SICOM
GENERAL INSURANCE
A member of the SICOM Group

# ANNUAL REPORT 2018

# CONTENTS

# Mission, Shared Values and Objectives

## CORE VALUES

### Our Mission

Dedicated to providing the best in insurance services, with focus on competitive quality products and excellent levels of customer care

### Our Shared Values

Our Customers:
The focus of all our actions

Our Employees:
The source of our success

Our Product and Services:
Competitive and first-class security
Commitment to innovation and teamwork
Assisting the development of the community

### Our Objectives

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



# Our Business Lines and Main Insurances

**MOTOR**
- Private & Commercial Risks

**HOME**
- Building & Contents

**ACCIDENT**
- Personal Accident
- Travel

**SPECIAL RISKS**
- Kidnap and Ransom
- Sabotage and Terrorism
- Cyber

**MEDICAL**
- Outpatient & Inpatient
- Catastrophe

**COMMERCIAL**
- Property Risks
- Business Interruption
- Marine & Aviation
- Liability
- Infidelity of employees & Loss of Money

**ENGINEERING**
- Construction Risks
- Plant & Equipment

# How to reach us?

Our Head office is at Port Louis (SICOM Building, Sir Celicourt Antelme Street, Port Louis) and we have a branch office at Ebene (SICOM Tower, Wall Street, Ebene).

We are presently operating 5 PostAssurance Hubs in Post Offices at Quatre Bornes, Curepipe, Trianon (Trianon Shopping Mall), Triolet and Goodlands. We shall soon start operating 2 new PostAssurance Hubs at Flacq (Super U Shopping Mall) and Rose Belle (Plaisance Shopping Mall).

The Rose Belle Hub has the possibility to service our customers after office hours and during week-ends. Such facility may be extended to other Hubs located in shopping malls.

Our products are also distributed by our salespersons, agents and our Bancassurance partners, namely SBM Bank (Mauritius) Ltd and MauBank Ltd, through their network of branch offices across Mauritius and DBM Financial Services Ltd. We are also present in Rodrigues in Port Mathurin Post Office.  Our products are also available through insurance brokers.


# Corporate Information

**REGISTERED OFFICE**

SICOM General Insurance Ltd
SICOM Building
Sir Célicourt Antelme Street, Port Louis, Mauritius
Telephone: (230) 203 8400
Fax: (230) 203 8502
Email Address: sicomgin@sicom.intnet.mu
Website: www.sicomgroup.mu

**AUDITORS**

Ernst & Young

**CONSULTING ACTUARIES**

QED Actuaries & Consultants (Pty) Ltd
QED Actuaries & Consultants (Mauritius)
Aon Hewitt

**MAIN BANKERS**

AfrAsia Bank Ltd
Barclays Bank Mauritius Limited
MauBank Ltd
SBI(Mauritius) Ltd
SBM Bank (Mauritius) Ltd

# Leadership



# Directors' Report

## At a glance

**PROFIT BEFORE TAX**
+4.1%
RS 39.4M

**GROSS PREMIUMS EARNED**
Rs
+2.6%
RS 778.4M

**TOTAL ASSETS**
RS 1.61BN

**NET EARNED PREMIUM**
Rs
+7.8%
RS 411.7 M

### Claims Paid

Number
27,700

Rs
Amount
Rs 468.5m

### Our Staff

82

# Board of Directors

## MR SALEMOHAMED Muhammad Yoosuf
(APPOINTED AS DIRECTOR AND CHAIRMAN ON 31 AUGUST 2018 AND 11 SEPTEMBER 2018 RESPECTIVELY)

Mr Muhammad Yoosuf Salemohamed started his career in a chartered accountants 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 has been associated in various textile activities since 1975 to date. He is a past president of the Mauritius Chamber of Commerce and Industry, past Chairman of the Mauritius College of the Air, past president of the MEFPA (now Business Mauritius Provident Association). He has also been a Director of the Development Bank of Mauritius, a member of the Petroleum Pricing Committee and an adviser to the Ministry of Commerce and Industry. He is presently the Chairman of Enterprise Mauritius, a Board member of Air Mauritius Limited and a Board member of the Islamic Cultural Centre Trust Fund Board.

## MR BEEJAN Manickchand
(DIRECTOR AND CHAIRMAN ON 27 SEPTEMBER 2017 AND 27 OCTOBER 2017 RESPECTIVELY AND UP TO 13 JULY 2018)

Mr Manickchand (Prem) Beejan has a long and successful career with work experience in government, state-owned enterprises and private sector companies. He sat in capacities ranging from Chairman, Executive Director and Independent Director on more than 40 Boards of companies that are involved in a diverse range of activities including insurance, equity investment, portfolio and wealth management, fund management, casinos, housing, property development, sugar sector, IT sector, commerce and education.

Prem has more than 35 years of professional experience starting his career as Government Economist and successively moving up to the level of CEO in a large group with more than 1,000 employees. His areas of competence include project conception, development and implementation, designing innovative financial instruments, designing and implementing business processes, and long range asset-liability matching with scenario planning.

Prem holds a B.A. Hons with Distinction in Economics from a Canadian University and an MSc in Financial Management from the University of London. His pastime includes complex modelling in EXCEL and trading at the stock market.

## MR CHAPERON J M C Gilles
(APPOINTED ON 13 DECEMBER 2017)

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

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

## MR BALLAH Rikesh Hans
(APPOINTED ON 06 OCTOBER 2017)

Mr Rikesh Ballah holds a BSc (Hons) in Accounting and Finance from the University of Birmingham (UK) and is a Fellow of the Association of Chartered Certified Accountants (UK) and a member Chartered Management Institute (UK). He had acquired professional experience with Big 4 accountancy firms in Cyprus, Ireland and Luxembourg as well as leading offshore management companies in both Luxembourg and Mauritius. Rikesh is currently the Chairman of RIHABA Group and also serves as a director on the board of several companies.

Mr Rikesh Ballah is the Honorary Consulate of the Republic of Moldova in the Republic Mauritius.

## MR BALLUCK Awadhkoomarsing
(APPOINTED ON 10 OCTOBER 2017)

Mr Awadhkoomarsing Balluck had a long career in the Public Service. He was the Registrar of Associations, which operates under the aegis of the Ministry of Labour, Industrial Relations and Employment. Prior to that, he was Inspector of Associations, Senior Inspector of Associations, Principal Inspector of Associations and Deputy Registrar of Associations at the same Ministry.

Mr Balluck has also served as Customs and Excise Officer, Customs and Excise Department performing enforcement duties. He has been a trade unionist. He is involved in socio-cultural and co-operatives activities. Mr Balluck has been successively a Board Member, Vice-Chairman and Chairman of the Board of Directors of the Mauritius Civil Service Mutual Aid Association Ltd from 1995 to 2012. He has also occupied the Chairmanship of the Building Committee and has been throughout a member of the Finance Committee of the Organisation.

Mr Balluck holds a Diploma in Human Resource Management from University of Mauritius.

## MRS BHOOJEDHUR-OBEEGADOO Karuna G

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

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

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

## MR BOODHOO Balchund

Mr Balchund Boodhoo has over 25 years of experience in management and marketing business. He is a freelance management consultant and security advisor hiring his service to SMEs and private security companies. He is the holder of an MBA from UK and has experience in Sales, Insurance and worked as freelance Consultant and trainer/advisor for companies in the service of security guards.

Mr Boodhoo has excellent communications and leadership skills for varied forces and audiences.

## MR DUSSOYE Chandrek

Mr Chandrek (Nitin) Dussoye currently works as Investment Executive at the State Investment Corporation Limited where he is involved in portfolio and investment management. Mr Dussoye has been working in the financial sector since 2000 as Business and Financial Consultant and Financial Analyst. He also has extensive exposure to private equity financing.

Mr Dussoye is an Affiliate of Association of Chartered Certified Accountants since 2005 and holds a BSc (Hons) in Business Management from University of Mauritius.

### MR KOONJOO Vinod Kumar
(APPOINTED ON 12 JULY 2018)

Mr Vinod Kumar KOONJOO has a long career in the private and parastatal sectors. Holder of B.Sc (Hons) Chemistry from Delhi University, he started his career as teacher in 1982. After some ten years in teaching, he joined the IVTB (now MITD). He is still very close to the training sector as he had introduced the National Dual System of Apprenticeship Training in 1994. He feels very proud as this form of training is proving to be important in the training sector as to date.

In 2002, he joined the National Handicraft Promotion Agency and promoted the handicraft products in Europe. Mr Koonjoo set up a unit for Chemtech Ltd (Medical and Signage products) in Madagascar (2008 to 2011). In 2011 he joined Harel Mallac Group as Regional Sales Manager, based in Tanzania and responsible for the marketing and sale of industrial chemicals in the East African Countries.

Mr Koonjoo is presently employed as the CSR Executive at Compagnie de Mont Choisy Limitée. He is responsible for the formulation and implementation of all social projects and activities of the group. Being a multi-skilled person, he adapts very easily to new environments.

### MRS LEUNG LAM HING Suzanne H Y K

Mrs Suzanne Leung Lam Hing is a Chartered Insurer and an Associate of the Chartered Insurance Institute UK (ACII). She joined SICOM in 1981 and has served the Company in various capacities in both the General and Life Insurance Departments and took over the responsibility of the General Insurance business as Manager in 2002.

Following the setting-up of SICOM General Insurance Ltd as a subsidiary of SICOM in 2010, Suzanne has the responsibility of defining the business strategies of the Company, the setting of its objectives and plans and their implementation. In her current position as Chief Operating Officer, she looks after the overall management of the Company including the proper running of its insurance operations. Suzanne currently serves as Executive Director on the board of SICOM General Insurance Ltd.

## Company Secretary

### MRS LEE SHING PO Theresa M, ATTORNEY AT LAW

# Management

### MRS LEUNG LAM HING Suzanne H Y K, ACII, CHARTERED INSURER
CHIEF OPERATING OFFICER

Profile of Mrs Suzanne Leung Lam Hing is found on page 14.

### BALGOBIN PARMANAND (Vinod), ACII, CHARTERED INSURER
MANAGER - GENERAL INSURANCE

Mr Vinod Balgobin is a Chartered Insurer and an Associate of the Chartered Insurance Institute (ACII). He joined SICOM in 1982. He has a wide experience of General Insurance business having worked in all the various insurance lines covering both motor and non-motor risks across individual and commercial sectors. He has a long practice of the underwriting and claims functions as well as reinsurance.

In his current post as Manager - General Insurance, he looks after the proper running of the operations of the various lines of insurance business and heads the Medical Insurance and the Reinsurance & Statistics Departments.

# Directors' Report

The Board of Directors of the SICOM General Insurance Ltd (the "Company") is pleased to present the eighth Annual Report together with the audited financial statements of the Company for the year ended 30 June 2018.

## Economic Review

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

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

## Review of operations

The business environment during the 2017/2018 financial year continued to be tough, being characterised by persistently stiff competition leading to undercutting of premium rates on the one hand, and the trend in increased claims costs on the other hand. After the challenge of a bumpy July 2017 renewal season, the implementation of business strategies, namely the launching of new products, additional incentives to intermediaries, customer retention strategies, and marketing campaigns ensured that an increased Gross Premium of Rs 778.4 Million was achieved for the financial year 2017/2018, being 2.6% increase on the amount of Rs 758.9 Million for the preceding financial year. As expected, the Motor and the Medical insurance lines of business were the major areas of growth. The retail segment has also grown appreciably by more than 10% overall across the major personal lines insurances. The overall net retained premium amounted to Rs 411.7 Million, representing a significant increase of 7.8% over the amount of Rs 382.0 Million achieved for the preceding financial year.

On the claims side, Motor claims costs continued on its increasing trend and this is the subject of a close monitoring. A number of remedial actions were taken and further measures aiming at containing the claim costs within an acceptable level are being taken. At industry level, a claims exchange portal project is under way to facilitate intercompany treatment and recovery of Motor claims and this together with the establishment of a protocol, is expected to reduce current delay levels.

Despite competition pressures, underwriting discipline was maintained in parallel with adherence to risk acceptance guidelines to maximise the quality of the portfolio of risks insured. Most business lines registered increased underwriting surplus, except for the insurances on property where the decreased underwriting surplus was attributable to fire and to cyclone claims. Overall, the underwriting surplus achieved for the financial year under review stood at Rs 162.1 Million compared to Rs 156.2 Million for the preceding financial year.

In view of the challenges to operations, such as the undercutting of rates in a persistently fierce competitive business environment, low returns on investment, escalating administrative costs, technology disruptions on delivery channels, and compliance to new regulatory measures, it is imperative that a holistic view be taken about the way business is done and that there is heightened focus on efficiency. Thus, a business process efficiency review exercise is well under way while a new performance management system with major focus on indicators on customer service delivery is being rolled out. Various projects are also under way on the technology side touching on the provision of digital services such as the implementation of the SICOM customer portal which has recently been launched and the enhancement of the General Insurance customer portal, with added services. On the human capital aspect, there will be a review of the organisation structure taking into consideration succession planning and the need to have in place proper structures to better promote and manage business development.

## Financial performance

The total assets of the Company excluding reinsurance assets reached an amount Rs 1.07 billion at 30 June 2018.

Investment and other income realised stood at Rs 51.6 million compared to Rs 46.5 million last year. Following the impact of increased claims costs, the current investment climate and a significant increase in administrative expenses, an amount of Rs 39.4 million was achieved as Pre-Tax Profit. The Net Profit after tax amounted to Rs 34.4 million.

The Board of Directors has declared and approved a dividend of 75% (2017: 75%) of Profit after tax to the Holding Company, being an amount of Rs 25.8 million.



# Corporate Governance


GOVERNANCE

# Corporate Governance Report

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

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

## Principle ONE – Governance Structure

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

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

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

The Board has approved the following key governance documents which are available on the SICOM Group (the 'Group') website:

- Board Charter; and
- Board Committee Charter.

The Board of the Holding Company has approved for the Group, the following key governance documents which are available on the SICOM Group website:

- Code of Ethics for Directors; and
- Code of Ethics for Employees.

The Company has not adopted a Constitution and is governed by the Companies Act 2001.

## Board Structure


Board Committees (refer to page 25) established under the Board of the Holding Company, the State Insurance Company of Mauritius Ltd also look at matters pertaining to the Company.

SICOM General Insurance 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 discharge the responsibility of the Board in respect of the actions and decisions of that Committee.

