Annual Report

2019

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

CONTENTS

BOARD OF DIRECTORS

Members	Category
M. Y. Salemohamed (Chairperson)	Independent Director
A. Acharuz	Independent Director
K. G. Bhoojedhur-Obeegadoo	Non-Executive Director
J. M. C. G. Chaperon	Executive Director
K. Conhye	Non-Executive Director
D. Gaoneadry	Independent Director
K. C. Li Kwong Wing, G.O.S.K	Non-Executive Director
R. Maunthrooa	Independent Director
N. Ramdewar	Executive Director
J. Sonoo, C.S.K	Non-Executive Director
K. R. Sooknah	Non-Executive Director

COMMITTEES OF THE BOARD

RISK AND AUDIT COMMITTEE

Members	Category
A. Acharuz (Chairperson)	Independent Director
K. G. Bhoojedhur-Obeegadoo	Non-Executive Director
K. Conhye	Non-Executive Director
K. C. Li Kwong Wing, G.O.S.K	Non-Executive Director
R. Maunthrooa	Independent Director
K. R. Sooknah	Non-Executive Director

INVESTMENT AND FINANCE COMMITTEE

Members	Category
M. Y. Salemohamed (Chairperson)	Independent Director
A. Acharuz	Independent Director
J. M. C. G. Chaperon	Executive Director
D. Gaoneadry	Independent Director
R. Maunthrooa	Independent Director
J. Sonoo, C.S.K	Non-Executive Director

CORPORATE GOVERNANCE COMMITTEE

Members	Category
M. Y. Salemohamed (Chairperson)	Independent Director
A. Acharuz	Independent Director
K. G. Bhoojedhur-Obeegadoo	Non-Executive Director
J. .M. C. G. Chaperon	Executive Director
K. Conhye	Non-Executive Director

STAFF COMMITTEE

Members	Category
J. Sonoo, C.S.K (Chairperson)	Non-Executive Director
A. Acharuz	Independent Director
J. M. C. G. Chaperon	Executive Director
R. Maunthrooa	Independent Director
N. Ramdewar	Executive Director

CHAIRMAN'S MESSAGE

MUHAMMAD YOOSUF SALEMOHAMED

I am delighted to present the thirtieth Annual Report together with the audited financial statements of the Group and of the Company for the year ended 30 June 2019.

Insurers, globally, are grappling with tough new business, investment and regulatory environments. The industry is also facing broader challenges, such as, demographic shifts, rise in power of emerging markets and changing customer behaviour. At State Insurance Company of Mauritius Ltd ("SICOM"), we believe that if we anticipate and plan for change, we can create a sustainable future. We believe in keeping the customer at the "heart" of all our actions as we are resolute about improving our customers' experiences and remaining competitive in a rapidly changing environment. We create a connected customer experience, and in doing so, drive significant people and business benefits, locally and regionally.

SICOM's strategic objectives, as illustrated below, provide a strong foundation to better compete in a rapidly evolving financial services sector. The proper execution of the strategies is expected to fuel the growth of the organisation, in terms of revenue, profit and market share in the medium to long term.

We are fully aware that execution of the above can only be achieved through our people and to that end, one of the highest-order items on our agenda is to come up with "people initiatives"` to ensure that our workforce is fully engaged and equipped to embrace our endeavour to grow. Our employees remain our most precious asset and we are committed to providing them with the best working environment.

We believe there is a need to revamp the way we do business with our retail and corporate customers, as well as partners. Following the endorsement of recommendations by the Board of Directors, some of the initiatives are already at implementation stage. These initiatives will enable SICOM to ride the wave of customer primacy and meet the surge in customer expectations by using innovative technologies to grow its business and profitability.

During the year under review, SICOM has embarked on a strategic exercise by seeking expert guidance to address its strategy requirements. In this respect, a Strategy Consultant was appointed to define a customer experience strategy, including business development and sales. The overall objective was to enhance customers' experience, improve operational efficiency, increase profitability and identify opportunities for diversification in terms of products, channels and regional expansion. This should help to consolidate SICOM's ambition as an innovative

and value-driven financial services provider. As part of its strategy, the SICOM Group has implemented initiatives to reassert its presence among the leaders in the domestic insurance and financial services market. Furthermore, the Corporate Governance and Risk Management Frameworks of the Group have been enhanced to meet international best practices.

Moreover, with the objective of promoting SICOM Group's visibility through a consistent and coherent communication strategy, SICOM has appointed a Public Relations and Communication Consultant to assist the Group in developing a centralised and integrated approach in its Communication Strategy over the long term, which will adequately support the repositioning and boosting of the Group's brand and image.

PROFIT BEFORE TAX
Rs 639.5M
▲ 19.0%

INVESTMENT UNDER MANAGEMENT
Rs 53.4BN
▲ 6.4%

TURNOVER
Rs 3.1BN
▲ 11.3%

TOTAL ASSETS
Rs 20.9BN
▲ 6.3%

For the financial year under review, the total assets of the Group have increased from Rs 19.7 billion as at 30 June 2018 to reach Rs 20.9 billion as at 30 June 2019. The turnover of the Group has increased by 11.3% from Rs 2.8 billion in 2018 to reach Rs 3.1 billion in 2019. The Group has posted a robust growth in 2019 against a challenging backdrop of severe competition, low interest rates and volatile financial markets. In fact, the profit before tax of the Group has increased by 19.0% to reach Rs 639.5 million for the financial year ended 30 June 2019. Additionally, the profit before tax of the Company for this year has grown by 23.1% from Rs 495.7 million to stand at Rs 610.0 million this year.

SICOM's major areas of focus for the forthcoming year will include the consideration of digital innovations and new IT applications; empowering, training and motivating our people; setting up of a Customer Experience Office and a customer lounge to drive the Group's customer-centric agenda; the identification of regional diversification opportunities; the review of the existing business processes with customers at the centre; the review of our distribution strategy and the launch of new products. The above strategies and focus areas are our building blocks to pursue our growth strategy and to take SICOM ahead of the game.

At SICOM, we acknowledge the need to create sustainable value for all our stakeholders, including our responsibility towards the Community and the Environment.

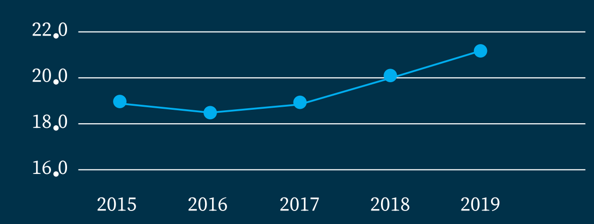
I would like to express my gratitude to all my fellow Directors for their support. My appreciation equally goes to the Management and Staff for their commitment and hard work. I would also like to thank our customers, shareholders, the Government of Mauritius and other stakeholders for their trust in the SICOM Group.

MUHAMMAD YOOSUF SALEMOHAMED
CHAIRMAN

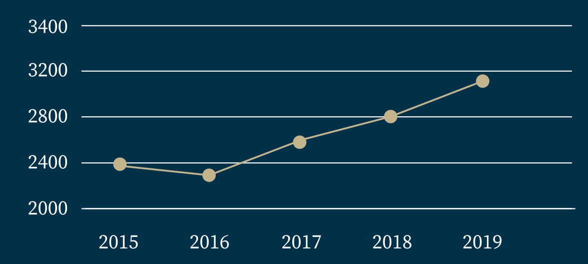
FINANCIAL HIGHLIGHTS

GROUP

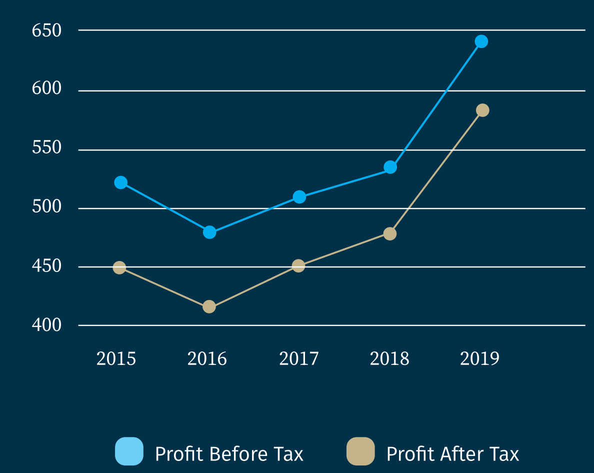
TOTAL ASSETS (RS' BILLION)



TURNOVER (RS' MILLION)

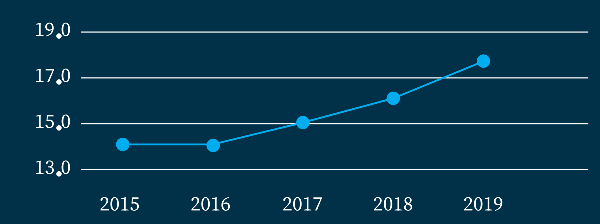


PROFIT (RS' MILLION)

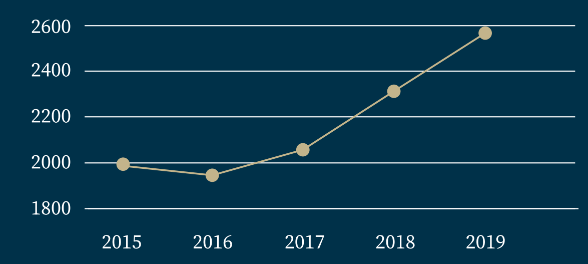


COMPANY

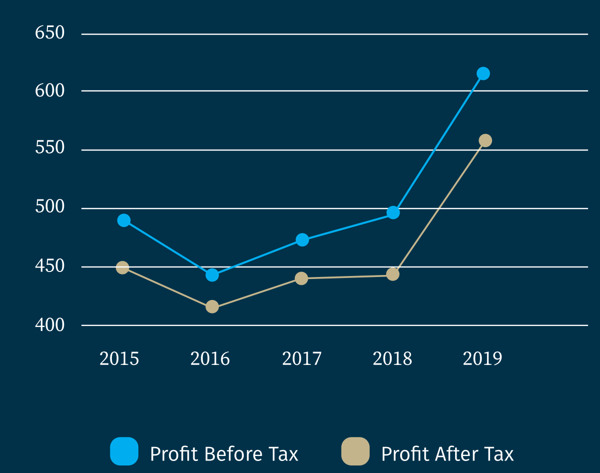
TOTAL ASSETS (RS' BILLION)



TURNOVER (RS' MILLION)



PROFIT (RS' MILLION)



ACTING GROUP CEO'S MESSAGE

J. M. C. GILLES CHAPERON

The Group's results for the year under review showed a very encouraging upward trend with top line growth in our core activities and a rise in profitability against the backdrop of an intensely competitive environment. Our long-term insurance gross premiums grew by 11.1% and our short-term business recorded a gross premium increase of 24.4% as well as healthy increase of 18.4% in underwriting surplus. The Group's profit before tax reached Rs 639.5 million representing an increase of 19.0% over the previous year.

I am pleased to highlight hereunder the performance of our main lines of activities.

LONG-TERM INSURANCE

Long-term business which, consists of Group and Individual life businesses, realised a Gross Premium figure of Rs 2.4 billion for the year ended 30 June 2019, compared to Rs 2.2 billion last year. Total regular Life Premium and Personal Pension Contribution for the year ended 30 June 2019 registered an increase of 10.2%. The surplus of income over expenditure before tax stood at Rs 975.1 million as compared to Rs 444.5 million last year.

The Group Life Premium registered a growth of 44.0% over the period, excluding the arrears paid for a new scheme set up in October 2018. Bonuses paid to our policyholders during the year stood at nearly Rs 432.4 million while survival and maturity benefits paid out during the year reached Rs 1.0 billion. The Company also paid out a total sum of Rs 63.5 million as death and disability claims.

GENERAL INSURANCE

The financial year under review was positive for the Company in several respects, inasmuch as a milestone was reached when the Rs 1.0 billion Gross Premium written mark was crossed. The Company posted a pre-tax profit of Rs 59.7 million as compared to Rs 39.4 million last year, that is a growth of 51.6%. The Gross Premium earned during the financial year ended 30 June 2019 reached an amount of Rs 968.6 million, being an increase of 24.4% on the amount of Rs 778.5 million achieved for the preceding financial year. On the claims side, the profitability of the Property class on insurance has been partly and adversely impacted by Cyclones Gelena and Joaninha which affected Rodrigues in early 2019 and by a few natural catastrophes, namely lightning and flood. The total assets of the Company, excluding reinsurance assets, reached an amount of Rs 1.3 billion at 30 June 2019.

GROUP PENSIONS

The net assets under administration stood at Rs 34.0 billion as at 30 June 2019 as compared to Rs 32.2 billion as at 30 June 2018. The benefits payments have increased from Rs 2.5 billion to reach Rs 2.9 billion this year. It may also be noted that the number of pensioners has increased from 9,568 in 2018 to reach 10,295 in 2019. Projects achieved during the year are development of a new payroll system, the on boarding of new corporate clients and the increase of our market share.

INVESTMENT

The total investments under management increased from Rs 50.2 billion as at 30 June 2018 to reach Rs 53.4 billion as at 30 June 2019. Investment income of our different funds stood at Rs 2.2 billion for the financial year under review as compared to Rs 2.1 billion for the previous financial year. New investments made by SICOM stood at Rs 7.3 billion for the year ended 30 June 2019, which were mainly in government securities, deposits, equities, loans and corporate bonds.

SICOM FINANCIAL SERVICES LTD

Investments in finance lease increased from Rs 451.9 million for the financial year ended 30 June 2018, to reach Rs 576.5 million for the financial year ended 30 June 2019, that is a growth of 27.6%. The growth in the leasing business is attributable to the different sales and marketing initiatives deployed during the year. The total deposits of the Company stood at Rs 1.8 billion for the financial year ended 30 June 2019 as compared to Rs 2.1 billion last year. Profit before tax increased significantly to Rs 33.8 million for the financial year under review, as compared to Rs 23.5 million last year.

LOANS

Our portfolio under all our secured loans for individual clients stood at Rs 2.1 billion as at 30 June 2019, as compared to Rs 2.2 billion as at 30 June 2018. For the year under review, in spite of historically low interest rates and fierce competition from banking institutions, the total amount of loans disbursed reached Rs 236.7 million in comparison to Rs 307.4 million last year.

SICOM GLOBAL FUND LTD ("SGFL")

The total income of SGFL was USD 15.6 million for the financial year ended 30 June 2019 as compared to USD 6.0 million for the financial year ended 30 June 2018. The profit before tax of SGFL stood at USD 12.6 million for the financial year ended 30 June 2019, as compared to USD 3.1 million for last year, on the back of the significant increase in total income.

SICOM MANAGEMENT LTD ("SML")

SML posted a total revenue of USD 3.2 million for the financial year ended 30 June 2019 as compared to USD 3.0 million for the financial year ended 30 June 2018. The profit before tax of the Company increased from USD 3.0 million last year to USD 3.1 million for the financial year ended 30 June 2019.

The Group has always given prime importance to creating long-term value and as such, we have embarked on an in-depth transformation process to achieve strong and sustainable value creation for the benefit of all our stakeholders. In this respect, SICOM has been focusing on value drivers and activities that will make a significant impact in the medium to long term.

To deliver superior customer experience, the adoption of new digital technologies is vital and is one of our focal points. Key projects implemented in this area during the financial year under review included the deployment of the first phase of our customer portal providing customers with any-time access to their personal information; a mobile application; the deployment of new business applications; and the upgrade of our website into a centralised and mobile-friendly version with access to online quotes and applications.

The Staff of SICOM is a key actor to our success. We continuously ensure that adequate training is provided to allow our people to be at the helm of the transformation journey we have embarked upon. Moreover, our human capital is being consolidated at different levels to support the implementation of the Group's strategies.

Looking to the future, the Group, whilst pursuing the transformation process, will, as one of its priorities, take on the challenge of regional diversification which is new territory to us but the proactive approach that has been adopted will enable us to make progress in the years ahead. Among the other challenges that will need our increasing attention is the implementation of IFRS 17 (Insurance Contracts) which will be a requirement for the whole industry, and which will involve significant changes on how we operate.

On a final note, I would like to thank our customers for their loyalty and trust in the SICOM Group and our Staff and Management team for their key contribution to the Group's performance. I am also thankful for the support extended by the Chairman and the Board of Directors to Management. Furthermore, I would like to express my appreciation of the support given to all the stakeholders of the Group by the Financial Services Commission, the Bank of Mauritius, Reinsurers, Reinsurance Brokers, Actuaries, Consultants, Investment Managers, Bankers and Insurance Salespersons.

J. M. C. GILLES CHAPERON
ACTING GROUP CEO

CORPORATE PROFILE

OUR MISSION, SHARED VALUES & OBJECTIVES

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

CORPORATE PROFILE (CONT'D)

OUR 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, we aim at achieving employee satisfaction and encouraging their participation in decision making processes, and promote a 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.

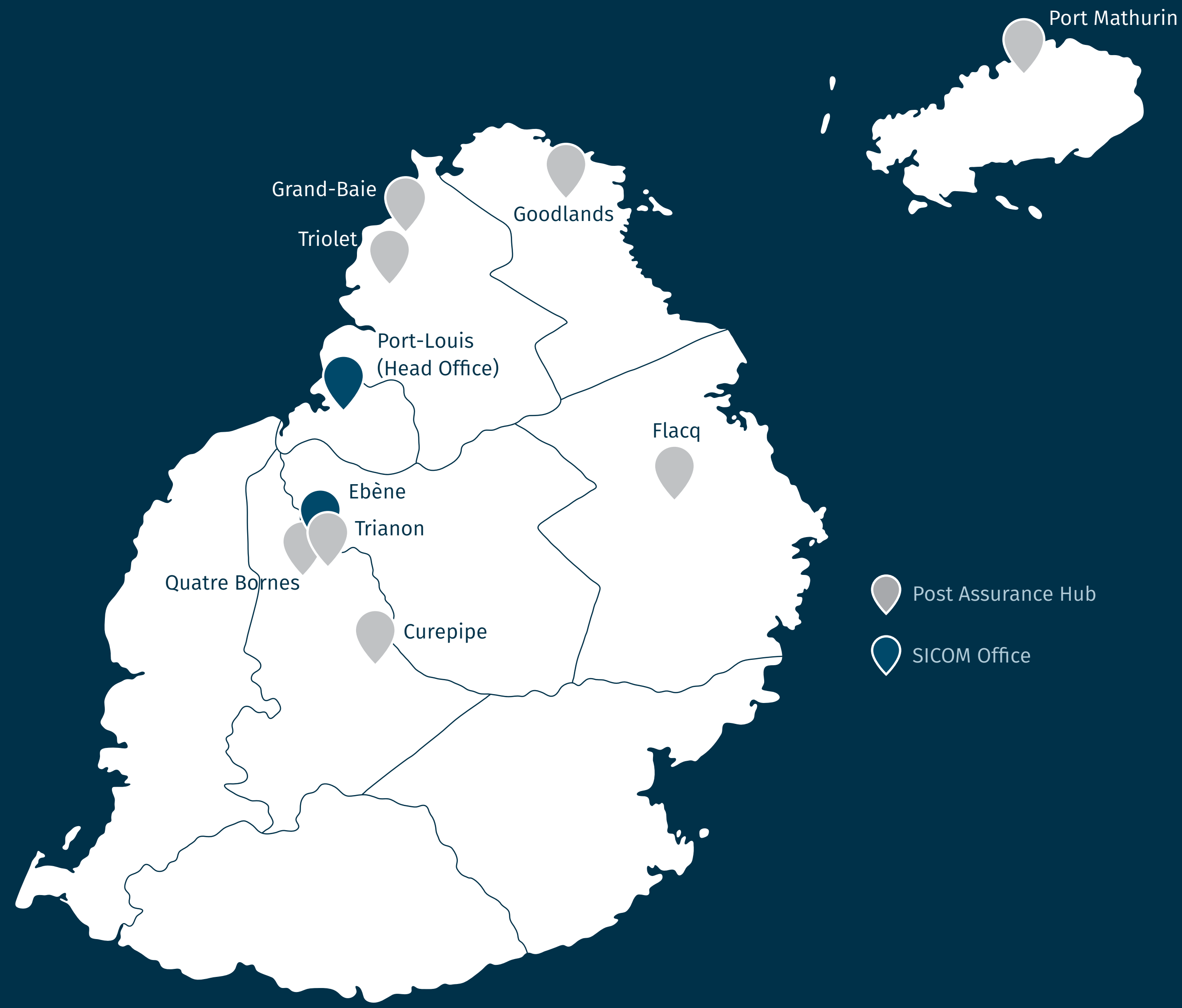
QUALITY OBJECTIVES

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.

OUR LOCATIONS

Our Head Office is at Port Louis (SICOM Building, Sir Célicourt Antelme Street, Port Louis) and we have a branch office at Ebène (SICOM Tower, Wall Street, Ebène). We are presently operating 7 PostAssurance Hubs at Post Offices at Quatre Bornes, Curepipe, Trianon, Triolet, Goodlands, Flacq and Grand Baie. A new PostAssurance hub or a branch office in the South is being considered.

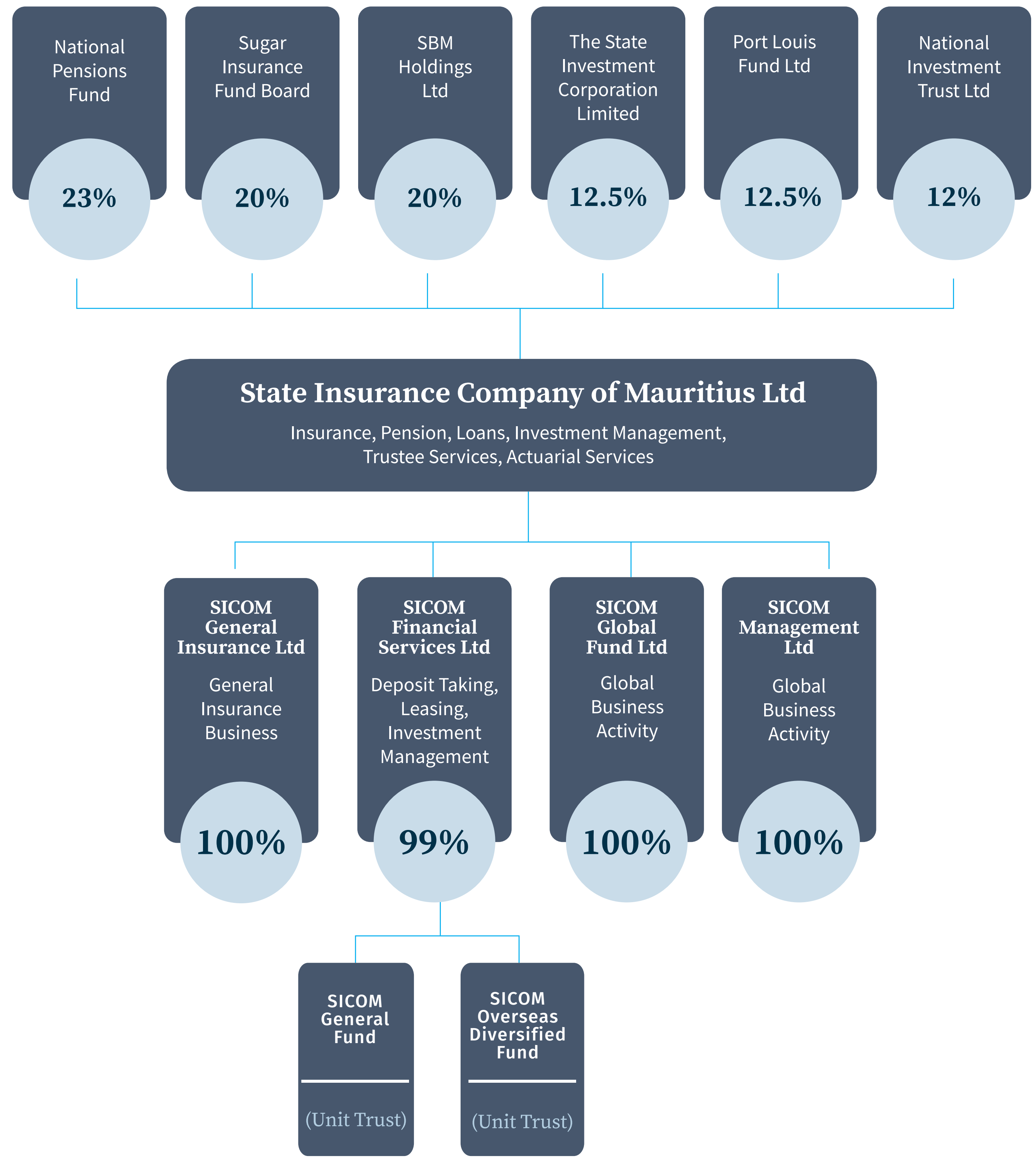
Our products are also distributed by our salespersons, agents and our Bancassurance partners, namely SBM Bank (Mauri tius) Ltd and MauBank Ltd, through their network of branch offices across Mauritius. We are also present in Port Mathurin Post Office, Rodrigues. Our products are also available through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



OUR 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.sicom.mu
AUDITORS	Ernst & Young
CONSULTING ACTUARIES	QED Actuaries & Consultants (Pty) Ltd QED Actuaries & Consultants (Mauritius) Aon Hewitt
MAIN BANKERS	AfrAsia Bank Limited Bank One Limited Barclays Bank Mauritius Limited - ABSA Group Limited MauBank Ltd SBI (Mauritius) Ltd SBM Bank (Mauritius) Ltd The HongKong and Shanghai Banking Corporation The Mauritius Commercial Bank Ltd

OUR GROUP STRUCTURE & SHAREHOLDING



OUR OFFERINGS

LIFE INSURANCE

- Investment & Savings
- Child Education
- Loan Portfolio Protection
- Family Protection Scheme
- Group Temporary Assurance
- Group Funeral Plan

GENERAL INSURANCE

- Motor
- Home
- Personal Accident
- Travel
- Medical
- Commercial Risks
- Engineering
- Special Risks

PENSIONS

- Group Pensions Administration
- Actuarial Services
- Investment Services
- Personal Pension Plans

FINANCIAL SERVICES

- Fund and Investment Management
- Deposit Taking
- Leasing
- Collective Investment Scheme Management
- Trustee Services

ACTUARIAL SERVICES

- Pensions Fund Valuations
- Advice on Pensions Issues
- Product Pricing and Design
- Disclosures under IAS 19

LOANS

- Housing
- Multipurpose
- Fixed Deposit
- Personal
- Educational

HOW WE CREATE VALUE

VALUE CREATION MAP

SICOM Group has always focused on creating long-term value for all its stakeholders. Along with generating better value for its customers, the Group believes in being a responsible employer, staying committed to the success of its business partners and delivering better returns for its shareholders. SICOM remains dedicated towards proactively working for the benefit of the community at large, consistently making a difference in their lives as a responsible and socially aware institution.

VALUE IN

FINANCIAL CAPITAL
- Total assets
- Investments
- Turnover

HUMAN CAPITAL
- Skills and career development
- Engaged workforce
- 353 talented individuals

INTELLECTUAL CAPITAL
- Brand & reputation
- Risk management practices
- Investment practices

RELATIONSHIP CAPITAL
- Customer relationships
- Intermediary relationships
- Stakeholders' confidence

SOCIAL/NATURAL CAPITAL
- Energy audit
- Ecological footprint reduction initiatives
- Corporate Social Responsibility

PROCESS

OUR OFFERINGS
- Individual Life Insurance
- Group Life Schemes
- General Insurance
- Individual Pension Plan
- Group Pensions Schemes
- Loans
- Leasing and Deposit taking
- Actuarial Services

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

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

VALUE CREATING ACTIVITIES
- Risk Mitigation
- Investment
- Compliance
- Business Continuity Plan
- Business process Re-engineering
- Online quotation, sales and payment of insurance
- New customer lounge
- IT Business applications and customer portal
- Brand audit
- Innovative products and services
- Providing expert services and advice
- Social welfare

RISK CULTURE
Refer to page 63 on SICOM's Risk Culture

VALUE OUT

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

HUMAN CAPITAL
- Loyal workforce
- Positive work climate
- Enthusiastic employees
- High performing teams
- Preferred employer
- People development
- Synchronised teams & departments

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

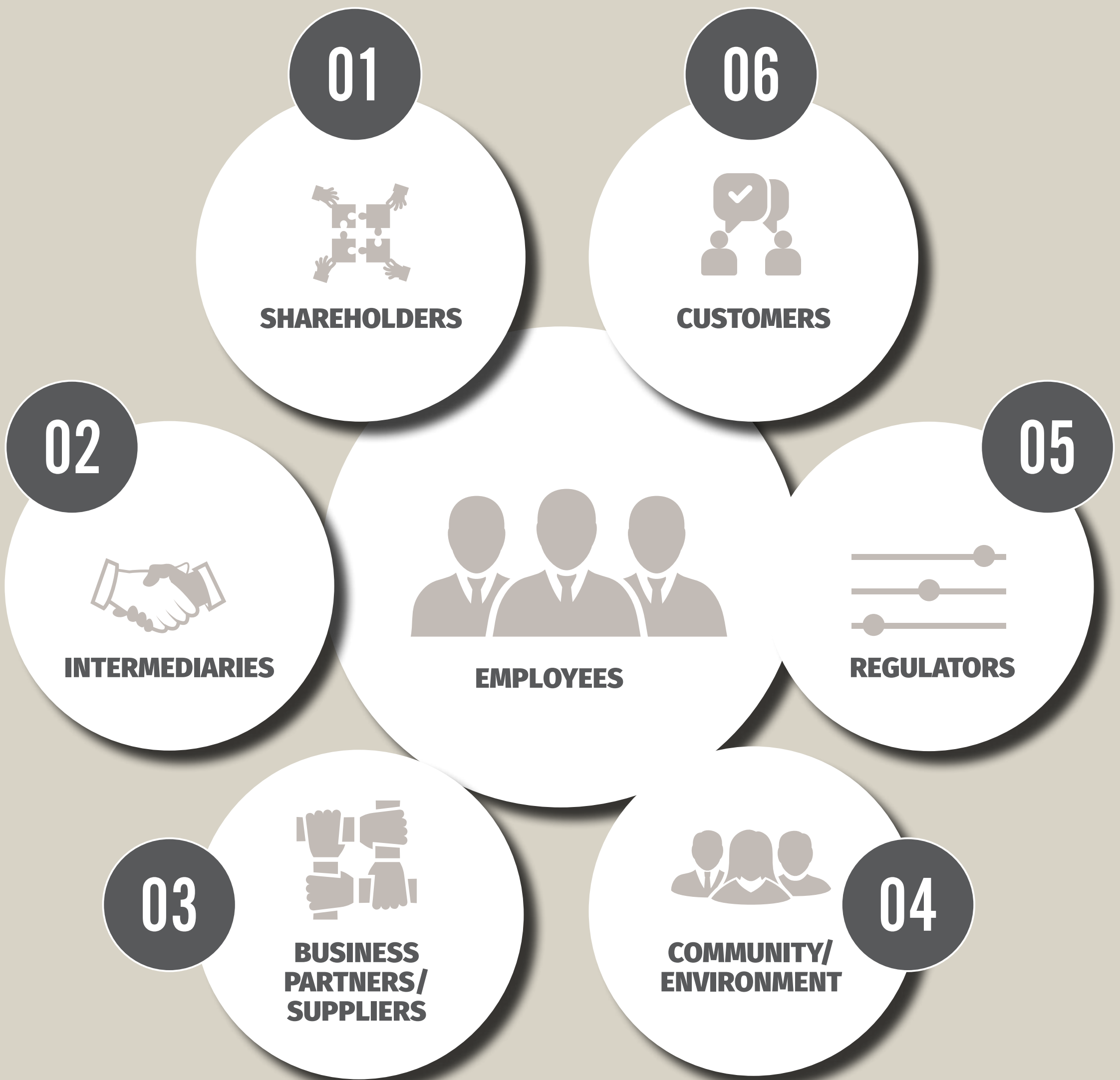
RELATIONSHIP CAPITAL
- Instant support to customers
- Consistent customer experience
- Improved customer retention
- Higher referrals
- Higher quality customer and suppliers
- Greater stakeholder engagement
- Customer Relationship Management (CRM)

SOCIAL/NATURAL CAPITAL
- Reduced waste
- Efficient use of energy
- Recycling of paper
- Greener premises
- Alleviation of poverty
- Community development
- Sponsorship of major national events

ENGAGING WITH OUR STAKEHOLDERS

At SICOM, engagement with stakeholders occurs regularly during the ordinary course of business. It is essential to build trust and resilience by disclosing how the Group understands, takes into consideration and responds to key stakeholders' legitimate interests and needs through decisions, actions, performance and ongoing communication. SICOM aims at creating value in a sustainable way for its stakeholders so that the Group remains aligned with its objectives and statement of lifetime commitment.

