CREDIT GUARANTEE INSURANCE CO. LTD

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2018

CREDIT GUARANTEE INSURANCE CO. LTD

ANNUAL REPORT

CONTENTS	PAGES

CORPORATE GOVERNANCE REPORT

The directors present the Annual report and the audited financial statements of Credit Guarantee Insurance Co. Ltd (the "Company") for the year ended 31 December 2018.

COMMENTS ON FINANCIAL PERFORMANCE

The Group made a profit before tax of Rs 6,050,519 during the year ended 31 December 2018 (2017: profit of Rs 4,999,809).

The Company made a profit before tax of Rs 3,588,296 during the year ended 31 December 2018 (2017: profit of Rs 4,646,615).

The directors do not recommend the payment of a dividend.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

The financial statements of the Group and Company for the year ended 31 December 2018 are set out on pages 19 to 69. The independent auditor's report on these financial statements is on pages 15 to 18.

CORPORATE GOVERNANCE DISCLOSURES

The disclosures contained in this report are intended to provide the reader with a description of the Company corporate governance policies and practices. The Company is a public limited liability company incorporated and domiciled in Mauritius. The registered office is United Docks Business Park, Kwan Tee Street, Caudan, Port Louis.

PRINCIPLE 1 - GOVERNANCE STRUCTURE

The Company is engaged in General insurance business and provides Credit insurance policy under Guarantee insurance business class in accordance with the First Schedule Part II of Insurance Act 2005. The company is licensed and regulated by the Financial Services Commission and as such is a public interest entity as defined by the Financial Reporting Act (as amended).

The Board of directors firmly believe in and support high standards of corporate governance, which are critical to the Company's business integrity and as such the Board of Directors ensure the company's full compliance with the principles of the Code for Corporate Governance.

In accordance with its approved Board Charter, Board of Directors assume the entire responsibility for leading and controlling the company ensuring the company meets all its legal and regulatory requirements.

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

a) select suitable accounting policies and then apply them consistently;
b) make judgements and estimates that are reasonable and prudent;
c) state whether International Financial Reporting Standards, have been followed, subject to any material departures disclosed and explained in the financial statements; and
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001 and the Mauritian Insurance Act 2005 (as amended in 2007). 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

In addition, the Board of directors has approved the company's code of ethics, job descriptions of key senior governance personel and a statement of accountabilities as laid in the Board's Charter.

The company's organisational chart as follows:

PRINCIPLE 2 - THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Board of directors is fully aware of its role and responsibility for providing and maintaining good corporate governance. It has taken consideration of the Code of Corporate Governance to ensure that the requirements and standards of good corporate governance are adhered to, especially the establishment of good corporate values, the enhancement of all the Company stakeholders' interests, the management of risk, the implementation of proper management information systems and the integrity of internal controls. The Board of Directors of the company is as laid in its charter is unitary and respective committee charters are reviewed annually to ensure that it remains consistent with the Board's objectives and responsibilities.

	Appointment Date	Status
1. GALEA Marie Henry Dominique	18 April 2008	Non executive chairperson
2. FAUGIER Melanie [Mrs]	26 August 2010	Non executive
3. FON SING Max Danny Kim Shian	26 August 2010	Independent Non-Executive
4. ULCOQ Maurice Jean Marc	19 July 2010	Independent Non-Executive
5. NOEL, Jean Pierre Guy	29 September 2011	Non-executive
6. GEENS, Alain Rene	21 April 2009	Independent Non-Executive
7. CRABEELS, Johan Louis Gaston	09 May 2012	Executive

In accordance with provision of Section 30 (2) of the Insurance Act 2005 (as amended), the Company has a board of directors composed of not less than 7 natural persons of which 30 per cent shall be independent directors. The criteria for determining its sufficient size and composition are laid in the Board Charter and consist mainly of the following:

a) Considering the nature of the company's business and operations, the corporate governance and nomination committees shall determine the desired expertise and background of board members
b) The Constitution provides for a minimum of 6 and maximum of 9 directors
c) At least one member of the Board shall have expertise in financial administration and accounting for companies.
d) The Board shall consist of at least two independent non-executive directors

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board is satisfied that given the size and structure of the Company, the appointment of a second Executive Director is considered not to be necessary.

Board and committee attendance

The Board holds meetings on a twice yearly basis to devise, implement, review and monitor strategies and measures. The decisions are then implemented by management.

Directors	Board	Audit and Risk Management Committee	Corporate Governance Committee	Investment Committee
Mr Marie Henri Dominique Galea	2/2		2/2	2/2
Mrs Melanie Faugier	2/2			
Mr Max Danny Kim Shian Fon Sing	2/2	2/2		
Mr Jean Pierre Guy Noel	0/2			
Mr Maurice Jean Marc Ulcoq	2/2	2/2		2/2
Mr. Alain Rene Geens	2/2	2/2	2/2	
Mr. Johan Louis Gaston Crabeels	2/2			2/2

Board sub committees

The board of Credit Guarantee Insurance Co Ltd. is responsible to ensure that the Company adheres to the highest standards of corporate governance. The board has on 21 December 2010 and 08 June 2017, approved the composition and the terms of reference of the following committees in order to comply with the minimum criteria imposed by law and to assist it in the execution of its policies and its decision making process:

- Audit and Risk management committee (21 December 2010)
- Corporate Governance, Nomination and Remuneration Committee (21 December 2010)
- Investment Committee (08 June 2017)

Audit and risk management committee

The Audit and Risk Management Committee has been set up to assist the Board in fulfilling part of its duties and responsibilities, providing a link between the Board, internal audit and external auditors. The Committee is constituted of independent directors. Its responsibilities include reviewing the appropriateness of the Company's accounting policies and assessing the effectiveness of the Company's internal control processes, reviewing the Company's interim and annual financial statements before their submission to the board and discussing the results of the external audit process with the external auditors. The risk management committee approves the risk management processes of the Company and monitors internal controls for identifying and managing risks.

The Committee meets as many times as necessary each year. The chairman of the committee informs the board of the Company of any matters which it should be made aware of.

