2017
ANNUAL REPORT

SICOM
STATE INSURANCE
COMPANY OF MAURITIUS
A member of the SICOM Group

State Insurance Company Of Mauritius Ltd - Annual Report 2017

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Mission, Shared values and Objectives

CORE VALUES

OUR MISSION

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

OUR SHARED VALUES

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

OUR OBJECTIVES

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

Quality Policy

Service Excellence

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

Meeting Customer Expectations

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

People Development

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

Continual Improvement

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

Competitive Products and Services

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

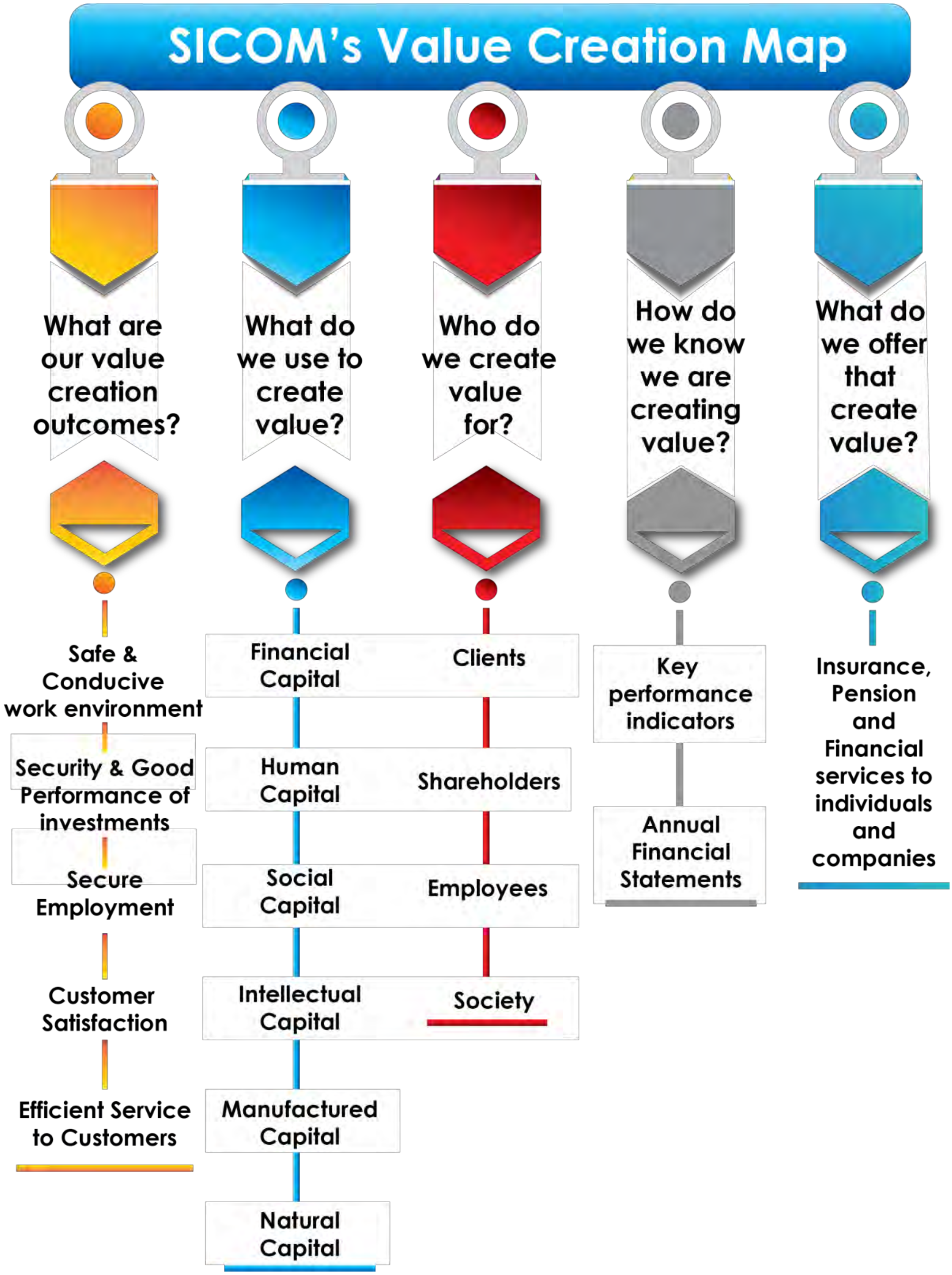
Compliance and Good Governance

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

Quality Objectives

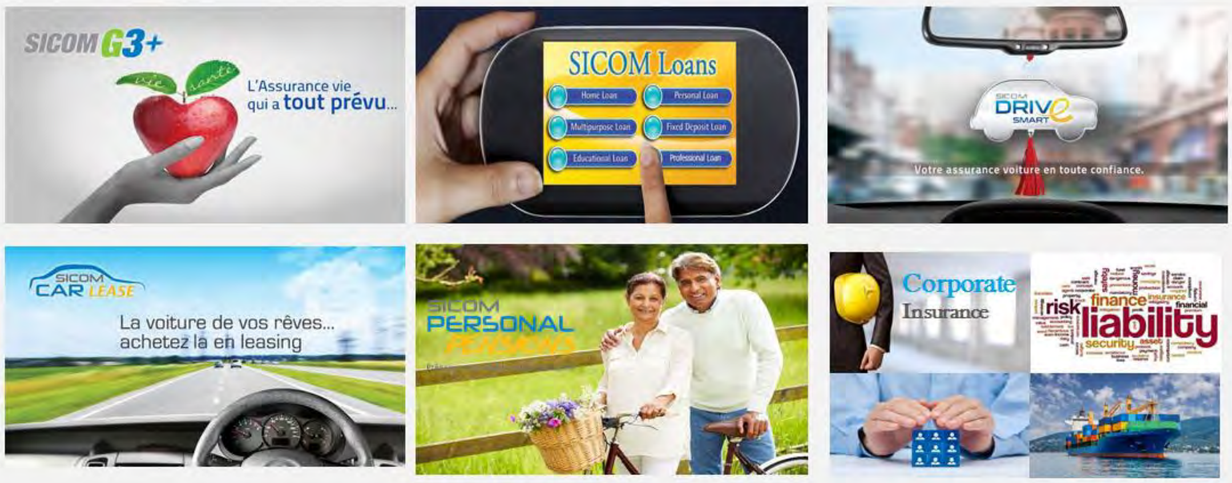
This Quality Policy will serve as basis for defining SICOM's Quality Objectives and we will ensure that it is reviewed on a regular basis.

How we create value



Our Offerings

Some of our Products



Our presence

Corporate Information

Registered Office	State Insurance Company of Mauritius Ltd SICOM Building Sir Célicourt Antelme Street, Port Louis, Mauritius Telephone: (230) 203 8400 Fax: (230) 208 7662 Email Address: email@sicom.intnet.mu Website: www.sicomgroup.mu
Auditors	BDO & Co
Consulting Actuaries	QED Actuaries & Consultants (Pty) Ltd Aon Hewitt
Main Bankers	SBM Bank (Mauritius) Ltd The Mauritius Commercial Bank Ltd Barclays Bank Mauritius Limited The HongKong and Shanghai Banking Corporation Limited SBI (Mauritius) Ltd AfrAsia Bank Limited MauBank Ltd Bank One Limited

BOARD OF DIRECTORS

NEMCHAND Somduth (Chairman up to 21 July 2017 and as Director up to 2 August 2017)

Mr Somduth Nemchand is since April 2017 the Deputy Permanent Secretary at the Ministry of Labour Industrial Relations Employment and Training. From April 1975 to March 2017 he worked successively at the Prime Minister's Office, the Ministry of Energy and Public Utilities and the Ministry of Financial Services, Good Governance and Institutional Reforms.

Mr Nemchand was a Board Member of the Central Water Authority, the Wastewater Management Authority, Irrigation Authority and State Trading Corporation. He reckons extensive experience in Public Administration and Finance.

His professional career includes also his appointment as Administration and Finance Manager and Acting Director General of the Independent Commission Against Corruption (ICAC) where he served from July 2003 to December 2007.

In addition to his contribution to public administration he also held the following positions:

- Chairperson of the Financial Services Promotion Agency responsible for the promotion of Mauritius as an international financial services centre;
- Chairperson of the National Insurance Company Ltd;
- Chairperson of the Heritage City Co Ltd.

Mr Nemchand is holder of a Brevet International d'Administration Publique from Ecole Nationale d'Administration (ENA), France.

BHOOJEDHUR-OBEEGADOO Karuna G (Mrs), BSc(Hons), FIA (Group Chief Executive Officer)

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

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

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

BALLUCK Awadhkoomarsing, Dip HRM

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

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

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

BHUGUN Chettandeo, MBA, Dip (Public Adm and Man) (Appointed on 19 June 2017)

Mr Chettandeo BHUGUN is currently the Permanent Secretary at the Ministry of Financial Services, Good Governance and Institutional Reforms. He was also at the Ministry for Foreign Affairs, Regional Integration and International Trade, Ministry of Public Infrastructure and Land Transport, Ministry of Arts and Culture, the Public Service Commission, Ministry of Health and Quality of Life and the Prime Minister's Office.

He is holder of an MBA (Human Resources) - Indira Gandhi National Open University, India, a Post Graduate Diploma in Administrative Leadership - University of New England, Armidale, Australia and a Diploma in Public Administration and Management (University of Mauritius).

BOYRAMBOLI Bojrazsingh, D.P.A.M (Appointed on 23 November 2016)

Mr Bojrazsingh BOYRAMBOLI is currently the Permanent Secretary at the Ministry of Social Security and National Solidarity, Environment and Sustainable Development. Prior to that, he was posted at the Ministry of Social Integration and Economic Empowerment and was also member of the National CSR Committee and National Empowerment Foundation.

Mr Boyramboli has a long career in the public service and has served different Ministries. Mr Boyramboli is the representative of the NPF/NSF on the Board of Directors of Cyber Properties Investment Ltd and Mauritius Housing Company Ltd.

Mr Boyramboli holds a Diploma in Public Administration and Management.

DUSSOYE Chandrek, BSc(Hons), ACCA

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

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

Dr JUGURNATH Rajun, FCCA, PhD, MBA

Designated 'Man of the Year 2008' by "Le Defi Media Group", Dr Rajun Jugurnath is presently the CEO of the Sugar Insurance Fund Board. Prior to that, he was the Officer-in-Charge of the Public Sector Efficiency Bureau, Ministry of Financial Services, Good Governance and Institutional Reforms. In June 2002, Dr. Rajun Jugurnath was appointed Director of Audit, at the National Audit Office where he retired after a career extending over 40 years in the civil service.

Dr Jugurnath is a Fellow of ACCA, a holder of a PhD, an MBA, and a Certificate in Company Directorship from the Institute of Directors of New Zealand. In 1991, he was appointed Director of Management Audit Bureau, Ministry of Finance where he stayed in post, for 11 years.

Dr Jugurnath served as Council Member of ACCA in London, for six years, President of ACCA Mauritius for 3 consecutive years and represented Mauritius on the Executive Board of Eastern, Central and Southern African Federation of Accountants (ECSAFA). He is also a member of the American Management Association (AMA), and member of All India Management Association (AIMA).

LI KWONG WING Kee Chong G.O.S.K, BSc (Econ), LLM (Appointed on 23 November 2016)

Mr Kee Chong LI KWONG WING (K.C.LI), Economist, is holder of a BSc (Econ) from the London School of Economics and LLM in International Tax Law. He started his professional career in 1974 as a Lecturer in Public Finance at the University of Mauritius.

Afterwards, he held different prominent positions including Advisor to the Minister of Finance and Chairman of the Stock Exchange Commission. He launched the first Unit Trust and the first Property Fund in Mauritius in 1989.

K.C.LI was also Board member of the State Trading Corporation, the National Remuneration Board, the National Economic and Social Council and the University of Mauritius. K.C.LI was an external lecturer for the University of Surrey School of Management (UK) and has published numerous reports and articles on cooperative banking, project management, development finance, structural adjustment and fiscal planning issues.

In 1992, Mr. LI started his own private consulting firm and served as Consultant to the United Nations Economic Commission for Africa (UNECA) and the U.N. Industrial Development Organization (UNIDO).

In 1993, he founded the Mauritius International Trust Co. Ltd (MITCO), one of the first professional firms licensed to provide international tax and investment advisory services in Mauritius. He was also a Member of the Parliament of Mauritius (2010-2014) and sat on the Public Accounts Committee.

He sits on the Board of Directors of several emerging markets funds and Asia Hedge Funds, including Infrastructure and Real Estate Funds in Africa & Asia.

He is also a Board Director of Afrexim Bank.

Mr K.C.LI was awarded the national honour of 'Grand Officer of the Star and Key' (GOSK) of the Indian Ocean by the Republic of Mauritius in 2015 for distinguished services in the economic, social and political fields.

He is currently the independent non-executive Chairman of SBM (State Bank of Mauritius) Group, the 2nd largest banking group in Mauritius and a public listed company.

PHOKEER Jugdish Dev, DPAM, B.COM, MBA

Mr Jugdish Dev Phokeer was the Permanent Secretary of the Ministry of Financial Services, Good Governance & Institutional Reforms until 3 January 2017. Prior to that, he was the Permanent Secretary of the Ministry of Technology, Communication and Innovation, Ministry of Youth and Sports, Ministry of Public Infrastructure, Land and Transport, National Development Unit, Ministry of Arts and Culture, Ministry of Health and Quality of Life, Ministry of Industry, Small & Medium Enterprises and the Ministry of Commerce & Co-operatives Division.

Mr Phokeer has been Administrator at the Office of the President of the Republic and has also served different Ministries in various capacities. He has also served on different Boards and Committees either as Director or Chairperson.

Mr Phokeer holds a Diploma in Public Administration & Management, a B.Com (Hons) and an MBA.

RAMBARASSAH Veenay, FCCA (Appointed on 23 November 2016 as Alternate Director to Mr Bojrazsingh Boyramboli)

Mr Veenay Rambarassah, currently holds the post of Lead Analyst at the Ministry of Finance and has recently been assigned the post of Director Investment and Asset Management of the National Pensions Fund. He has been managing the Fund since April 2006.

Before joining the Fund, he has served in the capacity of Accountant at the Business Parks of Mauritius Ltd to help in the implementation of the Cybercity and Cybertower (2002-2004), and thereafter was assigned duties at the Customs Department to help in the investigation team.

Mr Rambarassah manages the National Pensions Fund and the National Savings Fund. The total assets under his management is around Rs 130 Billion. He also sits in the Board of National Investment Trust and Port Louis Fund.

Mr Rambarassah is a Fellow of the Association of Chartered Certified Accountant and holds a Masters in Finance and Investment.

RAMDEWAR Nandita (Mrs), FCCA, MBA (Finance), Chief Finance Officer

Mrs Nandita Ramdewar is a Fellow of the Association of Chartered Certified Accountants and holds a Masters in Business Administration, with specialization in Finance, from Manchester Business School (UK). She is also a Fellow of the Mauritius Institute of Directors. She joined the Company in 1992 after having worked in a leading audit firm and has served the SICOM Group in various capacities.

She is responsible for the overall strategic and administrative functions of the Group's Finance, Legal and Corporate Departments and currently oversees the activities of the Facilities Department. She also forms part of the Internal Risk Committee (IRC) and contributes to the implementation of an Enterprise Risk Management Framework.

Mrs Ramdewar also currently serves as Executive Director on the boards of SICOM Global Fund Limited and SICOM Management Ltd.

YIP WANG WING Youk Siane, C.S.K, DEA, Maîtrise (up to 4 July 2017)

Mr Patrick Y-S YIP WANG WING is Deputy Financial Secretary. Mr Yip has been working in the Ministry of Finance and Economic Development since 1986, where he has been closely associated with the formulation of fiscal and national development policies and preparation of the National Budget. Mr Yip is also on a number of public Sector boards, including the Mauritius Revenue Authority.

He holds a Maîtrise in Econométrie and a Diplôme d'Etudes Approfondies in Politique et Analyse Economique from the University of Dijon, France.

Company Secretary

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

MANAGEMENT

BHOOJEDHUR-OBEEGADOO Karuna G (Mrs), BSc(Hons), FIA

Group Chief Executive Officer

The profile of Mrs K Bhoojedhur-Obeegadoo is found on page 8.

RAMDEWAR Nandita (Mrs), FCCA, MBA (Finance)

Chief Finance Officer

The profile of Mrs Nandita Ramdewar is found on page 12.

CHAPERON J M C Gilles, ACII, Chartered Insurer

Chief Support Officer

Gilles Chaperon is a Chartered Insurer and Associate of the Chartered Insurance Institute (ACII). He joined SICOM as a Technical Officer in 1981 and served in the Life and Pensions Department in various positions at management level before being promoted to Senior Manager (Legal and Compliance) in 2004.

He is responsible for the proper management of the Group's Marketing and CSR Departments and for the external communication of the Group notably with the media. He also oversees the management of the IT department.

Gilles is also in charge of the Compliance Department and is the Money Laundering Reporting Officer (MLRO) of the Group. He is a member of the Internal Risk Committee and contributes to the implementation of an Enterprise Risk Management Framework.

GOPY Dev K, DEA, MSG

Chief Investment Officer

Dev Gopy is a qualified Stockbroker and holds a Diplôme d'Etude Approfondies in Finance and a Maîtrise in Financial Management from L'Institut D'Administration Des Entreprises of the University of Montpellier II, France. He joined SICOM in 2001 as Investment Analyst. Prior to joining SICOM, he has worked at a local leading banking institution.

He is responsible for defining, implementing and monitoring the investment objectives and strategies of the different funds managed by the SICOM Group locally and overseas as well as of subsidiaries in the financial services sector. He also contributes to the implementation of the Group's Enterprise Risk Management Framework and is responsible for the proper running of the operations of Leasing and Unit trusts businesses transacted by SICOM Financial Services Ltd.

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

KOOMAR Bodun (Sailesh), FCII, MBA, Chartered Insurer

Chief Operating Officer

Sailesh Koomar is a Chartered Insurer and Fellow of the Chartered Insurance Institute (FCII) and holds a Masters in Business Administration (MBA) of the Surrey University. He joined the Company as Assistant Manager (Life) in 2002 with a 17 years background in Life and Pensions business acquired in a local composite insurance company where he was working at managerial level.

Sailesh is responsible for the overall strategic and administrative functions of the Individual Life, Personal Pensions and Loans business units. He is responsible for the proper planning and management of the operations of these business units as well as the Customer Relationship Management and Business Development Strategies of the group. He also contributes to the implementation of the Group's Enterprise Risk Management Framework and oversees the Human Resource function of the Group.

LEUNG LAM HING Suzanne H Y K (Mrs), ACII, Chartered Insurer

Chief Operating Officer, SICOM General Insurance Ltd

Suzanne Leung Lam Hing is a Chartered Insurer and an Associate of the Chartered Insurance Institute (ACII). She joined SICOM in 1981 and has served the Company in various capacities in both the General and Life Insurance Departments until 2002, when she was appointed Manager of the General Insurance Department.

Following the setting-up of SICOM General Insurance Ltd as a subsidiary of SICOM in 2010, Suzanne has the responsibility of defining the business strategies of the Company, the setting of its objectives and plans and their implementation. She handles the administrative functions pertaining to the Company and looks after the overall management of its insurance operations. She also contributes to the implementation of the Group's Enterprise Risk Management framework.

Suzanne currently serves as Executive Director on the board of SICOM General Insurance Ltd.

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

Senior Executive Officer - Legal & Corporate

Theresa Lee Shing Po was admitted as Attorney-at-Law in 1986. She joined the Company as Legal Officer in 2000 and is currently the Senior Executive Officer - Legal & Corporate.

She is responsible for the overall strategic functions of the Legal and Corporate Sections of the Group and also acts as Alternate Money Laundering Reporting Officer of the Group. She deals with and advises the Company in all legal matters. She provides legal support and advice, and identifies legal risks and finds solutions for the Group. She is responsible of the legal work, including research and advice, supervisory work of the Legal and Corporate Sections of the Group. She also contributes to the implementation of the Group's Enterprise Risk Management Framework.

Theresa currently acts as Company Secretary to the State Insurance Company of Mauritius Ltd, SICOM General Insurance Ltd and SICOM Financial Services Ltd.

BAGUANT Chemanlall, BSc(Hons), MBA, Dip (Act.Tech)

Senior Executive Officer - IT

Cheman graduated in Computer and Information Systems with Honours from Victoria University of Manchester and holds a Masters in Business Administration (Finance). He was also awarded a Diploma in Actuarial Techniques. He joined SICOM as Information Systems Officer in 1998 after five years of service in the IT sector.

He is currently the Senior Executive - IT responsible for proposing an IT Strategy that aligns with the corporate strategy and for the implementation and the monitoring of progress of the IT strategy and action plans.

Cheman has the responsibility of the day to day management of the IT department. He manages the IT security risks of the Group and is responsible to research and identify new IT tools, solutions and applications that will enable the Group to keep abreast of technological developments. He also contributes to the implementation of the Group's Enterprise Risk Management Framework.

APPADOO APPANAH Pritty (Mrs), FCCA, MBA

Manager & Internal Auditor

Pritty Appadoo Appanah joined the Company in January 2002. She worked previously for another leading insurance group and she also worked as external auditor in one of the leading audit firms. Over the years she also cumulated other functions. She is currently the Manager & Internal Auditor. She is a member of the Internal Risk Committee and contributes to the implementation of an Enterprise Risk Management Framework.

Pritty is a Fellow of the Association of Chartered Certified Accountants (UK) and holds a Masters in Business Administration from the University of Surrey (UK).

BALGOBIN Parmanand (Vinod), ACII, Chartered Insurer

Manager - General insurance

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

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

CHEENEEBASH Lohit K L (Bobby), ACII, MBA, Chartered Insurer

Manager - Life Assurance

Bobby Cheeneebash joined the Company in 1991 and has a rich experience in the Life Insurance and Pensions market, acquired over the last 26 years. He has worked in different positions in the Life Department of the Group and has been mainly responsible for the administration of the Distribution function and Product Development. He is presently the Manager - Life Assurance.

Bobby is an Associate of the Chartered Insurance Institute (UK) and a Chartered Insurer. He also holds a Masters in Business Administration.

RAMRUTTUN Heman K (Rajesh), FCCA

Manager - Finance

Rajesh Ramruttun joined SICOM as Accountant in 2001. Prior to joining SICOM, he worked as Financial Controller at a local transport company. He has more than 23 years of experience in Accounting and Financial Management. He is currently the Manager (Finance).

Rajesh is a Fellow Member of the Association of Chartered Certified Accountants UK.

RUGHOO Rajkamal (Raj), BA (Hons)

Manager - Pensions

Raj Rughoo joined SICOM in 1988 and has served in different capacities in various Departments. He is currently the Manager of the Group Pensions Department and has over 20 years' experience in the administration of pension funds.

Raj holds a B.A (Hons) degree in Mathematics.

SEEROO Vasoodevsing J (Rajeev), AIA

Manager - Actuarial & Group Life

Rajeev Seeroo joined SICOM in 1989 and has since worked at different levels in the Actuarial Department with varied experience in Life insurance and Pensions fields. He is presently Manager in charge of the administration of the Actuarial & Group Life business.

Rajeev is an Associate of Institute of Actuaries, UK.

Group Highlights

Profit Before Tax

+9.3 %

Rs 510.6M

Turnover

+7.0 %

Rs 2.50 BN

Total Assets

+2.1 %

Rs 19.07 BN

Dividend Paid

+7.1 %

Rs 137.8M

Long Term Business

(Gross Premium)

Rs 1.86 BN

CSR

Rs 7.2M funded

25 projects

Our People

331 Staff

Directors' Report

The Board of Directors of the State Insurance Company of Mauritius Ltd (SICOM) is pleased to present the twenty-eighth Annual Report together with the audited financial statements of the Group and of the Company for the year ended 30 June 2017.