## Key Governance Responsibilities and Accountabilities

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

### 1. Chairperson of the Board

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

### 2. Group CEO

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

### 3. Company Secretary

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

## Management team

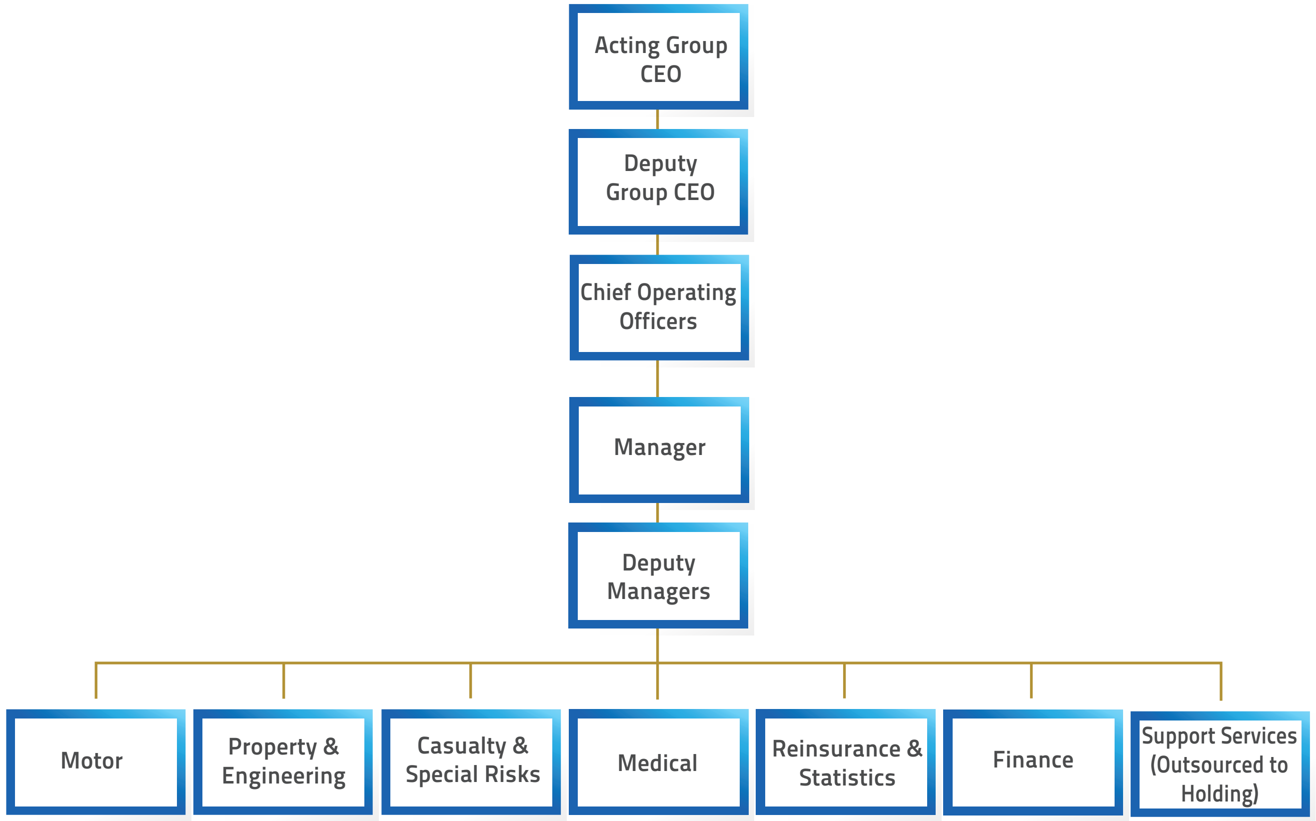
**LEUNG LAM HING Suzanne H Y K (Mrs)**
**Chief Operating Officer**

Profile of Mrs Suzanne Leung Lam Hing is found on page 14.

**BALGOBIN Parmanand (Vinod)**
**Manager - General insurance**

Profile of Mr Parmanand Balgobin is found on page 15.

## Organisational chart




Finally, it may be noted that the composition and terms of reference of the Board Sub-committee has recently been reviewed and the statement of accountabilities of the Sub-committee's Chairperson and other key governance positions will be finalised in the course of the financial year 2018/2019. A Group Corporate Governance Policy will also be adopted.

## Principle TWO – The Structure of the Board and its Committees

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

The directors' profile appears on pages 10 to 15.

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

The Chairperson of the Board and the Chairperson of the Board Committee are all carefully selected for their relevant knowledge and experience in these key governance roles. The Company complies with the statutory number of directors required.

As at 30 June 2018, out of the eight members of the Board, three were independent, three were non-executive and two were executive directors. The non-executive directors do not have involvement in the operations of the Company. None of the appointed independent and non-executive directors were employed by the Company during the past three years. The appointed members of the Board are ordinarily resident in Mauritius.

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

## Gender Balance of the Board

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

## Other Directorships Held by Members of the Board

**Mr M Y Salemohamed** - State Insurance Company of Mauritius Ltd, Air Mauritius Ltd, Aurdally Bros & Co Ltd and Genuine Services Ltd

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

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

**Mr C Dussoye** – Beach Casinos, Sun Casinos, Mauritius Shipping Corporation Ltd (Alternate Director), SIC Fund Management Ltd, National Equity Fund Ltd, Capital Asset Management Ltd, Guibies Properties Ltd, Guibies Holdings Ltd, Compagnie Mauricienne D'Hippodromes Ltd, Prime Real Estate Ltd, Morning Light Ltd and Mauritius Cargo Community Services Ltd

**Mr R H Ballah** – International Pay Gateway Ltd, RIHABA Holdings Ltd, Merchant Gateway Ltd, Luvoxy Co Ltd, RHB Food Processing Ltd, Kennington Food Ltd, Triya Digital Marketing Ltd and Rashmari Holdings Ltd.

## Attendance at Board Meetings and Committee Meetings

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

| Board Composition | Classification | Board | Risk and Audit Committee |
|---|---|---|---|
| No of Meetings held | | 7 | 3 |
| Directors' attendance during their period of directorship | | | |
| Mr M Beejan (Director: 27 September 2017 - 13 July 2018; Chairman: 27 October 2017 - 13 July 2018) | Non-Executive Director | 5 of 5 | |
| Late Mr S Nemchand (Chairman up to 21 July 2017 and Director up to 02 August 2017) | Non-Executive Director | 1 of 1 | |
| Mr R H Ballah (as from 06 October 2017) | Independent director | 4 of 5 | - |
| Mr A Balluck (as from 10 October 2017) | Independent director | 4 of 5 | 2 of 2 |
| Mrs K G Bhoojedhur-Obeegadoo | Non-executive director | 5 of 7 | |
| Mr B Boodhoo | Independent director | 7 of 7 | 3 of 3 |
| Mr J M C G Chaperon (as from 13 December 2017) | Executive Director | 2 of 2 | |
| Mr C Dussoye | Non-Executive Director | 5 of 7 | |
| Mrs H Y K Leung Lam Hing | Executive Director | 7 of 7 | |
| Mr J D Phokeer (up to 26 September 2017) | Non-executive director | 1 of 2 | |
| Mr B Ramdenee (up 26 September 2017) | Independent director | 2 of 2 | 1 of 1 |
| Mr S Ramgutty (up to 26 September 2017) | Independent director | 2 of 2 | 1 of 1 |
| Mr Y S Yip Wang Wing, C.S.K (up to 04 July 2017) | Non-Executive Director | - | |

## Board Committees

The Board has established the Risk and Audit Committee to assist it in the discharge of its responsibilities.
The Risk and Audit Committee has its own charter, approved by the Board and reviewed as and when required.

It 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 controls, risk management and business ethics.

During the financial year 2017/2018, the Risk and Audit Committee met three times.

| Members as at 30 June 2018 | Category |
|---|---|
| Mr R H Ballah | Independent director |
| Mr A Balluck | Independent director |
| Mr B Boodhoo | Independent director |

The following committees established under the Board of the Holding Company, the State Insurance Company of Mauritius Ltd also look at matters pertaining to SICOM General Insurance Ltd:

1. Corporate Governance Committee;
2. Staff Committee; and
3. Investment and Finance Committee.

The criteria to determine the Board size and composition will be finalised during the financial year 2018/2019.

A Group Non-Discrimination Policy will also be adopted.

## Principle THREE – Directors Appointment Procedures

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

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

## Appointment

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

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

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

It is to be noted that the total number of directors shall not at any time be less than seven as prescribed by the Insurance Act 2005.

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

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

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

## Training and Development

During the financial year 2017/2018, trainings on corporate governance, International Financial Reporting Standard ('IFRS') 17 (Insurance Contracts) and Own Risk Solvency Assessment ('ORSA') were delivered to directors.

The induction and orientation process together with a succession plan for directors and senior executives will be formalised during the financial year 2018/2019.

## Principle FOUR – Directors Duties, Remuneration and Performance

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

## Legal Duties

All of the directors on the Board including any alternate directors are fully aware of their fiduciary duties at the time of their appointment. As stated in Principle Three, upon appointment, new directors are given a copy of the relevant extracts of the Companies Act 2001 and the Insurance Act 2005 regarding their statutory duties and responsibilities.

## Code of Ethics

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

## Conflicts of Interest

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

## Information Technology and IT Security

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

## Assessment and Evaluation of Board Members

The directors forming part of the Board, especially those who are members of the Board Committee, have been appointed in the light of their wide range of skills and competence acquired through several years of working experience and professional background. In view of the recent changes in the composition of the Board and the appointment of a new Chairperson on 11 September 2018, the evaluation of the Board and the assessment of the directors will be done during the financial year 2018/2019.

A Remuneration Policy and a Conflicts of Interest and Related Party Transactions Policy will also be developed in line with the Code during the financial year 2018/2019.

## Principle FIVE- Risk Governance and Internal Control

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

## Risk Management

### Enterprise Risk Management

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

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

## Regulatory Requirements

The Insurance (Risk Management) Rules 2016 ('the Rules') issued by the Financial Services Commission require insurers registered under the Insurance Act 2005 to establish and at all times maintain a Risk Management Framework to effectively develop and implement strategies, policies, procedures and controls to manage their material risks. In doing so, insurers need to establish (and Board-approve) the following:

- Risk Appetite Statement;
- Risk Management Strategy;
- 3-year Business Plan and Financial Forecast;
- ORSA Framework;
- Liquidity Policy;
- Designated Risk Management Function (see Three Lines of Defence below); and,
- Defined responsibilities and reporting lines for the management of material risks.

The existing ERM Program ensures that all requirements of the Rules are being complied with.

## Implementation Process

### ERM Implementation


## Risk Management Process

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

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

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

## Risk Language and Taxonomy

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

## Risk Management Function

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

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

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

## Three Lines of Defence

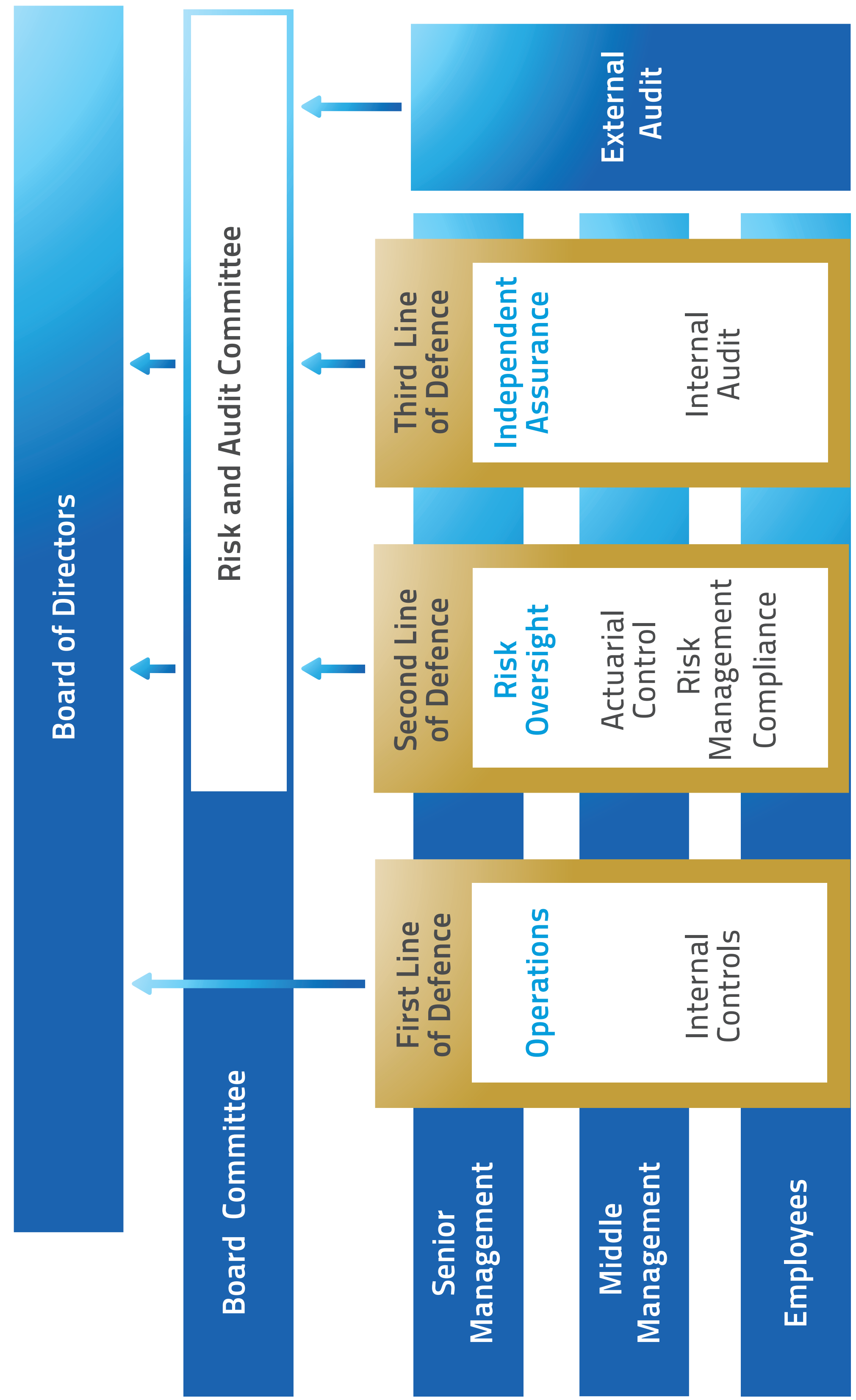
There are a variety of risk management models necessitated by the need to tailor the risk management approach to each organisation's risk profile and the Three Lines of Defence Model is adopted by the Company.

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

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

The model is depicted graphically on the next page.

Three Lines of Defence Model



## First Line of Defence: Operations

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

## Second Line of Defence: Oversight

Oversight functions are necessary to avoid potential conflicts of interest and lack of impartiality. This line of defence is comprised of the Actuarial Control, Risk Management and Compliance functions, all of which oversee the management of risks by Operations but are not involved in the day to day operations of the Company.

The roles and responsibilities of the Second Line functions are to assist the Company to identify, assess, monitor, manage and report on its key risks in a timely manner by overseeing the ERM Program, and to ensure that the Company meets its legal and regulatory obligations and to promote and sustain a culture of compliance within the Company.

## Third Line of Defence: Independent Assurance

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

## Risk Culture

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

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

Ongoing training will be given to ensure all employees have the necessary knowledge to perform risk management effectively and optimally.

