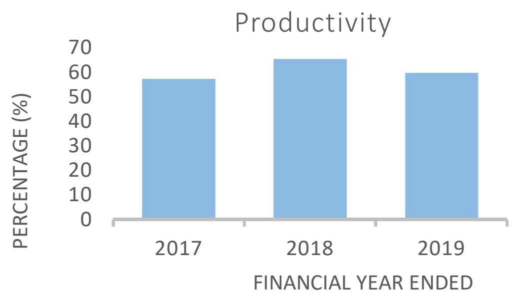
Non- interest expenses (Rs)	**30-Jun-17**	**30- Jun-18**	**30-Jun-19**
Deposit takings and Leasing	36,325,630	39,077,338	36,134,118
Unit Trust	734,726	640,196	3,284,387
	37,060,356	39,717,534	39,418,505

Productivity ratio

The productivity ratio stood at 53.87 % for the year under review as compared to 62.80% last year. This improvement in the productivity ratio is due to the increase in revenue and fall in non- interest expense.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

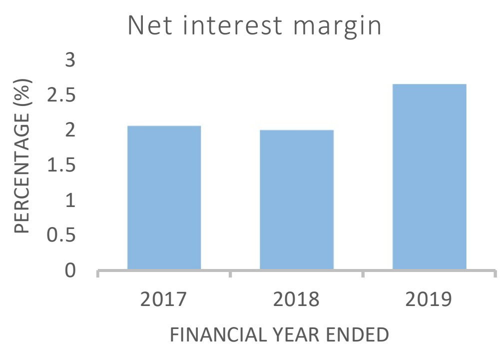
Productivity ratio (Cont'd)



Year	Productivity ratio
30-Jun-17	55.03%
30-Jun-18	62.80%
30-Jun-19	53.87%

Net interest margin

The net interest margin of the Company improved to 2.93% as compared to 2.23% last year as a result of an enhanced asset/liability management.

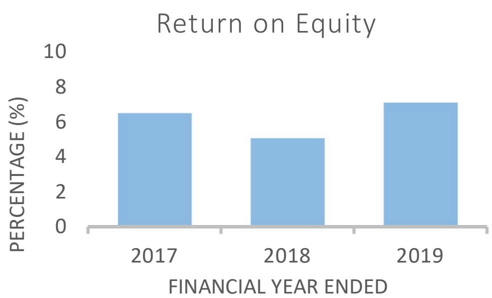


Year	Net Interest Margin
30-Jun-17	2.15%
30-Jun-18	2.23%
30-Jun-19	2.93%

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Return on equity

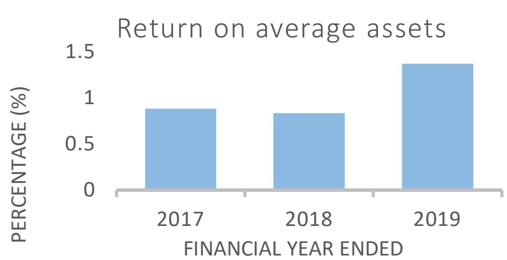
The return on equity for the financial year ended 30 June 2019 stood at 7.25% as compared to 5.05 % in 2018. This increase in return on equity is explained by the rise in the profitability of SFSL for the financial year under review.



Year	Return on Equity
30-Jun-17	6.48%
30-Jun-18	5.05%
30-Jun-19	7.25%

Return on average assets

The return on average assets increased from 0.84% last year to 1.35% for the financial year ended 30 June 2019.



Year	Return on Average Assets
30-Jun-17	0.96%
30-Jun-18	0.84%
30-Jun-19	1.35%

2. Capital Structure

Shareholding Profile

Ownership of stated capital at 30 June 2019 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-17 (Rs' million)	30-June-18 (Rs' million)	30-June-19 (Rs' million)
Stated capital	200.0	200.0	200.0
Other Reserves	215.1	210.0	206.3
Statutory Reserve	46.8	49.9	54.2
Deferred Tax	(0.1)	(1.8)	(0.2)
Investment in available-for-sale securities	(34.0)	(34.2)	(34.9)
Other intangible assets	(6.3)	(5.1)	(3.7)
Tier 1 Capital	**421.5**	**418.8**	**421.7**

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

	30-June-17 (Rs' million)	30-Jun-18 (Rs' million)	30-Jun-19 (Rs' million)
Portfolio Provision	**4.4**	**5.5**	**5.7**
Capital Base	**425.9**	**424.3**	**427.3**
Risk Weighted Assets	**1,421.5**	**1,210.8**	**839.5**
Capital Adequacy Ratio (%)	**29.95**	**35.04**	**50.9**

Bank of Mauritius - Statement of Compliance

Name of Institution: SICOM FINANCIAL SERVICES LTD

Reporting Period: 30 JUNE 2019

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.

S. Sakurdeep , Chairperson of the Board of Directors

Date: 23 SEP 2019

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. The disclosures relating to the eight principles of the Code are in different sections of this Annual Report as per the table below:

Principles of the Code	Relevant sections of the Annual Report	Page
Principle 1: Governance Structure	About us Corporate Governance Report	19-22
Principle 2: The Structure of the Board and its Committees	About us Corporate Governance Report	23-26
Principle 3: Director Appointment Procedures	Corporate Governance Report	27
Principle 4 : Director Duties, Remuneration and Performance	Corporate Governance Report	27 -28
Principle 5: Risk Governance and Internal Control	Our Risk Management	28-35
Principle 6: Reporting with Integrity	Our Corporate Strategy How we create value Corporate Governance Report	36-40
Principle 7: Audit	Corporate Governance Report	40-42
Principle 8: Relations with Shareholders and Other Key Stakeholders	Corporate Governance Report Engaging with our Stakeholders	42-44

Governance Structure

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

The Board accepts full responsibility for meeting all legal and regulatory requirements and 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.

Corporate Governance Report (Cont'd)

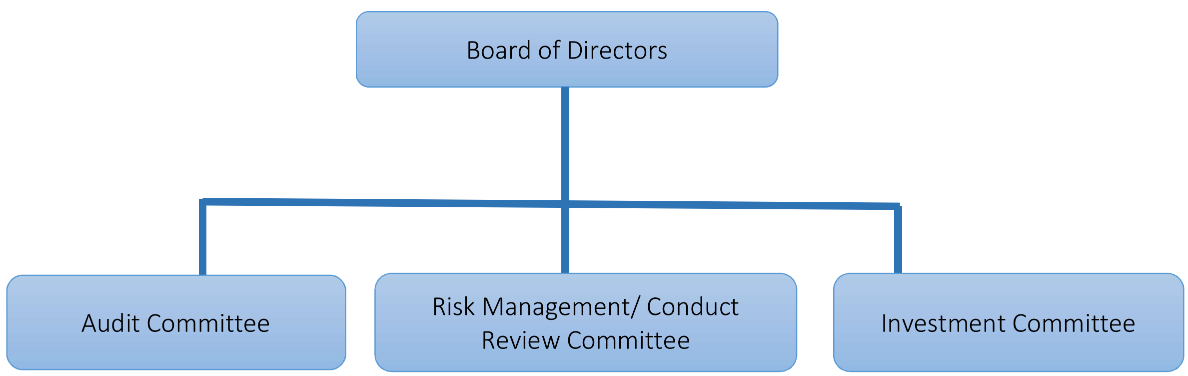
The Board has also approved the following:

- Position Statement of the Chairperson of the Board and the Chairperson of Sub-Committees
- Code of Ethics for Directors;
- Code of Ethics for Employees;
- Position Statement of the Group Chief Executive Officer ('Group CEO') and the Company Secretary;
- Anti-Harassment and Non-Discriminatory Policy;
- Whistleblowing Policy; and
- Remuneration Policy for Directors and Senior Executives

The Company has in place a Constitution which is in line 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 relieve the Board of its responsibilities in respect of the actions and decisions of that Committee.



Key Governance Responsibilities and accountabilities

The Board has adopted the following job descriptions for key governance positions which were approved by the Board of Directors of the Holding Company :

Chairperson of the Board

The roles of the Chairperson and the 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 has to ensure that Board members, upon appointment, participate in an induction programme and that the development needs of directors are identified and appropriate training is provided.

Corporate Governance Report (Cont'd)

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.

Company Secretary

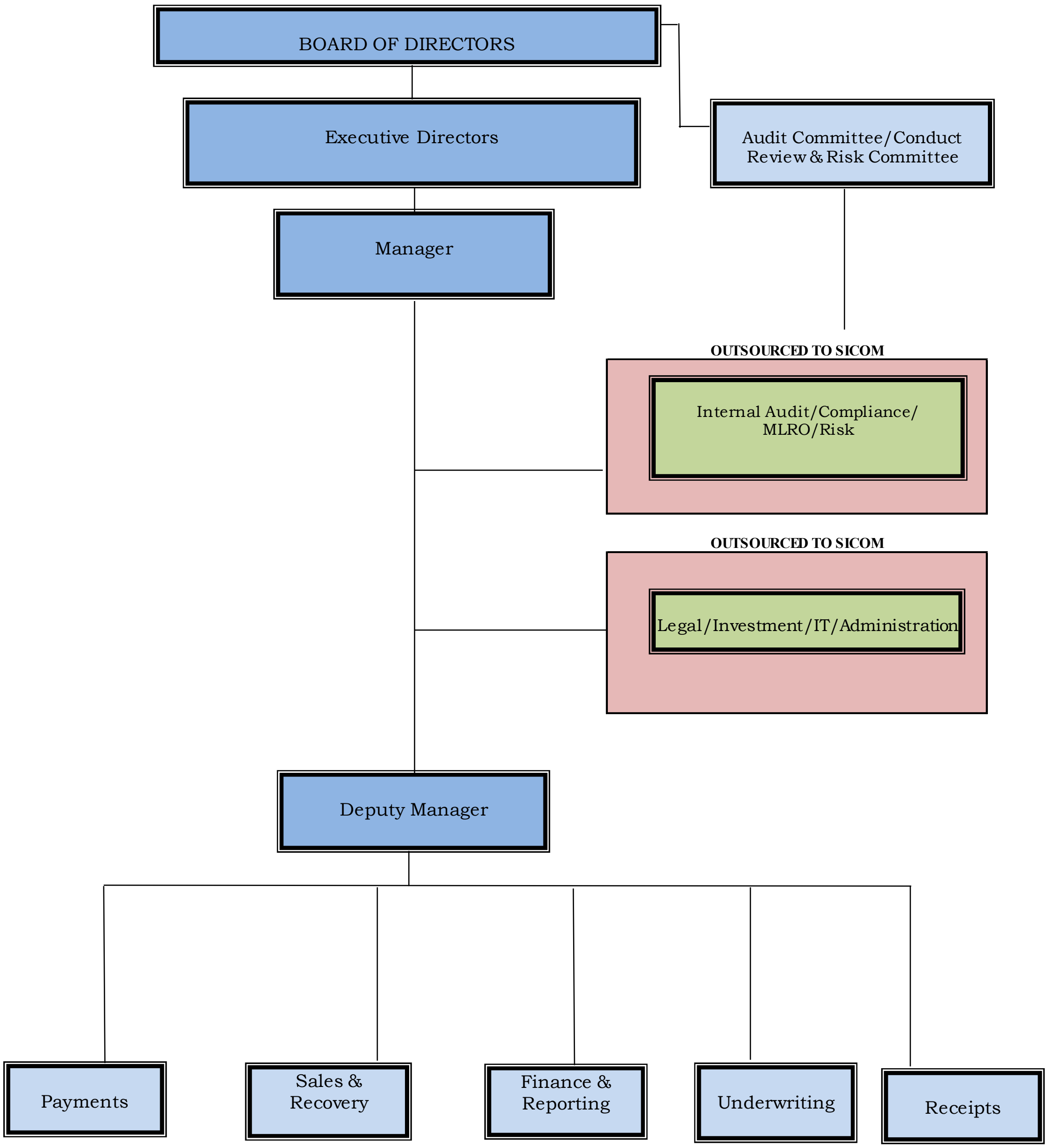
The Company Secretary is appointed by the Board in accordance with the Companies Act 2001. She assists and advises the Board. The main responsibilities of the Company Secretary include amongst others, to: prepare and circulate agendas of Board, Board Committees and Shareholders' meetings and any supporting 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.

Management Team

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

Organisational Chart

The Company operates within a defined governance framework with clear lines of authority, accountability and responsibility as illustrated in the chart below:



The Structure of the Board and Its Committees

The Directors' profiles appear on pages 4 to 6.

Board size and Composition

The Company has a unitary Board with the right balance of skills, experience and diversity. As at 30 June 2019, out of the seven members of the Board, two (2) were Executive Directors, two (2) were Non- Executive Directors and three (3) were Independent Directors, who were all residents of Mauritius. The Company complies with the statutory number of directors required and has a Board Charter which is reviewed by the Board as and when required.

The Non-Executive Directors come from diverse business backgrounds, such as finance, economics etc., and they possess the skills, objectivity, integrity, experience and commitment to make sound judgments on various key issues relevant to the business of the Company. The Non-Executive Directors do not have any involvement in the operations of the Company, and none of the appointed independent directors were employed by the Company during the past three years.

Having regard to the blend of mixed skills of its Members, the Board is of opinion that these are sufficient to enable the Company's Board to effectively discharge its responsibilities.

Currently, the Board has three (3) committees, namely (i) Risk Management/ Conduct Review Committee, (ii) Audit Committee, (iii) Investment Committee, each comprising of members with a diversity of knowledge and experience in fields relevant to the operations of the Company such as finance, legal and business administration. Each Board committee has its own charter, approved by the Board and which may be reviewed as and when required. The Chairperson of the Board and the Chairperson of each of the sub-committees are selected for their relevant knowledge and experience in these key governance roles. Their responsibilities have been clearly defined in their respective position statements.

As regards gender balance, the Code provides that all 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 2019, the Company's Board comprised of five male and two female directors.