ECONOMIC REVIEW

According to the International Monetary Fund, world growth is projected to rise to 3.5% in 2017 supported by buoyant financial markets and a long-awaited cyclical recovery in investment, manufacturing and trade. Economic activity in both advanced economies and emerging and developing economies is forecast to accelerate by 2.0% and 4.6% respectively in 2017. In advanced economies, the pickup is primarily driven by higher projected growth in the United States, where activity was held back in 2016 by inventory adjustment and weak investment. The gradual improving conditions of commodity exporters as a result of the partial recovery in commodity prices should see markedly higher activity in emerging market and developing economies, while growth is projected to remain strong in China and many other commodity importers. Headline inflation, which has generally softened with the fading impact of the commodity price rebound experienced in the second half of 2016, remains at levels well below central bank targets in most advanced economies. A few emerging economies have also witnessed strong declines in inflation.

Despite the improved global outlook, binding structural obstacles continue to hold back a stronger recovery and the balance of risks remains skewed to the downside, more so over the medium term. On the upside, the cyclical rebound could be stronger and more sustained in Europe, where political risk has diminished. On the downside, rich market valuations and very low volatility in an environment of high policy uncertainty raise the likelihood of a market correction, which could dampen growth and confidence. Moreover, tightening global market conditions as a result of faster-than-anticipated monetary policy normalisation, a more protracted period of policy uncertainty, financial tensions, a turn toward inward-looking policies and geopolitical risks threaten the strength and durability of the recovery.

Receding political uncertainties and further indications of a more synchronized recovery in the global economy triggered a global rally of risk assets. Market sentiment has generally been strong, with notable gains in equity markets in both advanced and emerging market economies. During the financial year ended 30 June 2017, the S&P 500 and the MSCI World Index recorded a gain of 15.5% and 15.9% respectively. The MSCI Europe, DAX, CAC 40, FTSE 100 and Nikkei 225 were up by 17.8%, 27.3%, 20.8%, 12.4% and 28.6% respectively during the same period. Similarly, the MSCI Emerging Markets, MSCI China and MSCI India rose by 21.2%, 30.3% and 15.9% respectively.

According to Statistics Mauritius, the domestic economy grew at a higher rate of 3.8% in 2016 compared to the 3.6% growth in 2015 on the back of higher growth rates from most sectors. Compared to the prior year, the savings rate increased to 11.0% in 2016 while the investment rate decreased slightly to 17.3%. After several years of contraction, total investment rebounded by 3.7% in 2016, buoyed by private investment. The headline inflation rate was 2.4% for the twelve months ended 30 June 2017 compared to 0.9% for the corresponding period ended 30 June 2016. During the financial year to date, there was appreciation of the AUD, ZAR and NZD compared to the MUR while the local currency appreciated against the USD, GBP and EUR. The SEMDEX, SEM-10 and the DEMEX gained by 21.1%, 22.3% and 9.8% respectively over the financial year ended 30 June 2017.

In its June 2017 National Account Estimates, Statistics Mauritius has estimated the 2017 GDP forecast at 3.9% taking into account policy measures announced in the budget 2017/2018. In fact, higher growth rate is expected from sectors such as manufacturing, construction, information and communication, and professional, scientific and technical activities. The investment rate in 2017 is expected to increase to 17.6% while the saving rate is projected to reach 11.1%. Private sector investment is expected to post a lower growth rate of 2.8% in 2017, while a rebound of 12.8% is anticipated in public sector investment.

CORPORATE OVERVIEW

Our strategy plan 2016-2019 is based on four main pillars, namely:

- Focusing on Customers, growth and business development
- Consolidating the Group's organizational, governance and capital structures
- Enhancing operational excellence
- Improving employee motivation and engagement and further developing our human capital

We are pleased to report that for the financial year under review, this strategic focus has impacted positively on the bottom line of the SICOM Group. In fact, the Group has posted a robust growth of 9.3%, with the pre-tax profit increasing from Rs 467.0 million last year to Rs 510.6 million for the financial ended 30 June 2017. The pre-tax profit of the Company for this year stands at Rs 460.2 million compared to Rs 432.5 million last year. The total assets of the Group have increased from Rs 18.62 billion as at 30 June 2016 to reach Rs 19.07 billion as at 30 June 2017 and turnover of the Group has increased from Rs 2.34 billion in 2016 to reach Rs 2.50 billion in 2017. SICOM has furthermore pursued its plan of general containment of costs at all levels as well as a close monitoring of the Key Performance Indicators at Group, Company and SBU levels.

Our customer remains at the centre of our actions. To this end, several projects have been successfully initiated, such as the opening of our Customer Shop at SICOM Tower, Ebene, the upgrading of our customer floors and lobbies, launching of a number of advertising and branding campaigns, besides looking at new expansion opportunities. We have also identified means to enhance customer service, including the appointment of new Client Relationship Representatives and Sales Agents, call centre services, consolidation of our bancassurance partnerships and tapping into new markets. On the technological front, we are working on enhancing our websites and customer portals as well as on the development of on line quotations/sales applications to make our services more accessible to our clients. We will also continue to invest significantly in new business applications so as to generate added value services.

Going forward, the Group will maintain its objective of staying focused on its four main strategic pillars, despite the prevailing tough market conditions and competition. We are shortly embarking on a review of the SICOM Group so as to identify new business opportunities and to sketch a roadmap as to how to leverage fully on digital business transformation and innovation to deliver high quality customer value propositions for the medium to long term. We will additionally pursue our objective of consolidating our Governance, Risk and Compliance frameworks.

Technology and Innovation

We are actively pursuing our digital business transformation program with the double objectives of enhancing customer service and operational efficiency. In this respect, our website is being upgraded and online quotation and application facilities will be provided to individual life assurance and General Insurance prospects. Online services that are already being provided to motor insurance customers will be further extended to other lines of business, namely Individual Life assurance and Group Pensions businesses. Our customers will thus be able to obtain a range of information on their insurance or pensions by logging in from their personal computer or mobile devices.

As part of the continuing efforts to improve operational efficiency, we are deploying a Document Management Solution (DMS) and a Decision Support Solution (DSS) across the Group.

The Company also gives a high importance in safeguarding customer and corporate data. In this respect, security solutions are being deployed to keep abreast of new security threats.

Human Resource Development

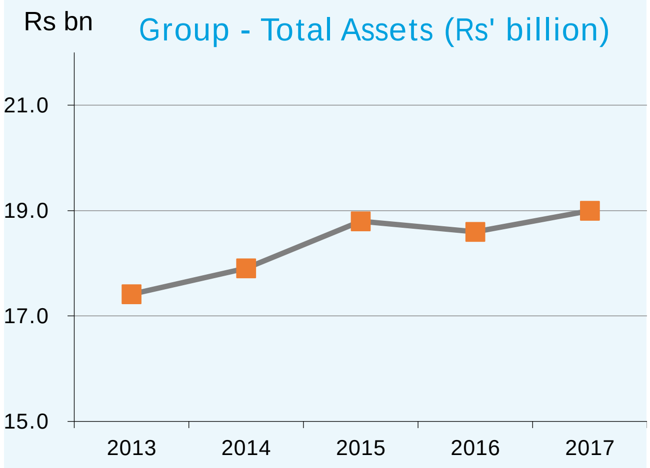
The SICOM Group has undeniably sustained its strategic commitment to employee development by considerably offering employees at all levels opportunities to develop their personal and organizational skills, knowledge and abilities in line with nurturing an enhanced and empowered workforce so as both the organisation and its individuals can accomplish their common work goals in service to customers. And in line with same, in order to promote an on-going learning culture across the Group, incentives and facilities are provided to employees to pursue professional studies in fields related to the key business areas.

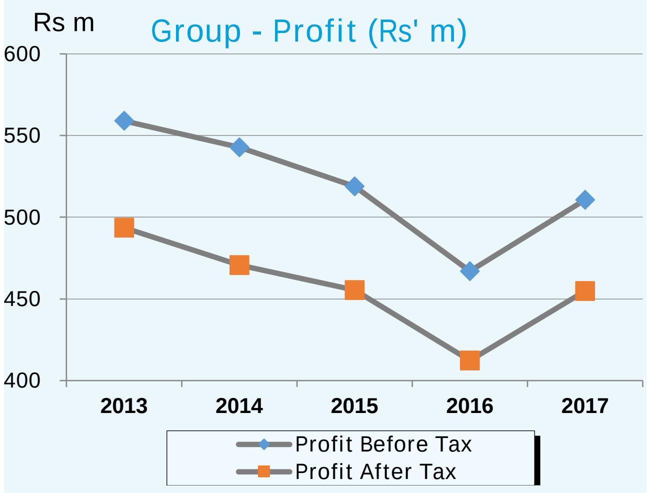
The SICOM Group acknowledges that a talented and skilled workforce is the lifeblood of every organization and has been working on the review and enhancement of its Performance Management System (PMS) which is expected to be successfully implemented before end of the year.

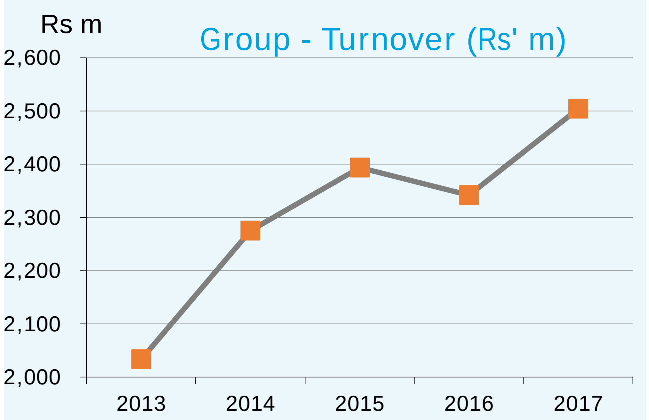
The Group not only aims to attract the best talent but also strives to retain the best by fostering a sound organizational structure with career growth opportunities in a well-balanced working environment synergized with varying staff-welfare initiatives and benefits. Furthermore, the review of terms and conditions, salary and benefits was successfully approved and implemented during the financial year.

KEY FINANCIAL CHARTS

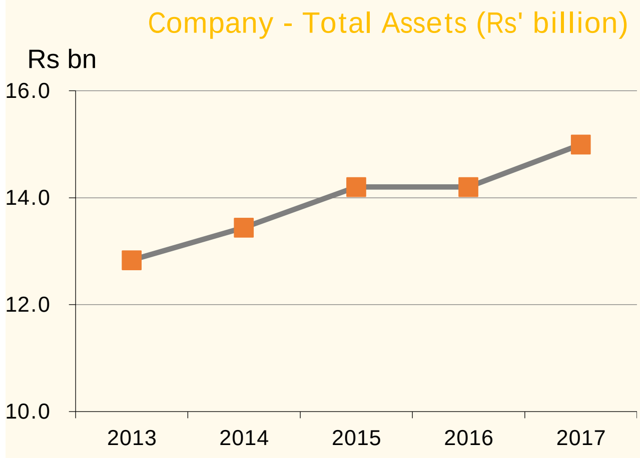
GROUP

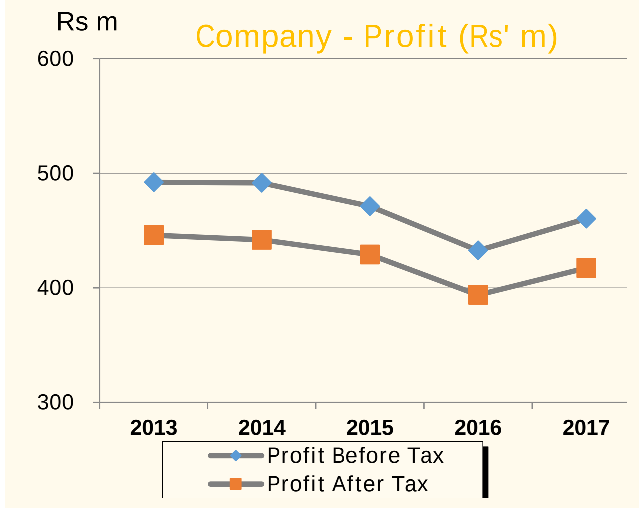


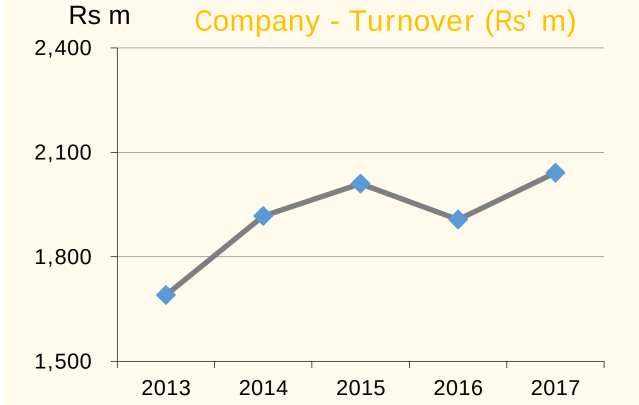




COMPANY







OPERATIONS REVIEW

LIFE ASSURANCE

Gross Premium
Rs 1.86 bn

Individual Life Premium & Personal Pension Contribution
Up by 5%

Group Life Premium
Up by 3.4%

Survival and Maturity Benefits
Rs 1.13 bn

Bonus Paid
Rs 470.7 m

Death and Disability Claims
Rs 140.3 m

No of in force Individual Life policies
65,146

No of Group Schemes
332

Overview

On the heels of the still challenging, albeit gradually recuperating, global context and lingering domestic imbalances, the country's economic expansion is anticipated to remain relatively restrained this year.

The stand adopted by the Company a few years back to maintain our growth in terms of premium income has generated encouraging outcomes.

Our Individual life and personal pension as well as the Group Life lines of business have both showed satisfactory results for the year ended 30 June 2017.

Financial Performance

Our long-term business operations, which consists of Group and Individual life businesses, ended with a Gross premium figure of Rs 1.86 billion as at June 2017 (Rs 1.78 billion - June 2016) for a total number of 65,146 in-force individual life policies and 332 group life schemes with some 80,000 lives insured.

Total gross life premium and personal pension contribution for the year ending 30 June 2017 registered an increase of 5%. The Group Life Premium, on the other hand, registered a growth of 3.4 % as at 30 June 2017.

Bonuses paid to our policyholders during the year stood at nearly Rs 470.7 million while Survival and maturity benefits paid out during the year reached Rs 1.13 billion. The company also paid out a total sum of Rs 140.3 million as death and disability claims.

What we plan to do?

With a view to strengthen our growth strategies we are continuously reviewing our product portfolio to suit the evolving needs of our customers, reinforcing our distribution capabilities to make our products and services more accessible and streamline further our processes to make our customer experience as pleasurable as possible.

In this fast-paced digital age, reaching out to the desires and needs of consumers is more important than ever and in this context no effort is spared to connect on line with our customers.

For instance, to make the process of buying insurance simpler we are working on the introduction of an online platform to facilitate digital access to our services and enable online sales.

GENERAL INSURANCE

Gross Premium written
Rs 757.0 m

Number of claims paid
24,000

Amount of claims paid
Rs 402.6 m

Pre-Tax Profit
Rs 36.6 m

Total assets (net of reinsurance assets)
Rs 1.08 bn

Overview

The 2016/2017 financial year was another challenging year. Indeed, the General Insurance market remained intensely competitive, with the resulting low premium rates impacting on premium amount written per risk. In view of the difficult market conditions, major focus was put on customer retention strategies as well as new business acquisition initiatives. A growth of 3.4% in Gross Premiums was achieved, to reach an amount of Rs 757.0 million.

The overall net retained premium amounted to Rs 382.0 million being an increase of 5.3% over the figure of Rs 362.9 million for the last financial year, with the changes in reinsurance strategy brought at the beginning of the 2016/2017 financial year being instrumental to the increase.

On the claims side, the amount of net incurred claims increased by Rs 30.8 million, driven mainly by an increased number of motor claims and increased costs of repairs.

Its customers remain high on the Company's list of values and they are the focus of its actions. These are embedded in the Company's plans and cover areas such as improving on service excellence, providing value-added products, and new services which will promote ease of working with the Company. The latter encompass the increased use of information technology to facilitate two-way communication and interaction with the customer such as enhancements to the existing customer portal and providing online transaction facilities. These actions together with other initiatives touching on business development, capacity building of the staff and salesforce, and improvement of internal processes are being rolled out as from 2017-2018.

Financial Performance

The total assets of the Company excluding reinsurance assets reached an amount Rs 1.08 billion at 30 June 2017.

Investment and other income realised stood at Rs 46.5 million compared to Rs 51.6 million last year. Following the impact of increased claims costs, the current investment climate and a significant increase in administrative expenses, an amount of Rs 36.6 million was achieved as Pre-Tax Profit. The Net Profit after tax amounted to Rs 30.7 million.

The Board of Directors has declared and approved a dividend of 75% (2016: 75%) of Profit after tax to the Holding Company, being an amount of Rs 23.0 million.

What we plan to do?

- More protection to the customer - New Products to address customer needs
- Be geographically closer to the customer - Increased PostAssurance outlets
- Facilitate customer interaction through digitalization - customer portal and online transaction facilities

GROUP PENSIONS

Number of schemes
185

Number of scheme participants

Active members
45,999

Pensioners
9,018

Benefits Paid

Retirement Gratuity
Rs 512.7 m

Pensions
Rs 1.58 bn

Death Gratuity paid to Legal Personal Representatives
Rs 45.8 m

Assets under management
Rs 28.96 bn

Overview

Again this year, the Group Pension Business has played an important role in the overall financial performance of SICOM.

Expectations from all sponsors, plan participants and other stakeholders have been on the increase and we have taken appropriate actions in view of providing an enhanced level of service to them, by reviewing our systems and processes. Also, new legal and regulatory requirements have been monitored to ensure that we are compliant and operate in line with best practice. These actions have contributed in the consolidation of our position in the market.

The general trend nowadays for new sponsors, is to set up Defined Contribution Schemes and therefore much emphasis is being laid on the investment options to the participants and to the projected level of benefits over time. As regards the Defined Benefit Schemes, the respective funding levels are monitored and sponsors called upon to review funding options as and where required.

Over the year, considerable resources have been geared towards the implementation of the provisions of the Private Pension Schemes Act. For this purpose, educating sponsors and plan participants has been a major focus. Also, a custodian and an Actuary have been appointed by the SICOM Pooled Private Pension Fund in accordance with the Private Pensions Schemes Act.

What we plan to do?

- Develop a new pension system for the Defined Contribution Scheme.
- Engage more often with sponsors and participants for sharing of information.
- Acquire new corporate clients and increase our market share.
- Implement a customer portal service to provide convenient online services to our clients.
- Implement a document management system.

INVESTMENT

Investment under Management
Rs 46.05 bn

New Investments
Rs 6.89 bn

Investment Income
Rs 1.90 bn

Investment Return
Up to 11%

Overview

In its June 2017 National Account Estimates, Statistics Mauritius has estimated the 2017 GDP forecast at 3.9% taking into account policy measures announced in the budget 2017/2018. The investment rate in 2017 is expected to increase to 17.6% while the saving rate is projected to reach 11.1%. Private sector investment is expected to post a lower growth rate of 2.8% in 2017, while a rebound of 12.8% is anticipated in public sector investment.

The global recovery is likely to gain further momentum in 2017 on the back of faster U.S. growth, stable developed markets growth and rebounding emerging markets momentum. Monetary policy continues to be broadly accommodative, while inflation remains low. While growth becomes more balanced, material risks emanate from late-cycle fiscal stimulus, rich market valuations, faster Fed rate hikes and a broad globalisation backlash. In general, market and policy realities such as full valuations, legislative bottlenecks and diminishing excess economic capacity point towards lower annualised returns from risk assets.

Depending on market conditions, we shall continue to research for attractive investment opportunities and invest for the long-term in identified markets.

Financial Performance

The different Funds managed by the company posted good performances for the financial year under review in spite of the low interest rate environment. The total investments under management increased from Rs 42.82 billion as at 30 June 2016 to reach Rs 46.05 billion as at 30 June 2017. Investment income of our different funds stood at Rs 1.90 billion for the year under review nearly in line with that of last year. New investments made by SICOM stood at Rs 6.89 billion for the year ended 30 June 2017, which were mainly in government securities, deposits, equity and loans. The gain on disposal of investments stood at Rs 18.0 million for the year under review, compared to Rs 21.3 million last year.

What we plan to do?

The future of investment management will hinge to a large extent on technology and two main initiatives to help in the continued growth of SICOM's Investment Management business for 2017/2018 are:

- A new Investment Management Software
- An online platform to transact in foreign funds and ETFs

SUBSIDIARY COMPANIES & OTHER BUSINESS LINES

SICOM General Insurance Ltd (Refer to page 23)

SICOM Financial Services Ltd

The total investment in finance lease grew over the financial year under review to reach Rs 440.1 million as at 30 June 2017. The total deposits mobilised by the company stood at Rs 2.40 billion as at 30 June 2017. The net interest income of the company increased by 13.8% to stand at Rs 58.1 million for the financial year ended 30 June 2017, with an improved contribution from the leasing business. The profit before tax of the company increased by a robust 9% to Rs 27.6 million.

Other Subsidiaries

The profit before tax of SICOM Management Ltd increased from USD 2.4 million last year to reach USD 2.6 million for the financial year ended 30 June 2017. SICOM Global Fund Ltd, a Collective Investment Scheme and Expert Fund, managed by SICOM Management Ltd saw its total assets increase from USD 231.9 million last year to reach USD 266.8 million as at 30 June 2017.

Loans

For the financial year ended 30 June 2017, we have achieved a total amount of loans approved of Rs 325.4 million as compared to Rs 557.1 million for the same period as for last year, while the total amount of loans disbursed reached Rs 311.7 million in comparison to Rs 523.7 million for last year. It should be noted that the figures recorded for last year were largely due to the one-off promotional housing loan offer with cheaper interest rate offered for a specific period made in the context of the Company's 40th Anniversary celebrations.

Actuarial Business

The main line of actuarial services is towards Statutory Valuations and IAS 19 Disclosures in respect of pension funds managed by SICOM. Over the period, 64 such valuations have been carried out. In addition, actuarial consultancy services have been regularly provided on pension issues relating to mergers of organisations, early retirement schemes, winding up and benefits review. Technical support is ongoing regarding administration of Defined Contribution Pension schemes and the compliance to the Private Pensions Scheme Act. On the Life Assurance side, technical assistance has been provided for the Statutory Life Valuation, product certification/profit-testing exercises and other actuarial exercises as carried out by the Actuarial Consultants. In parallel, there has been constant actuarial input in the day to day servicing of life assurance clients.