## Management of Key Risks

Within the Group's ERM framework, the key risk elements are grouped into categories including Market and Investment, Insurance, Credit, Operational, and Strategic. Key risks within each category are identified and ranked on a Group-wide basis. These risks are managed holistically, that is, risk management reflects interdependencies between risks. The Group uses an overarching risk management strategy, as such, most risk management processes and controls cater for more than one risk.

| KEY RISKS | MANAGEMENT STRATEGIES |
|---|---|
| **MARKET & INVESTMENT RISK**<br>Market & Investment risk refers to the risk of financial loss arising from changes in market factors that affect the absolute or relative values of assets and liabilities. | ▪ Monitoring of asset portfolio denominated in foreign currency<br>▪ Monitoring of standard deviation of returns<br>▪ Re-balancing of asset portfolio<br>▪ Review Investment Guidelines/Policies<br>▪ Regular ALM exercise by Independent Consultant |
| **CREDIT RISK**<br>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. | ▪ Monitoring of Reinsurers' Credit Ratings<br>▪ Monitoring of arrears<br>▪ Recovery procedures guideline |

## Management of Key Risks (Continued)

| KEY RISKS | MANAGEMENT STRATEGIES |
|---|---|
| **INSURANCE RISK**<br><br>Insurance Risk refers to the risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. | ▪ Reinsurance Arrangements in place<br>▪ Monitoring of loss ratio and performance of business lines<br>▪ Risk Acceptance Hierarchy<br>▪ Underwriting guidelines |
| **OPERATIONAL RISK**<br><br>The risk of losses resulting from inadequate or failed internal processes, people, systems or from external events.<br><br>Compliance Risk – non-compliance with internal processes, procedures and policies and with prescribed legislations, regulations, codes, and guidelines – is covered under Operational Risk. | ▪ Regular evaluation of quality of service by suppliers/ service providers<br>▪ Review Maintenance Contracts<br>▪ Close monitoring of Legal & Regulatory environment<br>▪ Performance Management System<br>▪ Regular security assessment and penetration testing<br>▪ IT Security tools<br>▪ Continual Back up |



## Management of Key Risks (Continued)

| KEY RISKS | MANAGEMENT STRATEGIES |
|---|---|
| **STRATEGIC RISK**<br><br>Strategic risk is the risk of a change in the value of the insurer due to the inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment. | ▪ Annual Solvency Assessment<br>▪ Monitoring of market trends<br>▪ Review distribution process<br>▪ Strategic planning process<br>▪ Review business strategy<br>▪ Annual Action Plan |

Whistle-blowing procedures will be developed in line with the Code during the financial year 2018/2019.

## Principle SIX- Reporting with Integrity

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

The Annual Report is published in full on our Group website: www.sicomgroup.mu

## Organisational Overview

SICOM General Insurance Ltd is a wholly-owned subsidiary of the State Insurance Company of Mauritius Ltd ('SICOM') and member of the SICOM Group.

The Company started its operations on 1st July 2010 in conformity with the Insurance Act 2005, taking over the General Insurance Business which had until then been transacted under SICOM. SICOM, the Holding Company, whose shareholders are state-owned entities, was incorporated as a public company in 1988 but its roots can be traced back as far as 1975 when its business operations started with insurance services such as actuarial valuations and management of pension schemes followed by the underwriting of General Insurance in 1978 and Life Assurance in 1980.

The Company benefits from the legacy of more than 40 years' experience in the business and currently, transacts all types of general insurances. The Company is engaged in short-term insurance and provides a variety of Insurance services for both individuals and corporates, ranging from motor vehicle insurance, Home Insurance, Travel Insurance to the Protection of Businesses, Property and People against the widest range of risks and liabilities. It also provides insurance covers in relation to specialised risks and tailor-made covers according to client requirements.

## Organisational Overview (Continued)

The Company shares common values and objectives with the parent company and as such, the Company's commitment to customers runs deep. It believes in looking after its customers and strives to provide a professional and quality service while being friendly, helpful and considerate at all times. Its core values include customer care, first class products and services, teamwork, empowering its human capital for success, innovation and community support.

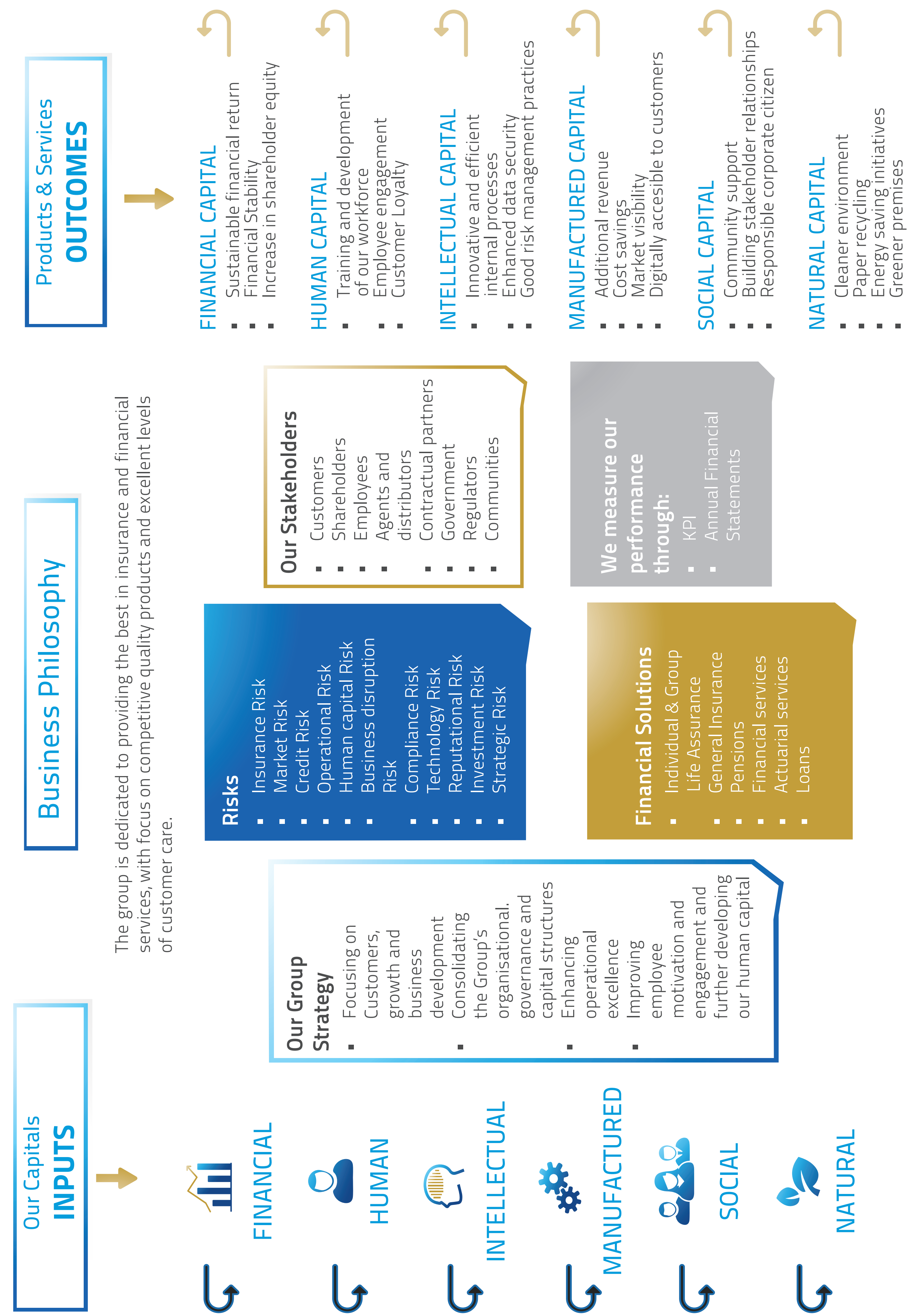
The Company's culture embraces customer-centricity, employee well-being and empowerment, operational excellence through innovation and work towards market success.

The holding structure of the SICOM Group is set out below:


## Our Business Model

The Company's operations rely on a number of resources and their interactivity. Our business model shows how the Group allocates, modifies and makes use of them before transforming them to create value for our 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 Group's activities impact on the six capitals and its various stakeholders while facing key risk elements grouped into categories: Market and Investment, Insurance, Credit, Operational, and Strategic. The outcomes are measured through both financial and non-financial Key Performance Indicators (KPIs) of each department.

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



## Financial Capital

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

## Human Capital

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

## Intellectual Capital

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

## Manufactured Capital

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

## Social Capital

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

## Natural Capital

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

## Operations and Financial Performance Reviews

The Operations and the Financial Performance reviews are available as per page 16 of this Annual Report.

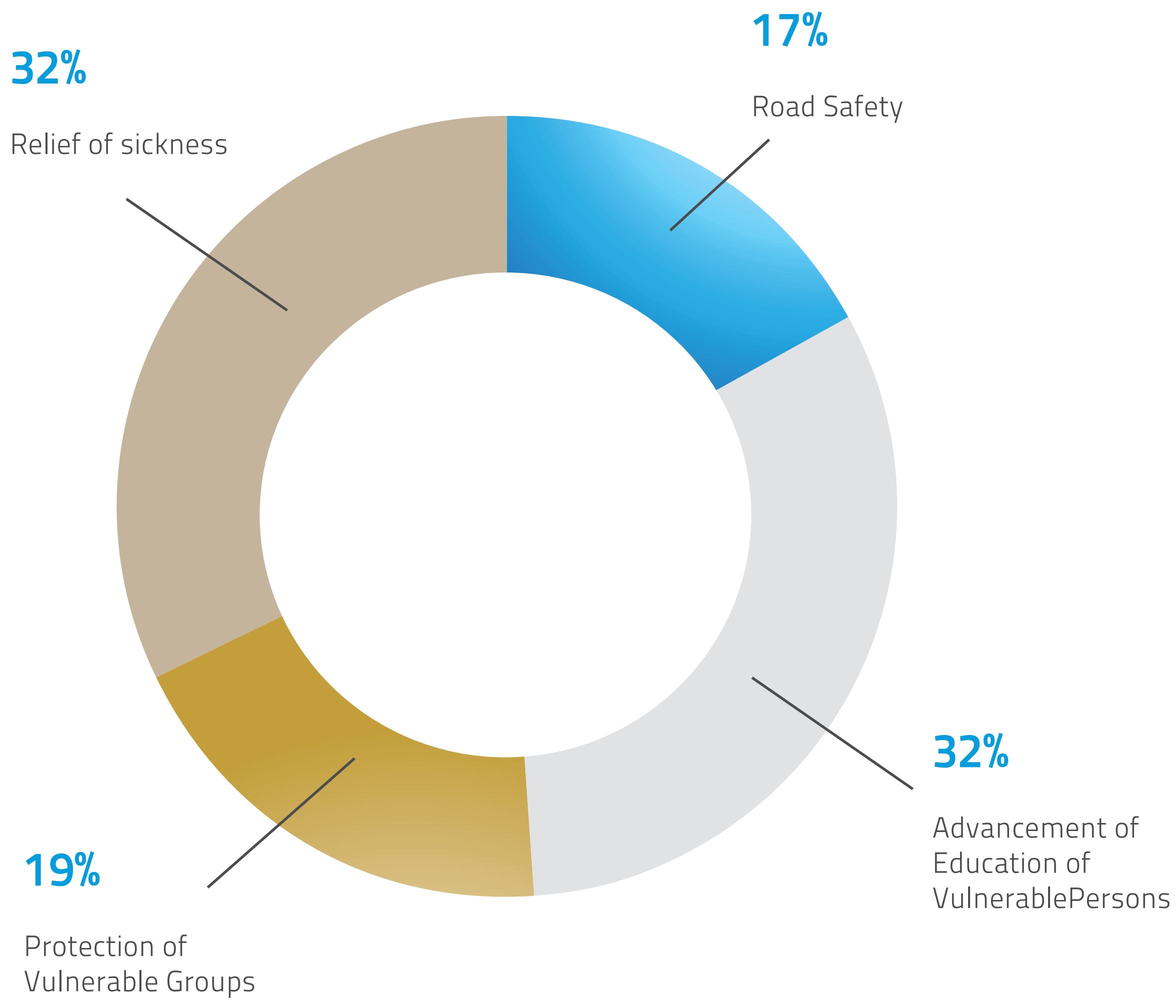
## Environmental Report

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

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

## Corporate Social Responsibility

In accordance with the Finance (Miscellaneous Provisions) Act 2017, 50% of the CSR Fund of SICOM General Insurance Ltd has been remitted to the Mauritius Revenue Authority and remaining 50% amounting to Rs 376,588 was endowed with SICOM Foundation, the dedicated vehicle responsible for the efficient and effective implementation of the Group's CSR initiatives. During the year under review, SICOM Foundation has provided support to NGOs by financing 15 projects to the tune of Rs 3 million, for initiatives in favour of the advancement of education of vulnerable persons, relief of sickness, protection of vulnerable groups and road safety. The SICOM Foundation also supported Link to Life, an NGO engaged in the fight against cancer, for the free transport of vulnerable children suffering from cancer for their treatment at the hospital, through our annual charity Walk and Run – 'SICOM Les Foulées de L'Espoir' which was held in October 2017.




### Health and Safety Report

It is the policy of the Company to ensure a safe and healthful workplace for all its employees and clients. It is through the Safety and Health Committee meeting 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 Engagement

Employee engagement is a driver of our competitiveness and we have invested in training and filled in key positions to adapt to our strategic needs. As a committed and engaged employer, all the HR initiatives of the SICOM Group of which the Company forms part, are aimed at continuously enhancing the learning, training and empowerment of its people so as to enable them to achieve a greater shared value at all levels while also increasing the Group's competitive edge on the market. Given that human resource development is a main priority, training on both technical and non-technical sides are organised throughout the year.

As part of its policy to place greater emphasis on results and on the role, responsibility and contribution of each individual, the Performance Management System (PMS) has been carefully fine-tuned by selection of individual and Group KPIs. A series of training sessions have been carried out for staff members and targeted working sessions with Heads of Departments to ensure its successful implementation.

As a dedicated and responsible employer, the SICOM Group advocates an employee-centered environment with focus on staff welfare and the work-life balance of its people. And in line with same, a series of staff initiatives such as awareness talk on health related issues, medical screening by 'Caravane de Santé', vaccination against flu, 3D movie projection for staff and their family, end of year party and celebration of 50th Independence anniversary have been carried out during the financial year 2017/2018.

### Voluntary Retirement Scheme

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

### Code of Ethics

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

### Donations

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

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

## Principle SEVEN- Audit

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

## Directors' Responsibilities

The directors are responsible for the fair preparation of the financial statements in accordance with International Financial Reporting Standards and all the requirements of the Companies Act 2001, the Insurance Act 2005 and Financial Reporting Act 2004 and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

## Internal Audit

The Internal Audit function has the overall responsibility of providing independent, objective assanceand consulting activity designed to add value and improve the Company's operations. The Internal Audit function is also one of the functions falling under the Service Level Agreement. Audit activities are carried out by the Internal Auditor of the Holding Company.

The Internal Audit function derives its authority from the Board through the Risk and Audit Committee. The Internal Audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management. The Internal Audit function is not responsible for the implementation of controls or for the management and mitigation of risk, the responsibility for which remains with the Board and Management.

The scope of work of the Internal Audit function encompasses mainly the following functions which are namely to review the effectiveness and adequacy of internal control within the Company, to assess the systems / processes relating to all activities of the Company and make appropriate recommendations and monitor their implementation to the Risk and Audit Committee and Management pursuant to the findings in the course of review and assessment exercises.

The Internal Auditor has a direct reporting line to the Risk and Audit Committee and maintains an open communication channel with Management. He has unfettered access to the records, Management or employees of the Company. The Internal Auditor's profile is available on the Group's website.

The Internal Audit plan for the Company, which forms part of the Group's audit plan and is approved by the Risk and Audit Committee, is based on the principles of risk management to ensure that the scope of work is aligned with the degree of risks attributable to the areas audited.

Internal audit review for the financial year ended 30 June 2018 was conducted on reinsurance arrangements and coverage procedures in place in the Company. No major weakness was noted in the review carried out.

## External Audit

### The Risk and Audit Committee and External Auditors

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

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

### Appointment of External Auditors

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

### *Audit fees and fees for other services*

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Statutory Audit | 661 | 397 |
| Review of Tax Computation | 92 | 49 |

The report of Ernst & Young, external auditors, is annexed to the Financial Statements of the Company.



### Quality Assurance

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

## Principle EIGHT- Relations with Shareholders and other Key Stakeholders

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

The Company operates as a public company under the Companies Act 2001. It transacts short term insurance business and is ranked amongst the top four General Insurance companies in Mauritius.

