# 2017
## ANNUAL REPORT

SICOM GENERAL INSURANCE
A member of the SICOM Group

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# Our Mission, Shared Values & Objectives

## CORE VALUES

### OUR MISSION

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

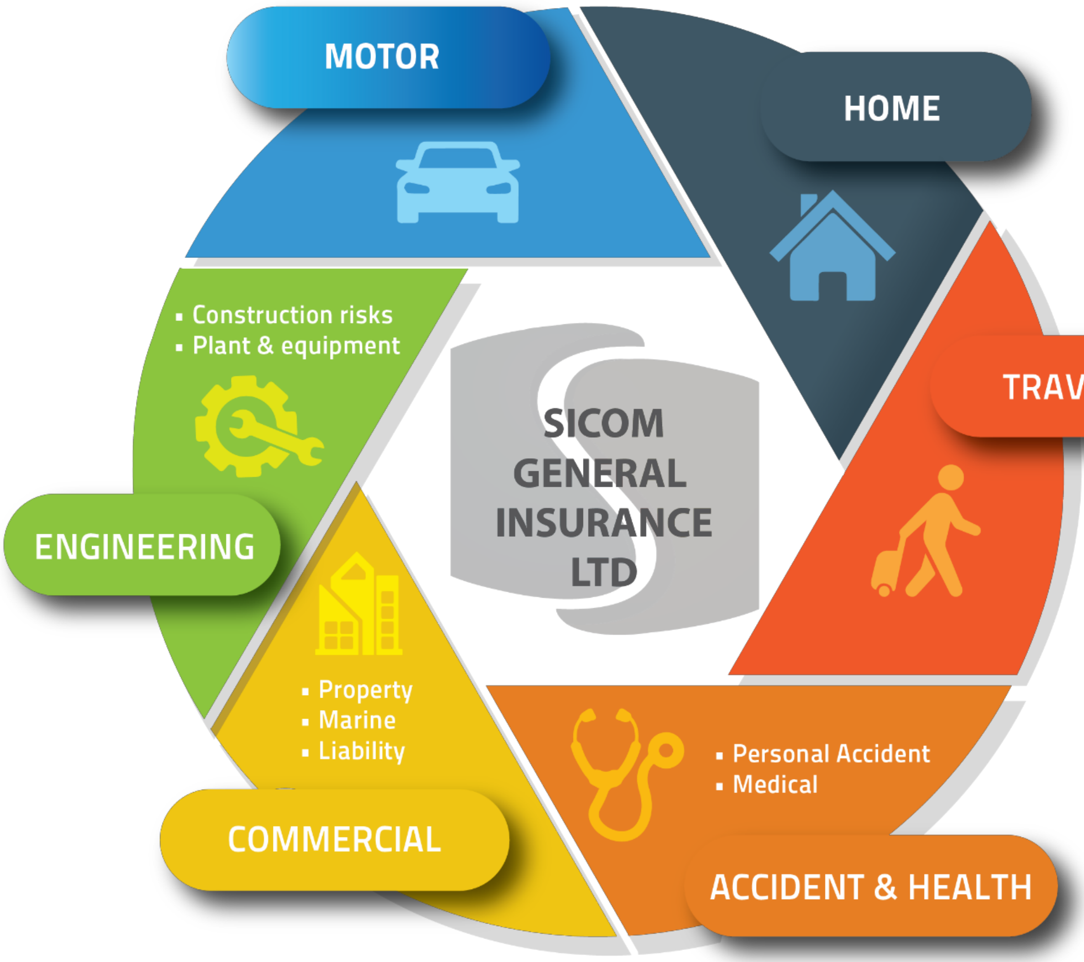
### OUR SHARED VALUES

Our Customers: The focus of all our actions
Our Employees: The source of our success
Our 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

## Main Business Lines




## Some of our Products

# Corporate Information

## BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

## BOARD OF DIRECTORS (CONT'D)

**BOODHOO Balchund (Appointed on 21 November 2016)**

Mr Balchund Boodhoo, also known as Rajen Boodhoo is a management & marketing consultant. He is a holder of an MBA from UK, and has over 25 years of experience in management. After 20 years of teaching profession he, voluntarily, resigned from the civil service to join Currimjee Group of Companies, in the early nineties. Such paradigm shift had opened up the opportunity of a professional career. From Sales Manager he, therefore, promoted to National Sales Manager, and gave professional services until 2003 to the company's Direct Selling Network.

Today Mr. Boodhoo is a full fledged free-lance management consultant working on several SME's projects, eventually, focused on promoting high quality of technology to enhance quality in productivity, service, and in all fields of Organisational activities.

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

**DUSSOYE Chandrek, BSc (Hons), ACCA**

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

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

**LEUNG LAM HING Suzanne HYK (Mrs), ACII, Chartered Insurer**

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

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

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

**PHOKEER Jugdish Dev, DPAM, B.COM, MBA (Appointed on 16 December 2016)**

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

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

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

## BOARD OF DIRECTORS (CONT'D)

**RAMDENEE Beejhaye (Appointed on 21 November 2016)**

Mr Beejhaye Ramdenee is currently the Chief Strategy Officer of RNT international Ltd, a business advisory group with offices in Mauritius, India, South Africa and Switzerland. He has over 30 years of cross-border experience in Marketing, Strategic Planning and Project Management and has worked for best in class companies in Mauritius, UK, Germany, parts of Sub-Saharan Africa and Asia.

He holds a Bachelor's degree with a Major in Marketing Management from the US, a Higher Diploma in Marketing from the UK and has completed post-graduate studies in most fields of management.

Beejhaye Ramdenee is also the Chairperson of the Mauritius Broadcasting Corporation since May 2017.

**RAMGUTTY Sanjay, B.Eng, MBA (Appointed on 21 November 2016)**

Mr Sanjay Ramgutty is an entrepreneur and a free-lance management consultant. He holds a Bachelor in Engineering in Computer Science and an MBA from the University of Surrey, U.K. He is a Fellow member of the Mauritius Institute of Directors (MIoD). He has over 25 years' experience in management for having worked both in manufacturing and services business sectors. He has also worked as consultant and project coordinator on development projects in Mauritius and East African Countries. He is also lead trainer for entrepreneurship and management workshops for SMEs for the past 8 years. His present occupation is as owner-manager of an enterprise in the food sector.

**YIP WANG WING Youk Siane, C.S.K, DEA, Maitrise (Up to 04 July 2017)**

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

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

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

## MANAGEMENT

**LEUNG LAM HING Suzanne H Y K (Mrs), ACII, Chartered Insurer**
**Chief Operating Officer**

Profile of Mrs Suzanne Leung Lam Hing is found on page 4.

**BALGOBIN Parmanand (Vinod), ACII, Chartered Insurer**
***Manager - General insurance***

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

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

| | |
|---|---|
| *Registered Office* | **SICOM General Insurance Ltd**<br>SICOM Building<br>Sir Célicourt Antelme Street, Port Louis, Mauritius<br>Telephone: (230) 203 8400<br>Fax: (230) 203 8502<br>Email Address: sicomgin@sicom.intnet.mu<br>Website: www.sicomgroup.mu |
| *Auditors* | BDO & Co |
| *Consulting Actuaries* | QED Actuaries and Consultants (Pty) Ltd<br>AON Hewitt |
| *Main Bankers* | AfrAsia Bank Ltd<br>Barclays Bank Mauritius Limited<br>MauBank Ltd<br>SBI(Mauritius) Ltd<br>SBM Bank (Mauritius) Ltd |

# Directors' Report

The Board of Directors of SICOM General Insurance Ltd (the "Company") is pleased to present the seventh Annual Report together with the audited financial statements of the Company for the year ended 30 June 2017.

## ECONOMIC REVIEW

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

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

## REVIEW OF OPERATIONS

The 2016/2017 financial year was another challenging year. Indeed, the General Insurance market remained intensely competitive, with the resulting low premium rates impacting on premium amount written per risk. In view of the difficult market conditions, major focus was put on customer retention strategies as well as new business acquisition initiatives.

These included broadening of risk acceptance guidelines, improved commission structure for salesmen and brokers in selected lines, additional sales incentives for salesmen, promotional offers on products and also the implementation of a number of information technology projects. Against this backdrop, a growth of 3.4% in Gross Premiums was achieved, to reach an amount of Rs 757.0 million.

The Motor line of business registered a satisfactory growth taking into consideration the fierce competition prevailing in this line, while prospects for growth in a few other lines of business such as the Engineering class were more limited.

The demand for Medical Insurance from both the individual and the corporate segments continued on its upward trend, and during the financial year, Medical insurance premiums registered a steady growth in line with the risk acceptance and pricing approach adopted.

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

## REVIEW OF OPERATIONS (CONT'D)

On the claims side, the amount of net incurred claims increased by Rs 30.8 million, driven mainly by an increased number of motor claims and increased costs of repairs. Thus, even though all classes of insurance have been profitable, margins have been adversely hit with the result that there has been a decrease in the underwriting profit achieved, being Rs 156.3 million compared to Rs 165.0 million for the last financial year.