CORPORATE SOCIAL RESPONSIBILITY

Jaipur Foot 8 (Mauritius)

SICOM Les Foulées de L'Espoir 2016

Amount Funded
Rs 7.2m

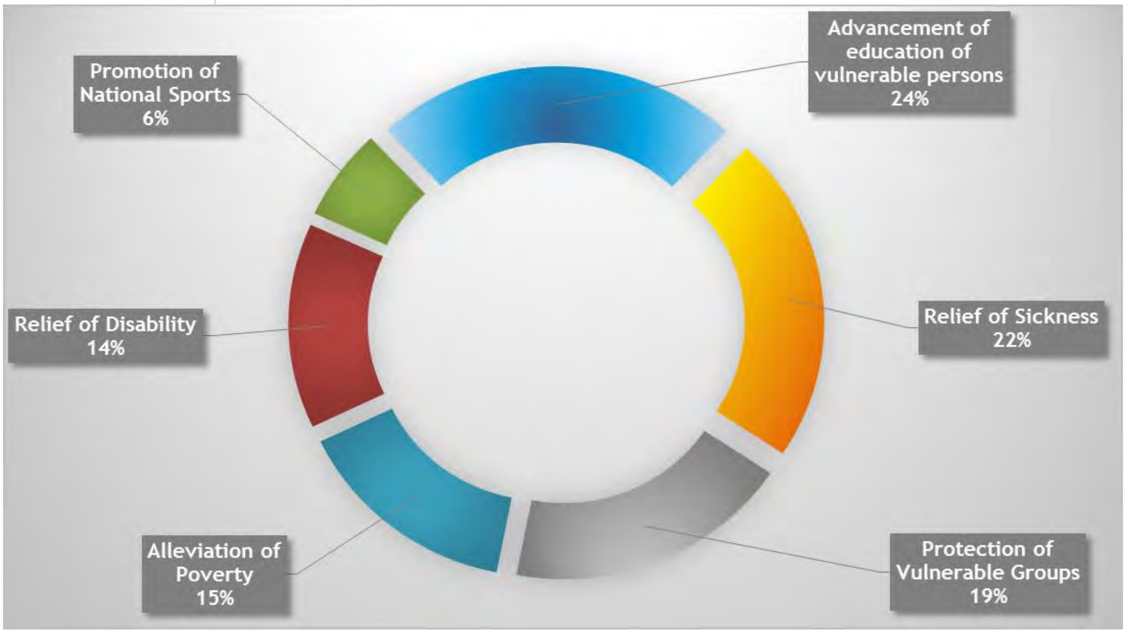
No of Projects
25

SICOM Foundation

The Group continues to fulfill its engagement as a socially responsible entity through SICOM Foundation, its dedicated vehicle used to implement its CSR strategy.

During the year under review, SICOM Foundation has provided support to NGOs by financing 25 projects to the tune of Rs 7.2 million to promote education and welfare of vulnerable persons, improve the conditions of vulnerable groups including elderly, children & women in distress, homeless and victims of substance abuse, raise awareness on cancer risk, support people with disabilities and finally provide support to our athletes participating in international games.

The Foundation also reiterated its support to Breast Cancer Care, an NGO actively engaged in the fight against breast cancer, for a national screening campaign through our annual charity walk and run - SICOM Les Foulées de L'Espoir which was held in August 2016.



CORPORATE GOVERNANCE REPORT

1. ADHERENCE TO GOOD 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 and soundness as well as to enhance the shareholder value of a company. The Board of Directors ensures that all the principles of good governance are followed and applied.

2. MAJOR SHAREHOLDERS

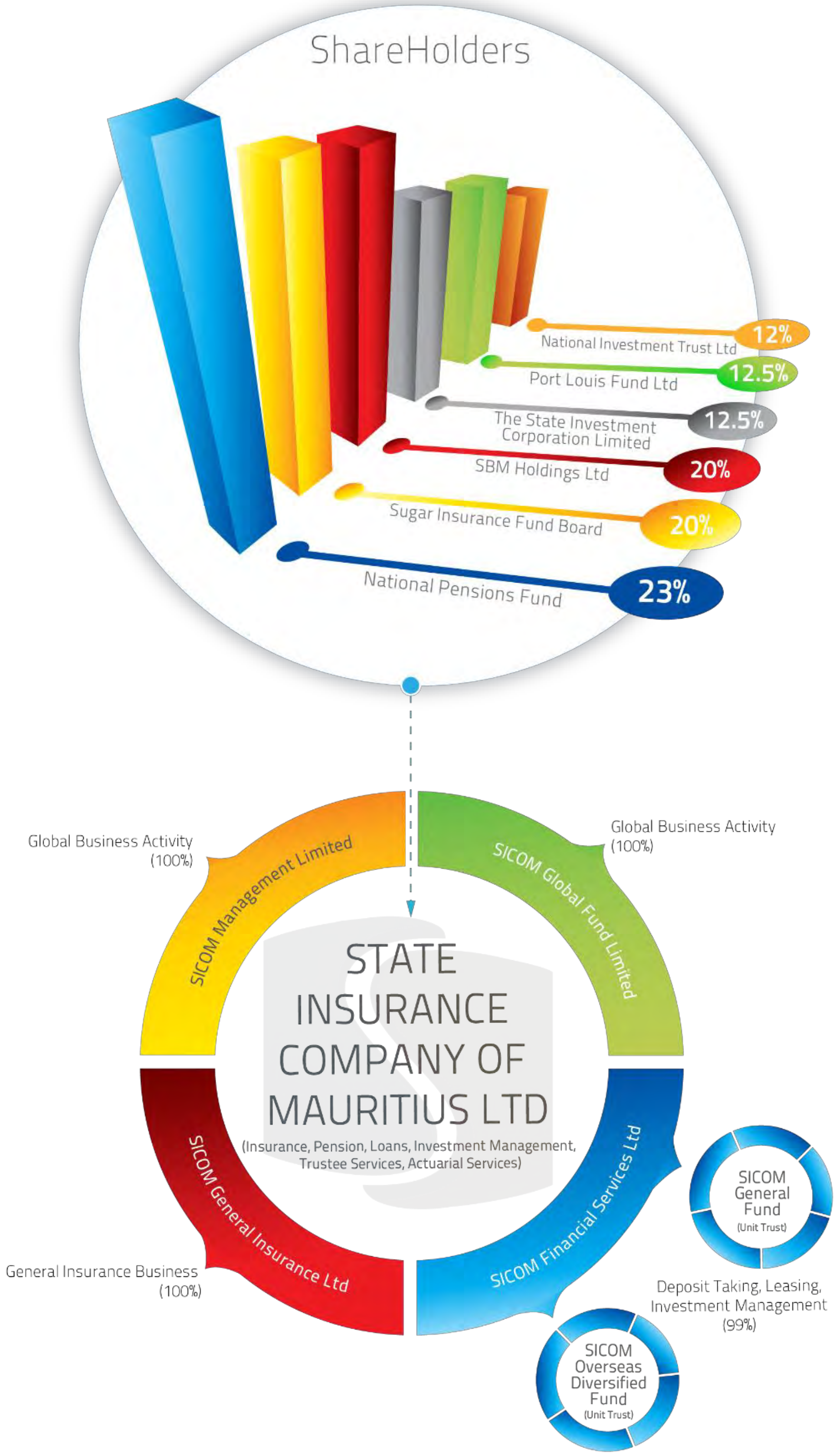
As at 30 June 2017 the following Shareholders held more than 5% of the ordinary share capital of the Company:

Shareholders	% Holding
National Pensions Fund	23.0
Sugar Insurance Fund Board	20.0
SBM Holdings Ltd	20.0
The State Investment Corporation Limited	12.5
Port Louis Fund Ltd	12.5
National Investment Trust Ltd	12.0

3. DIVIDEND POLICY

The Company's objective is to provide value to its shareholders through an optimum return on equity. Dividends are proposed and paid after taking into consideration the profit after taxation, projects, technical provisions and appropriations to statutory and other reserves for ongoing operational activities. Dividends are only authorised and paid out if the Company shall, upon the distribution being made, satisfy the Solvency Test. The current policy of dividend distribution is a minimum of 25% of the profit after tax of the Company. During the year under review, the Company paid a dividend of Rs 551.25 (2016: Rs 514.93) per share.

4. GROUP STRUCTURE



SICOM Financial Services Ltd manages SICOM General Fund and SICOM Overseas Diversified Fund.

5. THE BOARD OF DIRECTORS

(a) Composition

Directors' profile appears on pages 8 to 12.

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

Following the appointment of directors, an induction pack containing reading materials such as the Constitution of the Company, a copy of the Code of Ethics with the mission and objectives of the Company together with the latest Annual Report are delivered to the new directors. All Directors receive timely information so that they are equipped to play fully their roles in Board meetings. They have access to the Company Secretary for any further information they require. Independent professional advice would be available to Directors in appropriate circumstances, at the Company's expense. The Company's Constitution provides that the minimum number of directors shall be five and the maximum eleven.

(b) Role of the Board

The Board sets the Company's strategy and determines the Company's values and standards. It is accountable and responsible for the performance and affairs of the Company. Company Law requires the Directors to prepare financial statements for each financial year which give 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 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 has the overall responsibility for ensuring that the Company complies with the standards of good corporate governance. During the last financial year, the Board of Directors met fifteen times.

(c) Election of Directors

The Directors of the Company are in principle elected every year at the Annual Meeting of Shareholders.

(d) Assessment of Directors

The Directors forming part of the Board, especially those who are members of the Board Committees, have been appointed in the light of their wide range of skills and competence acquired through several years of working experience and professional background. It is expected that the evaluation of the Board and the assessment of the Directors will be done in the near future.

(e) Common Directors at 30 June 2017

	State Insurance Company of Mauritius Ltd	SICOM General Insurance Ltd	SICOM Financial Services Ltd	SICOM Management Limited	SICOM Global Fund Limited	Number of directorship in listed company
Mr S Nemchand	✓	✓	✓	✓	✓	-
Mrs K G Bhoojedhur-Obeegadoo	✓	✓	✓	✓	✓	1
Mr A Balluck	✓					-
Mr C Bhugun	✓					
Mr B Boyramboli (Alternate: Mr V Rambarassah)	✓ ✓					 1
Mr C Dussoye	✓	✓				1
Dr R Jugurnath	✓					-
Mr K C Li Kwong Wing, G.O.S.K	✓					1
Mr J D Phokeer	✓	✓				-
Mrs N Ramdewar	✓			✓	✓	-
Mr Y S Yip Wang Wing, C.S.K	✓	✓	✓			-
Mr B Boodhoo		✓				
Mrs H Y K Leung Lam Hing		✓				-
Mr B Ramdenee		✓				
Mr S Ramgutty		✓				
Mr D K Gopy			✓			-
Mr N E S S Hussenee			✓			
Mr B I R Ramdhonee			✓			
Mr S Sakurdeep			✓			-

(f) **Directors' Remuneration**

The emoluments of Directors are disclosed on page 123. The Directors' fees and remuneration have not been disclosed on an individual basis due to commercial sensitivity.

(g) Shareholder Diary

Financial Year 2016-2017

Financial year-end	: 30 June 2017
Audited Financial Statements for the year ended 30 June 2017	: Within three months from end of June 2017
Statutory Return to Financial Services Commission	: September 2017
Annual Meeting	: September 2017
Dividend payment	: October 2017

6. DIRECTORS' **INTEREST** IN SHARES

The Directors do not hold any share in the Company.

7. BOARD COMMITTEES

The Board has established three Board Committees as follows:

- Risk and Audit Committee
- Investment and Finance Committee
- Corporate Governance and Staff Committee

Risk and Audit Committee

As at 30 June 2017, the Risk and Audit Committee consisted of Messrs Y S Yip Wang Wing, C.S.K (Chairman) and C Dussoye. It is to be noted that Mr J B Elisa formed part of the Risk and Audit Committee until 27 February 2017.

The Risk and Audit Committee operates under a formally approved Charter, which clearly spells out the roles and responsibilities of the Committee members. Its main tasks are to maintain and, where necessary, review the effectiveness of internal controls in the Group in the light of the findings of the external and internal auditors and review the financial statements. During the year, the Risk and Audit Committee met four times.

Investment and Finance Committee

As at 30 June 2017, the Investment and Finance Committee consisted of Mr Y S Yip Wang Wing, C.S.K (Chairman), Mrs K G Bhoojedhur-Obeegadoo, Mr S Nemchand, and Mr J D Phokeer.

The Investment and Finance Committee of SICOM lays down and reviews on a regular basis the investment strategy of the different funds under our management, that is, the Committee has the objective of selecting investments and investment products to yield superior returns within a preset risk management structure. It also takes key investment decisions and ensures that investments are in all respect reasonable and proper. Moreover, the Committee monitors and reviews the performance of our different portfolios. During the year, there was no meeting of the Investment and Finance Committee as the issues usually dealt with by the Investment and Finance Committee were dealt with at the Board level.

Corporate Governance and Staff Committee

As at 30 June 2017, the Corporate Governance and Staff Committee consisted of Mr S Nemchand (Chairman), Mrs K G Bhoojedhur-Obeegadoo and Mr A Balluck. It is to be noted that Mr J B Elisa formed part of the Corporate Governance and Staff Committee until 27 February 2017.

The Corporate Governance and Staff Committee operates under an approved mandate, which includes the nomination of Directors, determination of the Company's general policy on Directors' fees, executive and senior management remuneration and consideration of other important corporate and staff related matters. The Committee also has the following responsibilities: namely the review and adoption and HR strategies, policies and procedures in line with local legislation and regulations and benchmarked to best practices, review of the recruitment, selection, confirmation and promotion process and approval of related staff cases, identification of new posts and setting of the profiles, review of the Performance Management System and Performance related reward system, consideration of staff welfare initiatives and consideration of any other staff-related issue. During the year, the Corporate Governance and Staff Committee met four times.

Board and Committees Attendance

Board Composition	Classification	Board	Risk and Audit Committee	Corporate Governance and Staff Committee
Number of Meetings held during the year		15	4	4
Directors:				
Mr S Nemchand (Chairman)	Independent Director	7 of 15	-	3 of 4
Mrs K G Bhoojedhur-Obeegadoo	Executive Director	12 of 15	-	3 of 4
Mr A Balluck	Independent Director	15 of 15	-	3 of 4
Mr C Bhugun (as from 19 June 2017)	Independent Director	-	-	-
Mr B Boyramboli (as from 23 November 2016) (Alternate: Mr V Rambarassah as from 23 November 2016)	Non-Executive Director	3 of 15 1 of 15	- -	- -
Mr C Dussoye	Non-Executive Director	14 of 15	4 of 4	-
Mr J B Elisa (up to 27 February 2017)	Independent Director	9 of 15	2 of 4	3 of 4

Board and Committees Attendance (cont'd)

Board Composition	Classification	Board	Risk and Audit Committee	Investment and Finance Committee	Corporate Governance and Staff Committee
Dr R Jugurnath	Non-Executive Director	11 of 15	-	-	-
Mr K C Li Kwong Wing, G.O.S.K (as from 23 November 2016)	Non-Executive Director	5 of 15	-	-	-
Mr J D Phokeer	Independent Director	13 of 15	-	-	-
Mrs N Ramdewar	Executive Director	15 of 15	-	-	-
Mr Y S Yip Wang Wing, C.S.K	Independent Director	11 of 15	4 of 4	-	-

The Executive Directors have service contracts with the Company without expiry date.

8. REMUNERATION POLICY

SICOM recognises that all employees are vital to the success and continued success of the Group and hence are encouraged to identify with and to become involved with the financial performance of the Group and services to clients.

The Group's remuneration strategy is designed to reward competitively the achievement of long-term sustainable performance and attract and motivate the very best people who are committed to maintaining a long-term career with the Group and performing their role in the long-term interests of our shareholders.

To achieve this objective, the SICOM Group believes that effective governance of our remuneration practices is a key requirement. Governance of remuneration principles and oversight of its implementation ensures what is paid to our people is aligned to our business strategy and performance is judged not only on what is achieved over the short and long term but also importantly on how it is achieved, as the Group believes the latter contributes to the long-term sustainability of the business. In line with same, the salary review exercise initiated during the last financial year was fully implemented during the year under review.

9. SENIOR MANAGEMENT PROFILE

The profiles of the Senior Management team appear on pages 13 to 16.

10. RELATED PARTY TRANSACTIONS

The related party transactions are disclosed in Note 38 to the Financial Statements.

11. CONSTITUTION

The Constitution of the Company is in conformity with the Companies Act 2001. The Constitution provides that no share in the capital of the Company shall be sold or transferred by any shareholder unless and until the rights of pre-emption have been exhausted.

12. SHAREHOLDERS' AGREEMENTS/THIRD PARTY MANAGEMENT AGREEMENTS

There were no such agreements during the year under review.

13. INTERNAL AUDIT

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

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

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

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

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

The Internal Audit plan, which is approved by the Risk and Audit Committee, is based on the principles of risk management to ensure that the scope of work is aligned with the degree of risks attributable to the areas audited. The Group's main lines of business are Individual and Group Life Assurance, General Insurance, Pensions, Financial Services, Actuarial Services and Loans. The Internal Audit plan for the financial year ended 30 June 2017 included reviews on the Individual Life

Assurance, Pensions, Financial Services, Loans and General Insurance businesses to ensure comprehensive coverage of the Group's operational activities.

The Group's support activities such as Information Technology, Finance, and General Administration have been also reviewed so as to obtain assurance on the effectiveness and efficiency of support being provided to the main operating activities in line with the Group's strategic objectives and competitiveness. The auditable areas are identified and selected according to high risks areas and on a rotational basis. No major weaknesses were noted in the reviews carried out.

Quality Assurance

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

The Quality Policy of the Group is set out on page 3.

14. RISK MANAGEMENT

Enterprise Risk Management

State Insurance Company of Mauritius Ltd, SICOM General Insurance Limited and SICOM Financial Services (together, "SICOM" or "the Company") embarked on implementing an enterprise risk management (ERM) framework as of 2013 to better understand the risks they are faced with in performing their various business operations, well before it was required to do so. More recently, the Company has reinstated the implementation thereof in order to satisfy the Insurance (Risk Management) Rules ("the Rules") prescribed by the FSC during 2016.

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

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

The function of Risk Officer is currently being operated by QED Actuaries & Consultants from South Africa.

At this stage, the Company is focusing on setting the right foundations and putting the right structures in place from which it will be able to improve year-on-year and mature its framework into one that meets global best practice. The framework aims to increase risk awareness among all staff and establish a culture whereby employees at all levels of the organisation take accountability for the sound management of risk. Above all, the establishment of an ERM framework seeks to provide SICOM with a holistic view and thorough understanding of its risks.

Risk Language and Taxonomy

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

Risk Management Process

The risk management process (RMP) refers to the continuous cycle of identifying, assessing, monitoring, managing and reporting of risks, as applicable. The RMP is the cornerstone of any ERM framework and is formalised in the form of a risk register. The various departments of SICOM have developed a risk register template whereby the primary risks were categorised.

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

Risk Culture

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

- The risk culture is set from the top.
- Key decisions fully incorporate risk analyses. The Board and Management receive input from risk owners and risk experts.
- Proactive responses towards risk should be encouraged across the organisation.
- An "open-door" environment is cultivated and information flows as freely as possible given confidentiality requirements.

- Organisational learning is actively encouraged making sure that the company learns from experience inside and outside the company.

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

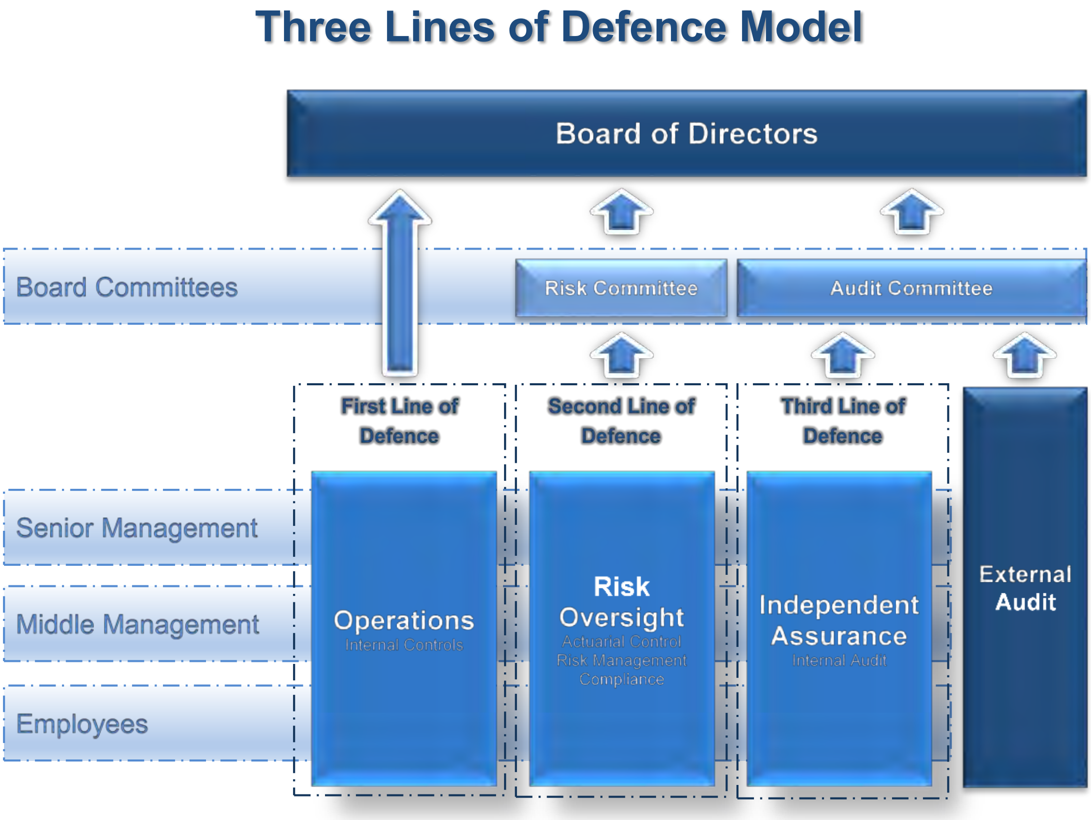
Three lines of Defence

There are a variety of risk management models necessitated by the need to tailor the risk management approach to each organisation's risk profile. SICOM aims to adopt the Three Lines of Defence Model.

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

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

The model is depicted graphically below.



First Line of Defence: Operations

Comprises of all functions that own and manage risks on a day to day basis. Responsible for identifying, assessing and managing risks on an ongoing basis. Reports on any risk-related issues or concerns.

Second Line of Defence: Oversight

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

The roles and responsibilities of the Second Line functions are summarised below.

- Risk Management: Assisting the Company to identify, assess, monitor, manage and report on its key risks in a timely manner by overseeing the ERM Program.

- Compliance: To ensure that the Company meets its legal and regulatory obligations and to promote and sustain a culture of compliance within the Company.

The independence of the Second Line functions is limited by their advisory role, thus necessitating a Third Line function that has the highest level of independence achievable internally.

Third Line of Defence: Independent Assurance

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

Management of key risks

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

- Insurance Risk: One of the main activities of the Group is the acceptance of risk under an insurance contract where in return for a consideration (the premium), a policyholder is compensated for pecuniary loss suffered as a result of a specified uncertain future event, or of a certain future event where the timing of the occurrence is uncertain. Risks are mainly associated with the Group's underwriting, reinsurance and claims handling activities. The identification and management of these risks are further discussed in note 3 to the financial statements.

- Market Risk: Market risk arises due to the potential for loss in connection with changes in market prices and variables. It encompasses interest rate risk, inflation risk, equity risk, and currency risk. The most material market risks are interest rate risk and equity risk. Because these risks, with the exception of equity risk, generally affect both assets and liabilities the general approach to managing market-related risks is to align assets and liabilities. Additional details on the identification and management of these risks are given in note 4 to the financial statements.

- Credit Risk: Credit risk is the potential for loss due to the deterioration of the credit standing, perceived or real, of the Group's obligors. The change in credit standing may or may not be associated with a credit ratings downgrade and does not have to result in a default. The Group's policy is to deal with quality obligors and to conduct due process before extending credit. Additional details on the identification and management of these risks are given in note 4.2 and note 16 to the financial statements.

- Operational Risk: Operational risk is defined as risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks are inherent in all business activities and have divergent forms. Key operational risks include:

  - Human Capital Risk: Risk of losses arising from acts inconsistent with employment, health and safety laws, personal injury claims, etc. An internal health and safety policy has been set up to ensure that these risks are minimized through control, follow-up and communication procedures. The Human Resources Department ensures compliance with employment laws and regulations.

  - Business Disruption Risk: External and internal events have the potential to disrupt business processes and thereby cause losses to the Group. The Group's business continuity management ensures the ongoing process through which the key requirements for continuity in the business operations are assessed for the identification of the underlying weaknesses and the implementation of appropriate strategies and recovery plans towards minimizing the impact of disruptive events on operations.