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, MCB Group Limited and MCB Equity Fund Ltd

Mr D K Gopy – Cyber Properties Investments Ltd

Mrs N Ramdewar - State Insurance Company of Mauritius Ltd, SICOM Global Fund Ltd and SICOM Management Ltd

Mr N Seewoochurn – Financial Services Institute Company Limited

Attendance at Board meetings and Committees meetings

Below is a record of all Board and Committee meetings held during the financial year 2018/2019:

Board Composition	Classification	Board	Audit Committee	Risk Management/ Conduct Review Committee	Investment Committee
№ of Meetings held		7	4	4	1
	Directors' attendance during their period of directorship				
Mr S Sakurdeep	Independent	7 of 7	4 of 4	4 of 4	1 of 1
Mrs K G Bhoojedhur-Obeegadoo	Non-Executive	4 of 7		3 of 4	1 of 1
Mr J M C G Chaperon	Executive	7 of 7		4 of 4	1 of 1
Mr D K Gopy	Executive	7 of 7			1 of 1
Mr N E S S Hussenee (up to 27 August 2018)	Independent	-	-	-	-
Mrs N Ramdewar (as from 4 January 2019)	Non-Executive	3 of 3			-
Late Mr B I R Ramdhonee	Independent	6 of 7	2 of 4	4 of 4	1 of 1
Mr N Seewoochurn	Independent	6 of 7	2 of 2		1 of 1

Board Committees

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

- Audit Committee;
- Risk Management/ Conduct Review Committee; and
- Investment Committee.

The Corporate Governance and Staff Committees, established under the Board of the Holding Company, look at Governance and Staff matters pertaining to the Company.

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

Audit Committee

Mandate

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities related to corporate accounting, financial reporting practices, quality and integrity of financial reports, compliance, internal control and business ethics.

Composition

The Charter of the Committee provides that it shall comprise of only independent directors who shall not be less than three (3) in number. The Chairperson shall be an independent member. The Chairperson of the Board must not be the Chairperson of the Committee. The Group Chief Executive Officer and any executive director shall not be eligible to be appointed as member of the Committee. The Chairperson of the Committee should preferably have recent and relevant financial experience with a professional qualification from one of the professional accountancy bodies. The Committee shall meet at least four (4) times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

During the financial year 2018/2019, the Committee met four times.

Members as at 30 June 2019	Category
Mr N Seewoochurn (Chairperson)	Independent director
Late Mr B I R Ramdhonee	Independent director
Mr S Sakurdeep	Independent director

It is to be noted that Mr N E S S Hussenee formed part of the Committee up to 27 August 2018.

As at 30 June 2019, the composition of the Audit Committee was in line with the Bank of Mauritius Guideline on Corporate Governance.

Risk Management/Conduct Review Committee

Mandate

The Risk Management/Conduct Review Committee assists the Board of Directors in fulfilling its oversight responsibilities related to Risk Management and Conduct Review. The Committee monitors all related party transaction issues of the Company.Related party transactions are disclosed in note 26 of the financial statements for the financial year ended 30 June 2019. 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 within the Company.

Composition

The Charter of the Risk Management/Conduct Review Committee provides that it shall comprise of at least three independent directors and, with the exception of the Group Chief Executive Officer, the Committee members will be non-executive directors of whom a reasonable number must have an adequate familiarity with risk management. The Chairperson shall be an independent non executive member of the Committee. The Chairperson of the Board and the Group Chief Executive Officer shall not be eligible to be appointed as Chairperson of the Committee.

The Committee shall meet at least four (4) times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

During the financial year 2018/2019, the Committee met four times.

Members as at 30 June 2019	Category
Late Mr B I R Ramdhonee (Chairperson)	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 N E S S Hussenee formed part of the Committee up to 27 August 2018.

Investment Committee

Mandate

The Investment Committee lays down and reviews on a regular basis the investment strategy of the different funds under management. The Committee has the objective of selecting investments to achieve a reasonable rate of return, while taking into consideration associated risks. It may also take key investment decisions and ensures that investments are in all respect reasonable and proper.

Composition

The Charter of the Committee provides that it shall comprise of all members of the Board.The Chairperson shall be an independent director. The Committee shall meet as often as necessary. During the financial year 2018/2019, the Committee met once.

Members as at 30 June 2019	Category
Mr S Sakurdeep (Chairperson)	Independent director
Mrs K G Bhoojedhur-Obeegadoo	Non-executive director
Mr J M C Gilles Chaperon	Executive director
Mr D K Gopy	Executive director
Mrs N Ramdewar	Non-Executive director
Late Mr B I R Ramdhonee	Independent director
Mr N Seewoochurn	Independent director

It is to be noted that Mr N E S S Hussenee formed part of the Committee up to 27 August 2018.

Directors Appointment Procedures

The appointment of new Directors is on the basis of objective criteria such as their individual skills, knowledge, experience, independence and with due regards for the benefits of diversity on the Board, including gender and their ability to act in the best interests 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.

The Corporate Governance Committee, at Group Level, reviews the profile of prospective Directors and make their recommendations to the Board for its approval. 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 Directors is subject to the approval of 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, subject to the approval of the Financial Services Commission. 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 organization in appointing Directors onto the Board. The Board considers the following factors before appointing a new Director:

- 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

Upon appointment, Non-Executive Directors will be given a letter of appointment.

Directors Duties, Remuneration and Performance

Legal Duties

All of the Directors on the Board including any alternate Director, are aware of their fiduciary duties at the time of their appointment. Upon appointment, new Directors are given a copy of the Constitution of the Company, a copy of the relevant legislation including Financial Services Act 2007 and Banking Act 2004 and 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 were subsequently adopted by the Company. The Group Code of Ethics for Directors has been published on the Group's website. Both Directors and employees are made aware of the requirements of their respective Codes.

The Board shall monitor compliance with the Code of Ethics on an ongoing basis.

Conflicts of Interest

Directors should disclose any interest that they have including related party transactions, to the Board. An interest register is maintained by the Company Secretary and is updated as and when required. The register may 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 2019 were Rs 192.7 million, Rs 56.1 million, Rs 20.7 million, Rs 16.0 million, Rs 6.3 million and Rs 2.5 million. These balances represented 41.9%, 12.2%, 4.5%, 3.5%, 1.4% and 0.5% respectively of Tier 1 Capital. Approval was obtained from the Bank of Mauritius for exposures exceeding required limits.

Information Technology and IT Security

The Board ensures that the Company has in place appropriate information technology policies, and that these policies are regularly reviewed and monitored.

The Information Security Policy of the SICOM Group is a key component of the Group's overall information security management framework and reflects Management intents on information security commitments. This policy aims 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 Group has also in place other policies which provide that access to computer systems are password-protected and monitored, security solutions such as anti-virus software are updated regularly and encryption is used to protect sensitive information. These policies apply 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

An evaluation of the effectiveness of the board, its committees and the chairperson was conducted. The method employed to secure relevant information was done through questionnaires. Directors were overall satisfied of the performance of the Chairperson, board and its committees. The Board, however, with a view to enhance its effectiveness, decided that training will be arranged as appropriate.

Succession Planning

The Board ensures that suitable plans are in place for the orderly succession of appointments to the Board and to Senior Management positions in order to maintain an appropriate balance of knowledge, skills and experience within the Company and on the Board.

Our Risk Management

Taking risk is inherent to financial institutions, but such risk-taking needs to be made in an informed and disciplined manner, and within a pre-determined risk appetite and tolerance. Enterprise Risk Management ('ERM') is a structured and disciplined approach aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties the Company faces as it creates value.

The objective of the 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's risk profile by providing a platform for analyzing the interrelationship between risks.

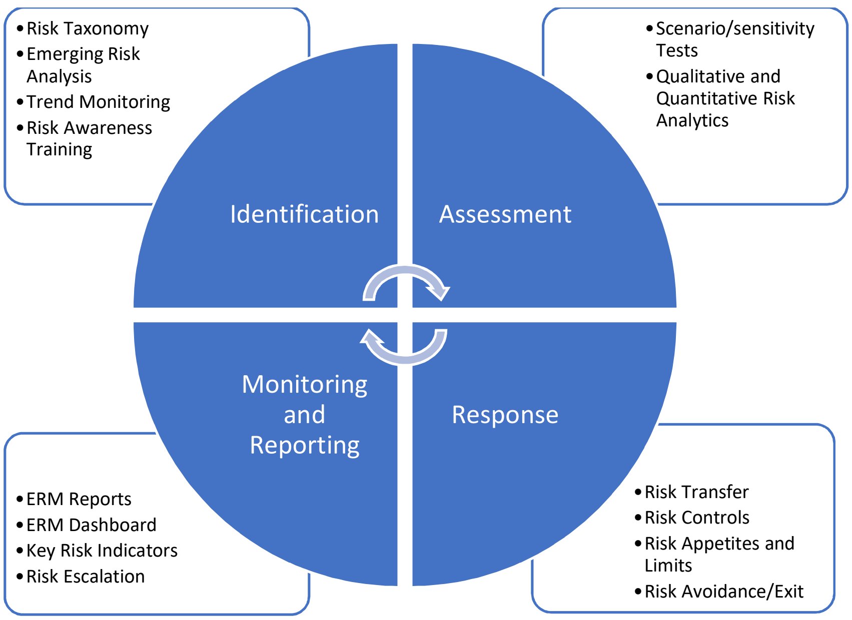
Risk management magnifies value creation by embedding disciplined risk taking in the Company culture and contributes to an optimal risk-return profile where risk reward trade-offs are transparent, understood, and risks are appropriately rewarded.

Key Elements of ERM

Elements	Our approach
Align ERM process to goals and objectives *Ensure the ERM process maximises the achievement of our objectives and results* 	Strategic objectives are examined by regularly considering how uncertainties, both risks and opportunities, could affect the Company's ability to achieve its targets. By aligning the ERM process to its objectives, the Company can address risks via an enterprise-wide, strategically-aligned portfolio rather than addressing individual risks within silos.
Identify Risks *Assemble a comprehensive list of risks, both threats and opportunities, that could affect the Company from achieving its goals and objectives* 	Through this element of ERM, the Company systematically identifies the sources of risks as they relate to strategic objectives by examining internal and external factors that could affect their accomplishment. Risks can either be opportunities for, or threats to, accomplishing strategic objectives. Developing an organisational culture to encourage employees to identify and discuss risks openly is critical to ERM success.
Assess Risks *Examine risks considering both the likelihood of the risk and the impact of the risk on the mission to help prioritize risk response* 	Risk owners and subject matter experts assess each risk by assigning the likelihood of the risk's occurrence and the potential impact if the risk occurs. Risks are ranked based on organisational priorities in relation to strategic objectives. Integrating the prioritized risk assessment into strategic planning and organisational performance management processes helps improve budgeting, operational, and resource allocation planning
Select Risk Response *Select a risk treatment response (based on risk appetite) including acceptance, avoidance, reduction, sharing or transfer.* 	The Company reviews the prioritized list of risks and selects the most appropriate treatment strategy to manage the risk. Not all treatment strategies manage the risk entirely; there may be some residual risk after the risk treatment is applied. Risk owners and subject matter experts decide if the residual risk is within our risk appetite and if additional treatment will be required. It is ensured that the risk response fits into the management structure, culture and processes of the Company, so that ERM becomes an integral part of regular management functions.
Communicate and Report on Risks *Communicate risks with stakeholders and report on the status of addressing the risks* 	Communicating and reporting risk information notify relevant stakeholders about the status of identified risks and their associated treatments, and assure them that risks are being managed effectively. Sharing risk information and incorporating feedback from relevant stakeholders help to identify and better manage risks, as well as increase transparency and accountability.

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



The risks were identified and classified in a consistent manner across the organization 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 risk register.

The Company's risk appetite is the maximum aggregate level and types of risk it is willing to take or tolerate in pursuing its strategic objectives and business plans. The Company regularly measures and quantifies material risks to which it is exposed, using financial and non-financial metrics.

Risk Reporting

To ensure a timely, ongoing communication and feedback between all relevant stakeholders, and foster transparency with respect to risk and the management thereof, the Group reports on its risk profile at quarterly intervals and has procedures in place to refer to risk issues and reports to senior management and Sub-Board Committee.

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 encouraged across the organization

An 'open-door' environment is cultivated and information flows as freely as possible given confidentiality requirements.

A Whistleblowing Policy has been established within the Group

Organisational learning is actively encouraged making sure that the Company learns from experience inside and outside the Company

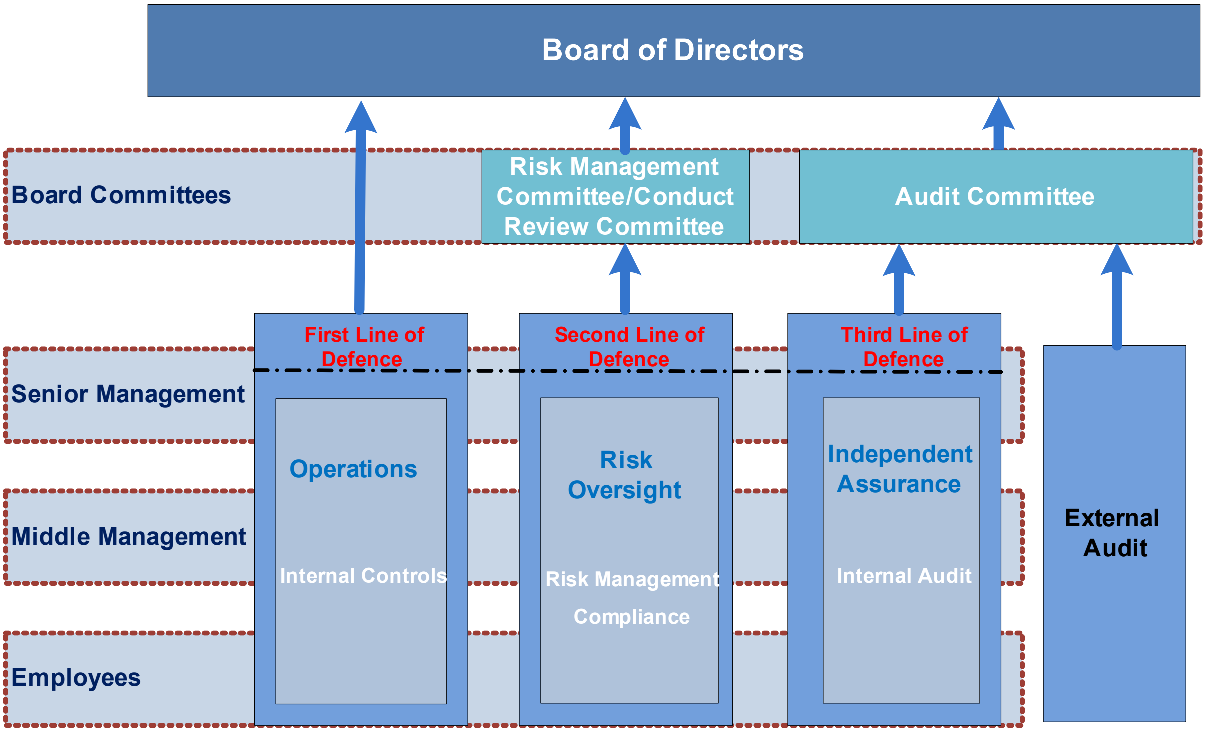
Regular risk-related training to ensure employees have the necessary knowledge to perform risk management effectively and optimally

Risk Governance

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.