Key stakeholders impacted by the Group are as follows:



Salesman Award

Salon de l'Automobile

HOW WE ADDRESS STAKEHOLDERS' EXPECTATIONS

STAKEHOLDERS	EXPECTATIONS	RESPONSES	HOW WE ENGAGE WITH THEM	CAPITAL IMPACTED
CUSTOMERS (INCLUDING SPONSORING EMPLOYERS, SCHEME MEMBERS, UNIONS AND PENSIONERS)	• Excellent service • Seamless experience across channels • Instant support • Competitive prices • Simplification of processes • Partnership and relationship • Customised solutions • Value added services	• Soft skills and general skills training to staff • Opening of a new customer lounge • More hubs closer to customers • Digitalisation of our services • Call centre services for greater availability • Regular campaigns and reminder campaigns for products • Timely communication to our customers • Offer innovative products to better meet customers' needs • Tailor-made packages • Assessment of risk, advice and calculations for report purposes • Integrated solutions are provided to conglomerates, small and medium enterprises across industries • Training on Motor Claims-Corporate Fleet for risk mitigation and loss minimisation solutions • New IT tools such as Workspace being used to save time, facilitate filing and follow up • Documents through electronic means now accepted for motor insurance for ease of doing business • Readjustment and adequate pricing of products • New bancassurance partnerships to connect and serve customers • Decentralisation of administrative tasks to Travel Agents to issue Travel Insurance	• Voice of Customer survey • Customer service • Distribution channels such as Hubs & Customer shop • Events such as Open Days • Emails, Phone calls, SMS, letters, Customer Portal • Website • Media Campaigns • Half yearly and yearly statements of fund balances • Monthly contribution lists • Yearly benefits and emoluments statements • Presentations	• Financial
SHAREHOLDERS	• Strong governance, ethics and transparency • Higher returns on investment and long term business value • Clear and consistent business strategy	• Policy of dividend distribution of minimum 25% profit after tax • Risk Management and compliance functions to oversee soundness of financial, operation, compliance and strategic risk management • Timely reporting of financial performance to the authorities and the shareholders • Strategy consulting to take the Group to the next level	• Annual General Meeting • Annual Report • Website	• Intellectual
EMPLOYEES	• Stimulating and rewarding package • Training and career development opportunities • Work-life balance • Regular communication • Enabling culture	• SICOM offers competitive remuneration and employment conditions • Learning culture and continued professional development are encouraged • Workshops, trainings and development programmes are organised • Performance management system • Regular communication with employees through different platforms • Women and men are given equal opportunities at work and during recruitment • Sponsorship of sports events	• Voice of Employee Survey • Monthly Comité d'Entreprise meeting • Staff Club • Communication via Employee Hub • At staff events such as End of year party, family day, etc. • Trainings	• Human • Intellectual
INTERMEDIARIES	• Commissions • Quality of service • Relationship	• We listen to the needs of our intermediaries regularly • Key Performance Indicators to ensure alignment to mutual objectives • Trainings organised on new products • A dedicated salesmen unit to serve intermediaries • Timely processing of commissions • Develop sustainable relationships • Documents through electronic means now accepted for motor insurance for ease of doing business	• Voice of Intermediary Survey • Face-to-face meetings • Agent Awards Night • Emails, Phone call, SMS, Letters • Trainings	• Financial • Human • Relationship

HOW WE ADDRESS STAKEHOLDERS' EXPECTATIONS (CONT'D)

STAKEHOLDERS	EXPECTATIONS	RESPONSES	HOW WE ENGAGE WITH THEM	CAPITAL IMPACTED
BUSINESS PARTNERS (REINSURERS, VALUERS, CAR DEALERS, LEGAL ADVISORS, CONSULTANTS, SUPPLIERS)	• Fair payment practices • Comply to terms in Service Level Agreements • Fair tender process • Supplier relationship management	• Timely payment to suppliers and other business partners such as consultants • Develop sustainable relationships • Work as a team with a common goal • Timely communication and consultation	• Face-to-face meetings • Email, phone calls, letters • Regular visits	• Financial • Relationship
GOVERNMENT AND REGULATORS	• Good governance • Statutory and legal Compliance • Proactively engage with regulators • Responsible development of insurance sector	• Engage constructively on new policies and regulations • Compliance with existing rules • Timely filing of returns and reports • Good governance practices • Abide to capital adequacy ratio and minimum capital requirement • Comply with new laws and create organisation wide awareness • Providing expert services and advice to government bodies and institutions	• Annual Report • Corporate Governance Report • ORSA Report • Reporting pension funds under SICOM's administration • Returns • Workshops • Meetings • Email, phone calls, letters • Presentations	• Financial • Intellectual • Relationship
COMMUNITY	• Social Welfare activities • Job creation • Poverty alleviation	• Funding of CSR projects • Sponsorphips to Non-Governmental Organisations and charitable funds • Trainees periodically onboarded for short-term training within the organisation	• Charity walks • CSR projects • Sponsorships	• Relationship • Social/Natural
ENVIRONMENT	• Care for the environment • Energy saving initiatives	• Tree planting within the premises of our buildings • Keeping the premises of our buildings clean and equipped with bins • Installation of LED bulbs in the buildings • Used paper sent for recycling • Underground rain water being used to clean the outside of the building		• Social/Natural

ENGAGING OUR EMPLOYEES

EMPOWERING OUR WORKFORCE

At SICOM, we are committed to our core asset: our people. We proactively and sustainably attract new potential members and recruit, invest in, reward, recognise and retain the talent that we need to achieve our strategic objectives. Recruitment and promotions are done based on meritocracy. In order to maintain our customer-centric organisation, it is crucial to promote a culture of continuous improvement, learning and professional development. Ongoing effort is put in to sharpen our people's skills, capacity and competencies and build our pool of talent. Those with high potential are consistently groomed to shoulder higher responsibilities whilst ensuring that others are provided with necessary training and encouragement to learn and develop their potential.

Several initiatives are undertaken during the year to enhance both technical and soft skills of our employees. We believe this brings more value to their work, provides professional satisfaction and makes them more engaged towards the organisation. Training programmes geared to revamp our customer service are also in the pipeline for the following financial year.

98
TRAINING PROGRAMMES

+1,200
PARTICIPATIONS IN TRAINING DURING THE YEAR

766
TRAINING HOURS

Furthermore, awareness materials on tools and learning tips for both the benefit of the employees and the organisation are undertaken throughout the year by the IT department. It is planned to deliver both further and refresher training to employees on areas such as Anti-Money Laundering/Combatting the Financing of Terrorism and Data Protection.

Given that cybercrime is on the increase and causing damage to companies worldwide, regular updates on cyber security are delivered to all employees so that they adopt good practices. This initiative is expected to improve SICOM's own security posture and minimise threats.

STAFF WELFARE

As a responsible employer dedicated to balanced development and growth of its people, SICOM has set up several initiatives such as work-life balance, advance for studies, employee benefits and leave policies that suit team members of different age groups.

In order to further engage employees within the organisation, SICOM advocates an employee-centered environment by providing a supportive work environment with focus on staff welfare and the work-life balance. Events, such as Fun Days and end of year party, were organised for our people to enhance team spirit and celebrate their contribution to the Company. We also witnessed massive staff engagement and enthusiasm at our Flacq PostAssurance Hub open day and Indian Ocean Islands Game roadshow with a high staff participation rate.

In September 2018, our Football Team participated in the '125th Anniversary of the Mauritius Civil Service Mutual Aid Association Ltd 7-A-Side Football Tournament' where we won the 3rd prize. SICOM is proud of the team that represented the organisation.

IOIG Roadshow

Fun Day

Post Assurance Flacq Open Day

ENGAGING OUR EMPLOYEES (CONT'D)

VACCINATIONS

Vaccination programmes against measles and flu have been organised as an initiative to create awareness and help staff to protect themselves from transferable viruses. A health screening was also organised at our Ebène premises.

55 STAFF VACCINATED AGAINST MEASLES

68 STAFF VACCINATED AGAINST FLU

RECOGNISING OUR STAFF

SICOM recognises efforts made by its people within the organisation in many ways. SICOM offers a stimulating and highly competitive package to its employees, promotions and salary reviews are conducted periodically to further motivate them.

RECRUITMENT

During the year, we have made recruitments at all levels to cater for business needs and to boost our strategic initiatives. The new recruits are valuable additions to existing teams and bring their experience and knowledge to our organisation.

HEALTH AND SAFETY

Our employees' safety is our priority at all times, especially at their workplace. During the year 2018/2019, SICOM had no reportable and notifiable accident or dangerous occurrences among its employees. In compliance with the Occupational Safety and Health Act 2005, the annual fire drill exercise was successfully conducted to assess the procedures in place to deal with emergency situations. Review of fire-fighting equipment was carried out as per recommendations of the Mauritius Fire and Rescue Service.

Other initiatives to enhance safety at SICOM are as follows:

- An automatic fire curtain installed between SICOM Building 1 and SICOM Building 2 to minimise fire and smoke propagation in case of a fire outbreak;
- Trainings have been organised in-house on various topics including manual handling, use of power tools, use of chemicals, use of fire extinguishers and defensive driving, to increase awareness among staff; and
- Induction courses were also held for new recruits so that they get accustomed to good practices in relation to Health and Safety.

OUR ECOLOGICAL FOOTPRINT

Over the recent years, SICOM has increasingly become conscious of environmental and sustainability issues.

Even though SICOM Properties have not been initially designed as Green Buildings, several principles based on the Green Building philosophy have been adopted by the Group. Several initiatives have been taken during the 2018/2019 financial year including an energy audit exercise, usage of LED lights and infrastructure upgrades.

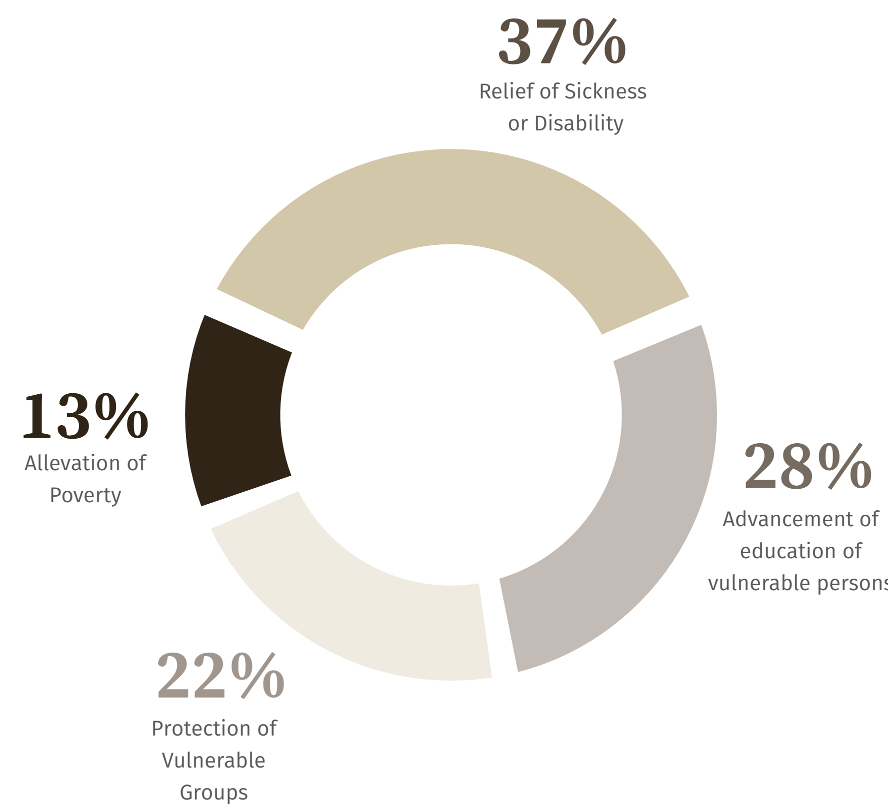
Furthermore, as far as practicable, we have switched to digital solutions and automated services as an ongoing part of the Go Green initiative. Important office equipment purchased lately, including inserting machine and franking machines, has the manufacturer's ECO-label which provides clear and consistent set of environmental performance criteria used in the design phase of the machines.

OUR CORPORATE CITIZENSHIP

Since 2013, SICOM Foundation was incorporated as a separate entity to implement the Corporate Social Responsibility ("CSR") initiatives of the Group. SICOM is a conscious corporate citizen and is committed to engage in community development, fund projects managed by local non-governmental organisations ("NGOs") while participating in various social causes as a way of giving back to society.

As from the financial year 2019/2020, the percentage to be remitted to the Mauritius Revenue Authority will be increased to 75% with 25% of the CSR Fund remaining for the Foundation to implement a CSR programme or finance a NGO implementing a CSR programme in a priority area of intervention prescribed by the Income Tax Regulations 2017.

CSR programmes to the tune of Rs 3.5 million were implemented during the financial year ended 30 June 2019 as illustrated below:



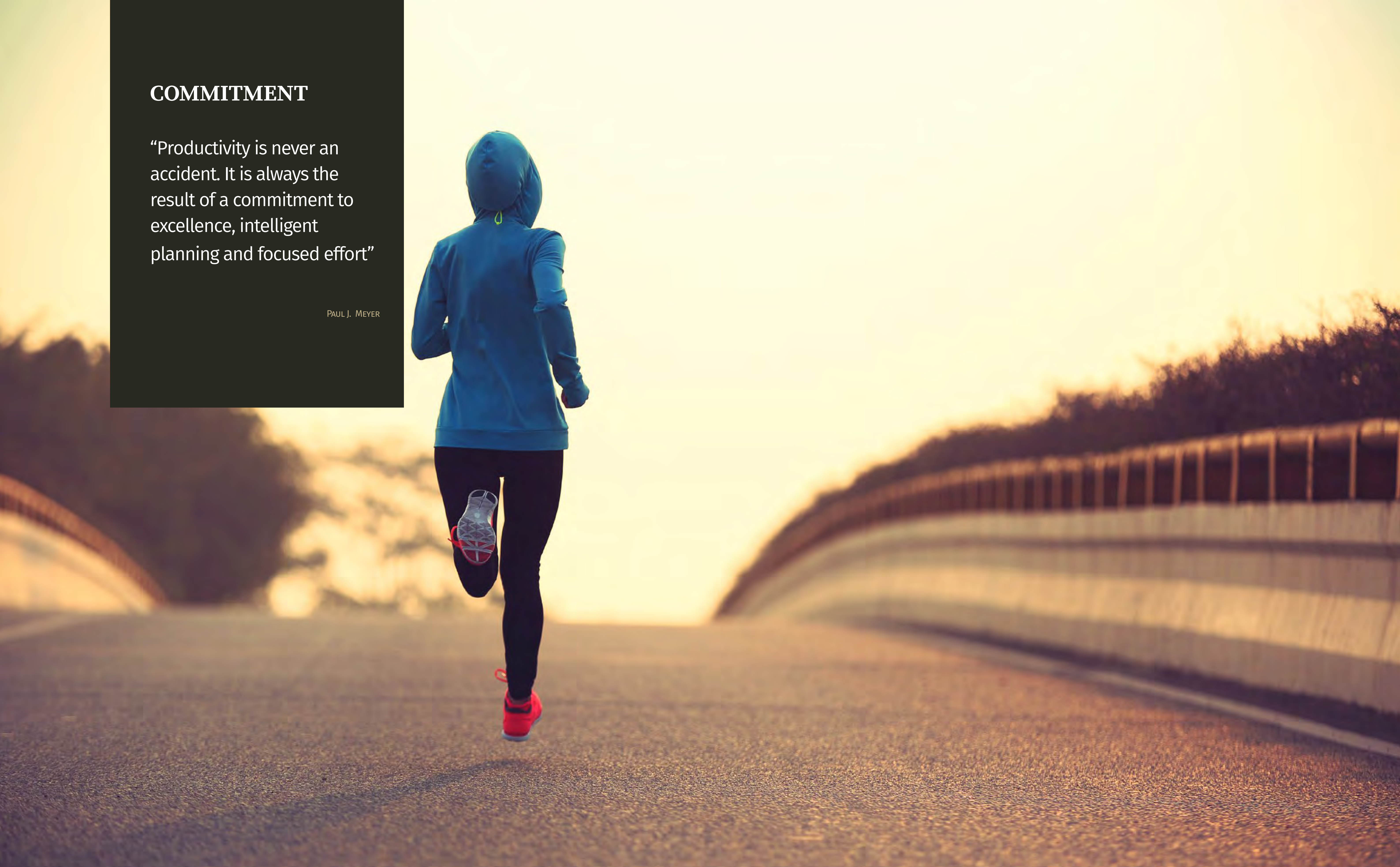





COMMITMENT

"Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning and focused effort"

Paul J. Meyer



CORPORATE GOVERNANCE REPORT

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

The Corporate Governance Report describes how the Company has implemented the recommendations of the Code. The eight principles of the Code are as per below:

PRINCIPLE 1: GOVERNANCE STRUCTURE

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL

PRINCIPLE 6: REPORTING WITH INTEGRITY

PRINCIPLE 7: AUDIT

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

GOVERNANCE STRUCTURE

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

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

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

- Board Charter;
- Board Committees' Charters;
- Code of Ethics for Directors;
- Position Statement of the Chairperson of the Board, Group CEO and Company Secretary.

The Board has also approved the following:

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

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

BOARD STRUCTURE

The State Insurance Company of Mauritius Ltd has a Board of Directors which oversees the general business of the Company. The Board exercises leadership, enterprise, integrity and judgment in directing the Company. The delegation of authority to any Committee does not relieve the Board of its responsibilities in respect of the actions and decisions of that Committee.

KEY GOVERNANCE RESPONSIBILITIES AND ACCOUNTABILITIES

The Board has approved the following job descriptions for key governance positions at Group level:

1. **CHAIRPERSON OF THE BOARD**

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

2. **GROUP CEO**

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

3. **COMPANY SECRETARY**

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

BOARD OF DIRECTORS

BOARD OF DIRECTORS

1 SALEMOHAMED Muhammad Yoosuf

Reappointed as Chairman and Director on 13 December 2018

Muhammad Yoosuf Salemohamed started his career in a chartered accountants firm where he obtained training in Accounting and Auditing. He joined a vertically integrated textile manufacturing Company as accountant in 1975 and ended his career there as General Manager. He is a past president of the Mauritius Chamber of Commerce and Industry, past Chairman of the Mauritius College of the Air, past Chairman of Enterprise Mauritius and past president of the MEFPA (now Business Mauritius Provident Association). He has also been a Director of the Development Bank of Mauritius Ltd and an adviser to the Ministry of Commerce and Industry. He is presently a Board member of Air Mauritius Limited and a Board member of the Islamic Cultural Centre Trust Fund Board.

2 CHAPERON J.M.C. Gilles

Reappointed on 13 December 2018

Associate of the Chartered Insurance Institute
Chartered Insurer

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

3 ACHARUZ Anandsing

Reappointed on 13 December 2018

MSc in Financial Economics, University of London

Anandsing Acharuz is currently a Director (Economic & Finance) at the Ministry of Finance and Economic Development and is responsible for Public Finance and Budget Management. Anandsing Acharuz leads various reforms in the area of public financial management and in this context, works closely with international institutions like the Collaborative Africa Budget Reform Initiative (CABRI) and IMF (AFRITAC South). During his career, he has served on different boards of public bodies, including the State Trading Corporation, the Civil Service Family Protection Scheme Board, the Mauritius Post & Co-operative Bank Ltd, the Government Lotteries, and the Mauritius Ex-Services Trust Fund Board.

4 BHOOJEDHUR-OBEEGADOO Karuna G.

Reappointed on 13 December 2018

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

Karuna Bhoojedhur-Obeegadoo was the Group Chief Executive Officer heading the SICOM Group of Companies until her retirement in September 2017. She has also worked with M&G Reinsurance Company in London (now Swiss Re) prior to joining SICOM and was appointed Actuarial Adviser to the National Pensions Fund and member of its Investment Committee. In the past, she has served as Director on the board of several companies, including State Bank of Mauritius Ltd, National Mutual Fund Ltd, First Republic Fund Ltd, Cyber Properties Investment Ltd, Mauritius Housing Company Ltd, National Housing Development Company Ltd, China Index Fund Ltd and China Actis Ltd. She was also a Founding Member of the National Committee on Corporate Governance and of the Board of Investment. She is currently a Director on the Board of companies within the SICOM Group and is also a member of the Board of the MCB Group Ltd and of its Remuneration and Corporate Governance Committee.

5 CONHYE Koosiram

Reappointed on 13 December 2018

Associate Member of the Chartered Institute of Secretaries and Administrators (ICSA)
Diploma from the Chartered Institute of Marketing (CIM)
MSc (Finance), University of Mauritius

Koosiram Conhye joined the public service in 1981 and has served in various Ministries at senior management level for more than 20 years. He was a former Administrative Secretary of the Export Processing Zones Development Authority and Director at the Board of Investment. Koosiram Conhye was also Permanent Secretary of the Ministry of Technology, Communication and Secretary to the Public Service Commission and Disciplined Forces Service Commission. He is presently the Permanent Secretary of the Ministry of Social Security, National Solidarity, and Environment and Sustainable Development. He is also Director at Multi Carrier (Mauritius) and Mauritius Telecom Ltd.

6 GAONEADRY Dhanunjaye

Appointed on 11 June 2019

Dhanunjaye Gaoneadry joined the public service in 1978 as Clerical Officer at the Electoral Commissioner's Office. Subsequently, he has served in various Ministries at different levels, of which more than 25 years at senior management level. He was former Permanent Secretary at the Ministry of Business, Enterprise and Cooperatives and in this capacity he was also part of different Boards and Committees. Dhanunjaye Gaoneadry is currently the Chairperson of the National Property Fund Limited and Permanent Secretary at the Ministry of Financial Services and Good Governance.

BOARD OF DIRECTORS

7 LI KWONG WING Kee Chong, G.O.S.K

Reappointed on 13 December 2018

LLM in International Tax Law
B.S.c (Econ) from the London School of Economics

Kee Chong Li Kwong Wing (K. C. Li) started his professional career in 1974 as a Lecturer in Public Finance at the University of Mauritius and was also an external lecturer for the School of Management, University of Surrey (UK). He held different prominent positions including Advisor to the Minister of Finance, Chairman of the Stock Exchange Commission, and was Board member of State Trading Corporation, National Remuneration Board, among others. K.C Li started his own private consulting firm and served as Consultant to two United Nations organisations (UNECA & UNIDO). He founded the Mauritius International Trust Co. Ltd and was also founding member of the council of China-Africa Interbank Association. K. C Li was a Member of the Parliament of Mauritius (2010-2014) and sat on the Public Accounts Committee. He is currently the independent non-executive Chairman of the State Bank of Mauritius Group and is a Board Director of several emerging market funds in Asia and Africa, and also of Afrexim Bank. He's also currently Chairman of UnionPay Africa Regional Council.

8 MAUNTHROOA Ramprakash

Reappointed on 13 December 2018

Fellow Member of the Institute of Chartered Secretaries and Administrators, UK (FCIS)
Fellow Member of the Chartered Institute of Transport, UK (FCIT)

Ramprakash Maunthrooa was the former Director General and subsequently the former Chairman of the Mauritius Ports Authority. He was also the former Managing Director of the Board of Investment of Mauritius (now Economic Development Board). Ramprakash Maunthrooa also served as Senior Adviser at the Prime Minister's Office from January 2015 to April 2019. He currently sits on the Boards of the SBM Holdings Ltd and Air Mauritius Limited.

9 RAMDEWAR Nandita

Reappointed on 13 December 2018

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

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

10 SONOO Jairaj, C.S.K

Reappointed on 13 December 2018

Masters in Business Administration (MBA), University of Surrey, UK

Jairaj Sonoo is a Consultant, having extensive experience in banking at both local and international level, and has spent nearly 38 years in various positions at the State Bank of Mauritius. He has served as Chief Executive Officer at SBM Bank (Mauritius) Ltd from September 2012 to August 2016 and subsequently as the Acting Group Chief Executive at SBM Holdings Ltd from November 2014 to September 2015. Jairaj Sonoo was also the former Chief Executive Overseas Expansion of SBM Holdings Ltd and led to the acquisition of a Kenyan Bank which marked the Group's entry into East Africa. He is currently the Chairman of the State Investment Corporation Limited and of the Investment Support Programme (ISP) Ltd and also holds directorship on various investee companies of the Corporation.

11 SOOKNAH Koosh Raj

Appointed on 11 June 2019

Fellow of the Chartered Institute of Certified Accountants (FCCA)
Masters in Business Administratio specialisation in Financial Management (MBA-FM)
Member of the Mauritius Institute of Professional Accountants (MIPA)

Koosh Raj Sooknah has worked in several African countries, the United Kingdom and Mauritius. He has worked for more than 25 years in the Construction Industry, gaining experience in the Structural Steel, Mechanical and Electrical, Building and Civil Engineering Companies. He started his career in 1985 as an audit clerk in an auditing practice in Mauritius and in 1988 he took employment in Tanzania for an Italian construction company. He returned to Mauritius in 1995 and carried on working in the construction industry. He worked for Grade A building and civil engineering construction companies for more than 18 years untill September 2017, of which the last 10 years has been as Financial Director. From October 2017 he took up a new challenge as Executive Director of an Offshore Management Company, in the Financial Services Industry, up to April 2019. Since May 2019, he is the Chief Executive Officer of the Sugar Insurance Fund Board.

LEE SHING PO Theresa M.

Appointed on 20 September 2013

Company Secretary
Attorney–at-Law

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

CORPORATE GOVERNANCE REPORT (CONT'D)

MANAGEMENT TEAM

CHAPERON J. M. C. Gilles
Acting Group Chief Executive Officer

The profile of Chaperon J. M. C. Gilles can be found on page 38.

RAMDEWAR Nandita
Deputy Group Chief Executive Officer

The profile of Ramdewar Nandita can be found on page 40.

GOPY Dev K
Chief Investment Officer

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

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

LEUNG LAM HING Suzanne H. Y. K.
Chief Operating Officer, SICOM General Insurance Ltd

Chartered Insurer
Associate of the Chartered Insurance Institute UK (ACII)

Since joining SICOM, Suzanne Leung Lam Hing has served the Company in various capacities in both the General and Life Insurance Departments. In 2002, she was appointed Manager of the General Insurance Business. Following the setting up of SICOM General Insurance Ltd in 2010, Suzanne Leung Lam Hing is responsible for the overall strategic and operational functions of the business. She currently serves as Executive Director on the Board of SICOM General Insurance Ltd. In 2013, she was appointed Chief Operating Officer. She serves on the Council of the Insurance Institute of Mauritius of which she has been a past President.

APPADOO Pritty
Senior Executive Officer – Risk & Support Services

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

Pritty Appadoo joined the Company in January 2002 after working for another leading insurance group and as external auditor in one of the leading Accountancy Firm. Over the years she cumulated several functions within SICOM. She is currently the Risk Officer and Senior Executive Officer (Risk & Support Services).

BAGUANT Chemanlall
Senior Executive Officer – IT

Graduate in Computer and Information Systems,
Victoria University of Manchester
Masters in Business Administration (Finance), University of Mauritius
Diploma in Actuarial Techniques

Chemanlall Baguant joined SICOM as Information Systems Officer in 1998 after five years of service in the IT sector. He is currently the Senior Executive – IT of the Group and is responsible for proposing an IT Strategy that aligns with the corporate strategy. He also manages IT security risks and identifies new IT tools, solutions and applications that will enable the Group to keep abreast of technological developments and be operationally efficient.

CORPORATE GOVERNANCE REPORT (CONT'D)

MANAGEMENT TEAM (CONT'D)

CHEENEEBASH Lohit K L (Bobby)
Senior Executive Officer - Life & Branch Operation

Chartered Insurer
Associate of the Chartered Insurance Institute UK (ACII)
Masters in Business Administration, University of Mauritius

Lohit Cheeneebash joined SICOM Group in 1991 and has shouldered an array of responsibilities at various positions in the Life Department. He has mainly been responsible for the administration of the Distribution function and is presently the Senior Executive Officer - Life & Branch Operation, spearheading the Life Department, Branch Office operations as well as PostAssurance Hubs.

LEE SHING PO Theresa M
Senior Executive Officer - Legal & Corporate

The profile of Lee Shing Po Theresa can be found on page 41.

RUGHOO Rajkamal (Raj)
Senior Executive Officer - Group Pensions

B.A (Hons) degree in Mathematics, University of Delhi

Rajkamal Rughoo joined SICOM in 1988 and has since served at different levels within the Group, namely in the General Insurance, Actuarial, Loans, Administration and Customer Relations Departments. He is currently the Senior Executive Officer of the Group Pensions Department and is in charge of its overall operations, obligations and strategic functions. He has built up a vast experience in the field of group pension business and provides required technical support to stakeholders in defining and implementing schemes and strategic reviews.

SEEROO Vasoodevsing J (Rajeev)
Senior Executive Officer - Actuarial & Group Life

Fellow of Institute and Faculty of Actuaries, UK

Vasoodevsing Seeroo joined SICOM in 1989 and has since worked at different levels in actuarial areas such as Pensions Fund Valuations, Pensions Consultancy, Life Fund Valuations, and Product Pricing. He is presently the Senior Executive Officer in charge of the Actuarial Department and the administration of Group Life assurance business.

ANCHARAZ Surendranath (Kiran)
Manager - General Insurance

Executive Masters in Business Administration, University of Delhi, India
Degree in Economics, Delhi University, India

Kiran Ancharaz joined SICOM General Insurance Ltd in January 2019 after gaining more than 19 years of experience in the insurance sector. He has sound knowledge of General Insurance products, underwriting, claims, marketing and has experience of leading most forms of distribution for an insurance Company and driving top line growth and profitability. He is currently the Manager General Insurance and is responsible for the organisation and management of the overall General Insurance Business operations of the Company.

AUMERALLY AREKION Ackbaree
Manager – Human Resources

Masters degree in Human Resources, University of Mauritius
BSc Engineering, MIT

Ackbaree Aumerally joined SICOM in August 2019 as HR Manager. She has over 20 years of working experience in senior HR positions. Ackbaree is spearheading the transformation of the Company in view of the change programmes to gear SICOM's human capital to embark on the strategic vision of the Company.

MANAGEMENT TEAM (CONT'D)

BUDALY Mohammad Fayaz
Manager – Facilities & Procurement

B.Eng. (Hons), University of Mauritius
Masters in Business Administration, University of Mauritius
CDipAF, Association of Chartered Certified Accountants (ACCA)

Mohammad Fayaz Budaly started his career in an engineering firm before joining the public service as a Registered Electrical Engineer. He joined SICOM in 2012 and has contributed to the revamping of the Facilities Department with focus on innovation and increased efficiency. He is well-versed in procurement procedures and provides the related functional support across the organisation. He is currently responsible for the Facilities Department.

CHADIEN Moorganaden (Ruben)
Manager – SICOM Financial Services Ltd

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

Moorganaden Chadien joined the State Insurance Company of Mauritius Ltd in 1994, where he gathered experience in different departments before moving to SICOM Financial Services Ltd during its setting-up in 2000. He has over the years achieved a rich experience in deposit taking, leasing and unit trust administration. He is presently the Manager of SICOM Financial Services Ltd where he is responsible for the day-to-day operations of the Company.

PRAYAG Chandan (Ashwin)
Manager - Investment

CFA Charterholder
Masters in Business Science (Finance), the University of Cape Town, South Africa
Bachelor of Business Science (Honours), the University of Cape Town, South Africa
Member of the Mauritius Institute of Directors

Chandan Prayag joined SICOM in 2011 as Investment Analyst, pursuant to experience gained in the investment industry, and as an academic, both in Mauritius and in South Africa. He assists in the proper management of the Investment Department and is actively involved in defining, implementing and monitoring the investment objectives and strategies of the different Funds managed by the SICOM Group locally and overseas. He is currently a Director of the National Housing Development Company Ltd and Ebene Carpark Ltd. He has also been a volunteer with the CFA Institute for several years.

RAMANAH Mitradev
Manager – Pensions

Fellow member of the Association of Chartered and Certified Accountants, UK
Masters in Business Administration in Finance and Investment, University of Technology

Mitradev Ramanah started his career with the SICOM Group in 1989 and has acquired a wide range of experience in different activities of the Group including Pensions Administration, Accounting, Investments, Deposit Taking, Leasing, Unit Trust Management and Fund Administration. He has a solid track record and over 20 years of experience at management and supervisory positions with the Group. He is currently Manager of the Group Pensions Department.

RAMPEEAREE-PASCAL Anoushka
Compliance Manager/MLRO

Fellow member of the Association of Certified Anti-Money Laundering Specialists (ACAMS)
Law with Honours from the University of Orleans, France
Certificate of English Law (M1), University of Birmingham, UK

Anoushka Rampeearee-Pascal joined SICOM as Compliance Manager in 2019 after six years of experience in the Legal and Compliance sector. She is currently the Compliance Manager responsible for putting in place a Compliance Programme for the Group. She also acts as Data Protection Officer and Money Laundering Reporting Officer for the Group.

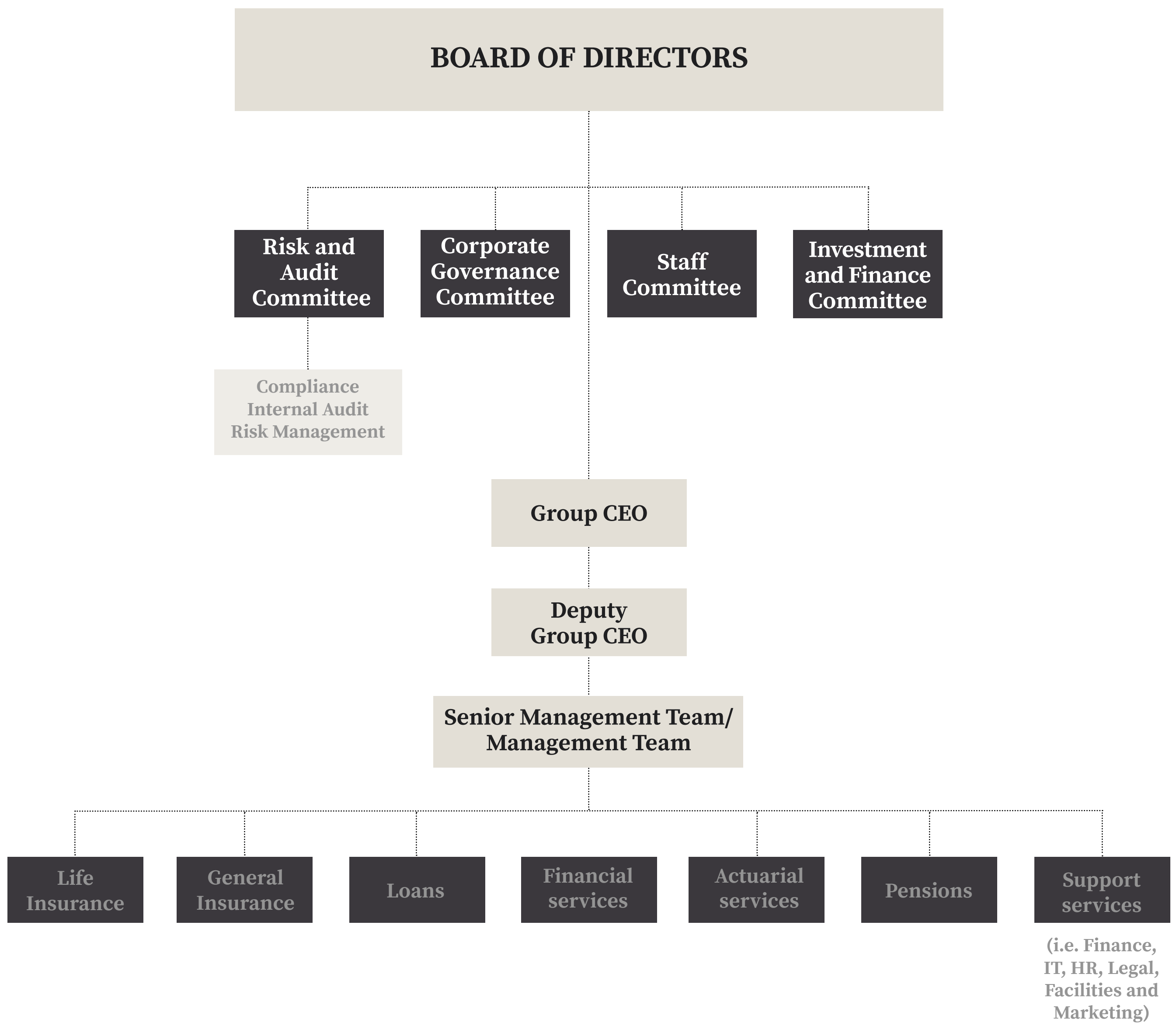
SEESAHA Keswaree (Sandhya)
Manager – Finance

Fellow member of the Association of Chartered Certified Accountants UK
Masters in science in Finance, Accounting and Management (UK)
Bachelors in science in Accounting

Keswaree Seesaha has started her career as auditor in a leading audit firm and joined the SICOM Group in 2003. She has a solid background in accounting and has over the years acquired a rich experience in the insurance industry. She is now leading the Finance Department as Finance Manager.