The members of the audit and risk management committee are:

- Maurice Jean Marc Ulcoq (Chairman)
- Alain Rene Geens
- Danny Fon Sing

Corporate Governance, nomination and remuneration committee

The Corporate Governance and Nomination and Remuneration Committee is responsible for:

i. the establishment and implementation of systems and procedures to ensure independence of the board from management. The committee provides a link between the board and management in governance matters;

CORPORATE GOVERNANCE REPORT (CONTINUED)

ii. the appraisal of the performance of the board as a whole as well as its committees. The nomination committee is responsible for making recommendations to the board on the appointment of directors and senior executives. It ensures that the most competent individuals capable of making significant contribution to the prudential management of the Company are appointed to the board and key management positions;
iii. defining, on behalf of the board, the Company's remuneration policy for senior executives and heads of the departments, and determines the specific remuneration, benefits and other terms and conditions of employment of such persons
iv. ensuring that disclosures are made in the Annual Report in compliance with the disclosure provisions in the Code of Corporate Governance and to the best international practice.

Committee members are:

- Mr Alain Rene Geens (Chairman)
- Mr. Dominique Galea
- Mrs. Melanie Faugier (appointed 16 November 2018)

Investment committee

Investment activities form an integral part of insurance business, all investment activities are carried out by the internal investment officer under the supervision and guidance of the Board Investment Committee.

The main objectives of Investment Committee are:

i. To set out the investment strategy and objectives
ii. To define the responsibilities with regard to the management of the investment portfolio
iii. To determine appropriate levels of investment risk which the companies are prepared to accept with the broader guidelines being set by the Board of Directors and/or the Risk Committee (Risk Policy)
iv. To determine capital allocation criteria
v. To determine appropriate benchmarks for the measurement of performance
vi. To maximise investments without compromising the security of the funds through excessive exposure to risk.

Committee members are:

- Mr. Dominique Galea (Chairman)
- Mr. Jean Marc Ulcoq
- Mr. Johan Crabeels

The company secretary is ECS SECRETARIES LTD and is domiciled at 3rd Floor, Labama House, Sir William Newton Street, Port Louis. Amongst its responsibilities, the secretary is required to provide sufficient notice and relevant paper for Annual General Meeting of shareholders and any other shareholders meeting.

	Credit Guarantee Insurance Co Ltd	Prudence Holding Ltd	MCB Group Ltd
Mr Marie Henri Dominique Galea	√	√	
Mrs Melanie Faugier	√	√	
Mr Max Danny Kim Shian Fon Sing	√	√	
Mr Jean Pierre Guy Noel	√		√
Mr Maurice Jean Marc Ulcoq	√		
Mr. Alain Rene Geens	√		
Mr. Johan Louis Gaston Crabeels	√		

CORPORATE GOVERNANCE REPORT (CONTINUED)

PRINCIPLE 3 - DIRECTOR'S APPOINTMENT PROCEDURES

In accordance with its approved Board charter, the Board of directors assumes the responsibilities for:

- Succession planning and drew its succession plan;
- Appointment of directors on the Board;
- Induction of new board members; and
- Continued professional development and ongoing education of its members.

Short biographies of each director

Dominique Galea – Chairman

Dominique Galea, born in 1952, holds an "Hautes Etudes Commerciales" (HEC) degree. He started his career in the textile industry in the early 1980's by setting up an agency business, Kasa Textile & Co Ltd. He has since diversified his activities by acquiring a majority interest in Ducray Lenoir Ltd in 1988, and in Rey & Lenferna Ltd in 1998. The latter subsequently took over Forges Tardieu Ltd in early 2005.

Dominique Galea was appointed to the board of MUA Co. Ltd in June 2010 and was elected Chairman. He is a member of its Corporate Governance, Nomination and Remuneration Committee and of its Risk Committee. Dominique Galea is also the chairman of MUA Co. Ltd, United Docks Ltd, Rey & Lenferna Ltd, Forges Tardieu Ltd, Credit Guarantee Insurance Co. Ltd and Prudence Holding Ltd and a director of Associated Brokers Ltd.

Mélanie Faugier - Non Executive Director

Mélanie Faugier, born in 1980, is the Managing Director of Cottons Trading Ltd. From June 2004 to July 2007, she was the Trading Manager of Thon des Mascareignes (IBL Group). She also worked for Schlumberger Oilfield Services in Equatorial Guinea and for Association Solidari'terre in Madagascar. She was appointed to the board of MUA Co. Ltd in July 2010. She is also a director of the National Mutual Fund Ltd, Feber Associates Ltd and Prudence Holding Ltd.

Mélanie Faugier holds a DEUG in economics from University of Paris I – Panthéon Sorbonne and a Msc in Management from EM Lyon School of Management.

Jean Pierre Guy Noel - Non Executive Director

Jean Pierre Guy Noel holds a BSc (Honours) in Economics from the London School of Economics and Political Science and is an Fellow of the Institute of Chartered Accounts in England and Wales. From 1981 to 1991, he worked at De Chazal du Mée & Co. where he became a partner in financial consultancy. He joined the MCB Group Ltd in 1992 as Planning and Development Consultant before being appointed General Manager of the Bank in 1996. In July 2005, he was appointed Group Chief Executive officer.

Max Danny Kim Shian Fon Sing – Independent Non Executive Director

Danny Fon Sing, born in 1968, holds a BSc in Management Sciences from the London School of Economics. He is a member of the Institute of Chartered Accountant in England & Wales. He previously worked with Coopers & Lybrand in London and is currently an executive director of the MaxCity Group of companies.

Alain Rene Geens - Independent Non Executive Director

Alain is a Belgian national born in 1949. He graduated in Economic Sciences at ICHEC /St Louis Brussels. Alain has 36 years experience in International Insurance and Reinsurance and was a senior executive at Trade Credit Insurance Co. a Brussels based B2B specialized credit insurer which he co-founded in 2005 with other private and corporate investors. He sold his shareholding in 2012 to ONDD ,the Belgian state export credit agency, now the sole shareholder of TCRe. Alain retired from TCRe early 2016.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Maurice Jean Marc Ulcoq - Independent Non Executive Director

M. Jean Marc Ulcoq, born in 1952, is a Fellow Member of the Chartered Association of Certified Accountants. He was the Group Finance Director and Board member of a listed company for 16 years. He was also a member of the task team set up by the Committee on Corporate Governance to consider particular issues with regard to audit and accounting. M. Jean Marc Ulcoq joined Poivre Corporate Services Ltd as Managing Director as from 1st July 2010.