For Risk Governance, the Company adopts the Three Lines of Defence Model. In this 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 so that they align with that particular line of defence.

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 interests 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 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 consists in 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 has the duty to ensure that risk appetites and tolerances for key risks are properly managed and reported.

Management of Key Risks

Credit risk by industry sector

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. The arrears committee meetings are held on a regular basis to review and monitor arrears.

Total finance lease as at 30 June 2019, classified by industry sectors:

Name of Sector	2017 (Rs)	2018 (Rs)	2019(Rs)
Retail	324,030,824	344,869,883	445,344,554
Corporate	116,057,371	115,971,063	135,974,800
Total	440,088,195	460,840,946	581,319,354
Percentage of Tier 1 Capital	104.40%	110.05%	137.90%

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)	2019 Total Provision (Rs)	2018 Total Provision (Rs)	2017 Total Provision (Rs)
Agriculture and fishing	-	-	-		-	168
Manufacturing	7,986,884	-	3,811	3,811	26,061	43,947
Transport	43,218,990	802,484	12,804	815,288	1,772,581	1,824,107
Construction	15,936,428	-	8,816	8,816	132,917	119,759
Personal	441,887,622	2,997,286	459,646	3,456,932	6,404,186	4,744,300
Financial & business services	5,580,316	-		-	83,548	71,760
Global Business Licence holders	7,243,038	-		-	84,555	36,867
Education	691,754	-		-	15,190	22,408
Tourism	2,769,515	-		-	11,820	13,902
Information, Communication and Technology	5,384,338	511,324	36,076	547,400	46,615	42,956
Others	45,781,285	-	6,936	6,936	378,822	449,318
Total	**576,480,171**	**4,311,094**	**528,089**	**4,839,183**	**8,956,295**	**7,369,492**

Management of Key Risks

Details of Business Loans

	2017 Rs	2018 Rs	2019 Rs
Unsecured loan to holding Company bearing interest rates of 9% (2018 & 2017 :9%) p.a with monthly capital repayments	294,802,692	245,915,555	192,442,467
Percentage of Tier 1 Capital	69.35%	58.72%	45.65%

The above loan was 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 through the Company's Liquidity Risk Policy, 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 Financial Services Commission.

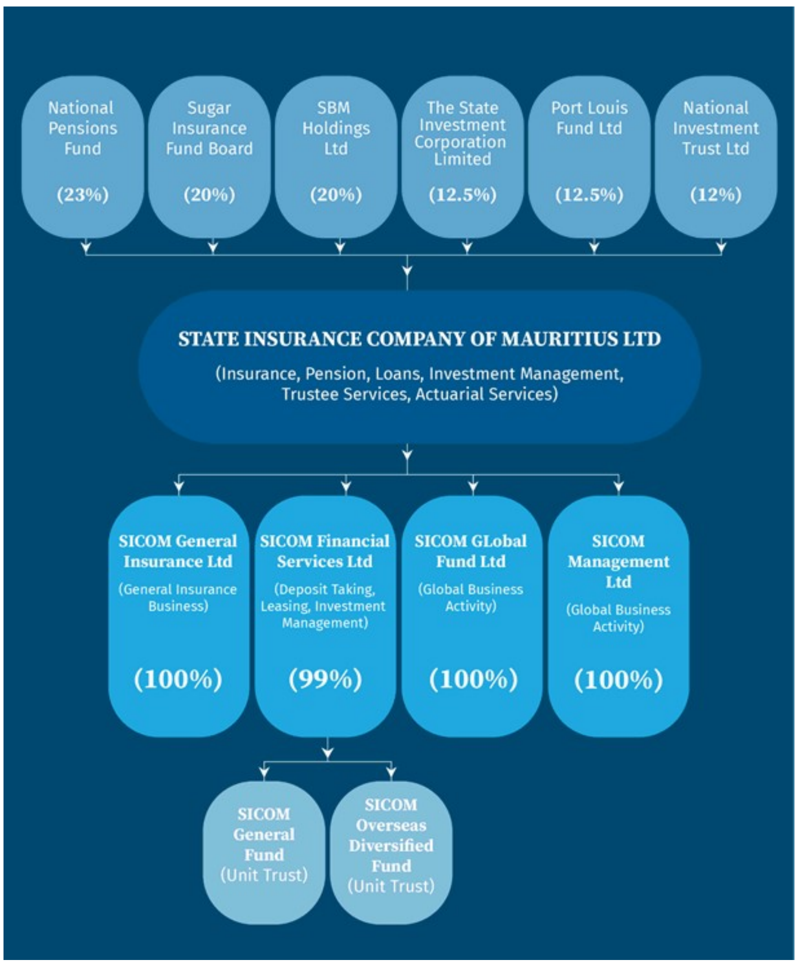
Reporting with Integrity

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

VALUE IN

Financial Capital
- Total assets
- Investments
- Turnover

Human Capital
- Skills and career development
- Engaged workforce

Intellectual Capital
- Brand and reputation
- Risk management practices
- Investment practices

Relationship Capital
- Customer relationships
- Intermediary relationships
- Stakeholders' confidence

Social/Natural Capital
- Energy audit
- Ecological footprint reduction initiatives
- Corporate Social Responsibility

PROCESS

Our offerings
- Deposit Taking
- Leasing
- SICOM Unit Trust

Strategic Objectives
- Customer Centricity
- Grow revenue, market share and profitability
- Operational excellence
- Empowering our Human Capital
- Diversification in terms of products and channels
- Sustainability

Value drivers
- Centralised and updated database of customers
- Memorable and consistent customer experience across channels
- Simplified buying process
- Accessible to customers at any time and from anywhere
- Paperless transactions and processes
- Trustworthy and Go To Brand
- Continuous improvement

Value creating activities
- Risk Mitigation
- Investment
- Compliance
- Business Continuity Plan
- Business Process Re-engineering
- Online quotation
- New customer lounge
- IT Business applications and customer portal
- Brand audit
- Innovative products and services
- Providing expert services and advice
- Social welfare

Risk Culture
- Refer to pg 31 on SFSL's Risk Culture

VALUE OUT

Financial Capital
- Market Growth
- Dividends to shareholders
- Better returns on investments
- Reduced operation costs
- Increased porfolio size
- Financial stability
- Competitive strength on the market

Human Capital
- Loyal workforce
- Positive work climate
- Enthusiastic employees
- High performing teams
- Preferred employer
- People development
- Synchronised teams and departments

Intellectual Capital
- Best practices on risk management
- Leadership and knowledge
- Strong foundation
- Brand perception shift
- Transparent decision-making
- Enhanced data security
- Integrated Communication Strategy

Relationship Capital
- Instant support to customers
- Consistent customer experience
- Improved customer retention
- Higher referrals
- Higher quality customer and suppliers
- Greater stakeholder engagement
- Customer Relationship Management (CRM)

Social/Natural Capital
- Reduced waste
- Efficient use of energy
- Recycling of paper
- Greener premises
- Alleviation of poverty
- Community development
- Sponsorhip of major national events

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. Our frontline staff 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.

Relationship 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/Social 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.

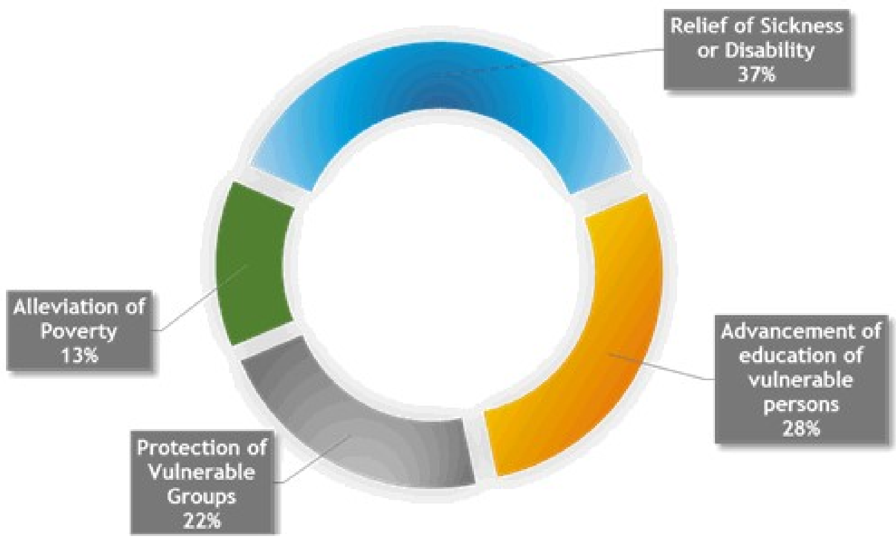
Environmental Report

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 SICOM Financial Services Ltd has been remitted to the Mauritius Revenue Authority (MRA) and the remaining 50% representing an amount of Rs 157,217 has been transferred to the SICOM Foundation, the dedicated vehicle responsible for the efficient and effective implementation of the Group's CSR initiatives. During the year under review, a total amount of Rs3,497,752 was allocated to finance 14 projects in the following areas of intervention: Relief of sickness (37%), Advancement of education of vulnerable persons (28%), Protection of vulnerable groups (22%) and Alleviation of poverty (13%) as per illustration below.



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. During the last financial year SICOM Group has sponsored the Island Games Competition and employees were involved in the various celebrations.

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.

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.

Audit

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 SFSL. 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 and / or assignments.

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 2019, an internal audit review was conducted on the management of liquidity risk and sources of funding for deposit taking and leasing business operations. No major weaknesses were noted in the review carried out.

External Audit

The Audit Committee and External Auditor

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 auditor 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 auditor.
- Examine and review the quality and integrity of the financial statements, including the Annual Report.

Reappointment of External Auditor

The Board of Directors of the Company had recommended the appointment of Ernst & Young as the External Auditor of the Group for the financial years 2018-2022 following a tender exercise. Section 200 of the Companies Act 2001 provides for the automatic reappointment of auditors applicable for this financial year.

The provision of non-audit services is subject to a tender process so as to ensure that the nature of the non-audit services, if provided by the External Auditor, could not be perceived as impairing their independence on the external audit exercise.

Audit fees and fees for other services

	2019	2018
	Rs'000	Rs'000
Statutory Audit	**525**	**500**
Review of Tax Computation	**63**	**60**

The report of Ernst & Young, external auditor, 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.

Relations with Shareholders and Other Key Stakeholders

The Company is a public company incorporated 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 2019, the following Shareholder held more than 5% of the ordinary share capital of the Company:

	% Holding
State Insurance Company of Mauritius Ltd	99

2. Shareholder Diary

Financial Year End : 30 June 2019

Audited Financial Statements for the year ended 30 June 2019 : Within three months from end of June 2019

Annual Meeting : September 2019

Dividend payment : October 2019

3. Shareholders communication

The Company holds an Annual Meeting of Shareholders and all the Shareholders are required to express their vote on matters including for the approval of accounts, approval of dividend and appointment/re-appointment of Directors.

4. 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 2019, the Company declared a dividend of Rs 1.2 (2018: Rs 0.89) per share.

Stakeholders

The Company's other key stakeholder groups are:

- Customers

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 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.

- 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. It is expected that the personal development needs of employees will be the subject of discussions with the implementation of a new performance management system. More emphasis is being put on human resource development as a key contributor to ensuring organisational effectiveness.

- 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.

- Intermediaries

The Company has timely communication and consultation with agents/introducers who are involved in the sale of leasing and deposit taking products.

- Business Partners /Suppliers

To increase the lease business of the Company, much reliance is placed on car dealers be it for new or second hand vehicles. The Company also ensures that timely payment is effected to suppliers and consultants to maintain a sound working relationship.

- Community/Environment

The Company engages in different CSR projects and promotes an environment friendly culture through the installation of LED bulbs and tree planting.

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 2018/2019 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 23 SEP 2019

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 where 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 Mr N E S S Hussenee for his contribution to the affairs of the Board and would also like to welcome Mrs N Ramdewar who has been appointed as a new member on the Board. The Board of Directors would also like to place on record the valuable contribution of late Mr B I R Ramdhonee, who passed away on 21 July 2019 and express its deepest condolences to his family.

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 Bank of Mauritius, the Financial Services Commission, 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.

Signed on behalf of the Board of Directors:

Chairman

Director

Date: 23 SEP 2019

Certificate from the Company Secretary

I certify to the best of my knowledge and belief that for the year ended 30 June 2019, 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: 23 SEP 2019

Statement of Compliance

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

Name of PIE: SICOM Financial Services Ltd

Reporting Period: 30 June 2019

Throughout the year ended 30 June 2019, to the best of the Board's knowledge, the Company has applied most of the recommendations of the Code and measures will be taken, during the next financial year, to address the parts which have not been complied with during this financial year.

