SICOM
FINANCIAL SERVICES
A member of the SICOM Group

20 Annual Report 20

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Our Mission, Shared Values and Objectives

Dedicated to providing financial services, with focus on competitive quality products and excellent levels of customer care.

Our Customers:
The focus of all actions
Our Employees: The source of our success.
Our Products and services: Competitive and first-class security.
Commitment to innovation and teamwork.
Assisting the development of the community.

Provide excellent customer service
Maximise profits and returns to stakeholders.
Highly effective staff and agents.
Increase market share.
Respond to new customer needs
Identify diversification opportunities

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Corporate Information

Registered Office

SICOM Building
Sir Célicourt Antelme Street, Port Louis, Mauritius
Telephone: (230) 203 8420
Fax: (230) 208 0874
Email Address: sfsl@sicom.mu
Website: www.sicom.mu

Auditors

Ernst & Young

Directors

Sakurdeep S ***(Chairperson)***
Bhoojedhur - Obeegadoo K G (Mrs)
Bonomaully I (as from 05 February 2020)
Gopy D K
Ramdewar N (Mrs)
Salemohamed M Y (as from 05 February 2020)
Seewoochurn N
Late Ramdhonee B I R (up to 21 July 2019)
Chaperon J M C G (up to 19 December 2019)

Company Secretary

Lee Shing Po T M (Mrs)

Manager

Chadien M

Deputy Manager

Kasenally - Boodoo A (Mrs)

Main Banker

SBM Bank (Mauritius) Ltd

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Directorate & Management

Directors' profile

Subiraj SAKURDEEP **(Reappointed as Chairman and Director on 19 December 2019)**

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. He has extensive experience in Labour Laws, Matrimonial Cases, recovery of debts, accident cases, Petition for Division-in-kind, encroachment cases and defamation cases.

Karuna G BHOOJEDHUR-OBEEGADOO **(Reappointed on 19 December 2019)**

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

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 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 and a member of the Board of MCB Equity Fund Ltd.

Ishwarlall BONOMAULLY **(Appointed on 5 February 2020)**

Fellow of the Association of Chartered Certified Accountants
MSC in Finance (UOM)

Ishwarlall Bonomaully joined the former Income Tax Department (now Mauritius Revenue Authority) where he was Inspector of Taxes for 4 years. He was also an Accountant at the Management Audit Bureau for 15 years. During his career he has served on different boards of state-owned companies including the Development Bank of Mauritius, State Trading Corporation and ISP Ltd.

He is currently Director at the Ministry of Finance, Economic Planning and Development. He is mainly responsible for the formulation and finalisation of budgets and strategies for different sectors, the compilation of the five-year public sector investment programme and monitoring of capital projects, project appraisal and selection, and procurement policies.

Directorate & Management (Cont'd)

Directors' profile (Cont'd)

Dev K GOPY **(Reappointed on 19 December 2019)**

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 the head of all operations of Leasing and Unit Trusts businesses transacted by SICOM Financial Services Ltd and the operations of SICOM Global Fund Limited and SICOM Management Limited. He currently serves as Executive Director on the Board of SICOM Financial Services Ltd and is also a Director of Cyber Properties Investments Ltd.

Nandita RAMDEWAR **(Reappointed on 19 December 2019)**

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 as Manager (Finance) in 1992 after working for a leading audit firm. Since then, she has been heading several business units of the Group at senior management level and has also acted as the Company Secretary.

She has acquired along the years a broad experience in insurance, strategy, finance, investments, financial services, corporate matters and other fields. In February 2018, she was appointed Deputy Group Chief Executive Officer, besides acting as Chief Finance Officer. She is acting as Officer-in-Charge since August 2019.

She currently serves as Director on the Boards of State Insurance Company of Mauritius Ltd, SICOM Global Fund Limited, SICOM Management Limited and National Housing Development Co Ltd. 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.

Muhammad Yoosuf SALEMOHAMED **(Appointed on 5 February 2020)**

Muhammad Yoosuf Salemohamed started his career in a chartered accountant firm where he obtained training in Accounting and Auditing. He joined a vertically integrated textile manufacturing company as accountant in 1975 and ended his career there as General Manager.

He is a past president of the Mauritius Chamber of Commerce and Industry, past Chairman of the Mauritius College of the Air, past Chairman of Enterprise Mauritius and past president of the MEFPA (now Business Mauritius Provident Association). He has also been a Director of the Development Bank of Mauritius Ltd, Air Mauritius Limited and an Adviser to the Ministry of Commerce and Industry.

He is currently a Board member of the Islamic Cultural Centre Trust Fund Board.

Directorate & Management (Cont'd)

Directors' profile (Cont'd)

Nankumar SEEWOOCHURN **(Reappointed on 19 December 2019)**

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.

He is currently Assistant Permanent Secretary at the Ministry of Financial Services and Good Governance.

Theresa M LEE SHING PO

Attorney-at-Law
Company secretary

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, as well as at the Attorney General's Office. She joined SICOM in 2000 as Legal Officer and set up in the Legal Department, a recovery unit and a fixed and floating charge unit responsible for the in-house preparation of charges. She is presently the Senior Executive Officer – Legal, responsible for the overall operational and strategic functions of the Legal Department and advises the Group in all legal matters. She also acts as Company Secretary to the State Insurance Company of Mauritius Ltd, SICOM General Insurance Ltd and SICOM Financial Services Ltd.

Management's Profile

Moorganaden (Ruben) CHADIEN

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

Ameerah KASENALLY-BOODOO

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 twentieth Annual Report of SICOM Financial Services Ltd (the "Company") together with the audited financial statements for the financial year ended 30 June 2020.

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

The Covid-19 pandemic poses significant challenges for the operations and profitability of SICOM Financial Services Ltd going forward, which include a drastic drop in interest rates, with the Repo Rate at its historically lowest level, which will have a negative effect on the income generation capacity of the company given that it has a sizeable portfolio of fixed income instruments. The fall in interest rates should also compress interest rates applicable to leases on the market and negatively impact on our interest rate margin. The local economic downturn would most probably slow the sales of vehicles and equipment which will dampen the sales of our leasing business.

Based on the above challenges the strategy of the company will be geared on boosting the lease business, continue to digitalise its operations, consolidate the arrears management system, and develop new products and services.

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Annual Report (Cont'd)

FINANCIAL RESULTS

Deposits

The total deposits of the Company stood at Rs 1.7 billion for the financial year ended 30 June 2020 as compared to Rs 1.8 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 576.5 million for the financial year ended 30 June 2019 to reach Rs 661.4 million for the financial year ended 30 June 2020, that is a growth of 14.7 %. The growth in the leasing business is attributable to the different sales and marketing initiatives deployed during the year. The amount of new leases approved amounted to Rs 289.2 million as compared to Rs 285.5 million last year.

Net Interest Income

Net interest income fell from Rs 59.5 million for the financial year ended 30 June 2019 to Rs 49.1 million for the year under review. This fall in net interest income is explained by the continued drop in low interest rates, especially following the Covid-19 pandemic.

Profit before tax

Profit before tax decreased from Rs 33.8 million last year to Rs 21.2 million for the year ended 30 June 2020 . This fall in profitability is due to the fall in interest income as mentioned above and an increase in provisioning due to the impact of the Covid-19 pandemic.

Auditor

The remuneration of Auditor for the financial year amounted to Rs 551,250. (2019: Rs 525,000).

Chairman ....

Director ....

Director ....

Date 21 SEP 2020

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 2020.

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 3.0% in 2019, lower than the 3.8% growth in 2018. All industry groups, except for “accommodation and food service activities”, recorded positive growths, though lower than in 2018 in most cases. Savings rate for 2019 is estimated to be around 8.8% of GDP, while the investment rate rose to 19.6%, supported by increased growth rates in both private and public sector investments. The headline inflation rate was 1.8% for the twelve months ended 30 June 2020 compared to 1.0% for the corresponding period last year. During the financial year ended 30 June 2020, there was an appreciation of the USD, GBP, EUR, AUD and YEN compared to the MUR while the local currency appreciated against the ZAR. The SEMDEX, SEM-10 and the DEMEX retracted by 21.9%, 24.9% and 9.4% respectively over the financial year ended 30 June 2020 as investors embarked on a flight-to-safety following the outbreak of the COVID-19 pandemic.

Statistics Mauritius is forecasting real GDP to contract by around 13.0% in 2020 as the impact of the pandemic on the very open economy of Mauritius is expected to be severe. While the necessary lockdown measures have succeeded in slowing down the spread of the virus, business activity in many sectors has either stalled or contracted. Sectors in extreme difficulties, such as “accommodation and food service activities” and “textile manufacturing”, are expected to take longer to recover as the path to economic recovery remains highly uncertain. Based on lower expected global business activities, the “financial and insurance activities” is expected to grow by about 1.0% in 2020 as compared to the 5.2% growth posted during 2019.

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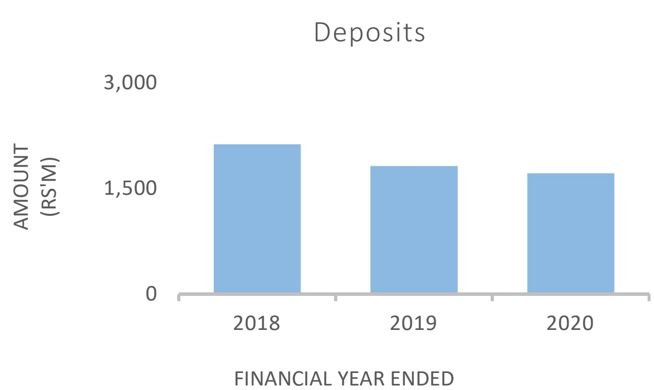
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL REVIEW

Performance Area	Current year's objective	Current year's performance	Next year's objective
Revenue growth	-4.23%	-17.71%	-8.29%
Interest expense growth	-0.56%	-18.20%	-9.45%
Operating profit growth	-4.44%	-37.30%	-23.30%
Productivity	41.61%	63.99%	70.89%
Return on equity	6.77%	4.54%	3.48%
Return on average assets	1.37%	0.93%	0.71%

Deposit Taking

The total deposits of the Company stood at Rs 1.7 billion for the year ended 30 June 2020, as compared to Rs 1.8 billion last year in line with the strategy of the company to improve its interest margin by not mobilizing costly deposits.

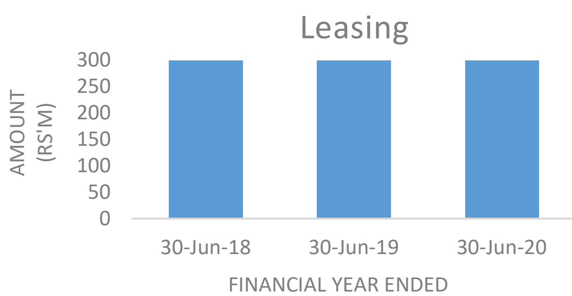


Deposits (Rs)	30-Jun-18	30-Jun-19	30-Jun-20
Deposit taking	2,168,837,198	1,842,752,457	1,706,604,100
Interest Payable to Depositors	101,280,600	78,815,465	64,471,385
Average Interest/ Deposit (%)	**4.67**	**4.28**	**3.78**

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Leasing

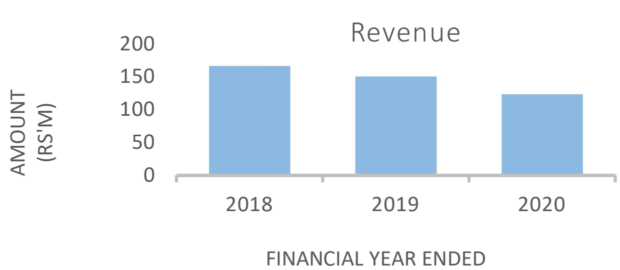
The amount of lease disbursed stood at Rs 271.9 million for the financial year ended 30 June 2020 while for last year the amount of lease disbursed stood at Rs 263.7 million. This improved performance can be attributed to the different sales and marketing initiatives undertaken during the year which had a positive impact on business growth.



Leasing (Rs)	30-Jun-18	30-Jun-19	30-Jun-20
Amount disbursed	179,171,388	263,671,874	271,934,458

Revenue

Revenue from leasing activities increased to reach Rs 49.7 million for the year under review as compared to Rs 40.3 million last year. Investment income decreased to Rs 70.2 million from Rs 105.6 million last year due the persisting low interest rate environment. Revenue from our Unit Trust activities fell slightly to Rs 3.5 million this year as compared to Rs 4.0 million last year.



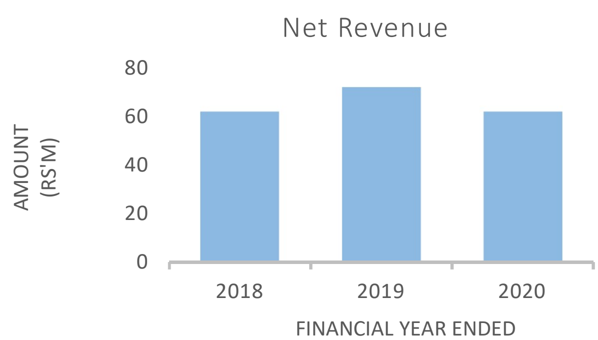
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Revenue (Cont'd)

Revenue (Rs)	30-Jun-18	30-Jun-19	30-Jun-20
Investment Income	125,123,832	105,643,645	70,231,811
Net Leasing activities	39,638,353	40,263,454	49,657,958
Unit Trust	2,457,765	4,024,587	3,490,107
Total	**167,219,950**	**149,931,686**	**123,379,876**

Net Revenue

Net revenue fell from Rs 73.2 million for the financial year ended 30 June 2019 to Rs 60.6 million for the year under review, mainly due to the drop in interest income on account of lower in interest rates.

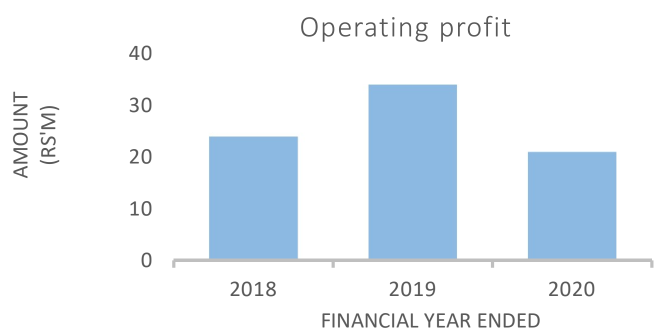


Net Revenue (Rs)	30-Jun-18	30-Jun-19	30-Jun-20
Deposit takings	23,843,231	26,828,180	5,760,426
Unit Trust	2,457,765	4,024,584	4,875,019
Leasing activities	36,929,991	42,321,411	49,955,971
Total	**63,230,987**	**73,174,175**	**60,591,416**

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Operating profit

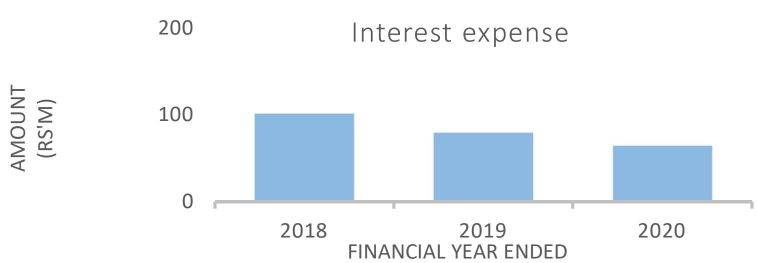
The operating profit reached Rs 21.2 million for the year ended 30 June 2020 as compared to Rs 33.8 million last year. This drop in profitability is mainly explained by the fall in interest income.



Operating profit (Rs)	30- Jun-18	30-Jun-19	30-Jun-20
Deposit taking and leasing	21,695,886	33,015,470	18,387,589
Unit Trust	1,817,568	740,200	2,775,853
Total	**23,513,454**	**33,755,670**	**21,163,442**

Interest expense

Interest paid to depositors fell from Rs 78.8 million for the financial year ended 30 June 2019 to Rs 64.5 million for the financial year ended 30 June 2020 due to the lower deposit base and interest rates provided on deposits mobilized from clients.



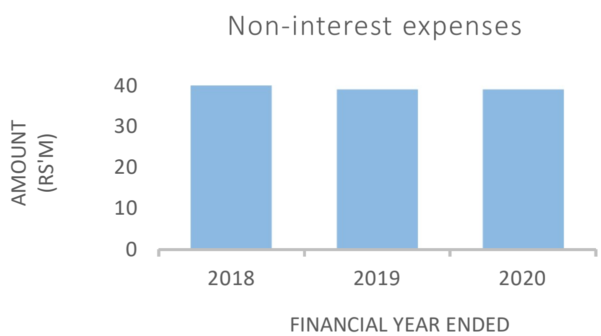
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Interest expense (Cont'd)

Interest expense (Rs)	30-Jun-18	30-Jun-19	30-Jun-20
Deposit takings	**101,280,600**	**78,815,465**	**64,471,385**

Cost Control

Non-interest expenses remained stable at Rs 39.4 million for financial year ended 30 June 2020.