Johan Louis Gaston Crabeels – Executive Director

Johan Crabeels, born in 1953 holds an International MBA from Paris Sorbonne and Dauphine Universities. He gained 20 years experience in credit insurance, political risk and surety across the world as Underwriting Manager with Atradius Re, a subsidiary of the world's second largest credit insurer. He has been involved in reinsurance underwriting, consulting and management.

PRINCIPLE 4: DIRECTORS' DUTIES, REMUNERATION AND PERFORMANCE

As laid in its statement of accountabilities, directors are fully aware of their legal duties as laid in the companies Act 2001 and the Insurance Act 2005 (as amended) and regularly monitor and evaluate compliance with the company's approved Code of ethics.

In accordance with provisions Section 32 of the Insurance Act 2005, an officer / director of the company who has an interest in contract or proposed contract shall, immediately after becoming aware of the contract or proposed contract, disclose in writing or cause to be entered in a record kept for that purpose by the insurer the nature and extent of that interest. The interest register is held by the company secretary and is available to shareholders upon written request to the company secretary.

All conflicts-of-interest and related-party transactions have been conducted in accordance with the conflicts-of-interest and related-party transactions policy and code of ethics of the company.

In addition to the company's code of ethics, the following policy documents have been approved by the Board:

a. an information policy
b. an information technology policy
c. an information security policy

The Board of Directors approved the Security Policy document of the company aimed to define the IT assets policy, security requirements for the proper and secure use of the Information.

Technology services in the company. Its goal is to protect the organization and users to the maximum extent possible against security threats that could jeopardize their integrity, privacy, reputation and business outcomes.

The document applies to all the users in the organization, including temporary users, visitors with temporary access to services and partners with limited or unlimited access time to services. Compliance with policies in this document is mandatory.

The Board is working towards the implementation of a framework for the appraisal of the Board and its Directors, which upon finalisation, will be adopted by the Board.

The Chief Executive Officer, Mr. Johan Crabeels is considered to be the only member of the key management personnel of the Company.

Remuneration packages are prudently designed to attract and motivate directors, executive management and senior management of high calibre to maintain the Company's position in the market. They are also designed to reward them for enhancing the Company's performance.

There is no employee share option scheme.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Remuneration of Directors

The directors received Rs 5,623,190 as directors fees and remuneration during the year ended 31 December 2018 (2017: Rs 4,506,252).

Directors Remuneration	FEES (Rs)
GALEA Dominique [Non-Exectuive Chairperson]	-
FAUGIER Melanie [Mrs] [Non-Executive]	-
FON SING Max Danny Kim Shian [Independent Non-Excutive]	-
ULCOQ Maurice Jean Marc [Independent Non-Executive]	21,250
NOEL, Jean Pierre Guy [Non-Executive]	-
GEENS, Alain Rene [Independent Non- Executive]	50,000
CRABEELS, Johan Louis Gaston [Executive]	5,551,941

The Nominations and remunerations committee of the Board had reviewed the adequacy of directors' and senior executives' remuneration and the form of that remuneration of directors' and senior executives' remuneration. Please refer to Note 22 for further details.

PRINCIPLE 5 - RISK GOVERNANCE AND INTERNAL CONTROL

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

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. For example, following the regulatory changes brought about by the Financial Services Commission, which came into effect in July 2017, the Company has placed a greater emphasis on the assessment and documentation of risks and controls, including the development of an articulation of 'risk appetite statement' which culmuninates to the establishment of risk based solvency ratios taking into consideration both quantitative and qualititative risks.

The Board of directors consider operational risks to be the key risk facing the company. Operational risks are risks of loss and/or opportunity gain foregone resulting from inadequate or failed internal processes, people and systems or from external events. One or more of the following may cause such losses:

(a) Human Resources Risk

Such risk stems from the fact that staff members entrusted with the management and control of various stages of the business process chain lack the requisite knowledge, skills and experience needed to ensure that critical business objectives are achieved and that significant business risks are reduced to an acceptable level. An internal training programme has been initiated to minimise such risk and external training is also provided with the same objective in mind.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(b) Compliance Risk

Compliance risk, also referred to as non-conformance risk, results in lower quality, higher costs, lost revenues and unnecessary delays. Non-conformance also gives rise to product/service failure risk because if not detected and corrected before a product or service is delivered to the customer, a product or performance failure could result. A legal & compliance officer monitors such matters.

(c) Business Interruption Risk

The Company's capability to operate normally is highly dependent on the availability of information technology, of skilled labour and of other resources. If people with the requisite experience and skills or other key resources were unavailable or if critical systems happened to break down, the Company would experience difficulty in transacting business. A business continuity plan is being devised which is based on the duplication of our records and information systems on back-up files kept at a remote location. Insurance transactions are updated daily to these files. Full customer service can be delivered when systems are restored thanks to the back-up files.

(d) Product/Service Failure Risk

During insurance operations, there may be a risk of customers receiving faulty insurance policies or service. These failures would result in customer complaints, litigated claims, cancelled policies, increased claim frequency or severity. Such events can cause significant damage to the Company's reputation, profitability, future business and market share. The Customer Complaints Handling Procedures take care of these risks.

(e) Health and Safety Risk

Worker health and safety risks are significant if unchecked because they can expose the Company to substantial liability in respect of workers' compensation. Non-compliance with Health and Safety Legislation may result in heavy fines. The management ensures that these risks are minimised through control, follow-up and communication procedures. The legal & compliance officer ensures compliance with labour laws.

Operational risks are identified at management meetings where the Executive Director, Compliance Officer as well as the directors attend. The company deals with key risks identified by brainstorming on a local level as well as seeking guidance from directors' experiences. Action plans and corrective measures are taken to manage the key risks.

The core risk management framework, details and information are laid in detail in section 3: insurance, financial risk and others of the notes to the consolidated financial statements - 31 December 2018.

Internal Controls

The board recognises that risk management within the company is key to successfully carry out its objectives and long term goals. Management is accountable to the Board to identify and implement processes and procedures in order to manage the significant risks. Internal controls are designed to mitigate the risks affecting the business objectives. Internal controls procedures and policies have been designed and implemented by management to address any material misstatement or losses that may be detected.

Whistleblowing policy

The Board has approved a whistle blowing policy which is avaible on the company's website.

