

SICOM FINANCIAL SERVICES LTD**FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009****CONTENTS**

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OUR Mission

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

OUR Shared Values

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

OUR Objectives

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

Quality Policy

Service Excellence

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

Meeting Customer Expectations

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

People Development

Our people are our most valuable asset and we shall:

- provide them with appropriate training in line with organisational needs and objectives,
- aim at achieving employee satisfaction and encouraging their participation in decision making processes, and
- promote safe, sound and motivating work environment.

Continual Improvement

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

Competitive Products and Services

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

Compliance and Good Governance

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

Quality Objectives

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

CORPORATE INFORMATION

CHAIRMAN	Chooramun B (Resigned on 13 July 2009)
DIRECTORS	Bhoojedhur-Obeegadoo K G (Mrs) Chellapermal R Dabee D K Gopee G Gujadhur S K (appointed on 20 July 2009) Ramdewar N (Mrs) Servansingh T K
COMPANY SECRETARY	Lee Shing Po T M (Mrs)
AUDIT COMMITTEE	Gopee G (Chairperson) Chooramun B (Resigned on 13 July 2009) Servansingh T K
CONDUCT REVIEW COMMITTEE	Gopee G (Chairperson) Chooramun B (Resigned on 13 July 2009) Servansingh T K
INVESTMENT COMMITTEE	Servansingh T K (Chairperson) Bhoojedhur-Obeegadoo K G (Mrs) Chellapermal R Chooramun B (Resigned on 13 July 2009) Dabee D K Gopee G Ramdewar N (Mrs)
TEAM LEADER	Chadien M
ASSISTANT TEAM LEADER	Kasentially-Boodoo A (Mrs)
AUDITORS	Kemp Chatteris Deloitte
BANKERS	The State Bank of Mauritius Limited The Mauritius Commercial Bank Limited SBI (Mauritius) Limited
REGISTERED OFFICE	SICOM Building, Sir Celicourt Antelme Street, Port Louis Tel: 203 8420, Fax: 208 0874 Email: sfsf@sicom.intnet.mu

SICOM FINANCIAL SERVICES LTD

ANNUAL REPORT

The Directors have the pleasure to submit the Company's tenth Annual Report together with the audited financial statements for the financial year ended 30 June 2009.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

Deposits

The total deposits of the Company increased from Rs 2.5 billion last year to reach Rs 2.6 billion for the financial year ended 30 June 2009.

Interest Income

Total interest income increased from Rs 308.4 million for the financial year ended 30 June 2008 to Rs 317.6 million for the financial year ended 30 June 2009.

Profit

Profit before tax increased by 8.8% to reach Rs 33.3 million for the financial year under review, as compared to Rs 30.6 million for the same period last year mainly due to marked sales and marketing efforts, an enhanced asset/liability management and tight control on costs.

Dividend

The Company has declared a dividend of 10% of profit after tax for the financial year ended 30 June 2009, similar to the financial year ended 30 June 2008.

Investments

Investments inclusive of term deposits, stood at Rs 3.0 billion for the financial year ended 30 June 2009 as compared to Rs 2.8 billion for the financial year ended 30 June 2008. The investments of the company consisted of Deposits, Loans, Government Securities, Finance Lease and Local Equity.

DIRECTORS

The Directors of the Company during the year are listed under the Corporate Information section.

Total remunerations and benefits paid to Directors by the Company for the financial year under review amounted to Rs 1.9 million (2008: Rs 1.7 million).

DIRECTORS' SERVICE CONTRACTS

There are no service contracts between the Company and its Directors.

DONATIONS

During the year the Company made no donations.

QUALITY ASSURANCE

SICOM Financial Services Ltd is an ISO 9001:2000 Certified Company. On-going efforts are being made to reinforce the Company's commitment to continually improve its customer services standards and business processes.

AUDITORS

The remuneration of Auditors for the financial year amounted to Rs 241,500 (2008: Rs 130,679).

ACKNOWLEDGEMENTS

The Board would like to extend its appreciation for the valuable contribution made by Mr B Chooramun, outgoing Chairman, towards the affairs of the Board and welcomes Mr S K Gujadhur who joined the Board of SICOM Financial Services Ltd.

The Directors would like to place on record their appreciation of the support given to SICOM Financial Services Ltd by the Government of Mauritius, the Bank of Mauritius, the Financial Services Commission, its valued Customers, Bankers and Stockbrokers.

The Board of Directors would also like to thank Management, staff and other stakeholders for their dedication and loyalty to the Company.

For and on behalf of the Board of Directors

MANAGEMENT DISCUSSION AND ANALYSIS

The Bank of Mauritius Guideline on Public Disclosure of Information has been used for the preparation of this Management Discussion and Analysis (MDA) for the financial year ended 30 June 2009.

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

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

ECONOMIC REVIEW

During the financial year ended 30 June 2009, world growth was dampened by a full-blown global financial crisis. The financial crisis that started with the sub-prime mortgage crisis in the United States, resulted in the collapse of many financial institutions and the spill-over effects were transmitted to the whole world thus knocking several big economies into recession. After showing resilience for an initial period, most emerging economies started facing increasing difficulties with demand for their exports falling, investment sinking and cross-border lending drying up.

The global economic slowdown also impacted on the local economy. The textile industry suffered a cutback of export to advanced countries, while the tourism industry posted a significant drop in its growth. The growth rate for the Mauritian Economy for 2008 stood at 5.3% based on estimates of the Central Statistics Office as at June 2009. The main contributor to this growth was the tertiary sector representing 68.4% of the GDP.

The Central Bank adopted a monetary easing stance so as to further support the government's policy to stimulate the domestic economy, with the Bank Rate decreasing by 36.1% for the financial year ended 30 June 2009. The inflation rate for the financial year ended 30 June 2009 was 6.9% and the local stock market went on a downward trend during the same period with the SEMDEX falling by 23.1%.

FINANCIAL REVIEW

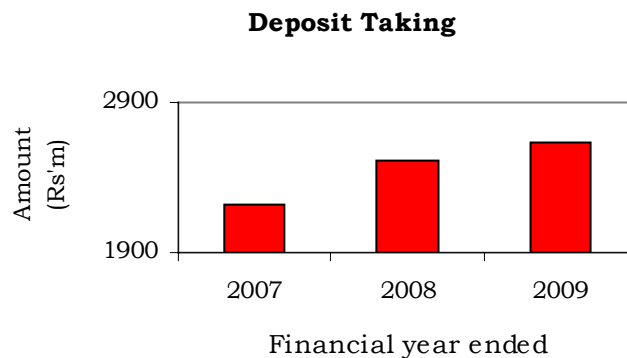
1. Performance against objectives

Performance Area	Current year's performance	Current year's objective	Next year's objective
Operating profit growth	8.62%	8.23%	1.17%
Revenue growth	2.65%	-7.75%	-5.27%
Interest expense growth	1.62%	-9.86%	-6.56%
Productivity	23.22%	29.20%	22.21%
Return on equity	8.01%	8.54%	7.96%
Return on average assets	0.93%	1.04%	1.03%

The Company surpassed its objectives for the year under review, in terms of operating profit and revenue growth. However, due to the strong competition in the deposit taking market, our interest margin was under pressure and hence our profitability ratios were slightly below our current year's objective.

Deposit Taking

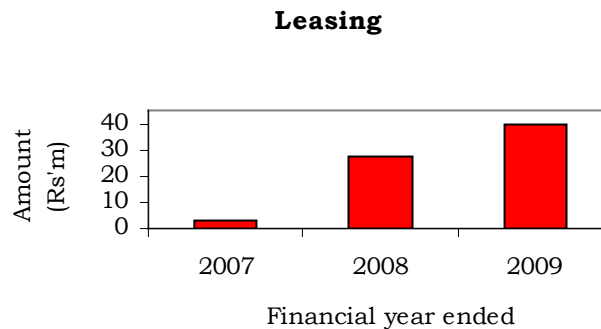
Total deposits of the Company increased by 4.5% for the financial year ended 30 June 2009 to stand at Rs 2.6 billion compared to Rs 2.5 billion registered last year.



Deposits (Rs)	30-Jun-07	30-Jun-08	30-Jun-09
Deposit takings	2,223,848,730	2,514,478,891	2,627,942,548
Interest Payable to Depositors	200,176,944	274,003,678	278,441,382
Average Interest/ Deposit (%)	9.00	10.90	10.60

Leasing

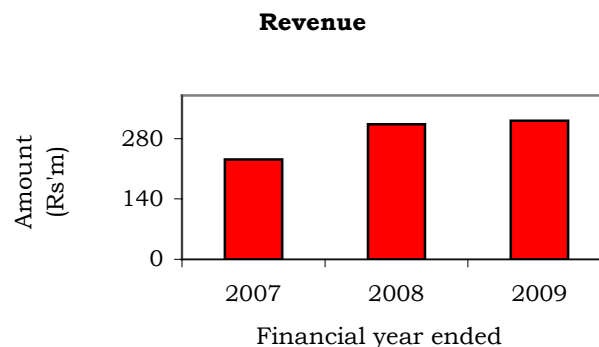
The leasing activities of the Company performed well for the year under review, with the amount of lease disbursed increasing by 44.2% to reach Rs 40.0 million. This increase in leasing business can be attributed to our enhanced marketing efforts to promote our leasing business, mainly in specific niche markets.



Leasing (Rs)	30-Jun-07	30-Jun-08	30-Jun-09
Amount Disbursed	2,935,764	27,718,777	39,972,665

Revenue

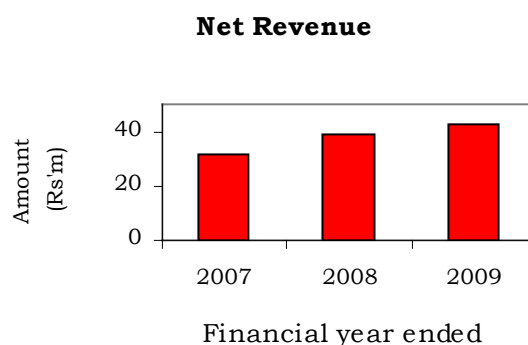
Total revenue increased from Rs 313.4 million last year to Rs 321.7 million for the financial year ended 30 June 2009, mainly attributable to increases in investment and leasing income. Gross finance lease income increased healthily to reach Rs 13.7 million for the year under review as compared to Rs 3.7 million last year. Revenue from our Unit Trust activities fell from Rs 3.1 million last year to Rs 2.0 million this year due to the fall in financial markets adversely affecting asset values and the Unit Trust business sector in general remaining sluggish.