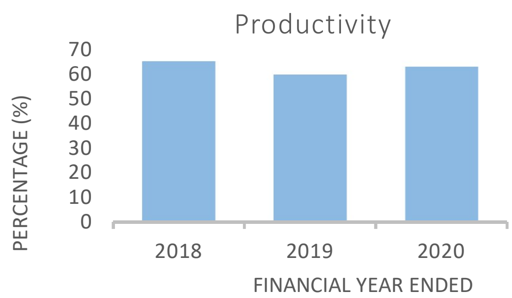
Non- interest expenses (Rs)	**30- Jun-18**	**30-Jun-19**	**30-Jun-20**
Deposit takings and Leasing	39,077,338	36,134,118	37,328,808
Unit Trust	640,196	3,284,387	2,099,166
Total	39,717,534	39,418,505	39,427,974

Productivity ratio

The productivity ratio stood at 63.99 % for the year under review as compared to 53.87% last year. This deterioration in the productivity ratio is due to a fall in interest income.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

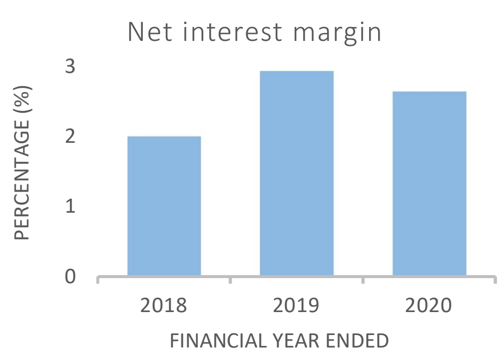
Productivity ratio (Cont'd)



Year	Productivity ratio
30-Jun-18	62.80%
30-Jun-19	53.87%
30-Jun-20	63.99%

Net interest margin

The net interest margin of the Company reached 2.43% as compared to 2.93% last year due to the fall in net revenue.

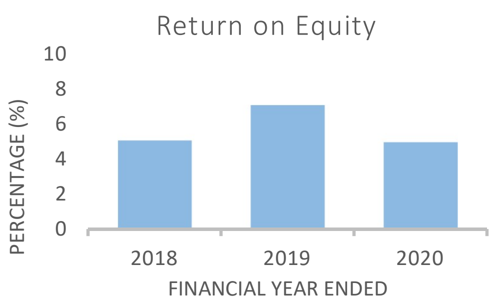


Year	Net Interest Margin
30-Jun-18	2.23%
30-Jun-19	2.93%
30-Jun-20	2.43%

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Return on equity

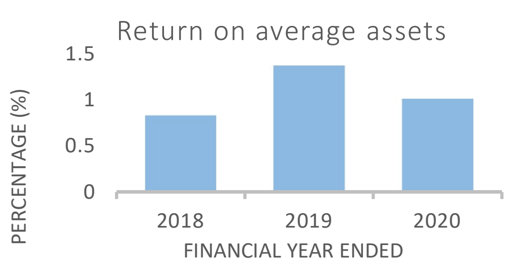
The return on equity for the financial year ended 30 June 2020 stood at 4.54% as compared to 7.25% in 2019. This fall in return on equity is explained by the decrease in the profitability of the company for the financial year under review.



Year	Return on Equity
30-Jun-18	5.05%
30-Jun-19	7.25%
30-Jun-20	4.54%

Return on average assets

The return on average assets fell from 1.35% last year to 0.93% for the financial year ended 30 June 2020.



Year	Return on Average Assets
30-Jun-18	0.84%
30-Jun-19	1.35%
30-Jun-20	0.93%

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Capital Structure

Shareholding Profile

Ownership of stated capital at 30 June 2020 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-18 (Rs' million)	30-June-19 (Rs' million)	30-June-20 (Rs' million)
Stated capital	200.0	200.0	200.0
Other Reserves	210.0	206.3	203.4
Statutory Reserve	49.9	54.2	57.2
Deferred Tax	(1.8)	(0.2)	(0.06)
Investment in available-for-sale securities	(34.2)	(34.9)	(37.0)
Other intangible assets	(5.1)	(3.7)	(2.6)
Tier 1 Capital	**418.8**	**421.7**	**420.9**

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

	30-Jun-18	30-Jun-19	30-Jun-20
	(Rs' million)	(Rs' million)	(Rs' million)
Portfolio Provision	**5.5**	**5.7**	**6.5**
Capital Base	**424.3**	**427.3**	**427.5**
Risk Weighted Assets	**1,210.8**	**839.5**	**782.8**
Capital Adequacy Ratio (%)	**35.04**	**50.9**	**54.6**

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Bank of Mauritius - Statement of Compliance

Name of Institution: SICOM FINANCIAL SERVICES LTD

Reporting Period: 30 JUNE 2020

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: 21 SEP 2020

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BOARD OF DIRECTORS

Members	Category
Mr Sakurdeep S	Independent Director
Mrs Bhoojedhur – Obeegadoo K G (Mrs)	Non-Executive Director
Mr Bonomaully I (as from 05 February 2020)	Non-Executive Director
Mr Gopy D K	Executive Director
Mrs Ramdewar N	Executive Director
Mr Salemohamed M Y (as from 05 February 2020)	Non-Executive Director
Mr Seewoochurn N	Non-Executive Director
Late Mr Ramdhonee B I R (up to 21 July 2019)	Independent Director
Mr Chaperon J M C G (up to 19 December 2019)	Executive Director

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

Members	Category
Mr N Seewoochurn (Chairperson)	Non-Executive Director
Mr I Bonomaully (as from 5 February 2020)	Non-Executive Director
Mr S Sakurdeep	Independent Director
Late Mr B I R Ramdhonee (up to 21 July 2019)	Independent Director

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BOARD OF DIRECTORS (CONT'D)

RISK MANAGEMENT COMMITTEE/CONDUCT REVIEW COMMITTEE

Members	Category
Mr I Bonomaully (Chairperson) (as from 05 February 2020)	Non-Executive Director
Mr S Sakurdeep	Independent Director
Mrs K G Bhoojedhur-Obeegadoo	Non-executive Director
Mrs N Ramdewar	Executive Director
Mr N Seewoochurn	Non-Executive Director
Late Mr B I R Ramdhonee (up to 21 July 2019)	Independent Director
Mr J M C G Chaperon (up to 19 December 2019)	Executive Director

INVESTMENT COMMITTEE

Members	Category
Mr S Sakurdeep (Chairperson)	Independent Director
Mrs K G Bhoojedhur-Obeegadoo	Non-Executive Director
Mr I Bonomaully (as from 05 February 2020)	Non-Executive Director
Mr D K Gopy	Executive Director
Mrs N Ramdewar	Executive Director
Mr M Y Salemohamed (as from 05 February 2020)	Non-Executive Director
Mr N Seewoochurn	Non-Executive Director
Late Mr B I R Ramdhonee (up to 21 July 2019)	Independent Director
Mr J M C G Chaperon (up to 19 December 2019)	Executive Director

CORPORATE GOVERNANCE REPORT

SICOM Financial Services Ltd (the 'Company') is a public interest entity as defined under the Financial Reporting Act 2004 and as such is required adhere to the National Code of Corporate Governance for Mauritius, 2016 (the 'Code'). The Board of Directors believes that the principles of Good Governance are key in the review of the Company's structure and processes and further contribute to the enhancement of stakeholders' value.

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

The Company's compliance with the Code is set out within the eight principles below:

PRINCIPLE 1: GOVERNANCE STRUCTURE

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL

PRINCIPLE 6: REPORTING WITH INTEGRITY

PRINCIPLE 7: AUDIT

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

GOVERNANCE STRUCTURE

The Company is led by a unitary Board is collectively responsible for its long-term success, reputation and governance. The Chairperson of the Board is an Independent Non-Executive Director and is seconded in this pivotal role by Executive, Non-Executive and Independent Non-Executive Directors.

The Board provides leadership and guidance towards the achievement of Company strategy and always acts in the latter's best interest. While showing great respect for its fiduciary responsibilities, the Board also assumes responsibility for all legal and regulatory requirements of the Company. The roles and responsibilities of the Board are set out in the Company's Board Charter which is available on the Company's website.

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

- Board Charter
- Board Committees' Charters
- Code of Ethics for Directors
- Position Statement of the Chairperson of the Board, Group Chief Executive Officer ('Group CEO') and Company Secretary

CORPORATE GOVERNANCE REPORT (CONT'D)

GOVERNANCE STRUCTURE (CONT'D)

The Board has also approved the following:

- Position Statement of the Chairperson of the Sub-Committees
- Code of Ethics for Employees
- Conflict of Interest and Related Party Transactions Policy
- Anti-Harassment and Non-Discriminatory Policy
- Whistleblowing Policy
- Director's Orientation and Induction Process
- Remuneration Policy for Directors and Senior Executives

The Board is responsible for adopting governance policies and recently the Board of the Holding Company has added the Group Corporate Governance Policy to the existing list of governance documents in place.

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

BOARD STRUCTURE

SICOM Financial Services Ltd 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.

SICOM
FINANCIAL SERVICES
A member of the SICOM Group

CORPORATE GOVERNANCE REPORT (CONT'D)

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 :

1. Chairperson of the Board

The roles of the Chairperson and the Group Chief Executive Officer ('Group CEO') are distinct. The Chairperson is primarily responsible for the activities of the Board and its Committees. He is the spokesperson for the Board and is the principal contact for the Group CEO. The Group CEO and the Chairperson of the Board regularly interact. The Chairperson discusses and sets the agenda with the Group CEO and the Company Secretary and facilitates the effective contribution of Non-Executive Directors and encourages active participation during Board meetings. He ensures that Board members, upon appointment, participate in an induction programme and that the development needs of Directors are catered for through appropriate training.

2. Officer in Charge

Officer in Charge is currently at the helm of the SICOM Group (the 'Group') and has the authority and responsibility to manage the overall operations and resources of the Group. She acts as the main point of contact between the Board and the Management. The other responsibilities of the Officer in Charge 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 this strategy; to execute and implement the strategy as decided by the Board; to monitor the Group's performance and keep the Board appropriately informed; to foster a corporate culture that promotes ethical practices, rejects corrupt practices, offers equal opportunities, encourages individual integrity and meets social responsibility objectives and imperatives.

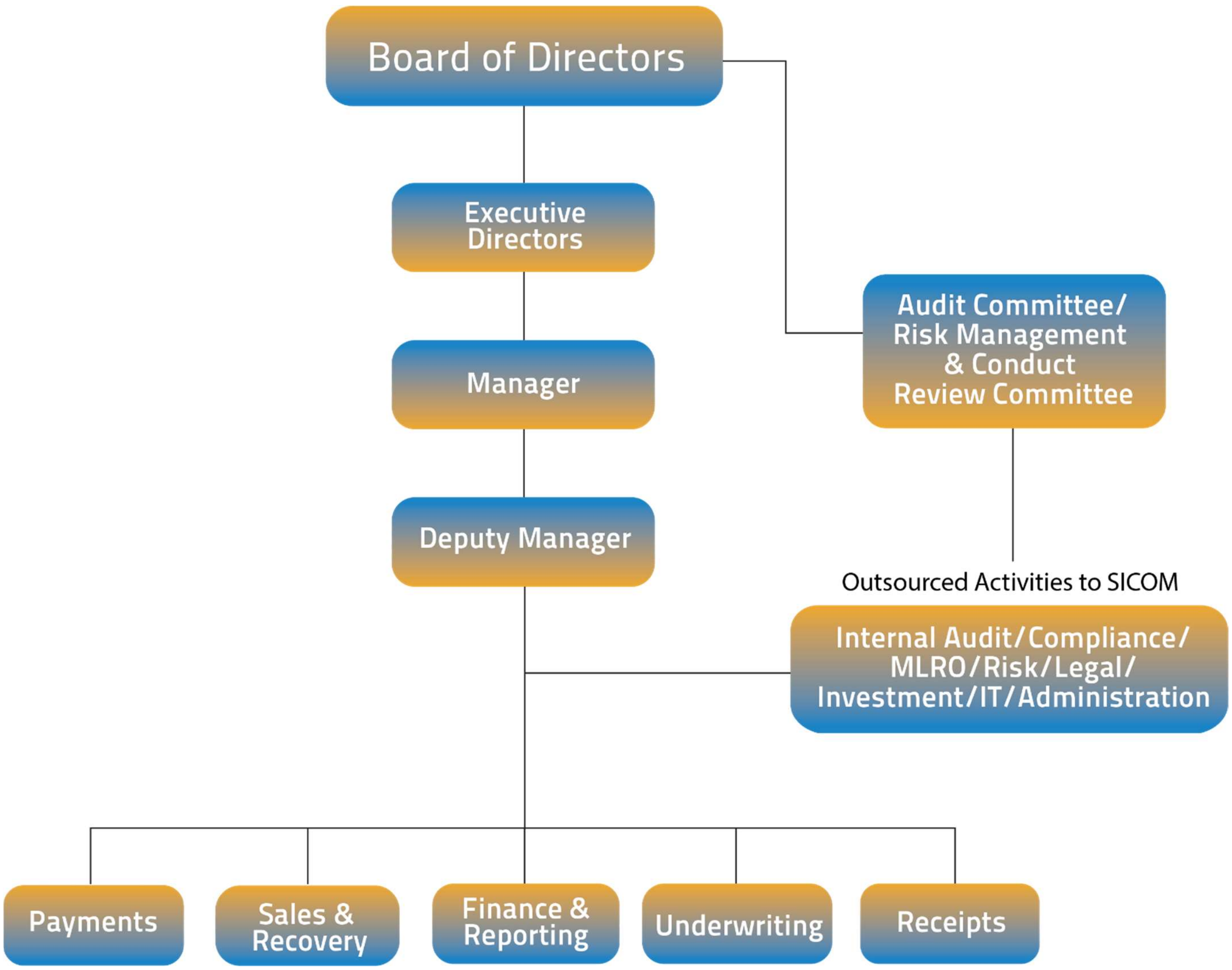
3. Company Secretary

The Company Secretary is appointed by the Board in accordance with the Companies Act 2001. She assists and advises the Board. The main responsibilities of the Company Secretary include, among 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

ORGANISATIONAL CHART

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



CORPORATE GOVERNANCE REPORT (CONT'D)

STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Directors' profiles appear on pages 6 to 8.

BOARD SIZE AND COMPOSITION

The Company has a unitary Board offering the right balance of skills, experience and diversity.It is composed of two (2) Executive Directors, four (4) Non-Executive Directors and one (1) Independent Director, who are 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.

It is to be noted that additional Independent Directors will be appointed at the next Annual Meeting of Shareholders. The Non-Executive Directors have diverse business backgrounds, such as finance, economics, and legal among others 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 or its subsidiaries during the past three (3) years. Having taken into consideration the varied Director profiles that the Company needs, as per the Board Charter, coupled with the number of sub-committees that are presently assisting the Board in the discharge of its responsibilities and the current number of directors with their mix of knowledge, skills and experience, the Board is of opinion that these are sufficient to effectively meet the requirements of the Company.

Currently, the Board has three (3) Committees, namely:

i) Audit Committee
ii) Risk Management/ Conduct Review Committee
iii) Investment Committee

Each Committee comprises of members with a wealth of knowledge and experience in fields relevant to the operations of the Company, including actuarial science, 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 sub-Committee is selected for his/her relevant knowledge and experience in these key governance roles. His/her responsibilities have been clearly defined in the respective position statement.

In order to strike gender balance, the Code provides that all organisations should have directors from both genders as members of the Board - i.e. at least one (1) male and one (1) female Director. The Board currently comprises of five (5) male and two (2) female Directors.

OTHER DIRECTORSHIPS HELD BY MEMBERS OF THE BOARD

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

I Bonomaully – Development Bank of Mauritius Ltd, DBM Venture Capital Fund Ltd, DBM Energy Ltd, Investment Support Programme (ISP) Ltd

D K Gopy – Cyber Properties Investment Ltd

N Ramdewar - State Insurance Company of Mauritius Ltd, SICOM Global Fund Limited, SICOM Management Limited and National Housing Development Co.Ltd

M Y Salemohamed – State Insurance Company of Mauritius Ltd, SICOM General Insurance Ltd, SICOM Global Fund Limited, Aurdally Bros & Co Ltd, Genuine Services Ltd

N Seewoochurn – Financial Services Institute Ltd

CORPORATE GOVERNANCE REPORT (CONT'D)

ATTENDANCE AT BOARD MEETINGS AND COMMITTEES MEETINGS

Below is a record of all Board and Committee meetings held during the financial year 2019-2020:

Board Composition	Classification	Board	Audit Committee	Risk Management/ Conduct Review Committee	Investment Committee
№ of Meetings held		5	4	4	2
Directors' attendance during their period of directorship					
Mr S Sakurdeep	Independent	5 of 5	4 of 4	4 of 4	2 of 2
Mrs K G Bhoojedhur-Obeegadoo	Non-Executive	5 of 5	-	4 of 4	2 of 2
Mr I Bonomaully (as from 5 February 2020)	Non-Executive	2 of 2	1 of 1	1 of 1	1 of 1
Mr J M C G Chaperon (up to 19 December 2020)	Executive	0 of 3	-	1 of 2	0 of 1
Mr D K Gopy	Executive	5 of 5	-	-	2 of 2
Mrs N Ramdewar	Executive	5 of 5	-	1 of 1	2 of 2
Late Mr B I R Ramdhonee	Independent	-	-	-	-
Mr M Y Salemohamed (as from 5 February 2020)	Non-Executive	2 of 2	-	-	1 of 1
Mr N Seewoochurn	Non-Executive	5 of 5	4 of 4	1 of 1	2 of 2

CORPORATE GOVERNANCE REPORT (CONT'D)

BOARD COMMITTEES

Board Committees have been established in order to assist the Board in the efficient discharge of its responsibilities. 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.