On the underwriting front, it is recognised that there is an enormous downwards pressure on pricing and there are even instances where blatantly below technical prices have been observed. For the continued financial strength of the Company and the delivery of the protection promised to the policyholder, the Company will continue to operate within sound underwriting principles and exercise a close monitoring of its various lines of business.

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

## FINANCIAL PERFORMANCE

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

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

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

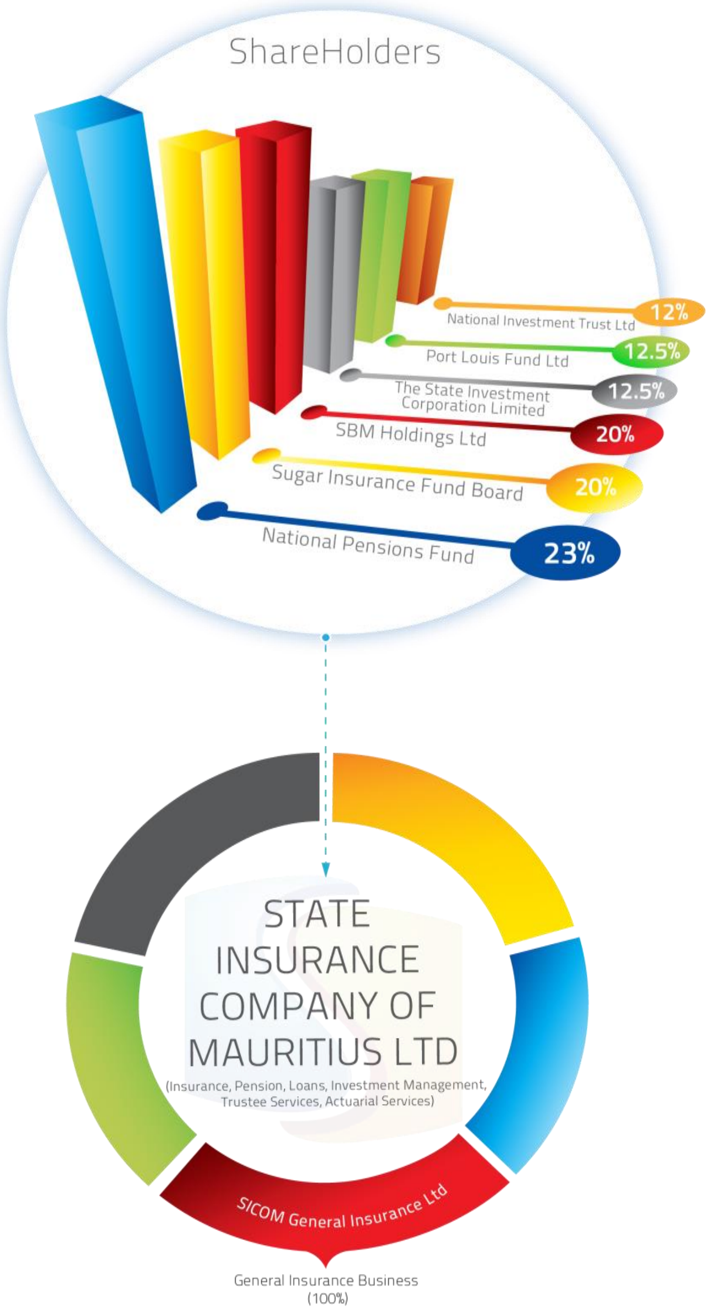
# Corporate Governance Report

## 1. ADHERENCE TO GOOD GOVERNANCE

Corporate governance is the framework by which institutions are directed and controlled, that is, it takes into consideration relationships between a company and its different stakeholders. The objective of good corporate governance is to ensure the safety and soundness as well as to enhance the shareholder value of a company. The board of Directors ensures that all the principles of good governance are followed and applied.

## 2. HOLDING STRUCTURE AND COMMON DIRECTORS

The Company is wholly owned by State Insurance Company of Mauritius Ltd, which is both its holding and ultimate holding Company. The Holdings structure is set out below:



## 2. HOLDING STRUCTURE AND COMMON DIRECTORS (CONT'D)

### Common Directors as at 30 June 2017

| Directors of the Company | State Insurance Company of Mauritius Ltd | Number of directorship in listed company |
|---|---|---|
| Mr S Nemchand | ✓ | - |
| Mrs K G Bhoojedhur-Obeegadoo | ✓ | 1 |
| Mr B Boodhoo | - | - |
| Mr C Dussoye | ✓ | 1 |
| Mrs H Y K Leung Lam Hing | - | - |
| Mr J D Phokeer | ✓ | - |
| Mr B Ramdenee | - | - |
| Mr S Ramgutty | - | - |
| Mr Y S Yip Wang Wing, C.S.K | ✓ | - |

## 3. DIVIDEND POLICY

The Company's objective is to provide value to its shareholders through an optimum return on equity. Dividends are proposed and paid after taking into consideration the profit after taxation, projects, technical provisions and appropriations to statutory and other reserves for ongoing operational activities. Dividends are only authorised and paid out if the Company shall, upon the distribution being made, satisfy the Solvency Test.

## 4. THE BOARD OF DIRECTORS

### a) Composition

Directors' profile appears on pages 3 to 5.

The Company understands the importance of having a Board which includes an appropriate combination of executive, independent and non-executive directors with the right balance of skills, experience and diversity.

The Non-Executive Directors come from diverse business backgrounds so as to ensure a blend of knowledge, skills, objectivity, integrity, experience and commitment to make sound judgements on various key issues relevant to the business of the Company independent of management.

Upon appointment, directors receive an induction pack containing reading materials such as a copy of the Code of Ethics with mission and objectives of the State Insurance Company of Mauritius Ltd, the sole shareholder of the Company together with the latest Annual Report of the Company.

All Directors receive timely information so that they are equipped to play fully their roles in Board meetings. They have access to the Company Secretary for any further information they require. Independent professional advice would be available to Directors in appropriate circumstances, at the Company's expense.

## 4. THE BOARD OF DIRECTORS (CONT'D)

**b) Role of the Board**

The Board sets the Company's strategy and determines the Company's values and standards. It is accountable and responsible for the performance and affairs of the Company. Company Law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit of the Company for the period. In preparing those financial statements, the Directors are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Board of Directors of SICOM General Insurance Ltd has the overall responsibility of ensuring that the Company complies with the standards of good corporate governance. During the last financial year, the Board of Directors met four times.

**Board and Committee Attendance**

| Directors | Classification | Board |
|---|---|---|
| Number of Meetings held during the year | | 4 |
| Mr S Nemchand | Non-Executive Director | 2 of 4 |
| Mrs K G Bhoojedhur-Obeegadoo | Executive Director | 4 of 4 |
| Mr B Boodhoo (as from 21 November 2016) | Independent Director | 2 of 4 |
| Mr C Dussoye | Non-Executive Director | 4 of 4 |
| Mr J B Elisa (up to 27 February 2017) | Non-Executive Director | 2 of 4 |
| Mrs H Y K Leung Lam Hing | Executive Director | 4 of 4 |
| Mr J D Phokeer (as from 16 December 2016) | Non-Executive Director | 2 of 4 |
| Mr B Ramdenee (as from 21 November 2016) | Independent Director | 2 of 4 |
| Mr S Ramgutty (as from 21 November 2016) | Independent Director | 2 of 4 |
| Mr Y S Yip Wang Wing, C.S.K | Non-Executive Director | 4 of 4 |

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

**c) Election of Directors**

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

**d) Directors' Remuneration**

The emoluments of Directors are disclosed on page 64. The Directors' fees and remuneration have not been disclosed on an individual basis due to the sensitive nature of the information.

## 4. THE BOARD OF DIRECTORS (CONT'D)

**e) Assessment of Directors**

The Directors of the Board have been appointed in the light of their wide range of skills and competence acquired through several years of working experience and professional background. It is expected that the evaluation of the Board and the assessment of the directors will be done in the near future.

**f) Board Committees**

The Board (at its meeting of 15 May 2017) set up a Risk and Audit Committee to assist it in fulfilling its oversight responsibilities such as the financial reporting process, the system of internal control, the audit process, the Company's process for monitoring compliance with laws and regulations and risks management practices. The Committee also has the authority to conduct or authorise investigations into any matter within its scope of responsibility. It is empowered to recommend to the Board the selection of external auditor, resolve any disagreement between management and the auditor regarding financial reporting, pre-approve all auditing and non-audit services, retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation, seek any information required from employees or external parties, meet the company officers, external auditors, or outside counsel, as necessary. It also provides direction to and oversees the Internal Audit Function and approves the Company wide risk management practices. As at 30 June 2017, the Committee consisted of Messrs B Ramdenee (Chairman), B Boodhoo and S Ramgutty. The Committee did not meet during the year under review.

Corporate Governance matters are taken up at the level of the Corporate Governance and Staff Committee of the Holding Company, the State Insurance Company of Mauritius Ltd.

**g) Shareholder Diary**

| Financial Period 2016 - 2017 | |
|---|---|
| Financial year-end | : 30 June 2017 |
| Audited Financial Statements for the year ended 30 June 17 | : Within three months from end of June 2017 |
| Statutory Returns to Financial Services Commission | : September 2017 |
| Annual Meeting | : September 2017 |
| Dividend payment | : October 2017 |

## 5. REMUNERATION POLICY

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

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

To achieve this objective, the Company believes that effective governance of our remuneration practices is a key requirement. Governance of remuneration principles and oversight of its implementation ensures what is paid to our people is aligned to our business strategy and performance is judged not only on what is achieved over the short and long term but also importantly on how it is achieved, as the Company believes the latter contributes to the long-term sustainability of the business.