ORGANISATIONAL CHART

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



THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Directors' profiles appear on pages 38 to 41.

BOARD SIZE AND COMPOSITION

The Company has a unitary Board with the right balance of skills, experience and diversity. It is composed of two (2) Executive Directors, five (5) Non-Executive Directors and four (4) Independent Directors, who are all residents of Mauritius. The Company complies with the statutory number of Directors required and has a Board Charter which is reviewed by the Board as and when required.

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

Having regard to the range of Board members that the Company needs to have as per the Board Charter, the number of sub-committees, as spelt out below, which the Board has established to assist it in the discharge of its responsibilities and the current number of directors with their mix of knowledge, skills and experience, the Board is of the opinion that these are sufficient to enable the Company's Board to effectively meet the requirements of the Company.

Currently, the Board has four (4) Committees, namely (i) Risk and Audit Committee, (ii) Investment and Finance Committee, (iii) Corporate Governance Committee, and (iv) Staff Committee, each comprising of members with a diversity of knowledge and experience in fields relevant to the operations of the Company, including insurance, pensions, actuarial science, finance, legal and business administration. Each Board Committee has its own charter, approved by the Board and which may be reviewed as and when required. The Chairperson of the Board and the Chairperson of each of the sub-committees are selected for their relevant knowledge and experience in these key governance roles. Their responsibilities have been clearly defined in their respective position statements.

As regards gender balance, the Code provides that all organisations should have Directors from both genders as members of the Board i.e. at least one male and one female Director. As at 30 June 2019, the Company's Board comprised of nine male and two female Directors.

OTHER DIRECTORSHIPS HELD BY MEMBERS OF THE BOARD

A. ACHARUZ

The State Investment Corporation Limited

K. G. BHOOJEDHUR-OBEEGADOO

SICOM Financial Services Ltd, SICOM General Insurance Ltd, SICOM Global Fund Ltd, SICOM Management Ltd, MCB Group Limited and MCB Equity Fund Ltd

J. M. C. G. CHAPERON

SICOM Financial Services Ltd, SICOM General Insurance Ltd, SICOM Global Fund Ltd and SICOM Management Ltd

K. CONHYE

Ascencia, Cyber Properties Investment Limited (CPEL), Mauritius Telecom Ltd (MT), MHC Ltd, Multi Carrier (Mauritius) Ltd and Omnicane

D. GAONEADRY

National Property Fund Ltd (NPFL)

K. C. LI KWONG WING, G.O.S.K

Afreximbank, Africa Infrastructure Investment Holdings Company Ltd, Banques SBM Madagascar SA, Mauritius Technologies Holdings Ltd, SBM Africa Equity Fund Ltd, SBM Africa Holdings Ltd, SBM Bank (Kenya) Limited, SBM Bank (Seychelles) Limited, SBM Capital Management Limited, SBM Capital Markets Ltd, SBM eBusiness Ltd, SBM Factors Ltd, SBM Holdings Ltd, SBM (NBFC) Holdings Ltd, SBM Infrastructure General Partner Ltd, SBM Microfinance Ltd and SBM 3S Ltd

R. MAUNTHROOA

Air Mauritius Ltd, Airmate Ltd, Mauritius Helicopter Ltd, SBM Holdings Ltd, SBM (NBFC) Holdings Ltd, SBM (Bank) Holdings Ltd, SBM (NFC) Holdings Ltd

N. RAMDEWAR

SICOM Financial Services Ltd, SICOM Global Fund Ltd and SICOM Management Ltd

M. Y. SALEMOHAMED

SICOM General Insurance Ltd, SICOM Global Fund Ltd, SICOM Management Ltd, Air Mauritius Limited, Aurdally Bros & Co Ltd and Genuine Services Ltd

J. SONOO, C.S.K

Compagnie Mauricienne d'Hippodromes Limitée, EREIT Management Ltd, Guibies Holdings Ltd, Guibies Properties Ltd, Investment Support Programme (ISP) Limited, Le Val Development Ltd, Mauritius Africa Fund Ltd, Mauritius Duty Free Paradise Co. Ltd, MJTI Properties Co. Ltd, National Real Estate Ltd, Prime Partners Ltd, Prime Real Estate Ltd, Rodrigues Educational Development Co.Ltd, SIC Capital Support Ltd, SIC Development Co.Ltd, SBM (Mauritius) Infrastructure Development Company Ltd, SIC Management Services Co. Ltd and The State Investment Corporation Limited

K. R. SOOKNAH

Kasteel Trading Co Ltd

ATTENDANCE AT BOARD MEETINGS AND COMMITTEE MEETINGS

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

Board Composition	Classification	Board	RAC[1]	IFC[2]	CGC[3]	SC[4]
№ of Meetings held		9	4	4	2	6
DIRECTORS' ATTENDANCE DURING THEIR PERIOD OF DIRECTORSHIP						
M. Y. Salemohamed (Director as from 9 July 2018; Chairperson as from 11 July 2018)	Independent Director	9 of 9	-	4 of 4	2 of 2	-
A. Acharuz	Independent Director	9 of 9	4 of 4	4 of 4	1 of 2	2 of 2
K. G. Bhoojedhur-Obeegadoo	Non-Executive Director	7 of 9	3 of 4	-	1 of 2	-
J. M. C. G. Chaperon	Executive Director	9 of 9	-	4 of 4	2 of 2	6 of 6
K. Conhye (as from 9 July 2018)	Non-Executive Director	5 of 9	4 of 4	-	2 of 2	-
D. Gaoneadry (as from 11 June 2019)	Independent Director	-	-	-	-	-
Dr R. Jugurnath (up to 5 December 2018)	Non-Executive Director	0 of 6	-	-	-	-
K. C. Li Kwong Wing, G.O.S.K	Non-Executive Director	5 of 9	2 of 3	-	-	-
R. Maunthrooa	Independent Director	6 of 9	1 of 3	3 of 4	-	5 of 6
R. Moorut (up to 8 February 2019)	Independent Director	5 of 6	-	-	-	1 of 3
N. Ramdewar	Executive Director	9 of 9	-	-	-	5 of 5
J. Sonoo, C.S.K (as from 10 July 2018)	Non-Executive Director	8 of 9	-	4 of 4	-	5 of 5
K. R. Sooknah (as from 11 June 2019)	Non-Executive Director	-	-	-	-	-

[1] Risk and Audit Committee
[2] Investment and Finance Committee
[3] Corporate Governance Committee
[4] Staff Committee

BOARD COMMITTEES

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

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

An ad hoc Strategic Committee was also set up to look at proposals, finalise scope of works and selection of potential bidders and recommend the appointment of consultants for the purpose of strategic review of the Group.

RISK AND AUDIT COMMITTEE

MANDATE

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

COMPOSITION

The Charter of the Risk and Audit Committee provides that it shall comprise at least five (5) Non-Executive Directors appointed by the Board and the majority shall be Independent Non-Executive Directors. The Chairperson shall be an Independent Non-Executive Director. The Committee shall meet at least four (4) times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. During the financial year 2018/2019, the Committee met four times.

It is to be noted that A. Acharuz was appointed Chairperson of the Committee on 20 August 2018, Dr R. Jugurnath and R. Moorut formed part of the Committee up to 20 September 2018 and 8 February 2019 respectively. The current composition of the Committee is found on page 3.

INVESTMENT AND FINANCE COMMITTEE

MANDATE

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

COMPOSITION

The Charter of the Investment and Finance Committee provides that it shall comprise at least five (5) members and the majority should be Non-Executive and where possible, Independent Non-Executive Directors. The Chairperson should preferably be an Independent Non-Executive Director. The Committee shall meet as often as necessary. During the financial year 2018/2019, the Committee met four times.

It is to be noted that K. C. Li Kwong Wing, G.O.S.K formed part of the Committee up to 20 August 2018. The current composition of the Committee is found on page 3.

CORPORATE GOVERNANCE COMMITTEE

MANDATE

The primary function of the Committee consists in advising the Board of Directors of the Company on all aspects of corporate governance and recommending best practices for the Group.

COMPOSITION

The Charter of the Corporate Governance Committee provides that it shall comprise at least five (5) members and the majority should be Non-Executive and where possible Independent Directors. The Committee Chairperson should preferably be an Independent Non-Executive Director. The Committee shall meet as often as necessary. During the financial year 2018/2019, the Committee met twice. The current composition of the Committee is found on page 3.

STAFF COMMITTEE

MANDATE

The primary function of the Staff Committee consists in assisting the Board of Directors of the Company in overseeing the establishment of appropriate human resource strategies and policies within the Group.

COMPOSITION

The Charter of the Staff Committee provides that it shall comprise at least five (5) members, and the majority should be Non-Executive and where possible Independent Directors. The Committee Chairperson should preferably be an Independent Non-Executive Director. The Committee shall meet as often as necessary. During the financial year 2018-2019, the Committee met six times.

It is to be noted that R. Moorut formed part of the Committee up to 8 February 2019. The current composition of the Committee is found on page 3.

DIRECTORS' APPOINTMENT PROCEDURES

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

The Corporate Governance Committee reviews the profile of prospective Directors and make their recommendations to the Board for its approval. Once a prospective Director has been selected, his/her appointment is put forward to the shareholders at the Annual Meeting or by way of resolution for appointment. The appointment of Directors is subject to the approval of the Financial Services Commission.

It is to be noted that, in accordance with the Constitution of the Company, Directors may appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Directors. The total number of Directors shall not at any time be less than seven as prescribed by the Insurance Act 2005 nor more than eleven as provided by the Constitution.

As part of its mandate, the Board carefully considers the needs of the organisation in appointing Directors onto the Board. The Board considers the following factors before appointing a new Director:
- Skills, knowledge and expertise of the candidate;
- Previous experience as a Director;
- Balance required on the Board such as gender and age;
- Independence where required;
- Conflicts of interest.

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

DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE

LEGAL DUTIES

All the Directors on the Board, including any alternate Director, are aware of their fiduciary duties at the time of their appointment. Upon appointment, new Directors are given a copy of the Constitution, Financial Services Act 2007, Insurance Act 2005 and relevant extracts of the Companies Act 2001 regarding their statutory duties and responsibilities.

CODE OF ETHICS

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

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

CONFLICTS OF INTEREST

Directors should disclose any interest that they have including related party transactions, to the Board. An interest register is maintained by the Company Secretary and is updated as and when required. The register may be made available to the Shareholders of the Company upon request to the Company Secretary.

It is also to be noted that, at the end of each financial year, Directors are requested to fill in a disclosure of interest form.

INFORMATION TECHNOLOGY AND IT SECURITY

The Company's Information Security Policy is a key component of the Group's overall information security management framework and reflects Management intents on information security commitments. This policy aims to establish and maintain the security and confidentiality of information, information systems, applications and networks owned or held by the Group. In this respect, security solutions are being deployed to keep abreast of new security threats. The Company also has in place, other policies which provide that access to computer systems are password-protected and monitored, security solutions such as anti-virus software are updated regularly and encryption is used to protect sensitive information. These policies apply to all information, information systems, networks, applications, locations and users of the Group or suppliers under contract to it.

ASSESSMENT AND EVALUATION OF BOARD MEMBERS

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

SUCCESSION PLANNING

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

RISK GOVERNANCE AND INTERNAL CONTROL

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

The complete Risk Management Report can be found at pages 60 to 68.

REPORTING WITH INTEGRITY

In preparing this report, the Company is laying the foundation for integrated reporting by incorporating enhanced elements on value proposition to stakeholders and how the Company engages with them. The business model and the value creation are set out on pages 18 to 31.

The annual report is published in full on our Group's website: www.sicom.mu

CODE OF CONDUCT

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

DONATIONS

The Group and the Company did not make any political donation during the financial year 2018/2019.

AUDIT

DIRECTORS' RESPONSIBILITIES

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

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

INTERNAL AUDIT

The Internal Audit function has the overall responsibility of providing independent and objective assurance designed to add value and improve the Group's operations. The scope of work of the Internal Audit function is to enable the Group to 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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

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

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;
- Reviewing the means to safeguard assets as well as the adequacy and effectiveness of applicable policies and practices;
- Appraising the economy and efficiency with which processes are executed and resources are employed;
- Reviewing operations and programs to ascertain whether results are consistent with established objectives; and
- Participating in special projects and / or assignments.

The Internal Audit plan, which is approved by the Risk and Audit Committee, is based on the principles of risk management and aims to ensure that the scope of work is aligned with the degree of risks attributable to the areas 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 2019 included reviews on the Individual and Group Life Assurance, Group Pensions, Financial Services and General Insurance businesses to ensure comprehensive coverage of the Group's operational activities.

The Group's support activity, namely General Administration, has also been 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.

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

EXTERNAL AUDIT

THE RISK AND AUDIT COMMITTEE AND EXTERNAL AUDITORS

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

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

REAPPOINTMENT OF EXTERNAL AUDITORS

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

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

AUDITORS' FEES AND FEES FOR OTHER SERVICES

	Group		Company	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Statutory Audit	**3,007**	2,863	**1,419**	1,351
Review of Tax Computation	**314**	299	**97**	92
Other services	**1,093**	-	**920**	-

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

QUALITY ASSURANCE

The Quality Management System in place within the Company is continually being improved, through its dedicated and motivated workforce, with the main focus on the Company's clients, its people and other stakeholders. The Company's workforce and Management consistently work towards ensuring that the Quality Objectives of the Group are met with the prime objective of maximising our shareholder's value. The Quality Policy of the Group is set out on page 12.

RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

The key stakeholders of the Group and the principle ways in which we engage with them are found on pages 22 to 25.

SHAREHOLDERS' DIARY

FINANCIAL YEAR 2018/2019

Financial year-end	30 June 2019
Audited Financial Statements for the year ended 30 June 2019	Within three months from end of June 2019
Statutory Returns to Financial Services Commission	September 2019
Annual Meeting	September 2019
Dividend payment	October 2019

SHAREHOLDERS' COMMUNICATION

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

DIVIDEND POLICY

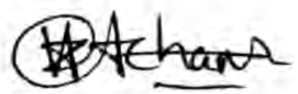
The Company's objective is to provide value to its shareholders through an optimum return on equity. Dividends are proposed and paid after taking into consideration the profit after taxation, projects, technical provisions and appropriations to statutory and other reserves for ongoing operational activities. Dividends are only authorized 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 655.00 (2018: Rs 625.47) per share.

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 2019

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

SALEMOHAMED M Y
CHAIRMAN



ACHARUZ A
DIRECTOR

Date: 23 September 2019

SECRETARY'S CERTIFICATE

I certify to the best of my knowledge and belief that for the year ended 30 June 2019, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

LEE SHING PO THERESA M (MRS)
COMPANY SECRETARY
STATE INSURANCE COMPANY OF MAURITIUS LTD

Date: 23 September 2019

RISK MANAGEMENT REPORT

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

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

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

REGULATORY REQUIREMENTS

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

- Risk Appetite Statement
- Risk Management Strategy
- 3-year Business Plan
- Own Risk & Solvency Assessment
- Liquidity Policy
- Designated Risk Management Function
- Defined Roles & Reporting Lines

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

KEY ELEMENTS OF ERM

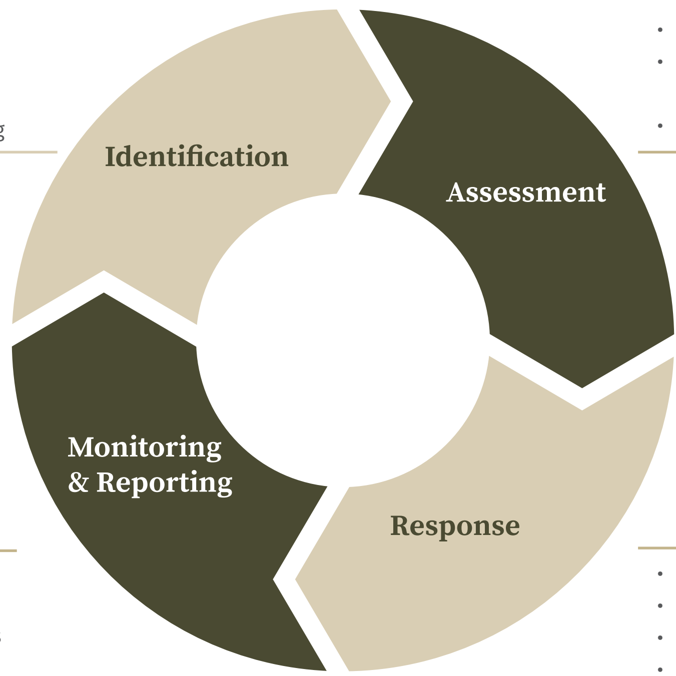
Elements	Our approach
Align ERM process to goals and objectives Ensure that the ERM process maximises the achievement of our objectives and results	Strategic objectives are examined by regularly considering how uncertainties, both risks and opportunities, could affect the Group's ability to achieve its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

RISK MANAGEMENT PROCESS

The Risk Management Process ("RMP") refers to the continuous cycle of identifying, assessing, monitoring, managing and reporting of risks, as applicable. The RMP is the cornerstone of any ERM framework and is formalised in a risk register. Below is a high-level depiction of the ERM processes embedded within the day-to-day business operations of the Company in managing its risk exposure.

- Risk Taxonomy
- Emerging Risk Analysis
- Trend Monitoring
- Risk Awareness Training

- Scenario/Sensitivity Tests
- Qualitative and Quantitative Risk Analytics
- Fungibility Analysis



- ERM Reports
- ERM Dashboard
- Key Risk Indicators
- Risk Escalation
- Own Risk & Solvency Assessment

- Risk Transfer
- Risk Controls
- Risk Appetites and Limits
- Risk Avoidance/Exit

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

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

RISK REPORTING

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

RISK CULTURE

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

The risk culture is set from the top.

Key decisions fully incorporate risk analysis. The Board and Management receive input from risk owners and risk experts.

Proactive responses towards risk encouraged across the Company.

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

A whistle blowing policy has been established within the Group.

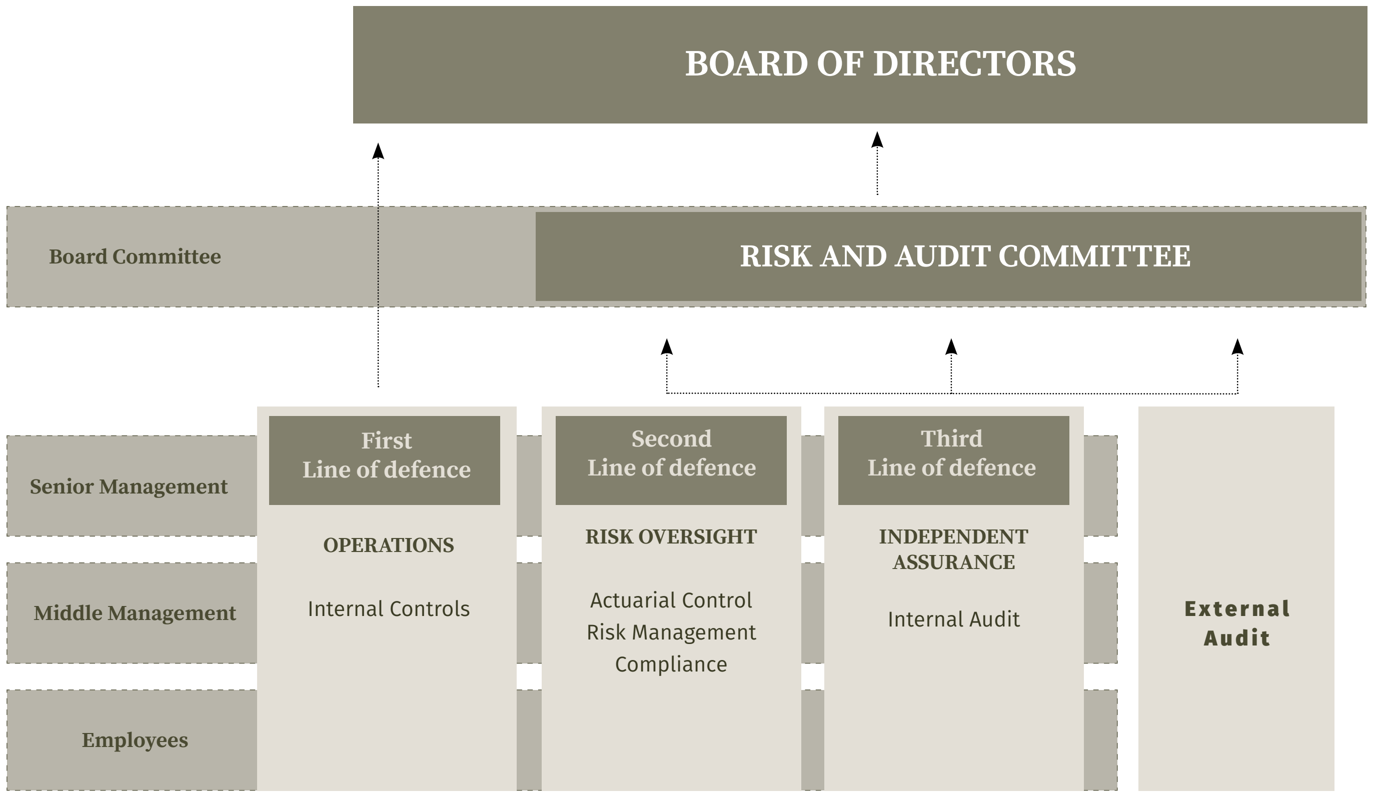
Organisational learning is actively encouraged to ensure that the Company learns from experience from inside and outside.

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

RISK GOVERNANCE

For Risk Governance, the Company adopts the Three Lines of Defence Model. In this model, key functions and operations are grouped into three categories or lines of defence depending on their specific roles and responsibilities. For each line of defence, the corresponding functions' roles and responsibilities are defined so that they align with that particular line of defence.

Three Lines of Defence Model



RISK MANAGEMENT REPORT (CONT'D)

FIRST LINE OF DEFENCE: OPERATIONS

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

SECOND LINE OF DEFENCE: OVERSIGHT

Oversight functions are necessary to avoid potential conflicts of interest and lack of impartiality. This line of defence is comprised of the Actuarial Control, Risk Management and Compliance functions, all of which oversee the management of risks by Operations but are not involved in the day-to-day operations of the Company. The roles and responsibilities of the Second Line functions are to assist the Company to identify, assess, monitor, manage and report on its key risks in a timely manner by overseeing the ERM Program, and to ensure that the Company meets its legal and regulatory obligations and to promote and sustain a culture of compliance within the Company.

THIRD LINE OF DEFENCE: INDEPENDENT ASSURANCE

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

RISK MANAGEMENT FUNCTION

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

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

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

MANAGEMENT OF KEY RISKS

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

OPERATIONAL RISK

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

Examples:

- IT systems failure
- Data Management risk
- Failures of critical services, structures and facilities
- Outsourcing and Contract Management
- Legal and compliance risk
- Changes in regulations
- Poor staff performance
- Expenses exceeding budget

Mitigation:

- Regular evaluation of quality of service by suppliers/service providers
- Review Maintenance Contracts
- Close monitoring of Legal & Regulatory environment
- Performance Management System
- Regular security assessment and penetration testing
- IT Security tools
- Continual Back up
- Crisis Management Committee
- Business Continuity Plan
- Whistleblowing Policy in place

INSURANCE RISK

Risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

Examples:

- Mortality/Morbidity/Disability experience
- Pricing and underwriting risk
- Concentration of exposure
- Lapse/Surrender experience
- Reinsurance-related risks
- Inadequate reserving

Mitigation:

- Annual Actuarial Valuation exercise
- Annual Product review/re-pricing
- Regular Mortality Investigation
- Regular Withdrawal/Lapse Investigation
- Reinsurance Arrangements in place
- Review reserving assumptions, models & methods
- Regular monitoring of concentration ratio
- Risk Acceptance Hierarchy
- Underwriting guidelines
- Monitoring of loss ratio and performance of business lines

MARKET & INVESTMENT RISK

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

Examples:

- Currency fluctuations
- Concentration of assets
- Mismatch of assets and liabilities
- Interest rate changes
- Liquidity risk
- Investment return volatility

Mitigation:

- Monitoring of asset portfolio denominated in foreign currency
- Monitoring of volatility of returns
- Re-balancing of asset portfolio as and when needed
- Review Investment guidelines/policies
- Regular Asset Liability Modelling exercise by Independent Consultant
- Internal Asset Liability Committee

CREDIT RISK

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

Examples:

- Default on loan repayments
- Insolvency/unwillingness of reinsurers to settle their dues
- Unsettled dues from insurance agents/brokers, Third Party Insurers and Policyholders

Mitigation:

- Monthly monitoring of Non-Performing Loans
- Review Loan approval criteria
- Monitoring of arrears
- Recovery procedures guideline
- Monitoring of Reinsurers' Credit Ratings

STRATEGIC RISK

Risk of a change in the value of the insurer due to the inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment.

Examples:

- Insufficient capital to support business plans and solvency assessment
- Changing business landscape
- Unexpected changes in competition

Mitigation:

- Annual Actuarial Valuation
- Annual Solvency Assessment
- Monitoring of market trends
- Review distribution process
- Strategic planning process
- Review business strategy
- Annual Action Plan

BUSINESS PLANNING

The Company does not just manage its risk exposure at a particular point in time, but also on a forward-looking basis. This is done by looking at the impact of risk over a longer time horizon, both when considering the financial impact of a material new business venture, and for SICOM as a whole (together with each of its legal entities).

A detailed three-year business plan has been prepared and includes financial forecasts and projected solvency positions. The business plan is also adjusted for any known deviations from the previous business plan and is reviewed at least annually at the same time the Company performs its annual Own Risk and Solvency Assessment ("ORSA").

RISK MANAGEMENT REPORT (CONT'D)

OWN RISK AND SOLVENCY ASSESSMENT

STRATEGIC INITIATIVES	
Risk Identification	Business Planning
Risk Assessment	Financial Forecasts & Solvency
Risk Appetite and Tolerance	Stress & Scenario Testing
Risk Mitigating Strategy	Capital Assessment
REVIEW & GOVERNANCE	

The Company performs an ORSA once a year with quarterly reviews for the in-between periods. The purpose of the ORSA is for the Company to assess the resilience of its solvency across a range of possible scenarios over its full business planning cycle of three years. The Company does this by looking at its regulatory solvency position over this period as well as how its risk profile changes relative to its overall risk appetite measures and detailed risk tolerance limits.

During the ORSA process, the company also assesses the quality of its capital resources and capital planning processes as well as the adequacy of its risk management framework. The ORSA consists of an assessment of the impact of stress testing the business plan, a review of the ERM Framework and a review of the capital management framework.

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 2018/2019 and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards, and
(iii) the selection of appropriate accounting policies supported by reasonable and prudent judgments.

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

The Directors report that:

(i) adequate accounting records and an effective system of internal controls and risk management have been maintained,
(ii) appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently, and
(iii) International Financial Reporting Standards have been adhered to.

ACKNOWLEDGEMENT

The Board of Directors would like to thank Dr R Jugurnath and Mr R Moorut for their contribution to the Board and welcome Mr D Gaoneadry and Mr K R Sooknah who have been appointed as new members.

Signed on behalf of the Board of Directors

SALEMOHAMED M Y
CHAIRMAN

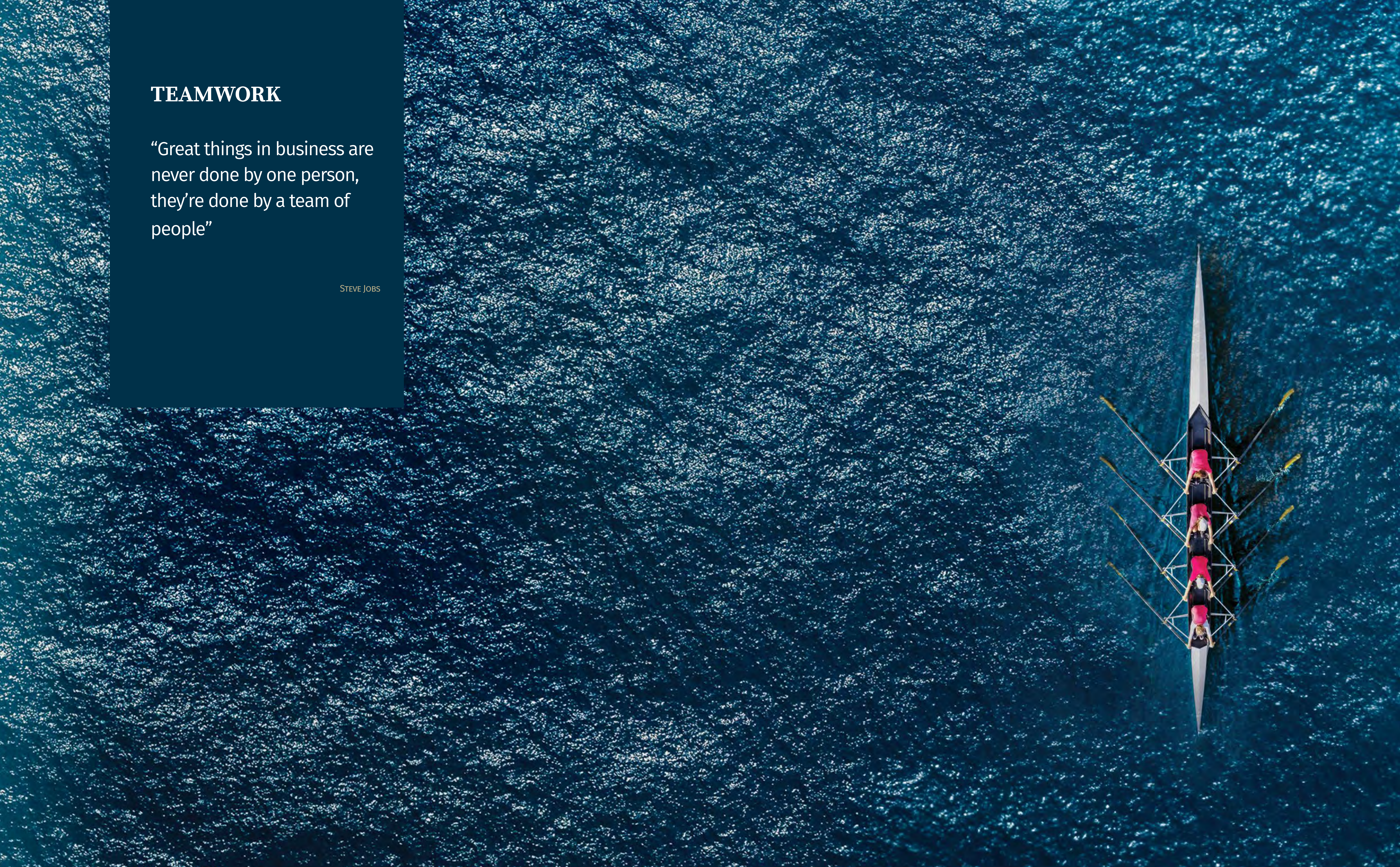
ACHARUZ A
DIRECTOR

Date: 23 September 2019

TEAMWORK

"Great things in business are never done by one person, they're done by a team of people"

Steve Jobs



Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of State Insurance Company of Mauritius Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 188 which comprise the statements of financial position as at 30 June 2019, and the 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 significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and Company as at 30 June 2019, 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, the Financial Reporting Act 2004 and the Insurance Act 2005.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters (cont'd)

Key Audit Matters	How the matters were addressed in our audit
1. Impairment of loans and advances to customers and investment in finance leases	
IFRS 9 – Financial Instruments which became effective during the financial year end introduces impairment computations based on Expected Credit Losses (ECL), rather than the incurred loss model previously applied under IAS 39. Our audit considered the ECL on loans and advances to customers and investment in finance lease as a key audit matter due to the materiality of the balances, its associated subjective nature of the management's impairment estimation, and transition to the ECL model under IFRS 9. As at 30 June 2019, the Group and the Company recorded total gross loans and advances to customers of Rs 1,446m and Rs 1,433m and expected credit loss provisions of Rs 14.3m and Rs 14.2m respectively. At 30 June 2019, the Group reported total gross finance lease to customers of Rs 593.5m and Rs 5.1m of expected credit loss provisions. The impact on transition to the ECL model under IFRS 9 on the Group's financial statements, is disclosed in Note 2.2. The estimation of allowance for impairment requires subjective judgements. Management determined such allowance for impairment using complex calculations. Group's transitioning to ECL model under IFRS 9 required significant changes to the basis of estimating allowance for impairment.	To assess the reasonableness of the ECL on loans and advances to customers and investment in finance lease, our audit procedures (among others) were designed to obtain sufficient and appropriate audit evidences, including the following: • We observed the oversight and approval of impairment policies by the management; • We evaluated the design implementation and operating effectiveness of available controls over management's processes to calculate the ECL for loans and advances to customers. This included the definition of credit stages, the allocation of assets into these stages, model governance, data accuracy and completeness, credit monitoring, individual provisions and production of journal entries and disclosures; • We tested the underlying calculations and data used in such calculations of the ECL; • We tested the classification of the loans and advances in stages 1, 2 and 3 and the application of 12 months ECL for stage 1 and lifetime ECL for stage 2 and stage 3; • We tested the assumptions, inputs and formulas used in the ECL model. This included assessing the appropriateness of model design, formulas used, recalculating the probability of default, loss given default and exposure at default. • The following key procedures were also performed: For loans and advances and leases to customers that were individually assessed for impairment (Stage 3): • Where impairment indicators existed, we evaluated the reasonableness of management's estimated future recoveries in the valuation of collateral held. We also compared the actual recoveries against previously estimated amounts of future recoveries. For loans and advances to other customers that were collectively assessed for impairment (Stages 1 and 2): • We tested the completeness and fairness of the underlying information in loans and advances used in the impairment calculations by agreeing details to the Group's source documents and information in IT systems as well as re-performing the calculation of allowance for impairment. • We assessed the adequacy of the related financial statement disclosures as set out in Note 12 and reviewed the documentation around outstanding loans and advances and leases. We also assessed the adequacy of the Group's disclosure on the impact of the ECL model under IFRS 9 as set out in Note 2.2.