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 Risk and Audit Committee provides that it shall comprise of at least five (5) Non-Executive Directors appointed by the Board and the majority shall be Independent Non-Executive Directors. The Chairperson shall be an Independent Non-Executive Director. 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 2019/2020, the Committee met four (4) times.

During the financial year 2019/2020, the Committee met four (4) times.

It is to be noted that late Mr B I R Ramdhonee formed part of the Committee up to 21 July 2019.

It may also be noted that additional Independent Directors will be appointed at the next Annual Meeting of Shareholders.

The current composition of the Committee is found on page 21.

CORPORATE GOVERNANCE REPORT (CONT'D)

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 27 of the financial statements for the financial year ended 30 June 2020. 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 (3) 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 2019/2020, the Committee met four (4) times.

It is to be noted that Late Mr B I R Ramdhonee and Mr J M C G Chaperon formed part of the Committee up to 21 July 2019 and 19 December 2019 respectively.

The current composition of the Committee is found on page 22.

INVESTMENT COMMITTEE

Mandate

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

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 2019/2020, the Committee met twice.

It is to be noted that Late Mr B I R Ramdhonee and Mr J M C G Chaperon formed part of the Committee up to 21 July 2019 and 19 December 2019 respectively.

The current composition of the Committee is found on page 22.

CORPORATE GOVERNANCE REPORT (CONT'D)

DIRECTORS' APPOINTMENT PROCEDURES

New Directors are appointed on the basis of objective criteria that encompasses individual skills and talent, knowledge, experience, independence and their ability to act in the best interest of the Company. This exercise acknowledges the benefits of diversity on the Board, and this include gender and age. Each Director is elected by a separate resolution at the Annual Meeting of Shareholders, to hold office until the next Annual Meeting of Shareholders at which he/she may be eligible for re-election.

The Corporate Governance Committee, at Group Level, reviews the profile of prospective Directors and makes its recommendations to the Board for 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 and/the Bank of Mauritius.

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. The total number of Directors shall not at any time be less than seven (7) nor more than nine (9).

As part of its mandate, the Board carefully considers the needs of the organisation in appointing Directors. 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 are given a letter accordingly.

DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE

LEGAL DUTIES

All of the Directors on the Board including any alternate Director, are aware of their fiduciary duties and responsibilities at the time of their appointment. New Directors are given a copy of the Constitution of the Company, a copy of the relevant legislation including the Financial Services Act 2007 and Banking Act 2004 and relevant extracts of the Companies Act 2001 regarding their statutory duties and responsibilities.

REMUNERATION

During the year, the three Non-Executive Directors of the Company received Board fees of Rs 411,673 (2019 – Rs 271,200) and Board Committee fees of Rs37,000 (2019 – Rs 13,200) respectively. The three independent Directors of the Company received Board fees of Rs 677,123 (2019 – Rs 958,400) and Board Committee fees of Rs 69,900 (2019 – Rs 59,100) respectively.

The two Executive Directors of the Company did not receive any emoluments for the year ended 30 June 2020.

The remuneration and benefits paid to the directors have not been disclosed on an individual basis due to the sensitive nature of the information that may result in our organisation losing its competitive advantage in the market.

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 monitors compliance with the Code of Ethics on an ongoing basis.

CORPORATE GOVERNANCE REPORT (CONT'D)

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 2020 were Rs 134.2 million, Rs 55.1 million, Rs 20.4 million, Rs 18.3 million, Rs 7.0 million and Rs 1.8 million. These balances represented 31.9%, 13.1%, 4.8%, 4.3%, 1.7% and 0.4% respectively of Tier 1 Capital. Approval was obtained from the Bank of Mauritius for exposures exceeding required limits.

INFORMATION TECHNOLOGY AND IT SECURITY

The Company's Information Security Policy is a key component of the Group's overall Information Security Management Framework and reflects the commitments of the Management to information security. 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 continuously sought to keep abreast of new security threats. Other policies under information governance include the password- protection and monitoring access to computer systems. Security solutions, such as anti-virus software, are regularly updated and encryption is used to protect sensitive information. These policies apply to all information, information systems, networks, applications, locations and users of the Group.

A process exists for the approval of significant expenditures. This includes the validation with the appropriate SBUs and Senior Management before submission to the Board.

ASSESSMENT AND EVALUATION OF BOARD MEMBERS

An evaluation of the effectiveness of the Board, its Committees and the chairperson was conducted internally and the method employed to secure relevant information was done through questionnaires. Overall, Directors were satisfied with the performance of the Board,its Committees and the Chairperson.
Evaluation of the Directors on an individual basis was also done.

SUCCESSION PLANNING AND INDUCTION

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

Upon appointment, all Directors receive suitable induction and orientation programme.

Risk Management Report

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 framework 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

Risk Management Report (Cont'd)

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.

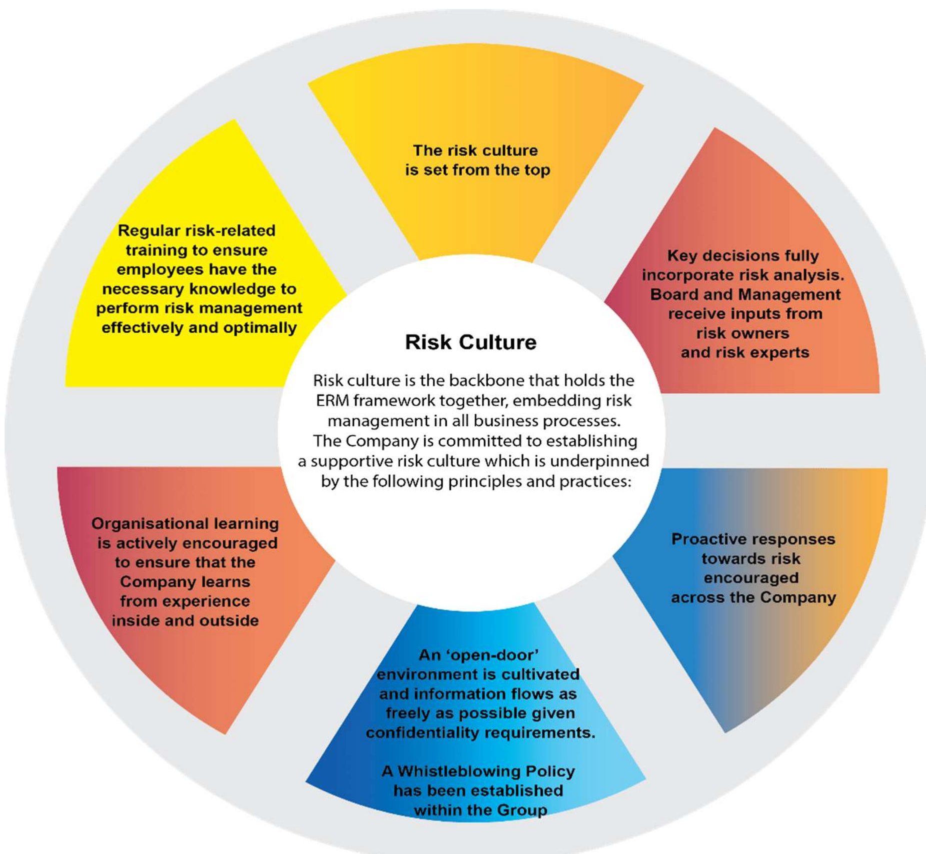
CORPORATE GOVERNANCE REPORT (CONT'D)

Risk Management Report (Cont'd)

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.

Risk Culture



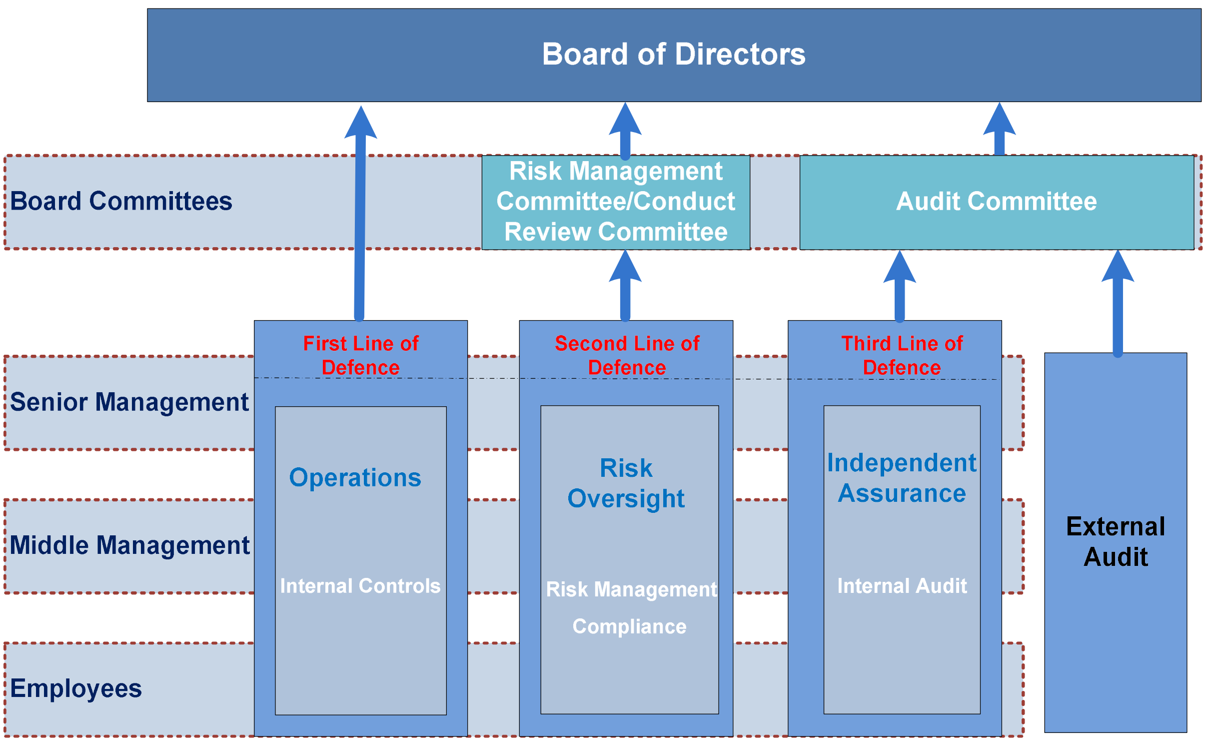
CORPORATE GOVERNANCE REPORT (CONT'D)

Risk Management Report (Cont'd)

Risk Governance

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



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 2020, classified by industry sectors:

Name of Sector	2018 (Rs)	2019 (Rs)	2020 (Rs)
Retail	344,869,883	445,344,554	498,916,437
Corporate	115,971,063	135,974,800	164,680,567
Total	460,840,946	581,319,354	663,594,004
Percentage of Tier 1 Capital	110.05%	137.90%	157.6%

CORPORATE GOVERNANCE REPORT (CONT'D)

Management of Key Risks (Cont'd)

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)	2020 Total Provision (Rs)	2019 Total Provision (Rs)	2018 Total Provision (Rs)
Agriculture and fishing	-	-	-			-
Manufacturing	7,547,433	-	7,068	7,068	3,811	26,061
Transport	40,437,386	624,925	82,204	707,129	815,288	1,772,581
Construction	15,177,491	-	54,897	54,897	8,816	132,917
Personal	516,312,653	3,427,110	478,316	3,905,426	3,456,932	6,404,186
Financial & business services	6,407,291	-	22	22	-	83,548
Global Business Licence holders	9,614,804	-	38,370	38,370	-	84,555
Education	1,392,163	-	2,119	2,119	-	15,190
Tourism	9,956,577	-		-	-	11,820
Information, Communication and Technology	3,665,983	158,570	38,143	196,713	547,400	46,615
Others	50,899,447	-	23,642	23,642	6,936	378,822
Total	**661,411,228**	**4,210,605**	**724,781**	**4,935,386**	**4,839,183**	**8,956,295**

Management of Key Risks

Details of Business Loans

	2018 Rs	2019 Rs	2020 Rs
Unsecured loan to holding Company bearing interest rates of 9% (2019 & 2018 :9%) p.a with monthly capital repayments	245,915,555	192,442,467	133,953,235
Percentage of Tier 1 Capital	58.72%	45.65%	31.88%

The above loan was the only credit exposure to a Related Party.

Within the ERM framework, the key risk elements are categorized as Operational, Market and Investment, Credit and Strategic risks. These risks are managed holistically, that is, risk management reflects interdependencies between risks. The Company uses an overarching risk management strategy, as such, most risk management processes and controls cater for more than one risk.

CORPORATE GOVERNANCE REPORT (CONT'D)

Operational Excellence

The risk of losses resulting from inadequate or failed internal processes, people, systems or from external events.

Market & Investment risk

Risk of financial loss arising from changes in market factors that affect the absolute or relative values of assets and liabilities.

Credit Risk

The risk that the Company will not receive cash flows or assets to which it is entitled, in a timely manner, because a party with which it has bilateral contract defaults on one or more obligations.

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.

Business Continuity

Business Continuity sets out the capability of the Company to ensure that its operations continue and that its products and services are delivered at pre-defined levels, that its brands and value-creating activities are protected, and that the reputations and interests of its key stakeholders are safeguarded whenever disruptive incidents occur.

CORPORATE GOVERNANCE REPORT(CONT'D)

The Company recognises that the consequences of remote risks such as natural catastrophes, pandemics or technology failure constitute a major challenge to doing business and will likely weigh on its ability to operate normally. In response to these disruptive incidents, the current business continuity plan is continuously being updated, where the possible impacts of these disruptions are being analysed, and appropriate measures are being put in place to build organisational resilience. A pandemic business continuity plan will also be developed to cater for this emerging pandemic risk at Group Level.

Furthermore, the use of remote access, such as "Work-From-Home", has also increased the vulnerability to cyber-attacks. The initial cyber security assessment is being enhanced to cater for the new threats and vulnerabilities and the roadmap will be updated accordingly and appropriate actions will be implemented.

RISK GOVERNANCE AND INTERNAL CONTROL

The Board 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 the achievement of its strategic objectives.

The complete Risk Management Report can be found at pages 32 to 35.

REPORTING WITH INTEGRITY

In preparing this report, the Company is laying the foundation for integrated reporting by incorporating enhanced elements on value proposition to stakeholders and how the Company engages with them. The business model and the value creation are set out on pages 40 to 48.

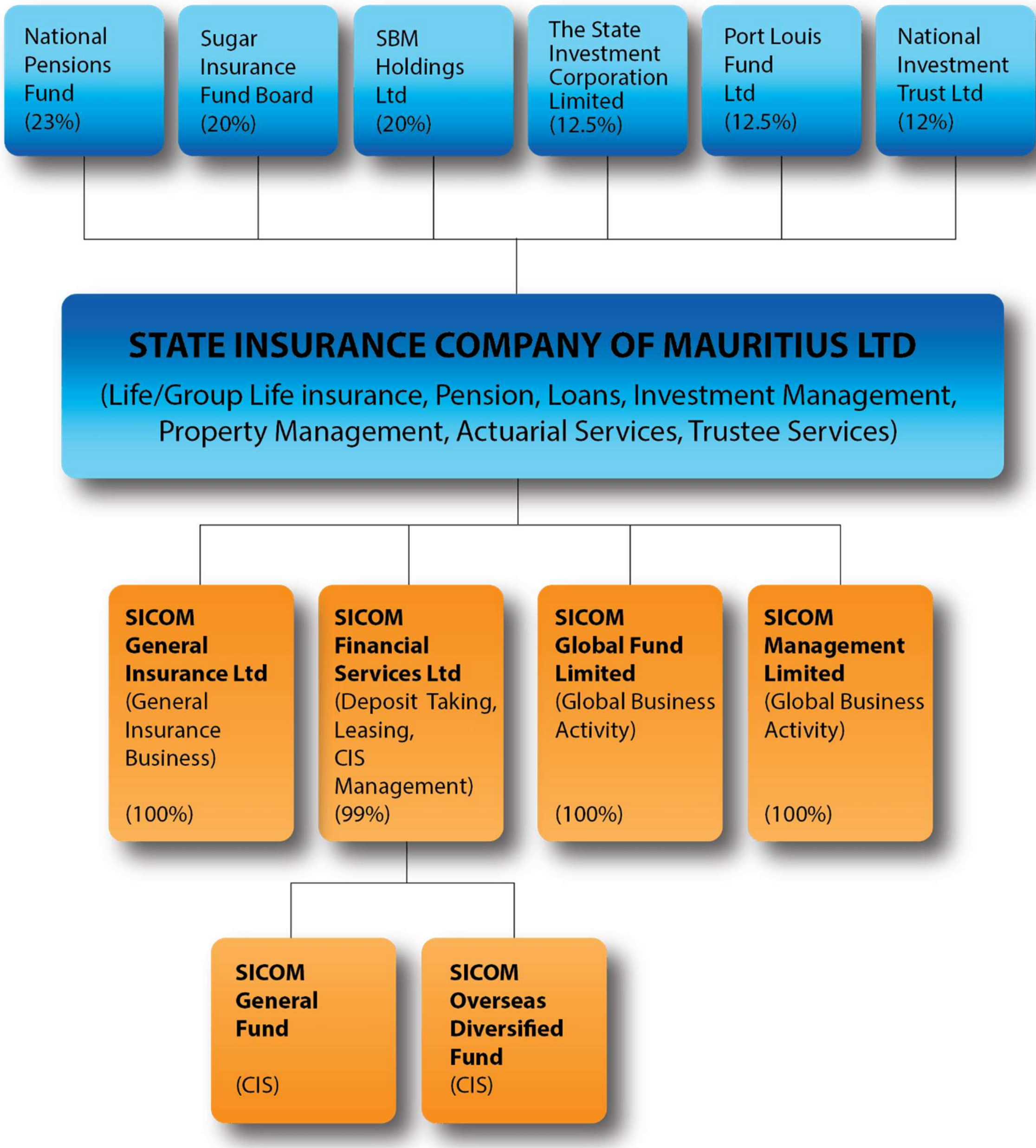
The annual report is published in full on the Company's website: www.sfsl.mu

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.