## 6. SENIOR MANAGEMENT PROFILE

The profile of the senior management team appears on page 5.

## 7. SHAREHOLDERS AGREEMENT AFFECTING THE GOVERNANCE OF THE COMPANY BY THE BOARD

There is currently no shareholders' agreement which affects the governance of the Company by the Board.

## 8. RELATED PARTY TRANSACTIONS

The related party transactions are disclosed in Note 28 to the Financial Statements.

## 9. SERVICE LEVEL AGREEMENT

There is a Service Level Agreement between State Insurance Company of Mauritius Ltd and SICOM General Insurance Ltd, whereby support services are provided by State Insurance Company of Mauritius Ltd.

## 10. INTERNAL AUDIT

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

The Internal Audit function derives its authority from the Board through the Risk and Audit Committee. The Internal Audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management.

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

The Group Internal Auditor has a direct reporting line to the Risk and Audit Committee and maintains an open communication channel with Management. She has unrestricted access to the records, management or employees of the Company.

The Internal Audit plan for the Company, which forms part of the Group's audit plan and is approved by the Risk and Audit Committee, is based on the principles of risk management to ensure that the scope of work is aligned with the degree of risks attributable to the areas audited. Internal audit review for the financial year ended 30 June 2017 was conducted on arrears monitoring and recovery procedures in place in the Company. No major weakness was noted in the review carried out.

## 11. QUALITY ASSURANCE

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

## 12. ENTERPRISE RISK MANAGEMENT

**Enterprise Risk Management (ERM) Program**

The Company's ERM, which forms part of SICOM's Group ERM framework, embarked on implementing an enterprise risk management (ERM) framework as of 2013 to better understand the risks they are faced with in performing their various business operations. More recently, the Company has reinstated the implementation thereof in order to satisfy the Insurance (Risk Management) Rules ("the Rules") prescribed by the FSC during 2016.

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

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

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

**Risk Management Process**

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

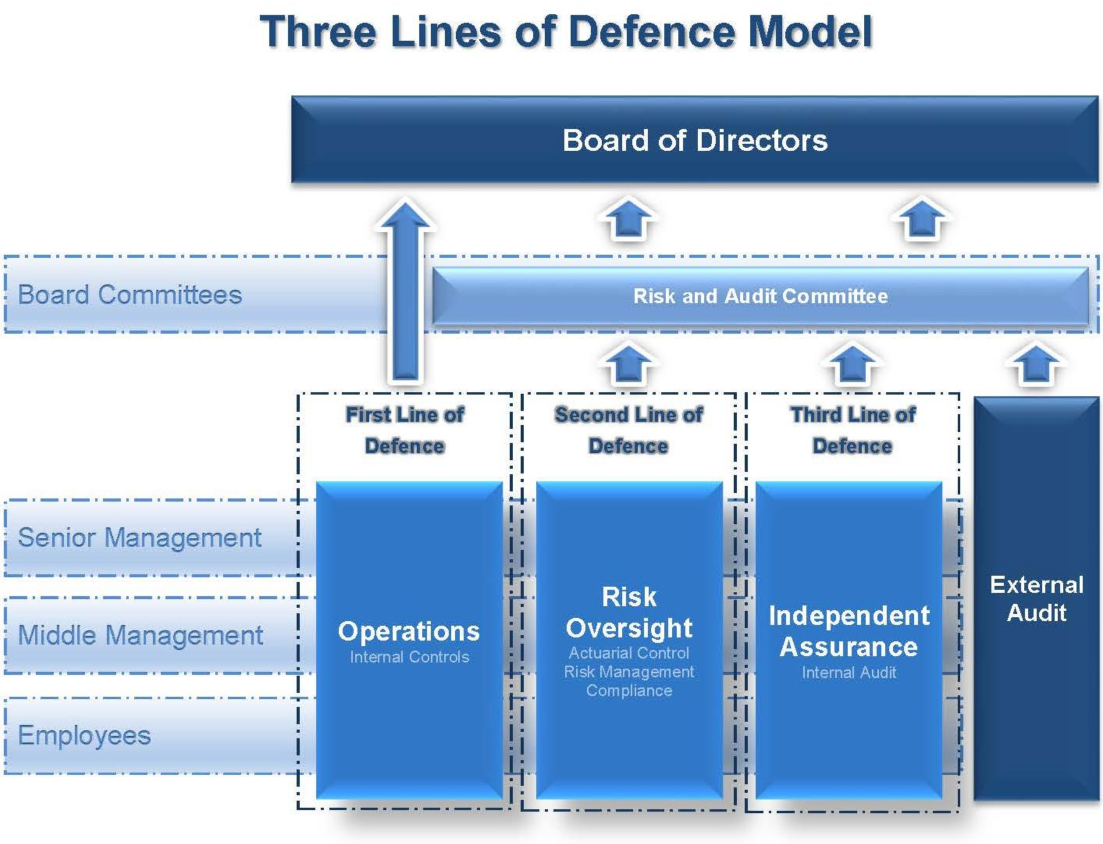
The risks were identified and classified in a consistent manner across the organisation with reference to the Company's Risk Taxonomy. The inherent risks that were identified were then assessed in terms of their probability of occurrence, their financial impact as well as their reputational impact. A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

## 12. ENTERPRISE RISK MANAGEMENT (CONT'D)

**Three lines of Defence**

There are a variety of risk management models necessitated by the need to tailor the risk management approach to each organisation's risk profile. The Company aims to adopts the Three Lines of Defence Model. With the Three Lines of Defence Model, key functions and operations are grouped into three categories or lines of defence depending on their specific roles and responsibilities. For each line of defence, the corresponding functions' roles and responsibility are defined such that they align with that particular line of defence.

The model is depicted graphically below.




**First Line of Defence: Operations**

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

**Second Line of Defence: Oversight**

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

## 12. ENTERPRISE RISK MANAGEMENT (CONT'D)

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

- Risk Management: Assisting the Company to identify, assess, monitor, manage and report on its key risks in a timely manner by overseeing the ERM Program.
- Compliance: To ensure that the Company meets its legal and regulatory obligations and to promote and sustain a culture of compliance within the Company.

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

**Third Line of Defence: Independent Assurance**

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

**Management of key risks**

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

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

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

- Credit Risk: Credit risk is the potential for loss due to the deterioration of the credit standing, perceived or real, of the Company's obligors. The change in credit standing may or may not be associated with a credit ratings downgrade and does not have to result in a default. The Company's policy is to deal with quality obligors and to conduct due process before extending credit. Additional details on the identification and management of these risks are given in note 13 to the financial statements.

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

## 12. ENTERPRISE RISK MANAGEMENT (CONT'D)

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

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

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

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

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

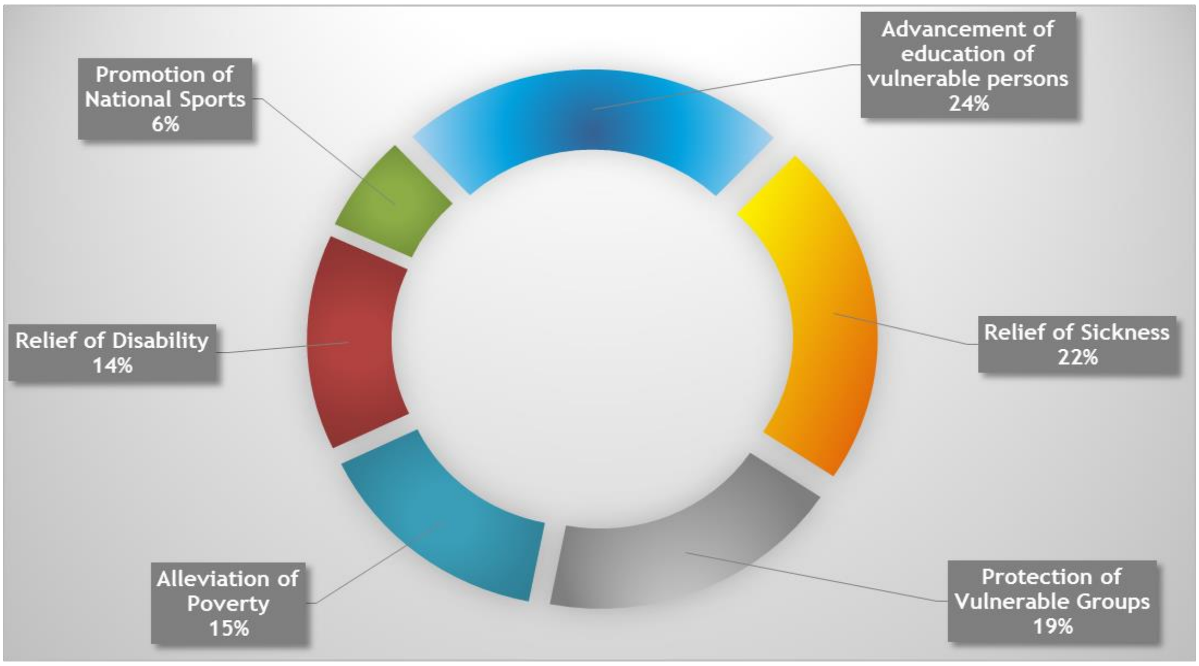
The Company has made significant progress in aligning its ERM Framework to be on par with the requirements of the Rules. In the long term, the Company wishes to establish an ERM Framework that is both compliant with the Rules and which meets international best practices. As such, the Company will continuously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