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Key Audit Matters	How the matters were addressed in our audit
2. Valuation of Insurance Contract Liabilities –long term insurance	
Actuarial assumptions and methodologies involve judgements about future events, both internal and external to the Group, for which small changes can result in a material impact to the valuation of insurance contract liabilities. Additionally, the valuation of insurance contract liabilities is dependent on the quality, integrity and accuracy of the data used in the valuations. We have therefore identified the following areas of focus in relation to the valuation of insurance contract liabilities: • Appropriateness of actuarial assumptions, models and methodology; and • Data processes and controls relevant to the actuarial valuation. Refer to Note 4 to the financial statements. Actuarial assumptions and methodologies reflected in policyholder liabilities are subject to a considerable level of judgement. The operational assumptions are informed by actual experience, market experience and practice, and expectations as to future trends. Economic assumptions are typically based on latest market conditions and are set in accordance with relevant guidance and the Group approved policy. Refer to Note 4 to the financial statements. The assumptions that we consider to have the most significant impact on the actuarial valuations are: • Mortality, longevity, disability and morbidity; • Expenses; and • Risk discount rates The integrity and appropriateness of models and methodology are also considered to be critical in the overall valuation of insurance contract liabilities. Data is a key input into the valuation process: the calculation of insurance contract liabilities has a number of inputs, which are reliant on various processes and applications for accurate and complete data. A breakdown of the controls around these processes and applications could result in a misstatement of the value of insurance contracts. Given its complexity and significance the valuation of insurance contract liabilities-long term insurance has been considered as a Key Audit Matter.	Our audit of these assumptions, models and methodology applied in the valuation of insurance liabilities, included the following audit procedures that were executed with the assistance of our actuarial experts, across the areas considered material: • We assessed the valuation methodology and assumptions for compliance with the latest actuarial guidance, legislation and approved company policy. • We assessed the design and operating effectiveness of the key controls of the actuarial valuation process for the setting and updating of actuarial assumptions and the process for model and methodology changes; • We analysed management's key assumptions around mortality, longevity, disability, morbidity and expenses and assessed the results of management's experience analyses; • We reviewed the computation of the risk discount rates and have independently validated the economic assumptions used in the computation; • We evaluated, on a sample basis, whether model and methodology changes have been appropriately implemented; • We evaluated the assumptions and methodology against expectations based on our knowledge of the Group, industry practice, and regulatory and reporting requirements. This included an independent evaluation through enquiries with the external actuary and review by a specialist in our team; • We evaluated the key sources of profit and loss and assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements; • We considered the level of margins held, management's justification for holding these margins and how these will be released in future; • We performed procedures over the Minimum Capital Requirements (MCR) calculation by comparing it with the applicable Solvency Rules and we evaluated management actions under the prevailing market conditions. *Data processes and controls relevant to the actuarial valuation:* In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we, inter alia, performed the following audit procedures: • We evaluated the design and tested the operating effectiveness of the key aspects of the control environment over data integrity, including an evaluation of the effectiveness of the IT environment over the policy administration systems, together with the data extraction and conversion processes; • We performed an evaluation of the key controls over management's collection, extraction and data validation processes, which included testing of the reconciliations between the policy administration systems and the data sent to the external actuary for the actuarial valuation; and • We obtained the data pack from the external actuary and compared with the data which management has sent to the actuary for the valuation.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STATE INSURANCE COMPANY OF MAURITIUS LTD

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Key Audit Matters	How the matters were addressed in our audit
3. Valuation of insurance contract liabilities -short term insurance	
The valuation of general insurance loss reserves involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Group uses a range of actuarial methodologies to estimate these provisions. General insurance loss reserves require significant judgment relating to factors and assumptions such as inflation, claims development patterns and regulatory changes. Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, some catastrophic events can be more complex to model using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves. Refer to Note 15 to the consolidated financial statements. Given its complexity and significance the valuation of insurance contract liabilities-short term insurance has been considered as a Key Audit Matter.	We obtained an understanding, evaluated the design and tested the operating effectiveness of selected key controls over the claims estimation process including Incurred But Not Reported (IBNR). In particular, we tested the controls over the integrity of data and the assumptions setting and governance processes used by management related to the valuation of general insurance reserves. In relation to the particular matters set out above, our substantive testing procedures included the following: • We reviewed the documentation around outstanding claims which are high in value and involving longer settlement periods and tested management best estimates of the settlement outcome. Where appropriate we obtained legal confirmation to corroborate management's assessment. • We tested the completeness and accuracy of underlying claims data that are sent to the actuary in estimating general insurance loss reserves. This includes the testing of information sent to the actuary for the determination of IBNR; • We evaluated the actuarial assumptions used by management based on the analysis of the experience to date, industry practice and the financial and regulatory requirements; • With the support of our internal specialist, we tested the assumptions, inputs and formulas used in the IBNR model. This included assessing the appropriateness of model design, formulas used, recalculating the IBNR based on management's model. • We evaluated management's methodology and assumptions against actuarial practices and industry standards; and We evaluated whether the actuary has the relevant expertise and experience in this field.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STATE INSURANCE COMPANY OF MAURITIUS LTD

Report on the Audit of the Financial Statements (cont'd)

Other Information

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

Our opinion on the financial statements does not cover the other information (except the Corporate Governance Report) and we do not express any form of assurance conclusion thereon.

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

Corporate Governance Report

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Report on the Audit of the Financial Statements (cont'd)

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

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

- 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 and the Company to express an opinion on the Group and Company 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001

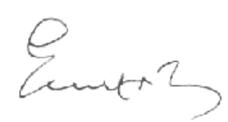
We have no relationship with or interests in the Company other than in our capacity as auditors, tax advisors and dealings in the ordinary course of business.

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

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

Insurance Act 2005

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



ERNST & YOUNG
Ebène, Mauritius

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

Date: 23 September 2019

STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	GROUP 2019 Rs'000	GROUP 2018 Rs'000	COMPANY 2019 Rs'000	COMPANY 2018 Rs'000
NON-CURRENT ASSETS					
Property, plant and equipment	6	**320,031**	317,630	**291,247**	290,049
Investment properties	7	**1,391,440**	1,367,700	**1,404,100**	1,380,100
Intangible assets	8	**30,351**	34,745	**21,383**	25,151
Statutory deposits	10	**-**	13,943	**-**	6,001
Investments in subsidiaries	9	**-**	-	**565,628**	565,628
Other financial assets	10 (a)	**-**	11,237,352	**-**	10,912,859
Fixed Deposits	10 (b)	**-**	1,274,121	**-**	127,708
Financial investments	10				
Measured at FVOCI	10 (c)	**1,919,262**	-	**1,780,848**	-
Measured at FVTPL	10 (d)	**3,054,624**	-	**3,702,548**	-
Debt instrument at amortised cost	10 (e)	**6,909,704**	-	**6,053,918**	-
Loans and advances:					
Finance lease receivables	12(a)	**426,988**	331,360	**-**	-
Mortgage and other loans	12(b)	**1,337,086**	1,427,323	**1,324,096**	1,416,794
Deferred tax assets	13	**22,065**	14,628	**-**	-
		15,411,551	16,018,802	**15,143,768**	14,724,290
CURRENT ASSETS					
Other financial assets	10 (a)	**-**	474,429	**-**	327,297
Fixed Deposits	10 (b)	**-**	1,488,438	**-**	193,118
Financial investments	10				
Debt Instrument at amortised cost	10 (e)	**3,534,448**	-	**1,395,362**	-
Loans and advances:					
Finance lease receivables	12(a)	**149,492**	120,525	**-**	-
Mortgage and other loans	12(b)	**94,920**	93,193	**94,332**	89,808
Insurance and other receivables	14	**777,396**	563,744	**520,053**	452,832
Reinsurance assets	15(a)	**462,076**	537,639	**-**	-
Current tax assets	18(a)	**224**	74	**-**	-
Cash and cash equivalents		**474,420**	374,334	**185,661**	166,329
		5,492,976	3,652,376	**2,195,408**	1,229,384
Assets held for sale	11	**11,929**	13,627	**11,929**	13,627
		5,504,905	3,666,003	**2,207,337**	1,243,011
CURRENT LIABILITIES					
Insurance contract liabilities	15(a)	**727,741**	776,672	**-**	-
Borrowings	16	**24,846**	23,790	**83,335**	77,263
Trade and other payables	17	**649,498**	508,508	**350,663**	336,506
Current tax liabilities	18(a)	**45,717**	24,839	**37,761**	22,289
Deposits	19	**359,248**	524,419	**-**	-
Bank overdraft		**82,081**	93,433	**74,211**	93,433
		1,889,131	1,951,661	**545,970**	529,491
NET CURRENT ASSETS		**3,615,774**	1,714,342	**1,661,367**	713,520
		19,027,325	17,733,144	**16,805,135**	15,437,810
CAPITAL AND RESERVES					
Stated capital	20	**70,000**	70,000	**70,000**	70,000
Reserves	21	**5,965,204**	5,577,048	**5,242,535**	4,828,155
Equity attributable to equity holders of the parent		**6,035,204**	5,647,048	**5,312,535**	4,898,155
Non-controlling interests		**4,657**	4,657	**-**	-
TOTAL EQUITY		**6,039,861**	5,651,705	**5,312,535**	4,898,155
TECHNICAL PROVISIONS					
Life assurance funds	29	**10,768,439**	9,889,716	**10,768,439**	9,889,716
		10,768,439	9,889,716	**10,768,439**	9,889,716
NON-CURRENT LIABILITIES					
Borrowings	16	**35,317**	39,411	**169,270**	231,853
Deposits	19	**1,483,504**	1,644,418	**-**	-
Deferred tax liabilities	13	**4,854**	29,920	**4,854**	29,920
Employee benefit obligations	22	**695,350**	477,974	**550,037**	388,166
		2,219,025	2,191,723	**724,161**	649,939
		19,027,325	17,733,144	**16,805,135**	15,437,810

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

SALEMOHAMED M Y
Chairman

ACHARUZ A
Director

The notes on pages 86 to 186 form an integral part of these financial statements
Auditors' report on pages 72 to 77

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	GROUP Shareholders' Fund 2019 Rs'000	Life Fund 2019 Rs'000	Total 2019 Rs'000	Shareholders' Fund 2018 Rs'000	Life Fund 2018 Rs'000	Total 2018 Rs'000
Gross premiums	23 & 29	**968,637**	**2,382,165**	**3,350,802**	778,389	2,145,062	2,923,451
Premiums ceded to reinsurers	23 & 29	**(499,150)**	**(153,188)**	**(652,338)**	(366,681)	(147,198)	(513,879)
Net Premium		**469,487**	**2,228,977**	**2,698,464**	411,708	1,997,864	2,409,572
Revenue from contract with customers	24	**496,660**	**-**	**496,660**	-	-	-
Interest revenue on financial assets measured at EIR	25	**217,492**	**437,801**	**655,293**	-	-	-
Interest expenses on financial liabilities measured at EIR	28	**(81,428)**	**-**	**(81,428)**	-	-	-
Net interest income		**136,064**	**437,801**	**573,865**	-	-	-
Fees and commission income	23 & 29	**63,258**	**34,065**	**97,323**	49,159	23,333	72,492
Investment and other income	25	**-**	**-**	**-**	873,261	529,279	1,402,540
Other operating income	25	**229,400**	**142,020**	**371,420**	23,107	28,186	51,293
Net gains on financial assets at FVTPL		**27,467**	**116,548**	**144,015**	-	-	-
Net Impairment loss on financial assets	2.2	**2,218**	**8,383**	**10,601**	-	-	-
		322,343	**301,016**	**623,359**	945,527	580,798	1,526,325
Total revenue		**1,424,554**	**2,967,794**	**4,392,348**	1,357,235	2,578,662	3,935,897
Gross benefits and claims paid		**(619,150)**	**(1,698,016)**	**(2,317,166)**	(358,089)	(1,875,588)	(2,233,677)
Claim ceded to reinsurers		**321,496**	**55,553**	**377,049**	83,115	113,620	196,735
Gross change in contract liabilities		**133,648**	**-**	**133,648**	(104,441)	-	(104,441)
Change in contract liabilities ceded to reinsurers		**(122,018)**	**-**	**(122,018)**	121,971	-	121,971
Net benefits and claims		**(286,024)**	**(1,642,463)**	**(1,928,487)**	(257,444)	(1,761,968)	(2,019,412)
Finance costs	28	**-**	**-**	**-**	(103,848)	-	(103,848)
Commission and brokerage fees paid	23 & 29	**(54,824)**	**(71,773)**	**(126,597)**	(41,305)	(67,539)	(108,844)
Other operating and administrative expenses	27 & 29	**(487,615)**	**(243,739)**	**(731,354)**	(453,219)	(242,278)	(695,497)
Other expenses		**(542,439)**	**(315,512)**	**(857,951)**	(598,372)	(309,817)	(908,189)
Total Benefits, claims and other expenses		**(828,463)**	**(1,957,975)**	**(2,786,438)**	(855,816)	(2,071,785)	(2,927,601)
Surplus of Shareholders' Fund and Life Assurance Fund		**596,091**	**1,009,819**	**1,605,910**	501,419	506,877	1,008,296
Transfer from Life Assurance Fund	26 & 29	**43,373**	**(43,373)**	**-**	35,827	(35,827)	-
PROFIT/SURPLUS BEFORE TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		**639,464**	**966,446**	**1,605,910**	537,246	471,050	1,008,296
Taxation	18	**(59,503)**	**(25,595)**	**(85,098)**	(69,411)	(13,646)	(83,057)
PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		**579,961**	**940,851**	**1,520,812**	467,835	457,404	925,239
Less profit attributable to Life Assurance Fund	29			**(940,851)**			(457,404)
PROFIT ATTRIBUTABLE TO THE GROUP FOR THE YEAR				**579,961**			467,835
Profit for the year attributable to:-							
Equity holders of the parent				**579,677**			467,624
Non-controlling interests				**284**			211
				579,961			467,835

The notes on pages 86 to 186 form an integral part of these financial statements
Auditors' report on pages 72 to 77

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2019

		COMPANY					
	Notes	Shareholders' Fund 2019	Life Fund 2019	Total 2019	Shareholders' Fund 2018	Life Fund 2018	Total 2018
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Gross premiums	23 & 29	-	2,382,165	2,382,165	-	2,145,062	2,145,062
Premiums ceded to reinsurers	29	-	(153,188)	(153,188)	-	(147,198)	(147,198)
Net Premium		-	2,228,977	2,228,977	-	1,997,864	1,997,864
Revenue from contract with customers	24	424,939	-	424,939	-	-	-
Interest revenue on financial assets measured at EIR	25	76,184	429,991	506,175	-	-	-
Interest expenses on financial liabilities measured at EIR	28	(22,575)	-	(22,575)	-	-	-
Net interest income		53,609	429,991	483,600	-	-	-
Fees and commission income	23 & 29	-	34,065	34,065	-	23,333	23,333
Investment and other income	25	-	-	-	739,203	482,342	1,221,545
Other operating income	25	328,640	75,073	403,713	8,846	26,552	35,398
Net gains on financial assets at fair value through profit or loss		51,333	176,764	228,097	-	-	-
Net Impairment loss on financial assets	2.2	504	8,532	9,036	-	-	-
		380,477	294,434	674,911	748,049	532,227	1,280,276
Total revenue		859,025	2,953,402	3,812,427	748,049	2,530,091	3,278,140
Gross benefits and claims paid	29	-	(1,698,012)	(1,698,012)	-	(1,875,588)	(1,875,588)
Claim ceded to reinsurers	29	-	55,553	55,553	-	113,620	113,620
Net benefits and claims		-	(1,642,459)	(1,642,459)	-	(1,761,968)	(1,761,968)
Finance costs	28	-	-	-	(27,117)	-	(27,117)
Commission and brokerage fees paid	29	-	(71,773)	(71,773)	-	(67,539)	(67,539)
Other operating and administrative expenses	27	(292,370)	(220,741)	(513,111)	(261,060)	(220,239)	(481,299)
Other expenses		(292,370)	(292,514)	(584,884)	(288,177)	(287,778)	(575,955)
Total Benefits, claims and other expenses		(292,370)	(1,934,973)	(2,227,343)	(288,177)	(2,049,746)	(2,337,923)
Surplus of Shareholders' Fund and Life Assurance Fund		566,655	1,018,429	1,585,084	459,872	480,345	940,217
Transfer from Life Assurance Fund	26 & 29	43,373	(43,373)	-	35,827	(35,827)	-
PROFIT/SURPLUS BEFORE TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		610,028	975,056	1,585,084	495,699	444,518	940,217
Taxation	18	(40,713)	(25,595)	(66,308)	(59,034)	(13,646)	(72,680)
PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		569,315	949,461	1,518,776	436,665	430,872	867,537
Less profit attributable to Life Assurance Fund	29			(949,461)			(430,872)
PROFIT ATTRIBUTABLE TO THE COMPANY FOR THE YEAR				569,315			436,665

The notes on pages 86 to 186 form an integral part of these financial statements
Auditors' report on pages 72 to 77

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		GROUP					
	Notes	Shareholders' Fund 2019	Life Fund 2019	Total 2019	Shareholders' Fund 2018	Life Fund 2018	Total 2018
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		579,961	940,851	1,520,812	467,835	457,404	925,239
Other comprehensive income (OCI):							
OCI to be reclassified to profit or loss in subsequent periods:							
Exchange differences on translation of foreign operations		10,489	5,546	16,035	4,515	(1,265)	3,250
Release of fair value on disposal of available-for-sale investments		-	-	-	(24,865)	(37,105)	(61,970)
Net fair value gains on available-for-sale investments		-	-	-	50,154	196,067	246,221
Net OCI to be reclassified to profit or loss in subsequent periods	21(g)	10,489	5,546	16,035	29,804	157,697	187,501
OCI not to be reclassified to profit or loss in subsequent periods:							
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	21(g)	124,448	(45,415)	79,033	-	-	-
Remeasurement of defined benefit obligations	21(g)	(155,567)	-	(155,567)	(125,043)	-	(125,043)
Gain on revaluation of buildings	21(g)	-	-	-	(874)	-	(874)
Net OCI not to be reclassified to profit or loss in subsequent periods		(31,119)	(45,415)	(76,534)	(125,917)	-	(125,917)
Other comprehensive income for the year, net of tax		(20,630)	(39,869)	(60,499)	(96,113)	157,697	61,584
TOTAL COMPREHENSIVE INCOME		559,331	900,982	1,460,313	371,722	615,101	986,823
Less comprehensive income attributable to Life Assurance Fund				(900,982)			(615,101)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE GROUP FOR THE YEAR				559,331			371,722
Total comprehensive income for the year attributable to:-							
Owners of the parent				559,090			371,560
Non-controlling interests				241			162
				559,331			371,722

The notes on pages 86 to 186 form an integral part of these financial statements
Auditors' report on pages 72 to 77

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	COMPANY					
		Shareholders' Fund 2019	Life Fund 2019	Total 2019	Shareholders' Fund 2018	Life Fund 2018	Total 2018
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		**569,315**	**949,461**	**1,518,776**	436,665	430,872	867,537
Other comprehensive income (OCI):							
OCI to be reclassified to profit or loss in subsequent periods:							
Release of fair value on disposal of available-for-sale investments		-	-	-	(7,332)	(18,806)	(26,138)
Net fair value gains on available-for-sale investments		-	-	-	53,763	203,035	256,798
Net OCI to be reclassified to profit or loss in subsequent periods	21(g)	-	-	-	46,431	184,229	230,660
OCI not to be reclassified to profit or loss in subsequent periods:		-					
Revaluation gains on equity instruments at fair value through other comprehensive income	21(g)	**126,527**	**(48,509)**	**78,018**	-	-	-
Remeasurement of defined benefit obligations	21(g)	**(113,752)**	-	**(113,752)**	(104,342)	-	(104,342)
Gain on revaluation of buildings	21(g)	-	-	-	(874)	-	(874)
Net OCI not to be reclassified to profit or loss in subsequent periods		**12,775**	**(48,509)**	**(35,734)**	(105,216)	-	(105,216)
Other comprehensive income for the year, net of tax		**12,775**	**(48,509)**	**(35,734)**	(58,785)	184,229	125,444
TOTAL COMPREHENSIVE INCOME		**582,090**	**900,952**	**1,483,042**	377,880	615,101	992,981
Less comprehensive income attributable to Life Assurance Fund				**(900,952)**			(615,101)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY FOR THE YEAR				**582,090**			377,880

The notes on pages 86 to 186 form an integral part of these financial statements
Auditors' report on pages 72 to 77

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Stated Capital	Retained Earnings	Properties Revaluation Reserve	Investments Revaluation Reserve	Actuarial Losses	Other Reserve	General Banking 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	Rs'000
GROUP												
Balance at 1 July 2018		**70,000**	**5,395,605**	**142,381**	**263,929**	**(330,169)**	**49,936**	-	**55,366**	**5,647,048**	**4,657**	**5,651,705**
Impact of adopting IFRS 9, net of impact attributable to the Life Fund	2.2	-	**371,319**	-	**(381,354)**	-	-	**2,601**	-	**(7,434)**	-	**(7,434)**
Restated opening balance under IFRS 9		**70,000**	**5,766,924**	**142,381**	**(117,425)**	**(330,169)**	**49,936**	**2,601**	**55,366**	**5,639,614**	**4,657**	**5,644,271**
Transfer on derecognition of financial assets at FVOCI	10(c)	-	**250**	-	-	-	-	-	-	**250**	-	**250**
Profit for the year		-	**579,677**	-	-	-	-	-	-	**579,677**	**284**	**579,961**
Other comprehensive income for the year		-	-	-	**124,448**	**(155,524)**	-	-	**10,489**	**(20,587)**	**(43)**	**(20,630)**
Total comprehensive income for the year		-	**579,927**	-	**124,448**	**(155,524)**	-	-	**10,489**	**559,340**	**241**	**559,581**
Transfer from/ (to) reserve	21(f)	-	**(4,256)**	-	-	-	**4,256**	-	-	-	-	-
Dividend paid	31	-	**(163,750)**	-	-	-	-	-	-	**(163,750)**	**(241)**	**(163,991)**
Balance at 30 June 2019		**70,000**	**6,178,845**	**142,381**	**7,023**	**(485,693)**	**54,192**	**2,601**	**65,855**	**6,035,204**	**4,657**	**6,039,861**
Balance at 1 July 2017 (as previously stated)		70,000	5,087,507	143,255	238,940	(205,178)	46,777	-	50,851	5,432,152	4,674	5,436,826
Adjustment		-	-	-	(300)	-	-	-	-	(300)	-	(300)
Balance at 1 July 2017 (as restated)		70,000	5,087,507	143,255	238,640	(205,178)	46,777	-	50,851	5,431,852	4,674	5,436,526
Profit for the year (as restated)		-	467,624	-	-	-	-	-	-	467,624	211	467,835
Other comprehensive income for the year		-	-	(874)	25,289	(124,991)	-	-	4,515	(96,061)	(49)	(96,110)
Total comprehensive income for the year		-	467,624	(874)	25,289	(124,991)	-	-	4,515	371,563	162	371,725
Transfer from/ (to) reserve	21(f)	-	(3,159)	-	-	-	3,159	-	-	-	-	-
Dividend paid	31	-	(156,367)	-	-	-	-	-	-	(156,367)	(179)	(156,546)
Balance at 30 June 2018		70,000	5,395,605	142,381	263,929	(330,169)	49,936	-	55,366	5,647,048	4,657	5,651,705

The notes on pages 86 to 186 form an integral part of these financial statements
Auditors' report on pages 72 to 77

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	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 2018		**70,000**	**4,577,619**	**141,484**	**379,006**	**(269,954)**	**4,898,155**
Impact of adopting IFRS 9, net of impact attributable to the Life Fund	2.2	**-**	**246,503**	**-**	**(250,713)**	**-**	**(4,210)**
Restated opening balance under IFRS 9		**70,000**	**4,824,122**	**141,484**	**128,293**	**(269,954)**	**4,893,945**
Transfer on derecognition of financial assets at FVOCI	10(c)	**-**	**250**	**-**	**-**	**-**	**250**
Profit for the year		**-**	**569,315**	**-**	**-**	**-**	**569,315**
Other comprehensive income for the year		**-**	**-**	**-**	**126,527**	**(113,752)**	**12,775**
Total comprehensive income for the year		**-**	**569,565**	**-**	**126,527**	**(113,752)**	**582,340**
Dividend paid	31	**-**	**(163,750)**	**-**	**-**	**-**	**(163,750)**
Balance at 30 June 2019		**70,000**	**5,229,937**	**141,484**	**254,820**	**(383,706)**	**5,312,535**
Balance at 1 July 2017 (as previously stated)		70,000	4,297,321	142,358	332,875	(165,612)	4,676,942
Adjustment		-	-	-	(300)	-	(300)
Balance at 1 July 2017 (as restated)		70,000	4,297,321	142,358	332,575	(165,612)	4,676,642
Profit for the year		-	436,665	-	-	-	436,665
Other comprehensive income for the year		-	-	(874)	46,431	(104,342)	(58,785)
Total comprehensive income for the year		-	436,665	(874)	46,431	(104,342)	377,880
Dividend paid	31	-	(156,367)	-	-	-	(156,367)
Balance at 30 June 2018		70,000	4,577,619	141,484	379,006	(269,954)	4,898,155

The notes on pages 86 to 186 form an integral part of these financial statements
Auditors' report on pages 72 to 77

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations (note 32)	**731,087**	417,822	**720,803**	439,122
Interest and dividend received	**1,062,515**	648,438	**648,292**	587,953
Interest paid	**(97,705)**	(116,862)	**(22,576)**	(21,846)
Income tax paid	**(63,467)**	(40,305)	**(49,647)**	(42,892)
Contribution paid	**(23,505)**	(24,243)	**(17,309)**	(17,555)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,608,925**	884,850	**1,279,563**	944,782
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets	**(4,508)**	(6,491)	**(2,631)**	(5,238)
Purchase of property, plant and equipment	**(30,530)**	(30,241)	**(24,022)**	(28,096)
Proceed from disposal of property, plant and equipment	**3,938**	909	**1,240**	-
Purchase of other financial assets	**(4,403,978)**	(2,159,088)	**(1,870,184)**	(1,534,370)
Proceeds from disposal or maturity of other financial assets	**3,447,709**	1,021,469	**788,849**	429,062
Acquisition of foreclosed properties	**-**	(1,900)	**-**	(1,900)
Proceeds from disposal of foreclosed properties	**1,681**	2,570	**771**	2,570
Mortgage and other loans granted during the year	**(228,367)**	(268,657)	**(224,278)**	(263,921)
Mortgage and other loans repayment received during the year	**307,751**	403,368	**303,351**	393,368
Net payment in relation to investment properties	**6,157**	(1,440)	**6,157**	(1,440)
Addition to fixed deposits during the year	**-**	(1,769,552)	**-**	(45,764)
Fixed deposits matured during the year	**-**	2,335,611	**-**	262,744
Leases granted during the year	**(263,672)**	(179,171)	**-**	-
Leases repayments received during the year	**143,170**	158,419	**-**	-
NET CASH USED IN FROM INVESTING ACTIVITIES	**(1,020,649)**	(494,194)	**(1,020,747)**	(792,985)
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings taken during the year	**22,157**	21,249	**22,157**	21,249
Borrowings repaid during the year	**(25,196)**	(23,165)	**(78,669)**	(72,053)
Dividend paid	**(163,991)**	(156,546)	**(163,750)**	(156,367)
Deposits from customers - net	**(309,808)**	(281,869)	**-**	-
NET CASH USED IN FINANCING ACTIVITIES	**(476,838)**	(440,331)	**(220,262)**	(207,171)
Net increase/(decrease) in cash and cash equivalents	**111,438**	(49,675)	**38,554**	(55,374)
CASH AND CASH EQUIVALENTS AT 1 JULY	**280,901**	330,576	**72,896**	128,270
CASH AND CASH EQUIVALENTS AT 30 JUNE	**392,339**	280,901	**111,450**	72,896
CASH AND CASH EQUIVALENTS				
Bank and cash balances	**474,420**	374,334	**185,661**	166,329
Bank overdraft	**(82,081)**	(93,433)	**(74,211)**	(93,433)
	392,339	280,901	**111,450**	72,896

The notes on pages 86 to 186 form an integral part of these financial statements
Auditors' report on pages 72 to 77

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, investment and management activities.

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 have been prepared under the historical cost convention, except that:

(i) buildings are measured at fair value;
(ii) investment properties are measured at fair value;
(iii) financial assets at fair value through profit or loss;
(iv) financial assets at fair value through OCI; and
(v) non-current assets held-for-sale are measured at the lower of carrying amount and fair value less cost to sell.

The financial statements are presented in Mauritian Rupees (Rs) and all values are rounded to the nearest thousand (Rs'000), except when otherwise indicated.

As required by IAS 1 Presentation of financial statements and IFRS 4 Insurance Contract, the Company has disclosed the results of the life fund on the face of the statement of profit or loss and other comprehensive income that will help the users of the financial statements to understand the amounts disclosed in the financial statements that arises from insurance contracts.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board (IASB) and comply with the Companies Act 2001.

Basis of consolidation

The financial statements comprise the financial statements of the Company and its subsidiaries referred to as the "Group" as at 30 June 2019. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of consolidation (cont'd)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in these financial statements are consistent with those of the previous financial year except for the following new and amended IFRS adopted during the year starting 1 July 2018:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective as from 1 January 2018. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The impairment requirements are significant changes in the accounting for financial instruments that have an impact on the Group.

The Group has not restated comparatives on initial application of IFRS 9 on 1 July 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial Instruments: Disclosures. Any change in the carrying value of financial instruments upon initial application of IFRS 9 will be recognised against retained earnings.

The impact of adopting IFRS 9 is disclosed below.

The nature of these adjustments is described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

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

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

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

The Group has investment in collective investment schemes and were classified as available-for-sale investments under IAS 39. For the purpose of IFRS 9, investment in redeemable preference shares issued by the collective investment scheme are debt instruments under IAS 32. These instruments are managed on a fair value basis and would fail the SPPI test to be classified as debt instrument at amortised cost. Consequently, these instruments are classified as financial assets at fair value through profit or loss.

Trade and other receivables (excluding prepayments, premium receivables and interest receivable), deposits and cash and cash equivalents were classified as 'Loans and receivables' as at 30 June 2018 were held to collect contractual cash flows and gave rise to cash flows representing solely payments of principal and interest. These were classified and measured as debt instruments at amortised cost beginning 1 July 2018. Premium receivable are within the scope of IFRS 4 for recognition and measurement and are outside the scope of IFRS 9.

The accounting for financial liabilities is largely unchanged.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

IFRS 9 Financial Instruments (cont'd)

(b) Impairment

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

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

Exposures would be classified into 3 stages as follows:

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

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

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

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

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

Upon adoption of IFRS 9, the Group and Company recognised an impairment on the financial assets of Rs 27,561,000 and Rs 24,094 000 respectively which resulted in a decrease in retained earnings of Rs 27,561,000 and Rs 24,094,000 as at 1 July 2018. The other receivables are very short term in nature and are receivable from related party. As a result, the credit risk was assessed to be very low and ECL assessed to be insignificant. Similarly, the cash at bank is maintained with reputable financial institutions and given that the bank balances are highly liquid, the credit risk has been assessed to be very low and ECL to be insignificant.

A reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9 is set out below.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

IFRS 9 Financial Instruments (cont'd)

IMPACT OF ADOPTION OF IFRS 9 ON STATEMENT OF FINANCIAL POSITION

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

	GROUP							
	Original classification IAS 39			IFRS 9 Classification	Remeasurement		IFRS 9	
	Notes	Category	Amount	Amount	ECL	Other	Amount	Category
			Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	
From								
Held-to-maturity		HTM	5,877,422	(5,877,422)			-	
To								
Debt instruments	A		-	5,877,422	(3,575)	-	5,873,847	AC
			5,877,422	-	(3,575)	-	5,873,847	
From								
Available for sale		AFS	5,197,688	(5,197,688)	-	-	-	
To								
Financial asset at fair value through OCI	B		-	4,388,675	-	-	4,388,675	FVOCI
Financial asset at fair value through profit and loss	C		-	213,340	-	-	213,340	FVTPL
Financial asset at amortised cost	D		-	595,673	(560)	(531)	594,582	AC
			5,197,688	-	(560)	(531)	5,196,597	
From								
Loan receivables		L&R	637,164	(637,164)	-	-	-	
To								
Financial asset at amortised cost	E		-	637,164	(360)	-	636,804	AC
			637,164	-	(360)	-	636,804	
Leases			451,885	-	2,599	-	454,484	AC
Statutory deposits			13,943	-	-	1,391	15,334	AC
Deposits		L&R	2,762,061	-	(5,657)	-	2,756,404	AC
Cash and cash equivalents		L&R	374,334	-	-	-	374,334	AC
Other receivables		L&R	234,546	(488)	-	(2,793)	231,265	AC
Mortgage and other loans			1,520,516	-	(20,008)	-	1,500,508	AC
			5,357,285	(488)	(23,066)	(1,402)	5,332,329	
			17,069,559	(488)	(27,561)	(1,933)	17,039,577	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

IFRS 9 Financial Instruments (cont'd)

IMPACT OF ADOPTION OF IFRS 9 ON STATEMENT OF FINANCIAL POSITION

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

	COMPANY							
	Original classification IAS 39			IFRS 9 Classification	Remeasurement		IFRS 9	
	Notes	Category	Amount	Amount	ECL	Other	Amount	Category
			Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	
From								
Held-to-maturity		HTM	5,009,590	(5,009,590)	-	-	-	
To								
Debt instruments at amortised cost	A		-	5,009,590	(2,835)	-	5,006,755	AC
			5,009,590	-	(2,835)	-	5,006,755	
From								
Available for sale		AFS	5,593,402	(5,593,402)	-	-	-	
To								
Financial asset at fair value through OCI	B		-	1,586,424	-	-	1,586,424	FVOCI
Financial asset at fair value through profit and loss	C		-	3,464,719	-	-	3,464,719	FVTPL
Debt instruments at amortised cost	D		-	542,259	(496)	(456)	541,307	AC
			5,593,402	-	(496)	(456)	5,592,450	
From								
Loan receivables		L&R	637,164	(637,164)	-	-	-	
To								
Debt instruments at amortised cost	E		-	637,164	(360)	-	636,804	AC
			637,164	-	(360)	-	636,804	
Statutory deposits			6,001	-	-	903	6,904	AC
Deposits		L&R	320,826	-	(406)	-	320,420	AC
Cash and cash equivalents		L&R	166,329	-	-	-	166,329	AC
Other receivables		L&R	318,118	-	-	(2,793)	315,325	AC
Mortgage and other loans			1,506,602	-	(19,997)	-	1,486,605	AC
			2,317,876	-	(20,403)	(1,890)	2,295,583	
			13,558,032	-	(24,094)	(2,346)	13,531,592	

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

IFRS 9 Financial Instruments (cont'd)

The abbreviations used above are defined as follows; AC (Amortised Cost), FVOCI (Fair Value through Other Comprehensive Income) and FVTPL (Fair Value through Profit and Loss).