CORPORATE GOVERNANCE REPORT (CONT'D)

ULTIMATE HOLDING COMPANY

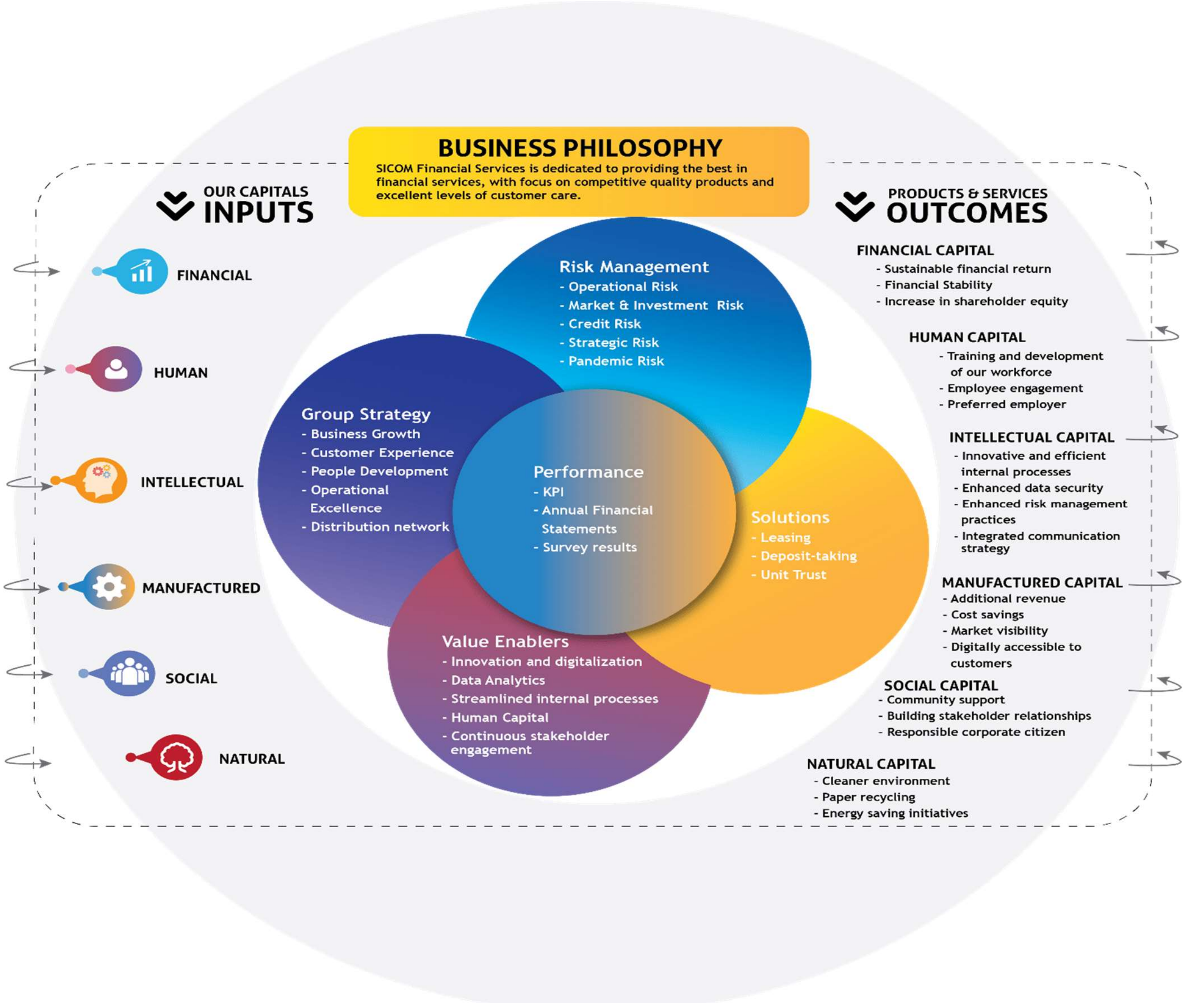


The Company's operations rely on a number of resources and their interactivity. Our business model shows how the Company makes use of them before transforming them to create value for the various stakeholders. These inputs are categorised into six capitals which are relevant to the Company's business 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).

CORPORATE GOVERNANCE REPORT (CONT'D)

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

BUSINESS MODEL



Financial Capital

Financial capital is broadly understood as the pool of funds available, either through financing or generated means of productivity. For example, financial resources may be obtained through debt, equity and grants or provided as a result of operations or investments. These various fund-raising means help the organisation to unlock value over time.

Human Capital

Human capital includes employees' competencies, capabilities and experience, as well as their motivations to innovate. Human capital also refers to people's ability to understand and implement strategy, their leadership attributes as well as their ethical values. People help the Company unlock value. The Company believes that its workforce is its most valuable assets; its set of skills, competences and commitment are the motivators behind its strategy and constant growth.

CORPORATE GOVERNANCE REPORT (CONT'D)

Intellectual Capital

Intellectual capital is organisational, knowledge-based intangibles including intellectual property, patents, rights, and organisational capital such as tacit knowledge, systems and protocols. Intellectual resources also account for the intangibles associated with an organisation's brand and reputation, which the business has built up. The Company continuously invests in technology, to facilitate knowledge acquisition and sharing, improve upon delivery of services to customers and safeguard customer and corporate data.

Business applications have been developed in-house, including Leasing & Deposit Application, which have created significant cost savings for the Company. A current application for Unit Linked is being developed

The Risk Management Framework is continuously being improved to ensure that all risks pertaining to the Group are being managed including the identification of any emerging risks.

These investments provide the Company with a competitive advantage and value over time since they greatly enhance the ease of doing business, and further add to the customer experience that is presently being levelled up.

Social Capital (Corporate Citizenship)

Social and relationship Capital refers to the institutions and relationships within and between organisations, communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective well-being. For the Company, relationships with various stakeholders are of key importance. Through the selling of products and services, but not necessarily limited to that dimension alone, the organisation nurtures winning partnerships that will further grow the business. Being an actor of change and a corporate citizen, also mean to provide assistance to vulnerable communities as a way of giving back to society.

During COVID-19 crisis, The Group has shown unprecedented support to its clients, and society at large. It has remained a proactive partner of the Government and contributed MUR 10 million to the COVID-19 Solidarity Fund. Company vehicles were also put at the disposal of the Ministry of Health and Wellness for the flu vaccination campaign and during confinement, pensioners' cheques were home delivered in the spirit of keeping our elders safe.

Wheelchair distribution was carried out during the year and this pertained to the previous year's projects funded.

Natural Capital (Ecological Footprint)

Natural capital encompasses all renewable and non-renewable environmental resources and processes that are essential to support the functioning of the organisation. The Company has become increasingly conscious of the natural resources on which it depends and its duty of care towards a rapidly depleting natural capital if nothing is done to protect the environment. The Company's sustainability does not solely rely on its financial success but also on its ability to intelligently lighten its environmental footprint.

Our Paperless Mission

As an ongoing part of the GoGreen initiative, paper usage is monitored on a monthly basis. Reports are circulated and year-on-year comparisons help in closely monitoring consumption. Appropriate corrective measures are taken and this practice has also been extended by the use of toners for printing.

We have also implemented a Document Management System to eliminate physical files, and encouraged payments through Internet Banking with a view to reduce printing by cheques. Moreover, Request for Quotations, which usually involve bulky tender documents, are circulated electronically for the ease of the suppliers as well as for the saving in terms of time, resources and costs for the company.

CORPORATE GOVERNANCE REPORT (CONT'D)

Natural Capital (Ecological Footprint) (Cont'd)

Eco-conscious Buying

With a view to reducing our carbon footprint, office equipment having ECO-label is procured as far as possible. Moreover, staff have been encouraged to reduce their use of disposable plastic and opt for reusable products that can also be recycled. Personalised tumblers have been gifted to all employees as an end of year gift and reusable SICOM bags have been distributed to encourage an environmental-friendly lifestyle.

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 Conduct

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

Donations

The Company did not make any political donation during the financial year 2019/2020.

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' REPSONSIBILITIES

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 any internal controls as the Directors deem necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

CORPORATE GOVERNANCE REPORT (CONT'D)

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 Company 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. The Internal Audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management but is not responsible for the implementation of the controls.

The Internal Auditor has a direct reporting line to the Audit Committee and maintains an open and constructive the communication channel with Management. He has unfettered access to the records, management or employees of Company. 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 and aims to ensure that the scope of work is aligned with the degree of risks attributable to the areas to be 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 2020, a n internal audit review was conducted on the effectiveness of compliance of the Company with Anti Money Laundering and Combatting the Financing of Terrorism and Proliferation (AML/CFT) regulatory guidelines.

Subsequent to the findings of the reviews conducted, the Internal Audit function makes appropriate recommendations to the Audit Committee and Management and monitors their implementation.

CORPORATE GOVERNANCE REPORT (CONT'D)

EXTERNAL AUDIT

THE AUDIT COMMITTEE AND EXTERNAL AUDITOR

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

- Considering and making recommendations to the Board, to be put to shareholders for approval at the Annual Meeting of Shareholders, in relation to the appointment, reappointment and removal of the Company's external auditor
- Meeting with the external auditor and financial management of the Company to review the scope of the proposed external audit for the current year
- Reviewing the remuneration of the external auditor and their provision of non-audit services
- Assessing the external auditor's performance as and when required and their independence in providing non-audit services
- Meeting 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
- Reviewing the appropriateness of accounting standards and making appropriate estimates and judgments taking into account the views of external auditors
- Examining and reviewing 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 Auditors, could not be perceived as impairing their independence on the external audit exercise.

Audit fees and fees for other services

	2020	2019
	Rs'000	Rs'000
Statutory Audit	**551.25**	525
Review of Tax Computation	**66.15**	63

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

Quality Assurance

The Quality Management System in place within the Company is continually being improved by a dedicated and motivated workforce that places particular emphasis on the Company's clients, its people and other stakeholders. The Quality Objectives as set for the Company is key in the prime objective of maximising shareholder's value.

CORPORATE GOVERNANCE REPORT (CONT'D)

RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

Key stakeholders of the Group and the principal ways in which we engage with them are found on pages 47 to 49.

Shareholders

1. Shareholding structure

   As at 30 June 2020, 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 2020
Audited Financial Statements for the year ended 30 June 2020	: Within three months from end of June 2020
Annual Meeting	: 30 September 2020
Dividend payment	: October 2020

3. Shareholders communication

   The Company holds an Annual Meeting of Shareholders with prior notice given to the shareholders and the latter are required to express their vote on matters which include the approval of accounts, approval of dividends and appointment/reappointment of Directors.

4. Dividend Policy

   The Company's objective is to provide value to its shareholders through an optimum return on equity. Dividends are proposed and paid after taking into consideration the profit after taxation, projects, technical provisions and appropriations to statutory and other reserves for ongoing operational activities. Dividends are only authorised and paid out if the Company shall, upon the distribution being made, satisfy the Solvency Test. 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 2020, the Company declared a dividend of Rs 0.87 (2019: Rs 1.2) per share.

CORPORATE GOVERNANCE REPORT (CONT'D)

Stakeholders

The Company's other key stakeholder groups are:

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CORPORATE GOVERNANCE REPORT (CONT'D)

Engaging with our Shareholders:

Stakeholders	Expectations	Response to Expectations	Channels of Communication	Capital Impacted
Customers	- Excellent service - Seamless experience across channels - Instant support - Competitive prices - Simplification of buying processes - Partnership and relationship - Customised solutions - Value- Added services	- Soft skills and general skills training to staff - Digitalisation of our services - Call centre services for greater availability - Regular campaigns and reminder campaigns for products - Timely communication to our customers - Offer innovative products to better meet customers' needs -Tailor made packages	- Customer service through frontliners - Distribution channels such as Hubs, Customer shop - Events such as Open day - Email, Phone call, SMS, Letters, Customer Portal - Website - Media Campaigns	Financial Intellectual Relationship
Shareholders	- Strong governance, ethics and transparency - Higher returns on investment and long term business value - Clear and consistent business strategy	- Policy of dividend distribution of 85 % profit after tax - Risk Management and compliance functions to oversee soundness of financial, operation, compliance and strategic risk management - Timely reporting of financial performance to the authorities and the shareholders - Strategy consulting to take the Company to the next level	- Annual General Meeting - Annual Report - Website	Financial Intellectual

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CORPORATE GOVERNANCE REPORT (CONT'D)

Stakeholders	Expectations	Response to Expectations	Channels of Communication	Capital Impacted
Employees	- Stimulating and rewarding package - Training and career development opportunities - Work-Life balance - Regular communication - Enabling culture	- Competitive remuneration and employment conditions - Learning culture and continued professional development are encouraged by way of various schemes that motivate employees to pursue their self-development. - Workshops, training and development programmes are organised - Communication with employees on different platforms - Women and men are given equal opportunities at work and during recruitment. - Sponsorship of sports events	- Staff Club - Communication via Employee Hub - At staff events such as End of year party, family day… - Trainings - Involve them in Project committees	Human Intellectual Relationship
Intermediaries	- Commissions - Quality of service - Relationship	- We listen to the needs of our intermediaries regularly - Key Performance Indicators to ensure alignment to mutual objectives - Trainings organised on new products - Timely processing of commissions - Develop sustainable relationships	- Interview with Intermediary to understand their concerns - Face-to-face meetings - Agent Awards Ceremony - Email, Phone call, SMS, Letters - Trainings	Financial Human Relationship
Business partners (Car dealers, Legal advisors, Consultants, Suppliers)	- Fair payment practices - Comply to terms in Service Level Agreements - Fair tender process - Supplier relationship management	- Timely payment to suppliers and other business partners such as consultants - Develop sustainable relationships - Work as a team with a common goal - Timely communication and consultation	- Face-to-face meetings - Email, Phone call, Letters - Regular Visits	Financial Relationship Manufactured

CORPORATE GOVERNANCE REPORT (CONT'D)

Stakeholders	Expectations	Response to Expectations	Channels of Communication	Capital Impacted
Government and Regulators	- Good governance - Statutory and legal Compliance - Proactively engage with regulators	- Engage constructively on new policies and regulations - Compliance with existing rules - Timely filing of returns and reports - Good governance practices - Abide to capital adequacy ratio and minimum capital requirement - Comply with new laws and create organisation wide awareness	- Annual Report - Corporate Governance Report - Returns - Workshops - Meetings - Email, Phone call, Letters - Presentations	Financial Intellectual Relationship Manufactured
Community (At Group level)	- Social Welfare activities - Job creation - Poverty alleviation	- Supporting the National Social Inclusion Foundation for CSR projects - Sponsorships and donations to Non-Governmental Organisations and charitable funds - Trainees periodically onboarded for short-term training within the organisation	- Sponsorships	Social Relationship
Environment (At Group level)	- Care for the environment - Energy saving initiatives	- Installation of LED bulbs in the buildings - Used paper sent for recycling - Use of rain water harvesting for maintenance purposes - Encourage use of natural ventilation - Introduce indoor plants in new set-ups - Keep premises clean and use of environmental friendly products - Undertake energy audits of buildings - Procurement of energy efficient equipment	- Meeting with the Ministry of Environment, Solid Waste Management and Climate Change representatives for possible environmental projects	Natural Relationship

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Statement of Directors' Responsibilities

The Directors acknowledge 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 2019/2020 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 judgments.

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 judgments and estimates have been used consistently,

iii. Throughout the year ended 30 June 2020, 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.

iv. International Financial Reporting Standards have been adhered to.

Signed on behalf of the Board of Directors:

Chairman

Director

Date..21 SEP 2020

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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

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Acknowledgements:

The Board of Directors would like to thank Mr J M C G Chaperon for his contribution to the Board and welcome Mr I Bonomaully and Mr M Y Salemohamed who have been appointed as new members.