S. Sapurdeep
Chairman

D.K. Gopy
Director

Signature

Signature

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 54 to 115 which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, statement of 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 a summary of 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 2019, 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, Banking Act 2004 and 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risk of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements, as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SICOM FINANCIAL SERVICES LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Risk	Our response to the risk
Impairment of Investment in finance leases	
IFRS 9 – Financial Instruments which became effective during the financial year end introduces impairment computations based on Expected Credit Losses (ECL), rather than the incurred loss model previously applied under IAS 39. At 30 June 2019, the Company reported total gross finance lease to customers of Rs 581.3m and Rs 4.8m of expected credit loss provisions. Estimating ECL include the following main procedures: • Allocation of assets to performing and non-performing leases using criteria in accordance with the accounting standard; • Accounting interpretations and modelling assumptions used to build the models that calculate the ECL; • Completeness and accuracy of data used to calculate the ECL; • Inputs and assumptions used to estimate the recoverable amount of the lease; • Measurements of individually assessed provisions; and • Accuracy and adequacy of the financial statement disclosures An inappropriate estimate of the ECL could result in a significant impact on the Company's results and on the carrying amount of investment in finance leases. Accordingly, we have identified estimation of the ECL as a key audit matter.	The management decided to apply IFRS 9 as from the beginning of the reporting period, that is 1 July 2018. We therefore performed audit procedures on the opening balances to gain assurance on the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition. We tested the design and the operating effectiveness of the processes relevant to the ECL. This included the criteria definition of performing and non-performing leases, model governance, data accuracy and completeness, credit monitoring, individual provisions and production of journal entries and disclosures. We challenged the criteria used to allocate an asset as non-performing and performing in accordance with IFRS 9. We tested the assets classification to verify that they were allocated properly. With the support of our internal specialist, we tested the assumptions, inputs and formulas used in the ECL model. This included assessing the appropriateness of model design, formulas used, recalculating the probability of default, loss given default and exposure at default. We tested the data used in the ECL calculation by reconciling to source information We recalculated a sample of individually assessed provisions including comparing to alternative scenarios. We assessed the adequacy and appropriateness of disclosures for compliance with IFRS9 including disclosures of the transition from IAS 39.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SICOM FINANCIAL SERVICES LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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, Banking Act 2004 and 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.

Other Information

The directors are responsible for the other information. The other information comprises the Mission, Shared Values and Objectives, Quality policy, Corporate Information, Directorate & Management, Annual Report, Management Discussion & Analysis, Bank of Mauritius – Statement of Compliance, Corporate Governance Report, Statement of Management's Responsibility for Financial Reporting, Certificate from the Company Secretary 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.

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the public interest entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

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.

EY
Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SICOM FINANCIAL SERVICES LIMITED. (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 up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

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

Ernst & Young

ERNST & YOUNG
Ebène, Mauritius

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

Date: 23 Sep 2019

SICOM FINANCIAL SERVICES LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2019	2018	2017
ASSETS		**Rs.**	Rs.	Rs.
Cash and cash equivalents	5	**215,792,470**	27,633,256	101,003,678
Investment securities	6	**285,926,251**	374,677,548	374,171,278
Term deposits	7	**1,044,237,573**	1,534,733,335	1,720,556,972
Loans and advances	8	**193,827,687**	246,615,992	296,613,934
Property, plant and equipment	9	**14,818,486**	13,335,019	17,309,530
Intangible assets	10	**3,748,549**	5,054,984	6,257,115
Net investment in finance leases	11	**576,480,171**	451,884,651	432,718,703
Other assets	12	**13,039,342**	9,088,548	7,498,882
Current tax assets	14(a)	**223,716**	73,700	-
Deferred tax assets	14(d)	**198,446**	1,808,190	81,364
TOTAL ASSETS		**2,348,292,691**	2,664,905,223	2,956,211,456
EQUITY AND LIABILITIES				
LIABILITIES				
Deposits from customers	13	**1,842,752,457**	2,168,837,198	2,463,585,144
Current tax liabilities	14(a)	-	-	645,603
Retirement benefit obligations	16	**12,277,000**	8,379,000	2,268,000
Dividend	17	**24,115,160**	17,898,597	19,906,407
Other liabilities	15	**3,461,901**	4,060,424	2,367,756
TOTAL LIABILITIES		**1,882,606,518**	2,199,175,219	2,488,772,910
EQUITY				
Stated capital	18	**200,000,000**	200,000,000	200,000,000
Retained earnings	19	**216,443,457**	216,742,234	216,742,234
Other reserves	19	**49,242,716**	48,987,770	50,696,312
TOTAL EQUITY		**465,686,173**	465,730,004	467,438,546
TOTAL EQUITY AND LIABILITIES		**2,348,292,691**	2,664,905,223	2,956,211,456

These financial statements have been approved for issue by the Board of Directors on 23 SEP 2019

Signature	Signature	Signature
S. Sakurdeep	N. Ramdewar (Mrs)	D. K. Gopy
Chairman	Director	Director

The notes on pages 60 to 115 form an integral part of these financial statements.
Auditor's report on pages 49 to 53.

	Notes	2019	2018	2017
		Rs.	Rs.	Rs.
Interest income using EIR	20	**104,914,125**	156,972,594	196,112,102
Interest income on leases	20	**33,368,993**	-	-
Interest expense	20	**(78,815,465)**	(101,280,600)	(135,357,748)
Net interest income	20	**59,467,653**	55,691,994	60,754,354
Operating lease rental income		**3,339,423**	3,673,899	3,731,934
Revenue from customer contracts		**2,415,349**	-	-
Fee and commission income		**3,116,050**	3,794,360	3,948,203
Gain on disposal of investment securities		**-**	1,164,562	
Gain on disposal of PPE		**1,264,447**	-	-
Dividend income	21	**1,457,279**	1,556,358	1,345,104
Other income		**56,020**	58,177	81,840
		11,648,568	10,247,356	9,107,081
Operating income		**71,116,221**	65,939,350	69,861,435
Allowance for credit impairment	21(a)	**2,057,954**	(2,600,410)	(2,517,842)
Impairment on investment	6	**-**	(107,952)	-
Personnel expenses	22	**(12,569,096)**	(12,708,153)	(11,688,640)
Other expenses	23	**(26,254,438)**	(27,009,381)	(25,371,716)
Net fair value movement on FVTPL	6	**(594,971)**	-	-
Profit before taxation		**33,755,670**	23,513,454	30,283,237
Income tax expense	14(b)	**(5,384,893)**	(2,456,281)	(4,224,110)
Profit for the year		**28,370,777**	21,057,173	26,059,127
Transfer for the year to statutory reserve		**4,255,617**	3,158,576	3,908,870
Earnings per share	24	**1.42**	1.05	1.30

The notes on pages 60 to 115 form an integral part of these financial statements.
Auditor's report on pages 49 to 53.

	Notes	2019	2018	2017
		Rs.	Rs.	Rs.
Profit for the year		**28,370,777**	21,057,173	26,059,127
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of post employment benefit obligations	16(a)(vii)	**(3,535,000)**	(6,264,000)	(972,000)
Income tax relating to components of other comprehensive income	14(d)(ii)	**202,689**	1,064,880	145,800
Increase in fair value of assets at FVOCI	6	**99,000**	-	-
Items that may be reclassified subsequent to profit or loss:				
Increase in fair value of available-for-sales	6	**-**	332,002	1,876,358
Other comprehensive income for the year, net of tax		**(3,233,311)**	(4,867,118)	1,050,158
Total comprehensive income for the year		**25,137,466**	16,190,055	27,109,285

The notes on pages 60 to 115 form an integral part of these financial statements.
Auditor's report on pages 49 to 53.

				Other reserves				
	Notes	Stated capital	Retained earnings	Statutory reserves	Investment revaluation	Actuarial losses	General Banking	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2016		200,000,000	214,498,384	42,868,094	3,708,990	(839,800)	-	460,235,668
Profit for the year		-	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		-	26,059,127	-	1,876,358	(826,200)	-	27,109,285
Dividend	17	-	(19,906,407)	-	-	-	-	(19,906,407)
Transfer to statutory reserve	19	-	(3,908,870)	3,908,870	-	-	-	-
At 30 June 2017		**200,000,000**	**216,742,234**	**46,776,964**	**5,585,348**	**(1,666,000)**	**-**	**467,438,546**
At 1 July 2017		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	17	-	(17,898,597)	-	-	-	-	(17,898,597)
Transfer to statutory reserve	19	-	(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 60 to 115 form an integral part of these financial statements.
Auditor's report on pages 49 to 53.

SICOM FINANCIAL SERVICES LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Stated capital	Retained earnings	Other reserves: Statutory reserves	Other reserves: Investment revaluation	Other reserves: Actuarial losses	Other reserves: General banking	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2018		200,000,000	216,742,234	49,935,540	5,917,350	(6,865,120)	-	465,730,004
Effect of adopting new accounting standard		-	2,250,328	-	(5,917,350)	-	2,600,885	(1,066,137)
At 1 July 2018 - Restated		200,000,000	218,992,562	49,935,540	-	(6,865,120)	2,600,885	464,663,867
Profit for the year		-	28,370,777	-	-	-	-	28,370,777
Other comprehensive income for the year		-	-	-	99,000	(3,332,311)	-	(3,233,311)
Total comprehensive income for the year		-	28,370,777	-	99,000	(3,332,311)	-	25,137,466
Dividend	17	-	(24,115,160)	-	-	-	-	(24,115,160)
Transfer to statutory reserve	19	-	(4,255,617)	4,255,617	-	-	-	-
Transfer to general banking reserve	19	-	(2,549,105)	-	-	-	2,549,105	-
At 30 June 2019		**200,000,000**	**216,443,457**	**54,191,157**	**99,000**	**(10,197,431)**	**5,149,990**	**465,686,173**

The notes on pages 60 to 115 form an integral part of these financial statements.
Auditor's report on pages 49 to 53.

	2019	2018	2017
	Rs.	Rs.	Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year	**28,370,777**	21,057,173	26,059,127
Adjustments for:			
Allowance for credit impairment	**(2,057,954)**	2,600,410	2,517,842
Impairment of investment	**-**	107,952	-
Interest income	**(138,283,118)**	(156,972,594)	(196,112,102)
Interest expense	**78,815,465**	101,280,600	135,357,748
Income tax expense	**5,384,893**	2,456,281	4,224,110
Dividend income	**(1,457,279)**	(1,556,358)	(1,345,104)
Movement in retirement benefit obligations	**363,000**	(153,000)	(147,000)
Depreciation on property, plant and equipment	**2,702,762**	3,287,765	3,681,710
Amortisation of intangible assets	**1,408,180**	1,373,893	1,373,102
Profit on disposal of investment securities	**-**	(1,164,562)	-
Profit on disposal of property, plant and equipment	**(1,264,447)**	(315,515)	-
Fair value movement on assets at FVTPL	**594,971**	-	-
Loss on disposal of repossessed leased assets	**881,277**	1,204,495	1,039,941
Changes in operating assets and liabilities	**(24,541,473)**	(26,793,460)	(23,350,626)
Decrease in term deposits	**459,837,130**	212,844,369	277,638,192
(Decrease)/Increase in other liabilities	**(619,364)**	1,692,672	351,894
Interest received	**162,602,793**	128,473,955	319,155,946
Dividend received	**1,471,738**	1,354,388	1,078,022
Interest paid	**(95,091,903)**	(114,159,992)	(190,875,858)
Income tax paid	**(3,722,476)**	(3,837,530)	(5,177,875)
Net cash generated from operating activities	**499,936,445**	199,574,402	378,819,695
CASH FLOWS FROM INVESTING ACTIVITIES			
Other assets	**(3,797,054)**	(447,544)	(662,207)
Purchase of investment securities	**(1,244,987)**	(1,071,415)	(156,105,583)
Purchase of property, plant and equipment	**(5,721,319)**	(710,212)	(3,328,400)
Proceeds from sale of property, plant and equipment	**2,347,794**	-	-
Proceeds from sale and maturity of investment securities	**91,598,900**	2,257,228	180,000,000
Increase in net investment in finance leases	**(122,603,271)**	(23,955,233)	(16,956,723)
Disposal of repossessed leased assets	**1,243,588**	2,218,655	2,265,873
Proceeds from sale of assets held under operating lease	**350,000**	1,540,712	-
Loans and advances disbursed	**(200,000)**	(475,140)	(77,750)
Loans and advances repaid	**53,956,019**	49,473,082	45,139,281
Net cash generated from investing activities	**15,929,670**	28,830,133	50,274,491
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits from customers-net	**(309,808,303)**	(281,868,550)	(355,842,011)
Dividend paid	**(17,898,597)**	(19,906,407)	(18,369,532)
Net cash used in financing activities	**(327,706,900)**	(301,774,957)	(374,211,543)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**188,159,215**	(73,370,422)	54,882,643
CASH AND CASH EQUIVALENTS AT 1 JULY	**27,633,256**	101,003,678	46,121,035
CASH AND CASH EQUIVALENTS AT 30 JUNE	**215,792,470**	27,633,256	101,003,678

The notes on pages 60 to 115 form an integral part of these financial statements.
Auditor's report on pages 49 to 53.

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-Company 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) financial assets at fair value through profit or loss and fair value through other comprehensive income and relevant financial assets are stated at their fair values; and

(b) and relevant financial assets and financial liabilities which 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, 2018:

	Effective for accounting period beginning on or after
<u>New or revised standards</u>	
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
<u>Interpretation</u>	
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
<u>Amendments</u>	
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss in an investment – by- investment choice	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	1 January 2018
IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters	1 January 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies and disclosures (Cont'd)

Where the adoption of the new and amended IFRSs have an impact on the financial statements of the Company, the effects of the changes are described below:

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 for the annual period on or after 1 January 2018. The Company has not restated comparative information for 2018 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2018 is reported under IAS 39 and is not comparable to the information presented for 2019. Difference arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 July 2018 and are disclosed in Note 4.

The Company has not restated 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 against retained earnings.

(i) Changes and classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instrument and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sales (AFS), held for maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognised
- Equity instruments at FVOCI, with no recycling or gains or losses to profit or loss on derecognition
- Financial assets FVTPL

The accounting for financial liabilities remains largely the same as its was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities recognised at FVTPL. Such movements are presented on OCI with no subsequent reclassification to the income statements.

Under IAS 39, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified in the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-host financial host contracts has not changed.

The quantitative impact of applying IFRS 9 as at 1 July 2018 is disclosed in Note 4.

(ii) Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with commitments and financial guarantee contracts. The allowances in based on the ECLs associated with the probability of default in the next months unless there has been a significant increase in credit risk since origination.

Details of the Company's impairment methods are disclosed in Note 2.4 (ii). The quantitative impact of applying IFRS 9 as at 1 July 2018 is disclosed in Note 4.