Note A
These are debt instruments that were classified as held-to-maturity. On adoption of IFRS 9, the business model adopted by the Group and Company for these instruments is to hold to collect contractual cash till their maturities. The debt instruments were classified as amortised cost on adoption of IFRS 9.

Note B
These are quoted/unquoted equity securities not held-for-trading and that were classified as available for sale. On adoption of IFRS 9, the Group and Company have made an irrevocable election to classify these as financial assets at fair value through OCI with no recycling.

Note C
These are investments in mutual funds and Collective investment schemes and were classified as available for sale investments. On adoption of IFRS 9 these instruments were assessed as debt instruments but that failed the SPPI test and consequently were classified as financial assets measured at FVTPL. The cumulative gain of Rs 2,374,829,000 for the Group and Rs 1,455,579,000 for the Company were reclassified from available for sale reserve to retained earning following the change in classification.

Note D
These are quoted debt instruments that were classified as available for sale. On adoption of IFRS 9, the business model adopted by the Company for these instruments is to hold to collect contractual cash till their maturities. The debt instruments were classified as amortised cost on adoption of IFRS 9. The fair value of those instrument at 30 June 2019 amounted to Rs 594,828,000 and Rs 541,446,357 for the Group and the Company respectively. The fair value loss Rs 845,000 and Rs 812,000 for the Group and the Company respectively.

Note E
These are financial instruments that were classified as loan and receivables. On adoption of IFRS 9, the business model adopted by the Company for these instruments is to hold to collect contractual cash till their maturities. The debt instruments were classified as amortised cost on adoption of IFRS 9.

IMPACT OF ADOPTION OF IFRS 9 ON RETAINED EARNINGS AND OTHER RESERVE

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

	GROUP		
	Shareholders' Fund	Life Fund	Total
	Rs'000	Rs'000	Rs'000
Revaluation Reserves:			
Fair value reserve closing balance under IAS 39 (30 June 2018)	263,929	1,881,088	2,145,017
Reclassification of investment securities/collective invesment schemes from available for sale to FVTPL	(380,589)	(1,994,720)	(2,375,309)
Reclassification of debt securities from available for sale to debt securities at amortised cost	(765)	(1,367)	(2,132)
Opening Balance under IFRS 9 (1 July 2018)	(117,425)	(114,999)	(232,424)
Total change in revaluation reserves due to adopting IFRS 9, net of the Life Fund	(381,354)	(1,996,087)	2,377,441

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

IMPACT OF ADOPTION OF IFRS 9 ON RETAINED EARNINGS AND OTHER RESERVE (CONT'D)

	GROUP		
	Shareholders' Fund	Life Fund	Total
	Rs'000	Rs'000	Rs'000
Retained Earnings:			
Closing balance under IAS 39 (30 June 2018)	5,395,605	8,008,630	13,404,235
Reclassification of investment securities/collective invesment schemes from available for sale to FVTPL	374,672	1,994,240	2,368,912
Reclassification of in relation to adoption of IFRS9:			
From investment revaluation reserves	5,917	-	5,917
To general banking reserves	(2,601)	-	(2,601)
Recognition of IFRS 9 ECL including those measured at AC	(6,466)	(3,686)	(10,152)
Recognition of IFRS 9 ECL on leases	2,599	-	2,599
Recognition of IFRS 9 ECL on loans and advances to customers	(2,802)	(17,206)	(20,008)
Opening Balance under IFRS 9 (1 July 2018)	5,766,924	9,981,978	15,748,902
Total change in retained earnings to adopting IFRS 9, net of the life fund	371,319	1,973,348	2,344,667
Total change in the Life fund, Note 29	-	22,259	-

	COMPANY		
	Shareholders' Fund	Life Fund	Total
	Rs'000	Rs'000	Rs'000
Revaluation Reserves:			
Closing balance under IAS 39 (30 June 2018)	379,006	1,881,088	2,260,094
Reclassification of available for sale reserve on change in classification of available for sale of financial assets to financial assets FVTPL	(250,035)	(1,205,544)	(1,455,579)
Reclassification of debt securities from available for sale to debt securities	(679)	(1,667)	(2,346)
Opening balance under IFRS 9 (1 July 2018)	128,292	673,877	802,169
Total change in revaluation reserves due to adopting IFRS 9, net of the Life Fund	(250,714)	(1,207,211)	(1,457,925)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

IMPACT OF ADOPTION OF IFRS 9 ON RETAINED EARNINGS AND OTHER RESERVE (CONT'D)

	COMPANY		
	Shareholders' Fund	Life Fund	Total
	Rs'000	Rs'000	Rs'000
Retained earnings:			
Closing balance under IAS 39 (30 June 2018)	4,577,619	8,008,630	12,586,249
Reclassification of available for sale reserve on change in classification of available for sale of financial assets to financial assets FVTPL	250,035	1,205,544	1,455,579
Recognition of IFRS 9 ECL including those measured at AC	(741)	(3,356)	(4,097)
Recognition of IFRS 9 ECL on loans and advances to customers	(2,791)	(17,206)	(19,997)
Opening Balance under IFRS 9 (1 July 2018)	4,824,122	9,193,612	14,017,734
Total change in retained earnings to adopting IFRS 9, net of the life fund	246,503	1,184,982	1,431,485
Total change in the Life fund, Note 29	-	22,229	-

	GROUP
General Banking Reserve:	Shareholders' Fund Rs'000
Reclassification in relation to adoption of IFRS 9 to Retained earnings	2,601

RECONCILIATION OF ALLOWANCES FOR CREDIT LOSSES UNDER IAS 39 AND IFRS 9

	GROUP		
	Loss Provision under IAS 39 at 30 June 2018	Re- measurement	ECLs under IFRS 9 at 1 July 2018
	Rs'000	Rs'000	Rs'000
Impairment allowances for:			
Debt instruments	-	(4,495)	(4,495)
Loans and advances to customers	(5,125)	(20,008)	(25,133)
Net Investment in Finance Leases	(8,936)	2,599	(6,337)
Other receivables	(267)	-	(267)
Deposits	-	(5,657)	(5,657)
	(14,328)	(27,561)	(41,889)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

IMPACT OF ADOPTION OF IFRS 9 ON RETAINED EARNINGS AND OTHER RESERVE (CONT'D)

RECONCILIATION OF ALLOWANCES FOR CREDIT LOSSES UNDER IAS 39 AND IFRS 9 (CONT'D)

	COMPANY		
	Loss Provision under IAS 39 at 30 June 2018	Re- measurement	ECLs under IFRS 9 at 1 July 2018
	Rs'000	Rs'000	Rs'000
Impairment allowances for:			
Debt instruments	-	(3,691)	(3,691)
Loans and advances to customers	(5,125)	(19,997)	(25,122)
Deposits	-	(406)	(406)
	(5,125)	(24,094)	(29,219)

CREDIT LOSS EXPENSE

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

	GROUP			
2019	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Shareholders' Fund				
Debt instruments	(366)	-	-	(366)
Leases	1,518	-	-	1,518
Loans and advances to customers	90	(35)	895	950
Deposits	169	-	-	169
Insurance and other receivables	(53)	-	-	(53)
	1,358	(35)	895	2,218

2019	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Life Fund				
Debt instruments	(1,459)	-	-	(1,459)
Loans and advances to customers	178	(62)	9,821	9,937
Deposits	(95)	-	-	(95)
	(1,376)	(62)	9,821	8,383

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

IMPACT OF ADOPTION OF IFRS 9 ON RETAINED EARNINGS AND OTHER RESERVE (CONT'D)

CREDIT LOSS EXPENSE (CONT'D)

	COMPANY			
2019	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
Shareholders' Fund	Rs'000	Rs'000	Rs'000	Rs'000
Debt instruments	(321)	-	-	(321)
Loans and advances to customers	98	(35)	895	958
Deposits	(133)	-	-	(133)
	(356)	(35)	895	504

2019	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
Life Fund	Rs'000	Rs'000	Rs'000	Rs'000
Debt instruments	(1,454)	-	-	(1,454)
Loans and advances to customers	178	(62)	9,821	9,937
Deposits	49	-	-	49
	(1,227)	(62)	9,821	8,532

IFRS 15 Revenue from contracts with customers

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

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

The Group has adopted IFRS 15 using the modified retrospective approach with the initial date of 1 July 2018. The cumulative effect of initial application of IFRS 15 is recognised as an adjustment to retained earnings.

Therefore, the comparative figures were not restated and continues to be reported under IAS 11, IAS 18 and related interpretations. There was no impact on the financial statements of the Group from adoption of IFRS 15. With this new standard the Group is required to give additional disclosures in these financial statements.

Revenue from services transferred over a period of time include investment management services and administrative fees.

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

The Group provides actuarial services, management services, investment management and administration services to parties within the Group and outside the Group. Revenue from contract with customers is recognised when control of the services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

IFRS 15 Revenue from contracts with customers (cont'd)

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 24.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. At the reporting dates, the Group had no contract assets.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (that is, only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 10 (Financial instruments) - initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfer services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. It is the Group's policy not to bill the customers in advance to the provision of services.

2.3 Accounting Standards and Interpretations issued but not yet effective

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

	Effective for accounting period <u>beginning on or after</u>
<u>New or revised standards</u>	
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
<u>Amendments</u>	
Long term Interests in Associates and Joint Ventures – Amendments to IAS 28	1 January 2019
Plan Amendments, Curtailment or settlement – Amendment to IAS 19	1 January 2019
AIP IFRS 3 Business Combinations – Previously held Interests in a joint operation	1 January 2019
AIP IFRS 11 Joint Arrangements – Previously held interests in Joint operation	1 January 2019
<u>New or revised standards</u>	
AIP IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity	1 January 2019
AIP IAS 23 Borrowing costs – Borrowing costs eligible for capitalization	1 January 2019
Definition of a Business – Amendments to IFRS 3	1 January 2020
Definition of Material – Amendment to IAS 1 and IAS 8	1 January 2020
The conceptual Framework for Financial Reporting	1 January 2020
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019

The new standards and interpretations listed above are not expected to have an impact on the financial statements of the Group and Company, except as disclosed below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Accounting Standards and Interpretations issued but not yet effective (cont'd)

IFRS 17 Insurance Contracts

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

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policy holder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

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

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

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

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

Temporary exemption from IFRS 9

The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 Financial Instruments: Recognition and Measurement while they defer the application of IFRS 9 until 1 January 2021 at the latest. Predominance must be initially assessed at the annual reporting date that immediately precedes 1 April 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases. Entities applying the temporary exemption will be required to make additional disclosures.

The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39 accounting for those designated financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Accounting Standards and Interpretations issued but not yet effective (cont'd)

The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets.

An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

The Group has made an assessment as to whether the Group is entitled to defer adoption of IFRS 9 until 2021. Following the assessment made at the annual reporting date that immediately precedes 1 April 2016 under the requirement of the amendments to IFRS 4, the Group determined that it cannot defer adoption of IFRS 9 and consequently IFRS 9 was adopted as from 1 July 2018.

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. This new standard is not expected to have a material impact as the Company is a lessor, however the Company expects an impact on the additional level of disclosures that will be required to be provided. The Group is still assessing the impact of this new IFRS and will adopt the standard when it is effective.

2.4 Investment in subsidiaries

Subsidiaries are all entities (over which the Company has control). The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- **Separate financial statements**

Investment in subsidiaries in the separate financial statements of the Company are carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and carrying amount is recognised in profit or loss.

- **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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Investment in subsidiaries (cont'd)

- **Consolidated financial statements (cont'd)**

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.

2.5 Foreign currencies

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. The results of subsidiaries whose functional currency is in a currency other than Mauritian Rupee are retranslated to Mauritian Rupee using the average exchange rates and balances at the reporting date are retranslated using the closing exchange rate.

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 investment 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 Equity instruments issued by the Group

Classification

Equity instruments are classified as equity in accordance with the substance of the contractual arrangement. 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.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts 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.

2.8 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 the end of the reporting period and adjusted to reflect the current best estimate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Leases

The Group as lessee

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

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.

2.10 Assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. Foreclosed properties represent seized assets acquired through auction at the Master's Bar as a result of default by client. Intention of management is to sell those assets once required conditions relating to the sale have been completed.
The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. An exception to the one-year requirement is applied in the situation where at the date an entity commits itself to a plan to sell a non-current asset it reasonably expects that others (not a buyer) will impose conditions on the transfer of the asset that will extend the period required to complete the sale, and:

(i) Actions necessary to respond to those conditions cannot be initiated until after a firm purchase commitment is obtained, and
(ii) A firm purchase commitment is highly probable within one year.

The assets are not depreciated or amortised once classified as held for sale.

Assets classified as held for sale are presented separately as current items in the statement of financial position.

2.11 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Insurance contracts (cont'd)

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

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% (2018:90%) of the DPF eligible surplus (i.e., all interest and realised gains and losses arising from the assets backing these contracts). The remaining 10% (2018:10%) accrues to the shareholders. 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. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at end of the reporting date are held within insurance contract liabilities.

(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.

2.12 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 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.

3. MANAGEMENT OF FINANCIAL AND INSURANCE RISKS

The primary objective of the Company's Enterprise Risk Management Framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has set up an Enterprise Risk Management Framework required under the Insurance (Risk Management) Rules 2016 made by the Financial Services Commission under section 130 of the Insurance Act and section 93 of the Financial Services Act 2007.

The Enterprise Risk Management Framework includes the following components:

a) A Risk Appetite Statement;
b) A Risk Management Strategy;
c) A three-year rolling business plan;
d) An Own Risk Solvency Assessment (ORSA) Framework;
e) The liquidity policy;
f) A designated risk management function; and
g) Description of the responsibilities, roles and reporting lines within the insurer for the management of material risks.

A detailed description of the Enterprise Risk Management Framework is disclosed hereunder and in the Annual Report.

The Group has established a risk management function with clear terms of reference from the board of directors and the Risk and Audit Committee. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors in line with the Three Lines of Defence Model. Lastly, an Enterprise Risk Management Framework and Policy which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place.

The board of directors approves the Company's risk management policies and meets as and when required to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

Capital management

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

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value

3. MANAGEMENT OF FINANCIAL AND INSURANCE RISKS (CONT'D)

Capital management (cont'd)

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 30 June 2019 and 2018.

The operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

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:

(c) an amount of Rs 25 million; or

(i) 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.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the Financial Services Commission (FSC). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The Group's capital management policy for its insurance is to hold sufficient capital to cover the statutory requirements based on the FSC directives, including any additional amounts required by the regulator.

For the years ended 30 June 2019 and 30 June 2018, the Group and Company have satisfied the minimum capital requirements.

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 2019 and 30 June 2018, 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.

Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

4. INSURANCE RISKS

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. Also, the Group makes use of reinsurance arrangements to reduce exposure to risk.

The Group purchases reinsurance as part of its risk mitigation programme, Reinsurance ceded is placed on both a treaty and facultative basis. Amount recoverable from reinsurers are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligation to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

A key risk for the Group is that the proceeds from its assets will not be sufficient to fund the obligations arising from its insurance. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

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.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (i.e., subrogation).

(a) *<u>Short-term insurance</u>*

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 risks accepted are as per acceptance guidelines. 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.

4. INSURANCE RISKS (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.

4.1.1 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.

GROUP

2019

Class of Business	No of claims	Gross	Reinsurance of liabilities	Total
		Rs'000	Rs'000	Rs'000
Motor	5,881	317	27,418	(27,101)
Property	112	29,311	22,436	6,875
Transport	33	46,464	45,939	525
Engineering	29	12,772	12,171	601
Accident & Health	34,390	60,011	44,663	15,348
Liability	737	54,374	56,116	(1,742)
Miscellaneous	187	8,011	6,904	1,107
Incurred but not reported (IBNR)	-	49,451	-	49,451
	41,369	260,711	215,647	45,064
Incurred but not reported (IBNR)	-	174,136	124,685	49,451

4. INSURANCE RISKS (CONT'D)

4.1.1 Concentration of insurance risk (cont'd)

(a) *Short-term insurance (cont'd)*

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

GROUP

2018

Class of Business	No of claims	Gross	Reinsurance of liabilities	Total
		Rs'000	Rs'000	Rs'000
Motor	5,240	43,175	39,879	3,296
Property	109	40,056	41,033	(977)
Transport	5	147,288	147,263	25
Engineering	35	6,578	5,511	1,067
Accident & Health	21,339	54,454	39,463	14,991
Liability	787	56,540	59,812	(3,272)
Miscellaneous	193	5,539	4,704	835
Incurred but not Reported (IBNR)	-	40,729	-	40,729
	27,708	394,359	337,665	56,694
Incurred but not reported (IBNR)	-	57,714	16,985	40,729

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. Management have assessed that the sum assured is an appropriate measure of concentration of insurance risk as the Company is exposed to an obligation representing the sum assured should an insured event occurs.

GROUP AND COMPANY

	Total Benefits Insured			
Benefits assured per life assured as at 30 June 2019	Before Reinsurance		After Reinsurance (Retained)	
Rs'000	Rs'000	%	Rs'000	%
0 –100	659,431	3	659,431	4.4
100 – 200	2,185,626	10	2,185,626	14.7
200 – 300	2,206,974	10	2,206,974	14.9
300 – 400	1,504,592	7	1,504,592	10.1
400 +	14,505,080	70	8,304,611	55.9
TOTAL	21,061,703	100	14,861,234	100

4. INSURANCE RISKS (CONT'D)

4.1.1 Concentration of insurance risk (cont'd)

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

GROUP AND COMPANY

Total Benefits Insured

Benefits assured per life assured as at 30 June 2018	Before Reinsurance		After Reinsurance (Retained)	
Rs'000	Rs'000	%	Rs'000	%
0 –100	661,159	3	661,159	4.9
100 – 200	2,181,469	11	2,181,469	16.3
200 – 300	2,194,957	11	2,194,957	16.4
300 – 400	1,485,467	8	1,480,508	11.1
400 +	12,941,509	67	6,871,984	51.3
Total	19,464,561	100	13,390,077	100

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 financial years ended 30 June 2019 and 30 June 2018. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

GROUP AND COMPANY

Annuity payable per annum per life assured as at 30 June 2019	Total annuities payable per annum	
Rs'000	**Rs'000**	**%**
0 – 10	**640**	**0.22**
10 – 20	**3,241**	**1.12**
20 – 50	**30,584**	**10.56**
50 – 100	**68,243**	**23.56**
100 – 150	**46,255**	**15.97**
More than 150	**140,755**	**48.57**
Total	**289,718**	**100**

Annuity payable per annum per life assured as at 30 June 2018	Total annuities payable per annum	
Rs'000	Rs'000	%
0 – 10	660	0.25
10 – 20	3,173	1.19
20 – 50	27,921	10.48
50 – 100	63,084	23.67
100 – 150	44,540	16.71
More than 150	127,100	47.70
Total	266,478	100

With regards to Group Assurances the Total Sum Assured is Rs 34,279,400 (2018: Rs 21,407,047,713) and the Sum Assured retained is Rs 18,351,683,716 (2018: Rs 11,848,588,093).

4. INSURANCE RISKS (CONT'D)

4.1.2 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 ensures that claims provisions are determined using the best information available of claims settlement patterns, court awards and forecast inflation. However, given the uncertainty in determining claims provision, it is likely that the final claim settlement will differ from the original liability estimate.

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

GROUP

2019	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
		Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Average claim cost	10%	**21,126**	**21,565**	**(439)**	**(364)**

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

(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.

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

4. INSURANCE RISKS (CONT'D)

4.1.2 Sources of uncertainty (cont'd)

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

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

Mortality and morbidity rates

Assumptions are based on standard industry and mortality tables adjusted for the Mauritius context, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in longevity rates will lead to an increase in the number of annuity payments to be made, which will increase the expenditure and reduce profits for the shareholders.

Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

Sensitivity analysis

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross figures. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

4. INSURANCE RISKS (CONT'D)

4.1.2 Sources of uncertainty (cont'd)

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

Sensitivity analysis (cont'd)

The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

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 indicated the level of the respective variables that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration of the variable.

GROUP AND COMPANY

Life –GPV Sensitivities test	**2019**		2018	
	Liability	**Difference**	Liability	Difference
Variables	**Rs'000**	**%**	Rs'000	%
Actual reserve	**10,529,674**	**-**	9,456,894	-
Interest rate less 1%	**11,323,572**	**7.5**	10,100,543	6.8
Mortality plus 10%	**10,634,260**	**1.0**	9,532,830	0.8
Lapse plus 10%	**10,467,603**	**-0.6**	9,421,935	-0.4
Expenses plus 10%	**10,566,984**	**0.4**	9,509,094	0.6
Inflation plus 1%	**10,560,106**	**0.3**	9,488,451	0.3

4.1.3 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.

4.1.4 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.

4. INSURANCE RISKS (CONT'D)

4.1.4 Claims development table (cont'd)

Financial year of loss

	Prior	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**	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	-	90,666	145,249	133,442	120,076	90,867	114,745	126,789	122,660	159,841	183,423	199,785	232,760	**267,861**	1,988,164
One year later	-	18,801	26,912	31,722	14,906	10,135	6,090	3,600	7,033	18,112	23,856	23,559	30,966		215,692
Two years later	-	(787)	(2,143)	584	211	3,095	535	2,962	(1,626)	(1,835)	(3,938)	(7,470)			(10,412)
Three years later	-	872	(1,658)	2,287	5,832	439	(2,076)	5,224	1,511	(628)	(2,535)				9,268
Four years later	-	765	(1,379)	(1,164)	4,809	3,327	1,136	5,828	(656)	(227)					12,439
Five years later	-	1,457	615	2,598	169	2,399	574	1,036	1,114						9,962
Six years later	-	(187)	1,573	441	2,362	56	1,838	6,865							12,948
Seven years later	-	641	549	2,171	(161)	834	153								4,187
Eight years later	-	(642)	197	261	(1,306)	269									(1,221)
Nine years later	-	(77)	(1,158)	3,266	189										2,220
Ten years later	-	434	623	114											1,171
Eleven years later	-	13	465												478
Twelve years later	-	(92)													(92)
Current claims paid to date	-	111,864	169,845	175,722	147,087	111,421	122,995	152,304	130,036	175,263	200,806	215,874	263,726	**267,861**	2,244,804
IBNR				915	(381)	(560)	(572)	213	(2,088)	(3,108)	242	959	13,087	**40,744**	49,451
Outstanding reported	279	20	237	2,030	876	2,451	3,823	(26,194)	3,749	2,831	(1,287)	(6,905)	(19,380)	**33,083**	(4,387)
Net liability	279	20	237	2,945	495	1,891	3,251	(25,981)	1,661	(277)	(1,045)	(5,946)	(6,293)	**73,827**	45,064

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5. 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 most important components of this financial risk are market risks (including foreign exchange risk, interest rate risk, equity price risk), credit risk and liquidity risk.

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

5.1 Market risks

Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are foreign currency risk, interest rate risk and equity price risk.

The Group manages these positions within an asset liability management framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts.

The principal technique of the Group's assets and liabilities management is to match assets to liabilities arising from insurance by reference to the type of benefits payable to policyholders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

(i) Foreign currency risk

The Group's financial instruments which are exposed to foreign currency risks consist mainly of deposits, insurance and other receivables 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:

Other financial assets, Fixed Deposits & Cash Deposits (Short-term & Long Term)

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
USD	**3,862,022**	3,610,686	**3,604,268**	3,363,273
GBP	**207,782**	192,929	**-**	-
EUR	**573**	533	**-**	-
MUR	**12,398,561**	11,496,411	**9,514,069**	8,364,038
	16,468,938	15,300,559	**13,118,337**	11,727,311

Short-term and long-term financial liabilities including payables, loans and borrowings

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
USD	**438**	410	**-**	-
GBP	**-**	-	**-**	-
EUR	**-**	-		-
MUR	**2,634,111**	2,833,569	**677,478**	739,055
	2,634,549	2,833,979	**677,478**	739,055

5. FINANCIAL RISKS FACTORS (CONT'D)

5.1 Market risks (cont'd)

(i) Foreign currency risk (cont'd)

Net exposure

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
USD	3,861,584	3,610,276	3,604,268	3,363,273
GBP	207,782	192,929	-	-
EUR	573	533	-	-
MUR	9,764,450	11,045,530	8,836,591	7,624,983
	13,834,389	14,849,268	12,440,859	10,988,256

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% increase or decrease of the USD, GBP and EUR against the Rupee.

		GROUP			
		2019		2018	
	Changes in variables	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
		Rs'000	Rs' 000	Rs' 000	Rs' 000
USD	+5%	193,079	193,079	180,514	180,514
	-5%	(193,079)	(193,079)	(180,514)	(180,514)
GBP	+5%	10,389	10,389	9,646	9,646
	-5%	(10,389)	(10,389)	(9,646)	(9,646)
EUR	+5%	29	29	27	27
	-5%	(29)	(29)	(27)	(27)

		COMPANY			
		2019		2018	
	Changes in variables	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
		Rs'000	Rs' 000	Rs' 000	Rs' 000
USD	+5%	180,213	180,213	168,164	168,164
	-5%	(180,213)	(180,213)	(168,164)	(168,164)

5. FINANCIAL RISKS FACTORS (CONT'D)

5.1 Market risks (cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or the future cash flows related to financial instruments will change due to a change in interest rate. The risk is also that there will be insufficient funds to fund the guaranteed payable amount especially under long term life assurance contracts. Under short-term insurance contracts liabilities are not directly sensitive to the level of market interest rates as they are contractually non- interest bearing; except in the case of bodily injury claims which are settled over long periods. Fluctuations in interest rates however impact on returns on financial instruments. This is closely monitored by management through a well-diversified portfolio of fixed income securities and equity securities.

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.

	Group 30-Jun-19 Interest receivable	Company 30-Jun-19 Interest receivable
	Rs'000	Rs'000
MUR (Floating rate fixed deposits)	8,337	81
MUR (Call deposits)	7,331	5,704
USD (Call deposits)	32	1
MUR (Floating rate Government Bonds)	19,960	19,960
MUR (Floating rate Corporate Bonds)	4,153	4,153
	39,813	29,899

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

	GROUP			
	2019		2018	
Changes in interest rate	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
	Rs'000	Rs' 000	Rs' 000	Rs' 000
+ 50 basis points	1,991	1,991	2,829	2,829
- 50 basis points	(1,991)	(1,991)	(2,829)	(2,829)

	COMPANY			
	2019		2018	
Changes in interest rate	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
	Rs'000	Rs' 000	Rs' 000	Rs' 000
+ 50 basis points	1,495	1,495	1,960	1,960
- 50 basis points	(1,495)	(1,495)	(1,960)	(1,960)

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 2019 as compared to 30 June 2018.

5. FINANCIAL RISKS FACTORS (CONT'D)

5.1 Market risks (cont'd)

(ii) Interest rate risk (cont'd)

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 increase/decrease of the rate of interest on mortgage loans which are subject to floating rate of interest.

	GROUP AND COMPANY			
	2019		2018	
Changes in interest rate	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
	Rs'000	Rs' 000	Rs' 000	Rs' 000
+ 50 basis points	4,716	4,716	4,888	4,888
- 50 basis points	(4,716)	(4,716)	(4,888)	(4,888)

(iii) Price risk

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

The price risk arises on the financial instruments held at fair value through other comprehensive income and at fair value through profit or loss.

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	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Redeemable participating share	3,020,748	2,861,746	3,702,548	3,462,239
Bonds	-	290,198	-	237,055
Equities	1,953,123	1,697,186	1,780,848	1,543,939
Total	4,973,871	4,849,130	5,483,396	5,243,233

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Increase/decrease of 5% in prices of securities Increase/decrease in other comprehensive income and equity	97,656	242,376	89,042	262,162
Increase/decrease in profit or loss	151,037	-	185,127	-

5. FINANCIAL RISKS FACTORS (CONT'D)

5.2 Credit risks

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

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 expected credit 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.

Probability of Default – PD estimation process

The PD estimation depends on the type of instruments the Group has in its portfolio. These are discussed below:

- **Government Bonds, corporate bonds, Treasury Bills, Short and Long-Term Deposits**

The Group's government bonds, corporate bonds, treasury bills and short & long-term deposits comprise of instruments issued by the Bank of Mauritius, financial and non-financial institutions. For these relationships, the Group's credit risk/investment department analyses publicly available information such as financial information and other external data, e.g., the rating of Moody's and S&P. The PD is derived using a transition matrix to convert the ratings into PDs.

- **Mortgage and Other Loans**

For mortgage and other loans, the borrowers are assessed by specialised credit risk employees of the Group. The PD estimation on the Group's mortgage and other loans are based using a transition matrix in assessing the Group exposure to default from customers based on the age profile of its customer base.

Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's model.

Loss Given Default

For corporate financial instruments, LGD values are assessed at least every year by accounts managers and reviewed and approved by the Group's specialised credit risk/investment department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

5. FINANCIAL RISKS FACTORS (CONT'D)

5.2 Credit risks (cont'd)

Loss Given Default (cont'd)

Further recent data and forward looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial statements. For this first time application of the models, the forward looking information has not provided any correlation with the Group's situation and thus not taken into account. However, the Group intends to build a refined model for the forward looking information and will incorporate in the current models.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year. When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Grouping financial assets measured on an individual or collective basis

The Group measures the ECL on an individual assets basis for all its financial assets subject to ECL.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are for mortgage, other loans and leases. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the Group does not physically repossess properties or other assets in its portfolio, but undertakes to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

Net investment in finance leases

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

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. For all finance leases, the Group retains ownership of the leased assets. The concentration of its lease portfolio is as disclosed in note 12.

5. FINANCIAL RISKS FACTORS (CONT'D)

5.2 Credit risks (cont'd)

The table below shows the maximum exposure to credit risk.

	GROUP		COMPANY	
Financial assets	**2019**	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Held to maturity	-	5,700,565	-	5,009,590
Available for sale *	-	5,197,688	-	5,593,402
Financial investments	-	15,434,980	-	-
Loans and Receivables	-	813,528	-	637,164
Measured at FVOCI	**1,919,262**	-	**1,780,848**	-
Measured at FVTPL	**3,054,624**	-	**3,702,548**	-
Debt instrument at amortised cost	**10,444,152**	1,274,121	**7,449,280**	127,708
Fixed deposits	-	2,762,559	-	320,826
Statutory Deposits	-	13,943	-	6,001
Finance Lease receivables	**576,480**	451,885	-	-
Mortgage and other Loans	**1,432,006**	1,520,516	**1,418,428**	1,506,602
Insurance and other receivables**	**672,076**	563,744	**446,807**	452,832
Reinsurance assets	**462,076**	537,639	-	-
Cash and bank balance	**474,420**	374,334	**185,661**	166,329
	19,035,096	34,645,502	**14,983,572**	13,820,454

The fair value of the collateral of loans that are past due but not impaired has been disclosed in note 14(b) of the Financial Statements.

* Excludes equity instruments
** Excludes sundry deposits, deferred expenses and prepayments.

5. FINANCIAL RISKS FACTORS (CONT'D)

5.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial assets.

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 on liquidity gap below illustrates how the Company is managing the liquidity risk.

The Group has reclassified the short term insurance contract liabilities from Technical provision to current liabilities and represented the statement of financial position to reflect the actual liquidity profile of the liability.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	GROUP						
At 30 June 2019	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	On demand	No stated maturity	Total
Financial liabilities	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Borrowings	5,542	22,173	36,108	-	-	-	63,823
Trade and other payables	105,380	489,518	-	-	54,748	-	649,646
Insurance liabilities	-	-	-	-	-	260,711	260,711
Life assurance fund	1,238	922,086	4,981,713	4,863,402	-	-	10,768,439
Other financial liabilities	436,135	300,206	1,744,072	-	-	-	2,480,413
Total liabilities	548,295	1,733,983	6,761,893	4,863,402	54,748	260,711	14,223,032

	COMPANY					
At 30 June 2019	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	On demand	Total
Financial liabilities	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Borrowings	23,936	77,263	183,003	-	-	284,202
Trade and other payables	105,243	190,534	-	-	54,748	350,525
Life assurance fund	1,238	922,086	4,981,713	4,863,402	-	10,768,439
Other financial liabilities	74,211	-	-	-	-	74,211
Total liabilities	204,628	1,189,883	5,164,716	4,863,402	54,748	11,477,377

5. FINANCIAL RISKS FACTORS (CONT'D)

5.3 Liquidity risk (cont'd)

	GROUP						
At 30 June 2018	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	On demand	No stated maturity	Total
Financial liabilities	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Borrowings	4,029	19,761	46,804	-	-	-	70,594
Insurance liabilities	-	-	-	-	-	394,359	394,359
Life assurance fund	-	726,240	3,642,796	5,512,680	-	-	9,881,716
Other financial liabilities	334,762	538,283	1,644,418	-	159,809	-	2,677,272
Total liabilities	338,791	1,284,284	5,334,018	5,512,680	159,809	394,359	13,023,941

	COMPANY					
At 30 June 2018	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	On demand	Total
Financial liabilities	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Borrowings	16,951	60,312	327,776	-	-	405,039
Trade and other payables	114,042	162,695	-	-	59,095	335,832
Life assurance fund	-	726,240	3,642,796	5,512,680	-	9,889,716
Other financial liabilities	93,433	-	-	-	-	93,433
Total liabilities	224,426	949,247	3,970,572	5,512,680	59,095	10,724,020

5.4 Fair value measurements recognised in the statements of financial position

The carrying amounts of financial assets at FVTPL and FVOCI, investment properties, statutory deposits, receivables, short term bank deposits, cash at bank and in hand, insurance contract liabilities, amount payable to reinsurers, trade and other payables approximate their fair values either because they are measured at fair value or because of the short term nature. Financial assets and liabilities, which are accounted for at amortised cost, are carried at values which may differ materially from their fair values. These are other financial assets and loans receivables that are carried at amortised cost less impairment and whose fair values have been calculated and compared with the carrying amount.