The Board of Directors expresses its deep 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, Salespersons, Bankers and Stockbrokers. The Board of Directors is also thankful to its customers and stakeholders for their 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 21 SEP 2020

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Secretary's Certificate

I certify to the best of my knowledge and belief that for the year ended 30 June 2020, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

LEE SHING PO Theresa M

Company Secretary

SICOM Financial Services Ltd

Date: 21 September 2020

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Statement of Compliance

(Section 75(3) of the Financial Reporting Act)
Name of PIE: SICOM Financial Services Ltd
Reporting Period: Year ended 30 June 2020

Throughout the year ended 30 June 2020, 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.

D. Dakurdeep — **Chairman**

D.K Gopy — **Director**

Signature

Signature

Date: 21 SEP 2020

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SICOM FINANCIAL SERVICES LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SICOM Financial Services Ltd (the "Company") set out on pages 60 to 124 which comprise the statement of financial position as at 30 June 2020, 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 2020, 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) together with the ethical requirements that are relevant to our audit of the financial statements of the Company and in Mauritius, 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	
At 30 June 2020, the Company reported total gross finance lease to customers of Rs 666.3m (2019: Rs 581.3m) and Rs 4.9m (2019: 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.	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.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SICOM FINANCIAL SERVICES LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 auditor, 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
Ebène, Mauritius

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

Date: 21 SEP 2020

SICOM FINANCIAL SERVICES LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2020	2019	2018
ASSETS		Rs.	Rs.	Rs.
Cash and cash equivalents	5	**151,774,445**	215,792,470	27,633,256
Investment securities	6	**287,680,734**	285,926,251	374,677,548
Term deposits	7	**947,034,785**	1,044,237,573	1,534,733,335
Loans and advances	8	**135,082,062**	193,827,687	246,615,992
Net investment in finance leases	12	**661,411,228**	576,480,171	451,884,651
Property, plant and equipment	9	**11,404,722**	14,818,486	13,335,019
Intangible assets	10	**2,633,902**	3,748,549	5,054,984
Rights of use asset	11	**10,888,991**	-	-
Other assets	13	**8,583,894**	13,039,342	9,088,548
Current tax assets	15(a)	**2,910,641**	223,716	73,700
Deferred tax assets	15(d)	**62,815**	198,446	1,808,190
TOTAL ASSETS		**2,219,468,219**	2,348,292,691	2,664,905,223
EQUITY AND LIABILITIES				
LIABILITIES				
Deposits from customers	14	**1,706,604,100**	1,842,752,457	2,168,837,198
Retirement benefit obligations	17	**15,105,000**	12,277,000	8,379,000
Dividend	18	**17,317,466**	24,115,160	17,898,597
Lease liabilities	11	**11,173,389**	-	-
Other liabilities	16	**3,233,460**	3,461,901	4,060,424
TOTAL LIABILITIES		**1,753,433,415**	1,882,606,518	2,199,175,219
EQUITY				
Stated capital	19	**200,000,000**	200,000,000	200,000,000
Retained earnings		**215,849,798**	216,443,457	216,742,234
Other reserves	20	**50,185,006**	49,242,716	48,987,770
TOTAL EQUITY		**466,034,804**	465,686,173	465,730,004
TOTAL EQUITY AND LIABILITIES		**2,219,468,219**	2,348,292,691	2,664,905,223

These financial statements have been approved for issue by the Board of Directors on 21 SEP 2020

Signature — Chairman

Signature — Director

Signature — Director

The notes on pages 66 to 124 form an integral part of these financial statements.
Auditor's report on pages 55 to 59.

	Notes	2020	2019	2018
		Rs.	Rs.	Rs.
Interest income using EIR	21	70,199,722	104,914,125	156,972,594
Interest income on leases	21	43,356,781	33,368,993	-
Interest expense	21	(64,471,385)	(78,815,465)	(101,280,600)
Net interest income	21	49,085,118	59,467,653	55,691,994
Operating lease rental income		3,887,218	3,339,423	3,673,899
Revenue from customer contracts		2,572,866	2,415,349	-
Fee and commission income		2,406,584	3,116,050	3,794,360
Gain on disposal of investment securities		-	-	1,164,562
Gain on disposal of PPE		-	1,264,447	-
Dividend income	22	931,992	1,457,279	1,556,358
Other income		24,715	56,020	58,177
		9,823,375	11,648,568	10,247,356
Operating income		58,908,493	71,116,221	65,939,350
Allowance for credit impairment	22(a)	298,013	2,057,954	(2,600,410)
Impairment on investment	6	-	-	(107,952)
Personnel expenses	23	(14,762,344)	(12,569,096)	(12,708,153)
Other expenses	24	(22,800,435)	(26,254,438)	(27,009,381)
Depreciation on Rights of use asset	11	(1,209,888)	-	-
Net fair value movement on FVTPL	6	1,384,912	(594,971)	-
Finance cost		(655,309)	-	-
Profit before taxation		21,163,442	33,755,670	23,513,454
Income tax expense	15(b)	(789,953)	(5,384,893)	(2,456,281)
Profit for the year		20,373,489	28,370,777	21,057,173
Transfer for the year to statutory reserve		3,056,023	4,255,617	3,158,576
Earnings per share	25	1.02	1.42	1.05

The notes on pages 66 to 124 form an integral part of these financial statements.
Auditor's report on pages 55 to 59.

	Notes	2020	2019	2018
		Rs.	Rs.	Rs.
Profit for the year		**20,373,489**	28,370,777	21,057,173
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of post employment benefit obligations	17(a)(vii)	**(2,312,000)**	(3,535,000)	(6,264,000)
Income tax relating to components of other comprehensive income	15(d)(ii)	**78,608**	202,689	1,064,880
(Decrease)/Increase in fair value of assets at FVOCI	6	**(474,000)**	99,000	-
Items that may be reclassified subsequent to profit or loss:				
Increase in fair value of available-for-sales	6	**-**	-	332,002
Other comprehensive income for the year, net of tax		**(2,707,392)**	(3,233,311)	(4,867,118)
Total comprehensive income for the year		**17,666,097**	25,137,466	16,190,055

The notes on pages 66 to 124 form an integral part of these financial statements.
Auditor's report on pages 55 to 59.

				Other reserves				
	Notes	Stated capital	Retained earnings	Statutory reserves	Investment revaluation	Actuarial losses	General Banking reserve	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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	18	-	(17,898,597)	-	-	-	-	(17,898,597)
Transfer to statutory reserve	20	-	(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**
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)
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		-	30,621,105	-	(5,818,350)	(3,332,311)	2,600,885	24,071,329
Dividend	18	-	(24,115,160)	-	-	-	-	(24,115,160)
Transfer to statutory reserve	20	-	(4,255,617)	4,255,617	-	-	-	-
Transfer to general banking reserve	20	-	(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 66 to 124 form an integral part of these financial statements.
Auditor's report on pages 55 to 59.

SICOM FINANCIAL SERVICES LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Stated capital	Retained earnings	Other reserves: Statutory reserves	Other reserves: Investment revaluation	Other reserves: Actuarial losses	Other reserves: General Banking reserve	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2019		200,000,000	216,443,457	54,191,157	99,000	(10,197,431)	5,149,990	465,686,173
Profit for the year		-	20,373,489	-	-	-	-	20,373,489
Other comprehensive income for the year		-	-	-	(474,000)	(2,233,392)	-	(2,707,392)
Total comprehensive income for the year		-	20,373,489	-	(474,000)	(2,233,392)	-	17,666,097
Dividend	18	-	(17,317,466)	-	-	-	-	(17,317,466)
Transfer to statutory reserve	20	-	(3,056,023)	3,056,023	-	-	-	-
Transfer to general banking reserve	20	-	(593,659)	-	-	-	593,659	-
						-		
At 30 June 2020		**200,000,000**	**215,849,798**	**57,247,180**	**(375,000)**	**(12,430,823)**	**5,743,649**	**466,034,804**

The notes on pages 66 to 124 form an integral part of these financial statements.
Auditor's report on pages 55 to 59.

SICOM FINANCIAL SERVICES LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	**Rs.**	Rs.	Rs.
Profit for the year	**20,373,489**	28,370,777	21,057,173
Adjustments for:			
Allowance for credit impairment	**(298,013)**	(2,057,954)	2,600,410
Impairment of investment	**-**	-	107,952
Interest income	**(110,763,202)**	(138,283,118)	(156,972,594)
Interest expense	**64,471,385**	78,815,465	101,280,600
Income tax expense	**789,953**	5,384,893	2,456,281
Dividend income	**(931,992)**	(1,457,279)	(1,556,358)
Movement in retirement benefit obligations	**516,000**	363,000	(153,000)
Depreciation on property, plant and equipment	**3,128,915**	2,702,762	3,287,765
Amortisation of intangible assets	**1,384,757**	1,408,180	1,373,893
Depreciation on rights of use asset	**1,209,888**	-	-
Profit on disposal of investment securities	**-**	-	(1,164,562)
(Profit)/Loss on disposal of property, plant and equipment	**(29,045)**	(1,264,447)	(315,515)
FV movement FVTPL	**(1,384,912)**	594,971	-
Finance cost	**655,309**	-	-
Loss on disposal of repossessed leased assets	**202,426**	881,277	1,204,495
Changes in operating assets and liabilities	**(20,675,043)**	(24,541,473)	(26,793,460)
Decrease in term deposits	**42,547,460**	459,837,130	212,844,369
(Decrease)/Increase in other liabilities	**(217,134)**	(619,364)	1,692,672
Increease/(Decrease) in Other assets	**1,189,641**	(3,797,054)	(447,544)
Interest received	**166,189,769**	162,602,793	128,473,955
Dividend received	**1,332,660**	1,471,738	1,354,388
Interest paid	**(64,331,561)**	(95,091,903)	(114,159,992)
Income tax paid	**(3,262,638)**	(3,722,476)	(3,837,530)
Net cash generated from operating activities	**122,773,154**	496,139,391	199,126,858
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	**(1,134,838)**	(1,244,987)	(1,071,415)
Purchase of property, plant and equipment	**(179,412)**	(5,721,319)	(710,212)
Purchase of intangibles	**(270,110)**	-	-
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
Increase in net investment in finance leases	**(82,880,895)**	(122,603,271)	(23,955,233)
Disposal of repossessed leased assets	**411,000**	1,243,588	2,218,655
Proceeds from sale of assets held under operating lease	**493,306**	350,000	1,540,712.00
Loans and advances disbursed	**(280,000)**	(200,000)	(475,140)
Proceeds from Loans and advances	**59,033,909**	53,956,019	49,473,082
Net cash (used in) / generated from investing activities	**(24,807,040)**	**19,726,724**	**29,277,677**
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits from customers-net	**(136,288,181)**	(309,808,303)	(281,868,550)
Dividend paid	**(24,115,160)**	(17,898,597)	(19,906,407)
Repayment lease liability	**(1,580,799)**	-	-
Net cash used in financing activities	**(161,984,140)**	(327,706,900)	(301,774,957)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(64,018,026)**	188,159,215	(73,370,422)
CASH AND CASH EQUIVALENTS AT 1 JULY	**215,792,471**	27,633,256	101,003,678
CASH AND CASH EQUIVALENTS AT 30 JUNE	**151,774,445**	215,792,471	27,633,256

The notes on pages 66 to 124 form an integral part of these financial statements.
Auditor's report on pages 55 to 59.

1. GENERAL INFORMATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) financial assets at fair value through profit or loss and fair value through other comprehensive income and relevant financial assets and liabilities 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, 2019:

	Effective for accounting period beginning on or after
<u>New or revised standards</u>	
IFRS 16 Leases	1 January 2019

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

IFRS 16 Leases

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance lease using principles as in IAS 17. Therefore IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

IFRS 16 Leases (Cont'd)

The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 July 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

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 also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 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.

Leases previously accounted for as operating leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. One of the key changes brought by IFRS 16 is the elimination of the classification of leases as either operating leases or finance leases for a lessee, and the introduction of a single lessee accounting model.

Applying the revised model, a lessee is required to recognise a right of use asset together with a lease liability representing the future lease payments for all leases (unless the lease term is shorter than 12 months or the underlying asset is of low value and the related exemptions are elected); and depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income.

The standard provides revised guidance in defining what constitutes a lease and how the lease term is determined as well as enhanced disclosure requirements for both lessees and lessors about its leasing activities and how exposures are managed.

The effective date of IFRS 16 is 1 January 2019. The Company has applied the modified retrospective approach on adoption, with right of use assets measured retrospectively using the Company's transition date incremental borrowing rate.

The implementation of IFRS 16 will require the recognition of right-of-use assets (presented as part of property and equipment) and lease liabilities, together with a debit against retained earnings of Nil (net of deferred tax, non-controlling interests and the release of IAS 17 straight-line reserves).

Based on the above, as at 1 July 2019:

- Right-of-use assets of Rs 12,098,879 were recognised and presented in the statement of financial position within "rights-of-use asset".
- Lease liabilities of Rs 12,098,879 were recognised on the face of the statement of financial position.
- The adoption of IFRS 16 had no impact on the Company's retained earnings.

The lease liabilities as at 1 July 2019 is as follows:

	Rs.
Operating lease commitments as at 30 June 2019	-
Commitments not initially recognised	15,807,991
Total commitment as at 1 July 2019	15,807,991
Weighted average incremental borrowing rate as at 1 July 2019	5.68%
Discounted operating lease commitments as at 1 July 2019	12,098,879
Lease liabilities as at 1 July 2019	12,098,879

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Accounting standards and interpretations issued but no yet effective

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Company intends to adopt those standards when they become effective. Those standards and interpretations are not expected to have any significant impact on the Company.

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.

New or revised pronouncement	Effective for accounting period beginning on or after
IFRS 17 – Insurance Contracts	1 January 2023
Amendments	
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business – Amendments to IFRS 3	1 January 2020
Definition of material – Amendments to IAS 1 and IAS 8	1 January 2020
Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2020
Reference to the Conceptual Framework - Amendments to IFRS 3	1 January 2020
Covid-19-Related Rent Concessions – Amendments to IFRS 16	1 June 2020
Property, Plant and Equipment – Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022

The directors anticipate that these amendments will be applied in the Company's financial statements at the above effective dates in future periods. The directors have not yet assessed the potential impact of the application of the amendments.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

(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.

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 Bank.

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)

c) Day 1 profit or loss (Cont'd)

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.

d) Measurement and categories of financial assets and liabilities

From 1 January 2018, the Bank 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

(Policy applicable as from 01 July 2018)

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.

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) Unquoted equities 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

f) Subsequent measurement

(Policy applicable as from 01 July 2018)

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.

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 bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The 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 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 bankruptcy 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 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.

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)

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.

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 Group 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).

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)

a) Investment in finance lease (Cont'd)

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.

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 Group 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 Group 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

iii) Derecognition of financial assets

- 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.

ii) Financial liabilities

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

All financial liabilities are recognised initially at fair value plus, in case of loans and borrowings, directly attributable transaction costs. The Company's financial liabilities include other payables and deposits from customers.

iii) Subsequent measurement

Financial liabilities at amortised cost

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.

iv) 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.

v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

The Company as lessor

- 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.

The Company as a lessee

- Operating lease

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right of use assets representing the right of use, rental of floor space at SICOM Building, the underlying data.

Right-of-use assets

The Company recognised right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivables), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and the payment of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that trigger the payment occurs.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Comparative figures

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

2.9 Revenue from customer contracts

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.

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.

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.

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 risk 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 IAS 17 Leases (up to 30 June 2019) and IFRS 16 (as from 01 July 2019) and a threshold of 90% of the repayment of the fair value of the lease to classify leases between finance and operating leases.

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.

	2020	2019	2018
	Rs.	Rs.	Rs.
Cash at bank	**28,915,221**	205,689,914	24,171,032
Call deposits	**122,859,224**	10,102,556	3,462,224
Cash and cash equivalents	**151,774,445**	215,792,470	27,633,256

(i) Call deposits bear interests in the range of 0.00% to 1.25% (2019 and 2018: 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**	**2020 Total**	2019 Total	2018 Total
	Rs.	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.
At 1 July	**1,119,000**	**33,811,272**	**251,423,399**	**286,353,671**	374,677,548	374,171,273
Additions	**-**	**1,134,838**	**-**	**1,134,838**	1,244,987	1,071,415
Matured/disposals	**-**	**-**	**-**	**-**	(91,598,900)	(1,092,666)
Increase/(decrease) in fair value	**(474,000)**	**1,384,912**	**-**	**910,912**	(495,971)	332,002
Interest	**-**	**-**	**(291,763)**	**(291,763)**	2,526,007	303,476
At 30 June	**645,000**	**36,331,022**	**251,131,636**	**288,107,658**	286,353,671	374,785,500
Impairment allowances	-	-	**(426,924)**	**(426,924)**	(427,420)	(107,952)
	645,000	**36,331,022**	**250,704,712**	**287,680,734**	285,926,251	374,677,548
Remaining term to maturity:						
- 1 to 5 years	**-**	**-**	**-**	**-**	-	88,794,594
- more than 5 years	**-**	**-**	**250,704,712**	**250,704,712**	250,995,979	251,701,698
- no fixed term	**645,000**	**36,331,022**	**-**	**36,976,022**	34,930,272	34,181,256
	645,000	**36,331,022**	**250,704,712**	**287,680,734**	285,926,251	374,677,548

6. INVESTMENT SECURITIES (CONT'D)

	2020	2019	2018
	Rs.	Rs.	Rs.
Impairment allowances			
At beginning of the year	**427,420**	-	-
On adoption of IFRS 9	**-**	442,645	-
(Credit)/Charge for the year	**(496)**	(15,225)	107,952
Transfer from investment revaluation	**-**	-	(107,952)
At end of the year	**426,924**	427,420	-

Impairment allowances on term deposits are classified under stage 1 and there was no movement between stages during the year 2020.