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

## Shareholders

### 1. Shareholding structure

As at 30 June 2018, the State Insurance Company of Mauritius Ltd held 100% of the ordinary share capital of the Company.

### 2. Shareholders communication

**The Company holds an Annual Meeting of Shareholder and the shareholder is required to express its vote on matters including the approval of accounts, approval of dividend, appointment/re-appointment of directors.**

## Stakeholders

The Company's other key stakeholder groups are:

### 1. Customers

With customers being the focus of its actions, the Company stays attuned to customer needs for insurance and constantly strives to respond to these needs through relevant insurance products and services. The Company communicates directly with its customers through meetings and presentations, face to face and telephone interactions, its customer portal and in writing. Promotional offers and product information are disseminated through media supports. In the event of a claim made besides the Company, the latter recognises that close communication forms part of customer service excellence.

### 2. Employees

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

Some employee grades are syndicated. Management keeps an open communication channel with the Union. Employees are also regrouped under the SICOM staff club. The staff club has recently been revived and more activities are expected and these will supplement the staff welfare activities regularly organised by the Company.

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

## Stakeholders (Continued)

### 3. Salespersons and agents

The Company actively communicates with its salespersons and agents for the purpose of training and professional development, exchange of information, performance review and dissemination of information. In addition to formal correspondence, interactive one to one or group meetings are held.

### 4. Insurance brokers

The Company is in constant communication with insurance brokers to ensure that our mutual customer, the Policyholder is properly serviced, be it at the insurance-buying stage or at time of claim.

### 5. Financial Partners

Communication with shareholder, financial institutions and the financial community in general is actively pursued and usually takes place through meetings and presentations. The Annual Report of the Company is posted on the SICOM Group website.

### 6. Suppliers

The Company engages with suppliers and service providers based on ethical commitments ensuring that value for money goods and services are rendered to the Company in an efficient way.

### 7. Community

Through the financial protection that it provides by its very nature, insurance helps individuals and businesses to bounce back more readily after a loss event and as a risk management solution, provides the means to businesses to optimize use of their capital. The Company is receptive to new customer needs and strives to respond to these needs with the appropriate insurance solution.

### 8. Regulator

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



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors acknowledge their responsibilities for:

(i) adequate accounting records and maintenance of effective internal control systems,
(ii) the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year 2017/2018 and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards, and
(iii) the selection of appropriate accounting policies supported by reasonable and prudent 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) to the best of the Board's knowledge, the Company has applied most of the recommendations of the Code and remedial measures will be taken, during the next financial year, to address the parts which have not been complied with during this financial year, and
(iv) International Financial Reporting Standards have been adhered to.

Signed on behalf of the Board of Directors:

| | |
|---|---|
| Chairman | Director |

Date: 28 SEP 2018

## Acknowledgement

The Board of Directors would like to thank its past members for their contributions to the affairs of the Board and would also like to welcome Messrs R H Ballah, A Balluck, J M C G Chaperon and Mr M Y Salemohamed who have been appointed as new members on the Board of SICOM General Insurance Ltd. The Board of Directors would also like to thank the former Group CEO, Mrs K G Bhoojedhur-Obeegadoo for her invaluable contribution to the Group.

The Board of Directors expresses its deep appreciation of the support given to all the stakeholders of the Company by the Government of Mauritius, the Financial Services Commission, Reinsurers, Insurance and Reinsurance Brokers, Investment Managers, Bankers and Insurance Agents and Salespersons. 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.

For and on behalf of the Board of Directors

Chairman Director

Date: 28 SEP 2018

## Secretary's Certificate

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

Lee Shing Po Theresa M (Mrs)
Company Secretary
SICOM General Insurance Ltd

Date: 28 SEP 2018

## Statement of Compliance

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

Name of PIE: SICOM General Insurance Ltd

Reporting Period: Year ended 30 June 2018

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

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

- Principle One – Statement of accountabilities of the Sub-committees' Chairpersons and other key governance positions, and adoption of Group Corporate Governance Policy
- Principle Two – Board size and composition, and Group Non-Discrimination Policy
- Principle Three – Directors' induction and orientation process, and succession plan for directors and senior executives
- Principle Four – Evaluation of Board and assessment of directors, Remuneration Policy and Conflicts of Interest and Related Party Transactions Policy
- Principle Five - Report on whistle-blowing rules and procedures
- Principle Six – Enhancement of the Integrated Reporting Framework

Chairman

Director

Date: 28 SEP 2018

# Independent Auditor's Report

## Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of SICOM General Insurance Ltd set out on pages 56 to 104 which comprise the statements of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and Company as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, the Financial Reporting Act 2004 and the Insurance Act 2005.

*Basis for Opinion*

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

*Other Information*

The directors are responsible for the other information. The other information comprises the Annual Report and Secretary's Certificat as required by the Companies Act 2001, and the Corporate Governance Report, but does not include the financial statements and our auditor's report thereon.

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

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

*Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, the Financial Reporting Act 2004 and the Insurance Act 2005 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' 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 and or to cease operations, or have no realistic alternative but to do so.

*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.





## Report on the Audit of the Financial Statements (continued)

*Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

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 and 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 Group and 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.

## Report on Other Legal and Regulatory Requirements

*Companies Act 2001*

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

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

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

*Financial Reporting Act 2004*

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

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

*Insurance Act 2005*

The financial statements have been prepared in the manner and meet the requirements specified by the Financial Services Commission (FSC).

ERNST & YOUNG
Ebène, Mauritius

PATRICK NG TSEUNG, A.C.A.
Licensed by FRC

Date: 28 SEP 2018



# Financial Statements

# STATEMENT OF FINANCIAL POSITION

At 30 June 2018

| | Notes | 2018 | 2017 |
|---|---|---|---|
| | | Rs'000 | Rs'000 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 6 | 3,172 | 2,227 |
| Intangible assets | 7 | 4,540 | 5,248 |
| Statutory deposits | 8 | 7,942 | 7,942 |
| Held to maturity investments | 9(a) | 380,104 | 475,537 |
| Available for sale financial assets | 9(a) | 65,024 | 72,846 |
| Fixed deposits | 10 | - | 126,251 |
| Loan receivables | 11 | 9,296 | 4,907 |
| Deferred tax assets | 12 | 12,820 | 7,918 |
| | | 482,898 | 702,876 |
| **CURRENT ASSETS** | | | |
| Held to maturity investments | 9(a) | 147,232 | 74,154 |
| Loan receivables | 11 | 2,917 | 12,459 |
| Insurance and other receivables | 13 | 223,013 | 218,541 |
| Prepayments | | 2,357 | 897 |
| Deferred acquisition costs receivables | 16(d) | 16,404 | 15,269 |
| Reinsurance assets | 16(a) | 537,639 | 422,640 |
| Current tax assets | 17(a) | - | 648 |
| Fixed deposits | 10 | 126,357 | - |
| Short-term deposits | 14 | 19,992 | 14,696 |
| Cash and cash equivalents | | 49,541 | 41,969 |
| | | 1,125,452 | 801,273 |
| **TOTAL ASSETS** | | 1,608,350 | 1,504,149 |
| **EQUITY AND LIABILITIES** | | | |
| Stated capital | 20 | 25,000 | 25,000 |
| Reserves | 21 | 174,543 | 184,526 |
| Subordinated loan | 22 | 341,625 | 341,625 |
| **TOTAL EQUITY** | | 541,168 | 551,151 |
| **NON-CURRENT LIABILITIES** | | | |
| Pension benefit obligations | 23 | 81,429 | 59,794 |
| **CURRENT LIABILITIES** | | | |
| Insurance contract liabilities | 16(a) | 776,672 | 661,600 |
| Deferred acquisition cost payable | 16(e) | 26,164 | 29,089 |
| Trade and other payables | 18 | 154,708 | 173,483 |
| Dividend | 19 | 25,788 | 23,002 |
| Current tax liabilities | 17(a) | 2,421 | - |
| Bank overdraft | | - | 6,030 |
| | | 985,753 | 893,204 |
| **TOTAL EQUITY AND LIABILITIES** | | 1,608,350 | 1,504,149 |

These financial statements have been approved for issue by the Board of Directors on 28 September 2018

**SALEHMOHAMED M Y**
Chairman

**DUSSOYE C**
Director

The notes on pages 60 to 104 form an integral part of these financial statements.
Auditors' report on pages 50 to 52.



# STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED

30 June 2018

| | Notes | 2018 | 2017 |
|---|---|---|---|
| | | Rs'000 | Rs'000 |
| Gross insurance premiums | 15(a) | 778,389 | 758,893 |
| Premium ceded to reinsurers | 15(b) | (366,681) | (376,910) |
| Net earned premiums | | 411,708 | 381,983 |
| Gross claims paid | 16(b) | 358,089 | 312,786 |
| Claims settled from reinsurers | 16(b) | (83,115) | (55,381) |
| Gross change in contract liabilities | 16(b) | 104,441 | (100,624) |
| Change in contract liabilities ceded to reinsurers | 16(b) | (121,971) | 90,406 |
| Net claims Incurred | | 257,444 | 247,187 |
| Commissions receivable from reinsurers | | 49,897 | 56,989 |
| Commissions paid to agents and brokerage fees | | (42,044) | (35,537) |
| | | 7,853 | 21,452 |
| **Underwriting surplus** | | 162,117 | 156,248 |
| Investment income | 24 | 40,117 | 41,911 |
| Other income | 25 | 11,449 | 4,609 |
| | | 213,683 | 202,768 |
| Administrative and other expenses | 26 | (174,287) | (164,909) |
| **PROFIT BEFORE TAX** | | 39,396 | 37,859 |
| Income tax expense | 17(b) | (5,012) | (7,189) |
| **PROFIT FOR THE YEAR** | | 34,384 | 30,670 |

The notes on pages 60 to 104 form an integral part of these financial statements.
Auditors' report on pages 50 to 52.

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED

At 30 June 2018

| | Notes | 2018 | 2017 |
|---|---|---|---|
| | | Rs'000 | Rs'000 |
| Profit for the year | | 34,384 | 30,670 |
| **Other comprehensive income:** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Remeasurement of defined benefit obligations | 23(a)(iii) | (18,527) | (12,738) |
| Income tax relating to components of other comprehensive income | 12(a) | 3,150 | 1,911 |
| | | (15,377) | (10,827) |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Net (loss)/ gain on available-for-sale financial assets | 9 | (3,202) | 7,078 |
| **Other comprehensive income for the year, net of tax** | | (18,579) | (3,749) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 15,805 | 26,921 |

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED

30 June 2018

| | Notes | Stated Capital | Retained Earnings | Actuarial Losses | Investment Revaluation Reserve | Subordinated Loan | Total |
|---|---|---|---|---|---|---|---|
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Balance at 01 July 2017 | | 25,000 | 216,626 | (37,942) | 5,842 | 341,625 | 551,151 |
| Profit for the year | | - | 34,384 | - | - | - | 34,384 |
| Other comprehensive income | | - | - | (15,377) | (3,202) | - | (18,579) |
| Total comprehensive income for the year | | - | 34,384 | (15,377) | (3,202) | - | 15,805 |
| Dividend | 19 | - | (25,788) | - | - | - | (25,788) |
| **Balance at 30 June 2018** | | 25,000 | 225,222 | (53,319) | 2,640 | 341,625 | 541,168 |
| Balance at 01 July 2016 | | 25,000 | 208,958 | (27,115) | (1,236) | 341,625 | 547,232 |
| Profit for the year | | - | 30,670 | - | - | - | 30,670 |
| Other comprehensive income | | - | - | (10,827) | 7,078 | - | (3,749) |
| Total comprehensive income for the year | | - | 30,670 | (10,827) | 7,078 | - | 26,921 |
| Dividend | 19 | - | (23,002) | - | - | - | (23,002) |
| Balance at 30 June 2017 | | 25,000 | 216,626 | (37,942) | 5,842 | 341,625 | 551,151 |

The notes on pages 60 to 104 form an integral part of these financial statements.
Auditors' report on pages 50 to 52.



# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

At 30 June 2018

| | Notes | 2018 | 2017 |
|---|---|---|---|
| | | Rs'000 | Rs'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 39,396 | 37,859 |
| *Adjustments for:* | | | |
| Depreciation on property, plant and equipment | 6 | 662 | 398 |
| Amortisation of intangible assets | 7 | 1,789 | 1,539 |
| Profit on disposal of investment in securities | 25 | (5,286) | (3) |
| Retirement benefit obligations | 23(a)(iii) | 9,149 | 8,290 |
| Investment income | 24 | (40,117) | (41,911) |
| **Operating cash flows before working capital changes** | | 5,593 | 6,172 |
| (Increase)/ decrease in insurance and other receivables and prepayments | | (7,049) | 71,606 |
| (Increase)/decrease in reinsurance assets | | (114,999) | 94,870 |
| Increase in deferred acquisition cost receivables | | (1,135) | (1,476) |
| Decrease in trade and other payables | | (18,775) | (11,364) |
| (Decrease)/ increase in deferred acquisition cost payable | | (2,925) | 2,807 |
| Increase/(decrease) in insurance liabilities | | 115,072 | (102,477) |
| **Net cash flows (used in)/ generated from operations** | | (24,218) | 60,138 |
| Interest received | | 39,538 | 39,235 |
| Dividend received | | 1,450 | 1,310 |
| Income tax paid | 17(a) | (3,695) | (11,920) |
| Contribution paid on retirement benefit obligations | 23(a)(iii) | (6,041) | (6,098) |
| **Net cash flows generated from operating activities** | | 7,034 | 82,665 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 6 | (1,607) | (991) |
| Purchase of intangible assets | 7 | (1,081) | (212) |
| Proceeds on disposal /maturity of financial assets | | 105,528 | 17,844 |
| Purchase of financial assets | 9 | (73,127) | (141,884) |
| Loan receivables disbursed | | (6,546) | - |
| Loan receivables repaid | | 11,699 | 1,182 |
| **Net cash flows generated from/ (used) in investing activities** | | 34,866 | (124,061) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividend paid | 19 | (23,002) | (38,990) |
| **Net cash used in financing activities** | | (23,002) | (38,990) |
| **Net increase /(decrease) in cash and cash equivalents** | | 18,898 | (80,386) |
| **CASH AND CASH EQUIVALENTS AT 01 JULY** | | 50,635 | 131,021 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | | 69,533 | 50,635 |
| **CASH AND CASH EQUIVALENTS** | | | |
| Bank and cash balances | | 49,541 | 41,969 |
| Bank overdraft | | - | (6,030) |
| Short term deposits | | 19,992 | 14,696 |
| | | 69,533 | 50,635 |

The notes on pages 60 to 104 form an integral part of these financial statements.
Auditors' report on pages 50 to 52.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**1. GENERAL INFORMATION**

SICOM General Insurance Ltd is a Public Limited Company, incorporated in the Republic of Mauritius on 22 April 2010. Its registered office is situated at Sir Celicourt Antelme Street, Port Louis, Mauritius. The principal activity of the Company is to transact General Insurance Business.

The Company has started trading as a separate company as from 01 July 2010, when the transfer of assets and liabilities has been finalised.

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 General Insurance 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 and all values are rounded to the nearest thousand (Rs'000), except where otherwise indicated.