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

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

The following table presents the Group's financial assets measured at fair values on a recurring basis. The fair value disclosure for investment properties and property, plant and equipment are disclosed in note 7 and note 6 respectively. This note provides information on how the Group determines fair value of various assets and liabilities.

5. FINANCIAL RISKS FACTORS (CONT'D)

5.4 Fair value measurements recognised in the statements of financial position (cont'd)

	GROUP 2019			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVOCI				
Quoted Equities	1,613,088	-	-	1,613,088
Unquoted Equities	-	-	306,159	306,159
Total	**1,613,088**	**-**	**306,159**	**1,919,247**

	GROUP 2018			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVTPL				
Quoted Equities	2,163	-	-	2,163
Unquoted Equities	-	3,052,461	-	3,052,461
Total	2,163	3,052,461	-	3,054,624

	COMPANY 2019			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVOCI				
Quoted Equities	**1,474,689**	**-**	**-**	**1,474,689**
Unquoted Equities	**-**	**-**	**306,159**	**306,159**
Total	**1,474,689**	**-**	**306,159**	**1,780,848**

	COMPANY 2018			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVTPL				
Quoted Equities	2,097	-	-	2,097
Unquoted Equities	-	3,700,451	-	3,700,451
Total	2,097	3,700,451	-	3,702,548

Reconciliation of Level 3 fair value measurements of financial assets	2019 Unquoted Equities
	Rs'000
Opening Balance	**50,167**
Issues	**6,922**
Settlements	**(100)**
Fair value adjustments	**249,170**
Closing Balance	**306,159**

5. FINANCIAL RISKS FACTORS (CONT'D)

5.4 Fair value measurements recognised in the statements of financial position (cont'd)

	GROUP 2018			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Available-for-sale financial assets	4,452,159	483,228	-	4,935,387

	COMPANY 2018			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Available-for sale financial assets	1,708,994	3,462,239	-	5,171,233

The following table shows the valuation techniques used in the determination of fair values in level 3 of the hierarchy as well as key unobservable inputs in the valuation model.

Type	Fair value as at 30 June 2019	Valuation approach	Key observable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
	Rs'000				
Financial Services	242,137	Comparable price multiples	Discount due to lack of marketability	0% - 20%	A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 15.0 million in fair value
Real estate and others	64,022	Net asset value	Discount due to lack of marketability	0% - 30%	A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 3.9 million in fair value
			Fluctuation in net asset value	0% - 0%	A 5% increase/decrease in Net asset value will lead to an increase/decrease of Rs 2.6 million in fair value

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. All financial assets measured on a fair value basis have been classified as level 1 or level 2 in the fair value hierarchy.

Fair Value of the Company's assets that are not measured at fair value on a recurring basis (but fair value disclosures are required).

5. FINANCIAL RISKS FACTORS (CONT'D)

5.4 Fair value measurements recognised in the statements of financial position (cont'd)

GROUP

	Fair value hierarchy - 2019 & 2018	Valuation approach	Observable input	Carrying amount		Fair Value	
				2019	2018	**2019**	2018
Loans and receivables:				**Rs'000**	Rs'000	**Rs'000**	Rs'000
Mortgage Loans and other loans	Level 2	DCF	Floating market rate	**1,432,006**	1,520,516	**1,946,599**	3,100,832
Other financial assets:							
Government and other bonds	Level 2	YTM	Government bond yields	**8,067,292**	6,514,585	**8,693,553**	7,030,760
Fixed deposits				**2,376,860**	2,762,645	**2,381,282**	2,840,242
Financial assets at amortised cost				**11,876,158**	10,797,746	**13,021,434**	12,971,834

COMPANY

	Fair value hierarchy - 2019 & 2018	Valuation approach	Observable input	Carrying amount		Fair Value	
				2019	2018	**2019**	2018
Loans and receivables:				**Rs'000**	Rs'000	**Rs'000**	Rs'000
Mortgage Loans and other loans	Level 2	DCF	Floating market rate	**1,418,428**	1,511,727	**1,946,599**	3,100,832
Other financial assets:							
Government and other bonds	Level 2	YTM	Government bond yields	**7,110,913**	5,646,753	**7,682,293**	6,094,167
Fixed deposits				**338,367**	320,826	**339,227**	342,816
Financial assets at amortised cost				**8,867,708**	7,479,306	**9,968,119**	9,537,815

6. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment are stated at cost (except for buildings) less accumulated depreciation and any cumulative impairment loss. Buildings are stated at revalued amounts less accumulated depreciation and any impairment loss.

It is the Group's policy to revalue its buildings at least every five years by independent valuers. Any revaluation surplus is credited to the property revaluation reserve, net of tax. Any revaluation decrease is first charged directly against the property revaluation reserve held in respect of the respective asset, and then to the Statement of profit or loss.

Work in progress is carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other tangible fixed assets, commences when the assets are ready for their intended use.

Depreciation is calculated to write off the cost or revalued amounts of plant and equipments over their estimated useful lives on a straight-line basis.

Depreciation is calculated from the month the asset is capitalised.

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	- 1% - 43%
Furniture and fitting	- 10% - 33%
Office equipment	- 10% - 33%
Computer equipment	- 8% - 50%
Motor vehicles - owned	- 20%

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. These are included within Other operating income in the Statement of profit or loss.

Each year, the difference, net of the impact of deferred tax, between the depreciation based on the revalued carrying amount of the asset (the depreciation charged to the Statement of profit or loss) and the depreciation based on the asset's original cost is transferred from the property revaluation reserve to retained earnings.

Impairment of non-financial assets

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised as an expense immediately, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Significant accounting estimates and judgements

Revaluation of building on leasehold land and investment properties

The Group measures its building on leasehold land at revalued amounts with changes in fair value being recognised in other comprehensive Income. For investment properties, the changes in fair value is being recognized in profit or loss. The Group engaged an independent professional valuer to determine the fair value. These estimates have been based on recent transaction prices for similar properties. The actual amount of the building on leasehold land and investment properties could therefore differ significantly from the estimates in the future.

The determined fair values of the building on leasehold land and investment properties are most sensitive to the price per square metre. The key assumptions used to determine the fair value of the building and investment properties, are further explained in note 7.

Useful lives and residual values of property and equipment

Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The directors have used historical information relating to the Group and the relevant industries in which the Group's entities operate in order to best determine the useful lives and residual values of property and equipment.

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

(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 2017	11,186	252,000	3,612	53,342	39,415	54,082	28,020	441,657
Additions	-	17,588	-	243	3,097	7,202	2,111	30,241
Disposals/scrapped	-	-	-	-	-	(9,028)	(2,130)	(11,158)
At 30 June 2018	11,186	269,588	3,612	53,585	42,512	52,256	28,001	460,740
At 1 July 2018	11,186	269,588	3,612	53,585	42,512	52,256	28,001	460,740
Additions	-	11,112	-	759	2,047	11,106	-	25,024
Additions under operating lease	-	-	-	-	-	-	5,506	5,506
Disposals/scrapped	-	-	(3,612)	-	-	(120)	(6,247)	(9,979)
At 30 June 2019	**11,186**	**280,700**	**-**	**54,344**	**44,559**	**63,242**	**27,260**	**481,291**
DEPRECIATION								
At 1 July 2017	-	-	2,075	46,987	34,187	29,183	9,989	122,421
Charge for the year								
Life Fund	-	-	-	510	306	2,511	177	3,504
Shareholders' Fund	112	14,812	361	1,109	799	6,615	511	24,319
Rented under operating lease	-	-	-	-	-	-	2,799	2,799
Disposals/scrapped	-	-	-	-	-	(9,028)	(905)	(9,933)
At 30 June 2018	112	14,812	2,436	48,606	35,292	29,281	12,571	143,110
At 1 July 2018	112	14,812	2,436	48,606	35,292	29,281	12,571	143,110
Charge for the year								
Life Fund	-	-	-	416	333	941	22	1,712
Shareholders' Fund	112	11,184	91	1,129	1,044	7,737	75	21,372
Rented under operating lease	-	-	-	-	-	-	2,417	2,417
Disposals/scrapped	-	-	(2,527)	-	-	(27)	(4,797)	(7,351)
At 30 June 2019	**224**	**25,996**	**-**	**50,151**	**36,669**	**37,932**	**10,288**	**161,260**
CARRYING AMOUNT								
At 30 June 2019	**10,962**	**254,704**	**-**	**4,193**	**7,890**	**25,310**	**16,972**	**320,031**
At 30 June 2018	11,074	254,776	1,176	4,979	7,220	22,975	15,430	317,630

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

(b) COMPANY

	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**
At 1 July 2017	198,000	52,116	38,934	47,540	7,003	343,593
Additions	17,588	211	3,085	5,101	2,111	28,096
Transfer from investment properties (note 7)	54,000	-	-	-	-	54,000
Scrapped	-	-	-	(8,858)	-	(8,858)
At 30 June 2018	269,588	52,327	42,019	43,783	9,114	416,831
At 1 July 2018	269,588	52,327	42,019	43,783	9,114	416,831
Additions	11,112	602	1,934	10,374	-	24,022
Scrapped	-	-	-	-	(4,806)	(4,806)
At 30 June 2019	**280,700**	**52,929**	**43,953**	**54,157**	**4,308**	**436,047**
DEPRECIATION						
At 1 July 2017	-	46,521	34,020	24,119	4,419	109,079
Charge for the year						
Life Fund	-	510	306	2,511	177	3,504
Shareholders' Fund	14,812	973	773	5,988	511	23,057
Disposals/scrapped	-	-	-	(8,858)	-	(8,858)
At 30 June 2018	14,812	48,004	35,099	23,760	5,107	126,782
At 1 July 2018	14,812	48,004	35,099	23,760	5,107	126,782
Charge for the year						
Life Fund	-	416	333	941	22	1,712
Shareholders' Fund	11,184	946	995	6,813	75	20,013
Disposals/scrapped	-	-	-	-	(3,707)	(3,707)
At 30 June 2019	**25,996**	**49,366**	**36,427**	**31,514**	**1,497**	**144,800**
CARRYING AMOUNT						
At 30 June 2019	**254,704**	**3,563**	**7,526**	**22,643**	**2,811**	**291,247**
At 30 June 2018	254,776	4,323	6,920	20,023	4,007	290,049

Out of the depreciation charge of Rs 20,013,000 (2018: Rs 23,057,000) on the Shareholders' Fund for the year, an amount of Rs 2,017,000 (2018: Rs 4,090,000) has been recharged as support cost to SICOM General Insurance Ltd.

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

(c) The Group's property 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 2018: 7.5% - 8.0%) on an ongoing basis. The motor vehicles held have committed lessees up to the next five years.
At the end of the reporting date, the Group has contracted with lessees the following future rentals:

	Operating lease Motor Vehicles	
	2019	2018
	Rs'000	Rs'000
Within one year	**4,084**	4,762
In the second to the fifth year	**6,798**	10,137
	10,882	14,899

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

(d) The building on leasehold land and freehold building were last revalued in June 2017 by Mr N Jeetun MSc, MRICS, PMAPI, MMIS, Chartered Valuation Surveyors. The surplus on revaluation has been credited to property revaluation reserve and adjusted for deferred taxation. During the year the Directors have made an assessment of the value of this property and have estimated that there were no significant movement in fair value and this assessment was based on transactions that occured in the vicinity of the subject property and on the movements in the property market for office properties as a whole.

Had the building been accounted at historical cost less accumulated depreciation, the carrying amount would have been Rs 153,874,000 (June 2018 - Rs 148,281,000).

Details of the Group's buildings measured at fair value and information about the fair value hierarchy as at 30 June 2019 are as follows:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
	Level 3	Level 3	**Level 3**	Level 3
Building on leasehold land	**254,704**	254,776	**254,704**	254,776
Freehold building	**10,962**	11,074	**-**	-
	265,666	265,850	**254,704**	254,776

Buildings amounting to Rs 265.7 million (2018: Rs 265.8 million) for the Group and Rs 254.7 million (2018: Rs 254.8 million) for the Company are classified as level 3 in the fair value hierarchy. The movement for the building on leasehold land and Freehold building is given in the Property and equipment note for the Group and Company.

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 72,000 per square metre.

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

Description of the valuation technique used and key inputs to the valuation of office properties:

GROUP	Valuation technique	Significant unobservable inputs	2019 & 2018	Relationship of unobservable inputs to fair value	
			Rs'000	**2019**	2018
Office properties	Comparative and investment method	Estimate sales price per square metre	**Rs 40 - Rs 70**	**An increase/ decrease of 5% in the unobservable input would lead to an increase/ decrease in FV of Rs 13,159,000**	An increase/ decrease of 5% in the unobservable input would lead to an increase/ decrease in FV of Rs 13,159,000

COMPANY	Valuation technique	Significant unobservable inputs	2019 & 2018	Relationship of unobservable inputs to fair value	
			Rs'000	**2019**	2018
Office properties	Comparative and investment method	Estimate sales price per square metre	**Rs 40 - Rs 70**	**An increase/ decrease of 5% in the unobservable input would lead to an increase/ decrease in FV of Rs 9,900,000**	An increase/ decrease of 5% in the unobservable input would lead to an increase/ decrease in FV of Rs 9,900,000

7. INVESTMENT PROPERTIES

Accounting policy

Properties held to earn rentals or capital appreciation or both and not occupied by the Group are classified as investment properties. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss. Fair values are determined based on the valuation performed by an accredited external, independent valuer.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers made to or from investment properties are only made when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

7. INVESTMENT PROPERTIES (CONT'D)

Significant accounting estimates and judgements

Revaluation of building on leasehold land and investment properties

Refer to note (6)

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.

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	1,367,700	1,349,814	1,380,100	1,415,000
Additions	561	4,847	561	4,847
Disposal	(6,718)	(3,407)	(6,718)	(3,407)
Transfer to property, plant and equipment (note 6)	-	-	-	(54,000)
Fair value gain (note 25)	29,897	16,446	30,157	17,660
At 30 June	1,391,440	1,367,700	1,404,100	1,380,100

The investment properties have generated rental income of Rs 85,834,306 for the year (2018: Rs 82,665,147). The direct operating expenses incurred during the year amounted to Rs 14,408,655 (2018: Rs 13,391,876).

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	
Level 3	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Land	47,560	47,000	47,560	47,000
Buildings	1,343,880	1,320,700	1,356,540	1,333,100
	1,391,440	1,367,700	1,404,100	1,380,100

During the prior financial year, the Company has fully occupied the ground and first floor of SICOM Tower and consequently this part of the building was treated as owner occupied building and was transferred from investment properties to property and equipment.

7. INVESTMENT PROPERTIES (CONT'D)

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 51,000 per square metre to Rs 67,000 per square metre (2018: Rs 50,000 - Rs 66,000); and price of Rs 87,000 per square metre for land (2018: Rs 86,000).

Description of the valuation technique used and key inputs to the valuation of office properties:

GROUP AND COMPANY

	Valuation technique	Significant unobservable inputs	2019	2018	Relationship of unobservable inputs to fair value	
			Rs'000	Rs'000	2019	2018
Office properties	Comparative and investment method	Estimate sales price per square metre	Rs 51 - Rs 67	Rs 50 - Rs 66	An increase/ decrease of 5% in the unobservable input would lead to an increase/ decrease in FV of Rs 67,827,000	An increase/ decrease of 5% in the unobservable input would lead to an increase/ decrease in FV of Rs 66,035,000
Land	Comparative and investment method	Estimate sales price per square metre	Rs 87	Rs 86	An increase/ decrease of 5% in the unobservable input would lead to an increase/ decrease in FV of Rs 2,378,000	An increase/ decrease of 5% in the unobservable input would lead to an increase/ decrease in FV of Rs 2,350,000

The Group has determined that the highest and best use of the property used for office space is its current use.

8. INTANGIBLE ASSETS - COMPUTER SOFTWARE

Accounting Policy

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognized.

Computer software

Computer software is initially recorded at cost and amortized using the straight-line method over the estimated useful life of 4 to 33 years.

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
COST				
At 1 July	**86,823**	81,012	**50,354**	45,796
Additions	**4,507**	6,491	**2,631**	5,238
Scrapped	**-**	(680)	**-**	(680)
At 30 June	**91,330**	86,823	**52,985**	50,354
AMORTISATION				
At 1 July	**52,078**	43,587	**25,203**	19,875
Charge for the year				
Life Fund	**1,110**	1,774	**1,110**	1,774
Shareholders' Fund	**7,791**	7,397	**5,289**	4,234
Disposals/scrapped	**-**	(680)	**-**	(680)
At 30 June	**60,979**	52,078	**31,602**	25,203
CARRYING AMOUNT	**30,351**	34,745	**21,383**	25,151

Out of the depreciation charge of Rs 5,289,000 (2018: Rs 4,234,000) on the Shareholders' Fund for the year, an amount of Rs 724,000 (2018: Rs 1,328,000) has been recharged as support cost to SICOM General Insurance Ltd.

9. INVESTMENTS IN SUBSIDIARIES

Accounting policy

Financial statements of the Company

Investment in subsidiary companies are carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer. Acquisition-related costs are generally recognised in profit or loss as incurred. The carrying amount is reduced to recognise any impairment in the value of individual investments. The impairment loss is taken to Statement of profit or loss.

Consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Business combinations are accounted for using the purchase method of accounting.

Significant accounting estimates and judgements

Impairment of investment in subsidiaries

"An impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

The recoverable amount of a CGU is determined based on the value in use calculations. These calculations use cash flow projections based on financial budgets approved by management. Cash flows are extrapolated using the estimated growth rates. Management does not expect the growth rate to exceed the long term average growth rate in which the CGU operates. Management believe that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. Management have reviewed the carrying amount of the investment in subsidiaries at the end of the reporting period.

(a) Unquoted investment at cost

	COMPANY	
	2019	2018
	Rs'000	Rs'000
Investment in equity of subsidiaries	**224,003**	224,003
Interest in subsidiaries - subordinated loan (note (c))	**341,625**	341,625
At 30 June	**565,628**	565,628

Management have made their annual assessment for impairment on the Company's investments in subsidiaries and based on their assessment they have determined that there were no indications of impairment. The investments in subsidiaries were stated at their carrying amount.

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) The financial statements of the following subsidiaries have been included in the consolidated financial statements. The subsidiaries have the same reporting date as the holding Company and operate on the local market.

Details of investments:

Name of subsidiaries	Principal activity	Classes of Shares	Country of incorporation & operation	% Holding 2019	% Holding 2018
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

The 1% held by non controlling interests in SICOM Financial Services Ltd was determined as not material and consequently no additional disclosures were given in these financial statements.

(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. FINANCIAL INVESTMENTS

Accounting policy

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in the Statement of profit or loss.

Initial recognition, classification and measurement – (Policy applicable from 1 July 2018)

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Premium receivables are recognised and measured under IFRS 4 Insurance Contracts and are outside the scope of IFRS 9.

10. FINANCIAL INVESTMENTS (CONT'D)

Accounting policy (cont'd)

Initial recognition, classification and measurement – (Policy applicable from 1 July 2018) (cont'd)

In order for a debt instrument to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

- Financial assets at amortised cost (debt instruments)
- Debt instruments at fair value through OCI with recycling
- Equity instruments at fair value through OCI with no recycling
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

This category has two sub-categories: 'financial assets held for trading and those measured at fair value through profit or loss at inception'. A financial asset is classified into the 'financial assets at fair value through profit or loss category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

Financial assets measured as at fair value through profit or loss at inception are those that are:

- Held in internal funds to match insurance liabilities that are linked to the changes in fair value of these assets. The classification of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. The Group's investment strategy is to invest in mutual funds and collective investment schemes and to evaluate them with reference to their fair values. Assets that are part of these portfolios are classified upon initial recognition at fair value through profit or loss.
- This category includes those financial instruments which are classified as FVTPL because they do not meet SPPI tests.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are re-measured at fair value. Changes in fair value are recorded in net gain/ (loss) on financial assets at fair value through profit or loss.

10. FINANCIAL INVESTMENTS (CONT'D)

Accounting policy (cont'd)

Initial recognition, classification and measurement – (Policy applicable from 1 July 2018) (cont'd)

Equity instrument at fair value through OCI (FVOCI)

Upon initial recognition, the Group elects to classify irrevocably its investment in equity securities as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case such gains are recorded in OCI. Equity instrument at FVOCI are not subject to impairment.

Initial recognition, classification and measurement (Policy applicable before 1 July 2018)

Financial assets are classified into the following specified categories: financial assets at fair-value-through-profit-or-loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Loans and advances to customers are classified under loan and receivables and are measured at amortised cost, less allowance for credit impairment. Allowance for credit impairment consists of specific and portfolio allowances.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has positive intention and ability to hold until maturity. After initial measurement, Held-to-maturity investments are carried at amortised cost using the effective interest method less any impairment. The EIR amortisation is included in investment income in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale (AFS) investments

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The fair values of the AFS investment securities are subsequently remeasured based on quoted market prices in active markets or estimated using the dividend growth model, discounted cash flows or net assets value. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates are recognised in the Statement of profit or loss. Other changes in the carrying amount of AFS investment securities are recognised in Other comprehensive income and accumulated under the heading of Net unrealised investment fair value reserve.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the Net unrealised investment fair value reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's and /or the Company's right to receive the dividends is established.

10. FINANCIAL INVESTMENTS (CONT'D)

Accounting policy (cont'd)

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Other unquoted available-for-sale investments are generally in the form of 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.

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.

Derecognition of financial assets

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

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

Financial assets carried at amortised cost

Policy effective before 1 July 2018

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

Available-for-sale investments

For available-for-sale (AFS) equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, its carrying amount is reduced by the impairment loss for loans and advances to customers where the carrying amount is reduced through the use of an allowance account.

For AFS financial assets the cumulative gains or losses previously recognised in Other comprehensive income are reclassified to the Statement of profit or loss. In respect of AFS equity investments, any increase in fair value subsequent to an impairment loss is recognised in Other comprehensive income and accumulated under the Net unrealised investment fair value reserve.

10. FINANCIAL INVESTMENTS (CONT'D)

Accounting policy (cont'd)

Financial assets carried at amortised cost (cont'd)

Policy effective from 1 July 2018

The group financial assets at amortised cost include investment in Government Securities, corporate bonds and term deposits. These investments are investments grade financial assets and which are in line with the Group's investments strategy. All of the Group's financial assets at amortised cost have been classified in Stage 1 and the Group has applied a 12 month ECL to determine the Expected Credit Losses. Refer to Note 12 for further overview of the ECL model applied.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

		GROUP	COMPANY
		2018	2018
(a)	Non-current	Rs'000	Rs'000
	Investment in securities		
	Loans and receivables	418,359	389,127
	Held-to-maturity	5,621,305	4,930,330
	Available-for-sale	5,197,688	5,593,402
		11,237,352	10,912,859
	Current		
	Investment in securities		
	Loans and receivables	395,169	248,037
	Held-to-maturity	79,260	79,260
		474,429	327,297
	Total other financial assets	**11,711,781**	**11,240,156**

10. FINANCIAL INVESTMENTS (CONT'D)

GROUP AND COMPANY

Loans and receivables comprise of Treasury Notes & Bills with interest rates ranging from 2.55% - 4.25% per annum for the Group and Company.

Held-to-maturity investments comprise of Mauritius Government Securities, Government of Mauritius Bonds and Corporate Bonds with interest rates ranging from 2.9% - 11.75% for the Group and the Company per annum.

Available-for-sale securities for Company comprise of listed and quoted equity securities of Rs 1,543,941,000, listed debt securities of Rs 237,055,000 and unquoted securities of Rs 3,812,407,000. Available-for-sale securities for Group comprise of listed and quoted securities of Rs 4,452,154,000, listed debt securities of Rs 262,307,000 and unquoted securities Rs 483,228,000.

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.

(b) FIXED DEPOSITS

	GROUP	COMPANY
	2018	2018
Fixed deposits maturing	Rs'000	Rs'000
- in the first year	1,373,575	149,919
- in the second year	265,717	-
- in the third year	312,703	63,358
- in the fourth year	533,000	22,000
- in the fifth year	12,955	-
- after five years	-	-
	2,497,950	235,277
Interest due on balances with maturity < 1 year	114,863	43,199
Interest due on balances with maturity > 1 year	149,746	42,350
	2,762,559	**320,826**
Fixed deposits with maturity < 1 year	1,488,438	193,118
Fixed deposits with maturity > 1 year	1,274,121	127,708
	2,762,559	**320,826**

The deposits earn interest at rates varying between 3.30% - 10.50% for the Group and Company per annum. The balance due within 1 year include fixed deposits and overseas call deposits with banks with interest rates ranging from 0.01% to 8.25% per annum.

10. FINANCIAL INVESTMENTS (CONT'D)

(c) Financial assets at fair value through other Comprehensive Income (FVOCI)

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Equity Securities				
Quoted	1,613,088	-	1,474,689	-
Unquoted	306,174	-	306,159	-
	1,919,262	-	1,780,848	-

More information regarding the valuation methodologies can be found in note 5.

The Group has designated its equity investments previously classified as available-for-sale as equity investments at FVOCI on the basis that these are not held for trading.

The Group has classified all of its quoted debt securities previously classified as available-for-sale as debt instrument at amortised cost in Note 10(e) on the basis that they are now held to collect cash flows till maturity.

In 2019, the Company received dividends of Rs 166,334,000 (2018: Rs 141,421,000) from its equity instruments respectively which was recorded in the income statement as other operating income.

The Company has disposed its investment in one of its equity security for Rs 350,000 and realised a gain of Rs 250,000. The gain realised was accounted in retained earnings, as a transfer on derecognition of equity investment at FVOCI.

(d) Financial assets at fair value through profit or loss

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Investment in mutual funds/collective investment schemes	3,052,461	-	3,700,451	-
Investment in debt securities	666	-	600	-
Investment in exchange trade funds	1,497	-	1,497	-
	3,054,624	-	3,702,548	-
Analysed as:				
Quoted	2,163	-	2,097	-
Unquoted	3,052,461	-	3,700,451	-
	3,054,624	-	3,702,548	-

10. FINANCIAL INVESTMENTS (CONT'D)

(d) Financial assets at fair value through profit or loss (cont'd)

The fair value of quoted securities is based on the Stock Exchange and brokers' statement prices at close of business at reporting date. Unquoted investment funds securities are fair valued using the NAV per share at close of business at the reporting date.

The Company has classified its investment in mutual funds, collective investment schemes, exchange traded funds and convertible preference shares, previously classified as available for sale, as financial assets at fair value through profit or loss. Those investments are not held for trading.

(e) Debt instrument at amortised cost

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Government bonds	5,998,130	-	5,234,061	-
Treasury bills and treasury notes	1,334,240	-	1,196,163	-
Corporate bonds and notes	347,134	-	292,899	-
Mauritius Development Loan Stock	83,064	-	83,064	-
Preference shares	304,726	-	304,726	-
Term deposits	2,376,858	-	338,367	-
	10,444,152	-	7,449,280	-
Analysed between:				
Current	3,534,448	-	1,395,362	-
Non-Current	6,909,704	-	6,053,918	-
	10,444,152	-	7,449,280	-

The Group has investments in Government bonds, Treasury bills and notes, Corporate bonds and notes and term deposits are classified as financial assets at amortised cost as these are kept under the business model with the objective to hold these instruments in order to collect contractual cash flows and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Statutory deposits

In compliance with the Insurance Act 2005, included in non-current debt instrument at amortised cost are statutory deposits amounting to Rs 7,004,000 (2018: Rs 6,001,000) for the Group and Rs 14,995,000 (2018: Rs 13,943,000) for the Company. These represents investments in Government Securities and earn interest at 7.0% - 7.8% (2018: 7.0% - 7.8%) per annum and have maturity dates varying between 2022 - 2029.

The deposits earn interest at rates varying between 3.30% - 10.50% (2017: 4.00% - 10.50%) for the Group and Company per annum. The balance due within 1 year include fixed deposits and overseas call deposits.

10. FINANCIAL INVESTMENTS (CONT'D)

(e) Debt instrument at amortised cost (cont'd)

Statutory deposits (cont'd)

The table below shows the credit quality and maximum exposure to credit risk. The amounts presented are gross of impairment allowances.

	GROUP			
	2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Performing high grade	10,456,085	-	-	10,456,085
Past due but not impaired	-	-	-	-
Non-performing	-	-	-	-
	10,456,085	-	-	10,456,085

	COMPANY			
	2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Performing high grade	7,455,236	-	-	7,455,236
Past due but not impaired	-	-	-	-
Non-performing	-	-	-	-
	7,455,236	-	-	7,455,236

An analysis of changes in gross carrying amount and corresponding ECL is, as follows:

	GROUP			
	2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount at 1 July 2018	9,894,215	-	-	9,894,215
New assets purchased	3,426,255	-	-	3,426,255
Assets derecognised or matured	(2,856,946)	-	-	(2,856,946)
Amortisation adjustments	(7,439)	-	-	(7,439)
At 30 June 2019	10,456,085	-	-	10,456,085

There is no transfer of assets between stages during the year.

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance at 1 July 2018	10,152	-	-	10,152
New assets purchased	3,509	-	-	3,509
Assets derecognised or matured	(2,772)	-	-	(2,772)
Amortisation adjustments	1,044	-	-	1,044
	11,933	-	-	11,933

There were no transfer of assets between stages during the year.

10. FINANCIAL INVESTMENTS (CONT'D)

(e) Debt instrument at amortised cost (cont'd)

	COMPANY			
	2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount at 1 July 2018	6,515,188	-	-	6,515,188
New assets purchased	1,718,023	-	-	1,718,023
Assets derecognised or matured	(762,824)	-	-	(762,824)
Amortisation adjustments	(15,151)	-	-	(15,151)
At 30 June 2019	7,455,236	-	-	7,455,236

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance at 1 July 2018	4,097	-	-	4,097
New assets purchased	1,253	-	-	1,253
Assets derecognised or matured	(377)	-	-	(377)
Amortisation adjustments	983	-	-	983
	5,956	-	-	5,956

There were no transfer of assets between stages during the year.

(f) Credit quality at 30 June 2018

The table below shows gross balances under IAS 39 at 30 June 2018.

	GROUP			
	High grade	Past due but not impaired	Individually Impaired	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Loans and receivables	813,528	-	-	813,528
Held to maturity	5,700,565	-	-	5,700,565
Fixed deposits	2,762,559	-	-	2,762,559
Available for sale	5,197,688	-	-	5,197,688
	14,474,340	-	-	14,474,340

	COMPANY			
	High grade	Past due but not impaired	Individually Impaired	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Loans and receivables	637,164	-	-	637,164
Held to maturity	5,009,590	-	-	5,009,590
Fixed deposits	320,826	-	-	320,826
Available for sale	5,593,400	-	-	5,593,400
	11,560,980	-	-	11,560,980

11. ASSETS HELD FOR SALE

Foreclosed properties

	GROUP & COMPANY	
	2019	2018
	Rs'000	Rs'000
At 1 July	**13,627**	14,675
Additions	**-**	1,900
Disposals	**(1,014)**	(2,948)
Impairment	**(684)**	-
At 30 June	**11,929**	13,627

Foreclosed properties are stated at the lower of their carrying amount and fair value less cost to sell. The foreclosed properties represent seized assets acquired through auction at the Master's Bar as a result of default by clients. The Company has firm commitment to sell those assets once the required conditions relating to the sale have been completed.

12. LOANS AND ADVANCES

Accounting policy - (Applicable before 1 July 2018)

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. Allowance for credit impairment consists of specific and portfolio allowances.

Accounting policy - (Applicable from 1 July 2018)

The Group only measures loans and advances to customers at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Allowance for credit impairment - (Policy applicable before 1 July 2018)

Specific allowances are made on impaired advances and are calculated as the shortfall between the carrying amounts of the advances and their recoverable amounts. The recoverable amount is the present value of expected future cash flows discounted at the original effective interest rate of the advance.

A portfolio allowance for credit losses is maintained in accordance with the guidelines of the Bank of Mauritius as concern SICOM Financial Services Ltd. These guidelines require that SICOM Financial Services Ltd maintains a provision for credit impairment on all unimpaired loans and advances of not less than 1%. In addition, the Bank of Mauritius also imposes additional macro-prudential provisioning up to 1% on exposures to certain specific sectors of the economy.

For the other subsidiaries within the group, portfolio allowance is calculated as per IAS 39. The changes in portfolio allowance are charged or credited to the Statement of profit or loss at the end of each period. When an advance is uncollectible, it is written off against the specific allowance. Subsequent recoveries of amounts previously written off are credited to the Net impairment loss on financial assets in the Statement of profit or loss.

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due.

Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

12. LOANS AND ADVANCES (CONT'D)

Overview of the ECL principles - (Policy applicable from 1 July 2018)

As described in Note 2.2, the adoption of IFRS 9 has fundamentally changed the Group's debt instrument loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 July 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 4.1.

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 4.1

The Group has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process the Group groups its loans and other debt instruments into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1: When debt instruments are first recognised, the Group recognises an allowance based on 12m ECLs. Stage 1 instruments also include facilities where the credit risk has improved and the instrument has been reclassified from Stage 2.
- Stage 2: When an instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 instruments also include facilities, where the credit risk has improved and the instrument has been reclassified from Stage 3.
- Stage 3: debt instruments considered credit-impaired. The Group records an allowance for the LTECLs

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Group calculates ECLs based on a four probability-weighted scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD — The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD — The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD — The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

12. LOANS AND ADVANCES (CONT'D)

The calculation of ECLs (cont'd)

The mechanics of the ECL method are summarised below:

•Stage 1: The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

•Stage 2: When an instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

•Stage 3: For instruments considered credit-impaired,the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties Valuers.

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

Significant accounting estimates - (Applicable before 1 July 2018)

The calculation of specific allowance for credit impairment requires management to estimate the recoverable amount of each impaired asset, which is the estimated future cash flows discounted at the original effective interest rate of the advance. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers.