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

## 13. CORPORATE SOCIAL RESPONSIBILITY

The total CSR funds of the Company which amounted to Rs 1.3 million for the year was transferred to SICOM Foundation, the dedicated vehicle used to implement the CSR strategy of SICOM Group. During the year under review, SICOM Foundation has provided support to NGOs by financing 25 projects to the tune of Rs 7.2 million to promote education and welfare of vulnerable persons, improve the conditions of vulnerable groups including elderly, children & women in distress, homeless and victims of substance abuse, raise awareness on cancer risk, support people with disabilities and finally provide support to our athletes participating in international games. The Foundation also reiterated its support to Breast Cancer Care, an NGO actively engaged in the fight against breast cancer, for a national screening campaign through our annual charity walk and run - SICOM Les Foulées de L'Espoir which was held in August 2016.

## 13. CORPORATE SOCIAL RESPONSIBILITY (CONT'D)




## 14. HEALTH AND SAFETY POLICY

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

## 15. CODE OF CONDUCT

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

## 16. CONSTITUTION

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

## 17. SHARE PRICE INFORMATION

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

## 18. EMPLOYEE SHARE OPTION PLAN

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

## 19. DIRECTORS' DEALING IN SHARES OF THE COMPANY

The Directors did not deal in the shares of the Company during the year and they do not hold any share in the Company.

## 20. DONATION

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

## 21. ENVIRONMENTAL INITIATIVES

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

## 22. RECRUITMENT AND PROMOTION POLICY

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

## 23. NON-AUDIT SERVICES RENDERED BY EXTERNAL AUDITORS

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Services: | | |
| Review of tax computation | 49 | 47 |

Lee Shing Po Theresa M (Mrs)
Company Secretary
SICOM General Insurance Ltd
Port Louis
Date: 25 SEP 2017

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors acknowledge their responsibilities for:

i. adequate accounting records and maintenance of effective internal control systems,
ii. the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards (IFRS),
iii. the selection of appropriate accounting policies supported by reasonable and prudent judgements.

The External Auditors are responsible for reporting on whether the financial statements are fairly presented.

The Directors report that:

i. adequate accounting records and an effective system of internal controls and risk management have been maintained,
ii. appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently,
iii. the Code of Corporate Governance has been adhered to. Reasons have been provided where there has not been compliance,
iv. International Financial Reporting Standards have been adhered to.

Signed on behalf of the Board of Directors:

Chairman ....................................    Director....................................

Date: 25 SEP 2017

## ACKNOWLEDGEMENT

The Board of Directors would like to thank Messrs J B Elisa, S Nemchand, and Y S Yip Wang Wing, C.S.K for their contributions to the affairs of the Board and would also like to welcome Messrs B Boodhoo, J D Phokeer, B Ramdenee and S Ramgutty who have been appointed as new members on the Board of SICOM General Insurance Ltd.

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

For and on behalf of the Board of Directors

Chairman ..................................... Director.....................................

Date: 25 SEP 2017

## SECRETARY'S CERTIFICATE

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

.....................................

Lee Shing Po Theresa M (Mrs)
Company Secretary
SICOM General Insurance Ltd
Port Louis
Date: 25 SEP 2017

## STATEMENT OF COMPLIANCE

(Section 75(3) of the Financial Reporting Act)
Name of PIE: SICOM General Insurance Ltd
Reporting Period: Year ended 30 June 2017

We, the Directors of SICOM General Insurance Ltd, confirm that to the best of our knowledge, the PIE has not complied with sections 2.8.2 and 2.10.3 of the Code of Corporate Governance. Reasons for non-compliance are given on pages 11 and 12.

Chairman ..................................... Director.....................................

Date: 25 SEP 201-

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Port Louis, Mauritius
P.O. Box 799

**SICOM GENERAL INSURANCE LTD**

**INDEPENDENT AUDITOR'S REPORT**
To the Shareholder of SICOM General Insurance Ltd

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

**Report on the audit of the Financial Statements**

**Opinion**

We have audited the financial statements of SICOM General Insurance Ltd (the Company), on pages 23 to 63 which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 23 to 63 give a true and fair view of the financial position of the Company as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

**Basis for Opinion**

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

**Other information**

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

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

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

SICOM GENERAL INSURANCE LTD

**INDEPENDENT AUDITOR'S REPORT (Continued)**
To the Shareholder of SICOM General Insurance Ltd

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

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

SICOM GENERAL INSURANCE LTD

**INDEPENDENT AUDITOR'S REPORT (Continued)**
To the Shareholder of SICOM General Insurance Ltd

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

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

**Report on Other Legal and Regulatory Requirements**

*Companies Act 2001*

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

We have obtained all information and explanations we have required.

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

*Financial Reporting Act 2004*

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

In our opinion, the disclosures in the annual report are consistent with the requirements of the Code.

*Insurance Act 2005*

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

BDO & Co
*Chartered Accountants*

Port Louis,
Mauritius

25 SEP 2017

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

SICOM GENERAL INSURANCE LTD

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | Rs'000 | Rs'000 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 6 | **2,227** | 1,634 |
| Intangible assets | 7 | **5,248** | 6,575 |
| Statutory deposits | 8 | **7,942** | 7,942 |
| Other financial assets | 9 | **548,383** | 472,213 |
| Fixed deposits | 10 | **126,210** | 126,146 |
| Loans | 11 | **4,907** | 16,265 |
| Deferred tax assets | 12 | **7,918** | 5,826 |
| | | **702,835** | 636,601 |
| **CURRENT ASSETS** | | | |
| Other financial assets | 9 | **74,154** | 17,964 |
| Loans | 11 | **12,459** | 2,283 |
| Trade and other receivables | 13 | **234,587** | 304,815 |
| Short-term deposits | 14 | **14,696** | 85,708 |
| Reinsurance assets | 15 | **558,361** | 517,510 |
| Current tax assets | 16(a) | **648** | - |
| Cash and cash equivalents | | **41,969** | 77,019 |
| | | **936,874** | 1,005,299 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | **202,411** | 211,129 |
| Dividend | 18 | **23,002** | 38,990 |
| Current tax liabilities | 16(a) | **-** | 3,902 |
| Bank overdraft | | **6,030** | 31,706 |
| | | **231,443** | 285,727 |
| **NET CURRENT ASSETS** | | **705,431** | 719,572 |
| | | **1,408,266** | 1,356,173 |
| **CAPITAL AND RESERVES** | | | |
| Stated capital | 19 | **25,000** | 25,000 |
| Reserves | 20 | **184,525** | 180,607 |
| Subordinated loan | 21 | **341,625** | 341,625 |
| **TOTAL EQUITY** | | **551,150** | 547,232 |
| **TECHNICAL PROVISIONS** | | | |
| Gross outstanding claims | 15 | **425,640** | 390,542 |
| Gross unearned premiums | 15 | **371,682** | 373,535 |
| | | **797,322** | 764,077 |
| **NON-CURRENT LIABILITIES** | | | |
| Retirement benefit obligations | 22 | **59,794** | 44,864 |
| | | **1,408,266** | 1,356,173 |

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

PHOKEER J D
Chairman

Bhoojedhur-Obeegadoo K G (Mrs)
Director

The notes on pages 28 to 63 form an integral part of these financial statements.
Auditors' report on pages 22 to 22(b).

## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | Rs'000 | Rs'000 |
| Gross insurance premiums | | 757,040 | 732,368 |
| Premium ceded to reinsurers | | (372,446) | (359,756) |
| Movement in unearned premium | 15(c) | (2,611) | (9,751) |
| Net earned premiums | | 381,983 | 362,861 |
| Gross claims paid | 15(b) | 402,569 | 468,454 |
| Claims settled from reinsurers | 15(b) | (145,164) | (226,896) |
| Movement in outstanding claims | 15(b) | (10,217) | (25,218) |
| Net claims incurred | | 247,188 | 216,340 |
| Commissions receivable from reinsurers | | 56,989 | 54,060 |
| Commissions paid to agents and brokerage fees | | (35,537) | (35,598) |
| | | 21,452 | 18,462 |
| **Underwriting surplus** | | 156,247 | 164,983 |
| Investment and other income | 23 | 46,520 | 51,601 |
| | | 202,767 | 216,584 |
| Administrative and other expenses | 24 | (166,205) | (154,800) |
| PROFIT BEFORE TAXATION | | 36,562 | 61,784 |
| Taxation | 16(b) | (5,893) | (9,798) |
| **PROFIT FOR THE YEAR** | | 30,669 | 51,986 |

The notes on pages 28 to 63 form an integral part of these financial statements.
Auditors' report on pages 22 to 22(b).