Revenue (Rs)	30-Jun-07	30-Jun-08	30-Jun-09
Investment Income	228,291,592	308,511,750	313,812,698
Leasing activities	216,741	1,782,064	5,842,660
Unit Trust	2,983,742	3,066,895	2,017,462
Total	231,492,075	313,360,709	321,672,820

Net Revenue

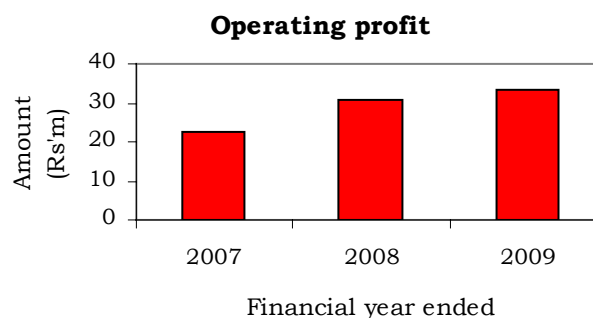
Net revenue went up by of 9.8% to reach Rs 42.9 million for the financial year ended 30 June 2009, following the significant increase in gross finance lease income.



Net Revenue (Rs)	30-Jun-07	30-Jun-08	30-Jun-09
Deposit takings	28,114,648	34,508,072	35,371,317
Unit Trust	2,983,742	3,066,895	2,017,462
Leasing activities	216,741	1,494,695	5,528,597
Total	31,315,131	39,069,662	42,917,376

Operating profit

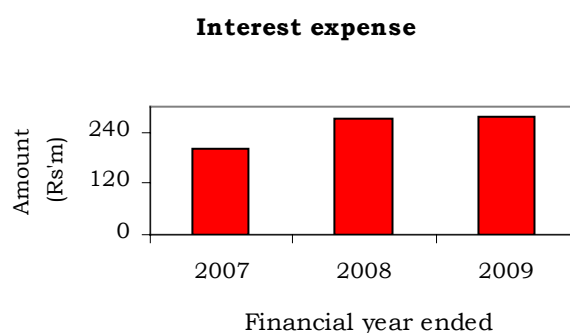
Net operating profit increased from Rs 30.6 million for the financial year ended 30 June 2008 to Rs 33.3 million for the financial year ended 30 June 2009 mainly due to the sustained contribution from our deposit taking activities as well as the increased revenue from our leasing activities.



Operating profit (Rs)	30-Jun-07	30-Jun-08	30-Jun-09
Deposit takings	21,446,333	27,764,292	27,017,804
Unit Trust	863,932	1,364,866	717,781
Leasing activities	216,741	1,494,695	5,528,597
Total	22,527,006	30,623,853	33,264,182

Interest expense

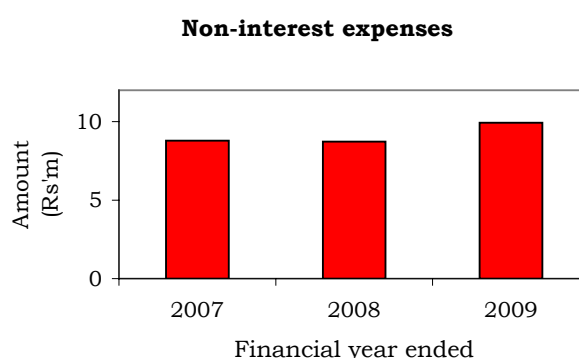
Interest paid to depositors rose from Rs 274.0 million for the financial year ended 30 June 2008 to Rs 278.4 million for the financial year ended 30 June 2009, following increases in both the deposit base of the company and the strong competition on the market making it difficult to pass on completely Repo Rates decreases to our deposit rates.



Interest expense (Rs)	30-Jun-07	30-Jun-08	30-Jun-09
Deposit takings	200,176,944	274,003,678	278,441,382

Cost Control

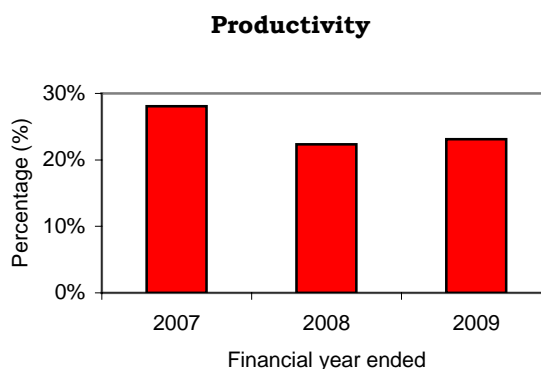
Non-interest expenses grew from Rs 8.7 million for financial year ended 30 June 2008 to reach Rs 10.0 million for financial year ended 30 June 2009, due to administration and staff costs.



Non- interest expenses (Rs)	30-Jun-07	30-Jun-08	30-Jun-09
Deposit takings	6,668,315	6,743,780	8,353,513
Unit Trust	2,119,810	1,702,029	1,299,681
Leasing activities	-	287,369	314,062
Total	8,788,125	8,733,178	9,967,256

Productivity ratio

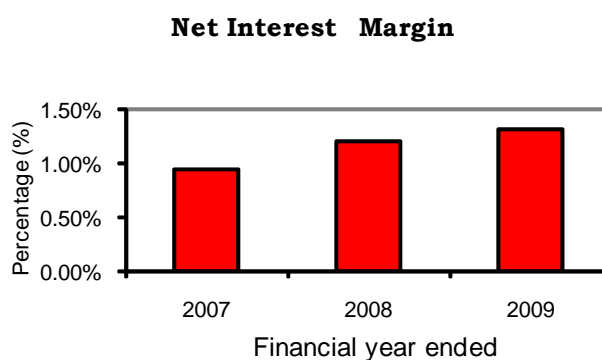
With a greater increase in non-interest expense of 14.1% compared to a rise in net interest income of 9.8% during this financial year, the productivity ratio increased slightly from 22.4 % for the financial year ended 30 June 2008 to 23.2% for the financial year ended 30 June 2009.



Year	Productivity ratio
30-Jun-07	28.06 %
30-Jun-08	22.35 %
30-Jun-09	23.22 %

Net interest margin

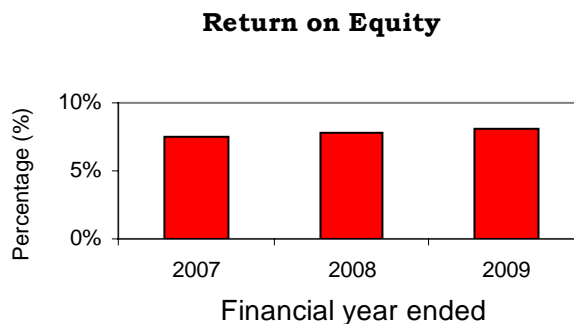
The net interest margin of the company increased to 1.30% for this year as compared to 1.20% last year, following enhanced efforts in our asset/liability management.



Year	Net Interest Margin
30-Jun-07	0.94%
30-Jun-08	1.20%
30-Jun-09	1.30%

Return on equity

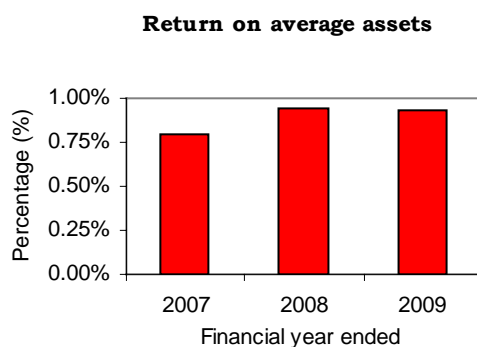
With an increase in the Company's profitability, the return on equity for the financial year ended 30 June 2009 stood at 8.01% compared to 7.79% registered for the financial year ended 30 June 2008.



Year	Return on Equity
30-Jun-07	7.44%
30-Jun-08	7.79%
30-Jun-09	8.01%

Return on average assets

The return on average assets remained nearly stable at 0.93% for the financial year ended 30 June 2009 as compared to 0.94% for the financial year ended 30 June 2008.



Year	Return on average assets
30-Jun-07	0.79 %
30-Jun-08	0.94 %
30-Jun-09	0.93 %

2. Capital Structure

Shareholding Profile

Ownership of stated capital at 30 June 2009 is given below:

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

Capital Base	30-June-07 (Rs' million)	30-June-08 (Rs' million)	30-June-09 (Rs' million)
Stated capital	150.0	200.0	200.0
Accumulated profits	107.2	127.0	148.6
Statutory reserve	3.0	6.9	11.3
Tier 1 Capital	260.2	333.9	359.9

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

3. Risk Management Policies and Controls

The aim of the Company is that risks taken must be identified, measured, monitored and managed within a comprehensive risk management framework. SICOM Financial Services Limited has a proactive approach towards risk management throughout its entire business operations, with risk management forming part of its strategic planning process. The Company regularly monitors identified risks and the likelihood and consequence of each risk. Strategies and operational controls are in place to ensure minimization and effective management of risks identified.

The Audit Committee has the mandate, inter alia, to provide an oversight over the performance of the external and internal audit functions, to ensure that Management has designed and implemented an effective system of internal control and to report to the Board on matters reviewed by the Committee. The Audit Committee of the Company also cumulates the functions of Risk Management in order to review the adequacy of risk management policies and systems and to monitor their effectiveness.

As for the Conduct Review Committee, it has the mandate, inter alia, to require the Management of the Company to establish procedures to comply with the requirements of Guidelines issued by the Bank of Mauritius, to review the practices of the Company to ensure that any transaction with the related parties that may have a material effect on the stability and solvency of the Company are identified and dealt with in a timely manner and to ensure that adequate controls and information systems are in place to implement the Company's policies.