The Group's subsidiary, SICOM Financial Services Ltd (SFSL), allowance for portfolio impairment is determined based on the guidelines imposed by the Bank of Mauritius. Such guidelines require the subsidiary regulated by the Bank of Mauritius within the Group to make portfolio provision of not less than 1% on unimpaired loans and advances which is generally higher than the historical loss rate of the loan portfolio of the Group. However, the Directors have estimated that the resulting impairment charge to the Statement of profit or loss is not materially different from what would have resulted had SFSL (regulated by Bank of Mauritius) determined its portfolio provisioning based on the incurred loss model under IAS 39.

12. LOANS AND ADVANCES (CONT'D)

Significant accounting estimates - (Applicable before 1 July 2018) (cont'd)

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

In relation to credit impaired facilities, the Group determines expected credit losses by estimating the shortfall between the present value of expected cash flows and the present value of contractual cash flows. The estimation of expected cash flows is inherently judgemental and involves an estimation of proceeds from liquidation of the borrowers and proceeds from realisation of collaterals.

(a) Finance lease receivables

Accounting policy

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

The Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience. The adoption of the new model under IFRS 9, has resulted in a reduced ECL as compared to IAS 39 requirement and the regulatory requirements. The Group has created a General Banking Reserve where the difference between the IFRS 9 result and the 1% regulatory requirement has been accounted in there.

		GROUP	
		2019	2018
		Rs'000	Rs'000
(i)	Movement during the year:-		
	At 1 July	**460,840**	440,088
	Leases granted during the year	**263,672**	179,172
	Capital repayment during the year	**(143,193)**	(158,419)
	At 30 June	**581,319**	460,841
	Allowance for credit impairment	**(4,839)**	(8,956)
	Net investment in finance lease	**576,480**	451,885
	Analysed as:-		
	- Non-current finance lease receivables	**426,988**	331,360
	- Current finance lease receivables	**149,492**	120,525
		576,480	451,885

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.

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

12. LOANS AND ADVANCES (CONT'D)

(a) Finance lease receivables (cont'd)

(ii) Gross and net investment in finance leases

	GROUP	
	2019	2018
	Rs'000	Rs'000
Gross investment in finance leases		
- within one year	186,721	158,519
- in the second to fifth years inclusive	438,553	349,498
- more than five years	49,560	30,287
	674,834	538,304
Less: Unearned finance income	(93,515)	(77,463)
	581,319	460,841
Less: Allowance for credit impairment	(4,839)	(8,956)
Present value of minimum lease payments receivable	576,480	451,885
Analysed as:-		
- Current finance lease receivables	152,064	128,705
- Non-current finance lease receivables	429,255	332,136
	581,319	460,841
Less: Allowance for credit impairment	(4,839)	(8,956)
	576,480	451,885

(iii) Remaining term to maturity

	GROUP	
	2019	2018
	Rs'000	Rs'000
Corporate customers		
Up to 3 months	13,631	12,910
Over 3 months and up to 6 months	9,072	8,115
Over 6 months and up to 12 months	18,263	16,117
Over 1 year and up to 5 years	88,444	75,973
Over 5 years	6,566	2,856
	135,976	115,971
Other customers		
Up to 3 months	36,348	30,639
Over 3 months and up to 6 months	25,174	20,650
Over 6 months and up to 12 months	49,577	40,274
Over 1 year and up to 5 years	293,683	227,354
Over 5 years	40,561	25,953
	445,343	344,870
Allowance for credit impairment	(4,839)	(8,956)
TOTAL	576,480	451,885

The maximum exposure to credit risk of finance lease receivables for the current and prior years is the carrying amount net of allowance for credit losses

12. LOANS AND ADVANCES (CONT'D)

(a) Finance lease receivables (cont'd)

(iv) Credit concentration of risk by industry sectors

	GROUP	
	2019	2018
	Rs'000	Rs'000
Manufacturing	7,987	2,580
Transport	43,219	36,246
Construction	15,936	13,159
Personal	441,888	338,466
Financial and business services	5,580	8,271
Global Business Licence Holders	7,243	8,371
Education	691	1,504
Tourism	2,770	1,170
Information, Communication and Technology	5,384	4,615
Others	45,782	37,503
	576,480	451,885

(v) Allowance for credit impairment

	GROUP		
	2019 Individual	2019 Collectively	2019 Total
	Rs'000	Rs'000	Rs'000
At 1 July	4,462	4,495	8,957
Effect of new accounting standard IFRS9	-	(2,600)	(2,600)
	4,462	1,895	6,357
Provision charge/(credit) for the year	(151)	(1,367)	(1,518)
At 30 June	4,311	528	4,839
Allowance for credit impairment for the year	(151)	(1,367)	(1,518)

	2018 Specific	2018 General	2018 Total
	Rs'000	Rs'000	Rs'000
At 1 July	3,017	4,352	7,369
Provision charge for the year	2,101	143	2,244
Provision released during the year	(656)	-	(656)
At 30 June	4,462	4,495	8,957
Allowance for credit impairment for the year	1,444	142	1,587

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

	2019	2018
	Rs'000	Rs'000
Manufacturing	4	26
Transport	815	1,773
Construction	9	133
Personal	3,457	6,403
Financial and business services	-	84
Global Business Licence Holders	-	85
Education	-	15
Tourism	-	12
Information, Communication and Technology	547	47
Others	7	379
Total	4,839	8,957

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

12. LOANS AND ADVANCES (CONT'D)

(a) Finance lease receivables (cont'd)

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

	GROUP	
	2019	2018
	Rs'000	Rs'000
1-90 days	582	-
91-180 days	6,648	2,292
181-360 days	2,956	6,641
More than 360 days	3,914	2,452
	14,100	11,385

Leases are classified as "past–due and impaired", when contractual payments are in arrears for more than 90 days.

(vii) Interest rate profile

The interest rate inherent in the finance lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is 7.24% (2018:7.71%) per annum with interest rate ranging from 5.75% to 12.50% (2018: ranging between 6.75% to 12.5%).

Unguaranteed residual values of assets leased under finance leases at end of reporting date are estimated at Rs.14,051,000 (2018: Rs.11,499,000).

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

	GROUP					
	Net investment in finance leases					
		Days past due				
30 June 2019	Current	0-90 days	90 -180 days	180- 360 days	>360 days	Total
Expected credit loss rate	0.05%	0.16%	7.43%	22.85%	58.23%	0.83%
Estimated total gross carrying amount at default (Rs '000)	196,969	362,386	14,653	3,397	3,914	581,319
Expected credit loss (Rs '000)	99	596	1,089	776	2,279	4,839

30 June 2019	Neither past due nor impaired	Past due but not impaired	Impaired	Net Investment in finance lease before impairment	Allowance for credit impairment	Net Investment in finance lease
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Leases	558,773	8,446	14,100	581,319	(4,839)	576,480

Ageing of Finance lease past due but not impaired	More than 90 days	Total
	Rs'000	Rs'000
30 June 2019	8,446	8,446

12. LOANS AND ADVANCES (CONT'D)

(b) Mortgage and other loans

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Loan and advances	1,446,257	1,525,641	1,432,654	1,511,727
Less: Allowances for ECL/impairment losses	(14,251)	(5,125)	(14,226)	(5,125)
	1,432,006	1,520,516	1,418,428	1,506,602
Analysed as:-				
Non-current	1,337,086	1,427,323	1,324,096	1,416,794
Current	94,920	93,193	94,332	89,808
	1,432,006	1,520,516	1,418,428	1,506,602

The table below shows the credit quality and maximum exposure to credit risk per based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	GROUP			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Performing	Rs'000	Rs'000	Rs'000	Rs'000
High Grade	1,205,320	-	-	1,205,320
Standard Grade	-	111,560	-	111,560
Non-performing				
Individually impaired	-	-	129,377	129,377
	1,205,320	111,560	129,377	1,446,257

	COMPANY			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Performing	Rs'000	Rs'000	Rs'000	Rs'000
Standard Grade	-	111,560	-	111,560
Non-performing				
Individually impaired	-	-	129,377	129,377
	1,191,717	111,560	129,377	1,432,654

An analysis of changes in the gross carrying amount and the corresponding ECLs allowances in relation to mortgage and other loans is as follows:

	GROUP			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount as at 01 July 2018	1,342,125	45,922	137,594	1,525,641
New loan granted	228,367	-	-	228,367
Loans matured or derecognised (excluding write-offs)	(279,295)	(6,827)	(21,629)	(307,751)
Transfer from Stage 1	(111,047)	85,031	26,016	-
Transfer from Stage 2	16,469	(26,247)	9,778	-
Transfer from Stage 3	8,701	13,681	(22,382)	-
At 30 June 2019	1,205,320	111,560	129,377	1,446,257

12. LOANS AND ADVANCES (CONT'D)

(b) Mortgage and other loans (cont'd)

	COMPANY			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount as at 01 July 2018	1,328,211	45,922	137,594	1,511,727
New loans granted	224,278	-	-	224,278
Loans matured or derecognised (excluding write-offs)	(274,895)	(6,827)	(21,629)	(303,351)
Transfer from Stage 1	(111,047)	85,031	26,016	-
Transfer from Stage 2	16,469	(26,247)	9,778	-
Transfer from Stage 3	8,701	13,681	(22,382)	-
At 30 June 2019	1,191,717	111,560	129,377	1,432,654

	GROUP			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance as at 01 July 2018	501	47	24,585	25,133
New loans granted	2,928	264	-	3,192
Loans matured or derecognised (excluding write-offs)	(307)	(27)	(13,740)	(14,074)
Transfer from Stage 1	(2,885)	119	2,766	-
Transfer from Stage 2	2	(267)	265	-
Transfer from Stage 3	-	8	(8)	-
At 30 June 2019	239	144	13,868	14,251

	COMPANY			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance as at 01 July 2018	489	47	24,585	25,121
New loans granted	2,912	264	-	3,176
Loans matured or derecognised (excluding write-offs)	(304)	(27)	(13,740)	(14,071)
Transfer from Stage 1	(2,885)	119	2,766	-
Transfer from Stage 2	2	(267)	265	-
Transfer from Stage 3	-	8	(8)	-
At 30 June 2019	214	144	13,868	14,226

An analysis of the allowances for impairment losses under IAS 39 for loan and advances for the year ended 30 June 2018:

	GROUP AND COMPANY
	2018
	Rs'000
At 01 July 2017	8,685
Movement for the year	(3,560)
At 30 June 2018	5,125

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

12. LOANS AND ADVANCES (CONT'D)

(b) Mortgage and other loans (cont'd)

The tables below show gross balances under IAS 39 at 30 June 2018 based on the Group's internal credit rating system.

	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 2018						
Housing, Commercial & Multipurpose	1,287,629	4,423	5,766	16,072	(5,125)	1,308,765
Organisations	4,310	-	-	-	-	4,310
Others	185,620	15,038	2,636	4,147	-	207,441
	1,477,559	19,461	8,402	20,219	(5,125)	1,520,516
Company						
30 June 2018						
Housing, Commercial & Multipurpose	1,287,629	4,423	5,766	16,072	(5,125)	1,308,765
Organisations	4,310	-	-	-	-	4,310
Others	171,706	15,038	2,636	4,147	-	193,527
	1,463,645	19,461	8,402	20,219	(5,125)	1,506,602

The loans are secured and bear interest at rates varying between 2% -14% (2018: 2% - 14%) per annum and have repayment terms varying between one year to thirty years.

The Group and the Company has not disbursed any unsecured loans.

The fair value of the collateral of loans amounts to Rs 3,550,590,000 (2018: Rs 2,798,124,000) are considered greater than the carrying value of the loans.

Undrawn commitments in respect of mortgage loans for the year under review amounts to Rs 12,920,000 (2018: Rs 59,000,000).

13. DEFERRED TAXATION

Accounting Policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

13. DEFERRED TAXATION (CONT'D)

Accounting Policy (cont'd)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income taxes are calculated on all temporary differences under the liability method.

(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	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Deferred tax assets	**22,065**	14,628	**-**	-
Deferred tax liabilities	**(4,854)**	(29,920)	**(4,854)**	(29,920)
Net deferred tax liabilities	**17,211**	(15,292)	**(4,854)**	(29,920)

At the end of the reporting period, the Group had nil tax losses (2018: Rs 858,014). No deferred tax asset has been recognised in respect of such losses due to unpredictability of future profit streams (2018: nil). The tax losses expire on a rolling basis over 5 years.

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**(15,292)**	(28,866)	**(29,920)**	(36,866)
Charged to profit or loss (note 18(b)(i))	**2,738**	(12,325)	**1,767**	(14,738)
Credited/(charged) to other comprehensive income	**31,382**	25,899	**23,299**	21,684
Underprovision of deferred tax				
- Effect to other comprehensive income	**(1,617)**	-	**-**	
At 30 June	**17,211**	(15,292)	**(4,854)**	(29,920)

13. DEFERRED TAXATION (CONT'D)

(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:

(i) Deferred tax assets

	GROUP			
	Expected credit loss	**Impairment of assets**	**Retirement benefit obligations**	**Total**
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2018	-	1,883	81,254	83,137
Credited to profit or loss	3,526	(1,086)	4,197	6,637
Credited to other comprehensive income	-	-	31,382	31,382
	3,526	797	116,833	121,156
Offset by deferred tax liabilities within same jurisdiction				(99,091)
At 30 June 2019				**22,065**
At 1 July 2017		1,144	46,628	47,772
Credited to profit or loss		595	7,997	8,592
Credited to other comprehensive income		144	26,629	26,773
		1,883	81,254	83,137
Offset by deferred tax liabilities within same jurisdiction				(68,509)
At 30 June 2018				14,628

(ii) Deferred tax liabilities

	GROUP			
	Accelerated tax depreciation	**Revaluation of buildings**	**Investment properties**	**Total**
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2018	10,284	7,431	80,714	98,429
Charged to profit or loss	124	-	5,392	5,516
Charged to other comprehensive income	-	-	-	-
	10,408	7,431	86,106	103,945
Offset by deferred tax assets within same jurisdiction				(99,091)
At 30 June 2019				**4,854**
At 1 July 2017	10,402	6,557	59,679	76,638
Charged to profit or loss	(118)	-	21,035	20,917
Charged to other comprehensive income	-	874	-	874
	10,284	7,431	80,714	98,429
Offset by deferred tax assets within same jurisdiction				(68,509)
At 30 June 2018				29,920

	COMPANY	
	2019	2018
	Rs'000	Rs'000
Deferred tax assets	**96,937**	65,988
Deferred tax liabilities	**(101,791)**	(95,908)
Net deferred tax liabilities	**(4,854)**	(29,920)

13. DEFERRED TAXATION (CONT'D)

(i) Deferred tax assets

	COMPANY		
	Retirement benefit obligations	Expected Credit Loss	Total
	Rs'000	Rs'000	Rs'000
At 1 July 2018	**65,988**	**-**	**65,988**
Credited to profit or loss	**4,219**	**3,431**	**7,650**
Credited to other comprehensive income	**23,299**	**-**	**23,299**
At 30 June 2019	**93,506**	**3,431**	**96,937**
At 1 July 2017	37,319	-	37,319
Credited to profit or loss	6,111	-	6,111
Credited to other comprehensive income	22,558	-	22,558
At 30 June 2018	65,988	-	65,988

(ii) Deferred tax liabilities

	COMPANY			
	Accelerated tax depreciation	Revaluation of buildings	Investment properties	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2018	**7,763**	**7,431**	**80,714**	**95,908**
Charged to profit or loss	**489**	**-**	**5,394**	**5,883**
At 30 June 2019	**8,252**	**7,431**	**86,108**	**101,791**
At 1 July 2017	7,949	6,557	59,679	74,185
Charged to profit or loss	(186)	-	21,035	20,849
Charged to other comprehensive income	-	874	-	874
At 30 June 2018	**7,763**	**7,431**	**80,714**	**95,908**

14. INSURANCE AND OTHER RECEIVABLES

Accounting Policy

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Premium	**334,990**	185,130	**-**	-
Provision for impairment losses	**(1,521)**	(849)	**-**	-
	333,469	184,281	**-**	-
Other premium	**25,030**	4,828	**25,125**	4,899
Amounts due from reinsurers	**153,380**	138,066	**139,240**	129,815
Other receivables and prepayments	**265,517**	236,569	**355,688**	318,118
	777,396	563,744	**520,053**	452,832

As of 30 June 2019, premiums of Rs 1,521,000 (2018: Rs 849,000) were impaired for the Group. The individually impaired receivables mainly relate to policyholders who are in unexpectedly difficult economic situations.

14. INSURANCE AND OTHER RECEIVABLES (CONT'D)

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

	GROUP	
	2019	2018
	Rs'000	Rs'000
Balance at beginning	**849**	255
Charge for the year	**891**	919
Reversal	**(219)**	-
Write off	**-**	(325)
Balance at end	**1,521**	849

Analysis of the age of premiums receivable (net of impairment) is as follows:

	GROUP	
	2019	2018
	Rs'000	Rs'000
Current	**146,487**	120,368
Up to 2 months	**114,569**	43,938
>2 months < 3 months	**8,667**	4,462
> 3 months < 6 months	**58,275**	9,464
> 6 months < 1 year	**5,471**	5,993
> 1 year	**-**	56
	333,469	184,281

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. The provision is written off against the receivable when there is objective evidence of default.

Premiums disclosed above include amounts 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. 9,519,581 (2018: Rs. 5,085,730). The other classes within insurance and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

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 insurance and other receivables approximate their fair values.

	GROUP		COMPANY	
	2019	2018	2019	2018
<u>Other premium</u>	Rs'000	Rs'000	Rs'000	Rs'000
<1 year	**24,892**	4,712	**24,987**	4,783
>1 year	**138**	116	**138**	116
	25,030	4,828	**25,125**	4,899

15. INSURANCE LIABILITIES AND REINSURANCE ASSETS

Accounting Policy

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

Reinsurance contracts for the Group's short term insurance business

Reinsurance contracts entered into by the Group for its short term insurance businesss 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 accounts receivable 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 profit or loss and are not subject to amortisation.

Reinsurance assets are reviewed for impairment. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the 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 profit or loss.

Claims expenses and outstanding claims provisions

Claims expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to policy holders or third parties. Outstanding claims provision represents the estimated ultimate cost of settling all claims admitted or intimated but not yet settled at the end of the reporting period, and provisions for claims incurred but not reported (IBNR). The outstanding claims includes related expenses. The 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.

Incurred but not reported claims (IBNR)

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

Provision for unearned premiums

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

Accounting Policy (cont'd)

Significant accounting estimates and judgements

Valuation of insurance contract liabilities

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

These estimates are described below:

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

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

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

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

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

Recoverable amount on insurance and other receivables

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

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 its Reinsurers. Allowance will be made in the financial statements for non-recoverability in case of Reinsurer's default.

(a) Short term insurance

Insurance contract liabilities	GROUP	
	2019	2018
	Rs'000	Rs'000
Gross		
Claims reported	**211,260**	353,630
Claims incurred but not reported (IBNR)	**49,451**	40,729
Outstanding claims	**260,711**	394,359
Unearned premiums	**467,030**	382,313
Total gross insurance liabilities	**727,741**	776,672

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

(a) Short term insurance (cont'd)

	GROUP	
	2019	2018
	Rs'000	Rs'000
Reinsurance assets		
Claims reported	**215,647**	337,665
Unearned premiums	**246,429**	199,974
Total reinsurers' share of insurance liabilities	**462,076**	537,639
Net		
Claims reported	**(4,387)**	15,965
Claims incurred but not reported (IBNR)	**49,451**	40,729
	45,064	56,694
Unearned premiums	**220,601**	182,339
Total net insurance liabilities	**265,665**	239,033

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

	GROUP					
	2019			2018		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
At 1 July						
Notified claims	**394,359**	**(337,665)**	**56,694**	289,918	(215,694)	74,224
Increase/(decrease) in liabilities	**436,051**	**(199,478)**	**236,573**	421,801	(205,086)	216,715
Cash paid for claims settled in the year	**(619,150)**	**321,496**	**(297,654)**	(358,089)	83,115	(274,974)
	211,260	**(215,647)**	**(4,387)**	353,630	(337,665)	15,965
Claims incurred but not reported (IBNR)	**49,451**	**-**	**49,451**	40,729	-	40,729
At 30 June	**260,711**	**(215,647)**	**45,064**	394,359	(337,665)	56,694
Movement in claims outstanding and IBNR	**(133,648)**	**122,018**	**(11,630)**	104,441	(121,971)	(17,530)
Claims incurred but not reported (IBNR)	**174,136**	**(124,685)**	**49,451**	57,714	(16,985)	40,729

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

	GROUP					
	2019			2018		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
At 1 July	**382,313**	**(199,974)**	**182,339**	371,682	(206,946)	164,736
(Decrease)/increase during the year	**84,717**	**(46,455)**	**38,262**	10,631	6,972	17,603
At 30 June	**467,030**	**(246,429)**	**220,601**	382,313	(199,974)	182,339

16. BORROWINGS

Accounting Policy

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus, in case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include borrowings, trade and other payables, deposits and bank overdrafts.

Subsequent measurement

Loans and borrowings

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

Subsequent measurement

Loans and borrowings

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

Derecognition of financial liabilities

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
3.50% - 4.65% (2018: 4.00% - 9.00%) unsecured loan				
Repayable by instalments				
- within one year	**24,846**	23,790	**24,846**	23,790
- in the second year	**13,967**	20,414	**13,967**	20,414
- in the third year	**9,643**	9,535	**9,643**	9,535
- in the fourth year	**8,681**	5,211	**8,681**	5,211
- in the fifth year	**3,026**	4,251	**3,026**	4,251
Total	**60,163**	63,201	**60,163**	63,201
9.00% (2019: 9.00%) unsecured loan (Subsidiary)				
Repayable by instalments				
- within one year	**-**	-	**58,489**	53,473
- in the second year	**-**	-	**63,976**	58,489
- in the third year	**-**	-	**69,977**	63,976
- in the fourth year	**-**	-	**-**	69,977
- in the fifth year	**-**	-	**-**	-
- after five years	**-**	-	**-**	-
Total	**-**	-	**192,442**	245,915
Analysed as follows:	**24,846**	23,790	**83,335**	77,263
Current	**35,317**	39,411	**169,270**	231,853
Non-current	**60,163**	63,201	**252,605**	309,116

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.

17. TRADE AND OTHER PAYABLES

Accounting Policy

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation, which has arisen as a result of past events and for which a reliable estimate can be made. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Amount due to reinsurers	**359,743**	236,411	**174,470**	147,356
Other payables and accruals	**289,755**	272,097	**176,193**	189,150
	649,498	508,508	**350,663**	336,506

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

18. TAXATION

Accounting Policy

Income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years 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.

Corporate social responsibility (CSR)

Corporate social responsibility (CSR) was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Group is required for all its companies domiciled in Mauritius to allocate 2% of its chargeable income of the preceding financial year to government approved CSR NGOs. As from July 2017, following amendments to the Finance Act 2017, the Group will now be required as from 01 January 2017 to 31 December 2018 to remit to the Director General at least 50% of the CSR contribution. After 01 January 2019, the Group will be required to remit to the Director General at least 75% of the CSR contribution. This is recorded as part of income tax expense.

The applicable income tax rate in Mauritius is 15% (2018 :15%). An additional charge of 2% (2018 :2%) is applicable in respect of Corporate Social Responsibility.

Income Tax

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

(a) Statements of financial position

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
- Shareholders' Fund				
- Life Fund	**25,416**	22,036	**17,684**	19,560
- Insured Pension Fund	**8,748**	6,885	**8,748**	6,885
- Personal Pension Plan	**4,254**	(2,348)	**4,254**	(2,348)
- Medisave	**7,078**	(1,812)	**7,078**	(1,812)
	(3)	4	**(3)**	4
	45,493	24,765	**37,761**	22,289

18. TAXATION (CONT'D)

Income Tax (cont'd)

(a) Statements of financial position

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Analysed as follows:				
Current tax assets	**(224)**	(74)	**-**	-
Current tax liabilities	**45,717**	24,839	**37,761**	22,289
	45,493	24,765	**37,761**	22,289

(b) Statements of profit or loss

(i) Shareholders' Fund

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
- Current tax expense	**62,968**	57,445	**43,325**	44,192
- Under/(over) provision in respect of previous year	**(727)**	(359)	**(845)**	104
	62,241	57,086	**42,480**	44,296
- Deferred tax charge (note 13(b))	**(2,738)**	12,325	**(1,767)**	14,738
	59,503	69,411	**40,713**	59,034

(ii) Life Fund

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
- Current tax expense	**19,629**	17,575	**19,629**	17,575
- Under/(over) provision in respect of previous year	**(1,127)**	1	**(1,127)**	1
	18,502	**17,576**	18,502	17,576

(iii) Insured Pension Fund

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
- Current tax expense/(credit)	**2,877**	(2,093)	**2,877**	(2,093)
- Under provision in respect of previous year	**4**	-	**4**	-
	2,881	(2,093)	**2,881**	(2,093)

(iv) Personal Pension Plan

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
- Current tax expense/(credit)	**4,454**	(1,839)	**4,454**	(1,839)
- Over provision in respect of previous year	**(241)**	-	**(241)**	-
	4,213	(1,839)	**4,213**	(1,839)

(v) Medisave

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
- Current tax (credit)/expense	**(1)**	2	**(1)**	2
Total Long Term Insurance Funds (Note 29)	**25,595**	13,646	**25,595**	13,646

18. TAXATION (CONT'D)

(b) Statements of profit or loss (cont'd)

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Tax payable				
At 1 July	24,839	8,057	22,289	7,239
Tax charge for the year	84,345	70,732	65,119	57,942
Tax paid during the year	(63,467)	(53,950)	(49,647)	(42,892)
At 30 June	45,717	24,839	37,761	22,289

(c) Tax Reconciliation

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Profit before taxation	639,464	537,246	610,028	495,699
Applicable Tax Rate (%)	17.00	17.00	17.00	17.00
Tax effect of:				
- Exempt income and other relief	(11.64)	(8.76)	(8.90)	(7.75)
- Expenses not deductible for tax purposes	1.98	0.52	0.66	0.16
- Expenses entitled to 200% deduction	(0.03)	(0.03)	(0.04)	(0.03)
- Assets not eligible for capital allowances	0.20	0.41	0.21	0.45
- Under/(over) provision in previous year	(0.10)	(0.07)	(0.14)	0.02
- Under provision in deferred tax	0.20	0.71	-	0.98
- Life Fund's tax liability	2.89	3.27	3.03	3.55
- Insured Pension Fund	0.45	(0.39)	0.47	(0.42)
- Personal Pension Plan	0.66	(0.34)	0.69	(0.37)
- Underprovision CSR	-	1.25	-	1.08
- CSR Expense	0.07	-	-	-
- Support Costs SGIN	(0.32)	-	(0.33)	-
- Capital allowance on investment property	(1.71)	-	(1.79)	-
- Foreign tax credit	(1.81)	(2.06)	-	-
- Exchange difference	5.48	4.05	-	-
- Utilisation of previously unrecognised tax losses	(0.01)	(0.10)	-	-
Effective Tax Rate	13.31	15.46	10.86	14.67

19. DEPOSITS

Accounting Policy

Deposits from customers are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Group's obligations are discharged, cancelled or expired.

	GROUP	
	2019	2018
	Rs'000	Rs'000
Term deposits with remaining terms to maturity:		
- Within one year	359,248	524,419
- In the second to fifth years inclusive	1,483,504	1,644,418
	1,842,752	2,168,837

The deposits bear interest ranging from 2.00% to 6.50% (2018: 1.50% to 6.50%) per annum.

20. STATED CAPITAL

Accounting Policy

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and Company are recorded at the proceeds received, net of direct issue costs.

	GROUP AND COMPANY	
	2019	2018
	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 2019	250	25,000	45,000

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 2018	250	25,000	45,000

The total authorised number of ordinary share is 300,000 (2018: 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.

21. RESERVES

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Retained earnings	6,178,845	5,395,605	5,229,937	4,577,619
Properties revaluation reserve	142,381	142,381	141,484	141,484
Investments revaluation reserve	7,023	263,929	254,820	379,006
Actuarial losses	(485,693)	(330,169)	(383,706)	(269,954)
Translation reserve	65,855	55,366	-	-
Other reserve	56,793	49,936	-	-
	5,965,204	5,577,048	5,242,535	4,828,155

(a) Retained earnings

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	5,395,605	5,087,507	4,577,619	4,297,321
Effect of adoption of IFRS 9	371,319	-	246,503	-
At 1 July (as restated)	5,766,924	5,087,507	4,824,122	4,297,321
Transfer on derecognition of financial assets at FVOCI	250	-	250	-
Profit attributable to equity holders of the parent	579,677	467,624	569,315	436,665
Payments of dividends	(163,750)	(156,367)	(163,750)	(156,367)
Transfer to other reserve	(4,256)	(3,159)	-	-
At 30 June	6,178,845	5,395,605	5,229,937	4,577,619

(b) Properties revaluation reserve

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	142,381	143,255	141,484	142,358
Gain on revaluation of buildings, net of tax	-	(874)	-	(874)
At 30 June	142,381	142,381	141,484	141,484

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

(c) Investments revaluation reserve

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	263,929	238,640	379,006	332,575
Effect of adoption of IFRS 9	(381,354)	-	(250,713)	-
	(117,425)	238,640	128,293	332,575
Transfer of gains on disposal of equity instrument at Fair value through OCI	124,448	-	126,527	-
Net gains arising on revaluation of available-for-sale financial assets	-	50,154	-	53,763
Transfer on disposal of available-for-sale financial assets	-	(24,865)	-	(7,332)
At 30 June	7,023	263,929	254,820	379,006

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

21. RESERVES (CONT'D)

(d) Actuarial losses

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	(330,169)	(205,175)	(269,954)	(165,612)
Other comprehensive income, net of tax	(155,524)	(124,994)	(113,752)	(104,342)
At 30 June	(485,693)	(330,169)	(383,706)	(269,954)

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

(e) Translation reserve

	GROUP	
	2019	2018
	Rs'000	Rs'000
At 1 July	55,366	50,851
Movement during the year	10,489	4,515
At 30 June	65,855	55,366

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.

(g) Income tax effects relating to other comprehensive income

SHAREHOLDERS' FUND	GROUP					
	2019			2018		
	Before tax amount	Tax (expense) benefit (Note 18)	Net of tax Amount	Before tax amount	Tax (expense) benefit (Note 15)	Net of tax Amount
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Exhange differences on translation of foreign operations	10,489	-	10,489	4,515	-	4,515
AFS financial assets	-	-	-	25,289	-	25,289
Remeasurement gains on defined benefit plan	(186,949)	31,382	(155,567)	(151,691)	26,648	(125,043)
Property revaluation	-	-	-	-	(874)	(874)
Fair value through OCI	124,448	-	124,448	-	-	-
	(52,012)	31,382	(20,630)	(121,887)	25,774	(96,113)

LIFE FUND	GROUP					
	2019			2018		
	Before tax amount	Tax (expense) benefit (Note 18)	Net of tax Amount	Before tax amount	Tax (expense) benefit (Note 15)	Net of tax Amount
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
AFS financial assets	-	-	-	158,962	-	158,962
Exhange differences on translation of foreign operations	5,546	-	5,546	(1,265)	-	(1,265)
Fair Value through OCI	(45,415)	-	(45,415)	-	-	-
	(39,869)	-	(39,869)	157,697	-	157,697

21. RESERVES (CONT'D)

(g) Income tax effects relating to other comprehensive income (cont'd)

SHAREHOLDERS' FUND

	COMPANY					
	2019			2018		
	Before tax amount	Tax (expense) benefit (Note 18)	Net of tax Amount	Before tax amount	Tax (expense) benefit (Note 15)	Net of tax Amount
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Fair Value through OCI	126,527	-	126,527	-	-	-
Remeasurement gains on defined benefit plan	(137,051)	23,299	(113,752)	(126,900)	22,558	(104,342)
Property revaluation	-	-	-	-	(874)	(874)
AFS financial assets	-	-	-	46,431	-	46,431
Fair value through OCI	(10,524)	23,299	12,775	(80,469)	21,684	(58,785)

LIFE FUND

	COMPANY					
	2019			2018		
	Before tax amount	Tax (expense) benefit (Note 18)	Net of tax Amount	Before tax amount	Tax (expense) benefit (Note 15)	Net of tax Amount
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
AFS financial assets	-	-	-	184,229	-	184,229
Fair Value through OCI	(48,509)	-	(48,509)	-	-	-
	(48,509)	-	(48,509)	184,229	-	184,229

22. RETIREMENT BENEFIT OBLIGATIONS

Accounting Policy

(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.

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.

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(iii) State plan and Defined Contribution Plan

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

Significant accounting estimates and judgements

Valuation of employee benefit obligations

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

The 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.

(a) Defined Benefit Plan

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Amount recognised in the statements of financial position as non-current liabilities:				
- Pension benefits (note 22(b)(ii))	695,350	477,974	550,037	388,166
Amount charged to profit or loss:				
- Pension benefits (note 27(a))	53,945	39,676	42,129	30,033
Amount charged to other comprehensive income:				
- Pension benefits (note 22(b)(vii))	186,936	151,691	137,051	126,900

(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 2019 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.