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

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | Rs'000 | Rs'000 |
| Profit for the year | | **30,669** | 51,986 |
| **Other comprehensive income:** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Remeasurement of post employment benefit obligations | 22(a)(iii) | **(12,738)** | 4,058 |
| Income tax relating to components of other comprehensive income | 12(b) | **1,911** | (609) |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Change in fair value of available-for-sale investments | 9 | **7,078** | (2,473) |
| **Other comprehensive income for the year, net of tax** | | **(3,749)** | 976 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **26,920** | 52,962 |

The notes on pages 28 to 63 form an integral part of these financial statements.
Auditors' report on pages 22 to 22(b).

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | Stated Capital | Retained Earnings | Actuarial Losses | Investment Revaluation Reserve | Subordinated Loan | Total |
|---|---|---|---|---|---|---|---|
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Balance at 01 July 2016 | | 25,000 | 208,958 | (27,115) | (1,236) | 341,625 | 547,232 |
| Profit for the year | | - | 30,669 | - | - | - | 30,669 |
| Other comprehensive income | | - | - | (10,827) | 7,078 | - | (3,749) |
| Total comprehensive income for the year | | - | 30,669 | (10,827) | 7,078 | - | 26,920 |
| Dividend | 18 | - | (23,002) | - | - | - | (23,002) |
| **Balance at 30 June 2017** | | **25,000** | **216,625** | **(37,942)** | **5,842** | **341,625** | **551,150** |
| Balance at 01 July 2015 | | 25,000 | 195,962 | (30,564) | 1,237 | 341,625 | 533,260 |
| Profit for the year | | - | 51,986 | - | - | - | 51,986 |
| Other comprehensive income | | - | - | 3,449 | (2,473) | - | 976 |
| Total comprehensive income for the year | | - | 51,986 | 3,449 | (2,473) | - | 52,962 |
| Dividend | 18 | - | (38,990) | - | - | - | (38,990) |
| **Balance at 30 June 2016** | | **25,000** | **208,958** | **(27,115)** | **(1,236)** | **341,625** | **547,232** |

The notes on pages 28 to 63 form an integral part of these financial statements.

Auditors' report on pages 22 to 22(b).

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | Rs'000 | Rs'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | **36,562** | 61,784 |
| *Adjustments for:* | | | |
| Depreciation on property, plant and equipment | 6 | **398** | 554 |
| Amortisation of intangible assets | 7 | **1,539** | 1,133 |
| Retirement benefit obligations | 22(a)(iii) | **8,290** | 8,135 |
| Investment income | | **(41,911)** | (46,923) |
| **Operating cash flows before working capital changes** | | **4,878** | 24,683 |
| | | | |
| Decrease/(increase) in trade and other receivables | | **43,949** | (48,362) |
| (Increase)/decrease in reinsurance assets | | **(40,851)** | 110,004 |
| (Decrease)/increase in trade and other payables | | **(8,718)** | 1,417 |
| Increase/(decrease) in insurance liabilities | | **33,245** | (125,471) |
| **Cash generated from/ (used in) operations** | | **32,503** | (37,729) |
| | | | |
| Interest received | | **65,672** | 47,455 |
| Income tax paid | 16(a) | **(10,624)** | (8,949) |
| Contribution paid on retirement benefit obligations | 22(a)(iii) | **(6,098)** | (4,135) |
| **Net cash generated from/(used in) operating activities** | | **81,453** | (3,358) |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 6 | **(991)** | (839) |
| Purchase of intangible assets | 7 | **(212)** | (3,885) |
| Net investment | | **(121,646)** | (28,156) |
| **Net cash used in investing activities** | | **(122,849)** | (32,880) |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividend paid | | **(38,990)** | (54,863) |
| **Net cash used in financing activities** | | **(38,990)** | (54,863) |
| | | | |
| **Net decrease in cash and cash equivalents** | | **(80,386)** | (91,101) |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | | **131,021** | 222,122 |
| | | | |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | | **50,635** | 131,021 |

**CASH AND CASH EQUIVALENTS**

| | | | |
|---|---|---|---|
| Bank and cash balances | | **41,969** | 77,019 |
| Bank overdraft | | **(6,030)** | (31,706) |
| Short term deposits | | **14,696** | 85,708 |
| | | **50,635** | 131,021 |

The notes on pages 28 to 63 form an integral part of these financial statements.
Auditors' report on pages 22 to 22(b).

## 1. GENERAL INFORMATION

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The financial statements of SICOM General Insurance Ltd comply with the companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'000), except when otherwise indicated.

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

(a) available for sale financial assets and relevant financial assets and liabilities are stated at their fair values; and
(b) held-to-maturity investments, loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost.

***Standards, Amendments to Published Standards And Interpretations Effective in the reporting period***

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

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

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

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

***Standards, Amendments to Published Standards And Interpretations Effective in the reporting period (cont'd)***

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

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

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

**Annual Improvements to IFRSs 2012-2014 cycle**

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

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

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

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

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

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

***Standards, Amendments to Published Standards And Interpretations Effective in the reporting period (cont'd)***

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

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

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

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

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

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

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

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contract with Customers
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
IFRS 16 Leases

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

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

***Standards, Amendments to published Standards and Interpretations issued but not yet effective (cont'd)***

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

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

### 2.2 Property, plant and equipment

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

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

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

| | |
|---|---|
| Furniture and fittings | 10% |
| Office equipment | 10% |
| Computer equipment | 20% |
| Assets costing below Rs 5,000 | 100% |

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

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

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

### 2.3 Revenue recognition

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.

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

### 2.4 Foreign currencies

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

### 2.5 Financial assets

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

***Classification of Financial assets***

Financial assets are classified into the following specified categories: "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition, except where stated separately, the carrying amount of the Company's financial assets approximate their fair values.

*Effective interest method*

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

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money or services directly to a debtor with no intention of trading the receivable. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequently to initial recognition, loans and receivables are measured at amortised costs using the effective interest method, less any impairment.

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

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

### 2.5 Financial assets (cont'd)

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

*Trade and other receivables*
Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as Trade receivables. Trade receivables are measured at amortised cost using the effective interest method, less any impairment.

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

*Available-for-sale financial assets*
Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period.

*Recognition and measurement*
Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Available-for-sale financial assets are initially measured at fair value plus transaction costs.

Available-for-sale financial assets are subsequently carried at their fair values.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income.

When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses on financial assets.

The fair value of quoted investments are based on current bid prices.

***Impairment of financial assets***

*Financial assets classified as available-for-sale*
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial asset is impaired. In case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

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

### 2.5 Financial assets (cont'd)

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

*Financial assets classified as available-for-sale (cont'd)*
If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

If the fair value of a previously recognised impaired debt security classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

*Financial assets measured at amortised cost*
For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and, the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### 2.6 Stated capital

Ordinary shares are classified as equity.

### 2.7 Trade and other payables

Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.8 Taxation

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

***Current tax***
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of 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.

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

### 2.8 Taxation (cont'd)

***Deferred tax***

Deferred taxation is provided on the comprehensive basis using the liability method. Deferred tax liabilities are recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

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

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

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is possible that taxable profit will be available against which the deductible temporary differences can be utilised. The principal temporary difference arises from depreciation on property, plant and equipment and retirement benefit obligations.

### 2.9 Cash and cash equivalents

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

### 2.10 Retirement benefit obligations

***Defined Contribution plan***

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

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

***Defined Benefit plan***

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

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

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

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

***Defined Benefit plan (cont'd)***

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

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

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

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

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

### 2.11 Provisions

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

### 2.12 Intangible assets – Computer Software

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

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

### 2.13 Insurance contracts

***Insurance contracts – classification***

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

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

### 2.13 Insurance contracts (cont'd)

***Insurance contracts – classification (cont'd)***

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

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

***Reinsurance contracts***

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

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

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

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

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

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

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

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

### 2.13 Insurance contracts (cont'd)

***Claims expenses and outstanding claims provisions***

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

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

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

***Salvage and subrogation reimbursements***

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

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

### 2.14 Liability adequacy test

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

### 2.15 Dividend distribution

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

### 2.16 Related parties

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

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

### 2.17 Comparative figures

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

## 3. MANAGEMENT OF INSURANCE RISKS

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

### 3.1 Insurance risk

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

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

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

#### 3.1.1 *Frequency and severity of claims.*

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

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

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

The Company can impose deductibles and has the right to reject the payment of a fraudulent claim. Where relevant, the Company may pursue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

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

### 3.1 Insurance risk (Cont'd)

### 3.1.2 *Concentration of insurance risk*

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

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

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

### 3.1.3 *Sources of uncertainty*

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

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

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

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

### 3.1 Insurance risk (cont'd)

### 3.1.4 Claims development table

The development of insurance liabilities provides a measure of the Company'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.