CORPORATE GOVERNANCE REPORT (CONTINUED)

PRINCIPLE 6 - REPORTING WITH INTEGRITY

In accordance to their duties under the enactments, the Board is responsible for preparing accounts that fairly presents the affairs of the company and ensure these accounts adhere to the International accounting standards.

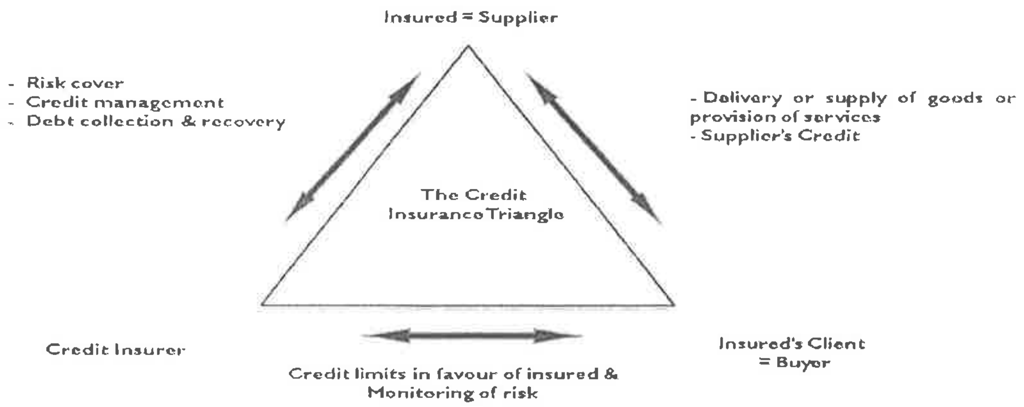
In addition to the above, the Company has developed and implemented social, safety, health and environmental policies and practices that in all material respects comply with existing legislative and regulatory framework.

A copy of the annual report is published in full on the company's website.

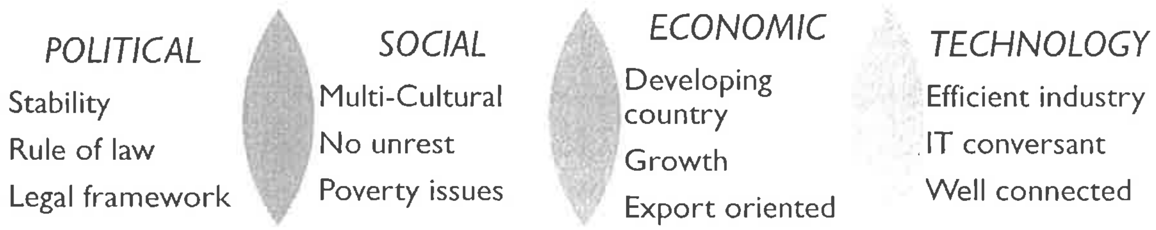
Organisation overview

Credit Guarantee Insurance Co. Ltd (CGI) was incorporated in February 2009. The shareholders are Prudence Holding Ltd (60%) and The Mauritius Commercial Bank Ltd (40%). CGI owns 100% of Credit Guarantee Information Services Ltd (CGIS) specifically set up to deal with information and debt collection services.

Product



The PEST summary analysis of the Company as follows:



Key performance outlook

The Company is fairly on target according to its budgets. On a consolidated basis the Company is generating profits effectively wiping off all prior accumulated losses. Management is revamping its strategic plans for the next three years with a consolidated vision of being the best credit insurer in the Indian Ocean.

CORPORATE GOVERNANCE REPORT (CONTINUED)

PRINCIPLE 7: AUDIT

Given the company is a fairly young Company and the financial situation is rapidly improving, the Board of directors has decided not to appoint an Internal Auditor yet. However, Compliance reviews are carried out on the Internal Processes annually and corrective actions are implemented. The board of directors derive assurance that the risk management processes and internal controls in place are effective.

In addition the Audit Committee is responsible to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them before submission to the Board, focusing particularly on:

i. Any changes in accounting policies and practices;
ii. Major judgmental areas;
iii. Significant adjustments resulting from the audit;
iv. Compliance with accounting standards;
v. Compliance other legal requirements in relation to financial reporting imposed by the Regulatory Body
vi. review with representatives of Management and of the External Auditors, the Company's Audited Annual Financial Statements and to recommend their approval by the Board prior to their submission to the Regulatory Bodies, to the Company's Shareholders, and to the general public.

Auditors are recommended for appointment by the Board of Directors to the shareholders at the Annual General Meeting (AGM) and they hold office from the conclusion of the AGM to the conclusion of the next AGM.

The Audit Committee of the Board is responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor. In addition, the audit Committee reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard.

The Audit Committee discusses with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved. The audit committee meets with the external auditor with and without the presence of management.

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

		2018	2017
		Rs	Rs
Audit services		634,800	517,500
Tax services		48,300	48,300
	Rs	683,100	565,800

The auditor, Ernst & Young, holds the office of Auditor of the company for the second year and have indicated its willingness to continue in office and will be automatically reappointed at the Annual Meeting.

At least once every three years, the Audit Committee conducts a thorough assessment of the functioning of the external auditor.

CORPORATE GOVERNANCE REPORT (CONTINUED)

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

HOLDING STRUCTURE

Prudence Holding Limited, a Company incorporated under the Mauritian Companies Act 2001 as a public company, holds 60% of the shareholding of Credit Guarantee Insurance Co Ltd. The MCB Group Ltd holds 40% of the shareholding of Credit Guarantee Insurance Co Ltd.

The MCB Group Ltd, incorporated in 1838, is the leading banking institution in Mauritius, while being an increasingly prominent financial services player in the region. It is listed on the Stock Exchange of Mauritius since 1989 and is the largest quoted company thereon.

Constitution

The constitution of the company does not provide any ownership restriction.

Agreement affecting the governance of the Company by the board

There was no such agreement during the year under review. The company does not have any shareholders' agreement that affects the governance of the company by the Board. All relevant stakeholders have been involved in a dialogue on the organisational position of the Company. At the Company's AGM shareholders in attendance are given the opportunity and are encouraged to ask questions relative the organisation position.

Third party management agreement

There was no management agreement between third parties and the Company during the year under review.

Related Party Transactions

The Company's premium income from risks assumed from related parties amount to Rs 5,079,721 (2017 – Rs 4,922,725). Other related party transactions to which the Company is a party to are disclosed in Note 23 of the financial statements.