IFRS 7R

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated, and the Company has adopted it, together with IFRS 9, for the year beginning 1 July 2018. Changes include transition disclosures as shown in Note 4, details qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used as set out in Note 2.4 (ii).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies and disclosures (Cont'd)

IFRS 7R (Cont'd)

Reconciliation from opening to closing ECl allowances are presented in Note 4.

IFRS 7 also requires additional and more detailed disclosures for hedge accounting even for entities opting to continue to apply the hedge accounting requirements of IAS 39. The company does not apply hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 July 2018.

a) Management fee

Revenue from services include investment management services. The revenue from those services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company. Consequently, under IFRS 15, the Company continues to recognise revenue for these services overtime rather than a point in time. Hence no quantitative impact on adoption of IFRS 15.

b) Leasing activities

The Company receives interest income and rental income from its leasing activities. The revenue is recognised under IAS 17 Leases and therefore is not impacted by IFRS 15.

2.3 Accounting standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

IFRS 16 Leases (Cont'd)

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

(Policy applicable before 1 July 2018)

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

(Policy applicable before 1 July 2018)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

(Policy applicable before 1 July 2018) (Cont'd)

Available-for-sale (AFS) investments (Cont'd)

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 Net unrealised investment fair value reserve.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the Net unrealised investment fair value 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 Limited and SICOM overseas diversified funds. The net asset value is derived from the fair values of the underlying investments traded in the active market by these funds.

(Policy applicable as from 01 July 2018)

a) Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Company recognises balances due to customers when funds are transferred to the Company.

b) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

c) Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

(Policy applicable as from 01 July 2018) (Cont'd)

d) Measurement and categories of financial assets and liabilities

From 1 January 2018, the Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost,
- Fair Value through Other Comprehensive Income (FVOCI),
- Fair Value Through Profit or Loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures financial assets at its fair value plus, in case of financial assets not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payment of principal and interest' (SPPI) on the principal amount outstanding. This assessment refers to the SPPI test and is performed at an instrument level.

e) The business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolio and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risk are managed;
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

f) The SPPI test

As a second step of its classification process the Company assess the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial assets at initial recognition and may change over the life of the financial assets.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such case, the financial asset is required to be measured at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

(Policy applicable as from 01 July 2018) (Cont'd)

f) The SPPI test (Cont'd)

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit and loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The classification of the Company's financial assets are as follows:

Cash and cash equivalents, terms deposits, loans and advances to holding company and other assets (excluding prepayments, interest receivable and dividend) were classified as 'Loans and receivables' as at 30 June 2018 were held to collect contractual cash flow and gave rise to cash flows representing sole payment and payments of principal and interest. These were classified and measured as debt instruments at amortised cost beginning 01 July 2018.

Investment securities comprised of investment in:

i) Quoted equities were classified as available for sales as at 30 June 2018. At 01 July 2018, the equities are not held for trading and it is 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;

ii) Investments in funds were classified as available for sales as at 30 June 2018. The business model is to hold to collect contractual cash flow. The contractual cash flow does not meet the SPPI test since return are not fixed and depends on the performance of the fund. At transition, the instrument has been classified as financial assets at FVTPL beginning 01 July 2018; and

iii) Debt instruments were classified as held to maturity as at 30 June 2018. The instrument was held to collect contractual cash flow and gave rise to cash flows representing sole payment and payments of principal and interest. These were classified and measured as debt instruments at amortised cost beginning 01 July 2018.

g) Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gain and losses are recognised in profit or loss when the assets is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes other assets, loan and advances, term deposits, cash and cash equivalent and investment securities (debt instrument).

Financial assets designated at fair value through OCI (equity instruments)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of financial assets, in which case, such gain are recorded in OCI. Equity instrument designated at fair value through OCI are not subject to impairment assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

(Policy applicable as from 01 July 2018) (Cont'd)

g) Subsequent measurement (cont'd)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss. Dividends are recognised as other income in the statements of profit or loss when the right of payment has been established.

This category includes investment securities (unquoted equity investment).

ii) Impairment of financial assets

(Policy applicable before 1 July 2018)

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 Companyruptcy 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 obliger;
- 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 Companyruptcy proceedings by the borrower;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- 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 estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

ii) Impairment of financial assets (Cont'd)

(Policy applicable before 1 July 2018)

Financial assets carried at amortized cost (cont'd)

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 lease. 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. If a finance lease or held-to-maturity investment has a variable interest rate, the discount rates for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical experience, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 of the contractual cash flows of the assets in the group and 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 a lease is uncollectible, it is written off against the related provision for lease impairment. Such leases 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)

ii) Impairment of financial assets (Cont'd)

(Policy applicable before 1 July 2018) (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-sales 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 profit or loss to the extent that it reversed previously recognised impairment losses. Any excess shall be credited in other comprehensive income and are accumulated under investment revaluation reserve.

(Policy applicable as from 01 July 2018)

a) Investment in finance lease

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience.

The Company considers a finance lease in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a finance lease to be in default when information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. Finance lease is written off when there is no reasonable expectation of recovering the contractual cash flows.

b) Other financial instruments

The measurement of expected credit losses involves 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

ii) Impairment of financial assets (Cont'd)

(Policy applicable as from 01 July 2018) (Cont'd)

b) Other financial instruments (Cont'd)

Exposures would be classified into 3 stages as follows:

Stage 1: Exposures for where a significant increase in credit risk has not occurred since origination. For these exposures a 12 months expected credit loss is recognised.

Stage 2: Exposures for which a significant increase in credit risk has occurred since origination. The Company assesses whether a significant increase in credit risk has occurred based on qualitative and quantitative drivers; as well as exposures that are more than 30 days past due contractual payment date. Lifetime expected credit losses are recognised for these assets.

Stage 3: Exposures which meet the definition of default. The Company has defined default as exposures that are more than 90 days past due, forbearance, as well as indicators that an exposure is unlikely to pay. Lifetime expected credit losses are recognized for these assets.

The revised impairment model is expected to have a material financial impact on the recognition of impairment losses going forward, as well as existing impairment provisions previously recognised in terms of the requirements of IAS 39. Impairment provisions are expected to increase from IAS 39 provisioning as a result of:

- The removal of the emergence period that was necessitated by the incurred loss model of IAS 39. All stage 1 assets will carry a 12 months expected credit loss provision. This differs from IAS 39 where unidentified impairments were typically measured with an emergence period of between 3 to 12 months.
- The provisioning for lifetime expected credit losses on stage 2 assets; where some of these assets would not have attracted a lifetime expected credit loss measurement per IAS 39.
- The implementation of a default definition for exposures that are more than 90 days past due, as well as for certain indicators that an exposure or obligor is unlikely to pay.
- The inclusion of forecasted macroeconomic scenarios into the expected credit losses of a portfolio;
- The inclusion of expected credit losses on items that typically would not have been impaired under IAS 39, such as loan commitments.

iii) Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

► The rights to receive cash flows from the asset have expired or

► The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

iv) 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.

v) 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.

vi) 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.

vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.5 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.

2.6 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Leasing (Cont'd)

The Company as lessor (Cont'd)

- 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.

2.7 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.

2.8 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.

3.3 Judgements

In preparing the financial statements, the directors had to consider whether the significant risks and rewards of ownership are transferred to the lessees in determining whether the leases should be classified as finance or operating lease. The Board of directors makes use of the guidance as set out in IAS17 leases and a threshold of 90% of the repayment of the fair value of the lease to classify leases between finance and operating leases.

4. TRANSITION DISCLOSURES

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 July 2018 is, as follows:

	IAS 39 measurement		ECL measurement	IFRS 9 measurement	
	Category	Amount	Amount	Amount	Category
Financial assets		Rs	Rs	Rs	
Cash and cash equivalent	L&R	27,633,256	-	27,633,256	AC
Available for sales – Quote equity	AFS	1,020,000	-	1,020,000	FVOCI
Available for sales – Investments in funds	AFS	33,161,256	-	33,161,256	FVTPL
Debt instrument	HTM	340,496,292	(442,645)	340,053,647	AC
Term deposits	L&R	1,534,733,335	(4,143,780)	1,530,589,555	AC
Loan and advances	L&R	246,615,992	975,238	247,591,230	AC
Other assets (excluding non-financial assets)	L&R	7,065,821	(265)	7,065,556	AC
		2,190,725,952	(3,611,452)	2,187,114,500	
Financial liabilities					
Deposits from customers	AC	2,168,837,198	-	2,168,837,198	AC
Dividend	AC	17,898,597	-	17,898,597	AC
Other liabilities (excluding non-financial liabilities)	AC	4,060,424	54,266	4,114,690	AC
		2,190,796,219	54,266	2,190,850,485	

L&R: Loans and Receivables
AC: Amortised cost
AFS: Available for sales
HTM: Held to maturity
FVOCI: Fair value through other comprehensive income
FVTPL: Fair value through profit or loss

The impact of transition to IFRS 9 on reserves and retained earnings is, as follows:

	Adjustment to equity at 01 July 2018
	Rs
Retained earnings	
Closing balance under IAS 39 (30 June 2018)	216,742,234
Reclassification in relation to adoption of IFRS 9:	
- From investment revaluation reserves	5,917,350
- To general banking reserves	(2,600,885)
Recognition of IFRS 9 ECLs:	
- Those measured at amortised cost and commitments	(3,665,718)
- Investment in finance lease	2,599,581
Opening balance under IFRS 9 (01 July 2018)	218,992,562
Total change in retained earnings	2,250,328

4. TRANSITION DISCLOSURES (CONT'D)

	Adjustment to equity at 01 July 2018
Investment revaluation reserves	
Closing balance under IAS 39 (30 June 2018)	5,917,350
Reclassification in relation to adoption of IFRS 9 to retained earnings	(5,917,350)
Opening balance under IFRS 9 (01 July 2018)	-
Total change in investment revaluation reserves	(5,917,350)
General banking reserves	
Closing balance under IAS 39 (30 June 2018)	-
Reclassification in relation to adoption of IFRS 9 from retained earnings	2,600,885
Opening balance under IFRS 9 (01 July 2018)	2,600,885
Total change in general banking reserves	2,600,885

Reconciliation of allowances for credit losses under IAS 39 and IFRS 9

The following table reconcile the aggregate opening loss allowances under IAS 39 and provisions to ECL allowances under IFRS 9.

	Loss provision under IAS 39 at 30 June 2018	**Re-measurement**	**ECLs under IFRS 9 at 1 July 2018**
	Rs	Rs	Rs
Impairment allowances for:			
Held to maturity securities per IAS 39/financial assets at amortised cost under IFRS 9	-	(442,645)	(442,645)
Loan and receivables under IAS 39/financial assets at amortised cost under IFRS 9			
- Loans and advances	(1,000,000)	975,238	(24,762)
- Team deposits	-	(4,143,780)	(4,143,780)
- Other assets	(266,867)	(265)	(267,132)
Investment in finance lease	(8,936,297)	2,599,581	(6,336,716)
	(10,203,164)	(1,011,871)	(11,215,035)
Other commitments	-	(54,266)	(54,266)
Total	(10,203,164)	(1,066,137)	(11,269,301)

Credit loss expense

The table below shows the ECL charges on financial instruments for the year recorded in the income statement.

	Individually	**Collectively**	**Total**
	Rs	**Rs**	**Rs**
Debt instrument	-	15,225	15,225
Term deposits	-	581,260	581,260
Loan and advances	-	(7,523)	(7,523)
Other assets	(56,928)	(25,037)	(81,965)
Investment in finance lease	150,644	1,366,889	1,517,533
	93,716	1,930,814	2,024,530
Commitments	-	33,424	33,424
Release for the year	93,716	1,964,238	2,057,954

5. CASH AND CASH EQUIVALENTS

Accounting 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.

	2019	2018	2017
	Rs.	Rs.	Rs.
Cash at bank	**205,689,914**	24,171,032	87,055,422
Call deposits	**10,102,556**	3,462,224	13,948,256
Cash and cash equivalents	**215,792,470**	27,633,256	101,003,678

(i) Call deposits bear interests in the range of 0.00% to 1.80% (2018 and 2017: 0.00% to 1.80%) per annum.

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

6. INVESTMENT SECURITIES

	FVOCI Quoted	FVTPL Unquoted	Debt instruments at Amortised Cost	2019 Total	2018 Total	2017 Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July	**1,020,000**	**33,161,256**	**340,496,292**	**374,677,548**	374,171,273	392,111,050
Additions	-	**1,244,987**	-	**1,244,987**	1,071,415	156,105,583
Matured/disposals	-	-	**(91,598,900)**	**(91,598,900)**	(1,092,666)	(180,000,000)
Increase/(decrease) in fair value	**99,000**	**(594,971)**	-	**(495,971)**	332,002	1,876,358
Interest	-	-	**2,526,007**	**2,526,007**	303,476	4,078,287
At 30 June	**1,119,000**	**33,811,272**	**251,423,399**	**286,353,671**	374,785,500	374,171,278
Impairment allowances	-	-	**(427,420)**	**(427,420)**	(107,952)	-
	1,119,000	**33,811,272**	**250,995,979**	**285,926,251**	374,677,548	374,171,278
Remaining term to maturity:						
- 1 to 5 years	-	-	-	-	88,794,594	88,225,082
- more than 5 years	-	-	**250,995,979**	**250,995,979**	251,701,698	251,967,739
- no fixed term	**1,119,000**	**33,811,272**	-	**34,930,272**	34,181,256	33,978,457
	1,119,000	**33,811,272**	**250,995,979**	**285,926,251**	374,677,548	374,171,278

6. INVESTMENT SECURITIES (CONT'D)

	2019	2018	2017
	Rs.	Rs.	Rs.
Impairment allowances			
At beginning of the year	**442,645**	-	-
(Credit)/Charge for the year	**(15,225)**	107,952	-
Transfer from investment revaluation	**-**	(107,952)	-
At end of the year	**427,420**	-	-

Impairment allowances on term deposits are classified under stage 1 and there was no movement between stages during the year 2019.

(i) Investment securities at FVTPL comprise principally local unquoted securities 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) Investment securities at FVOCI comprise principally local quoted securities. 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.

(ii) Debt instruments at amortised cost comprise:-

Government of Mauritius Bonds bearing interests at rates in the range of 5.00 % to 8.29 % (2018 and 2017: ranging from 4.45% to 8.29%) per annum and maturing between November 2026 and January 2028.