3.1 Credit risk

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

3.2 Credit exposure by industry sector

Total finance lease as at 30 June 2009, classified by industry sectors:

Name of Sector	2007	2008	2009
	Rs	Rs	Rs
Personal	-	20,781,564	31,844,002
Professional	3,156,249	7,955,385	28,299,090
Total	3,156,249	28,736,949	60,143,092

Percentage of Tier 1 Capital	1.21%	8.60%	16.71%
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Details of Business Loans

	2007	2008	2009
	Rs	Rs	Rs
Unsecured loan to holding Company bearing interest rates in the range of 9.5% to 12% p.a with monthly capital repayments	<u>575,967,490</u>	<u>561,149,829</u>	<u>544,460,018</u>

Percentage of Tier 1 Capital	221.41%	168.03%	151.28%
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The above loans were the only credit exposure to a Related Party.

3.3 Interest rate risk

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

3.4 Liquidity risk

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

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

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

3.5 Operational risk

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

The Quality Assurance framework established at the level of the Group and the Company is one component used to address operational risks, through defined procedures, processes, periodic system reviews, and emphasis on continual improvement programmes.

4. Related Party Transactions Policies and Practices

In general, parties can be related to a financial institution because of ownership interest, or they can also be related otherwise, as Directors and Senior Officers. The Company has developed policies, prudent rules and limits to credit exposure and also monitors compliance with the regulatory limits, as per the Company's policy on Materiality of Related Party Transactions. The Company adheres to the Guideline on Related Party Transactions issued by the Bank of Mauritius.

The Company's top six related parties for the financial year ended 30 June 2009 were Rs 544.5 million, Rs 120.3 million, Rs 29.3 million, Rs 21.4 million, Rs 12.2 million and Rs 8.9 million. These balances represented 151.3%, 33.4%, 8.1%, 5.9%, 3.4% and 2.5% respectively of Tier 1 Capital. Approval was obtained from the Bank of Mauritius for exposures exceeding required limits.

5. Statement of Corporate Governance Practices

Company Law requires the Directors to prepare financial statements for each financial year, which gives a true and fair view of the state of affairs of the Company and of the profit of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors of SICOM Financial Services Ltd has the overall responsibility for ensuring that the Company complies with the standards of good corporate governance. 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. The objective of good corporate governance is to ensure the safety, soundness and to enhance the shareholder value of a company.

The Directors have adopted and will continue to adopt international best practice in the governance of the Company. The Directors are fully aware of their responsibilities towards stakeholders and as such consider the establishment of good governance practices to be a key function of the Board.

Board of Directors

The Board of Directors is responsible for setting the overall strategic direction and for supervising the management of the activities of the Company.

The Board of Directors of SICOM Financial Services Ltd is made up of seven Directors. Five are non-executive Directors, including the Chairman, and the other two Directors are full-time executives of the holding Company, the State Insurance Company of Mauritius Ltd.

The Board of Directors discharges part of its responsibilities directly and indirectly through the Audit Committee, Conduct Review Committee and Investment Committee.

The Board of Directors met three times during the year.

Audit Committee

The Audit Committee's main objectives are to maintain and, where necessary, review the effectiveness of internal controls in the light of the findings of the external and internal auditors and review the financial statements.

The Audit Committee consists of three non-executive Directors, namely, Messrs G Gopee (Chairman), B Chooramun and T K Servansingh.

The Audit Committee also acts as Risk Management Committee in order to review the adequacy of risk management policies and systems, and to monitor their effectiveness.

During the year, the Audit Committee met on three occasions.

Conduct Review Committee

The Conduct Review Committee monitors all related party transaction issues of the Company. Related party transactions are disclosed in note 27 of the financial statements for the financial year ended 30 June 2009.

The Conduct Review Committee consists of Mr G Gopee (Chairman), Mr B Chooramun and Mr T K Servansingh.

During the year, the Conduct Review Committee met twice.

Investment Committee

The Investment Committee consists of Mr T K Servansingh (Chairman), Mrs K G Bhoojedhur-Obeegadoo, Mr R Chellapermal, Mr B Chooramun, Mr D Dabee, Mr G Gopee and Mrs N Ramdewar. The Investment Committee of SICOM Financial Services Ltd issues guidelines, looks into and advises on investment matters.

During the year, the Investment Committee met twice.

6. Prospects

In the face of the global economic crisis, the strong competition in the financial services sector and a low interest rate environment, the Company will aim at improving its performance by mobilizing new deposits and increasing its leasing businesses. The Company will also continue to be stringent on its cash flow management and reduce costs as far as possible.

With the aim to continually improve its marketing channels and its operational efficiency, the company is investigating different initiatives such as the creation of a website for the Company and a new information technology platform.

Moreover, in line with organisational needs and objectives, the Company will continue to provide appropriate training and motivation to its staff so as to meet the challenges of the financial services sector.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

The Group's Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed program of internal audits in coordination with the Company's external auditors and the Legal and Compliance function outsourced to the holding Company.

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

The Company's external auditors, Kemp Chatteris Deloitte, have full and free access to the Board of Directors and its Committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

For and on behalf of the Board of Directors

CERTIFICATE FROM THE COMPANY SECRETARY

I certify to the best of my knowledge and belief that for the year ended 30 June 2009, 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 T M (Mrs)

Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SICOM FINANCIAL SERVICES LTD

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the Financial Statements of the **SICOM Financial Services Ltd** set out on pages 25 to 58 which comprise the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF (CONT'D)
SICOM FINANCIAL SERVICES LTD

Opinion

In our opinion, the financial statements on pages 25 to 58 give a true and fair view of the financial position of the Company as at 30 June 2009 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 applicable to non-bank financial institutions and the Financial Reporting Act 2004.

Report on other legal and regulatory requirements

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interests in, the Company other than in our capacities as auditors, tax advisors and arm's length dealings in the ordinary course of business;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

In accordance with the requirements of the Banking Act 2004, we report as follows:

- in our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and
- the explanations or information called for or given to us by the officers or agents of the Company were satisfactory.

Kemp Chatteris Deloitte

Chartered Accountant

18 September 2009

SICOM FINANCIAL SERVICES LTD
BALANCE SHEET AS AT 30 JUNE 2009

	<u>Notes</u>	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
ASSETS				
Cash and cash equivalents	5	42,456,858	62,121,076	18,967,804
Investment securities	6	1,125,299,180	1,065,554,072	1,410,253,211
Term deposits	7	1,230,896,849	1,160,826,849	602,826,849
Loans and advances to holding company	8	544,460,018	561,149,829	575,967,490
Investment in finance leases	9	60,143,092	28,736,949	3,156,249
Provision for credit losses	9(e)	(601,431)	(287,369)	-
Other assets	10	212,275,986	126,163,926	31,274,545
TOTAL ASSETS		Rs 3,214,930,552	3,004,265,332	2,642,446,148
EQUITY AND LIABILITIES				
LIABILITIES				
Deposits from banks	11	-	-	320,070,000
Deposits from customers	12	2,627,942,548	2,514,478,891	1,903,778,730
Current tax liabilities	13	1,388,941	4,207,241	2,769,439
Other liabilities	14	223,247,622	145,857,972	150,340,523
Dividend	15	2,880,072	2,647,453	-
TOTAL LIABILITIES		2,855,459,183	2,667,191,557	2,376,958,692
EQUITY				
Stated capital	16	200,000,000	200,000,000	150,000,000
Retained earnings		148,626,876	127,026,338	107,170,444
Other reserves	17	10,844,493	10,047,437	8,317,012
TOTAL EQUITY		359,471,369	337,073,775	265,487,456
TOTAL EQUITY AND LIABILITIES		Rs 3,214,930,552	3,004,265,332	2,642,446,148

Approved by the Board of Directors and authorised for issue on 18 September 2009

SICOM FINANCIAL SERVICES LTD
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	<u>Notes</u>	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Interest income		317,606,745	308,411,748	224,444,253
Interest expense		(278,441,382)	(274,003,678)	(200,176,944)
Net interest income	18	39,165,363	34,408,070	24,267,309
Dividend Income	19	1,425,247	1,312,992	639,571
Other operating income	20	2,640,828	3,635,969	6,408,251
		<u>4,066,075</u>	<u>4,948,961</u>	<u>7,047,822</u>
Operating income		43,231,438	39,357,031	31,315,131
Provision for credit losses	9(e)	(314,062)	(287,369)	-
Personnel expenses	21	(2,966,811)	(1,920,028)	(1,744,934)
Other expenses	22	(6,686,383)	(6,525,781)	(7,043,191)
Operating profit	23	33,264,182	30,623,853	22,527,006
Income tax expense	13	(4,463,465)	(4,149,327)	(2,769,439)
Profit after tax		28,800,717	26,474,526	19,757,567
Transfer to statutory reserve	17	(4,320,107)	(3,971,179)	(2,963,635)
Profit for the year		<u>24,480,610</u>	<u>22,503,347</u>	<u>16,793,932</u>
Earnings per share	24	Rs <u>1.44</u>	<u>1.51</u>	<u>1.32</u>