Directors' dealing in shares

The directors follow the principles of the model code on securities transactions by directors as detailed in Appendix 6 of the Mauritius Stock Exchange rules. The directors have not held or traded in any shares of the company during the year.

Dividend Policy

There is no formalised dividend policy but the board of directors decide on the quantum of dividends to be declared and paid based on the availability of funds and the Company meeting the solvency test requirements.

Political Donations

The Company did not make any political donations during the financial year ended 31 December 2018 (2017 - Rs Nil).

Charitable Donations

During the year under review the Company has made charitable donation of Rs 53,924 under the CSR initiative to the Rotary Club of Port Louis. (2017 - Rs Nil).

Proposed timetable of Important Events in year 2019

Some of the key milestones are as follows:

Annual General Meeting	June
Publication of Audited Financial Statements	March
Financial Year End	December

STATEMENT OF COMPLIANCE

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

Name of PIE: **Credit Guarantee Insurance Co. Ltd**
Reporting Period: **1 January 2018 to 31 December 2018**

We, the Directors of Credit Guarantee Insurance Co. Ltd, confirm that to the best of our knowledge that the Company has complied with all of its obligations and requirements under the Code of Corporate Governance save and except that:

1) The Board is satisfied that given the size and structure of the Company, the appointment of a second Executive Director is considered not to be necessary.

2) The Board is working towards the implementation of a framework for the appraisal of the Board and its Directors, which upon finalisation, will be adopted by the Board.

SIGNED BY:

Marie Henri Dominique Galea
Chairperson
26 MAR 2019

Maurice Jean Marc Ulcoq
Director

ECS SECRETARIES LTD
3rd Floor, Labama House
Sir William Newton Street
Port Louis

SECRETARY'S REPORT
to be included in the financial statements of

CREDIT GUARANTEE INSURANCE CO. LTD
under Section 166(d) of the Mauritian Companies Act 2001

We certify that we have filed with the Registrar of Companies all such returns as are required of the Company under the Mauritian Companies Act 2001.

ECS Secretaries Ltd
SECRETARY

26 MAR 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

CREDIT GUARANTEE INSURANCE CO. LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Credit Guarantee Insurance Co. Ltd (the "Company") and its subsidiary (the "Group") set out on pages 19 to 69 which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Group and Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, the Financial Reporting Act 2004 and the Insurance Act 2005.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Technical provisions - Claims outstanding Claims outstanding comprise provisions for the estimated cost of settling all claims incurred up to but not paid, at the reporting date whether reported or not, together with all related claims handling expenses. On inception of a policy, the Group determines an estimate of the claims loss ratio on each contract. The performance of each contract is regularly reviewed by both the Group and the actuary for past performance to ensure reserves are maintained or adjusted as appropriate. Where known large events have occurred but claims have yet to be notified, specific Incurred But Not reported (IBNR) estimates may be established for such events.	We assessed and tested the design and operating effectiveness of selected key controls over the claims estimation process including IBNR. In particular, we tested the controls over the integrity of data and the assumptions setting and governance processes used by management related to the valuation of general insurance reserves. In relation to the particular matters set out above, our substantive testing procedures included the following: ‣ We reviewed the documentation around outstanding claims which are high in value and tested management best estimates of the settlement outcome for reasonableness

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

CREDIT GUARANTEE INSURANCE CO. LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
We consider the technical provisions as a key audit matter because it is subject to estimation uncertainties. Refer to Note 2.2 to the consolidated financial statements.	‣ We tested the completeness and accuracy of underlying claims data that are sent to the actuary in estimating the claims loss ratio. This includes the testing of information sent to the actuary for the determination of IBNR. ‣ We evaluated whether the actuary has the relevant expertise and experience in this field. ‣ In conjunction with our actuarial specialists, we reconciled the data used by our actuarial team to the source systems and to the booked reserves. ‣ The work of our actuarial team included reviewing the appropriateness of the reserving methodology, assessing the assumptions and accuracy used in the calculations of the reserve.

Other Information

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

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT GUARANTEE INSURANCE CO. LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the Group and Company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT GUARANTEE INSURANCE CO. LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Use of our report

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

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

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

Financial Reporting Act 2004

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

Insurance Act 2005

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

ERNST & YOUNG
Ebène, Mauritius

Date: 26 MAR 2019

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

CREDIT GUARANTEE INSURANCE CO. LTD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs	Rs	Rs	Rs
Revenue (Note 4)	**60,251,706**	49,913,588	**53,821,630**	45,570,938
Premium ceded to reinsurers (Note 4)	**(38,536,715)**	(32,302,181)	**(38,536,715)**	(32,302,181)
Net revenue (Note 4)	**21,714,991**	17,611,407	**15,284,914**	13,268,757
Reinsurance commission income	**12,860,655**	9,223,471	**12,860,655**	9,223,471
Interest and dividend income (Note 5)	**1,093,333**	729,200	**1,089,260**	729,103
Insurance recoveries (Note 6)	**258,913**	716,101	**258,913**	716,101
Bad debts recovered	**234,400**	875,545	**228,400**	347,818
Total revenue	**36,162,291**	29,155,724	**29,722,142**	24,285,250
Current year claims (Note 7)	**(28,505,152)**	(1,183,278)	**(28,505,152)**	(1,183,278)
Claims ceded to reinsurers (Note 7)	**21,529,981**	828,294	**21,529,981**	828,294
Movement in IBNR (Note 14)	**1,392,103**	(86,537)	**1,392,103**	(86,537)
Net benefits and claims	**(5,583,068)**	(441,521)	**(5,583,068)**	(441,521)
Other operating and administrative expenses (Note 8)	**(22,686,227)**	(21,991,847)	**(18,841,678)**	(17,613,302)
Amortisation of computer software (Note 9)	**(183,649)**	(86,093)	**(139,299)**	(41,743)
Depreciation on property, plant and equipment (Note 10)	**(605,835)**	(582,922)	**(524,442)**	(488,161)
Impairment of available-for-sale financial assets (Note 12)	**(587,935)**	-	**(587,935)**	-
Commission to insurance brokers	**(506,674)**	(595,476)	**(506,674)**	(595,476)
Foreign exchange (loss) / gain	**41,616**	(458,056)	**49,252**	(458,432)
Total benefits, claims and other expenses	**(30,111,773)**	(24,155,915)	**(26,133,845)**	(19,638,635)
Profit before income tax	**6,050,519**	4,999,809	**3,588,296**	4,646,615
Income tax (Note 18)	**(1,338,806)**	(1,111,445)	**(1,312,161)**	(911,605)
Profit for the year	**4,711,713**	3,888,364	**2,276,135**	3,735,010
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of retirement pension, net of tax (Note 20)	**(146,896)**	-	**(146,896)**	-
Items that may be re-classified subsequently to profit or loss, net of tax				
Net (loss)/gain on available-for-sale net of tax (Note 12)	**103,485**	124,723	**103,485**	124,723
Total comprehensive income for the year	**4,668,302**	4,013,087	**2,232,724**	3,859,733

The notes on pages 23 to 69 are an integral part of these financial statements.