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

(v) The maximum exposure to credit risk at the reporting date is the fair value of securities classified as FVTPL.

7. TERM DEPOSITS

Accounting policy

(Under IAS 39 - before 01 July 2018)

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.

(Under IFRS 9 - as from 01 July 2018)

Term deposits are held to collect contractual cash flows which represents sole payment of principal and interest.They are classified as financial assets at amortised cost uring the effective interest rate. Interest income is recognised by applying the effective interest rate.

7. TERM DEPOSITS

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 4.00 % to 10.50% (2017: 3.30% to 10.50%, 2017: 3.85 % to 10.50%) per annum.

	2019	2018	2017
	Rs	Rs	Rs
Term deposits	**905,671,222**	1,365,508,349	1,578,352,721
Accrued interest receivable	**142,128,871**	169,224,986	142,204,251
	1,047,800,093	1,534,733,335	1,720,556,972
Less: impairment allowances	**(3,562,520)**	-	-
	1,044,237,573	**1,534,733,335**	**1,720,556,972**
Remaining term to maturity			
Within 3 months	**109,522,873**	46,599,257	-
Over 3 months and up to 6 months	**168,458,219**	-	108,226,747
Over 6 months and up to 12 months	**69,247,115**	342,218,633	192,653,297
Over 1 year and up to 5 years	**116,109,399**	1,145,915,445	1,402,298,022
Over 5 years	**584,462,487**	-	17,378,906
	1,047,800,093	1,534,733,335	1,720,556,972
Impairment allowances			
At beginning of the year	**4,143,780**	-	-
Charge for the year	**(581,260)**	-	-
At end of the year	**3,562,520**	**-**	**-**

Impairment allowances on term deposits are classified under stage 1 and there was no movement between stages during the year 2019.

8. LOANS AND ADVANCES

Accounting policy

(Under IAS 39 - before 01 July 2018)

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.

(Under IFRS 9 - as from 01 July 2018)

Loans and advances are held to collect contractual cash flows which represents sole payment of principal and interest.They are classified as financial assets at amortised cost using the effective interest rate. 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	**2019**	2018	2017
		Rs.	Rs.	Rs.
Loans and advances to holding company	**8.1**	**192,423,223**	244,915,555	294,802,692
Other loans	**8.2**	**1,404,464**	1,700,437	1,811,242
		193,827,687	246,615,992	296,613,934

8. LOANS AND ADVANCES (CONT'D)

8.1 Loans and advances to holding company

	2019	2018	2017
	Rs	Rs	Rs
Loans and advances to holding company	**192,442,467**	245,915,555	294,802,692
Less: impairment allowances	**(19,244)**	(1,000,000)	-
	192,423,223	244,915,555	294,802,692
Remaining term to maturity			
Up to 3 months	**14,134,381**	12,922,191	11,813,960
Over 3 months and up to 6 months	**14,454,796**	13,215,126	12,081,772
Over 6 months and up to 12 months	**29,900,055**	27,335,771	24,991,405
Over 1 year and up to 5 years	**133,953,235**	192,442,467	245,915,555
	192,442,467	245,915,555	294,802,692

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

	2019	2018	2017
	Rs	Rs	Rs
Impairment allowances			
At beginning of the year	**24,592**	-	-
(Credit)/Charge for the year	**(5,348)**	1,000,000	-
At end of the year	**19,244**	1,000,000	-

Impairment allowances on loans and advances to holding company are classified under stage 1 and there was no movement between stages during the year 2019.

8.2 Other Loans

	2019	2018	2017
	Rs.	Rs.	Rs.
At 01 July	**1,700,437**	1,811,242	2,178,286
Additions	**200,000**	475,140	77,750
Repayments	**(482,932)**	(585,945)	(444,794)
	1,417,505	1,700,437	1,811,242
Less: impairment allowances	**(13,041)**	-	-
At 30 June	**1,404,464**	1,700,437	1,811,242
Impairment allowances			
At beginning of the year	**170**	-	-
Charge for the year	**12,871**	-	-
At end of the year	**13,041**	-	-

Impairment allowances on other loans are classified under stage 1 and there was no movement between stages during the year 2019.

8. LOANS AND ADVANCES (CONT'D)

8.2 Other Loans (Cont'd)

	2019	2018	2017
	Rs.	Rs.	Rs.
Remianing term of maturity			
Upto 3 months	**120,182**	123,029	126,675
Over 3 months and upto 6 months	**114,374**	114,026	114,758
Over 6 months and upto 1 year	**225,467**	231,269	272,758
Over 1 year and upto 5 years	**840,452**	1,108,288	1,297,051
Over 5 years	**117,030**	123,825	-
	1,417,505	1,700,437	1,811,242

Other loans bear interest at 2.00% to 4.00% (2018 and 2017: 2% to 4%) per annum and have repayment terms ranging between three to seven years.

9. 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.

9. 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 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
Additions	-	-		-	(2,130,324)	(2,130,324)
	-	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
Disposals	(3,611,987)	-	-	-	(1,440,000)	(5,051,987)
Additions	-	68,004	45,800	-	5,505,770	5,619,574
At 30 June 2019	**-**	**3,661,750**	**442,960**	**512,648**	**22,439,888**	**27,057,246**
DEPRECIATION						
At 1 July 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
	-	-	-	-	(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
Disposal	(2,528,642)	-	-	-	(1,090,000)	(3,618,642)
Charge for the year	91,043	145,047	49,727	-	2,416,945	2,702,762
At 30 June 2019	**-**	**3,173,527**	**273,490**	**512,648**	**8,279,095**	**12,238,760**
NET BOOK VALUE						
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
At 30 June 2019	**-**	**488,223**	**169,470**	**-**	**14,160,793**	**14,818,486**

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

(b) Depreciation charge of Rs. 2,702,762 (2018: Rs.3,287,764 and 2017: Rs.3,681,710) 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 income:

	Motor Vehicles
	Rs.
Within one year	4,083,576
In the first to the second year	2,602,750
In the second to the third year	1,946,666
In the third to the fourth year	1,195,260
In the fourth to the fifth year	1,053,261
	10,881,513

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

10. 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.

10. INTANGIBLE ASSETS (CONT'D)

		Computer Software
(a)	COST	Rs.
	At 1 July 2016	13,406,328
	Additions	-
	At 30 June 2017	13,406,328
	Additions	171,762
	At 30 June 2018	13,578,090
	Additions	101,745
	At 30 June 2019	**13,679,835**
	AMORTISATION	
	At 1 July 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
	Charge for the year	1,408,180
	At 30 June 2019	**9,931,286**
	NET BOOK VALUE	
	At 30 June 2017	6,257,115
	At 30 June 2018	5,054,984
	At 30 June 2019	**3,748,549**

(b) Amortisation charge of Rs 1,408,180 (2018: Rs 1,373,893 and 2017: Rs.1,373,102) has been included in other expenses.

11. NET INVESTMENT IN FINANCE LEASES

Accounting policy

Capital 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. The outstanding interest portion are recorded as other assets. 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.

The Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience. ECL on leases which are identified as non-performing are assessed individually and those identified as performing are collectively assessed.

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

		2019	2018	2017
		Rs.	Rs.	Rs.
(a)	Movement during the year:-			
	At 1 July	**460,840,946**	440,088,195	426,117,576
	Leases granted during the year	**263,671,874**	179,171,388	163,304,781
	Capital repayment during the year	**(143,193,466)**	(158,418,637)	(149,334,162)
	At 30 June	**581,319,354**	460,840,946	440,088,195
	Allowance for credit impairment	**(4,839,183)**	(8,956,295)	(7,369,492)
	Net investment in finance lease	**576,480,171**	451,884,651	432,718,703

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

	2019	2018	2017
	Rs.	Rs.	Rs.
Gross investment in finance leases:-			
- within one year	**186,721,127**	158,518,752	159,395,744
- in the second to fifth years inclusive	**438,553,448**	349,498,163	335,000,239
- more than five years	**49,559,636**	30,286,842	25,382,765
	674,834,211	538,303,757	519,778,748
Less: Unearned finance income	**(93,514,857)**	(77,462,811)	(79,690,553)
	581,319,354	460,840,946	440,088,195
Allowance for credit impairment	**(4,839,183)**	(8,956,295)	(7,369,492)
Present value of minimum lease payments receivable	**576,480,171**	451,884,651	432,718,703
Analysed as:-			
- Current finance lease receivable	**152,063,772**	128,705,443	127,027,263
- Non-current finance lease receivable	**429,255,582**	332,135,503	313,060,932
	581,319,354	460,840,946	440,088,195
Less: Allowance for credit impairment	**(4,839,183)**	(8,956,295)	(7,369,492)
	576,480,171	451,884,651	432,718,703

(c)	Remaining term to maturity	2019	2018	2017
	Corporate customers	**Rs.**	Rs.	Rs.
	Up to 3 months	**13,631,063**	12,910,358	11,444,417
	Over 3 months and up to 6 months	**9,071,501**	8,114,654	8,391,382
	Over 6 months and up to 12 months	**18,262,632**	16,117,069	16,135,298
	Over 1 year and up to 5 years	**88,443,955**	75,972,732	76,641,812
	Over 5 years	**6,565,649**	2,856,248	3,444,462
		135,974,800	115,971,061	116,057,371

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

(c) Remaining term to maturity

	2019	2018	2017
	Rs.	Rs.	Rs.
Other customers			
Up to 3 months	**36,347,619**	30,639,312	28,366,117
Over 3 months and up to 6 months	**25,173,877**	20,649,876	21,329,517
Over 6 months and up to 12 months	**49,577,080**	40,274,175	41,360,532
Over 1 year and up to 5 years	**293,685,313**	227,353,887	213,108,402
Over 5 years	**40,560,664**	25,952,635	19,866,256
	445,344,554	344,869,885	324,030,824
Allowance for credit impairment	**(4,839,183)**	(8,956,295)	(7,369,492)
TOTAL	**576,480,171**	451,884,651	432,718,703

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

	2019	2018	2017
	Rs.	Rs.	Rs.
Agriculture and Fishing	**-**	-	16,629
Manufacturing	**7,986,884**	2,580,016	4,350,714
Transport	**43,218,990**	36,245,644	34,124,876
Construction	**15,936,428**	13,158,818	11,856,093
Personal	**441,887,622**	338,465,697	319,286,524
Financial and business services	**5,580,316**	8,271,239	7,104,211
Global Business Licence Holders	**7,243,038**	8,370,910	3,649,854
Education	**691,754**	1,503,775	2,218,359
Tourism	**2,769,515**	1,170,233	1,376,314
Information, Communication and Technology	**5,384,338**	4,614,835	4,252,678
Others	**45,781,285**	37,503,485	44,482,451
	576,480,171	451,884,651	432,718,703

(e) Allowance for credit impairment

	2019 Individual	2019 Collectively	2019 Total
	Rs	Rs	Rs
At 1 July	**4,461,738**	**4,494,559**	**8,956,297**
Effect of new accounting standard IFRS9	**-**	**(2,599,581)**	**(2,599,581)**
	4,461,738	**1,894,978**	**6,356,716**
Provision released for the year	**(150,644)**	**(1,366,889)**	**(1,517,533)**
At 30 June	**4,311,094**	**528,089**	**4,839,183**
Allowance for credit impairment for the year	**(150,644)**	**(1,366,889)**	**(1,517,533)**

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

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

	2018 Specific	2018 General	2018 Total
	Rs	Rs	Rs
At 1 July	3,017,366	4,352,125	7,369,491
Provision charge for the year	2,101,369	142,434	2,243,803
Provision released during the year	(656,997)	-	(656,997)
At 30 June	4,461,738	4,494,559	8,956,297
Allowance for credit impairment for the year	1,444,372	142,434	1,586,806

	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)
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

(i) The specific provision is made in respect of non-performing leases.
(ii) The allowance for credit impairment is analysed as follows:

	2019	2018	2017
	Rs.	Rs.	Rs.
Agriculture and fishing	**-**	-	168
Manufacturing	**3,811**	26,061	43,947
Transport	**815,288**	1,772,581	1,824,107
Construction	**8,816**	132,917	119,759
Personal	**3,456,932**	6,404,186	4,744,300
Financial and business services	**-**	83,548	71,760
Global Business Licence Holders	**-**	84,555	36,867
Education	**-**	15,190	22,408
Tourism	**-**	11,820	13,902
Information, Communication and Technology	**547,400**	46,615	42,956
Others	**6,936**	378,822	449,318
Total	**4,839,183**	8,956,295	7,369,492

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

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

	2019	2018	2017
	Rs.	Rs.	Rs.
1-90 days	**581,854**	-	-
91-180 days	**6,648,383**	2,292,060	-
181-360 days	**2,955,330**	6,641,073	1,891,397
More than 360 days	**3,914,552**	2,451,885	2,984,429
	14,100,119	11,385,018	4,875,826

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

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

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 7.24% (2018:7.71% and 2017:7.77%) per annum with interest rate ranging from 5.75% to 12.50% (2018 and 2017: 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.14,050,910 (2018: Rs.11,499,438 and 2017: Rs.10,877,154).

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

	Net investment in finance lease					
		Days past due				
30 June 2019	**Current**	**0-90 days**	**90 -180 days**	**180- 360 days**	**>360 days**	**Total**
Expected credit loss rate	**0.05%**	**0.16%**	**7.43%**	**22.85%**	**58.23%**	**0.83%**
Estimated total gross carrying amount at default	**196,968,749**	**362,386,365**	**14,652,766**	**3,396,922**	**3,914,552**	**581,319,354**
Expected credit loss	**98,648**	**595,507**	**1,089,278**	**776,280**	**2,279,470**	**4,839,183**

	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.**
30 June 2019						
Leases	**558,773,260**	**8,445,975**	**14,100,119**	**581,319,354**	**(4,839,183)**	**576,480,171**

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

	More than 90 days	Total
	Rs.	**Rs.**
30 June 2019	**8,445,975**	**8,445,975**

12. OTHER ASSETS

	2019	2018	2017
	Rs.	Rs.	Rs.
Interest receivable on lease	**3,193,788**	3,143,878	2,190,120
Impairment allowances	**(323,791)**	(266,867)	(253,261)
Net interest receivable on leases	**2,869,997**	2,877,011	1,936,859
Dividend receivable	**1,446,479**	1,460,938	1,258,968
Prepayments	**5,273,604**	2,022,727	1,751,842
Others	**3,474,564**	2,727,872	2,551,213
Less: Impairment allowances	**(25,302)**	-	-
	13,039,342	9,088,548	7,498,882

The carrying amount of other assets approximates their fair value and are denominated in Mauritian rupees. The other classes within other assets 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.