  - Compliance Risk: The risk that the procedures and controls needed to ensure compliance with applicable laws, rules, regulations and company-specific policies fail. This risk includes the potential to incorrectly interpret laws or regulations. The Compliance function ensures that the Group meets its legal and regulatory obligations to promote and sustain a culture of compliance within the Group.

  - Technology risk: The risk of loss caused by piracy, theft, failure, collective breakdown or other disruption in technology, data or information. It includes hardware and software failures, system development and infrastructure issues. The Group's ERM framework fosters the systematic and consistent management of technology risks by setting up policies, standards, procedures and adapted contingency plans.

- Reputational risk: Reputational risk can arise from negative perception on the part of the Group's stakeholders that can adversely affect the Group's ability to maintain existing or establish new business relationships and continued access to sources of funding. Management encourages openness amongst employees and all levels of management.

The Company has made significant progress in aligning its ERM Framework to be on par with the requirements of the Rules. In the long term, the Company wishes to establish an ERM Framework that is both compliant with the Rules and which meets international best practices. As such, the Company will continuously strive to refine its existing framework and ensure that it becomes completely embedded.

Focusing more on the short term, the Company has dedicated its attention to further refinement of risk registers, using risk registers to act as dashboards for quarterly reporting, establishment of Risk Management Strategy, articulation of Risk Appetite Statement and establishment of an ORSA Framework.

15. SOCIAL RESPONSIBILITY

The Company is fully conscious of its role as a social partner in the Community. During the year under review, the Company has actively participated in various activities, including safety, health, education and the environment and has sponsored several events.

16. HEALTH AND SAFETY

Our policy is to provide and maintain safe and healthy working conditions, equipment and systems of work for all our employees, and to provide such information, training and supervision as they need for this purpose.

17. CODE OF CONDUCT

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

18. SHARE PRICE INFORMATION

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

19. EMPLOYEE SHARE OPTION PLAN

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

20. DONATIONS

The donations of the Group and of the Company are listed under Statutory Disclosures. The Group and the Company did not make any political donation during the year.

21. ENVIRONMENTAL INITIATIVES

In line with SICOM objective to promote energy efficiency and to provide a comfortable and safe environment to its staff and customers, several initiatives have been undertaken. These include controlling the usage of different equipment like air conditioning systems, lighting and pumps. Conventional light fittings have been replaced gradually by energy efficient LED fittings which deliver equivalent light intensity at reduced cost. Worn out insulation of air conditioning system have been replaced where required to ensure efficient transfer of cool air to the premises while reducing energy losses in chilled water pipes. Old air conditioners have been replaced by new air conditioners using refrigerants which have low ozone depletion potential and minimal impact on the global warming.

22. RECRUITMENT AND PROMOTION

The Group is committed to employ and retain professionals of high standing. Recruitment is effected through a thorough and professional selection process including job adverts, short listing, and interviews. The most suitable person is recruited while ensuring equal opportunities, competence and merit. Newcomers go through a preliminary briefing followed by an in-depth induction course.

23. NON-AUDIT SERVICE RENDERED BY EXTERNAL AUDITORS

	Group		Company	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Review of tax computation	248	236	99	94

....

Lee Shing Po Theresa M (Mrs)
Company Secretary
State Insurance Company of Mauritius Ltd

Date: 25 SEP 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors acknowledge their responsibilities for:

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

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

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

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The Directors report that:

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

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

(iii) the Code of Corporate Governance has been adhered to. Reasons have been provided where there has not been compliance,

(iv) International Financial Reporting Standards have been adhered to.

Signed on behalf of the Board of Directors:

Director ....   Director ....

Date: 2 5 SEP 2017

Acknowledgement

The Board of Directors would like to thank Messrs J B Elisa, S Nemchand and Y S Yip Wang Wing, C.S.K for their contributions to the affairs of the Board and would also like to welcome Messrs C Bhugun, B Boyramboli (Alternate: V Rambarassah) and K C Li Kwong Wing, G.O.S.K who have been appointed as new members on the Board.

The Board of Directors expresses its appreciation of the support given to all the stakeholders of the SICOM Group by the Government of Mauritius, the Financial Services Commission, the Bank of Mauritius, Reinsurers, Reinsurance Brokers, Investment Managers, Bankers, Assurance Salesmen and Stockbrokers. The Board of Directors is also thankful to its customers and shareholders for their loyalty and trust and would like to thank Management and staff for their dedicated effort and commitment to the Group.

For and on behalf of the Board of Directors

Secretary's Certificate

I certify to the best of my knowledge and belief that for the year ended 30 June 2017, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

....

Lee Shing Po Theresa M (Mrs)

Company Secretary

State Insurance Company of Mauritius Ltd

Date: 25 SEP 2017

Statement of Compliance

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

Name of PIE: State Insurance Company of Mauritius Ltd

Reporting period: Year Ended 30 June 2017

We, the Directors of State Insurance Company of Mauritius Ltd, confirm that, to the best of our knowledge, the PIE has not complied with sections 2.8.2 and 2.10.3 of the Code of Corporate Governance. Reasons for non compliance are given on pages 31 and 30 respectively of the Corporate Governance Report.

Director .... Director ....

Date: 25 SEP 2017

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Port Louis, Mauritius
P.O. Box 799

STATE INSURANCE COMPANY OF MAURITIUS LTD

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of State Insurance Company of Mauritius Ltd

This report is made solely to the members of State Insurance Company of Mauritius Ltd (the "Company"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of State Insurance Company of Mauritius Ltd and its subsidiaries (the Group), and the Company's separate financial statements on pages 46 to 121 which comprise the statements of financial position as at 30 June 2017, and the statements of profit or loss and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 46 to 121 give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

STATE INSURANCE COMPANY OF MAURITIUS LTD

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders of State Insurance Company of Mauritius Ltd

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

BDO

STATE INSURANCE COMPANY OF MAURITIUS LTD

INDEPENDENT AUDITOR'S REPORT (Continued)
To the Shareholders of State Insurance Company of Mauritius Ltd

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

Financial Reporting Act 2004

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

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

Insurance Act 2005

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

BDO & Co
Chartered Accountants

Port Louis,
Mauritius

Per Georges Chung Ming Kan F.C.C.A
Licensed by FRC

25 SEP 2017

STATE INSURANCE COMPANY OF MAURITIUS LTD

STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	Group 2017	Group 2016	Company 2017	Company 2016
		Rs'000	Rs'000	Rs'000	Rs'000
NON-CURRENT ASSETS					
Property, plant and equipment	6	319,236	234,773	234,514	205,082
Intangible assets	7	37,425	40,239	25,921	26,033
Statutory deposits	8	13,943	13,943	6,001	6,001
Investments in subsidiaries	9	-	-	565,628	565,628
Other financial assets	10	10,120,923	9,302,927	9,763,941	8,711,692
Investment properties	11	1,349,814	1,370,364	1,415,000	1,381,500
Fixed deposits	12	1,857,821	1,688,106	305,120	548,328
Finance lease receivables	13	308,176	299,123	-	-
Mortgage and other loans	14	1,462,501	1,561,648	1,456,296	1,543,659
Deferred tax assets	15	47,772	36,272	-	-
		15,517,611	14,547,395	13,772,421	12,987,923
CURRENT ASSETS					
Other financial assets	10	211,651	107,560	137,497	89,596
Finance lease receivables	13	124,543	121,973	-	-
Mortgage and other loans	14	163,375	139,816	150,402	137,078
Trade and other receivables	16	666,897	881,835	514,200	507,074
Short-term deposits	17	1,385,825	1,921,386	217,900	261,722
Reinsurance assets	18	558,361	517,510	-	-
Current tax assets	21(a)	648	-	-	-
Bank and cash balances		439,430	379,445	231,094	234,617
		3,550,730	4,069,525	1,251,093	1,230,087
CURRENT LIABILITIES					
Borrowings	19	23,166	22,543	72,053	67,238
Trade and other payables	20	548,330	633,696	316,695	348,391
Current tax liabilities	21(a)	8,705	12,523	7,239	6,709
Bank overdraft		108,854	136,027	102,824	104,321
Deposits	22	800,259	1,062,094	-	-
		1,489,314	1,866,883	498,811	526,659
NET CURRENT ASSETS		2,061,416	2,202,642	752,282	703,428
		17,579,027	16,750,037	14,524,703	13,691,351
CAPITAL AND RESERVES					
Stated capital	23	70,000	70,000	70,000	70,000
Reserves	24	5,371,101	5,043,466	4,606,942	4,275,013
Equity attributable to equity holders of the parent		5,441,101	5,113,466	4,676,942	4,345,013
Non-controlling interests		4,765	4,719	-	-
TOTAL EQUITY		5,445,866	5,118,185	4,676,942	4,345,013
TECHNICAL PROVISIONS					
Long term insurance funds	25	9,274,240	8,778,217	9,274,240	8,778,217
Gross outstanding claims	18	425,640	390,542	-	-
Gross unearned premiums	18	371,682	373,535	-	-
		10,071,562	9,542,294	9,274,240	8,778,217
NON-CURRENT LIABILITIES					
Borrowings	19	41,951	56,463	287,867	351,266
Trade and other payables	20	30,306	43,103	-	-
Long term deposits	22	1,601,854	1,695,861	-	-
Deferred tax liabilities	15	76,638	57,426	36,866	26,457
Retirement benefit obligations	26	310,850	236,705	248,788	190,398
		2,061,599	2,089,558	573,521	568,121
		17,579,027	16,750,037	14,524,703	13,691,351

These financial statements have been approved for issue by the Board of Directors on 25 SEP 2017

Bhoojedhur-Obeegadoo K G (Mrs)
Director

Bhugun C
Director

The notes on pages 52 to 121 form an integral part of these financial statements.
Auditors' report on pages 45 to 45(b).

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2017

		Group		Company	
	Notes	2017	2016	2017	2016
		Rs'000	Rs'000	Rs'000	Rs'000
GROSS REVENUE - Short Term Business	27	1,547,750	1,462,129	664,359	630,963
Underwriting surplus	28	156,247	164,983	-	-
Investment and other income	29	763,218	677,992	714,579	674,694
Share of surplus transferred from Life Assurance Fund	30	27,250	17,923	27,250	17,923
		946,715	860,898	741,829	692,617
Administrative and other expenses	31	(432,619)	(389,934)	(249,407)	(223,591)
Results of operating activities		514,096	470,964	492,422	469,026
Finance costs	32	(3,516)	(3,917)	(32,257)	(36,491)
PROFIT BEFORE TAXATION		510,580	467,047	460,165	432,535
Taxation	21(b)	(55,910)	(54,731)	(43,186)	(38,785)
PROFIT FOR THE YEAR		454,670	412,316	416,979	393,750
Profit for the year attributable to:-					
Owners of the parent		454,436	412,100	416,979	393,750
Non-controlling interests		234	216	-	-
		454,670	412,316	416,979	393,750

The notes on pages 52 to 121 form an integral part of these financial statements.
Auditors' report on pages 45 to 45(b).

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

		Group		Company	
	Notes	2017	2016	2017	2016
		Rs'000	Rs'000	Rs'000	Rs'000
Profit for the year		454,670	412,316	416,979	393,750
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	24(e)	(25,476)	4,028	-	-
Transfer on disposal of available-for-sale investments and foreclosed properties	24(c)	(25,579)	(16,148)	(778)	(4,879)
Net fair value gains/(losses) on available-for-sale investments and foreclosed properties		95,740	(48,065)	76,447	(46,544)
Items that will not be reclassified to profit or loss:					
Remeasurement of post employment benefit obligations	26	(62,968)	66,987	(49,258)	61,561
Income tax relating to components of other comprehensive income	15(b)	6,099	(10,048)	4,041	(9,234)
Gain on revaluation of buildings	6	23,207	-	22,311	-
Other comprehensive income for the year, net of tax		11,023	(3,246)	52,763	904
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		465,693	409,070	469,742	394,654
Total comprehensive income for the year attributable to:-					
Owners of the parent		465,448	408,872	469,742	394,654
Non-controlling interests		245	198	-	-
		465,693	409,070	469,742	394,654

The notes on pages 52 to 121 form an integral part of these financial statements.
Auditors' report on pages 45 to 45(b).

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Stated Capital	Retained Earnings	Properties Revaluation Reserve	Investments Revaluation Reserve	Actuarial Losses	Other Reserve	Translation Reserve	Attributable to Equity Holders Of Parent	Non-Controlling Interests	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
GROUP											
Balance at 1 July 2016		70,000	4,778,246	123,394	172,524	(151,645)	44,620	76,327	5,113,466	4,719	5,118,185
Profit for the year		-	454,436	-	-	-	-	-	454,436	234	454,670
Other comprehensive income for the year		-	-	19,861	70,143	(53,516)	-	(25,476)	11,012	11	11,023
Total comprehensive income for the year		-	454,436	19,861	70,143	(53,516)	-	(25,476)	465,448	245	465,693
Transfer from/(to) reserve	24(f)	-	(3,513)	-	-	-	3,513	-	-	-	-
Dividend paid	35	-	(137,813)	-	-	-	-	-	(137,813)	(199)	(138,012)
Balance at 30 June 2017		70,000	5,091,356	143,255	242,667	(205,161)	48,133	50,851	5,441,101	4,765	5,445,866
Balance at 1 July 2015		70,000	4,498,121	123,394	236,708	(208,573)	41,378	72,299	4,833,327	4,705	4,838,032
Profit for the year		-	412,100	-	-	-	-	-	412,100	216	412,316
Other comprehensive income for the year		-	-	-	(64,184)	56,928	-	4,028	(3,228)	(18)	(3,246)
Total comprehensive income for the year		-	412,100	-	(64,184)	56,928	-	4,028	408,872	198	409,070
Transfer from/(to) reserve	24(f)	-	(3,242)	-	-	-	3,242	-	-	-	-
Dividend paid	35	-	(128,733)	-	-	-	-	-	(128,733)	(184)	(128,917)
Balance at 30 June 2016		70,000	4,778,246	123,394	172,524	(151,645)	44,620	76,327	5,113,466	4,719	5,118,185

The notes on pages 52 to 121 form an integral part of these financial statements.
Auditors' report on pages 45 to 45(b).

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Stated Capital	Retained Earnings	Properties Revaluation Reserve	Investments Revaluation Reserve	Actuarial Losses	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COMPANY							
Balance at 1 July 2016		70,000	4,014,410	123,394	260,951	(123,742)	4,345,013
Profit for the year		-	416,979	-	-	-	416,979
Other comprehensive income for the year		-	-	18,964	75,669	(41,870)	52,763
Total comprehensive income for the year		-	416,979	18,964	75,669	(41,870)	469,742
Dividend paid	35	-	(137,813)	-	-	-	(137,813)
Balance at 30 June 2017		70,000	4,293,576	142,358	336,620	(165,612)	4,676,942
Balance at 1 July 2015		70,000	3,749,393	123,394	312,374	(176,069)	4,079,092
Profit for the year		-	393,750	-	-	-	393,750
Other comprehensive income for the year		-	-	-	(51,423)	52,327	904
Total comprehensive income for the year		-	393,750	-	(51,423)	52,327	394,654
Dividend paid	35	-	(128,733)	-	-	-	(128,733)
Balance at 30 June 2016		70,000	4,014,410	123,394	260,951	(123,742)	4,345,013

The notes on pages 52 to 121 form an integral part of these financial statements.

Auditors' report on pages 45 to 45(b).

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Group		Company	
	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES	Rs'000	Rs'000	Rs'000	Rs'000
Cash generated from operations (note 36)	242,486	173,805	275,163	271,599
Interest paid	(194,596)	(167,946)	(32,463)	(36,499)
Interest and dividend received	648,483	471,713	323,192	297,134
Income tax paid	(58,924)	(58,035)	(40,565)	(42,318)
Contribution paid	(25,469)	(17,542)	(18,764)	(12,991)
NET CASH GENERATED FROM OPERATING ACTIVITIES	611,980	401,995	506,563	476,925
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(26,758)	(20,878)	(22,437)	(8,671)
Tangible assets transferred to SFSL/SGIN	-	-	-	40
Purchase of intangible asset	(4,817)	(20,801)	(4,606)	(16,916)
Proceeds from sale of property, plant and equipment	-	1,215	-	450
Movement in non current asset held for sale	-	(575)	-	-
Net investments	(432,893)	(1,688,302)	(651,974)	(1,320,121)
Net movement in investment properties	5,756	(95,494)	5,756	(95,494)
Net movement in fixed deposits	(169,715)	619,437	243,208	216,438
Net loans	75,588	(43,700)	74,039	(45,385)
NET CASH USED IN INVESTING ACTIVITIES	(552,839)	(1,249,098)	(356,014)	(1,269,659)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan received	9,615	22,467	9,615	22,467
Loan repaid	(23,504)	(20,980)	(68,199)	(61,840)
Dividend paid	(137,813)	(128,733)	(137,813)	(128,733)
Deposit takings	(355,842)	(117,822)	-	-
NET CASH USED IN FINANCING ACTIVITIES	(507,544)	(245,068)	(196,397)	(168,106)
Net decrease in cash and cash equivalents	(448,403)	(1,092,171)	(45,848)	(960,840)
CASH AND CASH EQUIVALENTS AT 1 JULY	2,164,804	3,256,975	392,018	1,352,858
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,716,401	2,164,804	346,170	392,018
CASH AND CASH EQUIVALENTS				
Bank and cash balances	439,430	379,445	231,094	234,617
Bank overdraft	(108,854)	(136,027)	(102,824)	(104,321)
Short term deposits	1,385,825	1,921,386	217,900	261,722
	1,716,401	2,164,804	346,170	392,018

The notes on pages 52 to 121 form an integral part of these financial statements.
Auditors' report on pages 45 to 45(b).

1. GENERAL INFORMATION

State Insurance Company of Mauritius Ltd (the Company) is a public company incorporated in Mauritius. Its registered office is situated at Sir Célicourt Antelme Street, Port-Louis, Mauritius. The Company is mainly engaged in long term insurance business whilst its subsidiaries carry out general insurance business, depository, and investment and management activities.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of Shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of State Insurance Company of Mauritius Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements include the consolidated financial statements of the parent company and its subsidiary companies (Group) and the separate financial statements of the parent company (Company). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'000), except when otherwise indicated.

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

(i) buildings are carried out at revalued amounts;
(ii) investments properties are stated at fair value;
(iii) available-for-sale financial assets and relevant financial assets and financial liabilities are stated at their fair value; and
(iv) held-to-maturity investments and relevant financial assets and financial liabilities are carried at amortised cost.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

IFRS 14 Regulatory Deferral Accounts provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The standard is not expected to have any impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES **(CONT'D)**

2.1 **Basis of preparation (cont'd)**

Standards, Amendments to published Standards and Interpretations effective in the reporting period ***(cont'd)***

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. The amendment has no impact on the Group's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. The amendment has no impact on the Group's financial statements.

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate FS. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. The amendment has no impact on the Group's financial statements.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. The amendment has no impact on the Group's/Company's financial statements.

Annual Improvements to IFRSs 2012-2014 cycle

- IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The amendment has no impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES **(CONT'D)**

2.1 **Basis of preparation (cont'd)**

Standards, Amendments to published Standards and Interpretations effective in the reporting period ***(cont'd)***

Annual Improvements to IFRSs 2012-2014 cycle **(cont'd)**

- IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. The amendment has no impact on the Group's financial statements.

- IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. The amendment has no impact on the Group's financial statements.

- IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The amendment has no impact on the Group's financial statements.

- IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. The amendment has no impact on the Group's financial statements.

Disclosure Initiative (Amendments to IAS 1). The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. The amendment has no impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES **(CONT'D)**

2.1 **Basis of preparation (cont'd)**

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2017 or later periods, but which the Group/Company has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contract with Customers
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
IFRS 16 Leases
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
Amendments to IAS 7 Statement of Cash Flows
Clarifications to IFRS 15 Revenue from Contracts with Customers
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
Annual Improvements to IFRSs 2014-2016 Cycle
IFRIC 22 Foreign Currency Transactions and Advance Consideration
Transfers of Investment Property (Amendments to IAS 40)
IFRS 17 Insurance Contracts
IFRIC 23 Uncertainty over Income Tax Treatments

Where relevant, the Group is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

2.2 Investments in subsidiaries

- Separate financial statements
  Investments in subsidiaries are carried at cost. The carrying amount is reduced if there is any impairment in the value of investments.

- Consolidated financial statements
  The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity.

2. SIGNIFICANT ACCOUNTING POLICIES **(CONT'D)**

2.2 Investments in subsidiaries **(cont'd)**

- Consolidated financial statements (cont'd)

  The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

  Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

  All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

  Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

  Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

  When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

  The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2. SIGNIFICANT ACCOUNTING POLICIES **(CONT'D)**

2.3 Property, plant and equipment

Buildings held for use in the production or supply of goods or services or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously expensed.

A decrease in carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent disposal or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

With the exception of buildings, other assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated to write off the cost or revalued amount of the assets on a straight line basis over their estimated useful lives as follows: -

Building on leasehold land	- 1% - 18%
Improvement to building on leasehold land	- 10%
Furniture and fittings	- 10%
Office equipment	- 10%
Computer equipment	- 8% - 25%
Motor vehicles - owned	- 20%

2. SIGNIFICANT ACCOUNTING POLICIES **(CONT'D)**

2.3 Property, plant and equipment **(cont'd)**

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

Assets costing less than Rs. 5,000 are depreciated at 100% in the year of acquisition.

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

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

2.4 Revenue recognition

Premium written on General Insurance Business is accounted for when the policies incept while premium on Life Business is accounted for on the accrual basis except for individual life where premium is recorded in the accounting period when the premium is received.

Provision for unearned premium has been made in respect of the General Insurance Business and Group Temporary Assurance Business and represent the proportion of premium written in the year which relate to the unexpired terms of policies in force at the reporting date, calculated on the basis of the 365th method.

Investment and other income comprises of dividend, interest and rent receivable for the year. Dividend is accounted for when declared. Interest income is recognised using the effective interest method.

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

2.5 Foreign currencies

(a) The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the group financial statements, the results and financial position of each entity are expressed in Mauritian rupees, which is the functional currency of the company, and the presentation currency for the group financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES **(CONT'D)**

2.5 Foreign currencies **(cont'd)**

(b) In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing at that date. Profits and losses arising on exchange are included in the profit or loss for the year. Translation of non monetary items, such as equities classified as available-for-sale financial assets are included in the investments revaluation reserve in equity. For the purpose of presenting consolidated financial statements, the assets and liabilities of subsidiaries denominated in foreign currencies are translated into Mauritian rupees at closing rate of exchange. Income and expense items are translated at the average rates of exchange for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

2.6 Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: "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.

Except where stated separately, the carrying amounts of the Group's financial assets approximate their fair values.

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, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments.

Held-to-maturity investments

Debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are carried at amortised cost using the effective interest method less any impairment.

2. SIGNIFICANT ACCOUNTING POLICIES **(CONT'D)**

2.6 Financial assets **(cont'd)**

Available-For-Sale (AFS) financial assets

Quoted AFS Financial assets

Listed and quoted securities and units are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income, and accumulated in the investment revaluation reserve until the security is disposed of or is determined to be impaired at which time the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Impairment losses recognised in profit or loss for securities classified as available-for-sale are not subsequently reversed through profit or loss.

Unquoted available for sale investments

Unquoted available-for-sale investments for which reliable fair values cannot be obtained are stated at cost. Investments of the company in unquoted available-for-sale investments are generally in the form of ordinary shares. The fair value of these financial instruments cannot be measured reliably as there is no specific market for the exchange/sale of these instruments.

Other unquoted available-for-sale investments are generally in the form of redeemable preference shares. These are stated at fair value derived from the net asset value of SICOM Global Fund Limited. The net asset value is derived from the fair values of the underlying investments traded in the active market by SICOM Global Fund Limited.