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

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

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

**2.2 Changes in accounting policies**

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

| | Effective for accounting period beginning on or after |
|---|---|
| **Amendments** | |
| Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Amendment to IAS 7 - Disclosure Initiative | 1 January 2017 |

Where the adoption of the standard or interpretation or improvement is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

**Amendments to IAS 7 - Disclosure Initiative**

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

There has been no impact following the adoption of this standard on the financial statements for the current year as the notes and policies already included in the financial statements provide good understandability and comparability to the users.

**2.3 Accounting standards and interpretations issued but not yet effective**

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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**
**2.3 Accounting standards and interpretations issued but not yet effective (Continued)**

| | Effective for accounting period beginning on or after |
|---|---|
| **New or revised standards** | |
| IFRS 9 Financial Instruments | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |
| IFRS 17 Insurance Contracts | 1 January 2021 |
| **Amendments** | |
| Income tax –Income tax consequences of payments on financial instruments classified as equity | 1 January 2019 |
| Clarifications to IFRS 15 'Revenue from Contracts with Customers' | 1 January 2018 |
| Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) | 1 January 2018 |

The above standards issued and amendments to existing standards issued but not yet effective to have an impact on the Company are listed below:

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

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

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

*(a) Classification and measurement of financial assets*

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

1) The business model within which financial assets are managed; and

2) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

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

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

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

The accounting for financial liabilities is largely unchanged.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Accounting standards and interpretations issued but not yet effective (Continued)**

**IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition (Continued)**

*(a) Classification and measurement of financial assets (continued)*

**Expected Impact**

Transition

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Company will apply the new rules from 01 July 2018, however, comparatives for previous years will not be restated.

Classification and measurement

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

Government bonds currently classified as held-to-maturity and deposits classified as loan receivables and measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9.

Under available for sale investment, the company has both equity investment and debts instruments.

Based on management assessment, the debts instrument is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets. For debt financial instruments at FVOCI, fair value changes are recognised in other comprehensive income. Interest revenue, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss. Interest revenue and expected credit losses are computed and recognised in the same manner as financial assets measured at amortised cost. Upon derecognition, the net cumulative fair value gains or losses recognised in other comprehensive income are recycled to profit or loss.

Equity securities are measured at FVPL unless the entity choses, on initial recognition, to present fair value changes in other comprehensive income (OCI).This option is irrevocable and applies only to equity instruments which are not held for trading. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

The Company's financial instruments that are currently classified as available-for-sale will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the measurement for these assets.

*(b) Impairment*

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

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

Exposures would be divided into 3 stages as follows:

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

Stage 2: Exposures for which a significant increase in credit risk has occurred since origination. The Bank will assess 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 will be recognised for these assets.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Accounting standards and interpretations issued but not yet effective (Continued)**

**IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition (Continued)**

*(b) Impairment (Continued)*

Stage 3: Exposures which meet the definition of default. The Company has aligned its definition of default with the guideline issued by the Bank of Mauritius on Credit Impairment Measurement and Income Recognition, which considers 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 will be 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.

The adoption of IFRS 9 at 1 July 2018, by applying the accounting policies and ECL measurement methodologies outlined above, is expected to result in the following movements:

**Expected Impact**

Debt instruments measured at fair value through OCI:

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

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments, measured at FVOCI, and loan receivables and the impact will not be materially different from that of IAS 39.

**IFRS 15 Revenue from Contracts with Customers**

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

The five steps in the model are as follows:

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Accounting standards and interpretations issued but not yet effective (Continued)**

**IFRS 15 Revenue from Contracts with Customers (Continued)**
*(b) Impairment (Continued)*

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

Given insurance contracts are scoped out of IFRS 15, it will not have any impact on the performance of the Company for fee and commission income relating to insurance contracts. For other income in respect administration fees, there will not be any impact on the performance of the Company.

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short - duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contacts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfilment cash flows)

- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e, coverage period)

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice

- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period

- Amounts that the policy holder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet

- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense

- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a company of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt the new standard on the required effective date.

The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes - Income tax consequences of payments on financial instruments classified as equity - (Amendment to IAS 12)**

The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

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

**2.4 Summary of significant accounting policies**

**2.4.1 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated to write off the cost of the assets on a straight line basis over their estimated useful lives at the following rates: -

| | |
|---|---|
| Furniture and fittings | 10% |
| Office equipment | 10% |
| Computer equipment | 20% |

The assets' residual values, useful lives and depreciation method are reviewed and adjusted prospectively if appropriate at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**2.4.2 Intangible assets - Computer Software**

Computer software that is not considered to form an integral part of any hardware equipment is recorded as intangible assets. The software is capitalised at cost and amortised over its estimated useful lives of 2 - 8 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**2.4.3 Foreign currencies**

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing at that date. Profits and losses arising on exchange are included in profit or loss for the year.

**2.4.4 Financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held to maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are recognised initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs that are attributable to the acquisition of the financial asset

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (Continued)**

**2.4.4 Financial assets (Continued)**

***Initial recognition and measurement (Continued)***

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified at FVPL where the Company's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The AFS and HTM categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, held to maturity, available for sale financial assets, statutory deposits and fixed deposits.

For purposes of subsequent measurement, financial assets are classified in three categories

- AFS financial assets
- Loans and receivables
- HTM investments

*Available-for-sale financial assets*

AFS financial assets include equity and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in OCI in the AFS reserve (equity). Interest earned whilst holding AFS investments is reported as interest income using the Effective Interest Rate. Dividends earned whilst holding AFS investments are recognised in profit or loss as 'Investment income' when the right of the payment has been established. When the asset is derecognised or determined to be impaired, the cumulative gain or loss is reclassified from AFS reserve to profit or loss.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost, using the EIR method, less allowance for impairment. 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 'Investment income' in profit or loss. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

They are included in current assets when maturity is within twelve months after the end of the reporting period or non-current assets for maturities greater than twelve months.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

*Held to maturity financial assets*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment.

The EIR amortisation is included in 'Investment income' in profit or loss. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

***Derecognition of financial assets***

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

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

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

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

***Impairment of financial assets***

The Company assesses at each reporting date 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 deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, 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.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is 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 loss is recognised in profit or loss. Interest income (recorded as investment income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (Continued)**

**2.4.4 Financial assets (Continued)**

***Impairment of financial assets (Continued)***

*Available-for-sale financial investments (Continued)*

For AFS financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from OCI and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

***2.4.5 Financial liabilities***

Initial recognition and measurement

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 trade and other payables, bank overdrafts and loans and borrowings.

***Subsequent measurement***

*Loans and borrowings*

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

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

***Derecognition of financial liabilities***

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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (Continued)**

**2.4.6 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.

**2.4.7 Fair value measurement**

The Company measures financial instruments, such as available for sale financial assets at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 9.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's valuation committee determines the policies and procedures for both recurring fair value measurement, such as available for sale financial assets.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (Continued)**

**2.4.8 Equity instruments**

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 by the Company are recognised at the proceeds received, net of direct issue costs.

**2.4.9 Dividends**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are approved.

Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

**2.4.10 Taxation**

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date, in the countries where the Company operates and generates taxable income. The income tax is recognised as a charge in profit or loss.

*Deferred income tax*

Deferred income tax is provided using the liability method 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, associates and interests in joint ventures, 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 income 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 and there are convincing evidence 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 utilized except:

- where the deferred income 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, associates and interests in joint ventures, deferred income 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 utilized.

The carrying amount of deferred income 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 income tax asset to be utilized. Unrecognized deferred income 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 to 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.

Deferred tax relating to items recognised outside profit or loss is 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 income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (Continued)**

**2.4.10 Taxation (Continued)**

*Deferred income tax (Continued)*

Deferred income tax assets and deferred income tax liabilities are offset only where both criteria below are met:

(a) has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

*Corporate Social Responsibility*

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility (CSR) is regarded as a tax and is therefore subsumed with the income tax shown within the profit or loss and the income tax liability on the statement of financial position.

The CSR charge for the current period is measured at the amount expected to be paid to the Mauritian tax authorities. The CSR rate and laws used to compute the amount are those charged or substantively enacted by the reporting date.

*Alternative Minimum Tax (AMT)*

Alternative Minimum Tax (AMT) is provided for where the Company has a tax liability of less than 7.5% of its book profit and pays a dividend. AMT is calculated as the lower of 10% of the dividend declared and 7.5% of book profit.

**2.4.11 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand, short terms deposits and bank overdraft. 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. Bank overdraft is shown in current liabilities in the statement of financial position. Cash and cash equivalents are measured at amortized cost.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

**2.4.12 Pension benefit obligations**

***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.

***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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (Continued)**

**2.4.12 Pension benefit obligations (Continued)**

***Defined Benefit plan (Continued)***

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.

***State plan and Defined Contribution plan***

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

**2.4.13 Revenue Recognition**

*(i) Premiums earned*

Premium written is accounted for policies incepting in the financial year. Provision for unearned premium has been made and represents the proportion of premium written in the year, which relates to the unexpired terms of policies in force at the reporting date, calculated on the basis of the 365th method.

*(ii) Investment and other income*

Investment income comprises of dividend and interest for the year. Dividend income is accounted when the right for payment is established. Interest income is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate applicable.

**2.4.14 Insurance contracts**

*Insurance contracts - classification*

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired.

Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Contracts not considered to be insurance contracts under IFRS are classified as investment contracts. The Company does not issue any investment contracts.

Insurance contracts issued by the Company are short term insurance contracts and are classified under the following classes of business: motor, accident & health, engineering, liability, property, transportation, guarantee and miscellaneous. These contracts provide compensation following damage to or loss of property, goods, equipment, losses and expenses incurred, sickness and loss of earnings resulting from the occurrence of the events insured against.

*Reinsurance contracts*

Reinsurance contracts entered into by the Company are either of proportional or non-proportional type. Under a proportional treaty, the premiums and claims are apportioned between the Company and the reinsurer in agreed proportions. Proportional reinsurance may be either in the form of a quota share whereby the proportion of each risk reinsured is fixed, or in the form of surplus whereby the Company can retain a part of a risk within a fixed limit, and the reinsurer accepts part of the risk as a multiple of the Company's retention.

Under the non-proportional type of reinsurance, the Company uses the Excess of Loss treaty whereby in consideration for a premium, the reinsurer agrees to pay claims in excess of a specified amount (the retention), up to a specified maximum amount.

The Company reinsures either on a treaty basis, with all risks falling within the treaty terms, conditions and limits being reinsured automatically, or on a facultative basis.

Under facultative reinsurance, risks are offered to the reinsurer on an individual basis and can be accepted or rejected by the reinsurer.

Short-term balances due from reinsurers are classified within accounts receivable and amounts that are dependent on the expected claims and benefits arising under the related reinsurance contracts are classified under reinsurance assets.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (Continued)**

**2.4.14 Insurance contracts (Continued)**

*Reinsurance contracts (Continued)*

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Any gains and losses on buying reinsurance contracts are recognised immediately in profit or loss and are not subject to amortisation.

Reinsurance assets are reviewed for impairment. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. If reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in profit or loss.

*Claims expenses and outstanding claims provisions*

Claims expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to policy holders or third parties.

Outstanding claims provision represents the estimated ultimate cost of settling all claims admitted or intimated but not yet settled at the end of the reporting period, and provisions for claims incurred but not reported (IBNR). The outstanding claims includes related expenses. The Company does not discount its liabilities for unpaid claims.

Significant delays can be expected in the notification and settlement of certain claims, especially in respect of liability class of business, the ultimate cost of which cannot therefore be known with certainty at the end of the reporting period. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure and that the provision is determined using best estimates of claims development patterns, forecast inflation and settlement of claims. Outstanding claims provisions are not discounted and include an allowance for expected future recoveries. Recoveries include non-insurance assets that have been acquired by exercising rights to sell, salvage or subrogate under the terms of the insurance contracts.

*Incurred but not reported claims (IBNR)*

IBNR calculation is calculated on an actuarial method which consists of the projection of incurred but not reported claims based on the claims reporting delay pattern for the Company over the last twelve years.

*Salvage and subrogation reimbursements*

Salvage is the equitable right of the Company to the residual value of property for which it has paid a total loss. When the Company compensates an insured due to a loss caused by a third party, it is subrogated to the right of the insured to be compensated by that third party.

Estimates of salvage and subrogation are taken into consideration while calculating provisions for outstanding claims. The salvage property and subrogation reimbursements are recognised in other assets when the liabilities are settled. Allowance for salvage is the amount that can reasonably be recovered from the disposal of property whereas the subrogation allowance is the assessment of the amount that can be recovered from the action against the liable third party.

*Deferred acquisition costs*

The liability for commissions payable is recognised at the inception date of the insurance contract/endorsement.

Commissions payable and reinsurance commissions receivable relating to unexpired premiums are recognised and released to profit or loss as and when the premiums are earned.

*Provision for unearned premiums*

The provision for unearned premiums represents the portion of premiums written on insurance contracts relating to periods of insurance risks subsequent to the reporting date. It is calculated on the inception basis of the 365th method .The movement on the provision is taken to profit or loss in order for revenue to be recognised over the period of the risk. The provision is derecognized when the contract expires, is discharged or cancelled.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (Continued)**

**2.4.14 Insurance contracts (Continued)**

*Liability adequacy test*

At the end of each reporting period, the Company reviews its unexpired risk and carries out a liability adequacy test for any overall excess of expected claims over unearned premiums using the current best estimates of future cash flows under its contracts after taking into account the investment returns expected to arise on assets backing such liabilities. Any deficiency is immediately recognised in profit or loss and a provision is established in the statement of financial position (the unexpired risk provision).

**3. MANAGEMENT OF INSURANCE RISKS**

The Company's activities expose it to a variety of insurance risks. A description of the significant risk factors is given below together with the risk management policies applicable.

**3.1 Insurance risk**

Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

The main risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This may occur if the frequency or severity of claims and benefits are greater than estimated.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy so as to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, accumulation of risk and type of industry covered.

***3.1.1 Frequency and severity of claims***

The frequency and severity of claims can be affected by several factors. The most significant claims result from accident, liability claims awarded by the Court, cyclone, flooding, fire and allied perils and their consequences. Inflation is also a significant factor due to the long period typically required to settle some claims.

The Company's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Company has in place underwriting criteria to ensure that risk accepted are as per acceptance guidelines. Management reviews performance of individual insurance policies and the Company reserves the right to review terms and conditions at renewal or not to renew an insurance.

Reinsurance arrangements under treaties and facultative basis mitigate the severity of claims as risk retained is predetermined.

The Company can impose deductibles and has the right to reject the payment of a fraudulent claim.

Where relevant, the Company may pursue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**3. MANAGEMENT OF INSURANCE RISKS (CONTINUED)**

**3.1 Insurance risk (Continued)**

***3.1.2 Concentration of insurance risk***

The following table discloses the concentration of outstanding claims by class of business, gross and net of reinsurance.

| Class of Business | 2018 | | | |
|---|---|---|---|---|
| | No of claims | Gross | Reinsurance of liabilities | Net |
| | | Rs'000 | Rs'000 | Rs'000 |
| Motor | 5,240 | 43,175 | 39,879 | 3,296 |
| Property | 109 | 40,056 | 41,033 | (977) |
| Transport | 5 | 147,288 | 147,263 | 25 |
| Engineering | 35 | 6,578 | 5,511 | 1,067 |
| Accident & Health | 21,339 | 54,454 | 39,463 | 14,991 |
| Liability | 787 | 56,540 | 59,812 | (3,272) |
| Miscellaneous | 193 | 5,539 | 4,704 | 835 |
| Incurred but not Reported (IBNR) | - | 40,729 | - | 40,729 |
| | 27,708 | 394,359 | 337,665 | 56,694 |

| Class of Business | 2017 | | | |
|---|---|---|---|---|
| | No of claims | Gross | Reinsurance of liabilities | Net |
| | | Rs'000 | Rs'000 | Rs'000 |
| Motor | 5,025 | 88,435 | 61,028 | 27,407 |
| Property | 98 | 28,659 | 29,885 | (1,226) |
| Transport | 11 | 27,814 | 27,854 | (40) |
| Engineering | 55 | 5,981 | 5,086 | 895 |
| Accident & Health | 18,266 | 53,453 | 38,215 | 15,237 |
| Liability | 633 | 51,808 | 48,460 | 3,348 |
| Miscellaneous | 141 | 6,153 | 5,166 | 987 |
| Incurred but not Reported (IBNR) | - | 27,616 | - | 27,616 |
| | 24,229 | 289,919 | 215,694 | 74,224 |

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

***3.1.3 Sources of uncertainty***

Most claims on short term insurance contracts are payable on a claims-occurrence basis. Under claims occurrence basis, the Company is liable for insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims may be settled over a long period of time and a significant element of the claims provision relates to incurred but not reported claims (IBNR).