SICOM FINANCIAL SERVICES LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	<u>Notes</u>	<u>Stated capital</u> Rs	<u>Retained Earnings</u> Rs	<u>Statutory reserve</u> Rs	<u>Available for sale reserve</u> Rs	<u>Total</u> Rs
At 1 July 2006		150,000,000	90,376,512	-	2,911,032	243,287,544
Profit for the year		-	19,757,567	-	-	19,757,567
Net gains on available for sale investments		-	-	-	2,442,345	2,442,345
Transfer	17	-	(2,963,635)	2,963,635	-	-
At 30 June 2007	Rs	<u>150,000,000</u>	<u>107,170,444</u>	<u>2,963,635</u>	<u>5,353,377</u>	<u>265,487,456</u>
At 1 July 2007		150,000,000	107,170,444	2,963,635	5,353,377	265,487,456
Issuance of ordinary shares		50,000,000	-	-	-	50,000,000
Profit for the year		-	26,474,526	-	-	26,474,526
Dividend		-	(2,647,453)	-	-	(2,647,453)
Net loss on available for sale investments		-	-	-	(2,240,754)	(2,240,754)
Transfer	17	-	(3,971,179)	3,971,179	-	-
At 30 June 2008	Rs	<u>200,000,000</u>	<u>127,026,338</u>	<u>6,934,814</u>	<u>3,112,623</u>	<u>337,073,775</u>
At 1 July 2008		200,000,000	127,026,338	6,934,814	3,112,623	337,073,775
Profit for the year		-	28,800,717	-	-	28,800,717
Dividend		-	(2,880,072)	-	-	(2,880,072)
Net loss on available for sale investments		-	-	-	(3,523,051)	(3,523,051)
Transfer	17	-	(4,320,107)	4,320,107	-	-
At 30 June 2009	Rs	<u>200,000,000</u>	<u>148,626,876</u>	<u>11,254,921</u>	<u>(410,428)</u>	<u>359,471,369</u>

SICOM FINANCIAL SERVICES LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year	28,800,717	26,474,526	19,757,567
Adjustments for:			
Provision for credit losses	314,062	287,369	-
Net Interest income	(39,165,363)	(34,408,070)	(24,267,309)
Income tax expense	4,463,465	4,149,327	2,769,439
Dividend and other income	(1,425,247)	(1,312,992)	(639,571)
Profit on disposal on available for sale investments	(257,873)	(359,884)	(3,424,509)
	(7,270,239)	(5,169,724)	(5,804,383)
<u>Changes in operating assets and liabilities</u>			
Increase in term deposits	(70,070,000)	(558,000,000)	(302,826,849)
Decrease in loans and advances to holding company	16,689,811	14,817,661	30,932,577
(Increase) in net investment in finance leases	(31,406,143)	(25,580,700)	(2,168,678)
(Increase)/decrease in other assets	(295,446)	(107,252)	64,409
Increase/(decrease) in deposits from banks	-	(320,070,000)	1,555,850
Increase in deposits from customers	113,463,657	610,700,161	233,674,521
(Decrease)/increase in other liabilities	(106,097)	(318,851)	497,704
Interest and dividend received	228,178,114	265,983,733	187,365,191
Interest paid	(200,945,635)	(278,167,378)	(174,070,427)
Income tax paid	(7,281,765)	(2,711,525)	(3,658,917)
Net cash generated from/(used in) operating activities	40,956,257	(298,623,875)	(34,439,002)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(233,540,746)	(774,281,423)	(325,409,651)
Proceeds from sale and redemption of investment securities	175,567,724	1,066,058,570	249,569,741
<u>Net cash (used in)/generated from investing Activities</u>	(57,973,022)	291,777,147	(75,839,910)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
<u>Proceeds from issuing of shares</u>	-	50,000,000	-
<u>Dividend paid</u>	(2,647,453)	-	-
<u>Net cash (used in)/generated from financing activities</u>	(2,647,453)	50,000,000	-
<u>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</u>	(19,664,218)	43,153,272	(110,278,912)
CASH AND CASH EQUIVALENTS AT 1 JULY	62,121,076	18,967,804	129,246,716
CASH AND CASH EQUIVALENTS AT 30 JUNE	Rs 42,456,858	62,121,076	18,967,804

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. INCORPORATION AND ACTIVITIES

Sicom Financial Services Ltd is a public company incorporated in Mauritius on 28th December 1999 and started operations on 26th April 2000. Its registered office and place of business is situated at SICOM Building, Sir Celicourt Antelme Street, Port Louis, Mauritius. The company is engaged in depository business, investment business and finance lease activities and holds a deposit taking licence as a Non-Bank Financial-Institution.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2008. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the company's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income (effective 1 January 2009)
IAS 1	Presentation of Financial Statements - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (effective 1 January 2009)
IAS 1	Presentation of Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 1	Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IAS 7	Statement of Cash Flows-Amendments resulting from April 2009 Annual Improvements to IFRS (effective 1 January 2010)
IAS 16	Property, Plant and Equipment - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 17	Leases- Amendments Resulting from April 2009 Annual Improvements to IFRSs(effective 1 January 2010)
IAS 19	Employee Benefits - Amendments resulting from May 2008 Annual improvement to IFRSs (effective 1 January 2009)
IAS 20	Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 23	Borrowing Costs - Comprehensive revision to prohibit immediate expensing (effective 1 January 2009)
IAS 23	Borrowings Costs - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 27	Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)
IAS 27	Consolidated and Separate Financial Statements - Amendment relating to cost of an investment on first-time adoption (effective 1 January 2009)
IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 28	Investments in Associates - Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)
IAS 28	Investments in Associates - Amendments resulting from May 2008 Annual improvements to IFRSs (effective 1 January 2009)
IAS 29	Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 31	Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)
IAS 31	Interests in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

IAS 32	Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation (effective 1 January 2009)
IAS 36	Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 36	Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IAS 38	Intangible Assets - amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 38	Intangible Assets - amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 July 2009)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items (effective 1 July 2009)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for embedded derivatives when reclassifying financial instruments (effective 1 July 2009)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IAS 40	Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 41	Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption (effective 1 January 2009)
IFRS 2	Share-based Payment - Amendment relating to vesting conditions and cancellations (effective 1 January 2009)
IFRS 2	Share-based Payment - Amendment resulting from April 2009 Annual Improvements to IFRSs (effective 1 July 2009)
IFRS 2	Share-based Payment - Amendments relating to group settled share-based payment transactions (effective 1 January 2010)
IFRS 3	Business Combinations - Comprehensive revision on applying the acquisition method (effective 1 July 2009)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 July 2009)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IFRS 7	Financial Instruments : Disclosures – Amendments enhancing disclosures about fair value and liquidity risk (effective 1 January 2009)
IFRS 8	Operating segments (effective 1 January 2009)
IFRS 8	Operating segments - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IFRIC 15	Agreements for the Construction of Real Estate (effective 1 January 2009)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)
IFRIC 17	Distribution of non cash assets to owners (effective 1 July 2009)
IFRIC 18	Transfers of Assets from Customers (effective 1 July 2009)

It is anticipated that the adoption of the relevant Standards and Interpretations on the above effective dates in future periods will have no material impact on the financial statements of the company.

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

3. ACCOUNTING POLICIES

The principal accounting policies adopted by the company are as follows:

(a) Basis of preparation

The financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments and are in accordance with International Financial Reporting Standards.

(b) Revenue recognition

Revenues are recognised as follows:-

- Interest income is recognised on an accruals basis.
- Dividends are accounted when the right for payment is established.
- Gross earnings on finance lease are accounted for in the year in which they are receivable.
- Front-end fee on finance lease is recognised when the fee is actually received.
- Management fee is recognised on an accruals basis.

(c) Financial instruments

Financial assets and liabilities are recognised on the Balance Sheet when the company has become party to the contractual provisions of the financial instruments.

Except where stated separately, the carrying amounts of the company's financial instruments approximate their fair values. These instruments are measured as set out below:-

(i) *Financial assets*

(a) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are classified as at FVTPL where the financial assets are either held for trading or are designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

3. ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(i) *Financial assets (Cont'd)*

(a) Financial assets at fair value through profit or loss (FVTPL) (Cont'd)

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance
- with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVPTL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

(b) Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

(c) Available-for-sale (AFS) financial assets

Listed shares and listed redeemable notes held by the company that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the year.

Available-for-sale investments which do not have a quoted market price and whose fair value cannot be reliably measured, are carried at cost, less any impairment loss.

(d) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

3. ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(i) *Financial assets (Cont'd)*

(e) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

(f) Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(ii) *Financial liabilities*

(a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(b) 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 recorded at the proceeds received, net of direct issue costs.

(c) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at Fair Value Through Profit or Loss (FVTPL)' or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading (HFT) or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future or;
- it is a part of an identified portfolio of financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

3. ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(ii) *Financial liabilities (Cont'd)*

(c) Financial liabilities (Cont'd)

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

(d) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Subsequently they are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(e) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(iii) *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

3. ACCOUNTING POLICIES (CONT'D)

(iii) Impairment of financial assets (Cont'd)

significant financial difficulty of the issuer or counterparty; or

default or delinquency in interest or principal payments; or

it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through income statement. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

(d) Foreign currencies

Monetary assets and monetary liabilities denominated in foreign currencies at each balance sheet date are translated into Mauritian rupees at the rate of exchange ruling at that date. Foreign currency transactions are converted into Mauritian rupees at the exchange rate ruling at the dates of the transactions.

Exchange differences arising on the settlement and the retranslation of monetary items are recognised in the income statement.

(e) Finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

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

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

3. ACCOUNTING POLICIES (CONT'D)

(f) Related parties

Related parties are individuals and companies where the individual or company has the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash.

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) *Current tax*

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

(ii) *Deferred taxation*

Deferred taxation is provided on the comprehensive basis using the liability method.

Deferred tax liabilities are recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(i) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(j) Comparative figures

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

(k) Retirement benefits

(i) The company provides retirement benefit for its employees through a defined benefit plan operated by its holding company, State Insurance Company of Mauritius Ltd. Contributions to the pension plan are charged to the Income Statement in the year to which they fall due.

(ii) *State plan*

Contributions to the National Pension Scheme are expensed to the Income Statement.

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRS requires directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. CASH AND CASH EQUIVALENTS

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Cash at bank	Rs <u>42,456,858</u>	<u>62,121,076</u>	<u>18,967,804</u>

Interest on call deposits is at the rate of 4.5% (2008: 7% and 2007: 7.5%) per annum.