**Financial year of Loss**

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

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

### 3.1 Insurance risk (Cont'd)

#### 3.1.5 *Reinsurance strategy*

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

## 4. FINANCIAL RISK

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

### 4.1 Foreign currency risk

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

Concentration of assets under:

| Financial assets | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| MUR | **1,507,189** | 1,509,288 |
| USD | **113,814** | 116,154 |
| GBP | **62** | 66 |
| EUR | **885** | 1,158 |
| AUD | **821** | 861 |
| | **1,622,771** | 1,627,527 |

| Financial liabilities | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| MUR | **657,083** | 672,367 |

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

### 4.1 Foreign currency risk (cont'd)

Consequently the Company is exposed to risks that the exchange rate relative to these currencies may change in a manner, which has an effect on the reported value of that portion of the Company's net assets which is denominated in currencies other than the Mauritian Rupee. The following table details the Company's sensitivity to a 5% and 10% increase/decrease of the Rupee against the USD, GBP, EUR and AUD.

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Increase/decrease of 5% in rate of exchange | | |
| Increase/decrease in net assets | **5,779** | 5,912 |
| Increase/decrease of 10% in rate of exchange | | |
| Increase/decrease in net assets | **11,558** | 11,824 |

### 4.2 Interest rate risk

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

| The interest rate profile of the Company was as follows: | **2017** | 2016 |
|---|---|---|
| | **%** | % |
| Government Bonds | **3.25 - 9.25** | 4.30 - 9.25 |
| Treasury Notes | **2.46 - 4.25** | 2.46 - 4.08 |
| Corporate Bonds - Floating | **repo + 1.35** | Repo + 1.35 |
| Corporate Bonds - Fixed | **6.00** | 6.00 |
| Fixed Deposits - Local: | | |
| Non-current | **5.30 - 7.00** | 7.00 |
| Current | **n/a** | 7.50 - 8.10 |
| Fixed Deposits Foreign - USD | **1.70 - 2.15** | 0.75 |
| Floating Deposits - Local: | | |
| Non-current | **Savings + (3.00 - 3.20)** | Savings + (3.00 - 3.20) |
| Foreign Currency Call Deposits: | | |
| USD | **0.00 - 0.10** | 0.10 |
| GBP | **0.10** | n/a |
| EUR | **0.01** | 0.01 |
| Local Call Deposits | | |
| MUR | **0.60 - 2.40** | 0.00 - 3.35 |

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

### 4.2 Interest rate risk (Cont'd)

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Increase/decrease of 5% in interest rate | | |
| Increase/decrease in net assets | **448** | 506 |
| Increase/decrease in income | **448** | 506 |
| Increase/decrease of 10% in interest rate | | |
| Increase/decrease in net assets | **896** | 1,012 |
| Increase/decrease in income | **896** | 1,012 |

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

The interest rate sensitivity analysis excludes:-
Government securities, foreign currency term deposits and local currency fixed deposits which have fixed interest rates and thus will not be affected by fluctuations in the level of interest rates.

### 4.3 Liquidity risk

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

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

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

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

| | 1 to 3 months | 3 months to 1 year | Repayable on demand | Total |
|---|---|---|---|---|
| **At 30 June 2017** | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| Financial liabilities | | | | |
| Insurance liabilities | - | - | 425,640 | 425,640 |
| Other financial | 29,485 | 201,958 | - | 231,443 |
| **Total liabilities** | **29,485** | **201,958** | **425,640** | **657,083** |
| | | | | |
| **At 30 June 2016** | | | | |
| Financial liabilities | | | | |
| Insurance liabilities | - | - | 390,542 | 390,542 |
| Other financial | 71,551 | 210,274 | - | 281,825 |
| **Total liabilities** | **71,551** | **210,274** | **390,542** | **672,367** |

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

### 4.4 Market price risk

The Company has invested in securities quoted on the Stock Exchange of Mauritius. The following table details the Company's sensitivity to a 5% and 10% increase/decrease in the prices of the quoted shares.

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Bonds | **25,745** | 25,976 |
| Equities | **47,087** | 36,325 |
| | **72,832** | 62,301 |
| Increase/decrease of 5% in the prices of securities: | | |
| Increase/decrease in net assets | **3,642** | 3,115 |
| Increase/decrease of 10% in the prices of securities: | | |
| Increase/decrease in net assets | **7,283** | 6,230 |

### 4.5 Reinsurers' default

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

### 4.6 Capital risk management

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

Under the Insurance Act (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.

For the year ended 30 June 2017, the Company has satisfied the minimum capital requirement.

### 4.7 Fair value measurements recognised in the statement of financial position

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

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

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

### 4.7 Fair value measurements recognised in the statement of financial position (cont'd)

| | 2017 | | | |
|---|---|---|---|---|
| Available-for-sale financial assets | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| Quoted Equities | 47,087 | - | - | 47,087 |
| Unquoted Equities | - | - | 14 | 14 |
| Quoted Bonds | 25,745 | - | - | 25,745 |
| **Total** | **72,832** | **-** | **14** | **72,846** |

| | 2016 | | | |
|---|---|---|---|---|
| Available-for-sale financial assets | Level 1 | Level 2 | Level 3 | Total |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Quoted Equities | 36,325 | - | - | 36,325 |
| Unquoted Equities | - | - | 14 | 14 |
| Quoted Bonds | 25,976 | - | - | 25,976 |
| **Total** | 62,301 | - | 14 | 62,315 |

| The table below shows the changes in level 3 instruments. | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| At 01 July | **14** | - |
| Additions | **-** | 14 |
| **At 30 June** | **14** | 14 |

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

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

### 5.1 Critical accounting estimates and assumptions

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

### 5.2 Insurance contracts

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

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

### 5.2 Insurance contracts (cont'd)

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

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

### 5.3 Reinsurance

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

### 5.4 Held-to-maturity investments

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

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

### 5.5 Impairment of available-for-sale financial assets

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

### 5.6 Pension benefits

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

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

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

### 5.6 Pension benefits (cont'd)

In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 22.

## 6. PROPERTY, PLANT AND EQUIPMENT

| | | Furniture & Fittings | Office Equipment | Computer Equipment | Total |
|---|---|---|---|---|---|
| (a) | **COST** | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| | At 01 July 2015 | 366 | 184 | 2,549 | 3,099 |
| | Additions | 78 | 79 | 682 | 839 |
| | Scrapped | - | - | (15) | (15) |
| | At 30 June 2016 | 444 | 263 | 3,216 | 3,923 |
| | Additions | 597 | 16 | 378 | 991 |
| | Scrapped | - | - | (328) | (328) |
| | **At 30 June 2017** | **1,041** | **279** | **3,266** | **4,586** |
| | **DEPRECIATION** | | | | |
| | At 01 July 2015 | 209 | 74 | 1,467 | 1,750 |
| | Charge for the year | 33 | 26 | 495 | 554 |
| | Scrapped | - | - | (15) | (15) |
| | At 30 June 2016 | 242 | 100 | 1,947 | 2,289 |
| | Charge for the year | 76 | 31 | 291 | 398 |
| | Scrapped | - | - | (328) | (328) |
| | **At 30 June 2017** | **318** | **131** | **1,910** | **2,359** |
| | **NET BOOK VALUE** | | | | |
| | **At 30 June 2017** | **723** | **148** | **1,356** | **2,227** |
| | At 30 June 2016 | 202 | 163 | 1,269 | 1,634 |

(b) Depreciation charge of Rs 398,000 (2016: Rs 554,000) has been included in administrative and other expenses.

## 7. INTANGIBLE ASSETS

| | | Computer Software | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | **Rs'000** | Rs'000 |
| (a) | **COST** | | |
| | At 01 July | **10,432** | 7,286 |
| | Additions | **212** | 3,885 |
| | Scrapped | **-** | (739) |
| | **At 30 June** | **10,644** | 10,432 |
| | **AMORTISATION** | | |
| | At 01 July | **3,857** | 3,463 |
| | Charge for the year | **1,539** | 1,133 |
| | Scrapped | **-** | (739) |
| | **At 30 June** | **5,396** | 3,857 |
| | **NET BOOK VALUE** | | |
| | At June 30 | **5,248** | 6,575 |

(b) Amortisation charge of Rs 1,539,000 (2016: Rs 1,133,000) has been included in administrative and other expenses.

## 8. STATUTORY DEPOSITS

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

## 9. OTHER FINANCIAL ASSETS

| | 2017 | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Non-current | | |
| Investment in securities | **548,383** | 472,213 |
| Current | | |
| Investment in securities | **74,154** | 17,964 |
| | **622,537** | 490,177 |

Other financial assets for 2017 are analysed as follows:

| Non-current | Held-to-maturity | Available-for-sale | Total |
|---|---|---|---|
| **Investment in securities** | Rs'000 | Rs'000 | Rs'000 |
| At 01 July 2016 | 409,898 | 62,315 | 472,213 |
| Additions | 138,341 | 3,543 | 141,884 |
| Maturity/disposal | - | (90) | (90) |
| Transfer to current assets | (72,440) | - | (72,440) |
| Interest/gain receivable adjustment | (262) | - | (262) |
| Increase in fair value | - | 7,078 | 7,078 |
| **At 30 June 2017** | **475,537** | **72,846** | **548,383** |

## 9. OTHER FINANCIAL ASSETS (CONT'D)

**Current**
**Investment in securities**

| | Held-to-maturity |
|---|---|
| | Rs'000 |
| At 01 July 2016 | 17,964 |
| Maturities | (17,719) |
| Transfer from non-current assets | 72,440 |
| Interest/gain receivable adjustment | 1,469 |
| **At 30 June 2017** | **74,154** |

Other financial assets for 2016 are analysed as follows:

**Non-current**
**Investment in securities**

| | Held-to-maturity | Available-for-sale | Total |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| At 01 July 2015 | 299,686 | 61,360 | 361,046 |
| Additions | 134,003 | 3,428 | 137,431 |
| Transfer to current assets | (17,719) | - | (17,719) |
| Transfer to statutory deposits | (7,942) | - | (7,942) |
| Interest/gain receivable adjustment | 1,870 | - | 1,870 |
| Decrease in fair value | - | (2,473) | (2,473) |
| **At 30 June 2016** | **409,898** | **62,315** | **472,213** |

**Current**
**Investment in securities**

| | Held-to-maturity |
|---|---|
| | Rs'000 |
| At 01 July 2015 | 23,337 |
| Maturities | (23,355) |
| Transfer from non-current assets | 17,719 |
| Interest/gain receivable adjustment | 263 |
| **At 30 June 2016** | **17,964** |

(a) Held-to-maturity investments comprise of Mauritius Government Securities with interest rates ranging from 2.46% - 9.25% (2016: 2.46% - 9.25%) per annum and maturity dates varying between 2017 to 2031.