CREDIT GUARANTEE INSURANCE CO. LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
ASSETS	Rs	Rs	Rs	Rs
Non-current assets				
Computer software (Note 9)	658,300	141,887	622,476	61,712
Property, plant and equipment (Note 10)	1,246,330	1,709,165	1,111,350	1,516,391
Investment in subsidiary (Note 11)	-	-	1,000	1,000
Available-for-sale financial assets (Note 12)	21,543,862	13,520,990	21,543,862	13,520,990
Placement with financial institutions (Note 12)	20,000,000	-	20,000,000	-
Deferred income tax asset (Note 19)	938,651	1,854,830	938,651	1,854,830
	44,387,144	17,226,872	44,217,338	16,954,923
Current assets				
Trade and other receivables (Note 13)	30,430,256	25,581,475	30,144,338	26,227,192
Income tax receivable (Note 18)	186,706	-	186,706	-
Reinsurance contracts (Note 14)	41,598,135	27,497,960	41,598,135	27,497,960
Cash and cash equivalents (Note 15)	13,640,331	40,474,340	10,115,520	38,355,238
	85,855,428	93,553,775	82,044,699	92,080,390
Total assets	**130,242,571**	110,780,647	**126,262,037**	109,035,313
EQUITY				
Capital and reserves				
Stated capital (Note 16)	39,000,000	39,000,000	39,000,000	39,000,000
Available-for-sale reserve (Note 12)	228,208	124,723	228,208	124,723
Retained earnings	11,988,955	7,424,143	7,941,852	5,812,612
Total equity	51,217,163	46,548,866	47,170,060	44,937,335
LIABILITIES				
Non current liabilities				
Retirement benefit obligation (Note 20)*	465,180	243,858	465,180	243,858
Current liabilities				
Insurance liabilities (Note 14)	57,145,577	39,282,853	57,145,577	39,282,853
Amount payable to reinsurers	17,230,926	19,652,889	17,230,926	19,652,889
Trade and other payables (Note 17)	4,183,725	4,780,173	4,250,294	4,646,370
Income tax liability (Note 18)	-	272,008	-	272,008
Total liabilities	79,025,408	64,231,781	79,091,977	64,097,978
Total equity and liabilities	**130,242,571**	110,780,647	**126,262,037**	109,035,313

** These have been reclassified to non-current due to the long-term nature of the obligation.*

Authorised for issue by the Board of directors on .... 26 MAR 2019
and signed on its behalf by:

} **DIRECTORS**
}

The notes on pages 23 to 69 are an integral part of these financial statements.

CREDIT GUARANTEE INSURANCE CO. LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	THE GROUP			
	Stated capital	Accumulated (losses)/ retained earnings	Available for sale reserve	Total equity
	Rs	Rs	Rs	Rs
At 01 January 2017	39,000,000	3,535,774	-	42,535,774
Profit for the year	-	3,888,364	-	3,888,364
Other comprehensive income	-	-	124,723	124,723
At 31 December 2017	**39,000,000**	**7,424,138**	**124,723**	**46,548,861**
Profit for the year	-	4,711,713	-	4,711,713
Other comprehensive loss	-	(146,896)	103,485	(43,411)
At 31 December 2018	**39,000,000**	**11,988,955**	**228,208**	**51,217,163**

	THE COMPANY			
	Stated capital	Accumulated (losses)/ retained earnings	Available for sale reserve	Total equity
	Rs	Rs	Rs	Rs
At 01 January 2017	39,000,000	2,077,602	-	41,077,602
Profit for the year	-	3,735,010	-	3,735,010
Other comprehensive income	-	-	124,723	124,723
At 31 December 2017	**39,000,000**	**5,812,612**	**124,723**	**44,937,335**
Profit for the year	-	2,276,135	-	2,276,135
Other comprehensive loss	-	(146,896)	103,485	(43,411)
At 31 December 2018	**39,000,000**	**7,941,852**	**228,208**	**47,170,059**

The notes on pages 23 to 69 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs	Rs	Rs	Rs
Cash flows from operating activities				
Profit before income tax	6,050,518	4,999,809	3,588,296	4,646,615
Adjustments for:				
Depreciation on property plant and equipment (Note 10)	605,835	582,922	524,442	488,162
Amortisation of computer software (Note 9)	183,649	86,093	139,299	41,743
Net foreign exchange differences	41,616	458,056	49,252	458,432
Movement in IBNR (Note 14)	1,392,103	(86,537)	1,392,103	(86,537)
Provision for impairment (Note 12)	587,935	534,277	587,935	513,482
Operating profit before working capital changes	**8,861,655**	**6,574,620**	**6,281,328**	**6,061,897**
(Increase)/Decrease in trade and other receivables	(6,626,163)	14,786,290	(3,917,146)	13,718,323
(Increase)/Decrease in reinsurance contract	(14,100,175)	7,323,456	(14,100,175)	7,323,456
Increase/(decrease) in insurance liabilities	16,470,621	(12,093,654)	16,470,621	(12,093,654)
Increase/(decrease) in trade and other payables	1,180,930	(767,049)	(396,076)	549,160
(Decrease)/increase in amount payable to reinsurers	(2,421,963)	(15,396,224)	(2,421,963)	(15,396,224)
Increase in pension benefit obligations	74,426	243,858	74,426	243,858
Cash flows from operations	**3,439,331**	**671,297**	**1,991,015**	**406,816**
Tax paid (Note 18)	(881,342)	(1,485,548)	(854,697)	(1,285,707)
Net cash flows from operating activities	**2,557,989**	**(814,251)**	**1,136,318**	**(878,891)**
Cash flows from investing activities				
Purchase of computer software (Note 9)	(700,063)	(31,050)	(700,063)	(31,050)
Purchase of furniture and equipment (Note 10)	(143,000)	(403,284)	(119,400)	(395,032)
Placements with financial institutions (Note 12)	(20,000,000)	-	(20,000,000)	-
Purchase of available-for-sale investments (Note 12)	(8,507,322)	(13,396,267)	(8,507,322)	(13,396,267)
Net cash flows used in investing activities	**(29,350,385)**	**(13,830,601)**	**(29,326,785)**	**(13,822,349)**
Net (decrease)/increase in cash and cash equivalents	(26,792,395)	(14,644,852)	(28,190,467)	(14,701,240)
Net foreign exchange differences	(41,616)	(458,056)	(49,252)	(458,432)
Cash and cash equivalents at beginning of year	40,474,340	55,577,246	38,355,238	53,514,912
Cash and cash equivalents at end of year (Note 15)	**13,640,330**	**40,474,340**	**10,115,520**	**38,355,238**