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

6. INVESTMENT SECURITIES

	Loans- and- Receivables <u>Unquoted</u>	Available-For-Sale		Held-To- Maturity <u>Unquoted</u>	2009 <u>Total</u>	2008 <u>Total</u>	2007 <u>Total</u>
		<u>Quoted</u>	<u>Unquoted Traded</u>				
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July (at fair value)	436,918,707	3,705,200	23,311,490	601,618,675	1,065,554,072	1,410,253,211	1,305,261,406
Interest/gain adjustment	(6,788,632)	(991,588)	(2,121,035)	(9,810,295)	(19,711,550)	(72,993,426)	(47,266,041)
At 1 July (at cost)	430,130,075	2,713,612	21,190,455	591,808,380	1,045,842,522	1,337,259,785	1,257,995,365
Additions	49,966,477	-	597,300	182,976,969	233,540,746	774,281,423	325,409,651
Matured/sold	(134,183,226)	(1,585,660)	-	(39,540,966)	(175,309,852)	(1,065,698,686)	(246,145,232)
Fair value adjustment	-	(257,952)	(152,476)	-	(410,428)	3,112,623	5,353,378
	345,913,326	870,000	21,635,279	735,244,383	1,103,662,988	1,048,955,145	1,342,613,162
Unrealised gain	1,246,127	-	-	3,622,939	4,869,066	1,245,625	1,723,329
Interest receivable	4,562,248	-	-	12,204,878	16,767,126	15,353,302	65,916,720
At 30 June	Rs 351,721,701	870,000	21,635,279	751,072,200	1,125,299,180	1,065,554,072	1,410,253,211
Remaining term to maturity:							
- within 3 months	18,679,678	-	-	-	18,679,678	78,825,339	449,527,509
- 3 to 6 months	-	-	-	24,078,731	24,078,731	-	7,045,593
- 6 to 12 months	3,029,279	-	-	2,096,611	5,125,890	97,990,997	382,456,164
- 1 to 2 years	191,609,940	-	-	58,862,705	250,472,645	47,656,171	176,811,070
- 2 to 5 years	138,402,804	-	-	614,244,533	752,647,337	814,064,875	368,887,579
- more than 5 years	-	-	-	51,789,620	51,789,620	-	-
- no fixed term	-	870,000	21,635,279	-	22,505,279	27,016,690	25,525,296
	Rs 351,721,701	870,000	21,635,279	751,072,200	1,125,299,180	1,065,554,072	1,410,253,211
Proceeds on maturity/sale	Rs 134,700,000	1,843,533	-	38,400,000	174,943,533	1,407,002,918	964,970,195

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

6. INVESTMENT SECURITIES (CONT'D)

(i) Loans and Receivables (L&R) comprise:-

Treasury Notes bearing interests at rates in the range of 8% to 10.9% (2008: 7.60% to 10.9% and 2007: 7.6% to 8.25%) and maturing from 2009 to 2012.

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

(iii) Held to Maturity (HTM) investments comprise:-

Mauritius Development Loan Stocks bearing interest at the rate of 8.50% (2008 and 2007: 8.50%) per annum and maturing in 2011 and 2012.

Government of Mauritius Bonds bearing interests at rates in the range of 8.00% to 12.90% (2008 and 2007: 8.00% to 12.90%) per annum and maturing in 2009 to 2015.

7. TERM DEPOSITS

These consist of deposits with local banks and other financial institutions for period ranging from one to five years and with interest at rates in the range of 7% to 16.60% (2008: 8.00% to 16.6% and 2007: 8.75% to 16.6%)

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Remaining term to maturity			
Within 3 months	138,290,000	112,000,000	-
Over 3 months and up to 6 months	-	17,000,000	-
Over 6 months and up to 12 months	315,000,000	431,000,000	120,000,000
Over 1 year and up to 5 years	<u>777,606,849</u>	<u>600,826,849</u>	<u>482,826,849</u>
Rs	<u>1,230,896,849</u>	<u>1,160,826,849</u>	<u>602,826,849</u>

8. LOANS AND ADVANCES TO HOLDING COMPANY

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Remaining term to maturity			
Up to 3 months	4,488,592	3,990,113	12,094,942
Over 3 months and up to 6 months	4,622,669	4,109,279	9,385,331
Over 6 months and up to 12 months	9,663,732	8,590,418	19,613,401
Over 1 year and up to 5 years	101,686,570	90,388,221	205,953,358
Over 5 years	<u>423,998,455</u>	<u>454,071,798</u>	<u>328,920,458</u>
Rs	<u>544,460,018</u>	<u>561,149,829</u>	<u>575,967,490</u>

The above loans are unsecured and bear interest at rates ranging between 10.25% and 12.00% (2008: 10.25% to 12% and 2007: 9.5% to 12%) p.a. with monthly capital repayments (2008: monthly capital repayments and 2007: quarterly capital repayments).

9. INVESTMENT IN FINANCE LEASES

(a) Movement during the year:-

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	28,736,949	3,156,249	987,571
Leases granted during the year	39,972,665	27,718,777	2,935,764
Capital repayment during the year	<u>(8,566,522)</u>	<u>(2,138,077)</u>	<u>(767,086)</u>
At 30 June	<u>Rs 60,143,092</u>	<u>28,736,949</u>	<u>3,156,249</u>

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

9. INVESTMENT IN FINANCE LEASES (CONT'D)

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

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

The company does not have any past due debt as at 30 June 2009 (2008 and 2007: NIL).

(b) Gross and net investment in finance leases

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Gross investment in finance leases:-			
- within one year	19,549,077	8,439,421	973,428
- in the second to fifth years inclusive	55,569,415	26,986,310	3,078,690
- more than five years	<u>1,215,146</u>	<u>2,683,307</u>	<u>-</u>
	76,333,638	38,109,038	4,052,118
<u>Less: Unearned finance income</u>	<u>(16,190,546)</u>	<u>(9,372,089)</u>	<u>(895,869)</u>
Present value of minimum lease payments receivable before allowance for credit losses	Rs <u>60,143,092</u>	<u>28,736,949</u>	<u>3,156,249</u>
Analysed as:-			
- Current finance lease receivable	13,081,785	5,246,055	638,503
- Non-current finance lease receivable	<u>47,061,307</u>	<u>23,490,894</u>	<u>2,517,746</u>
	Rs <u>60,143,092</u>	<u>28,736,949</u>	<u>3,156,249</u>

(c) Remaining term to maturity

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Corporate Customers			
Up to 3 months	1,591,728	451,566	152,809
Over 3 months and up to 6 months	1,562,338	465,262	157,264
Over 6 months and up to 12 months	3,262,769	997,222	328,430
Over 1 year and up to 5 years	21,882,255	5,448,407	2,517,746
Over 5 years	<u>-</u>	<u>-</u>	<u>-</u>
	<u>28,299,090</u>	<u>7,362,457</u>	<u>3,156,249</u>
Other Customers			
Up to 3 months	1,680,527	823,663	-
Over 3 months and up to 6 months	1,610,421	818,383	-
Over 6 months and up to 12 months	3,374,002	1,712,244	-
Over 1 year and up to 5 years	24,030,794	15,702,000	-
Over 5 years	<u>1,148,258</u>	<u>2,318,202</u>	<u>-</u>
	<u>31,844,002</u>	<u>21,374,492</u>	<u>-</u>
TOTAL	Rs <u>60,143,092</u>	<u>28,736,949</u>	<u>3,156,249</u>

The company considers that the carrying amount of the finance lease approximates their fair value.

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

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

(d) Credit concentration of risk by industry sectors

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Manufacturing	1,100,328	1,300,000	-
Tourism	6,644,578	-	-
Transport	5,946,775	592,928	-
Construction	13,021,083	4,440,246	3,156,249
Personal	31,844,002	20,781,564	-
Others	1,586,326	1,622,211	-
Rs	<u>60,143,092</u>	<u>28,736,949</u>	<u>3,156,249</u>

(e) Provision for credit losses

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	287,369	-	-
Movement during the year	314,062	287,369	-
At 30 June	<u>Rs 601,431</u>	<u>287,369</u>	<u>-</u>

The above portfolio provision is estimated at 1% of the total outstanding lease amount as at 30 June 2009 and is analysed as follows:

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Manufacturing	11,003	13,000	-
Tourism	66,446	-	-
Transport	59,468	5,929	-
Construction	130,211	44,402	-
Personal	318,440	207,816	-
Others	15,863	16,222	-
Total	<u>Rs 601,431</u>	<u>287,369</u>	<u>-</u>

(f) Interest rate profile

The interest rate inherent in the finance leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is 11.77% (2008: 11.98% and 2007: 11.59%) per annum.

Unguaranteed residual values of assets leased under finance leases at balance sheet date are estimated at Rs 813,946 (2008: Rs 380,879 and 2007: Rs 36,958).

10. OTHER ASSETS

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Accrued interest receivable	211,546,671	125,983,553	31,034,948
Other	729,315	180,373	239,597
Rs	<u>212,275,986</u>	<u>126,163,926</u>	<u>31,274,545</u>

The company considers that the carrying amount of other assets approximates their fair value.

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

11. DEPOSITS FROM BANKS

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Time deposits with remaining term to maturity			
Over 3 months and up to 6 months	-	-	207,270,000
Over 6 months and up to 12 months	-	-	112,800,000
Rs	<u>-</u>	<u>-</u>	<u>320,070,000</u>

The company considers that the carrying amount of deposits from banks approximates their fair value.

12. DEPOSITS FROM CUSTOMERS

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Time deposits with remaining term to maturity			
Retail customers			
Up to 3 months	34,228,436	35,088,475	64,359,593
Over 3 months and up to 6 months	41,671,788	55,116,395	62,678,005
Over 6 months and up to 12 months	119,668,450	137,307,777	146,434,484
Over 1 year and up to 5 years	786,400,972	742,635,561	543,976,156
	<u>981,969,646</u>	<u>970,148,208</u>	<u>817,448,238</u>
Corporate customers			
Up to 3 months	326,864,815	253,304,304	4,242,000
Over 3 months and up to 6 months	39,000,000	48,834,215	23,023,203
Over 6 months and up to 12 months	446,864,087	396,292,164	364,065,289
Over 1 year and up to 5 years	833,244,000	845,900,000	695,000,000
	<u>1,645,972,902</u>	<u>1,544,330,683</u>	<u>1,086,330,492</u>
TOTAL	Rs <u>2,627,942,548</u>	<u>2,514,478,891</u>	<u>1,903,778,730</u>

The time deposits bear interests at rates ranging from 6.15% to 14.5% (2008: 6.65% to 14.50% and 2007: 5.8% to 14.5%) per annum.