Hypothetically, if the financial instruments would have to be disposed then a willing buyer would have to be found to purchase the financial instruments through an appropriate investment disposal mechanism.

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investments within twelve months of the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequently to initial recognition, loans and receivables are measured at amortised costs using the effective interest method, less any impairment. They are included in current assets when maturity is within twelve months after the end of the reporting period or non-current assets for maturities greater than twelve months.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Financial assets **(cont'd)**

Trade receivables (cont'd)
A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the life assurance fund/profit or loss.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.7 Financial liabilities and equity instruments issued by the Group

(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 Group and Company are recorded at the proceeds received, net of direct issue costs.

(c) *Financial liabilities*
Financial liabilities, including borrowings and trade and other payables, 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, to the net carrying amount on initial recognition.

(d) *Derecognition of financial liabilities*
The Group derecognise financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.8 Taxation

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

(a) *Current tax*
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years but it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Taxation **(cont'd)**

(b) Deferred tax

Deferred taxation is provided in full 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.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the end of the reporting date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

The principal temporary difference arises from depreciation on property, plant and equipment, retirement benefit assets/obligations, property revaluation reserve, fair value gain of investment property and subsidiary's accumulated tax losses.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdraft and short term deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value. Bank overdrafts are shown in current liabilities in the statements of financial position.

2.10 Retirement benefit obligations

(i) Defined Contribution Plan

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

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

(ii) Defined Benefit Plan

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Retirement benefit obligations **(cont'd)**

(ii) Defined Benefit Plan (cont'd)

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

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

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

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

(iii) State plan and Defined Contribution Plan

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

2.11 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period. Provisions are reviewed at end of reporting period and adjusted to reflect the current best estimate.

2.12 Impairment of financial assets

Financial assets are assessed for indicators of impairment at end of reporting period. 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment of financial assets **(cont'd)**

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counter party; or
- Default or delinquency in interest or principal payments; or
- Becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 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 with the exception of trade receivables and mortgage loans where the carrying amount is reduced through the use of an allowance account. When a trade receivable and mortgage loan is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

2.13 Leasing

The Group as lessee
Operating lease payments are recognised as an expense on a straight line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Leasing (cont'd)

The Group as lessor

- Finance lease

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

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

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

- Operating lease

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

2.14 Investment properties

Properties held to earn rentals and/or for capital appreciation and not occupied by the Group are stated at their fair value at the end of the reporting period, representing open-market value determined by external valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. No depreciation is charged on investment properties.

2.15 Foreclosed properties

Foreclosed properties represent seized assets acquired through auction at the Master's Bar as a result of default by clients. Foreclosed properties are accounted at their market value less any impairment. Any realised gains or losses of foreclosed properties are taken in profit or loss. No depreciation is charged on foreclosed properties.

2.16 Intangible assets - Computer software

Computer software that is not considered to form an integral part of any hardware equipment is recorded as intangible assets. The software is capitalised at cost and amortised over its estimated useful lives of 5 to 19 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Insurance contracts

(i) *Insurance contracts - classification*

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

Insurance risk is transferred when the Group agrees to compensate a policyholder if a specified uncertain event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Some insurance contracts contain a Discretionary Participating Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses.

The Group considers that virtually all its short term and long term products are insurance contracts. Insurance contracts issued by the Group are classified within the following main categories:

(a) *Short term insurance contracts*

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

(b) *Long-term insurance contracts with fixed and guaranteed terms*

These contracts insure events associated with human life (i.e. death or survival) over a long duration. A liability for contractual benefits that are expected to be incurred in future is recorded once the first premium under such a contract has been recognised. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at each valuation date based on an analysis of recent experience modified by expectation of future trends. The best estimate assumptions are adjusted to include a margin for prudence.

(c) *Long-term insurance contracts without fixed terms and with DPF*

These contracts contain a DPF which entitles the contract holder in supplement to a guaranteed amount, a contractual right to receive additional profit or bonuses. The size of the profit or bonuses as well as the timing of the payments is however at the discretion of the Group. The Group has an obligation to eventually pay to contract holder up to 90% of the DPF eligible surplus (i.e., all interest and realised gains and losses arising from the assets backing these contracts). Any portion of the DPF eligible surplus that is not declared as a profit or bonus is retained as a liability under the Life Assurance Fund, until declared and credited to contract holders in future periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Insurance contracts (cont'd)

(i) *Insurance contracts - classification* ***(cont'd)***

(d) *Unit-linked insurance contracts*
These contracts include an embedded derivative which links payments to contract holders to amounts invested in unitised funds. The liability in respect of unit linked contracts is equal to the sum of the current unit values and a reserve calculated as the present value of the expected future claims and expenses less the present value of expected future charges and release of unit reserves. The resultant liability is subject to a minimum of the current surrender value on a per policy basis. Assumptions as to future expenses, investment returns, mortality, morbidity, and persistency are best estimate in nature and are based on the results of recent analyses of the Group's operating experience.

(ii) *Reinsurance contracts*
Reinsurance contracts entered into by the Group are either of proportional or non-proportional type. Under a proportional treaty, the premiums and claims are apportioned between the Group and the reinsurer in agreed proportions. Proportional reinsurance may be either in the form of a quota share whereby the proportion of each risk reinsured is fixed, or in the form of surplus whereby the Group can retain a part of a risk within a fixed limit, and the reinsurer accepts part of the risk as a multiple of the Group's retention. Under the non-proportional type of reinsurance, the Group uses the Excess of Loss treaty whereby in consideration for a premium, the reinsurer agrees to pay claims in excess of a specified amount (the retention), up to a specified maximum amount.

The Group reinsures either on a treaty basis, with all risks falling within the treaty terms, conditions and limits being reinsured automatically, or on a facultative basis. Under facultative reinsurance, risks are offered to the reinsurer on an individual basis and can be accepted or rejected by the reinsurer.

Short-term balances due from reinsurers are classified within trade and other receivables and amounts that are dependent on the expected claims and benefits arising under the related reinsurance contracts are classified under reinsurance assets. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Any gains and losses on buying reinsurance contracts are recognised immediately in the life assurance fund/profit or loss and are not subject to amortisation. Premiums ceded and claims reimbursed are presented on a gross basis in the life assurance fund/ profit or loss and the statement of financial position as appropriate.

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

2.17 **Insurance contracts (cont'd)**

(iii) *Claims expenses and outstanding claims provisions - short term insurance*

Claims incurred

Claims incurred comprise claims and claims handling costs paid in the year and changes in the provision of outstanding claims including provision for claims incurred but not reported (IBNR) and related expenses together with any adjustments to claims of prior years. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct external expenses of the claims department.

Outstanding claims provision

Outstanding claims provision represents the estimated ultimate cost of settling all claims arising from events which have occurred up to the end of the reporting period, including provision for claims incurred but not reported (IBNR). It includes related expenses. The Group does not discount its liabilities for unpaid claims.

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

However, given the uncertainty in establishing claims provision, it is likely that the outcome will prove to be different from the original liability established. Differences between the estimated cost and subsequent settlement of claims are recognized in profit or loss in the year in which they are settled or in which the provisions for claims outstanding are re-estimated.

Salvage and subrogation reimbursements

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

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

(iv) *Liability adequacy test*

Short-term insurance

At the end of each reporting period, the Group reviews its unexpired risks and carries out a liability adequacy test for any overall excess of expected claims over unearned premiums using the current

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Insurance contracts (cont'd)

*(iv) Liability adequacy test **(cont'd)***

Short-term insurance (cont'd)

best estimates of future cash flows under its contracts after taking into account the investment returns expected to arise on assets backing such liabilities. Any deficiency is immediately charged to profit or loss and a provision is established for losses arising from liability adequacy test (the unexpired risk provision).

Long-term insurance
The Group's Actuary reviews the adequacy of insurance liabilities for long term contracts on an annual basis and ensures that provisions made by the Group are adequate. Any deficiency is recognised in the Life Assurance Fund.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

2.19 Related parties

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

2.20 Comparative figures

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

3. MANAGEMENT OF INSURANCE RISKS

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

3.1 Insurance risk

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

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

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

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, accumulation of risk and type of industry covered.

3.1.1 Insurance liabilities

(a) Short-term insurance

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

The Group's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Group has in place underwriting criteria to ensure that the risk accepted are as per acceptance guidelines. Management reviews performance of individual insurance policies and the Group reserves the right to review terms and conditions at renewal or not to renew an insurance. It can impose deductibles and has the right to reject the payment of a fraudulent claim. Where relevant, the Group may pursue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

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

3. MANAGEMENT OF INSURANCE **RISKS (CONT'D)**

3.1 **Insurance risk (cont'd)**

3.1.1 Insurance liabilities **(cont'd)**

(b) Long-term insurance

For long-term insurance contracts, where the insured event is death, the most significant factors that could impact on insurance claims are diseases like heart problems, diabetes, high blood pressures or changes in lifestyle, resulting in higher and earlier claims being submitted to the Group. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. The liabilities in terms of insurance contracts are based on recommendations of the Group's Actuary.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating items and conditions that reduce the insurance risk accepted.

For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

The Group manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, the Group balances death risk and survival risk across its portfolio. Medical selection is also included in the Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants.

The Group has defined retention limits on all lives insured and reinsures the excess of the insured benefit over its retention limit.

3. MANAGEMENT OF INSURANCE **RISKS (CONT'D)**

3.1 **Insurance risk (cont'd)**

3.1.2 Concentration of insurance risk

(a) *Short-term insurance*

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

Outstanding Claims

Class of Business	2017 Gross Rs'000	2017 Net Rs'000	2016 Gross Rs'000	2016 Net Rs'000
Motor	224,157	27,407	228,491	56,710
Property	28,659	(1,226)	25,791	60
Transport	27,814	(40)	19,132	50
Engineering	5,981	895	6,502	936
Accident & Health	53,452	15,237	43,437	13,069
Liability	51,808	3,348	55,941	5,272
Miscellaneous	6,153	988	3,843	940
Incurred but not Reported (IBNR)	27,616	27,616	7,405	7,405
	425,640	74,225	390,542	84,442

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

(b) *Long-term Insurance*

The table below presents the concentration of insured benefits across bands of insured benefits per individual life assured.

	Total Benefits Insured			
Benefits assured per life assured as at 30 June 2017	Before Reinsurance		After Reinsurance (Retained)	
Rs'000	**Rs'000**	%	**Rs'000**	%
0 -100	688,750	4	688,750	5
100 - 200	2,270,899	12	2,270,899	17
200 - 300	2,219,014	12	2,219,014	17
300 - 400	1,475,417	8	1,468,995	11
400 +	11,592,674	64	6,470,386	50
TOTAL	18,246,754	100	13,118,044	100

3. MANAGEMENT OF INSURANCE RISKS (CONT'D)

3.1 Insurance risk (cont'd)

3.1.2 Concentration of insurance risk (cont'd)

(b) Long-term Insurance (cont'd)

The following table for annuity insurance contracts illustrates the concentration of risk based on bands that group these contracts in relation to the amount payable per annum as if the annuity were in payment as at 30 June 2017. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

Annuity payable per annum per life assured as at 30 June 2017	Total annuities payable per annum	
Rs'000	**Rs'000**	%
0 - 10	641	0.28
10 - 20	3,156	1.36
20 - 50	26,797	11.58
50 - 100	58,258	25.17
100 - 150	42,149	18.21
More than 150	100,468	43.40
Total	231,469	100.00

With regards to Group Assurances the Total Sum Assured is Rs 23,608,771,523 and the Sum Assured retained is Rs13,390,104,189.

3.1.3 Sources of uncertainty

(a) *Short - term insurance*

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

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

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

3. MANAGEMENT OF INSURANCE RISKS (CONT'D)

3.1 Insurance risk (cont'd)

3.1.3 Sources of uncertainty (cont'd)

(b) Long- term insurance

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holders' behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written and statistical data are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. When data is not sufficient to be statistically credible, the best estimate of future mortality is based on standard industry tables adjusted for the Group's experience.

The Group manages long term insurance risks through its underwriting strategy and reinsurance arrangements. Management ensures that risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is included in the Group's underwriting procedures, with premiums, varied to reflect the health condition and family medical history of the applicant. Insurance risk may also be affected by the contract holder's behaviour whereby he/she may decide to amend terms or terminate the contract or exercise a guaranteed annuity option.

The Group has a predetermined retention limit on any single life insured and the Group reinsures the excess of the insured benefit above the retention limit.

3.1.4 Reinsurance strategy

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

3.1.5 Claims development table

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the estimates of total claims outstanding for each year have changed at successive year-ends and reconciles the cumulative claims to the amount appearing in the statement of financial position.

3. MANAGEMENT OF INSURANCE RISKS (CONT'D)

3.1 Insurance risk (cont'd)

3.1.5 Claims development table (cont'd)

Financial Year of Loss

	Prior 2005	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At end of loss year		62,324	72,845	90,666	145,249	133,442	120,076	90,867	114,745	126,789	122,660	159,841	183,423	199,537	1,622,464
One year later		13,358	12,143	18,801	26,912	31,722	14,906	10,135	6,090	3,600	7,033	18,112	23,856		186,668
Two years later		(287)	(138)	(787)	(2,143)	584	211	3,095	535	2,962	(1,626)	(1,835)			571
Three years later		124	360	872	(1,658)	2,287	5,832	439	(2,076)	5,224	1,511				12,915
Four years later		(417)	1,168	765	(1,379)	(1,164)	4,810	3,327	1,136	6,363					14,609
Five years later		102	845	1,457	615	2,598	169	2,399	658						8,843
Six years later		86	292	(187)	1,573	441	2,362	251							4,818
Seven years later		-	487	641	549	2,171	510								4,358
Eight years later		439	420	(642)	197	620									1,034
Nine years later		121	-	(77)	(1,158)										(1,114)
Ten years later		512	(193)	814											1,133
Eleven years later		-	685												685
Twelve years later		3,547													3,547
Total Claims paid		79,909	88,914	112,323	168,757	172,701	148,876	110,513	121,088	144,938	129,578	176,118	207,279	199,537	1,860,531
IBNR				1,207	1,901	(944)	(576)	(287)	83	(2,368)	(3,342)	(4,896)	5,703	31,135	27,616
Outstanding reported	(2,464)	(1,121)	2,128	(1,090)	(1,688)	1,762	2,581	7,837	13,528	(12,658)	18,545	13,914	(217)	5,552	46,609
Net liability	(2,464)	(1,121)	2,128	117	213	818	2,005	7,550	13,611	(15,026)	15,203	9,018	5,486	36,687	74,225

4. FINANCIAL RISKS FACTORS

The Group is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from insurance contracts.

The main risks to which the Group is exposed are as follows:

4.1 Foreign currency risk

The Group's financial instruments which are exposed to foreign currency risks consist mainly of deposits and overseas investment. Management monitors the Group's currency position on a regular basis. The carrying amounts of the Group's financial assets and liabilities at the reporting date are as follows:

	Group		Company	
	2017	2016	2017	2016
Financial assets	**Rs'000**	Rs'000	**Rs'000**	Rs'000
MUR	13,732,356	13,663,491	9,636,093	9,202,014
USD	3,323,370	2,799,933	3,083,738	2,766,537
GBP	181,952	377,052	-	-
EUR	351	10,981	-	-
	17,238,029	16,851,457	12,719,831	11,968,551
Financial liabilities				
MUR	3,580,360	4,040,329	779,439	871,216

Consequently, the Group is exposed to risks that the exchange rate relative to these currencies may change in a manner which has an effect on the reported value of that portion of the group's assets which is denominated in currencies other than the Mauritian Rupee.

The following table details the sensitivity to a 5% and 10% increase/decrease of the Rupee against the USD, GBP and EUR.

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Increase/decrease of 5% in exchange rate				
Increase/decrease in net asset	175,284	159,398	154,187	138,327
Increase/decrease of 10% in exchange rate				
Increase/decrease in net asset	350,567	318,797	308,374	276,654

4. FINANCIAL RISKS FACTORS (CONT'D)

4.2 Credit risk

The Group provides secured advances to clients and there is credit risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group's policy is to deal with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Appraisals are systematically carried out for any application and we also have a credit committee which continuously monitors and controls the Group's exposure to credit risk.

The carrying amount of mortgage loans recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

When financial assets are impaired by credit losses, the Group records the impairment in a separate account rather than directly reducing the carrying amount of the assets.

Mortgage loans advanced by the Group are financial assets resulting from commitment of the borrower to repay the amount borrowed on a specific date or dates, or on demand usually with interest. IAS 39 prescribes that an asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of event that occurred after the initial recognition of the asset and that loss event has impacted on the estimated future cash flows of the asset. In the recovery process, objective evidence of impairment is recognised at the stage of seizure and sale where the borrower is assumed to have significant financial difficulty to settle his debts.

Since there is objective evidence of impairment at the seizure and sale stages, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in profit or loss.

4.3 Interest rate risk

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

4. FINANCIAL RISKS FACTORS (CONT'D)

4.3 Interest rate risk (cont'd)

The interest rate profile was:	Group		Company	
	2017	2016	2017	2016
Financial assets	% p.a	% p.a	% p.a	% p.a
Treasury Notes	2.46 - 4.25	2.46 - 4.08	2.90 - 4.25	2.97 - 4.08
Treasury Bills	2.48 - 2.50	2.05 - 2.25	2.48 -2.50	2.05 - 2.25
Mauritius Government Securities	8.00 - 9.00	8.00 - 10.25	8.00 - 9.00	8.00 - 10.25
Government Bonds	3.12 - 11.75	3.16 - 11.75	3.12 - 11.75	3.16 - 11.75
Mortgage & other loans	2.00 - 14.00	2.00 - 14.00	2.00 - 14.00	2.00 - 14.00
Net Investment in finance leases	6.75 - 12.50	6.75 - 12.50	-	-
Term deposits (excluding foreign currency deposits)	2.50 - 10.50	2.30 - 10.50	2.50 - 10.50	2.30 - 10.50
Corporate Bond - Local				
MUR - Fixed	6.00 - 6.50	6 - 7	6.00 - 6.50	6 - 7
MUR - Floating	(1.30 - 1.85) + Repo	(1.35-1.85) + Repo	(1.30 - 1.85) + Repo	(1.35-1.85) + Repo
Foreign currency term deposits				
USD	1.70 - 2.15	0.75	-	-
Foreign currency call deposits				
USD	0.00 - 0.10	0.10	0.10	0.10
GBP	0.10	-	-	-
EUR	0.01	0.01	-	-
Local Call deposits	0.30 - 2.40	0.00 - 3.35	0.30 - 2.40	0.00 - 3.35
Financial liabilities				
At amortised cost				
Deposit	2.00 - 6.50	2.00 - 8.00	-	-
Borrowings	4.65 - 9.00	4.65 - 9.00	4.65 - 9.00	4.65 - 9.00

4. FINANCIAL RISKS **FACTORS (CONT'D)**

4.3 **Interest rate risk (cont'd)**

The following table details the sensitivity to a 5% and 10% increase/decrease of the rate of interest of financial assets:

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Increase/decrease of 5% in interest rate				
Increase/decrease in net assets	2,329	2,132	1,362	1,606
Increase/decrease in income	2,329	2,132	1,362	1,606
Increase/decrease of 10% in interest rate				
Increase/decrease in net assets	4,658	4,264	2,724	3,213
Increase/decrease in income	4,658	4,264	2,724	3,213

The increase or decrease in the interest rate sensitivity is due to fluctuations in the interest rates of foreign currency and local currency call deposits and floating rate fixed deposits at 30 June 2017 as compared to 30 June 2016.

The interest rate sensitivity analysis excludes

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

The following table details the Group's sensitivity to a 50 basis points and 100 basis points increase/decrease of the rate of interest on mortgage loans which are subject to floating rate of interest.

	Group & Company 2017	Group & Company 2016
	Rs'000	Rs'000
Increase/decrease of 50 basis points		
Increase/decrease in net assets	4,786	4,755
Increase/decrease in income	4,786	4,755
Increase/decrease of 100 basis points		
Increase/decrease in net assets	9,573	9,509
Increase/decrease in income	9,573	9,509

4. **FINANCIAL RISKS FACTORS (CONT'D)**

4.4 Liquidity risk

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

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

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

Group
At 30 June 2017

	1 to 3 months Rs'000	3 months to 1 year Rs'000	1 to 5 years Rs'000	>5 years Rs'000	No maturity dates Rs'000	Total Rs'000
Financial liabilities						
Borrowings	4,029	19,137	41,951	-	-	65,117
Insurance liabilities	-	-	-	-	425,640	425,640
Other financial liabilities	427,160	969,395	1,633,158	-	59,890	3,089,603
Total liabilities	431,189	988,532	1,675,109	-	485,530	3,580,360

Company
At 30 June 2017

	1 to 3 months Rs'000	3 months to 1 year Rs'000	1 to 5 years Rs'000	>5 years Rs'000	No maturity dates Rs'000	Total Rs'000
Financial liabilities						
Borrowings	15,843	56,210	287,867	-	-	359,920
Other financial liabilities	214,397	147,799	-	-	57,323	419,519
Total liabilities	230,240	204,009	287,867	-	57,323	779,439

Group
At 30 June 2016

	1 to 3 months Rs'000	3 months to 1 year Rs'000	1 to 5 years Rs'000	>5 years Rs'000	No maturity dates Rs'000	Total Rs'000
Financial liabilities						
Borrowings	4,029	18,514	56,463	-	-	79,006
Insurance liabilities	-	-	-	-	390,542	390,542
Other financial liabilities	395,387	1,383,471	1,738,964	-	52,959	3,570,781
Total liabilities	399,416	1,401,985	1,795,427	-	443,501	4,040,329

4. **FINANCIAL RISKS FACTORS (CONT'D)**

4.4 **Liquidity risk (cont'd)**

Company

At 30 June 2016

	1 to 3 months Rs'000	3 months to 1 year Rs'000	1 to 5 years Rs'000	>5 years Rs'000	No maturity dates Rs'000	Total Rs'000
Financial liabilities						
Borrowings	14,830	52,408	281,288	69,978	-	418,504
Other financial liabilities	218,861	183,092	-	-	50,759	452,712
Total liabilities	233,691	235,500	281,288	69,978	50,759	871,216

4.5 Market price risk

The Group has invested in securities quoted on the Stock Exchange of Mauritius and has also invested in overseas securities. All quoted securities present a risk of loss of capital. The Group's quoted securities are susceptible to market price risk arising from uncertainties about future prices of the financial instruments. This risk is moderated, inter alia, through a careful selection of securities, investment diversification and by having investment limits.

The maximum risk resulting from securities investments is determined by the fair value of the financial instruments. The Group's overall market positions are monitored on a regular basis.

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Bonds	90,126	57,645	64,381	31,669
Equities	4,201,414	3,919,755	4,688,206	4,129,123
Total	4,291,540	3,977,400	4,752,587	4,160,792

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

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Increase/decrease of 5% in prices of securities				
Increase/decrease in net assets/income	214,577	198,870	237,629	208,040
Increase/decrease of 10% in prices of securities				
Increase/decrease in net assets/income	429,154	397,740	475,259	416,080

4. FINANCIAL RISKS FACTORS (CONT'D)

4.6 Reinsurers' default

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

4.7 Capital Risk Management

The Group manages its capital to ensure that entities in the group will be able to continue as a going concern and also comply with applicable laws and regulations.

The Group is required to maintain a minimum capital requirement under the Insurance Act 2005 and rules made by the Financial Services Commission.

Under the Insurance (General Insurance Business Solvency) Rules 2007, the minimum capital requirement for general business is the sum of capital required for the statement of financial position as per Rule 6, capital required for investment above concentration limit as per Rule 7, capital required for policy liabilities as per Rule 8, capital required for catastrophes as per Rule 9 and capital required for reinsurance ceded under Rule 10. Under the Insurance (Long-Term Insurance Business Solvency) Rules 2007, the minimum capital requirement for long-term business is determined by the actuary, which is the higher of:

(a) a stress test requirement determined in accordance with guidelines issued by the Financial Services Commission to ensure that the company remains solvent; or

(b) the higher of:
   - (i) an amount of Rs 25 million; or
   - (ii) an amount representing 13 weeks' operating financial services, with operating expenses as defined and reported in the annual statutory return submitted to the Financial Services Commission.