(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.

(iii) Debt instruments at amortised cost comprise:-

Government of Mauritius Bonds bearing interests at rates in the range of 5.00% to 8.29% (2019: ranging from 5.00% to 8.29% and 2018: 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 total amount of investment securities.

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 using 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 2.85% to 10.50 %(2019: 4.00% to 10.50%, 2018: 3.30 % to 10.50%) per annum.

	2020	2019	2018
	Rs	Rs	Rs
Term deposits	**863,123,763**	905,671,222	1,365,508,349
Accrued interest receivable	**87,428,064**	142,128,871	169,224,986
	950,551,827	1,047,800,093	1,534,733,335
Less: impairment allowances	**(3,517,042)**	(3,562,520)	-
	947,034,785	1,044,237,573	1,534,733,335
Remaining term to maturity			
Within 3 months	-	109,522,873	46,599,257
Over 3 months and up to 6 months	102,152,698	168,458,219	-
Over 6 months and up to 12 months	201,292,473	69,247,115	342,218,633
Over 1 year and up to 5 years	647,106,656	116,109,399	1,145,915,445
Over 5 years	-	584,462,487	-
	950,551,827	1,047,800,093	1,534,733,335
Impairment allowances			
At beginning of the year	**3,562,520**	-	-
On adoption of IFRS9	-	4,143,780	-
Charge for the year	**(45,478)**	(581,260)	-
At end of the year	**3,517,042**	3,562,520	-

Impairment allowances on term deposits are classified under stage 1 and there was no movement between stages during the year 2020.

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

	Note	**2020**	2019	2018
		Rs.	Rs.	Rs.
Loans and advances to holding company	**8.1**	**133,939,840**	192,423,223	244,915,555
Other loans	**8.2**	**1,142,222**	1,404,464	1,700,437
		135,082,062	193,827,687	246,615,992

8. LOANS AND ADVANCES (CONT'D)

8.1 Loans and advances to holding company

	2020	2019	2018
	Rs	Rs	Rs
Loans and advances to holding company	**133,953,235**	192,442,467	245,915,555
Less: impairment allowances	**(13,395)**	(19,244)	(1,000,000)
	133,939,840	192,423,223	244,915,555
Remaining term to maturity			
Up to 3 months	**15,460,284**	14,134,381	12,922,191
Over 3 months and up to 6 months	**15,810,756**	14,454,796	13,215,126
Over 6 months and up to 12 months	**32,704,886**	29,900,055	27,335,771
Over 1 year and up to 5 years	**69,977,309**	133,953,235	192,442,467
	133,953,235	192,442,467	245,915,555

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

	2020	2019	2018
	Rs	Rs	Rs
Impairment allowances			
At beginning of the year	**19244**	1,000,000	
On adoption of IFRS9	**-**	(975,408)	-
(Credit) / Charge for the year	**(5,849)**	(5,348)	1,000,000
At end of the year	**13,395**	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 2020.

8.2 Other Loans

	2020	2019	2018
	Rs.	Rs.	Rs.
At 01 July	**1,417,505**	1,700,437	1,811,242
Additions	**280,000**	200,000	475,140
Repayments	**(544,677)**	(482,932)	(585,945)
	1,152,828	1,417,505	1,700,437
Less: impairment allowances	**(10,606)**	(13,041)	-
At 30 June	**1,142,222**	1,404,464	1,700,437
Impairment allowances			
At beginning of the year	**13,041**	-	-
On adoption of IFRS9	**-**	169	-
Charge for the year	**(2,435)**	12,872	-
At end of the year	**10,606**	13,041	-

Impairment allowances on other loans are classified under stage 1 and there was no movement between stages during the year 2020.

8. LOANS AND ADVANCES (CONT'D)

8.2 Other Loans (Cont'd)

	2020	2019	2018
	Rs.	Rs.	Rs.
Remaining term of maturity			
Upto 3 months	**117,921**	120,182	123,029
Over 3 months and up to 6 months	**119,034**	114,374	114,026
Over 6 months and upto 1 year	**302,744**	225,467	231,269
Over 1 year and upto 5 years	**484,541**	840,452	1,108,288
Over 5 years	**128,588**	117,030	123,825
	1,152,828	1,417,505	1,700,437

Other loans bear interest at 2.00% to 4.00% (2019 and 2018: 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
(a) COST	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2017	3,611,987	3,065,796	386,660	512,648	20,504,442	28,081,533
Disposals	-	-	-	-	(2,130,324)	(2,130,324)
Additions	-	527,950	10,500	-	-	538,450
At 30 June 2018	3,611,987	3,593,746	397,160	512,648	18,374,118	26,489,659
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
Disposals	-	-	-	-	(1,108,449)	(1,108,449)
Additions	-	119,094	60,318	-	-	179,412
At 30 June 2020	**-**	**3,780,844**	**503,278**	**512,648**	**21,331,439**	**26,128,209**
DEPRECIATION						
At 1 July 2017	2,076,400	2,943,498	181,130	480,625	5,090,350	10,772,003
Disposal	-	-	-	-	(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
Disposal	-	-	-	-	(644,188)	(644,188)
Charge for the year	-	149,353	69,096	-	2,910,466	3,128,915
At 30 June 2020	**-**	**3,322,880**	**342,586**	**512,648**	**10,545,373**	**14,723,487**
NET BOOK VALUE						
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
At 30 June 2020	**-**	**457,964**	**160,692**	**-**	**10,786,066**	**11,404,722**

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

(b) Depreciation charge of Rs.3,128,915 (2019: Rs.2,702,762 and 2018: Rs.3,287,764) 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 up to four years.

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

	Motor Vehicles
	Rs.
Within one year	2,602,750
In the first to the second year	1,946,666
In the second to the third year	1,195,260
In the third to the fourth year	1,053,261
	6,797,937

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)	<u>**COST**</u>	**Rs.**
	At 1 July 2017	13,406,328
	Additions	171,762
	At 30 June 2018	13,578,090
	Additions	101,745
	At 30 June 2019	13,679,835
	Additions	270,110
	At 30 June 2020	**13,949,945**
	<u>**AMORTISATION**</u>	
	At 1 July 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
	Charge for the year	1,384,757
	At 30 June 2020	**11,316,043**
	<u>**NET BOOK VALUE**</u>	
	At 30 June 2018	5,054,984
	At 30 June 2019	3,748,549
	At 30 June 2020	**2,633,902**

(b) Amortisation charge of Rs 1,384,757 (2019: Rs 1,408,180 and 2018: Rs.1,373,893) has been included in other expenses.

11. RIGHTS OF USE ASSET / LEASE LIABILITIES

The Company leases space for its office services and the rental contract is for fixed periods of 10 years, but may have renewal option as described below. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

However, for leases of space for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Under IFRS 16, assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the lease for the Company, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

11. RIGHTS OF USE ASSET / LEASE LIABILITIES (CONT'D)

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Company has chosen not to revalue the right-of-use buildings.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Extension and termination options

The lease is not renewed tacitly and the lease is renegociated at the end of the lease term. For the termination of the lease each of the lessor or lessee has to give written notice and given that there has been no history of termination the lease term has been considered to end on 30 June 2029.

Right-of use of leased asset

Set out below are the carrying amounts of right-of-use assets recognised and movement during the year:

	2020	
	Building	**Total**
	Rs	**Rs**
At 1 July	**-**	**-**
Additions during the year	**12,098,879**	**12,098,879**
Depreciation	**(1,209,888)**	**(1,209,888)**
At 30 June	**10,888,991**	**10,888,991**

Lease liabilities

Set out below are the carrying amounts of the lease liabilities and the movements during the year:

	2020	
	Building	**Total**
	Rs	**Rs**
At 1 July	**-**	**-**
Additions during the year	**12,098,879**	**12,098,879**
Interest expense	**655,309**	**655,309**
Payments	**(1,580,799)**	**(1,580,799)**
At 30 June	**11,173,389**	**11,173,389**

Amounts recognised in the statement of profit or loss

The following are the amounts recognised in profit or loss:	2020	
		Total
	Rs	**Rs**
Depreciation expense of right-of-use assets	**1,209,888**	**1,209,888**
Interest expense on lease liabilities	**655,309**	**655,309**
Total amount recognised in profit or loss	**1,865,197**	**1,865,197**

The total cash outflow for leases in 2020 was Rs 1,580,799.

12 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.

		2020	2019	2018
(a)	Movement during the year:-	**Rs.**	Rs.	Rs.
	At 1 July	**581,319,354**	460,840,946	440,088,195
	Leases granted during the year	**271,934,458**	263,671,874	179,171,388
	Capital repayment during the year	**(189,659,808)**	(143,193,466)	(158,418,637)
	At 30 June	**663,594,004**	581,319,354	460,840,946
	Interest receivable	**2,752,610**	-	-
	Allowance for credit impairment	**(4,935,386)**	(4,839,183)	(8,956,295)
	Net investment in finance lease	**661,411,228**	576,480,171	451,884,651

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 increase in net investment in finance lease is mainly due to the rise in the lease portfolio for the year 2020 as compared to 2019. In 2020, the total new lease remained at 371 as compared 2019 but the leases were more significant in value.

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	2020	2019	2018
	Gross investment in finance leases:-	**Rs.**	Rs.	Rs.
	- within one year	**198,100,062**	186,721,127	158,518,752
	- in the second to fifth years inclusive	**503,755,954**	438,553,448	349,498,163
	- more than five years	**59,166,065**	49,559,636	30,286,842
		761,022,081	674,834,211	538,303,757
	Less: Unearned finance income	**(110,073,098)**	(93,514,857)	(77,462,811)
		650,948,983	581,319,354	460,840,946
	Installments due	**15,397,631**	-	-
	Allowance for credit impairment	**(4,935,386)**	(4,839,183)	(8,956,295)
	Present value of minimum lease payments receivable	**661,411,228**	576,480,171	451,884,651
	Analysed as:-			
	- Current finance lease receivable	**159,206,583**	152,063,772	128,705,443
	- Non-current finance lease receivable	**491,742,400**	429,255,582	332,135,503
		650,948,983	581,319,354	460,840,946
	Instalments due	**15,397,631**	-	-
	Less: Allowance for credit impairment	**(4,935,386)**	(4,839,183)	(8,956,295)
		661,411,228	576,480,171	451,884,651

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

(c) Remaining term to maturity

	2020	2019	2018
Corporate customers	**Rs.**	Rs.	Rs.
Up to 3 months	**11,390,550**	13,631,063	12,910,358
Over 3 months and up to 6 months	**10,827,840**	9,071,501	8,114,654
Over 6 months and up to 12 months	**20,908,803**	18,262,632	16,117,069
Over 1 year and up to 5 years	**104,693,895**	88,443,955	75,972,732
Over 5 years	**13,448,371**	6,565,649	2,856,248
	161,269,459	135,974,800	115,971,061

	2020	2019	2018
	Rs.	Rs.	Rs.
Other customers			
Up to 3 months	**30,458,617**	36,347,620	30,639,312
Over 3 months and up to 6 months	**28,836,948**	25,173,877	20,649,876
Over 6 months and up to 12 months	**56,783,825**	49,577,080	40,274,175
Over 1 year and up to 5 years	**330,360,599**	293,685,313	227,353,887
Over 5 years	**43,239,535**	40,560,664	25,952,635
	489,679,524	445,344,554	344,869,885
Instalment due	**15,397,631**	-	-
Allowance for credit impairment	**(4,935,386)**	(4,839,183)	(8,956,295)
TOTAL	**661,411,228**	576,480,171	451,884,651

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.

	Gross Receivable	Net Receivable	Unearned financial income
	Rs	**Rs**	**Rs**
Maturity analysis 2020			
Within year 1	198,100,062	159,206,582	38,893,480
Over year 1 up to year 2	175,852,851	143,092,213	32,760,638
Over year 2 up to year 3	143,769,686	124,588,582	19,181,104
Over year 3 up to year 4	116,641,545	105,443,517	11,198,028
Over year 4 up to year 5	67,491,872	61,930,183	5,561,689
Over 5 years	59,166,065	56,687,906	2,478,159
	761,022,081	650,948,983	110,073,098

(d) Credit concentration of risk by industry sectors

	2020	2019	2018
	Rs.	Rs.	Rs.
Manufacturing	**7,547,433**	7,986,885	2,580,015
Transport	**40,437,386**	43,218,990	36,245,644
Construction	**15,177,491**	15,936,428	13,158,818
Personal	**516,312,653**	441,887,622	338,465,697
Financial and business services	**6,407,291**	5,580,316	8,271,239
Global Business Licence Holders	**9,614,804**	7,243,038	8,370,910
Education	**1,392,163**	691,754	1,503,775
Tourism	**9,956,577**	2,769,515	1,170,233
Information, Communication and Technology	**3,665,983**	5,384,338	4,614,835
Others	**50,899,447**	45,781,285	37,503,485
	661,411,228	576,480,171	451,884,651

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

(e) Allowance for credit impairment

	2020 Individual	**2020 Collectively**	**2020 Total**
	Rs	**Rs**	**Rs**
At 1 July	**4,311,094**	**528,089**	**4,839,183**
Provision (released)/charged for the year	**(100,489)**	**196,692**	**96,203**
At 30 June	**4,210,605**	**724,781**	**4,935,386**
Allowance for credit impairment for the year	**(100,489)**	**196,692**	**96,203**

	2019 Individual	2019 Collectively	2019 Total
	Rs	Rs	Rs
At 1 July	4,461,738	4,494,559	8,956,297
On adoption of IFRS 9	-	(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)**

	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

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

	2020	2019	2018
	Rs.	Rs.	Rs.
Manufacturing	**7,068**	3,811	26,061
Transport	**707,129**	815,288	1,772,581
Construction	**54,897**	8,816	132,917
Personal	**3,905,426**	3,456,932	6,404,186
Financial and business services	**22**	-	83,548
Global Business Licence Holders	**38,370**	-	84,555
Education	**2,119**	-	15,190
Tourism	**-**	-	11,820
Information, Communication and Technology	**196,713**	547,400	46,615
Others	**23,642**	6,936	378,822
Total	**4,935,386**	4,839,183	8,956,295

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

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

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

	2020	2019	2018
	Rs.	Rs.	Rs.
1-90 days	**1,414,784**	581,854	-
91-180 days	**7,433,006**	6,648,383	2,292,060
181-360 days	**4,133,995**	2,955,330	6,641,073
More than 360 days	**7,936,594**	3,914,552	2,451,885
	20,918,379	14,100,119	11,385,018

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 6.97% (2019:7.24% and 2018:7.71%) per annum with interest rate ranging from 5.75% to 12.5% (2019: ranging from 5.75% to 12.5% and 2018: 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.16,209,414 (2019: Rs.14,050,910 and 2018: Rs.11,499,438).

(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 2020	**Current**	**0-90 days**	**90 -180 days**	**180- 360 days**	**>360 days**	**Total**
Expected credit loss rate	**0.07%**	**0.18%**	**11.54%**	**8.20%**	**37.94%**	**0.74%**
Estimated total gross carrying amount at default	**415,115,491**	**231,727,528**	**7,433,006**	**4,133,995**	**7,936,594**	**666,346,614**
Expected credit loss	**310,579**	**417,092**	**857,480**	**339,060**	**3,011,175**	**4,935,386**

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

	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 2020						
Leases	**415,115,491**	**230,312,744**	**20,918,379**	**666,346,614**	**(4,935,386)**	**661,411,228**

	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%**	**7.40%**	**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 2020	-	-
30 June 2019	8,445,975	8,445,975

13. OTHER ASSETS

	2020	2019	2018
	Rs.	Rs.	Rs.
Interest receivable on lease	-	3,193,788	3,143,878
Impairment allowances	-	(323,791)	(266,867)
Net interest receivabe on leases	-	2,869,997	2,877,011
Dividend receivable	**1,045,817**	1,446,479	1,460,938
Prepayments	**4,406,817**	5,273,604	2,022,727
VAT Receivable	**242,686**	684,765	628,158
Management fees from SICOM Unit Trusts	**1,263,786**	1,394,231	600,159
Operating lease rental due	**305,294**	737,750	996,639
Amount due from subsidiaries of holding company	**411,412**	-	-
Amount due from Holding Company	**251,473**	-	-
Others	**677,058**	657,865	502,916
Less: Impairment allowances	**(20,449)**	(25,302)	-
	8,583,894	13,039,389	9,088,548

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. Interest receivable on lease and its corresponding impairment allowances have been presented under Net investment in finance leases.

14. 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.