The company considers that the carrying amount of the deposits from customers approximates their fair value.

13. TAXATION

Income tax is calculated at the rate of 15% (2008 and 2007: 15%) on the profit for the year as adjusted for income tax purposes.

(a) Current tax liability

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Provision for the year	4,474,343	4,207,241	2,769,439
Less tax paid under APS	(3,085,402)	-	-
Rs	<u>1,388,941</u>	<u>4,207,241</u>	<u>2,769,439</u>

(b) Tax expense

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Current tax	4,474,343	4,207,241	2,769,439
Overprovision for prior year	(10,878)	(57,914)	-
Charge for the year	<u>4,463,465</u>	<u>4,149,327</u>	<u>2,769,439</u>

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

13. TAXATION (CONT'D)

(c) Tax reconciliation

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Profit before tax	Rs 33,264,182	30,623,853	22,527,006
Tax at the rate of 15%	4,989,627	4,593,578	3,379,051
Tax effect of:			
- Exempt income	(562,993)	(386,937)	(609,612)
- Non allowable expenses	47,709	600	-
- Overprovision for last year	(10,878)	(57,914)	-
Charge for the year	Rs 4,463,465	4,149,327	2,769,439

14. OTHER LIABILITIES

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Interest payable on deposits	222,477,152	144,981,405	149,145,105
Other payables and accruals	770,470	876,567	1,195,418
	Rs 223,247,622	145,857,972	150,340,523

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

15. DIVIDEND

A dividend of Rs 0.144 per share (2008:Rs 0.1324) representing 10% of the profit after tax in respect of the current year was declared by the directors on 30 June 2009.

16. STATED CAPITAL

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	200,000,000	150,000,000	150,000,000
Issue of shares	-	50,000,000	-
At 30 June	Rs 200,000,000	200,000,000	150,000,000

The company has one class of ordinary shares which carries a right to vote but no right to fixed income.

17. OTHER RESERVES

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Statutory reserve	11,254,921	6,934,814	2,963,635
Available for sale reserve	(410,428)	3,112,623	5,353,377
At 30 June	Rs 10,844,493	10,047,437	8,317,012

Statutory reserve

Under Section 21 of the Banking Act 2004, any financial institution shall maintain a reserve account and shall, each year, transfer therein a sum equal to not less than 15% of the net profits of the year after due provision for income tax until the balance in the Reserve Account is equal to the amount paid as stated capital. An amount of Rs 4,320,107 was transferred in 2009 (2008: Rs 3,971,179 and 2007: Rs 2,963,635).

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

18. NET INTEREST INCOME

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Interest income			
Cash and cash equivalents	2,860,288	13,706,720	3,750,091
Investment securities	101,810,525	111,751,775	105,114,745
Term deposits	141,867,009	113,839,612	43,682,750
Loans and advances to holding company	65,589,757	67,540,767	71,679,926
Investment in finance leases	5,479,166	1,572,874	216,741
Total interest income	<u>317,606,745</u>	<u>308,411,748</u>	<u>224,444,253</u>
Interest expense			
Deposits from banks and from customers	<u>278,441,382</u>	<u>274,003,678</u>	<u>200,176,944</u>
Net interest income	Rs <u>39,165,363</u>	<u>34,408,070</u>	<u>24,267,309</u>

19. DIVIDEND INCOME

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Available-for-sale securities	Rs <u>1,425,247</u>	<u>1,312,992</u>	<u>639,571</u>

20. OTHER OPERATING INCOME

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Gain on sale of available-for-sale securities	257,873	359,884	3,424,509
Management fees from unit trusts	1,887,570	3,066,895	2,983,742
Other	495,385	209,190	-
	Rs <u>2,640,828</u>	<u>3,635,969</u>	<u>6,408,251</u>

21. PERSONNEL EXPENSES

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Wages and salaries	2,951,811	1,891,528	1,744,934
Other personnel expenses	15,000	28,500	-
	Rs <u>2,966,811</u>	<u>1,920,028</u>	<u>1,744,934</u>

22. OTHER EXPENSES

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Management fees payable to holding company	2,280,000	2,280,000	2,280,000
Directors and secretary fees	2,029,500	1,769,000	1,779,500
Licence fees	483,800	374,000	369,000
Other administrative expenses	1,893,083	2,102,781	2,614,691
	Rs <u>6,686,383</u>	<u>6,525,781</u>	<u>7,043,191</u>

23. OPERATING PROFIT

Operating profit is arrived at after charging:

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Auditors' remuneration - Audit fees	241,500	130,679	118,800
- Other services	11,724	10,646	9,689
Provision for credit losses	<u>314,062</u>	<u>287,369</u>	<u>-</u>

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

24. EARNINGS PER SHARE

The calculation of earnings per share is based on profit after taxation but before transfer to statutory reserve of Rs 28,800,717 (2008:Rs 26,474,526 and 2007: Rs19,757,567) and 20,000,000 ordinary shares (2008: weighted average number of shares of 17,500,000 and 2007: 15,000,000 ordinary shares)

25. RETIREMENT BENEFIT OBLIGATIONS

(a) Defined benefit plan

The company shares risks of a defined benefit plan, which is operated by the State Insurance Company of Mauritius Ltd ("SICOM Ltd"). The figures below relate to the group scheme operated by SICOM Ltd.

Amounts recognised in the balance sheet of SICOM Ltd:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
Present value of funded obligations	189,277,433	164,700,481	193,896,029
Fair value of plan assets	<u>(218,422,893)</u>	<u>(223,942,434)</u>	<u>(184,382,662)</u>
	(29,145,460)	(59,241,953)	9,513,367
Unrecognised actuarial (loss)/ gain	(34,093,754)	7,242,827	2,385,641
Unrecognised past service cost	<u>56,079,673</u>	<u>58,517,920</u>	<u>-</u>
Asset/ Liability recognised in the balance sheet	Rs <u>(7,159,541)</u>	<u>6,518,794</u>	<u>11,899,008</u>

Reconciliation of the present value of defined benefit obligation:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
Present value of obligation at 1 July	164,700,481	193,896,029	177,263,000
Current service cost	9,836,300	8,979,533	10,821,331
Interest cost	17,061,929	20,237,542	18,612,615
Past service cost	-	(60,956,167)	-
Benefits paid	(4,524,764)	(2,315,053)	(1,840,506)
Liability losses/(gains)	<u>2,203,487</u>	<u>4,858,597</u>	<u>(10,960,411)</u>
Present value of obligation at 30 June	Rs <u>189,277,433</u>	<u>164,700,481</u>	<u>193,896,029</u>

Reconciliation of fair value of plan assets:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
Fair value of plan assets at 1 July	223,942,434	184,382,662	151,945,000
Expected return on plan assets	25,090,223	20,780,580	17,230,456
Employer contributions	13,048,094	11,378,462	9,642,531
Benefits paid	(4,524,764)	(2,315,053)	(1,840,506)
Asset gain	<u>(39,133,094)</u>	<u>9,715,783</u>	<u>7,405,181</u>
Fair value of plan assets at 30 June	Rs <u>218,422,893</u>	<u>223,942,434</u>	<u>184,382,662</u>

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

25. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

The major categories of plan assets, and the expected rate of return at the balance sheet date for each category, is as follows:

	<u>2009</u> %	<u>2008</u> %	<u>2007</u> %
Distribution of plan assets at end of year			
Loans, Government securities and cash	64.4	54.0	63.5
Local equities	21.0	30.3	17.6
Overseas bonds and equities	13.6	14.8	17.9
Property	1.0	0.9	1.0
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The overall expected rate of return on plan assets is determined by reference to market yields on bonds and expected yields differences on other types of assets held based on historical return trends.

The actual deficit on plan assets was Rs 14,042,871 (2008: surplus of Rs30,496,363 and 2007: surplus of Rs22,795,131).

The breakdown of the assets above corresponds to the actual allocation of the monies managed by SICOM Ltd.

The history of experience adjustments is as follows:

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs	<u>2006</u> Rs
Present value of defined benefit obligation	(189,277,433)	(164,700,481)	(193,896,029)	(177,263,000)
Fair value of plan assets	218,422,893	223,942,434	184,382,662	151,945,000
Surplus/(deficit)	<u>29,145,460</u>	<u>59,241,953</u>	<u>(9,513,367)</u>	<u>(25,318,000)</u>
Experience losses/(gains) on plan liabilities	10,918,687	4,858,597	(10,960,411)	(2,029,000)
Experience gains on plan assets	<u>39,133,094</u>	<u>9,715,783</u>	<u>7,405,181</u>	<u>3,158,000</u>

SICOM Ltd is expected to contribute Rs 14,091,942 to the defined benefit plans during the next financial year as per the report dated 3 July 2009 prepared by Novilis Pensions Limited.