For the year ended 30 June 2017, the Group and Company have satisfied the minimum capital requirement.

The capital structure of the subsidiary (SICOM Financial Services Ltd) consists of stated capital, reserves and retained earnings. The subsidiary has to comply with the Banking Act 2004 in respect of both its stated capital and reserves. As at 30 June 2017, the legislative requirement has been met for both stated capital and reserves. The subsidiary manages its capital with an aim to maximise return to its shareholders.

4. **FINANCIAL RISKS FACTORS (CONT'D)**

4.8 Categories of financial instruments:

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Financial assets				
Held-to-maturity	8,226,538	8,166,075	4,826,297	4,710,476
Loans and receivables	3,799,353	3,827,494	2,778,058	2,734,319
Available-for-sale financial assets and foreclosed properties	4,653,777	4,340,378	5,115,476	4,523,756
Reinsurance assets	558,361	517,510	-	-
	17,238,029	16,851,457	12,719,831	11,968,551
Financial liabilities				
At amortised cost	3,154,720	3,649,787	779,439	871,216
Insurance contract liabilities	425,640	390,542	-	-
	3,580,360	4,040,329	779,439	871,216

4.9 Fair value measurements recognised in the statement of financial position

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

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

	2017			
	Level 1	Level 2	Level 3	Total
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Group				
Available-for-sale financial assets and foreclosed properties	4,259,779	31,096	362,902	4,653,777
Company				
Available-for sale financial assets and foreclosed properties	4,752,588	-	362,888	5,115,476

4. FINANCIAL RISKS **FACTORS (CONT'D)**

4.9 Fair value measurements recognised in the statement of financial position **(cont'd)**

	2016			
Group	Level 1	Level 2	Level 3	Total
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Available-for-sale financial assets and foreclosed properties	3,948,701	28,700	362,977	4,340,378
Company				
Available-for sale financial assets and foreclosed properties	4,160,793	-	362,963	4,523,756

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4.10 Reconciliation of level 3 fair value measurements of financial assets

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Unquoted equities				
At 1 July	362,977	65,097	362,963	65,097
Issues	-	300,666	-	300,652
Settlements	-	(3,235)	-	(3,235)
Fair value adjustments	(75)	449	(75)	449
At 30 June	362,902	362,977	362,888	362,963

The table above only includes financial assets.
There were no transfers between level 1 and 2.

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

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

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

5.2 Insurance contracts

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

(a) Short- term insurance

Claims provision
Outstanding claims provision is determined based upon knowledge of events, terms and conditions of relevant policies, on interpretation of circumstances as well as previous claims experience. Similar cases, historical claims payment trends, judicial decisions and economic conditions are also relevant and are taken into consideration.

Sensitivity analysis
The Group adopted actuarial techniques to estimate the required levels of provisions, taking into account the characteristics of the business class and risks involved.

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

(b) Long-term insurance

Estimates of future benefit payments under long-term insurance contracts are provided for based on estimates made by the Company's Actuary. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. Estimates are based on standard industry mortality tables that reflect recent historical mortality

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS IN APPLYING ACCOUNTING ESTIMATES **(CONT'D)**

5.2 **Insurance contracts (cont'd)**

*(b) Long-term insurance **(cont'd)***

experience, adjusted where appropriate, to reflect the country's and Company's own experience.

For long-term insurance contracts with fixed and guaranteed terms and with DPF, estimates of future deaths, voluntary terminations, investment returns and administration expenses are made at each valuation date and form the assumptions used for calculating the liabilities. A margin for risk and uncertainty is added to these assumptions. Assumptions are reconsidered each year based on the most recent operating experience and estimate of future experience and are used to recalculate the liabilities.

Sensitivity analysis
The following table presents the sensitivity of the value of insurance liabilities disclosed, to movements in assumptions used in the estimation of insurance liabilities.

The table below indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

Life -GPV Sensitivities test

	Liability	Difference
Variables	**Rs'000**	%
Actual reserve	9,207,116	
Interest rate less 1%	9,796,617	6.4
Mortality plus 10%	9,298,508	1.0
Lapse plus 10%	9,182,185	-0.3
Expenses plus 10%	9,255,843	0.5
Inflation plus 1%	9,235,489	0.3

5.3 Held-to-maturity investments

The Group applies International Accounting Standard (IAS) 39 - "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value and not amortised cost.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS IN APPLYING ACCOUNTING ESTIMATES **(CONT'D)**

5.4 Impairment of available-for-sale financial assets

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

5.5 Revaluation of property, plant and equipment and investment property

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. In addition, it measures building on leasehold land at revalued amount with changes in fair value being recognised in other comprehensive income. For the investment property, the valuer used the comparative and investment method of valuation.

The determined fair value of the investment property is most sensitive to the price per square metre. The key assumptions used to determine the fair value of the investment properties, are further explained in Note 11.

5.6 Pension benefits

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 26.

5.7 Deferred tax on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties, the directors reviewed the Group's investment property portfolio and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised deferred taxes on investment properties.

6. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Freehold Building	Building on Leasehold Land	Improvement to Building on Leasehold Land	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total
COST OR VALUATION	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2015	-	193,424	3,612	49,971	37,004	49,898	17,446	351,355
Additions	-	-	-	416	1,587	7,547	-	9,550
Addition: Rented under operating lease	-	-	-	-	-	-	11,328	11,328
Transfer from investment properties (Note 11)	10,500	-	-	-	-	-	-	10,500
Disposals/scrapped	-	-	-	-	-	(6,815)	(3,981)	(10,796)
At 30 June 2016	10,500	193,424	3,612	50,387	38,591	50,630	24,793	371,937
Additions	-	10,971	-	2,955	824	8,781	-	23,531
Addition: Rented under operating lease	-	-	-	-	-	-	3,227	3,227
Transfer from investment properties (Note 11)	-	54,000	-	-	-	-	-	54,000
Revaluation surplus	686	(3,343)	-	-	-	-	-	(2,657)
Disposals/scrapped	-	(3,052)	-	-	-	(5,329)	-	(8,381)
At 30 June 2017	11,186	252,000	3,612	53,342	39,415	54,082	28,020	441,657
DEPRECIATION								
At 1 July 2015	-	18,411	1,353	43,253	31,617	27,219	5,775	127,628
Charge for the year								
Life fund	-	-	-	517	324	1,640	109	2,590
General fund	105	5,786	361	1,068	924	5,176	374	13,794
Rented under operating lease	-	-	-	-	-	-	2,208	2,208
Disposals/scrapped	-	-	-	-	-	(6,815)	(2,241)	(9,056)
At 30 June 2016	105	24,197	1,714	44,838	32,865	27,220	6,225	137,164
Charge for the year								
Life Fund	-	-	-	697	348	1,868	216	3,129
General Fund	105	4,509	361	1,452	974	5,424	726	13,551
Rented under operating lease	-	-	-	-	-	-	2,822	2,822
Revaluation surplus	(210)	(25,654)	-	-	-	-	-	(25,864)
Disposals/scrapped	-	(3,052)	-	-	-	(5,329)	-	(8,381)
At 30 June 2017	-	-	2,075	46,987	34,187	29,183	9,989	122,421
CARRYING AMOUNT								
At 30 June 2017	11,186	252,000	1,537	6,355	5,228	24,899	18,031	319,236
At 30 June 2016	10,395	169,227	1,898	5,549	5,726	23,410	18,568	234,773

6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Company

	Building on Leasehold Land	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION						
At 1 July 2015	193,424	49,480	36,618	44,216	8,313	332,051
Additions	-	338	1,508	6,825	-	8,671
Disposals/scrapped	-	-	-	(6,860)	(1,310)	(8,170)
At 30 June 2016	193,424	49,818	38,126	44,181	7,003	332,552
Additions	10,971	2,298	808	8,360	-	22,437
Revaluation surplus	(3,343)	-	-	-	-	(3,343)
Disposals/scrapped	(3,052)	-	-	(5,001)	-	(8,053)
At 30 June 2017	198,000	52,116	38,934	47,540	7,003	343,593
DEPRECIATION						
At 1 July 2015	18,411	42,969	31,507	23,702	3,804	120,393
Charge for the year						
Life Fund	-	517	324	1,640	109	2,590
General Fund	5,786	1,002	898	4,057	374	12,117
Disposals/scrapped	-	-	-	(6,820)	(810)	(7,630)
At 30 June 2016	24,197	44,488	32,729	22,579	3,477	127,470
Charge for the year						
Life Fund	-	697	348	1,868	216	3,129
General Fund	4,509	1,336	943	4,673	726	12,187
Disposals/scrapped	(3,052)	-	-	(5,001)	-	(8,053)
Revaluation surplus	(25,654)	-	-	-	-	(25,654)
At 30 June 2017	-	46,521	34,020	24,119	4,419	109,079
CARRYING AMOUNT						
At 30 June 2017	198,000	5,595	4,914	23,421	2,584	234,514
At 30 June 2016	169,227	5,330	5,397	21,602	3,526	205,082

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

(c) The Group's property, plant and equipment include motor vehicles under operating lease to third parties that are expected to generate a yield of 7.5% to 8.0% (30 June 2016: 7.5% - 8.0%) on an ongoing basis. The motor vehicles held have committed lessees up to the next six years. At the end of the reporting date, the Group has contracted with lessees the following future rentals:

	Motor Vehicles	
	2017	2016
	Rs'000	Rs'000
Within one year	4,931	3,806
In the second to the fifth year	9,242	8,924
Over five years	142	1,681
	14,315	14,411

Operating lease contracts contain market review clauses. The lease terms are for a period of seven years with an option for buy-back at the residual value at the end of the lease term.

(d) The building on leasehold land and freehold building were revalued in June 2017 by Mr N Jeetun MSc, MRICS, PMAPI, MMIS, Chartered Valuation Surveyors. The surplus on revaluation has been credited to revaluation reserve and adjusted for deferred taxation. Had the building been accounted at historical cost less accumulated depreciation, the carrying amount would have been Rs 81,100,000 (June 2016 - Rs 73,300,000).

Details of the Group's buildings measured at fair value and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
	Level 2	Level 3	Level 2	Level 3
Building on leasehold land	252,000	169,227	198,000	169,227
Freehold building	11,186	10,395	-	-
	263,186	179,622	198,000	169,227

Buildings amounting to Rs 263.2 million for the Group and Rs 198.0 million for the Company have been transferred from level 3 to level 2 due to a change in valuation technique.

The fair value of the building on leasehold land and freehold building were derived using the comparative and investment method of valuation. The Comparative method is based on comparison of prices paid for similar properties within close vicinity of the site and adjusted to reflect the characteristics of the subject property, at the relevant date. The most significant input into this valuation approach is the market value of similar sites within close vicinity of the subject property. The fair value of the building was determined using the price range of Rs 40,000 per square metre to Rs 70,000 per square metre.

Significant increases/(decreases) in the yield would result in a significantly higher/(lower) fair value.

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

The revalued amount of buildings using significant unobservable inputs are as follows:

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Opening balance	179,622	175,013	169,227	175,013
Addition during the year	10,971	-	10,971	-
Transfer from investment properties (Note 11)	54,000	10,500	-	-
Revaluation surplus	23,207	-	22,311	-
Depreciation charge for the year	(4,614)	(5,891)	(4,509)	(5,786)
Closing balance	263,186	179,622	198,000	169,227

7. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
COST				
At 1 July	78,741	62,563	43,736	30,704
Additions	4,817	20,801	4,606	16,916
Disposals/scrapped	(2,546)	(4,623)	(2,546)	(3,884)
At 30 June	81,012	78,741	45,796	43,736
AMORTISATION				
At 1 July	38,502	38,663	17,703	19,630
Charge for the year				
Life Fund	1,233	666	1,233	666
General Fund	6,398	3,796	3,485	1,291
Disposals/scrapped	(2,546)	(4,623)	(2,546)	(3,884)
At 30 June	43,587	38,502	19,875	17,703
CARRYING AMOUNT	37,425	40,239	25,921	26,033

8. STATUTORY DEPOSITS

In compliance with the Insurance Act 2005, non-current statutory deposits represent investments in Mauritius Government Securities and earn interest at 7.0% - 7.8% (2016: 7.0% - 7.8%) per annum and have maturity dates varying between 2022-2029.

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
(a) Unquoted investment at cost	Rs'000	Rs'000
Investment	224,003	224,003
Subordinated loan (note (c))	341,625	341,625
At 30 June	565,628	565,628

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) Details of investments:

Name of subsidiaries	Principal activity	Classes of Shares	Country of incorporation & operation	% Holding 2017	% Holding 2016
SICOM Financial Services Ltd	Depository, investment business and leasing activities	Ordinary	Mauritius	99	99
SICOM Management Limited	Investment and management	Ordinary	Mauritius	100	100
SICOM Global Fund Limited	Investment in overseas securities	Management	Mauritius	100	100
SICOM General Insurance Ltd	General insurance business	Ordinary	Mauritius	100	100

(c) Subordinated loan

Pursuant to the Insurance Act 2005 which provides that an insurance company cannot transact both Long Term and General Insurance Businesses, State Insurance Company of Mauritius Ltd has incorporated a new Company, SICOM General Insurance Ltd, to transact General Insurance Business only as from 1 July 2010.

All the assets and liabilities of the General Insurance Business were transferred to the new company on 1 July 2010. The accumulated reserves were converted into share capital and the remaining as subordinated loan which is unsecured and interest free. The lender subordinates its right to receive any payment prior to settlement in full of all claims of the borrower's policyholders in respect of insurance policies and prior payment or provision for payment in full of claims of all present and future creditors of the borrower.

10. OTHER FINANCIAL ASSETS

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Non-current				
(a) Investment in securities	10,106,323	9,288,252	9,749,341	8,697,017
(b) Foreclosed properties	14,600	14,675	14,600	14,675
	10,120,923	9,302,927	9,763,941	8,711,692
Current				
Investment in securities	211,651	107,560	137,497	89,596
	10,332,574	9,410,487	9,901,438	8,801,288

Analysed as follows:

(i) GROUP

Non-current (a) Investment in securities	Loans and receivables	Held-to-maturity	Available-for-sale	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2016	497,446	4,465,103	4,325,703	9,288,252
Additions	167,060	683,214	381,483	1,231,757
Disposals	-	(180,000)	(540,079)	(720,079)
Transfer to current assets	(168,094)	(9,879)	-	(177,973)
Interest/gain receivable adjustment	(1,084)	13,380	-	12,296
Increase in fair value:				
- Long term insurance funds	-	-	376,630	376,630
- Shareholders' fund	-	-	95,440	95,440
At 30 June 2017	495,328	4,971,818	4,639,177	10,106,323
At 1 July 2015	-	3,628,729	4,006,050	7,634,779
Additions	453,012	952,507	729,039	2,134,558
Disposals	-	-	(158,655)	(158,655)
Transfer to current assets	-	(86,402)	-	(86,402)
Transfer to statutory deposits	-	(7,942)	-	(7,942)
Transfer to loan and receivables	38,554	(38,554)	-	-
Interest/gain receivable adjustment	5,880	16,765	-	22,645
Decrease in fair value:				
- Long term insurance funds	-	-	(202,651)	(202,651)
- Shareholders' fund	-	-	(48,080)	(48,080)
At 30 June 2016	497,446	4,465,103	4,325,703	9,288,252

(b) Foreclosed properties

	2017	2016
	Rs'000	Rs'000
At 1 July	14,675	17,167
Additions	-	294
Disposals	-	(3,235)
(Decrease)/increase in fair value:		
- Long term insurance funds	(375)	434
- Shareholders' fund	300	15
At 30 June	14,600	14,675

Foreclosed properties are stated at fair value less any impairment.

The fair value of the foreclosed properties has been arrived on the basis of valuations carried out during the year by Mr G Saddul, BSc, FRICS, Chartered Valuer and by Mr N Jeetun MSc, MRICS, PMAPI, MMIS, Chartered Valuation Surveyor, on the open market value basis.

10. OTHER FINANCIAL ASSETS (CONT'D)

(i) GROUP

Current Investment in securities	Loans and receivables Rs'000	Held-to-maturity Rs'000	Total Rs'000
At 1 July 2016	16,080	91,480	107,560
Additions	103,518	25,384	128,902
Disposals	(89,874)	(111,786)	(201,660)
Transfer from non-current assets	168,094	9,879	177,973
Interest/gain receivable adjustment	2,759	(3,883)	(1,124)
At 30 June 2017	200,577	11,074	211,651
At 1 July 2015	-	399,925	399,925
Additions	380,804	-	380,804
Disposals	(364,762)	(374,235)	(738,997)
Transfer from non-current assets	-	86,402	86,402
Interest/gain receivable adjustment	38	(20,612)	(20,574)
At 30 June 2016	16,080	91,480	107,560

(ii) COMPANY

Non-current (a) Investment in securities	Loans and receivables Rs'000	Held-to-maturity Rs'000	Available-for-sale Rs'000	Total Rs'000
At 1 July 2016	361,026	3,826,910	4,509,081	8,697,017
Additions	90,840	465,839	168,359	725,038
Disposals/maturities	-	-	(15,670)	(15,670)
Transfer to current assets	(100,689)	(4,844)	-	(105,533)
Interest/gain receivable adjustment	(1)	9,384	-	9,383
Increase in fair value:				
- Long term insurance funds	-	-	362,959	362,959
- Shareholders' fund	-	-	76,147	76,147
At 30 June 2017	351,176	4,297,289	5,100,876	9,749,341
At 1 July 2015	-	3,231,145	4,173,385	7,404,530
Additions	356,891	649,414	623,962	1,630,267
Disposals/maturities	-	-	(24,842)	(24,842)
Transfer to current assets	-	(68,683)	-	(68,683)
Interest/gain receivable adjustment	4,135	15,034	-	19,169
Decrease in fair value:		-		
- Long term insurance funds	-	-	(216,865)	(216,865)
- Shareholders' fund	-	-	(46,559)	(46,559)
At 30 June 2016	361,026	3,826,910	4,509,081	8,697,017

10. OTHER FINANCIAL ASSETS (CONT'D)

	2017	2016
(b) Foreclosed properties	Rs'000	Rs'000
At 1 July	14,675	17,167
Additions	-	294
Disposals	-	(3,235)
(Decrease)/increase in fair value:		
- Long term insurance funds	(375)	434
- Shareholders' fund	300	15
At 30 June	14,600	14,675

Current	Loans and receivables	Held-to-maturity	Total
Investment in securities	Rs'000	Rs'000	Rs'000
At 1 July 2016	16,080	73,516	89,596
Additions	103,518	25,384	128,902
Disposals/maturities	(89,874)	(94,067)	(183,941)
Transfer from non-current assets	100,689	4,844	105,533
Interest/gain receivable adjustment	1,096	(3,689)	(2,593)
At 30 June 2017	131,509	5,988	137,497
At 1 July 2015	-	321,711	321,711
Additions	380,804	-	380,804
Disposals/maturities	(364,762)	(296,003)	(660,765)
Transfer from non-current assets	-	68,683	68,683
Interest/gain receivable adjustment	38	(20,875)	(20,837)
At 30 June 2016	16,080	73,516	89,596

Group and Company

Loans and receivables comprise of Treasury Notes & Bills with interest rates ranging from 2.46% - 4.25% (2016: 2.05% - 4.08%) per annum for the Group and Company and maturity dates varying between 2017 - 2020 (2016: 2016-2020).

Held-to-maturity investments comprise of Mauritius Government Securities, Government of Mauritius Bonds and Corporate Bonds with interest rates ranging from 3.12% - 11.75% for the Group and the Company (2016: 3.16% - 11.75% for the Group and the Company) per annum and maturity dates varying between 2018 - 2036 (2016: 2016-2031).

Available-for-sale securities for Company comprise of listed and quoted equity securities of Rs 1,489,627,000 (2016: Rs 1,256,666,000), listed debt securities of Rs 64,382,000 (2016: 31,670,000) and unquoted securities of Rs 3,546,867,000 (2016: Rs 3,220,745,000). Available-for-sale securities for Group comprise of listed and quoted securities of Rs 4,054,656,000 (2016: Rs 3,784,584,000), listed debt securities of Rs 90,126,000 (2016: Rs 57,646,000) and unquoted securities Rs 494,395,000 (2016: Rs 483,473,000).

The fair value of quoted securities is based on the Stock Exchange and brokers' statement prices at close of business at reporting date. Unquoted available-for-sale securities, for which reliable fair values cannot be obtained, have been stated at cost and it is of the opinion that these investments have not been impaired.

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

11. INVESTMENT PROPERTIES

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	1,370,364	1,270,000	1,381,500	1,270,000
Additions	18,420	95,494	18,420	95,494
Disposal	(24,176)	-	(24,176)	-
Transfer to property, plant and equipment (note 6)	(54,000)	(10,500)	-	-
Fair value gain (note 29)	39,206	15,370	39,256	16,006
At 30 June	1,349,814	1,370,364	1,415,000	1,381,500

The investment properties have generated rental income of Rs 80,383,173 for the year (2016: Rs 59,824,548). The direct operating expenses incurred during the year amounted to Rs 12,040,327 (2016: Rs 11,528,979).

There is no restriction on realisability of investment properties or the remittance of income and proceeds of sale.

Details of the Group's land and buildings measured at fair value and information about the fair value hierarchy are as follows:

	Group		Company	
	2017	2016	2017	2016
Level 3	Rs'000	Rs'000	Rs'000	Rs'000
Land	45,000	43,000	45,000	43,000
Buildings	1,304,814	1,327,364	1,370,000	1,338,500
	1,349,814	1,370,364	1,415,000	1,381,500

The fair value of land and buildings has been arrived on the basis of valuations carried during the year by Mr N Jeetun MSc, MRICS, PMAPI, MMIS, Chartered Valuation Surveyor, using the comparative and investment method of valuation. The Comparative method is based on comparison of prices paid for similar properties within close vicinity of the site and adjusted to reflect the characteristics of the subject property, at the relevant date. The most significant input into this valuation approach is the market value of similar sites within close vicinity of the subject property.

The fair value of the buildings was determined using prices in the range of Rs 49,000 per square metre to Rs 65,000 per square metre (2016: Rs 49,000 - Rs 63,000); and price of Rs 82,000 per square metre for land (2016: Rs 79,000).

12. FIXED DEPOSITS

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Maturing				
- in the second year	540,846	325,500	149,000	215,500
- in the third year	265,717	540,846	-	149,000
- in the fourth year	312,703	265,717	63,358	-
- in the fifth year	533,000	306,703	22,000	57,358
- after five years	12,955	45,955	-	22,000
	1,665,221	1,484,721	234,358	443,858
Interest due	192,600	203,385	70,762	104,470
	1,857,821	1,688,106	305,120	548,328

The deposits earn interest at rates varying between 4.00% - 10.50% (2016: 4.05% - 10.50%) for the Group and Company per annum.

13. FINANCE LEASE RECEIVABLES

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

	Group	
	2017	2016
Net investment in finance leases	Rs'000	Rs'000
Analysed as:-		
- Non-current finance lease receivables	308,176	299,123
- Current finance lease receivables	124,543	121,973
	432,719	421,096

	Group	
	2017	2016
(a) Gross and net investment in finance leases	Rs'000	Rs'000
- within one year	159,396	155,169
- in the second to fifth years inclusive	335,000	323,098
- more than five years	25,383	25,637
	519,779	503,904
Unearned finance income	(79,691)	(77,786)
	440,088	426,118
Provision for credit losses	(7,369)	(5,022)
	432,719	421,096

(b) Movement during the year:-	Group	
	2017	2016
	Rs'000	Rs'000
At 1 July	426,118	369,512
Leases granted during the year	163,304	173,117
Capital repayment during the year	(149,334)	(116,511)
At 30 June	440,088	426,118

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

(c) Remaining term to maturity	Group	
	2017	2016
	Rs'000	Rs'000
Within 3 months	39,810	39,038
Over 3 to 12 months	87,217	84,389
Over 1 to 5 years	289,750	278,617
More than 5 years	23,311	24,074
	440,088	426,118

The Group considers that the carrying amounts of the finance lease approximate their fair values.