	2020	2019	2018
	Rs.	Rs.	Rs.
Deposits from customers	**1,674,148,379**	1,810,436,560	2,120,244,863
Accrued interest	**32,455,721**	32,315,897	48,592,335
	1,706,604,100	1,842,752,457	2,168,837,198

Time deposits with remaining term to maturity	2020	2019	2018
	Rs.	Rs.	Rs.
Retail customers			
Up to 3 months	**29,685,809**	54,157,037	54,927,606
Over 3 months and up to 6 months	**34,443,802**	35,497,860	64,291,194
Over 6 months and up to 12 months	**78,705,281**	148,646,435	124,735,750
Over 1 year and up to 5 years	**826,594,174**	818,942,469	909,090,166
	969,429,066	1,057,243,801	1,153,044,716
Corporate customers			
Up to 3 months	510,010	53,275,813	71,222,359
Over 3 months and up to 6 months	2,771,001	6,253,266	9,324,712
Over 6 months and up to 12 months	202,047,197	61,418,035	199,917,119
Over 1 year and up to 5 years	531,846,826	664,561,542	735,328,292
	737,175,034	**785,508,656**	1,015,792,482
TOTAL	**1,706,604,100**	1,842,752,457	2,168,837,198

The time deposits bear interests at rates ranging from 1.00% to 4.50% (2019: 2.00% to 6.50% and 2018: 1.50% to 6.50%) per annum.

15. 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% (2019 and 2018:15%). An additional charge of 2% is applicable in respect of Corporate Social Responsibility.

Income Tax

Income tax is calculated at the rate of 17% (2019:17% and 2018: 17%) on the profit for the year as adjusted for income tax purposes.

(a) Current tax liabilities

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**(223,716)**	(73,700)	645,603
Under/(over) provision in previous years	**-**	(6,338)	(159,110)
Income tax charge for the year	**507,982**	3,157,710	2,363,849
CSR	**67,731**	421,088	913,488
Tax paid	**(3,262,638)**	(3,722,476)	(3,837,530)
At 30 June	**(2,910,641)**	(223,716)	(73,700)

(b) Tax expense

	2020	2019	2018
	Rs.	Rs.	Rs.
Current tax expense	**507,982**	3,157,710	2,363,849
CSR	**67,731**	421,088	913,488
Under/(over) provision in previous years	**-**	(6,338)	(159,110)
Underprovision of deferred tax	**-**	-	(7,315)
Impact of partial exemption regime	**-**	1,617,401	-
Deferred tax	**214,240**	195,032	(654,631)
Charge for the year	**789,953**	5,384,893	2,456,281

15. 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:

	2020	2019	2018
	Rs.	**Rs.**	**Rs.**
Profit before tax	**21,163,442**	33,755,670	23,513,454
Tax at the rate of 17% (2019:17% and 2018: 17%)	**3,597,785**	5,738,464	3,997,287
Tax effect of:			
- Exempt income	**(15,995,996)**	(9,234,259)	(444,204)
- Other deductible item	**-**	(194,614)	(1,536,807)
- Effect of partial exemption on interest income	**-**	1,617,401	-
- CSR	**67,731**	421,088	598,308
- Expenses not deductible for tax purposes	**13,120,433**	7,043,151	8,122
- Underprovision of deferred tax	**-**	-	(7,315)
- Under/(over) provision in previous years	**-**	(6,338)	(159,110)
Charge for the year	**789,953**	5,384,893	2,456,281

Effective 01 January 2019, 80% of interest income generated by a company resident in Mauritius isexempted from tax. In 2020, exempt income includes interest income from finance lease and dividend income. Expenses not deductible for tax purposes include interest expense, personnel expenses, depreciation, amortisation and management fees.

(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

15. 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% (2019 and 2018: 17%)

(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.

	2020	2019	2018
	Rs.	Rs.	Rs.
Deferred tax assets	**1,357,521**	1,251,237	3,162,368
Deferred tax liabilities	**(1,294,706)**	(1,052,791)	(1,354,178)
	62,815	198,446	1,808,190

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

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**198,446**	1,808,190	81,364
Charged to profit or loss (note 15(b))	**(214,239)**	(195,032)	654,631
Underprovision of deferred tax (note 15(b))	**-**	-	7,315
- Effect of partial exemption on interest income	**-**	(1,617,401)	-
Charged to other comprehensive income	**78,608**	202,689	1,064,880
At 30 June	**62,815**	198,446	1,808,190

15. 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 2017	1,402,249
Credited to profit or loss	(48,071)
At 30 June 2018	1,354,178
Credited to profit or loss	(460,365)
Impact of partial exemption regime	158,978
At 30 June 2019	1,052,791
Credited to profit or loss	241,915
At 30 June 2020	**1,294,706**

Deferred tax assets

	Allowance for credit impairment	Retirement benefit plan	Total
	Rs.	Rs.	Rs.
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
Impact of partial exemption regime	-	-	-
Credited to profit or loss	10,132	17,544	27,676
Charged to other comprehensive income	-	78,608	78,608
At 30 June 2020	**549,327**	**808,194**	**1,357,521**

16. 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.

16. OTHER LIABILITIES (CONT'D)

	2020	2019	2018
	Rs.	Rs.	Rs.
Staff cost	**98,799**	679,350	834,696
Audit fee	**551,250**	525,000	500,000
Professional fee	**66,150**	63,000	922,500
Other creditors	**302,581**	288,357	272,509
Others	**2,205,152**	1,885,352	1,530,719
Impairment allowance on capital commitments	**9,528**	20,842	-
	3,233,460	3,461,901	4,060,424

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

17. 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.

17. 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 2020 by QED Employee Benefits Consulting (Pty) Ltd. 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:

	2020	2019	2018
	Rs.	Rs.	Rs.
Present value of funded obligations	**28,622,000**	24,121,000	19,181,000
Fair value of plan assets	**(13,517,000)**	(11,844,000)	(10,802,000)
Liability recognised in the statement of financial position	**15,105,000**	12,277,000	8,379,000

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

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

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**12,277,000**	8,379,000	2,268,000
Profit or loss charge	**1,263,000**	1,003,000	494,000
Other comprehensive income charge	**2,312,000**	3,535,000	6,264,000
Contributions paid	**(747,000)**	(640,000)	(647,000)
At 30 June	**15,105,000**	12,277,000	8,379,000

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

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**24,121,000**	19,181,000	12,783,000
Current service cost	**521,000**	442,000	435,000
Admin expenses and risk premiums	**(52,000)**	-	-
Interest expense	**1,460,000**	1,367,000	757,000
Employee contributions	**374,000**	320,000	324,000
Benefits paid	**(413,000)**	(483,000)	(1,667,000)
Liability experience loss/(gain)	**1,503,000**	(12,000)	6,415,000
Liability (gain)/ loss due to change in financial assumption	**1,108,000**	3,306,000	134,000
At 30 June	**28,622,000**	24,121,000	19,181,000

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

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**11,844,000**	**10,802,000**	10,515,000
Interest income	**718,000**	**806,000**	698,000
Contributions to plan assets	**1,121,000**	**960,000**	971,000
Admin expenses and risk premiums	**(52,000)**		
Benefits paid	**(413,000)**	**(483,000)**	(1,667,000)
Return on planned assets excluding interest income	**299,000**	**(241,000)**	285,000
At 30 June	**13,517,000**	11,844,000	10,802,000

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

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

	2020	2019	2018
	Rs.	Rs.	Rs.
Current service cost	**521,000**	**442,000**	435,000
Net interest on net defined benefit liabilities	**(5,000)**	**(79,000)**	59,000
Total included in "employee benefit expense" (note 23)	**516,000**	363,000	494,000
Actual return on plan assets	**742,000**	565,000	983,000

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

	2020	2019	2018
	Rs.	Rs.	Rs.
Return on plan assets below/(above) interest income	**(299,000)**	**241,000**	(285,000)
Liability experience loss/(gain)	**1,503,000**	**(12,000)**	6,415,000
Liability (gain)/ loss due to change in financial assumptions	**1,108,000**	3,306,000	134,000
Total actuarial gain	**2,312,000**	3,535,000	6,264,000

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

	2020	2019	2018
	Rs.	Rs.	Rs.
Distribution of plan assets at end of year			
Loans, Government securities and cash	**11,759,790**	10,304,280	6,481,200
Local equities	**1,622,040**	1,421,280	1,944,360
Overseas bonds and equities	**-**	-	2,268,420
Property	**135,170**	118,440	108,020
Total	**13,517,000**	11,844,000	10,802,000

(ix) Principal actuarial assumptions at end of period:

	2020	2019	2018
	%	%	%
Discount rate	**3.90**	**5.90**	7.30
Future long term salary increases	**2.40**	**4.20**	5.30
Future pension increases	**1.40**	**3.20**	3.30

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

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

	2020	2019	2018
	Rs.	Rs.	Rs.
Increase due to 1% decrease in discount rate	**23,220,000**	**6,017,000**	4,603,000
Decrease due to 1 % increase in discount rate	**35,566,000**	**4,556,000**	3,607,000
Increase due to 1% increase in salary	**32,761,000**	**3,337,000**	2,667,000
Decrease due to 1% decrease in salary	**25,141,000**	**2,768,000**	2,198,000
Increase due to 1% increase pension	**31,139,000**	**2,567,000**	1,897,000
Decrease due to 1% decrease in pension	**26,287,000**	**2,173,000**	1,615,000

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.

Market (investment) risk

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.

Interest risk

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.

Longevity risk

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.

17. 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.1,300,000 in contributions to its post-employment benefit plans for the year ending 30 June 2021.

(xiv) The weighted average duration of the defined benefit obligation is 18 years at the end of the reporting period.

(b) State plan

	2020	2019	2018
	Rs.	Rs.	Rs.
Contributions expensed	**61,492**	54,546	52,214

18. 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.

	2020	2019	2018
	Rs.	Rs.	Rs.
Dividend	**17,317,466**	**24,115,160**	17,898,597

A dividend of Rs. 0.87 per share (2019: Rs. 1.20 and 2018: Rs. 0.89) representing 85% of the profit after tax in respect of the year ended 30 June 2020 was declared by the directors on 30 June 2020.

19. 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.

20. OTHER RESERVES

	2020	2019	2018
	Rs.	Rs.	Rs.
Statutory reserve (note (a) below)	**57,247,180**	54,191,157	49,935,540
Investment revaluation reserve (note (b) below)	**(375,000)**	99,000	5,917,350
Actuarial losses reserve (note (c) below)	**(12,430,823)**	(10,197,431)	(6,865,120)
General Banking reserve (note (d) below)	**5,743,649**	5,149,990	-
At 30 June	**50,185,006**	49,242,716	48,987,770

(a) Statutory reserve

Under Section 21 of the Banking Act 2004, any financial institution shall maintain a reserve account and shall, each year, transfer therein a sum equal to not less than 15% of the profit of the year after due provision for income tax until the balance in the Reserve Account is equal to the amount paid as stated capital. An amount of Rs.3,056,023 was transferred in 2020 (2019: Rs.4,255,617 and 2018: Rs.3,158,576).

(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.

21. 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.

21. 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.

	2020	2019	2018
	Rs.	Rs.	Rs.
Interest income			
Under EIR			
Cash and cash equivalents	**2,793,300**	886,817	694,441
Investment securities	**14,416,237**	17,456,505	19,016,477
Term deposits	**37,994,976**	66,549,433	78,074,650
Loans and advances to holding company	**14,946,196**	19,962,340	24,548,291
Others	**49,013**	59,030	69,027
Total interest income	**70,199,722**	104,914,125	122,402,886
Others			
Investment in finance leases	**43,356,781**	33,368,993	34,569,708
Total interest income	**113,556,503**	138,283,118	156,972,594
Interest expense			
Deposits from customers	**64,471,385**	78,815,465	101,280,600
Net interest income	**49,085,118**	59,467,653	55,691,994

22. DIVIDEND INCOME

	2020	2019	2018
	Rs.	Rs.	Rs.
FVOCI (IFRS 9)/Available-for-sale (IAS 39)	**931,992**	1,457,279	1,556,358

22. DIVIDEND INCOME (CONT'D)

22(a). Allowance for credit impairment

	2020	2019	2018
	Rs.	Rs.	Rs.
Investment in finance leases (note 12 (e))	**96,203**	(1,517,533)	1,586,803
Investment Securities (note 6)	**(496)**	(15,225)	-
Loans and advances (note 8)	**(8,284)**	7,524	1,000,000
Term deposits (note 7)	**(45,478)**	(581,260)	-
Other assets	**(328,644)**	81,964	13,607
Other liabilities	**(11,314)**	(33,424)	-
(Credit)/Charge for the year	**(298,013)**	(2,057,954)	2,600,410

23. PERSONNEL EXPENSES

	2020	2019	2018
	Rs.	Rs.	Rs.
Wages and salaries	**14,184,852**	12,151,550	12,161,939
Pension costs - defined benefit plans (note 17(a)(vi))	**516,000**	363,000	494,000
Other post retirement benefit (note 17(b))	**61,492**	54,546	52,214
	14,762,344	12,569,096	12,708,153

24. OTHER EXPENSES

	2020	2019	2018
	Rs.	Rs.	Rs.
Management fees payable to holding company	**8,600,000**	8,600,000	7,800,000
Rent payable to holding company	**-**	1,681,287	1,838,749
Directors and secretary fees	**1,513,995**	1,610,300	2,487,382
Licence fees	**2,308,000**	2,268,500	2,268,500
Loss on disposal of repossessed assets	**173,381**	881,277	888,980
Depreciation (note 9)	**3,128,915**	2,702,762	3,287,764
Amortisation (note 10)	**1,384,757**	1,408,180	1,373,893
Professional Charges	**191,150**	63,000	1,560,000
Audit Fees	**551,250**	525,000	500,000
IT expenses	**1,492,187**	3,050,321	3,258,710
Others	**3,456,800**	3,463,811	1,745,403
	22,800,435	26,254,438	27,009,381

25. EARNING PER SHARE

	2020	2019	2018
	Rs.	Rs.	Rs.
Profit for the year	**20,373,489**	28,370,777	21,057,173
Number of ordinary shares in issue	**20,000,000**	20,000,000	20,000,000
Earnings per share	**1.02**	1.42	1.05

26. HOLDING COMPANY

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

27. RELATED PARTY DISCLOSURES

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

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**192,442,467**	245,915,555	294,802,692
Repayments	**(58,489,232)**	(53,473,088)	(48,887,137)
At 30 June	**133,953,235**	192,442,467	245,915,555

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

(b) Interest received/receivable

	2020	2019	2018
	Rs.	Rs.	Rs.
Receivable and received for the year	**14,946,196**	19,962,340	24,548,291

(ii) Directors and key management personnel

(a) Capital element - Deposits from customers

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**55,890,340**	59,839,706	50,339,706
Additions	**2,463,376**	11,495,668	26,123,850
	58,353,716	71,335,374	76,463,556
Repayments	**(3,498,376)**	(15,445,034)	(16,623,850)
At 30 June	**54,855,340**	55,890,340	59,839,706

The terms of the deposits from customers are set out in note 14.

27. RELATED PARTY DISCLOSURES (CONT'D)

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

(b) Interest payable

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**184,627**	230,470	237,059
Payable for the year	**2,005,101**	2,251,080	2,624,889
	2,189,728	2,481,550	2,861,948
Paid during the year	**(2,007,951)**	(2,296,923)	(2,631,478)
At 30 June	**181,777**	184,627	230,470

(iii) Finance lease to key management personnel

(a) Capital element

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**2,571,727**	2,690,600	2,213,509
Additions	**-**	300,000	2,000,000
Repayments	**(804,011)**	(418,873)	(1,522,909)
At 30 June	**1,767,716**	2,571,727	2,690,600

The terms of the finance lease are set out in note 12(g).

(b) Interest receivable

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**3,967**	4,957	1,000
Receivable during the year	**146,591**	139,846	256,930
Received during the year	**(150,558)**	(140,836)	(252,973)
At 30 June	**-**	3,967	4,957

(iv) Rent payable to Holding Company

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**-**	-	-
Payable during the year	**1,580,799**	1,681,287	1,838,749
	1,580,799	1,681,287	1,838,749
Paid during the year	**(1,580,799)**	(1,681,287)	(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. The lease liability balance at 30 June 2020 is **Rs 11,173,389** (Note 11).

27. RELATED PARTY DISCLOSURES (CONT'D)

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

	2020	2019	2018
	Rs.	Rs.	Rs.
Payable during the year	**-**	**277,577**	528,755
At 30 June	**-**	277,577	528,755

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

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**946,117**	428,566	410,692
Receivable for the year	**1,713,871**	1,639,163	1,645,672
	2,659,988	2,067,729	2,056,364
Received during the year	**(1,816,311)**	(1,121,612)	(1,627,798)
At 30 June	**843,677**	946,117	428,566

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

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**448,113**	**198,906**	189,465
Receivable for the year	**858,995**	**776,186**	766,390
	1,307,108	**975,092**	955,855
Received during the year	**(886,999)**	**(526,979)**	(756,949)
At 30 June	**420,109**	**448,113**	198,906

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

	2020	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**-**	-	-
Payable for the year	**8,600,000**	8,600,000	7,800,000
	8,600,000	8,600,000	7,800,000
Paid during the year	**(8,600,000)**	(8,600,000)	(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.