Amounts recognised in the income statement of SICOM Ltd:

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Current service cost	9,836,300	8,979,533	10,821,331
Interest cost	17,061,929	20,237,542	18,612,615
Expected return on plan assets	(25,090,223)	(20,780,580)	(17,230,456)
Past service cost	(2,438,247)	(2,438,247)	-
Actuarial (gain) recognised	-	-	(760,950)
Total included in staff costs	Rs <u>(630,241)</u>	<u>5,998,248</u>	<u>11,442,540</u>
Actual return on plan assets	Rs <u>(14,042,871)</u>	<u>30,496,363</u>	<u>22,795,131</u>

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

25. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

Movements in the liability recognised in the balance sheet of SICOM Ltd:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
At 1 July	6,518,794	11,899,008	10,099,000
Total expenses as above	(630,241)	5,998,248	11,442,540
Contributions paid	<u>(13,048,094)</u>	<u>(11,378,462)</u>	<u>(9,642,531)</u>
At 30 June	Rs <u>(7,159,541)</u>	<u>6,518,794</u>	<u>11,899,008</u>

Principal actuarial assumptions used:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	%	%	%
Discount rate	10.00	10.50	10.50
Expected rate of return on plan assets	10.00	11.00	11.00
Future long term salary increases	8.00	8.50	8.50
Future pension increases	<u>4.00</u>	<u>6.00</u>	<u>6.00</u>

b) Contributions to SICOM Ltd's defined benefit pension plan

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
Contributions expensed	Rs <u>164,543</u>	<u>129,961</u>	<u>140,796</u>

(c) State plan

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
Contributions expensed	Rs <u>27,355</u>	<u>27,526</u>	<u>16,706</u>

26. HOLDING COMPANY

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

27. RELATED PARTY TRANSACTIONS

The company is making the following disclosures in accordance with IAS24 (Related Party Disclosures):

(i) **Loans to holding company**

(a) Capital element

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
At 1 July	561,149,829	575,967,490	606,900,067
Redemptions	<u>(16,689,811)</u>	<u>(14,817,661)</u>	<u>(30,932,577)</u>
At 30 June	Rs <u>544,460,018</u>	<u>561,149,829</u>	<u>575,967,490</u>

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

((b) Interest received/ receivable

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
Receivable and received for the year	Rs <u>65,589,757</u>	<u>67,540,767</u>	<u>71,679,926</u>

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

27. RELATED PARTY TRANSACTIONS (CONT'D)

(ii) **Fixed deposits with shareholder**

(a) Capital element

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	120,000,000	120,000,000	120,000,000
Additions	120,000,000	-	120,000,000
	<u>240,000,000</u>	<u>120,000,000</u>	<u>240,000,000</u>
Redemptions	(120,000,000)	-	(120,000,000)
At 30 June	Rs <u>120,000,000</u>	<u>120,000,000</u>	<u>120,000,000</u>

The terms of the fixed deposits are set out in note 7.

(b) Interest receivable

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	518,444	519,863	381,114
Receivable for the year	13,591,128	13,817,434	13,929,749
	<u>14,109,572</u>	<u>14,337,297</u>	<u>14,310,863</u>
Received during the year	(13,779,572)	(13,818,853)	(13,791,000)
At 30 June	Rs <u>330,000</u>	<u>518,444</u>	<u>519,863</u>

(iii) **Fixed deposits from related parties**

Shareholder's subsidiary

(a) Capital element

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	24,568,031	22,009,306	20,453,456
Additions	20,671,662	24,568,031	22,009,306
	<u>45,239,693</u>	<u>46,577,337</u>	<u>42,462,762</u>
Redemptions	(24,568,031)	(22,009,306)	(20,453,456)
At 30 June	Rs <u>20,671,662</u>	<u>24,568,031</u>	<u>22,009,306</u>

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

(b) Interest payable

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	791,840	763,934	476,091
Receivable for the year	2,222,387	2,586,631	1,843,693
	<u>3,014,227</u>	<u>3,350,565</u>	<u>2,319,784</u>
Received during the year	(2,329,312)	(2,558,725)	(1,555,850)
At 30 June	Rs <u>684,915</u>	<u>791,840</u>	<u>763,934</u>

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

27. RELATED PARTY TRANSACTIONS (CONT'D)

(iii) **Fixed deposits from related parties (Cont'd)**

Directors and key management personnel

(a) Capital element

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	24,830,340	20,350,740	16,105,949
Additions	<u>9,348,273</u>	<u>9,392,071</u>	<u>18,850,740</u>
Redemptions	<u>34,178,613</u> (6,038,312)	<u>29,742,811</u> (4,912,471)	<u>34,956,689</u> (14,605,949)
At 30 June	Rs <u>28,140,301</u>	<u>24,830,340</u>	<u>20,350,740</u>

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

(b) Interest payable

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	559,606	826,494	823,173
Receivable for the year	<u>2,964,385</u>	<u>2,479,477</u>	<u>1,455,247</u>
Received during the year	<u>3,523,991</u> (2,352,622)	<u>3,305,971</u> (2,746,365)	<u>2,278,420</u> (1,451,926)
At 30 June	Rs <u>1,171,369</u>	<u>559,606</u>	<u>826,494</u>

(iv) **Management fees from Sicom Unit Trust - Sicom General Fund**

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	123,091	126,645	253,728
Receivable for the year	<u>1,297,782</u>	<u>2,133,687</u>	<u>2,067,412</u>
Received during the year	<u>1,420,873</u> (1,311,667)	<u>2,260,332</u> (2,137,241)	<u>2,321,140</u> (2,194,495)
At 30 June	Rs <u>109,206</u>	<u>123,091</u>	<u>126,645</u>

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

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	52,782	63,452	-
Receivable for the year	<u>589,788</u>	<u>933,208</u>	<u>916,330</u>
Received during the year	<u>642,570</u> (594,395)	<u>996,660</u> (943,878)	<u>916,330</u> (852,878)
At 30 June	Rs <u>48,175</u>	<u>52,782</u>	<u>63,452</u>

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

27. RELATED PARTY TRANSACTIONS (CONT'D)

(vi) **Management fees to holding company**

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July		-	-
Payable for the year	2,280,000	2,280,000	2,280,000
	<u>2,280,000</u>	<u>2,280,000</u>	<u>2,280,000</u>
Paid during the year	(2,280,000)	(2,280,000)	(2,280,000)
	<u>(2,280,000)</u>	<u>(2,280,000)</u>	<u>(2,280,000)</u>
At 30 June	Rs -	-	-

(vii) **Dividend income from Sicom Unit Trust - Sicom General Fund**

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Receivable during the year	Rs 1,293,357	767,602	527,701
	<u>1,293,357</u>	<u>767,602</u>	<u>527,701</u>

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

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Receivable during the year	Rs -	472,100	-
	<u>-</u>	<u>472,100</u>	<u>-</u>

(ix) **Investment in Sicom Unit Trust - Sicom General Fund**

(a) Number of units

	<u>2009</u>	<u>2008</u>	<u>2007</u>
At 1 July	983,242	944,624	915,036
Additions	47,937	38,618	29,588
At 30 June	<u>1,031,179</u>	<u>983,242</u>	<u>944,624</u>

(c) Value of units

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July	10,415,657	9,869,221	9,498,480
Additions	597,300	546,436	370,741
At 30 June	Rs <u>11,012,957</u>	<u>10,415,657</u>	<u>9,869,221</u>

(d) Market value of units

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
At 1 July (ex-div)	13,460,580	13,401,764	10,809,596
Additions	597,300	546,436	370,741
Fair value adjustment	(1,319,414)	338,303	2,989,029
	<u>12,738,466</u>	<u>14,286,503</u>	<u>14,169,366</u>
At 30 June	12,738,466	14,286,503	14,169,366
Dividend payable	(467,434)	(825,923)	(767,602)
	<u>(467,434)</u>	<u>(825,923)</u>	<u>(767,602)</u>
At 30 June	Rs <u>12,271,032</u>	<u>13,460,580</u>	<u>13,401,764</u>

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

27. RELATED PARTY TRANSACTIONS (CONT'D)

(x) **Investment in Sicom Unit Trust - Sicom Overseas Diversified Fund**

(a) Number of units

	<u>2009</u>	<u>2008</u>	<u>2007</u>
At 1 July	1,046,558	1,000,000	1,000,000
Additions	-	46,558	-
At 30 June	<u>1,046,558</u>	<u>1,046,558</u>	<u>1,000,000</u>

(b) Value of units

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
At 1 July	10,472,100	10,000,000	10,000,000
Additions	-	472,100	-
At 30 June	Rs <u>10,472,100</u>	<u>10,472,100</u>	<u>10,000,000</u>

(c) Market value of units

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
At 1 July (ex-div)	9,262,040	10,327,900	10,000,000
Additions	-	472,100	-
Fair value adjustment	(418,623)	(1,537,960)	800,000
At 30 June	8,843,417	9,262,040	10,800,000
Dividend payable	-	-	(472,100)
At 30 June	Rs <u>8,843,417</u>	<u>9,262,040</u>	<u>10,327,900</u>

(xi) **Compensation of key management personnel**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
Short term benefits	Rs <u>1,880,000</u>	<u>1,652,000</u>	<u>1,660,000</u>

(xii) **Contribution to defined benefit pension plan of holding company**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs	Rs	Rs
Contribution	Rs <u>164,543</u>	<u>129,961</u>	<u>140,796</u>

28. FINANCIAL INSTRUMENTS

Capital risk management

The capital structure of the company consists of stated capital, reserves and accumulated profits. Notes on stated capital and reserves are disclosed in notes 16 and 17 respectively. The company has to comply with the Banking Act 2004 in respect of both its stated capital and reserves, which is detailed in the notes. As at 30 June 2009, the legislative requirement has been met for both stated capital and reserves. The company manages its capital with an aim to maximize return to its shareholders.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

28. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
Financial assets			
Cash and cash equivalents	42,456,858	62,121,076	18,967,804
Investment securities:			
- loans and receivables	351,721,701	436,918,707	952,395,458
- held to maturity (HTM)	751,072,200	601,618,675	432,332,457
- available-for-sale	22,505,279	27,016,690	25,525,296
	1,125,299,180	1,065,554,072	1,410,253,211
Term deposits	1,230,896,849	1,160,826,849	602,826,849
Loans and advances to holding company	544,460,018	561,149,829	575,967,490
Net investment in finance leases	59,541,661	28,449,580	3,156,249
Other assets	212,171,485	126,159,426	31,225,045
Total financial assets	Rs 3,214,826,051	3,004,260,832	2,642,396,648
Financial liabilities			
<i>Held for trading financial liabilities:</i>			
-Deposits from banks	-	-	320,070,000
-Deposits from customers	2,627,942,548	2,514,478,891	1,903,778,730
	2,627,942,548	2,514,478,891	2,223,848,730
Other liabilities	223,247,622	145,857,972	150,340,523
Dividend	2,880,072	2,647,453	-
Total financial liabilities	Rs 2,854,070,242	2,662,984,316	2,374,189,253

Financial risk management

The company manages its exposure to market risk (including interest rate risk and price risk), credit risk and liquidity risk through the Audit Committee which acts as Risk Management Committee on a half-yearly basis.