13. FINANCE LEASE RECEIVABLES (CONT'D)

(d) Credit concentration of risk by industry sectors

Total credit facilities extended by the Group classified by industry sectors:

	Group	
	2017	2016
	Rs'000	Rs'000
Agriculture and Fishing	17	249
Manufacturing	4,394	6,194
Transport	35,949	39,246
Construction	11,976	12,037
Personal	324,031	310,886
Financial and business services	7,176	10,801
Global Business Licence Holders	3,687	4,321
Education	2,241	2,868
Tourism	1,390	511
Information, Communication and Technology	4,295	5,362
Others	44,932	33,643
	440,088	426,118

(e) Provision for credit losses

	Group	
	2017	2016
	Rs'000	Rs'000
At 1 July	5,022	4,187
Movement during the year	(670)	63
Portfolio provision (note (i))	4,352	4,250
Specific provision - Capital (note (ii))	3,017	772
At 30 June	7,369	5,022

(i) The above portfolio provision is estimated at 1% of the total outstanding lease amount net of specific provision as at 30 June 2017.

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

(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 7.77% (2016: 7.93%) per annum with interest ranging from 6.75% to 12.5% (2016: 6.75% to 12.5%) per annum. Unguaranteed residual values of assets leased under finance leases at end of reporting date are estimated at Rs 10,877,154 (2016: Rs 9,884,183).

14. MORTGAGE AND OTHER LOANS

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Housing, Commercial & Multipurpose	1,361,339	1,417,596	1,361,339	1,417,596
Provision for impairment losses	(5,075)	(4,793)	(5,075)	(4,793)
	1,356,264	1,412,803	1,356,264	1,412,803
Organisations	82,747	84,184	72,747	74,184
Others	186,865	204,477	177,687	193,750
	1,625,876	1,701,464	1,606,698	1,680,737
Analysed as:-				
Non-current	1,462,501	1,561,648	1,456,296	1,543,659
Current	163,375	139,816	150,402	137,078
	1,625,876	1,701,464	1,606,698	1,680,737

Reconciliation of changes in the impairment account resulting from credit losses during the year is as follows:-

	Group and Company	
	2017	2016
	Rs'000	Rs'000
At 1 July	8,124	6,657
Movement during the year	561	1,467
At 30 June	8,685	8,124
Analysed as:-		
Capital	5,075	4,793
Interest (Note 16)	3,610	3,331
	8,685	8,124

The following table provides information regarding the carrying value of mortgage and other loans that have been impaired and the ageing of mortgage and other loans that are past due but not impaired.

	Neither past due nor impaired	Past due but not impaired			Impaired	Carrying amount at year end
		1m -3m	3m - 1yr	>1Yr		
Group	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
30 June 2017						
Housing, Commercial & Multipurpose	1,334,860	4,216	6,429	15,834	(5,075)	1,356,264
Organisations	82,747	-	-	-	-	82,747
Others	168,347	10,133	3,348	5,037	-	186,865
	1,585,954	14,349	9,777	20,871	(5,075)	1,625,876
30 June 2016						
Housing, Commercial & Multipurpose	1,390,559	4,673	7,065	15,299	(4,793)	1,412,803
Organisations	84,184	-	-	-	-	84,184
Others	184,212	11,359	3,639	5,267	-	204,477
	1,658,955	16,032	10,704	20,566	(4,793)	1,701,464

14. MORTGAGE AND OTHER LOANS (CONT'D)

	Neither past due nor impaired	Past due but not impaired			Impaired	Carrying amount at year end
		1m -3m	3m - 1yr	>1Yr		
Company	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
30 June 2017						
Housing, Commercial & Multipurpose	1,334,860	4,216	6,429	15,834	(5,075)	1,356,264
Organisations	72,747	-	-	-	-	72,747
Others	159,169	10,133	3,348	5,037	-	177,687
	1,566,776	14,349	9,777	20,871	(5,075)	1,606,698
30 June 2016						
Housing, Commercial & Multipurpose	1,390,559	4,673	7,065	15,299	(4,793)	1,412,803
Organisations	74,184	-	-	-	-	74,184
Others	173,485	11,359	3,639	5,267	-	193,750
	1,638,228	16,032	10,704	20,566	(4,793)	1,680,737

The loans are secured and bear interest at rates varying between 2% - 14% (2016: 2% - 14%) per annum and have repayment terms varying between one year to thirty years.

The above loans also include unsecured loans of Rs 77,000,000 for the Group (2016: Rs 77,000,000) and Rs 67,000,000 for the Company (2016: Rs 67,000,000) which bear interest rates of 10% per annum.

Undrawn commitments in respect of mortgage loans for the year under review amounts to Rs 62 million (2016: Rs 50 million).

15. DEFERRED TAXATION

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

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

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax assets	47,772	36,272	-	-
Deferred tax liabilities	(76,638)	(57,426)	(36,866)	(26,457)
Net deferred tax liabilities	(28,866)	(21,154)	(36,866)	(26,457)

At the end of the reporting period, the Group had unused tax losses of Rs 4,269,391 (2016: Rs 9,272,358) available for offset against future profit. No deferred tax asset has been recognised in respect of such losses due to unpredictability of future profit streams (2016: nil). The tax losses expire on a rolling basis over 5 years.

15. DEFERRED TAXATION (CONT'D)

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

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	(21,154)	(706)	(26,457)	(6,448)
Charged to profit or loss (note 21(b)(i))	(13,811)	(10,400)	(14,450)	(10,775)
Credited/(charged) to other comprehensive income	6,099	(10,048)	4,041	(9,234)
At 30 June	(28,866)	(21,154)	(36,866)	(26,457)

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

Group

(i) Deferred tax assets

	Impairment of assets	Retirement benefit obligations	Total
	Rs'000	Rs'000	Rs'000
At 1 July 2015	635	42,114	42,749
Credited to profit or loss	131	3,440	3,571
Charged to other comprehensive income	-	(10,048)	(10,048)
At 30 June 2016	766	35,506	36,272
Credited to profit or loss	378	1,676	2,054
Credited to other comprehensive income	-	9,446	9,446
At 30 June 2017	1,144	46,628	47,772

(ii) Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of buildings	Investment properties	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2015	7,423	3,210	32,822	43,455
Charged to profit or loss	1,987	-	11,984	13,971
At 30 June 2016	9,410	3,210	44,806	57,426
Charged to profit or loss	994	-	14,871	15,865
Charged to other comprehensive income	-	3,347	-	3,347
At 30 June 2017	10,404	6,557	59,677	76,638

Company	2017	2016
	Rs'000	Rs'000
Deferred tax assets	37,319	28,561
Deferred tax liabilities	(74,185)	(55,018)
Net deferred tax liabilities	(36,866)	(26,457)

15. DEFERRED TAXATION (CONT'D)

Company

(i) Deferred tax assets

	Retirement benefit obligations
	Rs'000
At 1 July 2015	34,980
Credited to profit or loss	2,815
Charged to other comprehensive income	(9,234)
At 30 June 2016	28,561
Credited to profit or loss	1,370
Credited to other comprehensive income	7,388
At 30 June 2017	37,319

(ii) Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of buildings	Investment properties	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2015	5,396	3,210	32,822	41,428
Charged to profit or loss	1,604	-	11,986	13,590
At 30 June 2016	7,000	3,210	44,808	55,018
Charged to profit or loss	949	-	14,871	15,820
Charged to other comprehensive income	-	3,347	-	3,347
At 30 June 2017	7,949	6,557	59,679	74,185

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Premium	195,254	197,337	-	-
Provision for impairment losses	(255)	(316)	-	-
	194,999	197,021	-	-
Other premium	3,985	2,900	4,033	2,917
Amounts due from reinsurers	159,104	175,780	137,419	111,954
Other receivables and prepayments	312,419	509,465	376,358	395,534
Provision for impairment losses (Note 14)	(3,610)	(3,331)	(3,610)	(3,331)
	308,809	506,134	372,748	392,203
	666,897	881,835	514,200	507,074

As of 30 June 2017, premiums of Rs 255,000 (2016: Rs 316,000) were impaired for the Group. The amount of the provision was Rs 255,000 as of 30 June 2017 (2016: Rs 316,000). The individually impaired receivables mainly relate to policyholders who are in unexpectedly difficult economic situations.

16. TRADE AND OTHER RECEIVABLES (CONT'D)

The ageing analysis of these premiums is as follows:	Group 2017	Group 2016
	Rs'000	Rs'000
Over 1 year	255	316

Reconciliation of changes in the impairment account resulting from unpaid premium during the year is as follows:

	Group 2017	Group 2016
	Rs'000	Rs'000
Balance at beginning	316	390
Movement during the year	(61)	(74)
Balance at end	255	316

Analysis of the age of premiums that are past due but not impaired	Group 2017	Group 2016
	Rs'000	Rs'000
>2 months < 3 months	4,545	9,087
> 3 months < 6 months	15,151	28,142
> 6 months < 1 year	728	9,941
> 1 year	1,131	2,804
	21,555	49,974

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

Allowance for doubtful debts is normally determined by the Group as premium due for more than one year. No interest is charged on the premium.

Premiums disclosed above include amounts (see above for aged analysis) that are past due at the reporting date for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

In determining the recoverability of a premium, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Accordingly, it is believed that there is no further credit provision required in excess of the allowance for doubtful debts.

Amount due from reinsurers include impaired assets of Rs 5,086,000 (2016: Rs 5,086,000). The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The carrying amount of trade and other receivables approximate their fair values.

16. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2017	2016	2017	2016
Other premium	Rs'000	Rs'000	Rs'000	Rs'000
<1 year	3,805	2,661	3,853	2,678
>1 year	180	239	180	239
	3,985	2,900	4,033	2,917

17. SHORT-TERM DEPOSITS

Short-term deposits comprise of fixed deposits and overseas call deposits with banks with interest rates ranging from 0.01% - 8.00% (2016: 0.01% - 8.25%) per annum. The fixed deposits have maturity dates varying from 2017-2018. The foreign currency deposits are held in a basket of major currencies traded.

18. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Group	
	2017	2016
(a) Short term insurance	Rs'000	Rs'000
Claims reported	398,024	383,137
Claims incurred but not reported (IBNR)	27,616	7,405
Outstanding claims	425,640	390,542
Unearned premiums	371,682	373,535
Total gross insurance liabilities	797,322	764,077
Recoverable from reinsurers		
Claims reported	351,415	306,100
Unearned premiums	206,946	211,410
Total reinsurers' share of insurance liabilities	558,361	517,510
Net		
Claims reported	46,609	77,037
Claims incurred but not reported (IBNR)	27,616	7,405
	74,225	84,442
Unearned premiums	164,736	162,125
Total net insurance liabilities	238,961	246,567

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

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July						
Notified claims	390,542	(306,100)	84,442	538,078	(428,418)	109,660
Increase/(decrease) in liabilities	410,051	(190,479)	219,572	313,513	(104,578)	208,935
Cash paid for claims settled in the year (note 28)	(402,569)	145,164	(257,405)	(468,454)	226,896	(241,558)
	398,024	(351,415)	46,609	383,137	(306,100)	77,037
Claims incurred but not reported (IBNR)	27,616	-	27,616	7,405	-	7,405
At 30 June	425,640	(351,415)	74,225	390,542	(306,100)	84,442
Movement in claims outstanding and IBNR			(10,217)			(25,218)

18. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONT'D)

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

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	373,535	(211,410)	162,125	351,470	(199,096)	152,374
(Decrease)/increase during the year	(1,853)	4,464	2,611	22,065	(12,314)	9,751
At 30 June	371,682	(206,946)	164,736	373,535	(211,410)	162,125

19. BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
4.65% - 9.00% (2016: 4.65% - 9.00%) unsecured loan				
Repayable by instalments				
- within one year	23,166	22,543	23,166	22,543
- in the second year	19,540	21,242	19,540	21,242
- in the third year	16,164	17,617	16,164	17,617
- in the fourth year	5,285	14,241	5,285	14,241
- in the fifth year	962	3,363	962	3,363
Total	65,117	79,006	65,117	79,006
9.00% (2016: 9.00%) unsecured loan (Subsidiary)				
Repayable by instalments				
- within one year	-	-	48,887	44,695
- in the second year	-	-	53,473	48,887
- in the third year	-	-	58,489	53,473
- in the fourth year	-	-	63,976	58,489
- in the fifth year	-	-	69,978	63,976
- after five years	-	-	-	69,978
Total	-	-	294,803	339,498
Analysed as follows:				
Current	23,166	22,543	72,053	67,238
Non-current	41,951	56,463	287,867	351,266
	65,117	79,006	359,920	418,504

The carrying amounts of the Group's and the Company's borrowings are denominated in Mauritian rupees and are not materially different from the fair value.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Interest payable on deposits	62,438	119,667	-	-
Amount due to reinsurers	263,026	307,575	131,627	180,624
Other payables and accruals	253,172	249,557	185,068	167,767
	578,636	676,799	316,695	348,391
Analysed as follows:				
Current	548,330	633,696	316,695	348,391
Non-current	30,306	43,103	-	-
	578,636	676,799	316,695	348,391

The above amounts are interest free and unsecured. The carrying amounts of trade and other payables approximate their fair values.

21. TAXATION

Income Tax

Income tax is calculated at the rate of 15% (2016 - 15%) on the profit for the year as adjusted for income tax purposes.

		Group		Company	
		2017	2016	2017	2016
(a)	Statements of financial position	Rs'000	Rs'000	Rs'000	Rs'000
	- General Fund	6,805	11,815	5,987	6,001
	- Life Fund	(144)	2,921	(144)	2,921
	- Insured Pension Fund	943	(1,062)	943	(1,062)
	- Personal Pension Plan	456	(1,150)	456	(1,150)
	- Medisave	(3)	(1)	(3)	(1)
		8,057	12,523	7,239	6,709
	Analysed as follows:				
	Current tax assets	(648)	-	-	-
	Current tax liabilities	8,705	12,523	7,239	6,709
		8,057	12,523	7,239	6,709

		Group		Company	
(b)	Statements of profit or loss	2017	2016	2017	2016
(i)	<u>General Fund</u>	Rs'000	Rs'000	Rs'000	Rs'000
	- Current tax expense	40,976	44,012	27,781	28,104
	- Under/(over) provision in respect of previous year	1,123	319	955	(94)
		42,099	44,331	28,736	28,010
	- Deferred tax charge (note 15(b))	13,811	10,400	14,450	10,775
		55,910	54,731	43,186	38,785
(ii)	<u>Life Fund</u>				
	- Current tax expense	14,742	19,846	14,742	19,846
	- Under/(over) provision in respect of previous year	1	(100)	1	(100)
		14,743	19,746	14,743	19,746

21. TAXATION (CONT'D)

	Group		Company	
	2017	2016	2017	2016
(iii) Insured Pension Fund	Rs'000	Rs'000	Rs'000	Rs'000
- Current tax expense/(credit)	287	(874)	287	(874)
- Under provision in respect of previous year	-	8	-	8
	287	(866)	287	(866)
(iv) Personal Pension Plan				
- Current tax credit	(2,669)	(4,167)	(2,669)	(4,167)
- Over provision in respect of previous year	-	(1,867)	-	-
	(2,669)	(6,034)	(2,669)	(4,167)
(v) Medisave				
- Current tax (credit)/expense	(2)	2	(2)	2
Total Long Term Insurance Funds (Note 33)	12,359	12,848	12,359	14,715

	Group		Company	
	2017	2016	2017	2016
Tax expense	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	12,523	13,379	6,709	8,169
Tax charge for the year	54,458	57,179	41,095	40,858
Tax paid during the year	(58,924)	(58,035)	(40,565)	(42,318)
At 30 June	8,057	12,523	7,239	6,709

(c) Tax Reconciliation

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Profit before taxation	510,580	467,047	460,165	432,535
Applicable Tax Rate(%)	15.00	15.00	15.00	15.00
Tax effect of :				
- Exempt income and other relief	(7.99)	(6.53)	(7.40)	(6.70)
- Expenses not deductible for tax purposes	0.75	0.33	0.39	0.22
- Expenses entitled to 200% deduction	(0.03)	(0.02)	(0.03)	(0.03)
- Assets not eligible for capital allowances	0.04	0.10	0.04	0.11
- Under/(over) provision in previous year	0.22	0.07	0.21	(0.02)
- Under provision in deferred tax	-	0.11	-	0.12
- Life Fund's tax liability	2.87	4.12	3.18	4.45
- Insured Pension Fund	0.06	(0.19)	0.06	(0.20)
- Personal Pension Plan	(0.52)	(1.29)	(0.58)	(1.40)
- Support costs to SGIN Ltd	-	(0.16)	-	(0.18)
- Revaluation investment properties	2.91	2.57	3.23	2.77
- Capital allowance on investment property	(1.84)	(2.05)	(2.03)	(2.22)
- Foreign tax credit	(2.07)	(2.00)	-	-
- Exchange difference	3.95	4.41	-	-
- Utilisation of previously unrecognised tax losses	0.02	-	-	-
Effective Tax Rate	13.37	14.47	12.07	11.92

22. DEPOSITS

	Group 2017	Group 2016
	Rs'000	Rs'000
Time deposits with remaining terms to maturity:		
- Within one year	800,259	1,062,094
- In the second to fifth years inclusive	1,601,854	1,695,861
	2,402,113	2,757,955

The deposits bear interest ranging from 2.00% to 6.50% (2016 : 2.00% to 8.00%) per annum.

23. STATED CAPITAL

	Group and Company 2017	Group and Company 2016
	Rs'000	Rs'000
Share capital	25,000	25,000
Share premium	45,000	45,000
	70,000	70,000

The share capital comprises of: - 250,000 ordinary shares of Rs 100 each	Number of shares	Share capital	Share premium
	000	Rs'000	Rs'000
At 30 June 2016 and 30 June 2017	250	25,000	45,000

The total authorised number of ordinary share is 300,000 (2016: 300,000) with a par value of Rs.100 each. All issued shares are fully paid. The Company has one class of ordinary share capital of Rs 100 each which carries a right to vote and a right to dividend.

24. RESERVES

	Group 2017	Group 2016	Company 2017	Company 2016
	Rs'000	Rs'000	Rs'000	Rs'000
Retained earnings	5,091,356	4,778,246	4,293,576	4,014,410
Properties revaluation reserve	143,255	123,394	142,358	123,394
Investments revaluation reserve	242,667	172,524	336,620	260,951
Actuarial losses	(205,161)	(151,645)	(165,612)	(123,742)
Translation reserve	50,851	76,327	-	-
Other reserve	48,133	44,620	-	-
	5,371,101	5,043,466	4,606,942	4,275,013

(a) Retained earnings

	Group 2017	Group 2016	Company 2017	Company 2016
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	4,778,246	4,498,121	4,014,410	3,749,393
Profit attributable to equity holders of the parent	454,436	412,100	416,979	393,750
Payments of dividends	(137,813)	(128,733)	(137,813)	(128,733)
Transfer to other reserve	(3,513)	(3,242)	-	-
At 30 June	5,091,356	4,778,246	4,293,576	4,014,410

24. RESERVES (CONT'D)

(b) Properties revaluation reserve

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	123,394	123,394	123,394	123,394
Gain on revaluation of buildings, net of tax	19,861	-	18,964	-
At 30 June	143,255	123,394	142,358	123,394

The properties revaluation reserve arises on the revaluation of buildings (Note 6).

(c) Investments revaluation reserve

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	172,524	236,708	260,951	312,374
Net gains/(losses) arising on revaluation of available-for-sale financial assets and foreclosed properties	95,722	(48,036)	76,447	(46,544)
Transfer on disposal of available-for-sale financial assets and foreclosed properties	(25,579)	(16,148)	(778)	(4,879)
At 30 June	242,667	172,524	336,620	260,951

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

(d) Actuarial losses

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	(151,645)	(208,573)	(123,742)	(176,069)
Other comprehensive income, net of tax	(53,516)	56,928	(41,870)	52,327
At 30 June	(205,161)	(151,645)	(165,612)	(123,742)

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

(e) Translation reserve

	Group	
	2017	2016
	Rs'000	Rs'000
At 1 July	76,327	72,299
Movement during the year	(25,476)	4,028
At 30 June	50,851	76,327

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies (USD) to the Group's presentation currency (MUR) are recognised directly in other comprehensive income and accumulated in the foreign translation reserve.

(f) Other reserve

Other reserve consists of a transfer from the net profit after tax of SICOM Financial Services Ltd as per Section 21 of the Banking Act 2004.

25 LONG TERM INSURANCE FUNDS

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Long Term Insurance Funds (Note 33)	9,274,240	8,778,217	9,274,240	8,778,217

26 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2017	2016	2017	2016
(a) Defined Benefit Plan	Rs'000	Rs'000	Rs'000	Rs'000
Amount recognised in the statements of financial position as non-current liabilities:				
- Pension benefits (note 26(b)(ii))	310,850	236,705	248,788	190,398
Amount charged to profit or loss:				
- Pension benefits (note 26(b)(vi))	36,646	40,481	27,896	31,750
Amount charged/(credited) to other comprehensive income:				
- Pension benefits (note 26(b)(vii))	62,968	(66,987)	49,258	(61,561)

(b) Pension benefits

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

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

The most recent actuarial valuations of plan assets and the present value of defined benefit obligations were carried out at 30 June 2017 by AON Hewitt Ltd (Actuarial Valuer). The present value of the defined benefit obligations, and the related current service cost, were measured using the Projected Unit Credit Method.

(ii) Amounts recognised in the statements of financial position

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Present value of funded obligations	835,107	710,202	632,938	541,538
Fair value of plan assets	(524,257)	(473,497)	(384,150)	(351,140)
Liabilities in the statements of financial position	310,850	236,705	248,788	190,398

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

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	236,705	280,753	190,398	233,200
Profit or loss charge	36,646	40,481	27,896	31,750
Other comprehensive income charge/(credit)	62,968	(66,987)	49,258	(61,561)
Contributions paid	(25,469)	(17,542)	(18,764)	(12,991)
At 30 June	310,850	236,705	248,788	190,398

26. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	710,202	738,836	541,538	571,329
Current service cost	21,356	21,792	15,522	16,150
Interest expense	49,029	51,434	37,240	39,823
Employee contributions	11,685	10,452	8,945	8,047
Liability experience loss/(gain)	66,508	(18,903)	51,871	(13,895)
Liability gain due to change in in demographic assumptions	-	(26,288)	-	(30,129)
Liability gain due to change in financial assumption	(3,763)	(58,849)	(2,774)	(44,850)
Benefits paid	(19,910)	(8,272)	(19,404)	(4,937)
At 30 June	835,107	710,202	632,938	541,538

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

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At July 1	473,497	458,083	351,140	338,129
Interest income	33,739	32,745	24,866	24,223
Employer contributions	25,469	17,542	18,764	12,991
Employee contributions	11,685	10,452	8,945	8,047
Benefits paid	(19,910)	(8,272)	(19,404)	(4,937)
Return on plan assets excluding interest income	(223)	(37,053)	(161)	(27,313)
At 30 June	524,257	473,497	384,150	351,140

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

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Current service cost	21,356	21,792	15,522	16,150
Net interest on net defined benefit liabilities	15,290	18,689	12,374	15,600
	36,646	40,481	27,896	31,750
Allocation of support costs:				
Life Assurance Fund	9,021	10,122	9,021	10,122
SICOM General Insurance Ltd	10,393	10,776	2,104	2,641
Shareholders Fund (Note 31(a))	17,232	19,583	16,771	18,987
	36,646	40,481	27,896	31,750
Actual return in plan assets	33,516	(4,308)	24,705	(3,090)

26. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Return on plan assets below interest income	223	37,053	161	27,313
Liability experience loss/(gain)	66,508	(18,903)	51,871	(13,895)
Liability gain due to change in demographic assumptions	-	(26,288)	-	(30,129)
Liability gain due to change in financial assumptions	(3,763)	(58,849)	(2,774)	(44,850)
	62,968	(66,987)	49,258	(61,561)

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

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Equity - local quoted	78,639	66,290	57,623	49,160
Equity - local unquoted	5,242	4,735	3,841	3,511
Debt - local quoted	5,242	-	3,841	-
Debt - local unquoted	235,916	194,134	172,868	143,967
Investment funds	120,580	104,169	88,355	77,251
Property	5,241	4,735	3,841	3,511
Cash and others	73,397	99,434	53,781	73,740
	524,257	473,497	384,150	351,140

(ix) Principal actuarial assumptions at end of the reporting date:

	Group		Company	
	2017	2016	2017	2016
Discount rate	6.5%	7.0%	6.5%	7.0%
Future salary increases	4.5%	5.0%	4.5%	5.0%
Future pension increases	2.5%	3.0%	2.5%	3.0%
Average retirement age (ARA)	65	65	65	65
Average life expectancy for:				
- Male at ARA	16.9	16.9	16.9	16.9
- Female at ARA	19.9	19.9	19.9	19.9

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

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Discount rate (1% movement)				
Increase	168,911	149,052	126,515	112,209
Decrease	132,382	116,357	99,331	87,749

An increase/decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period.