Operational cash flows from interest and dividends

Interest received (Note 5)	636,843	446,468	636,843	446,371
Dividend received (Note 5)	452,417	282,732	452,417	282,732

The notes on pages 23 to 69 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018

SECTION 1 – CORPORATE INFORMATION

1. Corporate information

The consolidated financial statements of Credit Guarantee Insurance Co. Ltd for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 26 March 2019. Credit Guarantee Insurance Co. Ltd (the Company) is a public limited liability company incorporated and domiciled in Mauritius. The registered office is United Docks Business Park, Kwan Tee Street, Caudan, Port Louis.

The Company is engaged in general insurance business and provides credit insurance policy under guarantee insurance business in accordance with the First Schedule Part II of Insurance Act 2005.

The principal activity of the Company's subsidiary is to provide credit worthiness information reports and debt collection service.

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2. Basis of preparation

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

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") and IFRIC interpretations. The consolidated financial statements have been prepared on an historical cost basis, except for financial assets that have been measured at fair value.

As permitted by IFRS 4 Insurance Contracts, the company continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the standard subsequent to adoption for its insurance contracts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. At 31 December 2018, the area involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its investees that are considered subsidiaries as at 31 December 2018. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiary is shown at cost less impairment, if any, in the Company's financial statements. Refer to Note 11.

Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the recoverable amount of an investment is less than its carrying amount, the investment is written down immediately to its recoverable amount and the impairment loss is recognised as an expense in profit or loss. On disposal of an investment in a subsidiary, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.2 Valuation of insurance contract liabilities

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

The estimation of ultimate liability arising from the claims made under insurance contracts is one of the Company's most critical accounting estimates. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the reporting date. The company uses a range of actuarial methodologies to estimate these provisions. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. General insurance loss reserves require significant judgment relating to factors and assumptions such as inflation, claims development patterns and regulatory changes.

The Company uses a non-statistical method to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The history of the activity of the Company and the size of its portfolio does not enable yet to use actuarial methods, based on past experience. The directors have adopted a methodology based on a budgeted loss ratio of the underwriting year, as approved by the Actuary. The budgeted loss ratio is applied to the turnover. The IBNR is the difference between the amount calculated and the claims already settled. The IBNR amount for 2018 has been estimated on 50% of the gross written premium, net of 70% reinsurance and net of all paid/payable amounts and recoveries net of reinsurance. Management has also reassessed the IBNR relating to potential claims in 2017 using a claims ratio of 40% of the gross written premium for 2017. An analysis of the actual claims in 2018 has revealed that the actual loss ratio approximates 6.8% for actual claims incurred relating to 2017 underwriting year and management have used the actual loss ratio to determine any additional provision for IBNR.

2.3 Summary of significant accounting policies

a. Product classification

Insurance contracts are those contracts where the company has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

b. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Mauritian rupees ("Rs") rounded to the nearest Rupee.

c. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.3 Summary of significant accounting policies (continued)

d. Furniture and equipment

All furniture and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditures are included in the asset's 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost of the assets less their estimated residual values over their expected useful lives.

The annual rates used are:

Furniture & fittings	10%
Computer equipment	25%
Office equipment	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, are adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

e. Computer software

Costs associated with acquiring and implementing computer software programs that are clearly associated with an identifiable and unique product which will be controlled by the Company and has a probable benefit are recognised as assets. Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 4 years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

f. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

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

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.3 Summary of significant accounting policies (continued)

f. Financial Instruments (Continued)

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

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

The Company's financial assets include cash and short-term deposits, trade and other receivables, reinsurance assets, quoted financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:
- AFS financial assets
- Loans and receivables
- HTM investments

Available-for-sale financial assets

AFS financial assets include equity securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in OCI in the AFS reserve (equity). Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding AFS investments is reported as interest income using the EIR. Dividends earned whilst holding AFS investments are recognised in the statement of profit or loss as 'Investment income' when the right of the payment has been established. When the asset is derecognised or determined to be impaired, the cumulative gain or loss is reclassified from AFS reserve to the statement of profit or loss.

The Company measures financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.3 Summary of significant accounting policies (continued)

f. Financial Instruments (continued)

Financial assets (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost, using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Investment income' in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Held to maturity financial assets

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

Derecognition of financial assets

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

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

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

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.3 Summary of significant accounting policies (continued)

f. Financial Instruments (continued)

Financial assets (continued)

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

Impairment of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as investment income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Available-for-sale financial investments

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

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.3 Summary of significant accounting policies (continued)

f. Financial Instruments (continued)

Financial assets (continued)

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

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

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

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial liabilities

The Company's holding in financial liabilities represents mainly insurance liabilities, unearned premium, unexpired risks provision, creditors arising from reinsurance arrangements and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

g. Current and deferred income tax

Current income tax

The tax expense for the year comprises current and deferred income tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.3 Summary of significant accounting policies (continued)

g. Current and deferred income tax (Continued)

Current income tax (Continued)

It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on amortisation of computer software, depreciation of furniture and equipment, IBNR provision and provision for impairment, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The directors have recognised deferred tax assets of Rs 938,651 at 31 December 2018 (2017: Rs 1,854,830) as the Company is generating taxable profits and is expected to continue to generate taxable profits in the foreseeable future based on management's budgets and forecasts.

h. Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

i. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are recognised initially at fair value and subsequently measured at amortised cost.

j. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.3 Summary of significant accounting policies (continued)

k. Provisions

Provisions for restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

l. Dividend payable

Dividends on ordinary shares are charged to equity in the period in which they are declared. The issue of equity instruments are shown in equity, as a deduction from the proceeds net of tax.

m. Share capital

Ordinary shares are classified as share capital in equity. Incremental cost directly attributable to the issue of these shares are recognised in equity, net of tax

n. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

o. Revenue from contracts with customers

The Company's revenue comprises the fair value of proceeds for services rendered, net of value-added tax.