The estimated costs of claims include direct expenses to be incurred in settling claims, net of subrogation and salvage recoveries. The Company ensures that claims provisions are determined using the best information available of claims settlement patterns, court awards and forecast inflation. However, given the uncertainty in determining claims provisions, it is likely that the final claim settlement will differ from the original liability estimate.

The Company has ensured that liabilities as stated in the statement of financial position are adequate.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

### 3. MANAGEMENT OF INSURANCE RISKS (CONTINUED)

#### 3.1 Insurance risk (Continued)

#### 3.1.3 Sources of uncertainty (Continued)

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims.

| 2018 | Change in assumptions | Impact on gross liabilities | Impact on reinsurance share of liabilities | Impact on profit before tax | Impact on equity |
|---|---|---|---|---|---|
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **Average claim cost** | **10%** | **35,363** | **33,767** | **1,597** | **1,325** |

| 2017 | Change in assumptions | Impact on gross liabilities | Impact on reinsurance share of liabilities | Impact on profit before tax | Impact on equity |
|---|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Average claim cost | 10% | 26,230 | 21,569 | 4,661 | 3,868 |





# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

#### 3.1.4 Claims development table

The table below illustrates how the estimates of total claims outstanding for each year have changed at successive year-ends and reconciles the cumulative claims to the amount appearing in the statement of financial position.

| | Financial year of Loss | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | prior 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | **2018** | Total |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | **Rs'000** | Rs'000 |
| At end of loss year | - | 72,845 | 90,666 | 145,249 | 133,442 | 120,076 | 90,867 | 114,745 | 126,789 | 122,660 | 159,841 | 183,423 | 199,785 | **232,567** | 1,792,955 |
| One year later | - | 12,143 | 18,801 | 26,912 | 31,722 | 14,906 | 10,135 | 6,090 | 3,600 | 7,033 | 18,112 | 23,856 | 22,624 | **-** | 195,934 |
| Two years later | - | (138) | (787) | (2,143) | 584 | 211 | 3,095 | 535 | 2,962 | (1,626) | (1,835) | (3,976) | - | **-** | (3,118) |
| Three years later | - | 360 | 872 | (1,658) | 2,287 | 5,832 | 439 | (2,076) | 5,224 | 1,511 | (628) | - | - | **-** | 12,163 |
| Four years later | - | 1,168 | 765 | (1,379) | (1,164) | 4,809 | 3,327 | 1,136 | 5,828 | (656) | - | - | - | **-** | 13,834 |
| Five years later | - | 845 | 1,457 | 615 | 2,598 | 169 | 2,399 | 574 | 1,036 | - | - | - | - | **-** | 9,693 |
| Six years later | - | 292 | (187) | 1,573 | 441 | 2,362 | 56 | 1,807 | - | - | - | - | - | **-** | 6,344 |
| Seven years later | - | 487 | 641 | 549 | 2,171 | (161) | 834 | - | - | - | - | - | - | **-** | 4,521 |
| Eight years later | - | 420 | (642) | 197 | 261 | (2,769) | - | - | - | - | - | - | - | **-** | (2,533) |
| Nine years later | - | - | (77) | (1,158) | 3,266 | - | - | - | - | - | - | - | - | **-** | 2,031 |
| Ten years later | - | (193) | 434 | 623 | - | - | - | - | - | - | - | - | - | **-** | 864 |
| Eleven years later | - | - | 13 | - | - | - | - | - | - | - | - | - | - | **-** | 13 |
| Twelve years later | - | 251 | - | - | - | - | - | - | - | - | - | - | - | **-** | 251 |
| Current claims paid to date | **-** | **88,480** | **111,956** | **169,380** | **175,608** | **145,435** | **111,152** | **122,811** | **145,439** | **128,922** | **175,490** | **203,303** | **222,409** | **232,567** | **2,032,952** |
| IBNR | - | - | - | 117 | - | (602) | (797) | (244) | (2,103) | (2,880) | (3,560) | 877 | 8,482 | **41,439** | 40,729 |
| Outstanding reported | (3,262) | 1,544 | (1,098) | (92) | 908 | 2,626 | 3,385 | 5,469 | (17,802) | 14,105 | 9,721 | 1,853 | (9,776) | **8,384** | 15,965 |
| Net liability | **(3,262)** | **1,544** | **(1,098)** | **25** | **908** | **2,024** | **2,588** | **5,225** | **(19,905)** | **11,225** | **6,161** | **2,730** | **(1,294)** | **49,823** | **56,694** |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**3. MANAGEMENT OF INSURANCE RISKS (CONTINUED)**

**3.1 Insurance risk (Continued)**

***3.1.5 Reinsurance strategy***

Reinsurance purchases are reviewed annually to verify that the levels of protection being bought reflect any developments in exposure and risk appetite of the Company. The Company is exposed to risks of default by reinsurers in respect of their share of reinsurance liabilities and there may be disputes in contract wordings, especially on facultative reinsurance placements. To minimise the reinsurance credit exposure, reinsurance is placed with top-rated and/or credit-worthy Reinsurers who meet the Company's counterparty security requirements and the Company regularly monitors its exposure.

**4. FINANCIAL RISK**

The Company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from insurance contracts. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Company's financial performance. The main risks to which the Company is exposed are as follows:

- Market risk (which includes foreign exchange risk, interest rate risk and equity price risk);

- Credit and liquidity risks

**4.1 Market risk**

**4.1.1 Foreign currency risk**

The Company's financial assets, which are exposed to foreign currency risks, consist mainly of deposits and trade receivables. Management monitors the Company's currency position on a regular basis. The carrying amount of the Company's foreign currency denominated financial assets at the reporting date is as follows:

Concentration of assets under:

| Financial assets | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| MUR | 1,439,820 | 1,507,189 |
| USD | 108,776 | 113,814 |
| GBP | 63 | 62 |
| EUR | 533 | 885 |
| AUD | 603 | 821 |
| | 1,549,795 | 1,622,771 |

| Financial liabilities | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| MUR | 114,739 | 133,512 |




# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018


**4. FINANCIAL RISK (CONTINUED)**

**4.1 Market risk (Continued)**

**4.1.1 Foreign currency risk (Continued)**

Consequently the Company is exposed to risks that the exchange rate relative to these currencies may change in a manner, which has an effect on the reported value of that portion of the Company's net assets which is denominated in currencies other than the Mauritian Rupee. The following table details the Company's sensitivity to a 5% increase/decrease of USD, GBP, EUR and AUD against mauritian rupee.

| | | 2018 | | 2017 | |
|---|---|---|---|---|---|
| | Changes in variables | Impact on profit before tax | Impact on equity | Impact on profit before tax | Impact on equity |
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| USD | +5% | 5,439 | 5,439 | 5,691 | 5,691 |
| | -5% | (5,439) | (5,439) | (5,691) | (5,691) |
| GBP | +5% | 3 | 3 | 3 | 3 |
| | -5% | (3) | (3) | (3) | (3) |
| EUR | +5% | 27 | 27 | 44 | 44 |
| | -5% | (27) | (27) | (44) | (44) |
| AUD | +5% | 30 | 30 | 41 | 41 |
| | -5% | (30) | (30) | (41) | (41) |

**4.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value of financial instruments or the future cash flows related to financial instruments will change due to a change in interest rates.The Company is exposed to interest rate fluctuations on the international and domestic markets. The Company monitors closely interest rate trends and related impact on investment income for performance evaluation and better management.

The interest rate risk arises on loan receivables,mauritius government securities,fixed deposits, cash and cash equivalents, bank overdrafts and short term deposits.

The interest rate profile of the Company was as follows:

| | 2018 | 2017 |
|---|---|---|
| | % per annum | % per annum |
| Government bonds | 3.25 - 9.25 | 3.25 - 9.25 |
| Treasury notes | 2.90 - 4.25 | 2.46 - 4.25 |
| Treasury Bills | 3.42 - 3.63 | n/a |
| Corporate bonds - Floating | repo + 1.35 | repo + 1.35 |
| Corporate bonds - Fixed | 6.00 | 6.00 |
| Fixed deposits - Local: | | |
| Non-current | n/a | 5.30 - 7.00 |
| Current | 4.80 - 7.00 | n/a |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**4. FINANCIAL RISK (CONTINUED)**

**4.1 Market risk (Continued)**

**4.1.2 Interest rate risk (Continued)**

| | 2018 | 2017 |
|---|---|---|
| | % per annum | % per annum |
| Fixed deposits - Foreign - USD | 2.50 - 3.00 | 1.70 - 2.15 |
| Floating deposits - Local | | |
| Non-current | n/a | Savings + (3.00 - 3.20) |
| Current | Savings + (3.00 - 3.20) | n/a |
| Foreign currency call deposits: | | |
| USD | 0.00 - 0.10 | 0.00 - 0.10 |
| GBP | 0.10 | 0.10 |
| EUR | 1.01 | 0.01 |
| Local Call Deposits | | |
| MUR | 0.60 - 1.90 | 0.60 - 2.40 |

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| Changes in interest | Impact on profit before tax | Impact on equity | Impact on profit before tax | Impact on equity |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| + 250 basis points | 205 | 205 | 224 | 224 |
| - 250 basis points | (205) | (205) | (224) | (224) |

The increase or decrease in the interest rate sensitivity is due to fluctuations in the interest rates of local and foreign currency call deposits and local floating deposits and corporate bonds at 30 June 2018 as compared to 30 June 2017.

The interest rate sensitivity analysis excludes:-

Government securities, foreign currency term deposits and local currency fixed deposits which have fixed interest rates and thus will not be affected by fluctuations in the level of interest rates.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**4. FINANCIAL RISK (CONTINUED)**

**4.1 Market risk (Continued)**

**4.1.3 Price risk**

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company's price policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each industry sector and markets.The Company has invested in securities quoted on the Stock Exchange of Mauritius as illustrated below:

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Bonds | 25,252 | 25,745 |
| Equities | 39,772 | 47,101 |
| | 65,024 | 72,846 |

The following table details the Company's sensitivity to a 5 % increase/decrease in the prices of the quoted shares.

| Changes in share price | 2018 | 2017 |
|---|---|---|
| | Impact on Equity | Impact on Equity |
| | Rs'000 | Rs'000 |
| +5% | 3,251 | 3,642 |
| -5% | (3,251) | (3,642) |

**4.2 Credit risk**

Credit risks is a risk that a counterparty will be unable to pay an amount in full when due. The Company's credit risk is primarily attributable to its reinsurance assets, loan receivables, insurance and other receivables and investment in debt securities. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment.

The Credit Control department assesses the creditworthiness of brokers, agents and of contract holders based on details of recent payment history, past experience and by taking into account their financial position. The Company is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid. Management monitors the financial strength of its reinsurers and has policies in place to ensure that risks are ceded to top-rated and credit-worthy reinsurers only. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company also has exposure to credit risk on its securities. The Investment Committee assesses the credit quality of the issuers based on past experience the Company had with those issuers. The Investment Committee recommends investment in entities with which the Company had good experience with in the past years and with good standing. The financial performance and position of the issuers are assessed in detail prior to approval is obtained for investment by the Company. The table shows the maximum exposure to credit risk for the components of the financial position.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**4. FINANCIAL RISK (CONTINUED)**

**4.2 Credit risk (Continued)**

| Financial assets | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| Held to maturity investments | 527,336 | 549,691 |
| Available for sale financial assets * | 25,252 | 25,745 |
| Statutory deposit | 7,942 | 7,942 |
| Fixed deposits | 126,357 | 126,251 |
| Loan receivables | 12,213 | 17,366 |
| Insurance and other receivable** | 203,751 | 204,167 |
| Reinsurance assets | 537,639 | 422,640 |
| Short term deposit | 19,992 | 14,696 |
| Cash and bank balance | 49,541 | 41,969 |
| | 1,510,023 | 1,410,467 |

* Excludes equity instruments.

**Excludes sundry deposits and deferred expenses

**4.3 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 by delivery of cash or another financial assets.

The Company is exposed to daily payments of benefits to clients and to repayment of financial liabilities.

The Company's liquidity position is monitored on a regular basis. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets.

The table below summarises the Company's trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

| | 1 to 3 months | 3 months to 1 year | On demand | Total |
|---|---|---|---|---|
| **At 30 June 2018** | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Financial liabilities | | | | |
| Insurance liabilities* | - | - | 394,359 | 394,359 |
| Trade and other payables | 15,481 | 4,152 | 95,106 | 114,739 |
| Dividend payable | - | 25,788 | - | 25,788 |
| **Total liabilities** | 15,481 | 29,940 | 489,465 | 534,886 |
| At 30 June 2017 | | | | |
| Financial liabilities | | | | |
| Insurance liabilities* | - | - | 289,918 | 289,918 |
| Trade and other payables ** | 11,434 | 4,239 | 123,691 | 139,364 |
| Dividend payable | - | 23,002 | - | 23,002 |
| Bank overdraft | - | - | 6,030 | 6,030 |
| **Total liabilities** | 11,434 | 27,241 | 419,639 | 458,314 |

* Insurance contract liabilities exclude unearned premium.

** Excludes sundry deposits



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

**4 FINANCIAL RISKS (CONTINUED)**

**4.4 Reinsurers' default**

The Company is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid. Management monitors the financial strength of its reinsurers.

**4.5 Capital risk management**

The Company's objectives when managing capital are :

- To comply with the mimimum capital requirements of the Insurance Act 2005 and the Insurance Rules and Regulation 2007;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for its policyholders;
- To provide an adequate return to shareholders by pricing insurance contracts in line with the level of risk and also be solvent.

The Company manages the miminum capital requirement as follows:

Different targets level are set above the statutory requirements, providing a buffer in order to remain solvent at all times and this is monitored on a quarterly basis. Capital planning is done to ensure we minimise the risk of being below the mimimum required and these calculations are done under different stress test scenarios using parameters in different areas of risks such as equity risk, interest rate risk, credit risk, business risk and currency risk. Reinsurance is used to reduce the volality of our results, thus reducing our capital needs. This risk is further reduced by using rated reinsurers in our panel.

The operations of the Company is also subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g capital adequacy) to minimise the risk of default and insolvency to meet unforeseen liabilities. In reporting financial strength, capital and solvency is measured using the rules prescribed by the Insurance Acts.

For the year ended 30 June 2018, the Company has satisfied the minimum capital requirement.