13. 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 expired.

	2019	2018	2017
	Rs.	Rs.	Rs.
Deposits from customer	**1,810,436,560**	2,120,244,863	2,402,113,414
Accrued interest	**32,315,897**	48,592,335	61,471,730
	1,842,752,457	2,168,837,198	2,463,585,144

Time deposits with remaining term to maturity	**2019**	2018	2017
	Rs.	Rs.	Rs.
<u>Retail customers</u>			
Up to 3 months	**54,157,037**	54,927,606	89,024,800
Over 3 months and up to 6 months	**35,497,860**	64,291,194	101,605,070
Over 6 months and up to 12 months	**148,646,435**	124,735,750	221,359,056
Over 1 year and up to 5 years	**818,942,469**	909,090,166	901,520,262
	1,057,243,801	1,153,044,716	1,313,509,188
<u>Corporate customers</u>			
Up to 3 months	53,275,813	71,222,359	95,664,470
Over 3 months and up to 6 months	6,253,266	9,324,712	84,110,677
Over 6 months and up to 12 months	61,418,035	199,917,119	238,400,675
Over 1 year and up to 5 years	664,561,542	735,328,292	731,900,134
	785,508,656	1,015,792,482	1,150,075,956
TOTAL	**1,842,752,457**	2,168,837,198	2,463,585,144

The time deposits bear interests at rates ranging from 2.00% to 6.50% (2018: 1.50% to 6.50% and 2017: 2.00% to 6.50%) per annum.

14. 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% (2018 and 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% (2018 and 2017: 17%) on the profit for the year as adjusted for income tax purposes.

(a) Current tax liabilities

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**(73,700)**	645,603	1,141,839
Under/(over) provision in previous years	**(6,338)**	(159,110)	35,217
Income tax charge for the year	**3,157,710**	2,363,849	4,646,422
CSR	**421,088**	913,488	-
Tax paid	**(3,722,476)**	(3,837,530)	(5,177,875)
At 30 June	**(223,716)**	(73,700)	645,603

(b) Tax expense

	2019	2018	2017
	Rs.	Rs.	Rs.
Current tax expense	**3,157,710**	2,363,849	4,646,422
CSR	**421,088**	913,488	-
Under/(over) provision in previous years	**(6,338)**	(159,110)	35,217
Underprovision of deferred tax	**-**	(7,315)	-
Impact of partial exemption regime	**1,617,401**	-	-
Deferred tax	**195,032**	(654,631)	(457,529)
Charge for the year	**5,384,893**	2,456,281	4,224,110

14. 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:

	2019	2018	2017
	Rs.	Rs.	Rs.
Profit before tax	**33,755,670**	23,513,454	30,283,237
Tax at the rate of 17% (2018:17% and 2017: 15%)	**5,738,464**	3,997,287	4,542,486
Tax effect of:			
- Exempt income	**(9,234,259)**	(444,204)	(201,766)
- Other deductible item	**(194,614)**	(1,536,807)	-
- Effect of partial exemption on interest income	**1,617,401**		
- CSR	**421,088**	598,308	-
- Expenses not deductible for tax purposes	**7,043,151**	8,122	244,147
- Underprovision of deferred tax	**-**	(7,315)	-
- Under/(over) provision in previous years	**(6,338)**	(159,110)	35,217
Charge for the year	**5,384,893**	2,456,281	4,620,084

(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

14. TAXATION (CONT'D)

(d) Deferred tax liabilities (Cont'd)

Accounting Policy (Cont'd)

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.

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% (2018: 17% and 2017: 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.

	2019	2018	2017
	Rs.	Rs.	Rs.
Deferred tax assets	**1,251,237**	3,162,368	1,483,613
Deferred tax liabilities	**(1,052,791)**	(1,354,178)	(1,402,249)
	198,446	1,808,190	81,364

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

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**1,808,190**	81,364	(521,965)
Charged to profit or loss (note 14(b))	**(195,032)**	654,631	457,529
Underprovision of deferred tax (note 14(b))	**-**	7,315	-
- Effect of partial exemption on interest income	**(1,617,401)**	-	-
Charged to other comprehensive income	**202,689**	1,064,880	145,800
At 30 June	**198,446**	1,808,190	81,364

14. TAXATION (CONT'D)

(d) Deferred tax liabilities (Cont'd)

(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 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
Impact of partial exemption regime	(460,365)
Credited to profit or loss	158,978
At 30 June 2019	**1,052,791**

Deferred tax assets

	Allowance for credit impairment	Retirement benefit plan	Total
	Rs.	**Rs.**	**Rs.**
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
Impact of partial exemption regime	(1,141,875)	(935,891)	(2,077,766)
Credited to profit or loss	(56,868)	20,814	(36,054)
Charged to other comprehensive income	-	202,689	202,689
At 30 June 2019	**539,195**	**712,042**	**1,251,237**

15. 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.

15. OTHER LIABILITIES (CONT'D)

	2019	2018	2017
	Rs.	Rs.	Rs.
Staff cost	**679,350**	834,696	904,727
Audit fee	**525,000**	500,000	322,000
Professional fee	**63,000**	922,500	33,350
Other creditors	**288,357**	272,509	263,652
Others	**1,885,352**	1,530,719	844,027
Impairment allowance on capital commitments	**20,842**	-	-
	3,461,901	4,060,424	2,367,756

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

16. 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.

16. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Accounting Policy (Cont'd)

(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.

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 2019 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:

	2019	2018	2017
	Rs.	Rs.	Rs.
Present value of funded obligations	**24,121,000**	19,181,000	12,783,000
Fair value of plan assets	**(11,844,000)**	(10,802,000)	(10,515,000)
Liability recognised in the statement of financial position	**12,277,000**	8,379,000	2,268,000

16. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

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

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**8,379,000**	2,268,000	1,443,000
Profit or loss charge	**1,003,000**	494,000	460,000
Other comprehensive income charge	**3,535,000**	6,264,000	972,000
Contributions paid	**(640,000)**	(647,000)	(607,000)
At 30 June	**12,277,000**	8,379,000	2,268,000

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

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**19,181,000**	12,783,000	10,471,000
Current service cost	**442,000**	435,000	391,000
Interest expense	**1,367,000**	757,000	730,000
Employee contributions	**320,000**	324,000	315,000
Benefits paid	**(483,000)**	(1,667,000)	(88,000)
Liability experience loss/(gain)	**(12,000)**	6,415,000	1,035,000
Liability (gain)/ loss due to change in financial assumption	**3,306,000**	134,000	(71,000)
At 30 June	**24,121,000**	19,181,000	12,783,000

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

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**10,802,000**	10,515,000	9,028,000
Interest income	**806,000**	698,000	661,000
Contributions to plan assets	**960,000**	971,000	922,000
Benefits paid	**(483,000)**	(1,667,000)	(88,000)
Return on plan assets excluding interest income	**(241,000)**	285,000	(8,000)
At 30 June	**11,844,000**	10,802,000	10,515,000

16. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

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

	2019	2018	2017
	Rs.	Rs.	Rs.
Current service cost	**442,000**	435,000	391,000
Net interest on net defined benefit liabilities	**(79,000)**	59,000	69,000
Total included in "employee benefit expense" (note 22)	**363,000**	494,000	460,000
Actual return on plan assets	**565,000**	983,000	653,000

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

	2019	2018	2017
	Rs.	Rs.	Rs.
Return on plan assets below/(above) interest income	**241,000**	(285,000)	8,000
Liability experience loss/(gain)	**(12,000)**	6,415,000	1,035,000
Liability (gain)/ loss due to change in financial assumptions	**3,306,000**	134,000	(71,000)
Total actuarial gain	**3,535,000**	6,264,000	972,000

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

	2019	2018	2017
	Rs.	Rs.	Rs.
Distribution of plan assets at end of year			
Loans, Government securities and cash	**10,304,280**	6,481,200	6,203,850
Local equities	**1,421,280**	1,944,360	1,787,550
Overseas bonds and equities	**-**	2,268,420	2,418,450
Property	**118,440**	108,020	105,150
Total	**11,844,000**	10,802,000	10,515,000

(ix) Principal actuarial assumptions at end of period:

	2019	2018	2017
	%	%	%
Discount rate	**5.90**	7.30	6.50
Future long term salary increases	**4.20**	5.30	4.50
Future pension increases	**3.20**	3.30	2.50

16. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

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

	2019	2018	2017
Increase due to 1% decrease in discount rate	**6,017,000**	4,603,000	3,776,000
Decrease due to 1 % increase in discount rate	**4,556,000**	3,607,000	2,827,000
Increase due to 1% increase in salary	**3,337,000**	2,667,000	N/A
Decrease due to 1% decrease in salary	**2,768,000**	2,198,000	N/A
Increase due to 1% increase pension	**2,567,000**	1,897,000	N/A
Decrease due to 1% decrease in pension	**2,173,000**	1,615,000	N/A

(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.

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.

16. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

Salary risk

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.674,000 in contributions to its post-employment benefit plans for the year ending 30 June 2020.

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

(b) State plan

	2019	2018	2017
	Rs.	Rs.	Rs.
Contributions expensed	**54,546**	52,214	57,988

17. 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.

	2019	2018	2017
	Rs.	Rs.	Rs.
Dividend	**24,115,160**	17,898,597	19,906,407

A dividend of Rs. 1.20 per share (2018: Rs. 0.89 and 2017: Rs. 1.0) representing 85% of the profit after tax in respect of the year ended 30 June 2019 was declared by the directors on 30 June 2019.

18. 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. The Company has one class of ordinary shares which carries a right to vote.

19. OTHER RESERVES

	2019	2018	2017
	Rs.	Rs.	Rs.
Statutory reserve (note (a) below)	**54,191,157**	49,935,540	46,776,964
Investment revaluation reserve (note (b) below)	**99,000**	5,917,350	5,585,348
Actuarial losses reserve (note (c) below)	**(10,197,431)**	(6,865,120)	(1,666,000)
General Banking reserve (note (d) below)	**5,149,990**	-	-
At 30 June	**49,242,716**	48,987,770	50,696,312

(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. 4,255,617 was transferred in 2019 (2018: Rs.3,158,576 and 2017: Rs.3,908,870).

(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.

(d) General banking reserve

General banking reserve relates to amount set aside for future losses and other unforseen risks on the financial lease portfolio.

20. 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.

Other income

Rental income from operating lease activities and commission are accounted on accrual basis.

20. NET INTEREST INCOME (CONT'D)

Accounting Policy (Cont'd)

Management fee

(Under IAS 18 - before 01 July 2018)
Management fee are accounted on an accrual basis.

(Under IFRS 15 - as from 01 July 2018)

Management fee is derived from management of the assets of two unit trusts. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

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.

	2019	2018	2017
	Rs.	Rs.	Rs.
Interest income			
Under EIR			
Cash and cash equivalents	**886,817**	694,441	868,737
Investment securities	**17,456,505**	19,016,477	24,656,510
Term deposits	**66,549,433**	78,074,650	108,693,277
Loans and advances to holding company	**19,962,340**	24,548,291	28,740,942
Others	**59,029**	69,027	80,736
Total interest income	**104,914,125**	122,402,886	163,040,202
Others			
Investment in finance leases	**33,368,993**	34,569,708	33,071,900
Total interest income	**138,283,118**	156,972,594	196,112,102
Interest expense			
Deposits from customers	**78,815,465**	101,280,600	135,357,748
Net interest income	**59,467,653**	55,691,994	60,754,354

21. DIVIDEND INCOME

	2019	2018	2017
	Rs.	Rs.	Rs.
FVOCI (IFRS 9)/Available-for-sale (IAS 39)	**1,457,279**	1,556,358	1,345,104

21. DIVIDEND INCOME (CONT'D)

21(a). Allowance for credit impairment

	2019	2018	2017
	Rs.	Rs.	Rs.
Investment in finance leases (note 11 (e))	**(1,517,533)**	1,586,803	2,347,394
Investment Securities (note 6)	**(15,225)**	-	-
Loans and advances (note 8)	**7,524**	1,000,000	-
Term deposits (note 7)	**(581,260)**	-	-
Other assets	**82,235**	13,607	170,448
Other liabilities	**(33,424)**	-	-
(Credit)/Charge for the year	**(2,057,683)**	2,600,410	2,517,842

22. PERSONNEL EXPENSES

	2019	2018	2017
	Rs.	Rs.	Rs.
Wages and salaries	**12,151,550**	12,161,939	11,170,652
Pension costs - defined benefit plans (note 16(a)(vi))	**363,000**	494,000	460,000
Other post retirement benefit (note 16(b))	**54,546**	52,214	57,988
	12,569,096	12,708,153	11,688,640

23. OTHER EXPENSES

	2019	2018	2017
	Rs.	Rs.	Rs.
Management fees payable to holding company	**8,600,000**	7,800,000	7,800,000
Rent payable to holding company	**1,681,287**	1,838,749	1,838,749
Directors and secretary fees	**1,610,300**	2,487,382	1,360,940
Licence fees	**2,268,500**	2,268,500	2,265,163
Loss on disposal of repossessed assets	**881,277**	888,980	1,039,941
Depreciation (note 9)	**2,702,762**	3,287,764	3,681,710
Amortisation (note 10)	**1,408,180**	1,373,893	1,373,102
Professional Charges	**63,000**	1,560,000	33,350
Audit Fees	**525,000**	500,000	322,000
IT expenses	**3,050,321**	3,258,710	3,569,361
Others	**3,463,811**	1,745,403	2,087,400
	26,254,438	27,009,381	25,371,716

24. EARNING PER SHARE

	2019	2018	2017
	Rs.	Rs.	Rs.
Profit for the year	**28,370,777**	21,057,173	26,059,127
Number of ordinary shares in issue	**20,000,000**	20,000,000	20,000,000
Earnings per share	**1.42**	1.05	1.30

25. HOLDING COMPANY

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

26. 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

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**245,915,555**	294,802,692	339,497,178
Repayments	**(53,473,088)**	(48,887,137)	(44,694,486)
At 30 June	**192,442,467**	245,915,555	294,802,692

The terms of the loans are set out in note 8.