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

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Equity securities (listed) | **47,087** | 36,325 |
| Equity securities (unquoted) | **14** | 14 |
| Debt securities (listed) | **25,745** | 25,976 |
| | **72,846** | 62,315 |

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

## 9. OTHER FINANCIAL ASSETS (CONT'D)

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

(d) The maximum exposure to credit risk at the reporting date is the fair value of securities classified as available-for-sale.

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

## 10. FIXED DEPOSITS

| *Held-to-maturity financial assets* | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Maturing: | | |
| - in the second year | **123,500** | - |
| - in the third year | **-** | 123,500 |
| Interest receivable | **2,710** | 2,646 |
| | **126,210** | 126,146 |

(a) The deposits earn interest at rates varying between 5.30% - 7.00% (2016: 5.85% - 7.00%) per annum.

(b) The fixed deposits are denominated in MUR.

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

## 11. LOANS

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| **Non-current** | | |
| Subordinated debt | **-** | 10,000 |
| Other loans | **4,907** | 6,265 |
| | **4,907** | 16,265 |
| | | |
| **Current** | | |
| Subordinated debt | **10,000** | - |
| Other loans | **2,459** | 2,283 |
| | **12,459** | 2,283 |

Subordinated unsecured loan bear fixed interest rate at 10% per annum and the capital is repayable in full at maturity date of 13 July 2017. Other loans bear interest at 2% to 4% (2016: 2% to 4%) per annum and have repayment terms of seven years.

## 12. DEFERRED TAXATION

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

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

**12. DEFERRED TAXATION (CONT'D)**

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Deferred tax assets | 8,969 | 6,730 |
| Deferred tax liabilities | (1,051) | (904) |
| | 7,918 | 5,826 |

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

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 5,826 | 6,313 |
| Credited to profit or loss (note 16(b)) | 181 | 122 |
| Credited/(charged) to other comprehensive income | 1,911 | (609) |
| **At 30 June** | 7,918 | 5,826 |

(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:

| Deferred tax liabilities | Accelerated tax depreciation |
|---|---|
| | Rs'000 |
| At 01 July 2015 | 425 |
| Charged to profit or loss | 479 |
| **At 30 June 2016** | 904 |
| Charged to profit or loss | 147 |
| **At 30 June 2017** | 1,051 |

| Deferred tax assets | Retirement benefit obligations |
|---|---|
| | Rs'000 |
| At 01 July 2015 | 6,738 |
| Credited to profit or loss | 601 |
| Charged to other comprehensive income | (609) |
| At 30 June 2016 | 6,730 |
| Credited to profit or loss | 328 |
| Credited to other comprehensive income | 1,911 |
| **At 30 June 2017** | 8,969 |

**13. TRADE AND OTHER RECEIVABLES**

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Premium | 195,392 | 197,436 |
| Provision for impairment losses | (255) | (316) |
| | 195,137 | 197,120 |
| Amount due from reinsurers | 21,684 | 63,827 |
| Dividend and interest receivables | 2,092 | 28,371 |
| Other receivables and prepayments | 15,674 | 15,497 |
| | 234,587 | 304,815 |

## 13. TRADE AND OTHER RECEIVABLES (CONT'D)

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

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

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| At 01 July | **316** | 390 |
| Movement during the year | **(61)** | (74) |
| **At 30 June** | **255** | 316 |

As at 30 June 2017, premiums of Rs 255,000 (2016: Rs 316,000) were impaired. The amount of the provision was Rs 255,000 as at 30 June 2017 (2016: Rs 316,000 ).

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

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

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

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

Premium disclosed above includes amounts (see below for aged analysis) that are past due at the reporting date for which the Company 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.

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

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

## 13. TRADE AND OTHER RECEIVABLES (CONT'D)

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

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| MUR | **133,742** | 203,284 |
| USD | **99,490** | 99,649 |
| EURO | **534** | 1,021 |
| AUD | **821** | 861 |
| | **234,587** | 304,815 |

Amount due from reinsurers include impaired assets of Rs 5,085,730 (2016: Rs 5,085,730). The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

## 14. SHORT-TERM DEPOSITS

Short-term deposits comprise of fixed and call deposits in foreign currency with banks earning interest rates ranging from 0.01% - 2.15% (2016: 0.01% - 8.10%) per annum. The fixed deposits have maturity dates within one year from the end of the reporting date.

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

## 15. INSURANCE LIABILITIES AND REINSURANCE ASSETS

**(a)** Short term insurance

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

## 15. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONT'D)

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

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Gross** | **Reinsurance** | **Net** | Gross | Reinsurance | Net |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 | Rs'000 |
| At 01 July | | | | | | |
| Notified claims | **390,542** | **(306,100)** | **84,442** | 538,078 | (428,418) | 109,660 |
| Increase/(decrease) in liabilities | **410,051** | **(190,479)** | **219,572** | 313,513 | (104,578) | 208,935 |
| Cash paid for claims settled in the year (page 24) | **(402,569)** | **145,164** | **(257,405)** | (468,454) | 226,896 | (241,558) |
| | **398,024** | **(351,415)** | **46,609** | 383,137 | (306,100) | 77,037 |
| Claims incurred but not reported (IBNR) | **27,616** | **-** | **27,616** | 7,405 | - | 7,405 |
| **At 30 June** | **425,640** | **(351,415)** | **74,225** | 390,542 | (306,100) | 84,442 |
| | | | | | | |
| Movement in claims outstanding and IBNR | | | **(10,217)** | | | (25,218) |

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

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Gross** | **Reinsurance** | **Net** | Gross | Reinsurance | Net |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 | Rs'000 |
| At 01 July | **373,535** | **(211,410)** | **162,125** | 351,470 | (199,096) | 152,374 |
| (Decrease)/increase during the year | **(1,853)** | **4,464** | **2,611** | 22,065 | (12,314) | 9,751 |
| **At 30 June** | **371,682** | **(206,946)** | **164,736** | 373,535 | (211,410) | 162,125 |

## 16. TAXATION

**Income tax**

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

(a) **Statement of financial position**

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 3,902 | 2,931 |
| Income tax charge for the year | 5,941 | 9,586 |
| Under provision in previous year | 133 | 334 |
| Tax paid during the year | (10,624) | (8,949) |
| **At 30 June** | (648) | 3,902 |
| Analysed as follows: | | |
| Current tax assets | (648) | - |
| Current tax liabilities | - | 3,902 |
| | (648) | 3,902 |

(b) **Statement of profit or loss**

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Current tax expense | 5,941 | 9,586 |
| Under provision in previous year | 133 | 334 |
| Deferred tax (note 12(b)) | (181) | (122) |
| | 5,893 | 9,798 |

(c) **Tax reconciliation**

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Profit before taxation | 36,562 | 61,784 |
| Tax calculated at 15% (2016: 15%) | 5,484 | 9,268 |
| Income not subject to tax | (364) | (838) |
| Expenses not deductible for tax purposes | 821 | 1,156 |
| Under provision in previous year | 133 | 334 |
| Deferred tax | (181) | (122) |
| Tax charge | 5,893 | 9,798 |

## 17. TRADE AND OTHER PAYABLES

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Amount due to reinsurers | 131,399 | 126,951 |
| Other payables and accruals | 66,340 | 80,203 |
| Amount due to holding company | 4,672 | 3,975 |
| | 202,411 | 211,129 |

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

## 18. DIVIDEND

A dividend of 75% (2016: 75%) on profit after tax, amounting to Rs 23,002,160 (Rs 92 per share) in respect of current year was declared (2016: Rs 38,989,545 representing Rs 155.96 per share).