The company seeks to minimise the effects of these risks by adopting an efficient asset/ liability mix . The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

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

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

(i) *Interest rate risk*

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

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

28. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (Cont'd)

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

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

	<u>2009</u> % p.a.	<u>2008</u> % p.a.	<u>2007</u> % p.a.
Financial assets			
<i>Loans and receivables</i>			
Treasury bills	-	-	7.11 to 11.15
Treasury notes	8 to 10.90	7.6 to 10.90	7.6 to 8.25
Investment in finance leases	11 to 13	11 to 13	11 to 11.75
Balances with local banks	4.5	7.00	7.5
Business loans	10.25 to 12	10.25 to 12	9.5 to 12
Term deposits	7 to 16.60	8 to 16.60	8.75 to 16.60
<i>HTM investments</i>			
Mauritius Development Loan Stocks	8.5	8.5	8.5
Government of Mauritius Bonds	8 to 12.90	8 to 12.90	7.6 to 10.90
Financial liabilities			
<i>HFT financial liabilities</i>	6.15 to 14.50	6.65 to 14.50	5.8 to 14.50

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

The following table details the company's sensitivity to a 5% and 10% points increase/decrease of the rate of interest of financial assets.

	<u>2009</u> Rs	<u>2008</u> Rs	<u>2007</u> Rs
<i>Increase/decrease of 5% in interest rate</i>			
Profit/(loss)	Rs <u>94,688</u>	<u>217,424</u>	<u>41,429</u>
<i>Increase/decrease of 10% in interest rate</i>			
Profit/(loss)	Rs <u>189,375</u>	<u>434,848</u>	<u>82,858</u>

The increase or decrease in the interest rate sensitivity is due to fluctuations in bank balances at 30 June 2009 as compared to 30 June 2008 and 30 June 2007.

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

(ii) *Other price risks*

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

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

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

28. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (Cont'd)

(ii) *Other price risks (Cont'd)*

If equity prices had been 5% higher/lower:

net profit for the year ended 30 June 2009, 30 June 2008 and 30 June 2007 would have been unaffected as the equity investments are classified as available-for-sale and no investments were impaired; and

other equity reserves would increase/decrease by Rs1,125,264 (2008: increase/decrease by Rs1,350,834 and 2007: increase/decrease by Rs1,276,265 as a result of the changes in fair value of available-for-sale shares.

The company's sensitivity to equity prices has not changed significantly from the prior years.

Credit risk

The company's credit risk is mainly attributable to its business loans and finance leases receivable. The amounts presented in the balance sheet are net of allowances for doubtful debts estimated by the company's management based on prior experience.

The company's credit risk is concentrated to loans granted to the holding company.

Liquidity risk management

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

Liquidity and interest rate risk tables

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

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

28. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (Cont'd)

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

AT 30 JUNE 2009

	----- Interest-rate-sensitive -----					Non Interest Sensitive Rs	Total Rs
	Within 3 Months Rs	3-6 Months Rs	6-12 Months Rs	1 - 5 Years Rs	Over 5 Years Rs		
Financial assets							
Cash and cash equivalents	42,083,423	-	-	-	-	373,435	42,456,858
<i>Investment: securities</i>							
Loans and receivables	18,679,678	-	3,029,279	330,012,744	-	-	351,721,701
Available for sale	-	-	-	-	-	22,505,279	22,505,279
Held to maturity (HTM)	-	24,078,731	2,096,611	673,107,238	51,789,620	-	751,072,200
	18,679,678	24,078,731	5,125,890	1,003,119,982	51,789,620	22,505,279	1,125,299,180
Term deposits	138,290,000	-	315,000,000	777,606,849	-	-	1,230,896,849
Loans and advances to holding company	4,488,592	4,622,669	9,663,732	101,686,570	423,998,455	-	544,460,018
Net investments in finance leases	3,239,533	3,141,031	6,570,403	45,453,919	1,136,775	-	59,541,661
Other assets	9,241,049	7,754,418	769,233	193,781,970	-	624,815	212,171,485
Total financial assets	Rs 216,022,275	39,596,849	337,129,258	2,122,649,290	476,924,850	23,503,529	3,214,826,051
Financial liabilities							
<i>HFT financial liabilities</i>							
-Deposits from customers	361,093,251	80,671,788	566,532,537	1,619,644,972	-	-	2,627,942,548
Other payables	26,446,609	2,983,505	30,036,479	163,010,559	-	770,470	223,247,622
Dividend	-	-	-	-	-	2,880,072	2,880,072
Total financial liabilities	Rs 387,539,860	83,655,293	596,569,016	1,782,655,531	-	3,650,542	2,854,070,242
Interest rate Sensitivity gap	Rs (171,517,585)	(44,058,444)	(259,439,758)	339,993,759	476,924,850	19,852,987	360,755,809

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

28. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (Cont'd)

Liquidity and interest rate risk tables (Cont'd)

AT 30 JUNE 2008

	----- Interest-rate-sensitive -----					Non Interest Sensitive Rs	Total Rs
	Within 3 Months Rs	3-6 Months Rs	6-12 Months Rs	1 - 5 Years Rs	Over 5 Years Rs		
Financial assets							
Cash and cash equivalents	62,121,076	-	-	-	-	-	62,121,076
<i>Investment: securities</i>							
Loans and receivables	78,825,339	-	58,651,852	299,441,516	-	-	436,918,707
Available for sale	-	-	-	-	-	27,016,690	27,016,690
Held to maturity (HTM)	-	-	39,339,145	562,279,530	-	-	601,618,675
	78,825,339	-	97,990,997	861,721,046	-	27,016,690	1,065,554,072
Term deposits	112,000,000	17,000,000	431,000,000	600,826,849	-	-	1,160,826,849
Loans and advances to holding company	3,990,113	4,109,279	8,590,418	90,388,221	454,071,798	-	561,149,829
Net investments in finance leases	1,262,477	1,270,809	2,682,371	20,938,902	2,295,021	-	28,449,580
Other assets	10,444,814	1,183,480	8,577,456	105,777,803	-	175,873	126,159,426
Total financial assets	Rs 268,643,819	23,563,568	548,841,242	1,679,652,821	456,366,819	27,192,563	3,004,260,832
Financial liabilities							
<i>HFT financial liabilities</i>							
-personal and business deposits	284,934,246	103,950,610	512,490,442	420,847,853	1,167,687,709	-	2,489,910,860
-banks and other financial institutions deposits	3,458,532	-	21,109,499	-	-	-	24,568,031
	288,392,778	103,950,610	533,599,941	420,847,853	1,167,687,709	-	2,514,478,891
Other payables	21,001,435	5,860,117	21,520,579	9,787,197	86,812,077	876,567	145,857,972
Dividend	-	-	-	-	-	2,647,453	2,647,453
Total financial liabilities	Rs 309,394,213	109,810,727	555,120,520	430,635,050	1,254,499,786	3,524,020	2,662,984,316
Interest rate sensitivity gap	Rs (40,750,394)	(86,247,159)	(6,279,278)	1,249,017,771	(798,132,967)	23,668,543	341,276,516

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

28. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (Cont'd)

Liquidity and interest rate risk tables (Cont'd)

AT 30 JUNE 2007

	Interest-rate-sensitive					Non Interest Sensitive	Total
	Within 3 Months	3-6 Months	6-12 Months	1 - 5 Years	Over 5 Years		
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Financial assets							
Cash and cash equivalents	11,047,641	-	-	-	-	7,920,163	18,967,804
<i>Investment securities</i>							
Loans and receivables	449,527,509	7,045,593	355,572,969	140,249,387	-	-	952,395,458
Available for sale	-	-	-	-	-	25,525,296	25,525,296
Held to maturity (HTM)	-	-	26,883,195	405,449,262	-	-	432,332,457
	449,527,509	7,045,593	382,456,164	545,698,649	-	25,525,296	1,410,253,211
Term deposits	-	-	120,000,000	482,826,849	-	-	602,826,849
Loans and advances to holding company	12,094,942	9,385,331	19,613,401	205,953,358	328,920,458	-	575,967,490
Net investments in finance leases	152,809	157,264	328,430	2,517,746	-	-	3,156,249
Other assets	531,214	-	-	30,503,734	-	190,097	31,225,045
Total financial assets	Rs 473,354,115	16,588,188	522,397,995	1,267,500,336	328,920,458	33,635,556	2,642,396,648
Financial liabilities							
<i>HFT financial liabilities</i>							
-personal and business deposits	65,409,593	85,701,208	491,682,467	1,238,976,156	-	-	1,881,769,424
-banks and other financial institutions deposits	3,192,000	207,270,000	131,617,306	-	-	-	342,079,306
	68,601,593	292,971,208	623,299,773	1,238,976,156	-	-	2,223,848,730
Other payables	7,884,390	57,128,811	47,519,119	36,612,785	-	1,195,418	150,340,523
Dividend	-	-	-	-	-	-	-
Total financial liabilities	Rs 76,485,983	350,100,019	670,818,892	1,275,588,941	-	1,195,418	2,374,189,253
Interest rate sensitivity gap	Rs 396,868,132	(333,511,831)	(148,420,897)	(8,088,605)	328,920,458	32,440,138	268,207,395

SICOM FINANCIAL SERVICES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2009

28. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (Cont'd)

In the above tables, net investment in finance leases is analysed in terms of the remaining period to maturity. However, in the lease agreements, the company reserves the right to change the interest rates in the leases whenever there is a change in market interest rates.

Fair value of financial instruments

Except where stated elsewhere, the carrying amounts of the Company's financial assets and financial liabilities approximate their fair values due to the short-term nature of the balances involved.

The fair values of financial assets and financial liabilities are determined as follows:

the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments

Quoted price

Financial assets in this category include available-for-sale investments.

Fair value using discounted cash flow analysis

The financial statements do not include financial assets and financial liabilities measured at fair value using discounted cash flow analysis.

Currency profile

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

29. COMMITMENTS FOR FUTURE LEASES

At 30 June 2009, the company had no commitment in respect of future finance leases.