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(b) Pension benefits (cont'd)

(ii) Amounts recognised in the statements of financial position

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Present value of funded obligations	1,249,736	1,014,796	948,389	771,767
Fair value of plan assets	(554,386)	(536,822)	(398,352)	(383,601)
Liabilities in the statements of financial position	695,350	477,974	550,037	388,166

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	477,974	310,850	388,166	248,788
Profit or loss charge	53,945	39,676	42,129	30,033
Other comprehensive income charge	186,936	151,691	137,051	126,900
Contributions paid	(23,505)	(24,243)	(17,309)	(17,555)
At 30 June	695,350	477,974	550,037	388,166

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	1,014,796	835,107	771,767	632,938
Current service cost	21,354	22,692	15,759	16,725
Interest expense	71,500	50,008	54,246	37,222
Employee contributions	11,058	11,184	8,348	8,472
Liability experience loss	19,716	159,811	11,291	130,732
Liability Loss/(gain) due to change in financial assumption	153,647	6,399	116,161	4,704
Benefits paid	(42,335)	(70,405)	(29,183)	(59,026)
At 30 June	1,249,736	1,014,796	948,389	771,767

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(b) Pension benefits (cont'd)

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	536,822	524,257	383,601	384,150
Interest income	38,909	33,024	27,876	23,914
Employer contributions	23,505	24,243	17,309	17,555
Employee contributions	11,058	11,184	8,348	8,472
Benefits paid	(42,335)	(70,405)	(29,183)	(59,026)
Return on plan assets excluding interest income	(13,573)	14,519	(9,599)	8,536
At 30 June	554,386	536,822	398,352	383,601

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Current service cost	21,354	22,692	15,759	16,725
Net interest on net defined benefit liabilities	32,591	16,984	26,370	13,308
Total cost (note 27a)	53,945	39,676	42,129	30,033
Allocation of support costs:				
Life Fund	12,965	10,077	12,965	10,077
SICOM General Insurance Ltd	13,292	11,133	2,480	1,984
Shareholders' Fund	27,688	18,466	26,684	17,972
	53,945	39,676	42,129	30,033
Actual return in plan assets	25,336	47,543	18,277	32,450

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Return on plan assets(above)/ below interest income	13,573	(14,519)	9,599	(8,536)
Liability experience loss	19,716	159,811	11,291	130,732
Liability Loss/(gain) due to change in financial assumptions	153,647	6,399	116,161	4,704
	186,936	151,691	137,051	126,900

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Equity - local quoted	60,982	85,892	43,819	61,376
Equity - local unquoted	5,544	5,368	3,984	3,836
Debt - local quoted	5,544	5,368	3,984	3,836
Debt - local unquoted	327,088	263,043	235,027	187,965
Investment funds	116,421	112,733	83,654	80,556
Property	5,544	5,368	3,984	3,836
Cash and others	33,263	59,050	23,900	42,196
	554,386	536,822	398,352	383,601

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(b) Pension benefits (cont'd)

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
Discount rate	**5.9%**	7.3%	**5.9%**	7.3%
Future salary increases	**4.2%**	5.3%	**4.2%**	5.3%
Future pension increases	**3.2%**	3.3%	**3.2%**	3.3%
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	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Discount rate (1% movement)				
Increase	**237,008**	187,000	**177,819**	140,600
Decrease	**186,152**	147,871	**139,930**	111,312
Salary increase (1% movement)				
Increase	**107,034**	93,186	**79,521**	68,820
Decrease	**91,885**	79,877	**68,326**	58,968
Pension increase (1% movement)				
Increase	**128,513**	94,439	**97,203**	72,218
Decrease	**109,463**	81,084	**82,891**	62,056

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.

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.

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

Investment risk

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.

Interest risk

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

Longevity risk

The plan liability is calculated by reference to the best estimate of 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.

Salary risk

The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of 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 2020 are Rs 24.8 million for the Group and Rs 18.2 million for the Company.

(xiv) The weighted average duration of the defined benefit obligation vary between 17 - 22 years at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(c) Defined Contribution Plan

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
National pension scheme contributions charges for employees on a contractual basis	**87**	76	**10**	16
Contributions to defined contribution plan administered by State Insurance Company of Mauritius Ltd	**3,393**	2,423	**2,582**	1,674

23. GROSS REVENUE

Accounting Policy

Revenue recognition

Long term insurance

Gross recurring premiums on life are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Gross reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Short term insurance

Premiums earned

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

Reinsurance Premiums

Gross outward reinsurance premiums on life contracts are recognised as an expense on the earlier of the date when premiums are payable or policy becomes effective.

Gross general reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occuring contracts.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

Policy effective before 1 July 2018

Investment and other income

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

23. GROSS REVENUE (CONT'D)

Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods. Commission income is accounted for the earned terms of policies in force during the financial year, calculated on the basis of the 365th method. The portion representing the unexpired terms of policies in force at the reporting date has been accounted as deferred acquisition costs payables.

Other income

Rental income and commission are accounted on accrual basis.

	GROUP		COMPANY	
	2019	2018	2019	2018
Short Term Business	Rs'000	Rs'000	Rs'000	Rs'000
Gross premiums earned	1,053,354	789,020	-	-
Change in unearned premiums	(84,717)	(10,631)	-	-
	968,637	778,389	-	-
Net commission income	8,434	7,854	-	-
Management fees (note 24)	485,147	451,748	413,426	383,055
Investment income	283,132	279,708	271,054	236,192
	1,745,350	1,517,699	684,480	619,247
Long Term Business				
Gross insurance premiums/contributions	2,382,165	2,145,062	2,382,165	2,145,062
Gross commission income	34,065	23,333	34,065	23,333
Investment income	579,821	557,465	505,064	508,894
	2,996,051	2,725,860	2,921,294	2,677,289
Total Gross Revenue	4,741,401	4,243,559	3,605,774	3,296,536

GENERAL BUSINESS REVENUE ACCOUNT

Accounting Policy

Refer to note 23 for accounting policies on revenue, fees and commission income and other income. Refer to note 15 for accounting policies on claims expenses and movement in outstanding claims reserves and movement in unearned premium reserves.

	GROUP	
	2019	2018
	Rs'000	Rs'000
Gross insurance premiums	968,637	778,389
Premium ceded to reinsurers	(499,150)	(366,681)
Net earned premiums	469,487	411,708
Gross claims paid	619,150	358,089
Claims settled from reinsurers	(321,496)	(83,115)
Movement in outstanding claims	(11,630)	(17,530)
Net claims incurred	286,024	257,444
Commissions receivable from reinsurers	63,258	49,159
Commissions paid to agents and brokerage fees	(54,824)	(41,305)
	8,434	7,854
Underwriting surplus	191,897	162,118

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

24. REVENUE FROM CONTRACT WITH CUSTOMERS

Accounting Policy

The Company provides actuarial services, management services, administration and investment management services to entities within the Group and pension funds under administration. Revenue from contract with customers is recognised when control of the services are transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

Services transferred over time

The Company recognises revenue from these services over-time because customer simultaneously receives and consumes the benefits provided by the Group.

Services transferred at a point in time

Revenue from such services are recognised at a point in time, generally upon delivery of the service.

Judgement and estimates

Judgement:

The Group applied the following judgements that significantly affect the determination for the amount and timing of revenue from contracts with customers:

Identifying performance obligations and determining the timing of satisfaction for investment management and administration services.

The Group concluded that revenue is to be recognised over time when the performance obligation occurs over a period of time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform those services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Company performance as it performs. Management has assessed that efforts or inputs are expended evenly throughout the performance period. Therefore, it is appropriate for the Group to recognise revenue on a straight line basis.

Principal versus agent considerations

The Group determined that it is a principal in the contracts since it is primarily responsible for fulfilling the promise to provide the specified service.

	GROUP	COMPANY
	2019	2019
	Rs'000	Rs'000
Breakdown of revenue from contracts with customers		
Actuarial fees	9,990	9,990
Management fees	328,570	336,999
Administration fees	158,100	77,950
Total revenue	496,660	424,939

	GROUP	COMPANY
	2019	2019
	Rs'000	Rs'000
Timing of revenue recognition		
Services transferred over-time	496,660	424,939
Total revenue contract with customers	496,660	424,939

25. INVESTMENT AND OTHER INCOME

Accounting Policy

Refer to note 23 for accounting policies on management fee income, rental income, realised gains and losses, interest income and other income.

	GROUP			COMPANY		
	2018	2018	2018	2018	2018	2018
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Shareholders' Fund	Life Fund	Total	Shareholders' Fund	Life Fund	Total
Management fees	451,748	-	451,748	383,055	-	383,055
Gain on revaluation of investment properties (note 7)	16,446	-	16,446	17,660	-	17,660
Gain on sale of investments	39,360	59,499	98,859	7,332	18,503	25,835
Investment income	331,137	469,780	800,917	331,156	463,839	794,995
Mortgage and other loans	15,793	78,512	94,305	15,377	78,512	93,889
Loans and receivables	14,276	10,297	24,573	7,386	10,297	17,683
Held-to-maturity	86,889	290,292	377,181	44,982	294,783	339,765
Available-for-sale	28,625	58,857	87,482	24,461	54,366	78,827
Deposits	99,555	31,822	131,377	2,565	25,881	28,446
Rental income	85,999	-	85,999	94,964	-	94,964
Dividend from subsidiaries	-	-	-	141,421	-	141,421
Finance lease income	34,570	-	34,570	-	-	-
	873,261	529,279	1,402,540	739,203	482,342	1,221,545

	GROUP			COMPANY		
	2019	**2019**	**2019**	**2019**	**2019**	**2019**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
	Shareholders' Fund	**Life Fund**	**Total**	**Shareholders' Fund**	**Life Fund**	**Total**
Other Operating Income						
Dividend from investment securities	**32,271**	**73,685**	**105,956**	**28,536**	**73,685**	**102,221**
Dividend from subsidiaries	**-**	**-**	**-**	**166,334**	**-**	**166,334**
Gain on revaluation of investment properties (note 7)	**29,897**	**-**	**29,897**	**30,157**	**-**	**30,157**
Gain on sale of investments	**18,927**	**58,001**	**76,928**	**22**	**156**	**178**
Rental income	**89,711**	**-**	**89,711**	**98,518**	**-**	**98,518**
Finance lease income	**33,369**	**-**	**33,369**	**-**	**-**	**-**
Others	**25,225**	**10,334**	**35,559**	**5,073**	**1,232**	**6,305**
	229,400	**142,020**	**371,420**	**328,640**	**75,073**	**403,713**
Interest Income/Expenses at EIR						
Mortgage and other loans	**13,823**	**72,147**	**85,970**	**13,345**	**72,147**	**85,492**
Loans and receivables	**14,603**	**15,413**	**30,016**	**10,248**	**15,410**	**25,658**
Debt instrument at amortised cost	**93,878**	**326,118**	**419,996**	**48,178**	**326,117**	**374,295**
Deposits	**95,188**	**24,123**	**119,311**	**4,413**	**16,317**	**20,730**
	217,492	**437,801**	**655,293**	**76,184**	**429,991**	**506,175**
Interest Expenses	**(81,428)**	**-**	**(81,428)**	**(22,575)**	**-**	**(22,575)**
Net Interest Income	**136,064**	**437,801**	**573,865**	**53,609**	**429,991**	**483,600**

26. 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 2019, a surplus of Rs 43,373,000 (2018: Rs 35,826,761) has been transferred to the Shareholders' Fund during the year.

27. OTHER OPERATING AND ADMINISTRATIVE COSTS

	GROUP					
	2019	**2019**	**2019**	2018	2018	2018
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
	Shareholders' Fund	**Life Fund**	**Total**	Shareholders' Fund	Life Fund	Total
Employee benefit expense (note(a) below)	**319,860**	**108,372**	**428,232**	304,463	106,553	411,016
Depreciation	**21,344**	**1,712**	**23,056**	24,319	3,504	27,823
Loss on disposal of property, plant and equipment	**881**	**-**	**881**	-	-	-
Amortisation of intangible assets (note 8)	**7,791**	**1,110**	**8,901**	7,397	1,774	9,171
Repairs and maintenance	**33,981**	**2,901**	**36,882**	29,092	3,527	32,619
Printing, stationery and postage	**8,403**	**1,929**	**10,332**	5,887	2,825	8,712
Rent, rates, utilities, licences, insurance and security services	**23,605**	**15,772**	**39,377**	22,122	15,636	37,758
Advertising	**7,228**	**1,300**	**8,528**	5,783	5,545	11,328
Professional fees	**22,528**	**5,409**	**27,937**	15,879	4,239	20,118
Others	**41,994**	**105,234**	**147,228**	38,277	98,675	136,952
	487,615	**243,739**	**731,354**	453,219	242,278	695,497

	COMPANY					
	2019	**2019**	**2019**	2018	2018	2018
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
	Shareholders' Fund	**Life Fund**	**Total**	Shareholders' Fund	Life Fund	Total
Employee benefit expense (note(a) below)	**195,409**	**108,372**	**303,781**	181,104	106,553	287,657
Depreciation	**17,996**	**1,712**	**19,708**	18,968	3,503	22,471
Amortisation of intangible assets (note 8)	**4,564**	**1,110**	**5,674**	2,906	1,774	4,680
Repairs and maintenance	**24,329**	**2,901**	**27,230**	19,648	3,527	23,175
Printing, stationery and postage	**6,128**	**1,929**	**8,057**	3,394	2,825	6,219
Rent, rates, utilities, licences, insurance and security services	**14,756**	**15,772**	**30,528**	12,693	15,636	28,329
Advertising	**3,770**	**1,300**	**5,070**	2,444	5,545	7,989
Professional fees	**17,122**	**5,409**	**22,531**	10,752	4,239	14,991
Others	**8,296**	**82,236**	**90,532**	9,151	76,637	85,788
	292,370	**220,741**	**513,111**	261,060	220,239	481,299

27. OTHER OPERATING AND ADMINISTRATIVE COSTS (CONT'D)

(a) Employee benefit expense

	GROUP					
	2019	**2019**	**2019**	2018	2018	2018
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
	Shareholders' Fund	**Life Fund**	**Total**	Shareholders' Fund	Life Fund	Total
Wages and salaries, including termination benefits	**275,111**	**94,034**	**369,145**	271,843	95,460	367,303
Social security costs	**1,301**	**448**	**1,749**	1,185	429	1,614
Pension cost – defined benefit plan (note 24(b)(vi))	**40,980**	**12,965**	**53,945**	29,599	10,077	39,676
Pension cost – defined contribution plan	**2,468**	**925**	**3,393**	1,836	587	2,423
	319,860	**108,372**	**428,232**	304,463	106,553	411,016

	COMPANY					
	2019	**2019**	**2019**	2018	2018	2018
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
	Shareholders' Fund	**Life Fund**	**Total**	Shareholders' Fund	Life Fund	Total
Wages and salaries, including termination benefits	**166,353**	**94,034**	**260,387**	161,405	95,460	256,865
Social security costs	**715**	**448**	**1,163**	640	429	1,069
Pension cost – defined benefit plan (note 24(b)(vi))	**26,684**	**12,965**	**39,649**	17,972	10,077	28,049
Pension cost – defined contribution plan	**1,657**	**925**	**2,582**	1,087	587	1,674
	195,409	**108,372**	**303,781**	181,104	106,553	287,657

28. INTEREST EXPENSES ON FINANCIAL LIABILITIES NOT MEASURED AT FVTPL

Accounting Policy

Finance costs represent interests on borrowings and are accrued using the EIR method.

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Interest payable on loans from subsidiary	**-**	-	**19,962**	24,549
Interest payable to depositors	**78,815**	101,280	**-**	-
Interest payable on other loans	**2,613**	2,568	**2,613**	2,568
	81,428	103,848	**22,575**	27,117

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

29. LIFE ASSURANCE FUNDS

Accounting Policy

(i) *Life assurance funds*

At the end of every year the amount of the liabilities of the Life assurance fund is established. A portion of the surplus between the value of the assets and the value of the liabilities is transferred to profit or loss. The adequacy of the fund is determined annually by actuarial valuation.

At each reporting date the amount of the liabilities of the Life assurance fund is established. A portion of the surplus or deficit between the value of the assets and the value of the liabilities is transferred to profit or loss. Assumptions used in the valuation basis are reviewed periodically and any changes in estimates are reflected in profit or loss as they occur.

The valuation bases used for the major classes of contract liabilities are as follows:

For individual and Company market-related life business, the liability is taken as the market value of the underlying assets plus a provision for risk benefits of one year's risk premiums.

For conventional endowment business, and non-profit annuities, the liability is taken as the difference between the discounted value of future benefit payments and the discounted value of future premium receipts.

For pure life risk business, a risk provision of one year's risk premium is held.

Provision is made in the policyholders' liabilities under insurance contracts for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date. Outstanding claims and benefit payments are stated gross of reinsurance.

On adoption of IFRS 9, the transition adjustments which impact the assets and liabilities attributable to the life fund are reconginsed directly against the life fund.

The results and balances of SICOM Global Fund Ltd is consolidated in the Life Fund for the investment made by the Life Fund in SICOM Global Fund Ltd.

Significant accounting estimates and judgements

Valuation of insurance contract liabilities

The liability for life insurance contracts with DPF is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on the Ultimate Table (UK) which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Long Term Insurance Funds	**10,768,439**	9,889,716	**10,768,439**	9,889,716

29. LIFE ASSURANCE FUNDS (CONT'D)

GROUP	Note	Non-Linked 2019	Linked 2019	Total 2019	Non-Linked 2018	Linked 2018	Total 2018
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
INCOME							
Gross premium		2,274,738	107,427	2,382,165	2,051,978	93,084	2,145,062
Less: Reinsurances		(151,687)	(1,501)	(153,188)	(145,435)	(1,763)	(147,198)
Net premium		2,123,051	105,926	2,228,977	1,906,543	91,321	1,997,864
Commission receivable for reinsurance		34,065	-	34,065	23,332	-	23,332
Investment and other income		467,425	54,395	521,820	449,558	48,108	497,666
Expected Credit Losses		8,520	(137)	8,383	-	-	-
Revaluation FVTPL		106,492	10,056	116,548	-	-	-
Gain on sale of investments		56,673	1,328	58,001	54,291	5,508	59,799
		2,796,226	171,568	2,967,794	2,433,724	144,937	2,578,661
EXPENDITURE							
Bonus		431,699	664	432,363	422,710	-	422,710
Commission payable to agents and brokers		69,421	2,352	71,773	64,713	2,826	67,539
Cash and withdrawal benefits		40,261	1,546	41,807	30,013	2,561	32,574
Family income benefits		586	-	586	419	-	419
Maturity claims		632,986	17,531	650,517	841,465	8,481	849,946
Medical expenses		2,282	-	2,282	2,479	1	2,480
Provision for loan losses		-	-	-	(611)	-	(611)
Surrenders		33,625	4,879	38,504	20,889	13,451	34,340
Survival benefits		357,607	-	357,607	375,372	-	375,372
Other costs		23,071	32,681	55,752	16,931	19,403	36,334
Gross death and disablement claims		109,664	9,415	119,079	112,938	9,732	122,670
Claims recovered from reinsurers		(54,820)	(733)	(55,553)	(113,521)	(99)	(113,620)
Net claims		54,844	8,682	63,526	(583)	9,633	9,050
Management and other expenses		229,734	13,524	243,258	228,887	12,744	241,631
		1,876,116	81,859	1,957,975	2,002,684	69,100	2,071,784
SURPLUS BEFORE TAXATION		920,110	89,709	1,009,819	431,040	75,837	506,877
SHARE OF SURPLUS TO SHAREHOLDERS FUND		(43,373)	-	(43,373)	(30,827)	(5,000)	(35,827)
		876,737	89,709	966,446	400,213	70,837	471,050
TAXATION	18	(23,231)	(2,364)	(25,595)	(10,399)	(3,247)	(13,646)
SURPLUS AFTER TAXATION		853,506	87,345	940,851	389,814	67,590	457,404
FUND AT 1 JULY		8,864,313	1,025,403	9,889,716	8,325,893	948,722	9,274,615
EFFECT OF ADOPTION OF IFRS9 RECOGNISED IN EQUITY (SHAREHOLDER'S FUND) NOTE 2.2		(21,579)	(680)	(22,259)	-	-	-
		8,842,734	1,024,723	9,867,457	8,325,893	948,722	9,274,615
INCREASE IN FAIR VALUE OF FVOCI / AVAILABLE-FOR-SALE SECURITIES		(40,538)	(4,877)	(45,415)	185,342	10,725	196,067
TRANSFER ON DISPOSAL OF FVOCI/ AVAILABLE-FOR-SALE SECURITIES		-	-	-	(35,623)	(1,482)	(37,105)
TRANSLATION RESERVE		4,979	567	5,546	(1,113)	(152)	(1,265)
FUND AT 30 JUNE		9,660,681	1,107,758	10,768,439	8,864,313	1,025,403	9,889,716

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.

29. LIFE ASSURANCE FUNDS (CONT'D)

COMPANY	Note	Non-Linked 2019	Linked 2019	Total 2019	Non-Linked 2018	Linked 2018	Total 2018
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
INCOME							
Gross premium		2,274,738	107,427	2,382,165	2,051,978	93,084	2,145,062
Less: Reinsurances		(151,687)	(1,501)	(153,188)	(145,435)	(1,763)	(147,198)
Net premium		2,123,051	105,926	2,228,977	1,906,543	91,321	1,997,864
Commission		34,065	-	34,065	23,332	-	23,332
Investment and other income		452,000	52,909	504,909	442,515	47,576	490,091
Expected Credit Losses		8,651	(119)	8,532	-	-	-
Revaluation FVTPL		163,977	12,787	176,764	-	-	-
Gain on sale of investments		134	21	155	17,437	1,367	18,804
		2,781,878	171,524	2,953,402	2,389,827	140,264	2,530,091
EXPENDITURE							
Bonus		431,699	664	432,363	422,710	-	422,710
Commission		69,421	2,352	71,773	64,713	2,826	67,539
Cash and withdrawal benefits		40,261	1,546	41,807	30,013	2,561	32,574
Family income benefits		586	-	586	419	-	419
Maturity claims		632,986	17,531	650,517	841,465	8,481	849,946
Medical expenses		2,282	-	2,282	2,479	1	2,480
Provision for Loan losses		-	-	-	(611)	-	(611)
Surrenders		33,625	4,879	38,504	20,889	13,451	34,340
Survival Benefits		357,607	-	357,607	375,372	-	375,372
Other costs		23,071	32,681	55,752	16,931	19,403	36,334
Gross death and disablement claims		109,664	9,415	119,079	112,938	9,732	122,670
Claims recovered from reinsurers		(54,820)	(733)	(55,553)	(113,521)	(99)	(113,620)
Net claims		54,844	8,682	63,526	(583)	9,633	9,050
Management and other expenses		207,698	12,558	220,256	207,771	11,822	219,593
		1,854,080	80,893	1,934,973	1,981,568	68,178	2,049,746
SURPLUS BEFORE TAXATION		927,798	90,631	1,018,429	408,259	72,086	480,345
SHARE OF SURPLUS TO SHAREHOLDERS FUND		(43,373)	-	(43,373)	(30,827)	(5,000)	(35,827)
		884,425	90,631	975,056	377,432	67,086	444,518
TAXATION	18	(23,231)	(2,364)	(25,595)	(10,399)	(3,247)	(13,646)
SURPLUS AFTER TAXATION		861,194	88,267	949,461	367,033	63,839	430,872
FUND AT 1 JULY		8,864,313	1,025,403	9,889,716	8,325,893	948,722	9,274,615
EFFECT OF ADOPTION OF IFRS9 RECOGNISED IN EQUITY (SHAREHOLDER'S FUND) NOTE 2.2		(21,522)	(707)	(22,229)	-	-	-
		8,842,791	1,024,696	9,867,487	8,325,893	948,722	9,274,615
INCREASE IN FAIR VALUE OF FVOCI / AVAILABLE-FOR-SALE SECURITIES		(43,304)	(5,205)	(48,509)	189,122	13,913	203,035
TRANSFER ON DISPOSAL OF FVOCI/ AVAILABLE-FOR-SALE SECURITIES		-	-	-	(17,735)	(1,071)	(18,806)
FUND AT 30 JUNE		9,660,681	1,107,758	10,768,439	8,864,313	1,025,403	9,889,716

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.

29. LIFE ASSURANCE FUNDS (CONT'D)

(ii) *The assets of the Life Assurance Funds are analysed as follows:*

	GROUP AND COMPANY	
	2019	2018
	Rs'000	Rs'000
NON-CURRENT ASSETS		
Statutory deposits	**7,004**	6,001
Other financial assets	**8,753,655**	8,415,519
Fixed deposits	**116,332**	109,371
Mortgage and other loans	**959,592**	1,040,264
	9,836,583	9,571,155
CURRENT ASSETS		
Other financial assets	**828,622**	178,481
Mortgage and other loans	**76,952**	72,726
Trade and other receivables	**213,744**	215,350
Fixed deposits	**101,081**	189,184
Cash and cash equivalents	**110,050**	76,598
Assets held for sale	**5,435**	6,847
	1,335,884	739,186
CURRENT LIABILITIES		
Trade and other payables	**309,739**	324,463
Current tax liabilities	**20,078**	2,729
Bank overdraft	**74,211**	93,433
	404,028	420,625
NET CURRENT ASSETS	**931,856**	318,561
	10,768,439	9,889,716
TECHNICAL PROVISIONS		
Long term insurance funds	**10,768,439**	9,889,716

30. MANAGED FUNDS

The Group & Company accounts exclude the net assets of the Managed Pension Fund amounting to Rs 34.0 billion (June 2018 - Rs 32.2 billion) and Managed Medical fund amounting to Rs 1.7 million (June 2018 - Rs 2.1 million) as these assets backing these funds do not belong to the Group and the Company.

31. DIVIDEND PAID

Accounting Policy

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. The liability is extinguished when actual payments are made to the shareholders.

	GROUP AND COMPANY	
	2019	2018
	Rs'000	Rs'000
Final ordinary dividend	**163,750**	156,367

The Board of Directors of the Company has, by resolution dated 28th September 2018, recommended and authorised payment of a dividend of Rs 655 per share (2018: Rs 625.47 per share).

32. NOTES TO THE STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) Cash flows from operating activities				
Profit before taxation	**639,464**	537,246	**610,028**	495,699
Adjustments for non cash items:				
Depreciation on property, plant and equipment	**25,501**	30,622	**21,725**	26,561
Amortisation of intangible assets	**8,901**	9,171	**6,399**	6,008
Surplus on revaluation of investment properties	**(29,897)**	(16,446)	**(30,157)**	(17,660)
Retirement benefit expense	**53,945**	39,676	**42,129**	30,033
Impairment of investment on foreclosed property			**685**	-
Provision for credit losses	**(11,120)**	(1,974)	**(9,036)**	(3,560)
Loss on disposal of foreclosed property	**17**	378	**242**	378
Loss on disposal of property, plant and equipment	**(1,404)**	316	**(140)**	-
Interest income	**(794,618)**	(714,918)	**(608,396)**	(558,309)
Interest expense	**81,428**	103,849	**22,575**	27,119
Transfer on derecognition of financial assets at FVOCI	**250**	-	**250**	-
Net gains on financial asset at fair value to profit or loss	**(144,015)**	-	**(228,097)**	-
Exchange difference	**15,822**	-	**-**	-
Transfer to capital conservation reserve	**3,162**	-	**-**	-
Adjustment in fair value of SBM Bonds	**480**	-	**-**	-
Impact of adopting IFRS 9	**(35,624)**	-	**(26,438)**	-
Net surplus on long term insurance funds	**940,852**	457,404	**949,461**	430,872
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	**753,144**	445,324	**751,230**	437,141
(Increase)/decrease in trade and other receivables	**(395,230)**	(20,043)	**(67,221)**	(26,202)
(Decrease)/increase in trade and other payables	**346,541**	(7,532)	**36,794**	28,183
(Increase)/decrease in reinsurance assets	**75,563**	(114,999)	**-**	-
Increase/(decrease) in insurance liabilities	**(48,931)**	115,072	**-**	-
CASH GENERATED FROM OPERATIONS	**731,087**	417,822	**720,803**	439,122

(b) Reconciliation of liabilities arising from financial activities

GROUP

	2018	**Cash Flows**	**New loans**	**2019**
	Rs'000	Rs'000	Rs'000	**Rs'000**
Loans	63,201	(25,196)	22,157	**60,162**
	63,201	(25,196)	22,157	**60,162**

	2017	Cash Flows	New loans	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Loans	65,117	(23,165)	21,249	63,201
	65,117	(23,165)	21,249	63,201

COMPANY

	2018	**Cash Flows**	**New loans**	**2019**
	Rs'000	Rs'000	Rs'000	**Rs'000**
Loans	309,116	(78,669)	22,157	**252,604**
	309,116	(78,669)	22,157	**252,604**

	2017	Cash Flows	New loans	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Loans	359,920	(72,053)	21,249	309,116
	359,920	(72,053)	21,249	309,116

33. COMMITMENTS

(a) Capital Commitments

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Property, plant and equipment	3,077	4,068	2,939	2,303
Future finance leases	21,800	10,231	-	-
	24,877	14,299	2,939	2,303

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

	GROUP AND COMPANY	
	2019	2018
	Rs'000	Rs'000
Repairs and maintenance	10,150	-

(b) Operating lease commitments

	GROUP AND COMPANY	
	2019	2018
	Rs'000	Rs'000
Minimum lease payments under operating lease recognised as an expense in the year	2,217	2,195

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

	GROUP AND COMPANY	
	2019	2018
	Rs'000	Rs'000
- Within 1 year	2,217	2,217
- In the second to fifth years inclusive	7,784	9,078
- After 5 years	19,972	22,335
	29,973	33,630

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.

34. RELATED PARTY DISCLOSURES

Accounting Policy

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

The Group has transacted with related parties during the years ended 30 June 2019 and 30 June 2018. Details of the related party transactions and balances are given in the table below:

(a) Transactions with related parties

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
(i) Shareholders				
(a) Sales of services	27,084	14,422	3,147	2,974
(b) New investments	10,377	157,227	10,377	157,227
(c) Matured securities	-	69,287	-	69,287
(d) Interest/dividend receivable	26,672	26,565	25,145	25,150
(ii) Subsidiaries				
(a) Loans refunded to fellow subsidiary	-	-	53,473	48,887
(b) Interest paid	-	-	19,962	24,548
(c) Sales of services	-	-	59,585	65,257
(d) Dividend receivable from subsidiaries	-	-	166,334	141,421
(e) Receivables from SICOM Unit trusts	8,189	7,311	3,083	2,386
(f) Premium payable to fellow subsidiary	-	-	7,802	8,060
(iii) Key management personnel (including directors)				
(a) Loans disbursed	4,200	4,755	4,200	4,505
(b) Loans refunded	7,571	6,253	6,708	5,338
(c) Interest receivable	909	878	819	817
(d) Premium receivable	8,620	26,031	8,355	25,801
(e) Compensation:				
-Salaries and other short term benefits	98,636	101,100	77,072	82,555
-Post-employment benefits	10,801	10,883	9,462	9,668
(iv) Enterprise that has a number of management/directors in common				
- Sales of services	-	463	-	463

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

34. RELATED PARTY DISCLOSURES (CONT'D)

(b) Outstanding balances with related parties

(i) Shareholders

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) Bank balances	**229,815**	8,836	**5,058**	(19,574)
(b) Equity and bonds	**488,079**	607,021	**460,524**	578,701
(c) Interest/dividend due	**861**	861	**486**	486
(d) Premium due	**2,576**	1,828	**1,205**	597

Bank balances are in respect of current and call deposits earning no interest.

(ii) Subsidiaries

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) Loans from subsidiary	**-**	-	**192,442**	245,916
(b) Subordinated loan to subsidiary	**-**	-	**341,625**	341,625
(c) Amount due from subsidiaries	**-**	-	**170,136**	132,305
(d) Equity in SICOM Unit Trusts	**104,187**	104,641	**70,376**	71,479
(e) Amount due from Unit Trusts	**1,394**	627	**-**	-

The unsecured loans bear interest at rates of 9% per annum with monthly capital repayments.

(iii) Key management personnel (including Directors)

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) Loans	**26,123**	31,635	**23,426**	28,289
(b) Premium due	**239**	95	**203**	50

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% per annum.

(iv) Enterprise that has a number of management/ directors in common

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Sales of services	**-**	463	**-**	463

35. EVENTS AFTER THE REPORTING PERIOD

There are no events after the end of reporting period which the directors consider may materially affect the financial statements for the year ended 30 June 2019.

STATUTORY DISCLOSURES

(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 2019 are as follows:

STATE INSURANCE COMPANY OF MAURITIUS LTD

Salemohamed M Y (Appointed as Director and Chairman on 9 July 2018 and 11 July 2018 respectively)
Acharuz A
Bhoojedhur-Obeegadoo K G (Mrs)
Chaperon J M C G
Conhye K (Appointed on 9 July 2018)
Gaoneadry D (Appointed on 11 June 2019)
Jugurnath R (Dr) (up to 5 December 2018)
Li Kwong Wing K C, G.O.S.K
Maunthrooa R
Moorut R (up to 8 February 2019)
Ramdewar N (Mrs)
Sonoo J, C.S.K (Appointed on 10 July 2018)
Sooknah K R (Appointed on 11 June 2019)

SICOM GENERAL INSURANCE LTD

Salemohamed M Y (Appointed as Director and Chairman on 31 August 2018 and 11 September 2018 respectively)
Beejan M (Director and Chairman up to 13 July 2018)
Ballah R H
Balluck A
Bhoojedhur-Obeegadoo K G (Mrs)
Boodhoo B
Chaperon J M C G
Dussoye C
Koonjoo V K (Appointed on 12 July 2018)
Leung Lam Hing H Y K (Mrs)

SICOM GLOBAL FUND LIMITED

Salemohamed M Y (Appointed as Director and Chairman on 13 November 2018 and 14 February 2019 respectively)
Bhoojedhur-Obeegadoo K G (Mrs)
Chaperon J M C G
Maunthrooa R
Ramdewar N (Mrs)

SICOM FINANCIAL SERVICES LTD

Sakurdeep S (Chairman)
Bhoojedhur-Obeegadoo K G (Mrs)
Chaperon J M C G
Gopy D K
Hussenee N E S S (up to 27 August 2018)
Ramdewar N (Appointed on 4 January 2019)
Late Ramdhonee B I R (up to 21 July 2019)
Seewoochurn N

SICOM MANAGEMENT LIMITED

Bhoojedhur-Obeegadoo K G (Mrs) (Chairperson)
Chaperon J M C G
Maunthrooa R
Ramdewar N (Mrs)

STATUTORY DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2019

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, two Executive Directors (2018: Three) and the Non-Executive Directors of the Company received emoluments amounting to Rs 19,326,000 (2018: Rs 25,773,000) and Rs 4,561,000 (2018: Rs 4,696,000) respectively. The Executive Directors and Non-Executive Directors of the subsidiaries received emoluments amounting to Rs 7,124,000 (2018: Rs 6,916,000) and Rs 4,458,000 (2018: Rs 3,639,000) respectively.

Audit Fees

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

	THE COMPANY		SUBSIDIARIES	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Audit fees payable to:				
- Ernst & Young	**1,419**	1,351	**1,588**	1,512
Fees payable for tax services:				
- Ernst & Young	**97**	92	**217**	207
Fees payable for other services:				
- Ernst & Young	**920**	-	**173**	-

	THE COMPANY		SUBSIDIARIES	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Donations	**-**	-	**-**	-

For and on behalf of the Board of Directors

Chairman

Director

Date: 23 September 2019

NOTES

State Insurance Company of Mauritius Ltd
SICOM Building, Sir Célicourt Antelme Street, Port Louis, Mauritius
T: (230) 203 8400 | F: (230) 208 7662 | E: email@sicom.intnet.mu | W: www.sicom.mu