## 19. STATED CAPITAL

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| **Issued and fully paid** | | |
| 250,000 ordinary shares at No par value each | 25,000 | 25,000 |

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

## 20. RESERVES

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Retained earnings (note 20(a)) | 216,625 | 208,958 |
| Investment revaluation reserve (note 20(b)) | 5,842 | (1,236) |
| Actuarial losses (note 20(c)) | (37,942) | (27,115) |
| | 184,525 | 180,607 |

### (a) Retained earnings

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 208,958 | 195,962 |
| Profit for the year | 30,669 | 51,986 |
| Dividends (note 18) | (23,002) | (38,990) |
| **At 30 June** | 216,625 | 208,958 |

### (b) Investment revaluation reserve

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | (1,236) | 1,237 |
| Change in fair value of available-for-sale financial assets (note 9) | 7,078 | (2,473) |
| **At 30 June** | 5,842 | (1,236) |

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

### (c) Actuarial losses

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | (27,115) | (30,564) |
| Remeasurement of post employment benefit obligations | (12,738) | 4,058 |
| Income tax relating to components of other comprehensive | 1,911 | (609) |
| **At 30 June** | (37,942) | (27,115) |

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

## 21. SUBORDINATED LOAN

All the assets and liabilities of the General Insurance Business of State Insurance Company of Mauritius Ltd, the holding company, were transferred to SICOM General Insurance Ltd on 01 July 2010. The accumulated reserves were converted into share capital and the remaining as subordinated loan which is unsecured and interest free. The 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 all claims of all present and future creditors of the borrower. The loan is considered as quasi-equity.

## 22. RETIREMENT BENEFIT OBLIGATIONS

### (a) Defined benefit plan

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

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

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

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Present value of funded obligations | **189,386** | 158,193 |
| Fair value of plan assets | **(129,592)** | (113,329) |
| Liability recognised in the statement of financial position | **59,794** | 44,864 |

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

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| At 01 July | **44,864** | 44,922 |
| Profit or loss charge | **8,290** | 8,135 |
| Other comprehensive income charge/(credit) | **12,738** | (4,058) |
| Contributions paid | **(6,098)** | (4,135) |
| **At 30 June** | **59,794** | 44,864 |

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

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| At 01 July | **158,193** | 156,304 |
| Current service cost | **5,443** | 5,206 |
| Employee contributions | **2,425** | 2,128 |
| Interest expense | **11,059** | 10,832 |
| Benefits paid | **(418)** | (3,179) |
| Liability experience loss/(gain) | **13,602** | (4,805) |
| Liability due to change in demographic assumptions | **-** | 4,905 |
| Liability gain due to change in financial assumption | **(918)** | (13,198) |
| **At 30 June** | **189,386** | 158,193 |

## 22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) **Defined benefit plan (cont'd)**

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

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| At 01 July | 113,329 | 111,382 |
| Interest income | 8,212 | 7,903 |
| Employer contributions | 6,098 | 4,135 |
| Employee contributions | 2,425 | 2,128 |
| Benefits paid | (418) | (3,179) |
| Return on plan assets excluding interest income | (54) | (9,040) |
| **At 30 June** | 129,592 | 113,329 |

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

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Current service cost | 5,443 | 5,206 |
| Net interest on net defined benefit liabilities | 2,847 | 2,929 |
| Total included in "employee benefit expense" (note 24(a)) | 8,290 | 8,135 |
| Actual return on plan assets | 8,158 | (1,137) |

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

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Return on plan assets below interest income | 54 | 9,040 |
| Liability experience loss/(gain) | 13,602 | (4,805) |
| Liability loss due to change in demographic assumptions | - | 4,905 |
| Liability gain due to change in financial assumptions | (918) | (13,198) |
| | 12,738 | (4,058) |

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

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Equity - local quoted | 19,439 | 15,866 |
| Equity - local unquoted | 1,296 | 1,133 |
| Debt - local quoted | 1,296 | - |
| Debt - local unquoted | 58,316 | 46,465 |
| Investment Funds | 29,806 | 24,932 |
| Property - local | 1,296 | 1,133 |
| Cash and others | 18,143 | 23,800 |
| Total | 129,592 | 113,329 |

## 22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) **Defined benefit plan (cont'd)**

(ix) Principal actuarial assumptions at end of period:

| | **2017** | 2016 |
|---|---|---|
| | % | % |
| Discount rate | **6.50** | 7.00 |
| Future long term salary increases | **4.50** | 5.00 |
| Future pension increases | **2.50** | 3.00 |
| Average retirement age (ARA) | **65** | 65 |
| Average life expectancy for: | | |
| -Male at ARA | **16.9** | 16.9 |
| -Female at ARA | **19.9** | 19.9 |

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

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | Increase | Decrease |
| | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 |
| Discount rate (1% movement) | **38,620** | **30,224** | 33,648 | 26,232 |

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

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

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

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

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

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

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

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

## 22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) **Defined benefit plan (cont'd)**

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

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

(xiii) The Company expects to pay Rs.8,717,000 in contributions to its post-employment benefit plans for the year ending 30 June 2018.

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

(b) **Defined contribution plan**

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Contribution for the year | **453** | 276 |

## 23. INVESTMENT AND OTHER INCOME

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Loans and receivables | **1,330** | 1,363 |
| Held-to-maturity | **30,630** | 26,927 |
| Deposits | **8,590** | 17,193 |
| Profit on disposal of available-for-sale financial assets | **3** | - |
| Dividend income | **1,358** | 1,440 |
| Other income | **4,609** | 4,678 |
| | **46,520** | 51,601 |

## 24. ADMINISTRATIVE AND OTHER EXPENSES

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Employees benefit expense (note 24(a)) | **87,581** | 75,383 |
| Support service cost (note 24(b)) | **40,595** | 38,426 |
| Management and administration fees | **15,306** | 14,541 |
| Rental | **7,819** | 7,900 |
| Bank charges | **1,547** | 1,282 |
| Amortisation (note 7) | **1,539** | 1,133 |
| Advertising | **1,508** | 1,835 |
| CSR expense | **1,296** | 1,981 |
| Exchange loss | **783** | 4,003 |
| Depreciation (note 6) | **398** | 554 |
| Others | **7,833** | 7,762 |
| | **166,205** | 154,800 |

## 24. ADMINISTRATIVE AND OTHER EXPENSES (CONT'D)

| (a) **Employees benefit expense** | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Wages and salaries, including termination benefits | **78,396** | 66,573 |
| Social security costs | **442** | 399 |
| Pension cost – defined benefit plan (note 22(a)) | **8,290** | 8,135 |
| Pension cost – defined contribution plan (note 22(b) | **453** | 276 |
| | **87,581** | 75,383 |

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

## 25. MANAGED FUND

The Company accounts exclude the net assets of the Managed Medical amounting to Rs 1,924,975 (2016 : Rs 962,396) as the assets backing this fund do not belong to the Company.

## 26. CAPITAL COMMITMENTS

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

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Property, plant and equipment | **-** | 164 |

## 27. HOLDING COMPANY

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

## 28. RELATED PARTY TRANSACTIONS

| (a) <u>Transactions with related parties</u> | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| (i) **Shareholder** | | |
| ▪ Subordinated loan payable | **341,625** | 341,625 |
| ▪ Pension contribution payable | **6,551** | 4,411 |
| ▪ Rent payable | **7,310** | 7,310 |
| ▪ Other contributions payable | **922** | 878 |
| ▪ Management fees payable | **8,101** | 7,734 |
| ▪ Support charges payable | **40,595** | 38,426 |
| ▪ Dividend payable | **23,002** | 38,990 |
| ▪ Premium and contribution receivable | **9,903** | 7,733 |

## 28. RELATED PARTY TRANSACTIONS (CONT'D)

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

| (ii) Key management personnel (including directors) of the Company | 2017 | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| ▪ Premium receivable | **183** | 214 |
| ▪ Loans | **960** | 1,337 |
| ▪ Salaries and other short term benefits | **12,199** | 10,509 |
| ▪ Post-employment benefits | **2,271** | 1,698 |

| (iii) Key management personnel (including directors) of the Parent | 2017 | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| ▪ Premium receivable | **240** | 806 |
| ▪ Loans | **960** | 1,337 |

| (b) Outstanding balances with related parties | 2017 | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| (i) Rent due to shareholder | **522** | 522 |
| Due from shareholder | **-** | 269 |
| Management fees due to shareholder | **687** | 704 |
| Capital expenditure & other expenses due to shareholder | **311** | 32 |
| Support charges, CSR & Pension due to shareholders | **4,150** | 3,453 |
| Dividend | **23,002** | 38,990 |
| Premium | **514** | - |
| **(iii) Key management personnel (including Directors) of the Parent** | | |
| Premium | **6** | 4 |
| Loans | **567** | 960 |

## STATUTORY DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2017

(Pursuant to Section 221 of the Companies Act 2001)

### Principal Activities

The Company is mainly engaged in General Insurance business.

### Directors

The Directors of SICOM General Insurance Ltd as at 30 June 2017 were as follows:

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

### Directors' Service Contracts

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

### Directors' Emoluments

The remuneration and benefits of Directors are set out in the table below:

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Executive Directors | **6,993** | 6,076 |
| Non-Executive Directors | **1,579** | 1,265 |

### Donation

The Company did not make any donation during the year.

### Audit fees

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

| | **2017** | 2016 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Audit fees paid to: | | |
| - BDO & Co | **397** | 380 |
| Fees Paid for other services provided by: | | |
| -BDO & Co | **49** | 47 |

For and on behalf of the Board of Directors

Chairman ............................ Director ............................

Date: 25 SEP 2017