(b) Interest received/receivable

	2019	2018	2017
	Rs.	Rs.	Rs.
Receivable and received for the year	**19,962,340**	24,548,291	28,740,942

(ii) Directors and key management personnel

(a) Capital element - Deposits from customers

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**59,839,706**	50,339,706	52,919,884
Additions	**11,495,668**	26,123,850	18,077,447
	71,335,374	76,463,556	70,997,331
Repayments	**(15,445,034)**	(16,623,850)	(20,657,625)
At 30 June	**55,890,340**	59,839,706	50,339,706

The terms of the deposits from customers are set out in note 13.

26. RELATED PARTY DISCLOSURE (CONT'D)

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

(b) Interest payable

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	230,470	237,059	306,594
Payable for the year	2,251,080	2,624,889	2,886,458
	2,481,550	2,861,948	3,193,052
Paid during the year	(2,296,923)	(2,631,478)	(2,955,993)
At 30 June	184,627	230,470	237,059

(iii) Finance lease to key management personnel

(a) Capital element

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	2,690,600	2,213,509	1,534,529
Additions	300,000	2,000,000	1,320,000
Repayments	(418,873)	(1,522,909)	(641,020)
At 30 June	2,571,727	2,690,600	2,213,509

The terms of the finance lease are set out in note 11(g).

(b) Interest receivable

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	4,957	1,000	8,333
Receivable during the year	139,846	256,930	167,780
Received during the year	(140,836)	(252,973)	(175,113)
At 30 June	3,967	4,957	1,000

(iv) Rent payable to Holding Company

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	-	-	-
Payable during the year	1,681,287	1,838,749	1,838,749
	1,681,287	1,838,749	1,838,749
Paid during the year	(1,681,287)	(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.

26. RELATED PARTY DISCLOSURE (CONT'D)

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

	2019	2018	2017
	Rs.	Rs.	Rs.
Payable during the year	**277,577**	528,755	68,962
At 30 June	**277,577**	528,755	68,962

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

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**428,566**	410,692	263,919
Receivable for the year	**1,639,163**	1,645,672	1,554,633
	2,067,729	2,056,364	1,818,552
Received during the year	**(1,121,612)**	(1,627,798)	(1,407,860)
At 30 June	**946,117**	428,566	410,692

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

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**198,906**	189,465	123,709
Receivable for the year	**776,186**	766,390	735,065
	975,092	955,855	858,774
Received during the year	**(526,979)**	(756,949)	(669,309)
At 30 June	**448,113**	198,906	189,465

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

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**-**	-	-
Payable for the year	**8,600,000**	7,800,000	7,800,000
	8,600,000	7,800,000	7,800,000
Paid during the year	**(8,600,000)**	(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.

26. RELATED PARTY DISCLOSURE (CONT'D)

(ix) Dividend payable to Holding Company

	2019	2018	2017
	Rs.	Rs.	Rs.
Payable during the year	**24,115,160**	17,898,597	19,707,343

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

	2019	2018	2017
	Rs.	Rs.	Rs.
Receivable during the year	**1,000,719**	970,412	899,429

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

	2019	2018	2017
	Rs.	Rs.	Rs.
Receivable during the year	**445,760**	471,626	369,539

(xii) Other transactions with Holding Company

	2019	2018	2017
	Rs.	Rs.	Rs.
Charge for the year	**477,568**	338,430	347,970

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

(a) Number of units

	2019	2018	2017
At 1 July	**1,340,348**	1,290,710	1,253,221
Additions	**54,577**	49,638	37,489
At 30 June	**1,394,925**	1,340,348	1,290,710

(b) Value of units (at cost)

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**15,152,439**	14,450,563	13,944,831
Additions	**773,361**	701,876	505,732
At 30 June	**15,925,800**	15,152,439	14,450,563

(c) Market value of units

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July (ex-div)	**18,898,905**	17,773,082	16,254,276
Additions	**773,361**	701,876	505,732
Fair value adjustment	**(896,571)**	423,947	1,013,074
At 30 June	**18,775,695**	18,898,905	17,773,082

26. RELATED PARTY TRANSACTIONS (CONT'D)

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

(a) Number of units

	2019	2018	2017
At 1 July	**1,195,503**	1,163,536	1,133,566
Additions	**38,945**	31,967	29,970
At 30 June	**1,234,448**	1,195,503	1,163,536

(b) Value of units (at cost)

	2019	2018	2017
	Rs.	Rs.	Rs.
At 1 July	**12,091,466**	11,721,927	11,376,076
Additions	**471,626**	369,539	345,851
At 30 June	**12,563,092**	12,091,466	11,721,927

(c) Market value of units

	2019	2018	2017
At 1 July (ex-div)	**14,262,349**	13,322,485	12,446,555
Addition	**471,626**	369,539	345,851
Fair value adjustment	**301,602**	570,325	530,079
At 30 June	**15,035,577**	14,262,349	13,322,485

(xv) Compensation of Directors and key management personnel

	2019	2018	2017
	Rs.	Rs.	Rs.
Short term benefits	**6,312,322**	6,497,609	5,071,006

(xvi) Sale of Property, plant and equipment to Holding Company

	2019	2018	2017
	Rs.	Rs.	Rs.
Transfer of Leasehold Building	**2,347,794**	-	-

(xvi) Sale of Securities to Holding Company

Disposal of investments	-	-	185,782,728

(xvii) Contribution to defined benefit pension plan

Contribution	**959,472**	970,742	921,905

27. 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 18 and 19 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 2019, 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.

Categories of financial instruments	**2019**	2018	2017
	Rs.	Rs.	Rs.
Financial assets			
Cash and cash equivalents	**215,792,470**	27,633,256	101,003,678
Investment securities:			
- Debt instruments at amortised cost (2018 and 2017: Loans and receivables)	**250,995,979**	340,496,292	340,192,821
- Investment securities at FVOCI (2018 and 2017: Available for sales)	**1,119,000**	34,181,256	33,979,457
- Investment securities at FVTPL	**33,811,272**	-	-
	285,926,251	374,677,548	374,172,278
Term deposits	**1,044,237,573**	1,534,733,335	1,720,556,972
Loans and advances	**193,827,687**	246,615,992	296,613,934
Net investment in finance leases	**576,480,171**	451,884,651	432,718,703
Other assets	**9,564,778**	9,088,548	7,498,882
	1,824,110,209	2,242,322,526	2,457,388,491
Total financial assets	**2,325,828,930**	2,644,633,330	2,932,564,447
Financial liabilities			
Deposits from customers	**1,842,752,457**	2,168,837,198	2,463,585,144
Other liabilities	**3,461,902**	4,060,424	2,367,756
Dividend	**24,115,160**	17,898,597	19,906,407
Total financial liabilities	**1,870,329,519**	2,190,796,219	2,485,859,307

27.1 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.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

27.1 Financial risk factors (Cont'd)

(a) <u>Market risk (Cont'd)</u>

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.

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

	2019	2018	2017
	% p.a.	% p.a.	% p.a.
Financial assets			
Investment in finance leases	**5.75 to12.5**	6.50 to 12.50	6.75 to 12.5
Balances with local banks	**0.00 to 1.80**	0.00 to 1.80	0.00 to 1.80
Loans to holding company	**9.00**	9.00	9.00
Term deposits	**4.00 to 10.50**	3.30 to 10.50	3.85 to 10.50
Loans and receivables			
Government of Mauritius Bonds	**5.00 to 8.29**	4.45 to 8.29	4.45 to 8.29
Financial liabilities			
Deposit from customers	**2.00 to 6.50**	1.5 to 6.50	2.00 to 6.50

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.

	2019		2018		2017	
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	**75,043**	**63,787**	87,088	74,024	118,530	100,751
-5 basis points	**(75,043)**	**(63,787)**	(87,088)	(74,024)	(118,530)	(100,751)

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 2019 as compared to 30 June 2018 and 30 June 2017.

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.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

27.1 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.

	2019	2018	2017
	Rs	Rs	Rs
Equity	**34,930,272**	34,181,259	33,978,461

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

	2019	2018	2017
	Rs	Rs	Rs
Increase/decrease of 5% in prices of securities	**1,746,514**	1,709,063	1,698,924
Increase/decrease in net assets/income			
Increase/decrease of 10% in prices of securities	**3,493,027**	3,418,126	3,397,846
Increase/decrease in net assets/income			

(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.

Net investment in finance lease

Customer credit risk is managed as per the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an credit rating scorecard and individual cerdit limits are defined in accordance with the assessment. Outstanding lease receivables are regularly monitored and regular follow up done to collect these outstanding balances. The Company may have recourse to legal support where customers have not settled their dues after the follow up exercise.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

27.1 Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e by sectors). The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Company historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experince with forward looking information. For instance, if forecast economic conditions (e.g gross domestic product, inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in any particuler sector , the historical observed default rates are updated and changes in the forward looking estimates are analysed, the assessment of correlation between historical observed default rates, forecast economic conditions. The Company's historical loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. For all finance leases, the Company retains ownership of the leased assets. The concentration of its lease portfolio is as disclosed in note 11.

Financial Instruments and deposits

Credit risk from balances with balances with banks and financial institutions is managed by the treasury department in accordance with the company policy. The Company invest in debt securities with low credit risk. The maximum exposure to credit risk for the components of the financial position at 30 June 2019, 2018 and 2017 is the carrying amount disclosed.

(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.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

27.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

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

AT 30 JUNE 2019

	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	-	-	-	-	-	215,792,470	215,792,470
Investment securities							
Investment securities at FVTPL	-	-	-	-	-	33,811,272	33,811,272
Investment securities at FVOCI						1,119,000	1,119,000
Debt instruments at amortised cost	-	-	-	-	250,995,979	-	250,995,979
	-	-	-	-	250,995,979	34,930,272	285,926,251
Term deposits	109,150,495	167,885,462	69,011,675	115,714,627	582,475,315	-	1,044,237,573
Loans and advances							
Holding company	14,115,137	14,454,796	29,900,055	133,953,235	-	-	192,423,223
Other loans	107,141	114,374	225,467	840,452	117,030		1,404,464
	14,222,278	14,569,170	30,125,522	134,793,686	117,030	-	193,827,687
Investments in finance leases	46,783,915	33,967,723	67,285,858	380,277,218	46,710,777	1,454,680	576,480,171
Other assets	-	-	-	-	-	7,765,738	7,765,738
Total financial assets	170,156,688	216,422,355	166,423,055	630,785,531	880,299,101	259,943,160	2,324,029,890
Financial liabilities							
Amortised Cost							
Deposits from customers	139,153,242	56,967,128	235,184,576	1,537,211,222	-	-	1,968,516,167
Other liabilities	-	594,735	-	-	-	2,846,325	3,441,060
Dividend	-	-	-	-	-	24,115,160	24,115,160
Total financial liabilities	139,153,242	57,561,863	235,184,576	1,537,211,222	-	26,961,485	1,996,072,388
Net liquidity gap	31,003,446	158,860,491	(68,761,521)	(906,425,690)	880,299,101	232,981,674	327,957,502

27. FINANCIAL RISK MANAGEMENT (CONT'D)

27.1 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 liabilities	-	-	-	-	-	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

27. FINANCIAL RISK MANAGEMENT (CONT'D)

27.1 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	(153,046,127)	(55,364,373)	(219,102,944)	249,624,243	292,657,363	120,206,854	234,975,016

27. FINANCIAL RISK MANAGEMENT (CONT'D)

27.2 Fair value of financial instruments

The carrying amounts of financial assets at FVTPL and amortised cost , 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 on

AT 30 JUNE 2019	**Level 1**	**Level 2**	**Total**
	Rs.	**Rs.**	**Rs.**
Financial Assets			
Investment securities held at:			
- FVOCI	**1,119,000**	**-**	**1,119,000**
- FVTPL	**-**	**33,811,272**	**33,811,272**
	1,119,000	**33,811,272**	**34,930,272**

AT 30 JUNE 2018	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 2017	Level 1	Level 2	Total
	Rs.	Rs.	Rs.
Assets			
Available- for-sale securities			
- Mauritian quoted equities	2,882,890	-	2,882,890
- Mauritian unquoted equities	-	31,095,567	31,095,567
	2,882,890	31,095,567	33,978,457

27. FINANCIAL RISK MANAGEMENT (CONT'D)

27.2 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		
	2019	2018	2017	**2019**	2018	2017
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Financial Assets						
Cash and cash equivalents	**215,792,470**	27,633,256	101,003,678	**215,792,470**	27,633,256	101,003,678
Term deposits	**1,044,237,573**	1,534,733,335	1,720,556,972	**1,047,800,093**	1,653,906,121	1,912,313,126
Loans and advances						
-Holding company	**192,423,223**	244,915,555	294,802,692	**192,442,467**	263,039,809	317,695,116
-Other loans	**1,404,464**	1,700,437	1,811,242	**1,417,505**	1,700,437	1,811,242
Investment securities						
- Bonds	**250,995,979**	340,496,292	340,192,821	**251,423,399**	353,584,078	365,013,591
Investment in finance lease	**576,480,171**	432,718,703	421,095,479	**581,319,354**	432,718,703	421,095,479
Other assets	**13,039,342**	9,088,548	7,498,882	**13,039,342**	9,088,548	7,498,882
Financial Liablities						
Deposit from customers	**1,842,752,457**	2,168,837,198	2,463,585,144	**1,842,752,457**	2,162,699,552	2,372,949,752
Other liablities	**3,441,060**	4,060,424	2,367,756	**3,441,060**	4,060,424	2,367,756
Dividend	**24,115,160**	17,898,597	19,906,407	**24,115,160**	17,898,597	19,906,407

(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.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

27.2 Fair value of financial instruments (Cont'd)

(iii) Loans and advances and Bonds

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.

(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.

28. COMMITMENTS FOR FUTURE LEASES

At 30 June 2019, the Company had capital commitment of Rs. 21,800,000 (2018: Rs. 10,230,500) in respect of future leases.

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 2019.