27. RELATED PARTY DISCLOSURES (CONT'D)

(ix) Dividend payable to Holding Company

	2020	2019	2018
	Rs.	Rs.	Rs.
Payable during the year	**17,317,466**	24,115,160	17,898,597

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

	2020	2019	2018
	Rs.	Rs.	Rs.
Receivable during the year	**608,998**	1,000,719	970,412

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

	2020	2019	2018
	Rs.	Rs.	Rs.
Receivable during the year	**436,828**	445,760	471,626

(xii) Other transactions with Holding Company

	2020	2019	2018
	Rs.	Rs.	Rs.
Charge for the year	**460,680**	477,568	338,430

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

(a) Number of units

Number of units	**2020**	2019	2018
At 1 July	**1,394,925**	1,340,348	1,290,710
Additions	**49,202**	54,577	49,638
At 30 June	**1,444,127**	1,394,925	1,340,348

(b) Value of units (at cost)

Value of units (at cost)	**2020**	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**15,925,800**	15,152,439	14,450,563
Additions	**687,351**	773,361	701,876
At 30 June	**16,613,151**	15,925,800	15,152,439

(c) Market value of units

Market value of units	**2020**	2019	2018
	Rs.	Rs.	Rs.
At 1 July (ex-div)	**18,775,695**	18,898,905	17,773,082
Additions	**687,351**	773,361	701,876
Fair value adjustment	**(559,420)**	(896,571)	423,947
At 30 June	**18,903,626**	18,775,695	18,898,905

27. RELATED PARTY DISCLOSURES (CONT'D)

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

(a) Number of units

	2020	2019	2018
At 1 July	**1,234,448**	1,195,503	1,163,536
Additions	**35,770**	38,945	31,967
At 30 June	**1,270,218**	1,234,448	1,195,503

(b) **Value of units (at cost)**

	2019	2019	2018
	Rs.	Rs.	Rs.
At 1 July	**12,563,092**	12,091,466	11,721,927
Additions	**447,487**	471,626	369,539
At 30 June	**13,010,579**	12,563,092	12,091,466

(c) **Market value of units**

At 1 July (ex-div)	**15,035,577**	14,262,349	13,322,485
Addition	**447,487**	471,626	369,539
Fair value adjustment	**1,944,332**	301,602	570,325
At 30 June	**17,427,396**	15,035,577	14,262,349

(xv) Compensation of Directors and key management personnel

	2020	2019	2018
	Rs.	Rs.	Rs.
Short term benefits	**7,003,874**	6,312,322	6,497,609

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

	2020	2019	2018
	Rs.	Rs.	Rs.
Transfer of Leasehold Building	**-**	**2,347,794**	**-**

(xvii) Amount receivable from Holding Company for Finance lease

	2020	2019	2018
	Rs.	**Rs.**	**Rs.**
Receivable for the year	**251,473**	-	-

(xviii) Contribution to defined benefit pension plan

Contribution	**1,121,040**	959,472	970,742

(xix) Amount receivable from sister company

Receivable for the year	**411,412**	-	-

28. 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 19 and 20 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 2020, 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	**2020**	2019	2018
	Rs.	Rs.	Rs.
Financial assets			
Cash and cash equivalents	**151,774,445**	215,792,470	27,633,256
Investment securities:			
- Debt instruments at amortised cost (2018 : Loans and receivables)	**250,704,712**	250,995,979	340,496,292
- Investment securities at FVOCI (2018 : Available for sales)	**645,000**	1,119,000	34,181,256
- Investment securities at FVTPL	**36,331,022**	33,811,272	-
	287,680,734	285,926,251	374,677,548
Term deposits	**947,034,785**	1,044,237,573	1,534,733,335
Loans and advances	**135,082,062**	193,827,687	246,615,992
Net investment in finance leases	**661,411,228**	576,480,171	451,884,651
Other assets	**4,177,077**	9,564,778	9,088,548
	1,747,705,152	1,824,110,209	2,242,322,526
Total financial assets	**2,187,160,331**	2,325,828,930	2,644,633,330
Financial liabilities			
Deposits from customers	**1,706,604,100**	1,842,752,457	2,168,837,198
Other liabilities	**3,233,460**	3,461,902	4,060,424
Dividend	**17,317,466**	24,115,160	17,898,597
Total financial liabilities	**1,727,155,026**	1,870,329,519	2,190,796,218

28.1 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) <u>Market risk</u>

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.

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

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:

	2020	2019	2018
	% p.a.	% p.a.	% p.a.
Financial assets			
Investment in finance leases	**5.75 to 12.50**	5.75 to 12.50	6.50 to 12.50
Balances with local banks	**0.00 to 1.25**	0.00 to 1.80	0.00 to 1.80
Loans to holding company	**9.00**	9.00	9.00
Other loans	**2.00 to 4.00**	2.00 to 4.00	2.00 to 4.00
Term deposits	**2.85 to 10.50**	4.00 to 10.50	3.30 to 10.50
Loans and receivables			
Government of Mauritius Bonds	5.00 to 8.29	5.00 to 8.29	4.45 to 8.29
Financial liabilities			
Deposit from customers	1.00 to 4.50	2.00 to 6.50	1.5 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.

	2020		2019		2018	
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	**61,252**	**52,064**	75,043	63,787	87,088	74,024
-5 basis points	**(61,252)**	**(52,064)**	(75,043)	(63,787)	(87,088)	(74,024)

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 2020 as compared to 30 June 2019 and 30 June 2018.

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.

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.1 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.

	2020	2019	2018
	Rs	Rs	Rs
Equity	**36,976,022**	34,930,272	34,181,259

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

	2020	2019	2018
	Rs	Rs	Rs
Increase/decrease of 5% in prices of securities	**1,848,801**	1,746,514	1,709,063
Increase/decrease in net assets/income			
Increase/decrease of 10% in prices of securities	**3,697,602**	3,493,027	3,418,126
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.

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.1 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 12.

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 2020, 2019 and 2018 is the carrying amount disclosed.

During the year, term deposits with financial institutions decreased by Rs 97.2m. This represents receipt of principal and interest. Those financial institutions are highly reputable and therefore is less likely than not to default. At year end, 100% of the term deposits stay in stage 1 where a 12 months expected credit loss is recognised.

(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.

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

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

AT 30 JUNE 2020	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	-	-	-	-	-	151,774,445	151,774,445
Investment securities							
Investment securities at FVTPL	-	-	-	-	-	36,331,026	36,331,026
Investment securities at FVOCI	-	-	-	-	-	645,000	645,000
Debt instruments at amortised cost	-	-	-	-	250,704,712	-	250,704,712
	-	-	-	-	250,704,712	36,976,026	287,680,738
Term deposits	-	102,999,273	206,710,352	691,355,311	-	-	1,001,064,936
Loans and advances							
Holding company	18,358,857	18,358,857	36,717,714	73,435,428	-	-	146,870,856
Other loans	127,730	127,730	257,907	608,915	132,300	-	1,254,582
	18,486,587	18,486,587	36,975,621	74,044,343	132,300	-	148,125,438
Investments in finance leases*	56,041,102	49,624,569	95,890,970	503,755,954	59,166,065	-	764,478,660
Other assets	-	-	-	-	-	4,177,077	4,177,077
Total financial assets	74,527,689	171,110,429	339,576,943	1,269,155,609	310,003,077	192,927,548	2,357,301,294
Financial liabilities							
Amortised Cost							
Deposits from customers**	37,781,139	45,414,413	320,716,247	1,423,774,197	-	-	1,827,685,996
Other liabilities	-	-	-	-	-	3,233,460	3,233,460
Lease liabilities	395,199	395,199	790,398	6,323,184	7,903,996	-	15,807,976
Dividend	-	-	-	-	-	17,317,466	17,317,466
Total financial liabilities	38,176,338	45,809,612	321,506,645	1,430,097,381	7,903,996	20,550,926	1,864,044,898
Net liquidity gap	36,351,351	125,300,817	18,070,298	(160,941,772)	302,099,081	172,376,622	493,256,396

*An amount of Rs 15,393,175 has been billed and receivable from finance lease customers as at 30 June 2020. It has a current maturity period.

**An amount of Rs 22,125,275 has been accrued from deposits from customers as at 30 June 2020.

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.1 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	115,714,626	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	134,793,687	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	-	-	1,968,516,168
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	158,860,492	(68,761,521)	(906,425,691)	880,299,101	232,981,675	327,957,501

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

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

AT 30 JUNE 2018

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

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.2 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 a recurring basis.

AT 30 JUNE 2020	**Level 1**	**Level 2**	**Total**
	Rs.	**Rs.**	**Rs.**
Financial Assets			
Investment securities held at:			
- FVOCI	**645,000**	**-**	**645,000**
- FVTPL	**-**	**36,331,022**	**36,331,022**
	645,000	**36,331,022**	**36,976,022**

AT 30 JUNE 2019	Level 1	Level 2	Total
	Rs.	Rs.	Rs.
Assets			
Available- for-sale securities			
- Mauritian quoted equities	1,119,000	-	1,119,000
- Mauritian unquoted equities	-	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

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.2 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		
	2020	2019	2018	**2020**	2019	2018
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Financial Assets						
Cash and cash equivalents	**151,774,445**	215,792,470	27,633,256	**151,774,445**	215,792,470	27,633,256
Term deposits	**947,034,785**	1,044,237,573	1,534,733,335	**977,111,308**	1,047,800,093	1,534,733,335
Loans and advances						
-Holding company	**133,939,840**	192,423,223	244,915,555	**137,148,751**	192,442,467	245,915,555
-Other loans	**1,142,222**	1,404,464	1,700,437	**1,120,149**	1,417,505	1,700,437
Investment securities						
- Bonds	**250,704,712**	250,995,979	340,496,292	**306,541,559**	251,423,399	340,496,292
Other assets	**8,583,894**	13,039,342	9,088,548	**8,583,894**	13,039,342	9,088,548
Financial Liablities						
Deposit from customers	**1,706,604,100**	1,842,752,457	2,168,837,198	**1,762,174,017**	1,842,752,457	2,168,837,198
Other liablities	**3,233,460**	3,441,060	4,060,424	**3,233,460**	3,441,060	4,060,424
Dividend	**17,317,466**	24,115,160	17,898,597	**17,317,466**	24,115,160	17,898,597

(i) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and call deposit to be received 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.

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.2 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 customers

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.

29. COMMITMENTS FOR FUTURE LEASES

At 30 June 2020, the Company had capital commitment of Rs.17,272,000 (2019: Rs. 21,800,000 and 2018: Rs. 10,230,500) in respect of future leases.

30. 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 2020.

31. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Deposits from customers	Dividend	Lease liabilities
	Rs	Rs	Rs
Opening balance	1,842,752,457	24,115,160	-
Non-cash flow items:			
Adoption of IFRS 16	-	-	12,098,879
Movement in interest	64,471,385	-	655,310
Dividend for the year	-	17,317,466	-
Cash flow items:			
Repayment of lease liabilities	-	-	(1,580,799)
Additions	315,552,458	-	-
Deposit repaid	(451,840,639)	-	-
Interest repaid	(64,331,561)	-	-
Dividend paid	-	(24,115,160)	-
	1,706,604,100	17,317,466	11,173,390

32. COVID-19 OUTBREAK

As the global outbreak of the novel coronavirus (Covid-19) in early 2020 is causing major disruptions to both social and economic activities across the world, Mauritius has not been spared of its impact. As the first cases of corona virus were detected in the country, the government announced a curfew for an initial period of two weeks, which was further extended. These drastic social distancing measures, considered essential to avoid a surge in the spread of the virus and save a maximum of human lives, are however having a significant toll on the economy and the business community at large. At this stage it is difficult to evaluate how long the effects of the pandemic will last and when activities will restart and eventually return to normal, if at all. The longer it takes, the more business enterprises are likely to fail and enter bankruptcy. Moreover, certain sectors such as aviation and tourism, are likely to continue experiencing the impact even after the pandemic is finally controlled.

In order to limit the impact on the livelihood of the population and the destruction of businesses through bankruptcies, the Government of Mauritius has taken a series of accompanying measures. Some of these key measures are described below:

(i) Wage assistance scheme: partially funding salary of employees earning Rs50,000 per month or less during the lockdown period;

(ii) Assistance scheme for self-employed; financial support of Rs5,100;

(iii) Setting up of a solidarity fund to assist persons affected by the pandemic;

(iv) For MSMEs with turnover of up to Rs50m, a moratorium of 6 months on capital and interest payments with respect to their existing loans with commercial banks;

(v) Under the Special Relief Amount of Rs5 billion earmarked by the Bank of Mauritius through its Support Programme, MSMEs are eligible for a moratorium of 6 months on both capital and interest payments in respect of new loans with commercial banks;

(vi) Special line of credit of USD300m targeting operators having foreign currency earnings; and

(vii) Support to households: moratorium of six months on capital and interest repayments on all loans from commercial banks to households with combined basic salary not exceeding Rs50,000.

Management has considered the following to be the most likely impacts of Covid-19 on the business:

- A decrease in its finance lease interest income and operating lease rentals due to a decrease interest rates for leases and a decline in economic activities;
- A decrease in new lease disbursements due to a reduction in economic activities;
- An increase in credit losses due to more clients facing financial difficulties;

In addition, Management has considered the impact on the statement of financial position of the Company due to the impact of Covid-19. This is described below.

Investment securities

The investment securities consist of government bonds, listed equity and unquoted unit instruments whose underlying investments are mostly composed of listed equity. Since the bond is issued by the government, the credit risk is assessed to be low and the impact minimal. Subsequent to year end, the equity market on the Stock Exchange of Mauritius has been relatively stable. Management expects this situation to remain more or less the same.

32. COVID-19 OUTBREAK (CONT'D)

Term deposits

Term deposits comprise of medium-term and long-term fixed deposits of over three months up to five years with reputable financial institutions. With the spread of COVID 19 and its impact on the economic situation worldwide, the credit risk of most counterparties, including banks, is expected to have increased. However, Management considers these counterparties to have a strong credit rating and does not expect the placements to suffer any significant increase in credit risks or impairment over their lifetime.

Loan and advances

Loan and advances are granted to its holding company and its staff. The holding company has sufficient highly liquid assets and the staff settled their debts as and when they fall due through their monthly payroll. Consequently, management concluded that the credit risk on those financial instruments is minimal and would have a trivial impact on the profit of the Company.

Net investment in finance leases

The COVID 19 pandemic may impact on the carrying value of net investment in finance lease receivables to customers by increasing the expected credit losses (ECL) on those financial assets.

The ECL will increase as a result of more leases experiencing difficulties to settle their debts. Management expects certain sectors such as tourism to be more affected than others. In its worst-case scenario, the Company considered a 100% default on its tourism section. Under such scenario, the Company would have an increase in ECL. The actual Capital Adequacy Ratio of the Company is 54.6%. Even with an increase in the ECL figure, the Capital Adequacy Ratio would fall but would still be above the 10% required by the Bank of Mauritius.

The Company has also granted moratorium of three to six months to a few customers with no undue instalment during the lockdown period. Subsequent to year end, at the end of the moratorim, those customers have not default in payment.

Deposits from Customers

The Deposits from Customers comprise of deposits from individuals and corporates. The maturity varies between 3 months to 7 years. As Covid-19 affects the economies across the globe, more companies will find themselves in financial difficulties. The risk associated with them is the capacity of the Company to respect its engagement towards its clients. This can lead to a loss of confidence in the company's ability to safeguard customers deposits, and customers therefore removing their funds, with the net impact reducing the liquidity, raising the cost of funds, and reducing the profits and net equity of the Company. As at date, there has been no significant renewal or early withdrawal of fixed deposits with the Company.

The following is an analysis of the possible impact of COVID-19 on various other aspects of the business.

Going concern

In the light of the anticipated economic impact of COVID-19, Management has made an assessment of the Company's ability to continue as a going concern.

Liquidity risks

The liquidity position of the Company has remained strong and as at 30 June 2020, the Company has a cash resources of Rs 151.7m representing a cash reserve ratio of 8.8% as compared to Rs 215.8m at 30 June 2019. This is more than the daily minimum cash reserve ratio of 6.5% as per communicated by the Bank of Mauritius to banks. The Company has two term deposits which will mature in October 2020 amounting to Rs 100m. This will then increase the ratio to 14.7%.

32. COVID-19 OUTBREAK (CONT'D)

Capital risks

The Company's Risk Weighted Capital Adequacy Ratio stands at 54.6% compared to the regulatory minimum requirement of 10%. Management strongly believes that there is sufficient buffer and headroom to ensure the Company is adequately capitalised and withstand the impact of COVID-19.

The following measures are in progress to mitigate the impact of COVID 19 on the Company:

1) A more conservative approach adopted by the credit team before approving any new finance and operating leases;
2) A close monitoring of all regulatory and governance guideline;
3) Regular meeting to assess the cash flow of the Company and an active campaign to retain or obtain new leases while controlling the cost of fund;
4) The twenty-two clients that applied for a moratorium are highly monitored by the Credit Committee.

On that basis and taking into consideration the series of measures taken to mitigate the downside risks caused by the outbreak, management is satisfied that there is no material uncertainty around the going concern assumption.

However, it should be noted that the full magnitude of the economic and financial impact of COVID-19 are yet to be known and will depend on a number of factors as described below:

- The duration and severity of the spread of the virus across the globe;
- The duration and extent of the preventive measures such as closure of our borders by government;
- The duration and extent of government continuing support and measures to stimulate the economy; and
- The degree to which stakeholders will act rationally in the face of an unprecedented crisis.

Given that the COVID 19 situation is extremely fluid and conditions change on a daily basis, management considers that it is not possible to predict any outcome relating to the above factors.

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