**4.6 Fair value measurements**

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 that are not based on observable market data (unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

At 30 June 2018

**4.6 Fair value measurements (Continued)**

| | 2018 | | | |
|---|---|---|---|---|
| Available-for-sale financial assets | Level 1 | Level 2 | Level 3 | Total |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Quoted Equities | 39,758 | - | - | 39,758 |
| Unquoted Equities | - | - | - | - |
| Quoted Bonds | 25,252 | - | - | 25,252 |
| **Total** | 65,010 | - | - | 65,010 |

| | 2017 | | | |
|---|---|---|---|---|
| Available-for-sale financial assets | Level 1 | Level 2 | Level 3 | Total |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Quoted Equities | 47,087 | - | - | 47,087 |
| Unquoted Equities | - | - | - | - |
| Quoted Bonds | 25,745 | - | - | 25,745 |
| **Total** | 72,832 | - | - | 72,832 |

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

**Valuation of insurance contract liabilities**

The uncertainty inherent in the financial statements of the Company arises mainly in respect of insurance liabilities, which include outstanding claims provision (including IBNR). In addition to the inherent uncertainty when estimating liabilities, there is also uncertainty as regards the eventual outcome of claims. As a result, the Company applies estimation techniques to determine the appropriate provisions.

These estimates are described below:

The estimation of ultimate liability arising from the claims made under insurance contracts is one of the Company's most critical accounting estimates. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the significant part of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain –Ladder and Cape Cod. For each class of business, the decision to use a chain ladder and Cape Cod approach was made based on the observed claims development to date. A rule of thumb was applied: for loss years where observed claims development was less than 75% the cape cod method was used on the basis that the observed claims are not felt to be credible enough on their own to form the basis of an estimate; for loss years where observed claims development was more than 75% the chain ladder method was used.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

At 30 June 2018

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

**Valuation of insurance contract liabilities (Continued)**

Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. General insurance loss reserves require significant judgment relating to factors and assumptions such as inflation, claims development patterns and regulatory changes.

Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, not all catastrophic events can be modeled using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The Company adopts multiple techniques to estimate the required level of provisions, thereby setting a range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and risks involved.

**Recoverable amount on insurance and other receivables**

In preparing those financial statements, the directors have made estimates of the recoverable amounts of insurance and other receivables and impaired those receivables where the carrying amounts exceeded recoverable amounts. The estimation of recoverable amounts involve an assessment of the financial condition of the debtors concerned and estimate of the timing and the extent of cash flows likely to be received by the Company.

**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.

**Reinsurance**

The Company is exposed to disputes on, and defects in, contract wordings and the possibility of default of its Reinsurers. The Company monitors the financial strength of their Reinsurers. Allowance will be made in the financial statements for non-recoverability in case of Reinsurer's default.

**Impairment of available-for-sale financial assets**

The Company follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee.

**Pension benefits**

The present value of the pension obligations depend 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

### 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

**Pension benefits (Continued)**

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 liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 23.

### 6. PROPERTY, PLANT AND EQUIPMENT

| | Furniture & Fittings | Office Equipment | Computer Equipment | Total |
|---|---|---|---|---|
| **(a) COST** | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 01 July 2016 | 444 | 263 | 3,216 | 3,923 |
| Additions | 597 | 16 | 378 | 991 |
| Scrapped | - | - | (328) | (328) |
| At 30 June 2017 | 1,041 | 279 | 3,266 | 4,586 |
| Additions | 22 | 12 | 1,573 | 1,607 |
| Scrapped | - | - | (170) | (170) |
| **At 30 June 2018** | **1,063** | **291** | **4,669** | **6,023** |
| **DEPRECIATION** | | | | |
| At 01 July 2016 | 242 | 100 | 1,947 | 2,289 |
| Charge for the year | 76 | 31 | 291 | 398 |
| Scrapped | - | - | (328) | (328) |
| At 30 June 2017 | 318 | 131 | 1,910 | 2,359 |
| Charge for the year | 94 | 26 | 542 | 662 |
| Scrapped | - | - | (170) | (170) |
| **At 30 June 2018** | **412** | **157** | **2,282** | **2,851** |
| **NET BOOK VALUE** | | | | |
| **At 30 June 2018** | **651** | **134** | **2,387** | **3,172** |
| At 30 June 2017 | 723 | 148 | 1,356 | 2,227 |

(b) Depreciation charge of **Rs. 662,000** (2017: Rs. 398,000) has been included in administrative and other expenses.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

### 7. INTANGIBLE ASSETS

| | Computer Software | |
|---|---|---|
| | **2018** | 2017 |
| | **Rs'000** | Rs'000 |
| **(a) COST** | | |
| At 01 July | **10,644** | 10,432 |
| Additions | **1,081** | 212 |
| **At 30 June** | **11,725** | 10,644 |
| **AMORTISATION** | | |
| At 01 July | **5,396** | 3,857 |
| Charge for the year | **1,789** | 1,539 |
| **At 30 June** | **7,185** | 5,396 |
| **NET BOOK VALUE** | | |
| At 30 June | **4,540** | 5,248 |

(b) Amortisation charge of Rs. 1,789,000 (2017: Rs. 1,539,000) has been included in administrative and other expenses.

### 8. STATUTORY DEPOSITS

In compliance with the Insurance Act 2005, statutory deposits represent investments in Mauritius Government Securities earning interest at the rate of 7.00% per annum and maturing on 16 November 2022.

### 9. OTHER FINANCIAL ASSETS

| | Held-to-maturity | Available-for-sale | Total |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| At 01 July 2016 | 427,862 | 62,315 | 490,177 |
| Additions | 138,341 | 3,543 | 141,884 |
| Maturity/disposal | (17,719) | (90) | (17,809) |
| Interest/gain receivable adjustment | 1,207 | - | 1,207 |
| Increase in fair value | - | 7,078 | 7,078 |
| At 30 June 2017 | 549,691 | 72,846 | 622,537 |
| Additions | 70,605 | 2,522 | 73,127 |
| Matured/disposed | (93,100) | (7,142) | (100,242) |
| Interest/gain receivable adjustment | 140 | - | 140 |
| Decrease in fair value | - | (3,202) | (3,202) |
| **At 30 June 2018** | **527,336** | **65,024** | **592,360** |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

### 9. OTHER FINANCIAL ASSETS (CONTINUED)

(a) Analysed as follows:

| | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| **Non-current** | | |
| Held to maturity investments | 380,104 | 475,537 |
| Available-for-sale | 65,024 | 72,846 |
| | 445,128 | 548,383 |
| **Current** | | |
| Held to maturity investments | 147,232 | 74,154 |
| Available-for-sale | - | - |
| | 147,232 | 74,154 |

(b) Held-to-maturity investments comprise of Mauritius Government Securities with interest rates ranging from 2.90% - 9.25% (2017: 2.46% - 9.25%) per annum and maturity dates varying between 2018 to 2031. The fair values of the held to maturity investments are Rs. 553 m (2017: Rs. 550m).

(c) Available-for-sale financial assets include the following:

| | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| Equity securities (listed) | 39,758 | 47,087 |
| Equity securities (unquoted) | 14 | 14 |
| Debt securities (listed) | 25,252 | 25,745 |
| | 65,024 | 72,846 |

The fair value of equity and debt securities are based on the Stock Exchange of Mauritius (SEM) prices at the close of business at the end of the reporting date. Unquoted available-for-sale securities for which reliable fair values cannot be obtained have been stated at cost and it is of the opinion that these investments have not been impaired.

(d) Held-to-maturity investments and available–for–sale securities are denominated in MUR.

(e) The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as stated on the statement of financial position.

(f) None of the financial assets are either past due or impaired.

### 10. FIXED DEPOSITS

| | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| At 01 July | 126,251 | 123,500 |
| Amortisation | 106 | 2,751 |
| | 126,357 | 126,251 |



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

### 10. FIXED DEPOSITS (CONTINUED)

The analysis shows the maturity profile of the fixed deposit as follows:

| | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| Less and equal to one year | 126,357 | - |
| Less and equal to third year | - | 126,251 |
| | 126,357 | 126,251 |

(a) The deposits earn interest at rates varying between **4.80%** to **7.00%** (2017: 5.30% to 7.00%) per annum. The fair values of the fixed deposit are Rs.126 M (2017: Rs. 126 M).

(b) The fixed deposits are denominated in MUR.

(c) None of the deposits are either past due or impaired.

### 11. LOAN RECEIVABLES

| | Subordinated loans Rs'000 | Other loans Rs'000 | Total Rs'000 |
|---|---|---|---|
| At 01 July 2016 | 10,000 | 8,548 | 18,548 |
| Repayments | - | (1,182) | (1,182) |
| At 30 June 2017 | 10,000 | 7,366 | 17,366 |
| Additions | - | 6,546 | 6,546 |
| Repayments | (10,000) | (1,699) | (11,699) |
| **At 30 June 2018** | - | 12,213 | 12,213 |
| Analysed as follows: | | | |
| **2018** | | | |
| **Non-current** | - | 9,296 | 9,296 |
| **Current** | - | 2,917 | 2,917 |
| | - | 12,213 | 12,213 |
| 2017 | | | |
| Non-current | - | 4,907 | 9, 4,907 |
| Current | 10,000 | 2,459 | 12,459 |
| | 10,000 | 7,366 | 17,366 |

Subordinated unsecured loan bear fixed interest rate at 10% per annum and the capital has been paid on 13 July 2017. Other loans bear interest at 2.00% to 4.00% (2017: 2% to 4%) per annum and have repayment terms of seven years.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

### 12. DEFERRED TAXATION

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

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

| | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| At 01 July | 7,918 | 5,826 |
| Underprovision of deferred tax (note 17 (b)) | 1,064 | - |
| Credited to profit or loss (note 17(b)) | 688 | 181 |
| Credited to other comprehensive income | 3,150 | 1,911 |
| **At 30 June** | 12,820 | 7,918 |

(b)

| | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| Deferred tax assets | 13,987 | 8,969 |
| Deferred tax liabilities | (1,167) | (1,051) |
| | 12,820 | 7,918 |

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.

(c) Deferred tax assets and liabilities are attributable to the followings:

| | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| Deferred tax liabilities | | |
| Accelerated tax depreciation | (1,167) | (1,051) |
| Deferred tax assets | | |
| Pension benefit obligations | 13,843 | 8,969 |
| Provision for bad debts | 144 | - |
| | 13,987 | 8,969 |



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

### 13. INSURANCE AND OTHER RECEIVABLES

**Insurance and other receivables**

| | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| Insurance receivable | 185,130 | 195,392 |
| Provision for credit impairment | (849) | (255) |
| | 184,281 | 195,137 |
| Amount due from reinsurers | 8,251 | 6,576 |
| Dividend and interest receivables | 936 | 2,052 |
| Other receivables | 20,122 | 14,776 |
| Amount due from holding company | 9,423 | - |
| | 223,013 | 218,541 |

The carrying amounts of insurance and other receivables approximate their fair values.

(a) Movement in provision for credit impairment:

| | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| At 01 July | 255 | 316 |
| Charge for the year | 919 | - |
| Write off | (325) | (61) |
| **At 30 June** | 849 | 255 |

The individually impaired premiums mainly relate to policyholders who are in unexpectedly difficult economic situations.

The credit period on premium receivable is determined with regards to the status of clients and amount of premium involved monthly.

Provision for credit impairment is normally determined by the Company as premium due for more than one year. No interest is charged on the premium.

Before accepting any new customer, the technical department assesses the credit quality of the customer and defines the terms and credit limits accordingly.

Analysis of the age of premiums receivables is as follows

| | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| Current | 120,368 | 137,203 |
| Up to 2 mths | 43,938 | 36,379 |
| > 2months < 3 months | 4,462 | 4,545 |
| > 3months < 6 months | 9,464 | 15,151 |
| > 6 months < 1 year | 5,993 | 728 |
| > 1 year | 56 | 1,131 |
| | 184,281 | 195,137 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

### 13. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

In determining the recoverability of a premium, the Company considers any change in the credit quality of the premium from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, it is believed that there is no further credit provision required in excess of the allowance for doubtful debts.

The carrying amounts of premium and other receivables are denominated in the following currencies:

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| MUR | 133,029 | 117,696 |
| USD | 89,380 | 99,490 |
| EURO | - | 534 |
| AUD | 603 | 821 |
| | 223,012 | 218,541 |

Amount due from reinsurers include impaired assets of Rs. 5,085,730 (2017: Rs. 5,085,730). The other classes within insurance and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

### 14. SHORT-TERM DEPOSITS

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 14,696 | 85,708 |
| Additions | 5,296 | - |
| Matured | - | (71,012) |
| | 19,992 | 14,696 |

Short-term deposits comprise of fixed and call deposits in foreign currency with banks earning interest rates ranging from 0.01% - 7.00% (2017: 0.01% - 2.15%) per annum. The fixed deposits have maturity dates within one year from the end of the reporting date.

The foreign currency deposits are held in a basket of major currencies traded.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

### 15. NET EARNED PREMIUMS

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| (a) Gross premium earned | 789,020 | 757,040 |
| Change in unearned premium provision | (10,631) | 1,853 |
| | 778,389 | 758,893 |
| (b) Premium ceded to reinsurers | (359,709) | (372,446) |
| Change in unearned premium provision | (6,972) | (4,464) |
| | (366,681) | (376,910) |
| **Net earned premium** | 411,708 | 381,983 |

### 16. INSURANCE LIABILITIES AND REINSURANCE ASSETS

(a)

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Gross | | |
| Claims reported | 353,630 | 262,302 |
| Claims incurred but not reported (IBNR) | 40,729 | 27,616 |
| Outstanding claims | 394,359 | 289,918 |
| Unearned premiums | 382,313 | 371,682 |
| **Total gross insurance liabilities** | 776,672 | 661,600 |
| Recoverable from reinsurers | | |
| Claims reported | 337,665 | 215,694 |
| Unearned premiums | 199,974 | 206,946 |
| **Total reinsurers' share of insurance liabilities** | 537,639 | 422,640 |
| Net | | |
| Claims reported | 15,965 | 46,608 |
| Claims incurred but not reported (IBNR) | 40,729 | 27,616 |
| | 56,694 | 74,224 |
| Unearned premiums | 182,339 | 164,736 |
| **Total net insurance liabilities** | 239,033 | 238,960 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

## 16. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

(b) The movement in insurance liabilities and reinsurance assets is as follows:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 01 July | | | | | | |
| Notified claims | 289,918 | (215,694) | 74,224 | 390,542 | (306,100) | 84,442 |
| Increase/(decrease) in liabilities | 421,801 | (205,086) | 216,715 | 184,546 | 35,025 | 219,571 |
| Cash paid for claims settled in the year | (358,089) | 83,115 | (274,974) | (312,786) | 55,381 | (257,405) |
| | 353,630 | (337,665) | 15,965 | 262,302 | (215,694) | 46,608 |
| Claims incurred but not reported (IBNR) | 40,729 | - | 40,729 | 27,616 | - | 27,616 |
| **At 30 June** | 394,359 | (337,665) | 56,694 | 289,918 | (215,694) | 74,224 |
| Movement in claims outstanding and IBNR | 104,441 | (121,971) | (17,530) | (100,624) | 90,406 | (10,218) |

(c) The movement in unearned premiums is as follows:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 01 July | 371,682 | (206,946) | 164,736 | 373,535 | (211,410) | 162,125 |
| Increase/(decrease) during the year | 10,631 | 6,972 | 17,603 | (1,853) | 4,464 | 2,611 |
| **At 30 June** | 382,313 | (199,974) | 182,339 | 371,682 | (206,946) | 164,736 |