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

26. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

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

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

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

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

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

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

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

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

(xiii) Expected contribution to post employment benefit plan for the year ending 30 June 2018 are Rs 40.1 million for the Group and Rs 30.8 million for the Company.

(xiv) The weighted average duration of the defined benefit obligation vary between 18 - 26 years at the end of the reporting period.

(c) Defined Contribution Plan

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
National pension scheme contributions charges for employees on a contractual basis	70	69	8	18
Contributions to defined contribution plan administered by State Insurance Company of Mauritius Ltd	2,048	1,142	1,409	696

27. GROSS REVENUE

	Group		Company	
	2017	2016	2017	2016
Short Term Business	Rs'000	Rs'000	Rs'000	Rs'000
Gross insurance premiums	757,040	732,368	-	-
Add/(less): Unearned premium	1,853	(22,065)	-	-
	758,893	710,303	-	-
Net commission income	21,452	18,462	-	-
Management fees (Note 29)	410,746	385,027	346,407	328,338
Investment income	356,659	348,337	317,952	302,625
	1,547,750	1,462,129	664,359	630,963
Long Term Business				
Gross insurance premiums/contributions	1,857,408	1,776,233	1,857,408	1,776,233
Gross commission income	16,895	27,535	16,895	27,535
Investment income	455,973	460,538	450,314	456,679
	2,330,276	2,264,306	2,324,617	2,260,447
Total Gross Revenue	3,878,026	3,726,435	2,988,976	2,891,410

28. GENERAL BUSINESS REVENUE ACCOUNT

	Group	
	2017	2016
	Rs'000	Rs'000
Gross insurance premiums	757,040	732,368
Premium ceded to reinsurers	(372,446)	(359,756)
Movement in unearned premium (Note 18(c))	(2,611)	(9,751)
Net earned premiums	381,983	362,861
Gross claims paid (note 18(b))	402,569	468,454
Claims settled from reinsurers (Note 18(b))	(145,164)	(226,896)
Movement in outstanding claims (Note 18(b))	(10,217)	(25,218)
Net claims incurred	247,188	216,340
Commissions receivable from reinsurers	56,989	54,060
Commissions paid to agents and brokerage fees	(35,537)	(35,598)
	21,452	18,462
Underwriting surplus	156,247	164,983

29. INVESTMENT AND OTHER INCOME

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Management fees	410,746	385,027	346,407	328,338
Gain on revaluation of investment properties (note 11)	39,206	15,370	39,256	16,006
Gain on sale of investments	33,496	14,299	1,055	6,166
Investment income	223,014	197,829	317,952	302,625
Mortgage and other loans	22,082	26,425	20,671	24,968
Loans and receivables	13,560	6,793	6,438	3,373
Held-to-maturity	81,205	78,678	33,943	37,328
Available-for-sale	27,946	15,760	25,243	13,266
Deposits	127,546	157,687	4,107	11,914
Interest payable to depositors	(133,645)	(150,508)	-	-
Rental income	84,320	62,994	93,285	71,959
Dividend from subsidiaries	-	-	134,265	139,817
Exchange gains	2,159	8,845	2,159	8,823
Other income	54,597	56,622	7,750	12,736
	763,218	677,992	714,579	674,694

30. SHARE OF SURPLUS TRANSFERRED FROM LIFE ASSURANCE FUND

Following an actuarial valuation of the Life Assurance Fund carried out by QED Actuaries & Consultants (Pty) Ltd as at 30 June 2017, a surplus of Rs 27,250,000 (2016: Rs 17,923,000) has been transferred to the Shareholders Fund during the year.

31. ADMINISTRATIVE AND OTHER EXPENSES

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Employee benefit expense (note(a) below)	304,250	268,454	181,910	160,824
Depreciation	16,373	16,002	12,187	12,117
Loss on disposal of property, plant and equipment	1,040	771	-	50
Amortisation of intangible assets (Note 7)	6,398	3,796	3,485	1,291
CSR expenses	5,697	6,632	3,874	3,929
Repairs and maintenance	28,817	31,607	19,456	23,123
Printing, stationery and postage	6,066	5,442	3,363	2,928
Rent, rates, utilities, licences, insurance and security services	21,356	20,775	11,719	11,378
Advertising	4,934	6,674	2,341	2,676
Professional fees	9,668	5,325	6,690	3,518
Exchange losses	783	4,003	-	-
Others	27,237	20,453	4,382	1,757
	432,619	389,934	249,407	223,591

(a) Employee benefit expense

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Wages and salaries, including termination benefits	273,858	236,035	163,677	140,751
Social security costs	1,220	1,135	647	607
Pension cost - defined benefit plan (note 26(b)(vi))	27,625	30,359	16,771	18,987
Pension cost - defined contribution plan	1,547	925	815	479
	304,250	268,454	181,910	160,824

32. FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Interest payable on loans from subsidiary	-	-	28,741	32,574
Interest payable on other loans	3,516	3,917	3,516	3,917
	3,516	3,917	32,257	36,491

33. LIFE ASSURANCE FUNDS

GROUP

		Non-Linked 2017 Rs'000	Linked 2017 Rs'000	Total 2017 Rs'000	Non-Linked 2016 Rs'000	Linked 2016 Rs'000	Total 2016 Rs'000
INCOME							
Gross premium		1,768,323	89,085	1,857,408	1,690,196	86,037	1,776,233
Less: Reinsurances		(88,345)	(1,906)	(90,251)	(124,724)	(2,162)	(126,886)
Net premium		1,679,978	87,179	1,767,157	1,565,472	83,875	1,649,347
Commission receivable for reinsurance		16,895	-	16,895	27,535	-	27,535
Investment and other income		413,187	44,955	458,142	419,587	44,616	464,203
Gain on sale of investments		73,709	559	74,268	32,134	648	32,782
		2,183,769	132,693	2,316,462	2,044,728	129,139	2,173,867
EXPENDITURE							
Bonus		470,666	-	470,666	490,365	-	490,365
Commission payable to agents and brokers		61,542	3,276	64,818	71,612	4,157	75,769
Cash and withdrawal benefits		34,261	2,769	37,030	27,714	2,881	30,595
Family income benefits		411	-	411	248	-	248
Maturity claims		729,066	9,590	738,656	711,422	8,065	719,487
Medical expenses		2,966	-	2,966	2,105	-	2,105
Provision for loan losses		1,160	-	1,160	2,406	-	2,406
Surrenders		34,356	13,170	47,526	42,745	14,595	57,340
Survival benefits		386,617	-	386,617	421,419	-	421,419
Other costs		14,979	6,753	21,732	11,074	9,341	20,415
Gross death and disablement claims		132,237	8,112	140,349	73,386	12,982	86,368
Claims recovered from reinsurers		(47,981)	(2,486)	(50,467)	(30,654)	528	(30,126)
Net claims		84,256	5,626	89,882	42,732	13,510	56,242
Management and other expenses		211,174	11,828	223,002	195,907	10,546	206,453
		2,031,454	53,012	2,084,466	2,019,749	63,095	2,082,844
SURPLUS BEFORE TAXATION		152,315	79,681	231,996	24,979	66,044	91,023
TAXATION	Note 21	(11,659)	(700)	(12,359)	(10,868)	(1,980)	(12,848)
SURPLUS AFTER TAXATION		140,656	78,981	219,637	14,111	64,064	78,175
FUND AT 1 JULY		7,932,590	845,627	8,778,217	8,167,280	786,454	8,953,734
INCREASE/(DECREASE) IN FAIR VALUE OF AVAILABLE-FOR-SALE		351,604	24,651	376,255	(196,454)	(5,763)	(202,217)
TRANSFER ON DISPOSAL OF AVAILABLE-FOR-SALE SECURITIES		(56,462)	(281)	(56,743)	(38,789)	(690)	(39,479)
TRANSLATION RESERVE		(15,620)	(256)	(15,876)	4,365	1,562	5,927
SHARE OF SURPLUS TO SHAREHOLDERS FUND		(27,250)	-	(27,250)	(17,923)	-	(17,923)
FUND AT 30 JUNE		8,325,518	948,722	9,274,240	7,932,590	845,627	8,778,217

Linked long term insurance business is the business of effecting and carrying out contracts of insurance under which the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description, or by reference to fluctuations in, or in an index of, the value of property of any description.

Non linked business is the business of undertaking liability under contracts upon human life or contracts to pay annuities on human life and also includes permanent health insurance business.

33. LIFE ASSURANCE FUNDS (CONT'D)

COMPANY

		Non-Linked 2017	Linked 2017	Total 2017	Non-Linked 2016	Linked 2016	Total 2016
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
INCOME							
Gross premium		1,768,323	89,085	1,857,408	1,690,196	86,037	1,776,233
Less: Reinsurances		(88,345)	(1,906)	(90,251)	(124,724)	(2,162)	(126,886)
Net premium		1,679,978	87,179	1,767,157	1,565,472	83,875	1,649,347
Commission		16,895	-	16,895	27,535	-	27,535
Investment and other income		405,870	44,541	450,411	412,720	44,371	457,091
Gain on sale of investments		6,927	2	6,929	7,567	335	7,902
		2,109,670	131,722	2,241,392	2,013,294	128,581	2,141,875
EXPENDITURE							
Bonus		470,666	-	470,666	490,365	-	490,365
Commission		61,542	3,276	64,818	71,612	4,157	75,769
Cash and withdrawal benefits		34,261	2,769	37,030	27,714	2,881	30,595
Family income benefits		411	-	411	248	-	248
Maturity claims		729,066	9,590	738,656	711,422	8,065	719,487
Medical expenses		2,966	-	2,966	2,105	-	2,105
Provision for loan losses		1,160	-	1,160	2,406	-	2,406
Surrenders		34,356	13,170	47,526	42,745	14,595	57,340
Survival Benefits		386,617	-	386,617	421,419	-	421,419
Other costs		14,979	6,753	21,732	11,074	9,341	20,415
Gross death and disablement claims		132,237	8,112	140,349	73,386	12,982	86,368
Claims recovered from reinsurers		(47,981)	(2,486)	(50,467)	(30,654)	528	(30,126)
Net claims		84,256	5,626	89,882	42,732	13,510	56,242
Management and other expenses		191,003	11,023	202,026	177,011	9,964	186,975
		2,011,283	52,207	2,063,490	2,000,853	62,513	2,063,366
SURPLUS BEFORE TAXATION		98,387	79,515	177,902	12,441	66,068	78,509
TAXATION	Note 21	(11,659)	(700)	(12,359)	(10,868)	(1,980)	(12,848)
SURPLUS AFTER TAXATION		86,728	78,815	165,543	1,573	64,088	65,661
FUND AT 1 JULY		7,932,590	845,627	8,778,217	8,167,280	786,454	8,953,734
INCREASE/(DECREASE) IN FAIR VALUE OF AVAILABLE-FOR-SALE		338,304	24,280	362,584	(211,713)	(4,718)	(216,431)
TRANSFER ON DISPOSAL OF AVAILABLE-FOR-SALE SECURITIES		(4,854)	-	(4,854)	(6,627)	(197)	(6,824)
SHARE OF SURPLUS TO SHAREHOLDERS FUND		(27,250)	-	(27,250)	(17,923)	-	(17,923)
FUND AT 30 JUNE		8,325,518	948,722	9,274,240	7,932,590	845,627	8,778,217

Linked long term insurance business is the business of effecting and carrying out contracts of insurance under which the benefits are wholly or partly to be determined of by reference to the value of, or the income from, property of any description, or by reference to fluctuations in, or in an index of, the value of property of any description.

Non linked business is the business of undertaking liability under contracts upon human life or contracts to pay annuities on human life and also includes permanent health insurance business.

33. LIFE ASSURANCE FUNDS (CONT'D)

The assets of the Life Assurance Funds are analysed as follows:	Group and Company 2017	2016
	Rs'000	Rs'000
NON-CURRENT ASSETS		
Statutory deposits	6,001	6,001
Other financial assets	7,487,755	6,819,512
Fixed deposits	285,331	531,088
Mortgage and other loans	1,078,098	1,099,453
	8,857,185	8,456,054
CURRENT ASSETS		
Other financial assets	76,260	76,583
Mortgage and other loans	106,546	114,119
Trade and other receivables	282,395	253,578
Short-term deposits	201,044	167,550
Bank and cash balances	150,752	124,278
	816,997	736,108
CURRENT LIABILITIES		
Trade and other payables	295,866	324,293
Current tax liabilities	1,252	708
Bank overdraft	102,824	88,944
	399,942	413,945
NET CURRENT ASSETS	417,055	322,163
	9,274,240	8,778,217
TECHNICAL PROVISIONS		
Long term insurance funds	9,274,240	8,778,217

34. MANAGED FUNDS

The Group & Company accounts exclude the net assets of the Managed Pension Fund amounting to Rs 29.0 billion (June 2016- Rs 26.3 billion) and Managed Medical amounting to Rs 1.9 million (June 2016 - Rs 1.0 million) as these assets backing these funds do not belong to the Group and the Company.

35. DIVIDEND PAID

	Group and Company 2017	2016
	Rs'000	Rs'000
Final ordinary dividend	137,813	128,733

The Board of Directors of the Company has, by resolution dated 16 September 2016, recommended and authorised payment of a dividend of Rs 551.25 per share (2016: Rs 514.93 per share).

36. NOTES TO THE STATEMENT OF CASH FLOWS

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	510,580	467,047	460,165	432,535
Adjustments for :				
Exchange differences	(41,352)	9,954	-	-
Depreciation on property, plant and equipment	19,502	18,592	15,316	14,707
Amortisation of intangible assets	7,631	4,462	4,718	1,957
Surplus on revaluation of investment properties	(39,206)	(15,370)	(39,256)	(16,006)
Retirement benefit expenses	36,646	40,481	27,896	31,750
Loss on disposal of property, plant and equipment	-	285	-	50
Loss on disposal of repossessed leased assets	1,040	486	-	-
Profit on disposal of investment in securities				
- General Fund	(33,496)	(14,299)	(1,055)	(6,166)
- Life Assurance Fund	(74,268)	(32,782)	(6,929)	(7,902)
Loss on disposal of foreclosed property	-	463	-	463
Provision for credit losses	2,518	881	-	-
Investment income	(356,658)	(348,337)	(317,952)	(302,625)
Interest payable	137,161	154,425	32,257	36,491
Net surplus				
- Long term insurance funds	204,746	73,100	150,652	60,586
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	374,844	359,388	325,812	245,840
Decrease/(increase) in trade and other receivables	49,740	(32,747)	(19,159)	23,766
(Increase)/decrease in reinsurance assets	(40,851)	110,004	-	-
(Decrease)/increase in trade and other payables	(174,492)	(137,369)	(31,490)	1,993
Increase/(decrease) in insurance liabilities	33,245	(125,471)	-	-
CASH GENERATED FROM OPERATIONS	242,486	173,805	275,163	271,599

37. COMMITMENTS

(a) Capital Commitments

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

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Property, plant and equipment	2,289	309	2,289	145
Future finance leases	33,621	32,843	-	-
	35,910	33,152	2,289	145

Details of the Group's contractual obligations to purchase or construct or developing investment property of for repairs, maintenance, or enhancements are as follows:

	Group and Company	
	2017	2016
	Rs'000	Rs'000
Repairs and maintenance	3,359	1,993

37. COMMITMENTS (CONT'D)

(b) Operating lease commitments

	Group and Company	
	2017	2016
	Rs'000	Rs'000
Minimum lease payments under operating lease recognised as an expense in the year	2,152	1,613

At reporting date, the Group and Company have outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group and Company	
	2017	2016
	Rs'000	Rs'000
- Within 1 year	2,217	713
- In the second to fifth years inclusive	9,008	3,178
- After 5 years	24,622	18,269
	35,847	22,160

Operating lease payments represent rentals payable by the Group and the Company for its leasehold land. The leases have varying terms and escalation clauses.

The operating lease contracts contain market renewal clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

38. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
(i) Shareholders				
(a) Sales of services	11,429	6,202	2,823	2,553
(b) New investments	11,442	232,989	7,990	232,989
(c) Matured securities	819	359,679	819	359,679
(d) Interest/dividend receivable	25,973	20,083	24,630	18,624
(ii) Subsidiaries				
(a) Loans refunded to fellow subsidiary	-	-	44,695	40,861
(b) Interest paid	-	-	28,741	32,574
(c) Sales of services	-	-	67,046	64,761
(d) Dividend receivable from subsidiaries	-	-	134,265	139,817
(e) Receivables from SICOM Unit trusts	6,510	6,314	2,110	2,143
(f) Premium payable to fellow subsidiary	-	-	9,903	7,733
(iii) Key management personnel (including directors)				
(a) Loans disbursed	4,200	1,200	4,200	1,200
(b) Loans refunded	14,070	7,191	13,223	6,292
(c) Interest receivable	1,021	1,570	975	1,498
(d) Premium receivable	7,377	4,694	7,140	4,575
(e) Compensation:				
-Salaries and other short term benefits	105,766	89,353	87,324	74,398
-Post-employment benefits	8,399	13,198	7,504	11,500

38. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Transactions with related parties (cont'd)

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
(iv) Enterprise that has a number of management/directors in common				
- Sales of services	1,102	1,327	1,102	1,327

(b) Outstanding balances with related parties

	Group		Company	
	2017	2016	2017	2016
(i) Shareholders	Rs'000	Rs'000	Rs'000	Rs'000
(a) Bank balances	102,242	(67,278)	7,320	(62,264)
(b) Equity and bonds	519,402	451,932	490,609	426,150
(c) Interest/dividend due	6,587	1,061	6,173	616
(d) Premium due	964	406	347	284

Bank balances are in respect of current and call deposits earning no interest. In 2017, the deposits were for a duration of 1 month and with rate of interest ranging between 0.60% and 0.70% per annum.

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
(ii) Subsidiaries				
(a) Loans from subsidiary	-	-	294,803	339,498
(b) Subordinated loan to subsidiary	-	-	341,625	341,625
(c) Amount due from subsidiaries	-	-	139,468	144,327
(d) Equity in SICOM Unit trusts	97,263	91,790	66,167	63,089
(e) Amount due from Unit Trusts	600	388	-	-

The unsecured loans bear interest at rates in the range of 9% with monthly capital repayments.

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
(iii) Key management personnel (including Directors)				
(a) Loans	22,515	33,724	21,419	31,781
(b) Premium due	23	63	16	34

The housing loans granted to key management personnel (including Directors) are secured by way of a fixed charge or a mortgage on an immovable property with rate of interest ranging from fixed rate of 2% to the variable rate of 6.75%.

	Group		Company	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
(iv) Enterprise that has a number of management/directors in common				
Sales of services	1,102	1,327	1,102	1,327

(Pursuant to Section 221 of the Companies Act 2001)

Principal Activities

The Company is mainly engaged in long term insurance business and pensions whilst its subsidiaries carry out general insurance, depository, investment and management activities.

Directors

The Directors of State Insurance Company of Mauritius Ltd and its subsidiaries as at 30th June 2017 are as follows:

State Insurance Company of Mauritius Ltd

Nemchand S (Chairman up to 21 July 2017 and Director up to 2 August 2017)
Bhoojedhur-Obeegadoo K G (Mrs)
Balluck A
Bhugun C (Appointed on 19 June 2017)
Boyramboli B (Appointed on 23 November 2016)
Dussoye C
Elisa J B (up to 27 February 2017)
Jugurnath R (Dr)
Li Kwong Wing K C, G.O.S.K (Appointed on 23 November 2016)
Phokeer J D
Rambarassah V (Appointed on 23 November 2016 as Alternate Director to Mr Boyramboli B)
Ramdewar N (Mrs)
Yip Wang Wing Y S, C.S.K (up to 4 July 2017)

SICOM Financial Services Ltd

Sakurdeep S (Chairman)
Bhoojedhur-Obeegadoo K G (Mrs)
Boodhoo B (up to 30 September 2016)
Gopy D K
Hussenee N E S S (Appointed on 03 November 2016)
Nemchand S
Ramdhonee B I R (Appointed on 03 November 2016)
Yip Wang Wing Y S, C.S.K (up to 4 July 2017)

SICOM General Insurance Ltd

Nemchand S (Chairman up to 21 July 2017 and Director up to 2 August 2017)
Bhoojedhur-Obeegadoo K G (Mrs)
Boodhoo B (Appointed on 21 November 2016)
Dussoye C
Elisa J B (up to 27 February 2017)
Leung Lam Hing H Y K (Mrs)
Phokeer J D (Appointed on 16 December 2016)
Ramdenee B (Appointed on 21 November 2016)
Ramgutty S (Appointed on 21 November 2016)
Yip Wang Wing Y S, C.S.K (up to 4 July 2017)

SICOM Management Limited

Nemchand S (Chairman)
Bhoojedhur-Obeegadoo K G (Mrs)
Elisa J B (up to 27 February 2017)
Ramdewar N (Mrs)

SICOM Global Fund Limited

Nemchand S (Chairman)
Bhoojedhur-Obeegadoo K G (Mrs)
Elisa J B (up to 27 February 2017)
Ramdewar N (Mrs)

Directors' Service Contracts

The Executive Directors of State Insurance Company of Mauritius Ltd have a service contract with the Company without expiry date.

One of the Executive Directors of SICOM General Insurance Company Ltd has a service contract with the subsidiary Company without expiry date.

Directors' Emoluments

During the year, the Executive Directors and Non-Executive Directors of the Company received emoluments amounting to Rs 21,553,000 (2016: Rs 18,635,000) and Rs 5,209,000 (2016: Rs 3,831,000) respectively. The Executive Directors and Non-Executive Directors of the subsidiaries received emoluments amounting to Rs 6,993,000 (2016: Rs 6,076,000) and Rs 3,568,000 (2016: Rs 2,416,000) respectively.

Audit Fees

The fees payable to the auditors for audit and other services were:

	The Company		Subsidiaries	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Audit fees payable to:				
- BDO & Co	**886**	857	**1,231**	1,179
Fees payable for other services:				
- BDO & Co	**99**	94	**149**	142

	The Company		Subsidiaries	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Donations	-	-	-	-

For and on behalf of the Board of Directors

Director ....

Director ....

Date: 2 5 SEP 2017

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