(d) Deferred acquisition cost receivables

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 15,269 | 13,793 |
| Movement | 1,135 | 1,476 |
| **At 30 June** | 16,404 | 15,269 |

(e) Deferred acquisition cost payables

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 29,089 | 26,282 |
| Movement | (2,925) | 2,807 |
| **At 30 June** | 26,164 | 29,089 |



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

## 17. TAXATION

**Income tax**
Income tax is calculated at the rate of 17% (2017: 15%) on the profit for the year as adjusted for income tax purposes.

| (a) Statement of financial position | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | (648) | 3,902 |
| Income tax charge for the year (note 17(b)) | 5,566 | 5,941 |
| CSR (note 17(b)) | 1,495 | 1,296 |
| (Over) /under provision of income tax | (297) | 133 |
| Tax paid during the year | (3,695) | (11,920) |
| **At 30 June** | 2,421 | (648) |
| Analysed as follows: | | |
| Current tax assets | - | (648) |
| Current tax liabilities | 2,421 | - |
| | 2,421 | (648) |

| (b) Statement of profit or loss | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Current tax expense | 5,566 | 5941 |
| CSR | 1,495 | 1296 |
| (Over) /under provision of income tax | (297) | 133 |
| Underprovision of deferred tax (note 12(a)) | (1,064) | - |
| Deferred tax (note 12(a)) | (688) | (181) |
| | 5,012 | 7,189 |

| (c) Tax reconciliation | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Profit before taxation | 39,396 | 37,859 |
| Tax calculated at 17% (2017: 15%) | 6,697 | 6,436 |
| CSR in preceeding year | 753 | - |
| Income not subject to tax | (1,167) | (364) |
| Expenses not deductible for tax purposes | 90 | 984 |
| (Over)/under provision in previous year | (297) | 133 |
| Underprovision for deferred tax assets | (1,064) | - |
| Tax charge | 5,012 | 7,189 |

## 18. TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Amount due to reinsurers | 89,054 | 116,291 |
| Other payables and accruals | 65,654 | 51,834 |
| Amount due to holding company | - | 5,358 |
| | 154,708 | 173,483 |

The above amounts payable are interest free, unsecured and repayable on demand. The carrying amounts of trade and other payables approximates their fair values.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

## 19. DIVIDEND

A dividend of 75% (2017: 75%) on profit after tax, amounting to Rs. 25,788,288 (Rs. 103.15 per share) in respect of current year was declared and not paid as at June 30,2018. (2017: Rs. 23,002,160 representing Rs. 92 per share).

## 20. STATED CAPITAL

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| **Issued and fully paid** | | |
| 250,000 ordinary shares at No par value each | 25,000 | 25,000 |

Pursuant to section 8 "Restriction on Composite Insurance Business" of the Insurance Act 2005, the Shareholders of State Insurance Company of Mauritius Ltd, by a resolution dated 13th of April 2010, resolved to incorporate a wholly-owned subsidiary company, SICOM General Insurance Ltd, to transact Short Term Business only. The Company has one class of ordinary no par value shares, which carries a right to vote and a right to dividend.

## 21. RESERVES

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Retained earnings (note 21(a)) | 225,222 | 216,626 |
| Investment revaluation reserve (note 21(b)) | 2,640 | 5,842 |
| Actuarial losses (note 21(c)) | (53,319) | (37,942) |
| | 174,543 | 184,526 |

| **(a) Retained earnings** | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 216,626 | 208,958 |
| Profit for the year | 34,384 | 30,670 |
| Dividends (note 19) | (25,788) | (23,002) |
| **At 30 June** | 225,222 | 216,626 |

| **(b) Investment revaluation reserve** | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 5,842 | (1,236) |
| Change in fair value of available-for-sale financial assets (note 9) | (3,202) | 7,078 |
| **At 30 June** | 2,640 | 5,842 |

The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of.

| **(c) Actuarial losses** | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | (37,942) | (27,115) |
| Remeasurement of post employment benefit obligations (note 23 a(iii)) | (18,527) | (12,738) |
| Income tax relating to components of other comprehensive income (note 12(a)) | 3,150 | 1,911 |
| **At 30 June** | (53,319) | (37,942) |

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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

## 22. SUBORDINATED LOAN

All the assets and liabilities of the General Insurance Business of State Insurance Company of Mauritius Ltd, the holding company, were transferred to SICOM General Insurance Ltd on 01 July 2010. The accumulated reserves were converted into share capital and the remaining as subordinated loan which is unsecured and interest free.The loan is considered as quasi-equity. The loan does not carry any obligation to repay.

**23. PENSIONS BENEFIT OBLIGATIONS**

**(a) Defined benefit plan**

(i) The Company operates a defined benefit pension plan. The plan is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The assets of the fund are held independently and administered by the State Insurance Company of Mauritius Ltd.

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

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

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Present value of funded obligations | 223,848 | 189,386 |
| Fair value of plan assets | (142,419) | (129,592) |
| Liability recognised in the statement of financial position | 81,429 | 59,794 |

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

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 59,794 | 44,864 |
| Profit or loss charge | 9,149 | 8,290 |
| Other comprehensive income charge | 18,527 | 12,738 |
| Contributions paid | (6,041) | (6,098) |
| **At 30 June** | 81,429 | 59,794 |

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

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 189,386 | 158,193 |
| Current service cost | 5,532 | 5,443 |
| Employee contributions | 2,388 | 2,425 |
| Interest expense | 12,029 | 11,059 |
| Benefits paid | (9,712) | (418) |
| Liability experience loss | 22,664 | 13,602 |
| Liability gain due to change in financial assumption | 1,561 | (918) |
| **At 30 June** | 223,848 | 189,386 |

## 23. RETIREMENT PENSIONS BENEFIT OBLIGATIONS (CONTINUED)

**(a) Defined benefit plan (Continued)**

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

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 129,592 | 113,329 |
| Interest income | 8,412 | 8,212 |
| Employer contributions | 6,041 | 6,098 |
| Employee contributions | 2,388 | 2,425 |
| Benefits paid | (9,712) | (418) |
| Return on plan assets excluding interest income | 5,698 | (54) |
| **At 30 June** | 142,419 | 129,592 |

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

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Current service cost | 5,532 | 5,443 |
| Net interest on net defined benefit liabilities | 3,617 | 2,847 |
| Total included in 'employee benefit expense" (note 26(a)) | 9,149 | 8,290 |
| Actual return on plan assets | 14,110 | 8,158 |

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

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Return on plan assets below interest income | (5,698) | 54 |
| Liability experience loss/(gain) | 22,664 | 13,602 |
| Liability gain due to change in financial assumptions | 1,561 | (918) |
| | 18,527 | 12,738 |

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

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Equity - local quoted | 22,787 | 19,439 |
| Equity - local unquoted | 1,424 | 1,296 |
| Debt - local quoted | 1,424 | 1,296 |
| Debt - local unquoted | 69,785 | 58,316 |
| Investment Funds | 29,908 | 29,806 |
| Property - local | 1,424 | 1,296 |
| Cash and others | 15,667 | 18,143 |
| Total | 142,419 | 129,592 |




# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

## 23. RETIREMENT PENSIONS BENEFIT OBLIGATIONS (CONTINUED)

**(a) Defined benefit plan (Continued)**


(ix) Principal actuarial assumptions at end of period:

| | 2018 | 2017 |
|---|---|---|
| | % | % |
| Discount rate | 7.30 | 6.50 |
| Future long term salary increases | 5.30 | 4.50 |
| Future pension increases | 3.30 | 2.50 |
| Average retirement age (ARA) | 65 | 65 |
| Average life expectancy for: | | |
| -Male at ARA | 16.9 | 16.9 |
| -Female at ARA | 19.9 | 19.9 |

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Discount rate (1% movement) | 41,797 | 32,952 | 38,620 | 30,224 |
| Salaries assumptions (1% movement) | 21,699 | 18,711 | N/A | N/A |
| Pension assumptions (1% movement) | 20,324 | 17,413 | N/A | N/A |

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

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

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

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

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

**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.

**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. 8,385,000 in contributions to its post-employment benefit plans for the year ending 30 June 2019 (2018: Rs. 8,717,000).

(xiv) The weighted average duration of the defined benefit obligation is 17 years at the end of the reporting period (2017: 18 years).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

At 30 June 2018

## 23. RETIREMENT PENSIONS BENEFIT OBLIGATIONS (CONTINUED)

| (b) Defined contribution plan | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Contribution for the year | 499 | 453 |

## 24. INVESTMENT INCOME

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Loans and receivables | 348 | 1,330 |
| Held-to-maturity | 31,050 | 30,630 |
| Deposits | 7,380 | 8,590 |
| Dividend income | 1,339 | 1,361 |
| | 40,117 | 41,911 |

## 25. OTHER INCOME

| | | |
|---|---|---|
| Profit on disposal of available-for-sale financial assets | 5,286 | 3 |
| Other income | 6,163 | 4,606 |
| | 11,449 | 4,609 |

## 26. ADMINISTRATIVE AND OTHER EXPENSES

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Employees benefit expense (note 26(a)) | 90,894 | 87,581 |
| Support service cost (note 26(b)) | 38,532 | 40,595 |
| Management and administration fees | 18,472 | 15,306 |
| Rental | 7,916 | 7,819 |
| Bank charges | 1,189 | 1,547 |
| Amortisation (note 7) | 1,789 | 1,539 |
| Advertising | 1,852 | 1,508 |
| Exchange loss | - | 783 |
| Depreciation (note 6) | 662 | 398 |
| Provision for bad debts | 849 | - |
| Bad debts write off | 325 | - |
| Others | 11,807 | 7,833 |
| | 174,287 | 164,909 |

| (a) Employees benefit expense | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Wages and salaries, including termination benefits | 80,813 | 78,396 |
| Social security costs | 433 | 442 |
| Pension cost - defined benefit plan (note 23(a)) | 9,149 | 8,290 |
| Pension cost - defined contribution plan (note 23(b)) | 499 | 453 |
| | 90,894 | 87,581 |



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

At 30 June 2018

## 26. ADMINISTRATIVE AND OTHER EXPENSES (CONTINUED)

**(b) Support service cost**

As regards to services required by SICOM General Insurance Ltd in respect of Information Technology, Finance and Investment, Legal and Compliance, Actuarial and General Administration, these are provided by State Insurance Company of Mauritius Ltd and the cost involved are allocated to SICOM General Insurance Ltd.

## 27. OPERATING LEASE COMMITMENTS

Company as lessee

Future minimum lease payments under operating leases as at 30 June are as follows:

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Within one year | 7,310 | 7,310 |
| After one year but not more than five years | 4,166 | 4,166 |
| More than 5 years | 2,083 | 3,125 |
| | 13,559 | 14,601 |

## 28. MANAGED FUND

The Company accounts exclude the net assets of the Managed Medical amounting to Rs. 2,143,475 (2017: Rs. 1,924,975) as the assets backing this fund do not belong to the Company.

## 29. CAPITAL COMMITMENTS

Capital expenditure contracted for at reporting date, but not yet incurred is as follows:

| | 2018 | 2017 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Computer Software | 1,765 | - |

## 30. HOLDING COMPANY

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

## 31. RELATED PARTY TRANSACTIONS

| (a) Transactions with related parties | 2018 | 2017 |
|---|---|---|
| (i) Shareholder | Rs'000 | Rs'000 |
| Subordinated loan payable | 341,625 | 341,625 |
| Pension contribution payable | 6,540 | 6,551 |
| Rent payable | 7,310 | 7,310 |
| Other contributions payable | 1,018 | 922 |
| Management fees payable | 8,256 | 8,101 |
| Support charges payable | 38,532 | 40,595 |
| Dividend payable | 25,788 | 23,002 |
| Premium and contribution receivable | 8,060 | 9,903 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
At 30 June 2018

### 31. RELATED PARTY TRANSACTIONS (CONTINUED)

**(a) Transactions with related parties (Continued)**

| (ii) Key management personnel (including directors) of the Company | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| Premium receivable | 167 | 183 |
| Loans | 567 | 960 |
| Salaries and other short term benefits | 12,000 | 12,199 |
| Post-employment benefits | 3,216 | 2,271 |

| (iii) Key management personnel (including directors) of the Parent | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| Premium receivable | 602 | 240 |
| Loans | 567 | 960 |

| (b) Outstanding balances with related parties | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| (i) Rent due to shareholder | (522) | (522) |
| Management fees due to shareholder | (661) | (686) |
| Amount due from/(to) holding company | 10,606 | (4,150) |
| Capital expenditure and other expenses due to shareholder | (300) | (311) |
| CSR | (1,054) | - |
| Dividend | (25,788) | (23,002) |
| Premium | 613 | 514 |
| **(ii) Key management personnel (including Directors) of the Parent** | | |
| Premium | 30 | 6 |
| Loans | 159 | 567 |

**Terms and conditions of transactions with the related parties**

The transactions from related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free except for loan granted to key management personnel (including directors) and settlement occur in cash. There have been no guarantees provided or received for any related party receivables and payables. At each financial year, an assessment of provision for impairment is undertaken through examining the financial position of the related party and the market in which the related party operates.

### 32. CONTINGENCIES

In common practice with insurance industry in general, the Company is subject to litigations arising in the normal course of insurance business.The directors are of the opinion that these litigations will not have a material effect on the financial position or results of the Company as the insurance contract liabilities take into account the claims related to these litigations.

### 33. EVENTS AFTER THE REPORTING DATE

There have been no material events after the reporting date which would require disclosures or adjustments to the 30 June 2018 financial statements.



# STATUTORY DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2018
(Pursuant to Section 221 of the Companies Act 2001)

## Principal Activities

The Company is mainly engaged in General Insurance business.

## Directors

The Directors of SICOM General Insurance Ltd as at 30 June 2018 were as follows:

- Salemohamed M Y (Appointed as Director and Chairman on 31 August 2018 and 11 September 2018 respectively)
- Beejan M (Appointed as Director and Chairman on 27 September 2017 and 27 October 2017 respectively up to 13 July 2018)
- Late Nemchand S (Chairman up to 21 July 2017 and Director up to 2 August 2017)
- Ballah R H (Appointed on 06 October 2017)
- Balluck A (Appointed on 10 October 2017)
- Bhoojedhur-Obeegadoo K G (Mrs)
- Boodhoo B
- Chaperon J M C G (Appointed on 13 December 2017)
- Dussoye C
- Koonjoo V K (Appointed on 12 July 2018)
- Leung Lam Hing H Y K (Mrs)
- Phokeer J D (up to 26 September 2017)
- Ramdenee B (up to 26 September 2017)
- Ramgutty S (up to 26 September 2017)
- Yip Wang Wing Y S, C.S.K (up to 4 July 2017)

## Directors' Service Contracts

One of the Executive Directors has a service contract with the Company without expiry date.

## Directors' Emoluments

| | 2018 Rs'000 | 2017 Rs'000 |
|---|---|---|
| Executive Directors | 6,916 | 6,993 |
| Non-Executive Directors | 1,753 | 1,579 |

# STATUTORY DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2018

(Pursuant to Section 221 of the Companies Act 2001)

| | 2018 | 2017 |
|---|---|---|
| The fees payable to the auditors, for audit and other services were: | Rs'000 | Rs'000 |
| Audit fees payable to: | | |
| BDO & Co | - | 397 |
| Ernst &Young | 661 | - |
| Fees payable for other services: | | |
| BDO & Co | - | 49 |
| Ernst & Young | 92 | - |

For and on behalf of the Board of Directors

Chairman

Director

Date: 28 SEP 2018

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SICOM General Insurance Ltd

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