The subsidiary's principal activities are to provide credit worthiness information report and debt collection service. Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the subsidiary expects to be entitled in exchange for those goods and services. The subsidiary has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods and services before transferring them to the customer.

Sale of goods
Revenue from sale of credit worthiness reports is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 30 to 90 days from invoice date.

The subsidiary considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of the products, the subsidiary considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any). The company concluded that none of the above is applicable.

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.3 Summary of significant accounting policies (continued)

o. Revenue from contracts with customers (continued)

Rendering of services

The subsidiary provides debt collection services. Revenue from providing services is recognised in the accounting period in which the services are rendered. Consideration is variable and is highly susceptible to factors outside the entity's influence. Revenue is recognised only when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Hence, revenue from rendering of services is recognised at a point in time, when the uncertainty is resolved.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 2.3.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Investment income

Income from investments is included in profit or loss on the following bases:
Interest - As it accrues using the effective interest rate method.

p. Processing fee

Fees are recognised on inception of the insurance contract and are accounted within gross premiums.

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.3 Summary of significant accounting policies (continued)

q. Insurance contracts

Recognition and measurement

Insurance contracts and investment contracts are classified in the categories below, depending on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

For short-term insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Written and reinsurance premiums are accounted for when the policies incept. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the end of the reporting period, calculated on the basis of the 365th method on 80% of premiums written in the year less proportional reinsurance. 20% of the premiums written in the year is credited to profit or loss in the year to cover administrative expenses and other acquisition costs. Premiums are shown before deduction of commission and are net of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company's credit guarantee insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Company for the related claim, the difference is amortised over the estimated remaining settlement period.

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.3 Summary of significant accounting policies (continued)

q. Insurance contracts (Continued)

Reinsurance contracts held (Continued)

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

r. Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets.

s. Insurance liabilities

The net liability recognised for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows, and comparing this amount to the carrying value of the liability.

t. Case reserves – IBNR ('Incurred but not reported') provisions

The Company uses a non-statistical method to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The history of the activity of the Company and the size of its portfolio does not enable yet to use actuarial methods, based on past experience. The directors have adopted a methodology based on a budgeted loss ratio of the underwriting year, as approved by the Actuary. The budgeted loss ratio is applied to the turnover. The IBNR is the difference between the amount calculated and the claims already settled. The IBNR amount for 2018 has been estimated on 50% of the gross written premium, net of 70% reinsurance and net of all paid/payable amounts and recoveries net of reinsurance. Management has also reassessed the IBNR relating to potential claims in 2017 using a claims ratio of 40% of the gross written premium for 2017. An analysis of the actual claims in 2018 has revealed that the actual loss ratio approximates 6.8% for actual claims incurred relating to 2017 underwriting year and management have used the actual loss ratio to determine any additional provision for IBNR.

u. Employee benefit - Pension obligation & Termination benefits

The Company provides retirement benefits for its employees through a defined contribution plan which is funded by contributions from the Company. Under the defined contribution plan, the Company has no legal or constructive obligation to contribute further to what has been contributed into the fund as defined in the rules of the scheme. Pension contributions are charged to the statement of profit and loss and other comprehensive income in the year to which they relate. The Company has an obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund.

The present value of the severance allowance payable under the Employment Rights Act 2008 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues.

SECTION 2: SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

2.3 Summary of significant accounting policies (continued)

u. Retirement benefits **(Continued)**

Where the present value of the severance allowance payable on retirement is greater than five years of pension payable under the pension plan, the additional severance allowance payable is recognised as a liability and disclosed as unfunded obligations under retirement benefits obligatios. The obligations arising under this item are determined by Actuarial valuation carried out every year.

Termination benefits become payable whenever an employee's employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Refer to Note 20 for more details.

v. Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. A lease is classified at the inception date as a finance lease or an operating lease.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight line basis over the lease term.

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.1 Governance framework

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

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. For example, following the regulatory changes brought about by the Financial Services Commission, which came into effect in July 2017, the Company has placed a greater emphasis on the assessment and documentation of risks and controls, including the development of an articulation of ‘risk appetite’.

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.2 Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk. The Company manages these positions within an ALM framework that has been developed to achieve long–term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance liabilities and as an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts

3.3 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal 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 could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The Company issues contracts that transfer insurance risk or financial risk or both.

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 by a change in any subset of the portfolio. Factors that aggravate insurance risk include lack of risk diversification in terms of amount of risk, geographical location and type of industry covered.

The following tables disclose the concentration of insurance liabilities by the class of business in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy. The amounts are the maximum insured loss limit amounts of the insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

Year end - 31 December 2018	**THE GROUP AND THE COMPANY**			
Class of business: General	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
	0-15 m	**15m - 100m**	**> 100m**	**Total**
Credit Insurance business - Gross	470,449	1,202,211	2,423,120	4,095,781
Credit Insurance business - Net	141,135	360,663	726,936	1,228,734

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.3 Insurance risk (continued)

Year end - 31 December 2017 Class of business: General	THE GROUP AND THE COMPANY			
	Rs 000 0-15 m	Rs 000 15m - 100m	Rs 000 > 100m	Rs 000 Total
Credit Insurance business - Gross	419,917	851,814	2,150,385	3,422,116
Credit Insurance business - Net	125,975	255,544	645,116	1,026,635

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors.

The most significant are:
- Court awards for damages suffered as a result of default from debtors;
- Increase in the number of cases coming to court; and
- Economic downturn and the resulting deterioration in customers' credit risk.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and industry.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to sue third parties for payment of some or all costs (for example, subrogation). Approval authority for any contract in which the Company is committed to cover risks in excess of Rs 1 million and up to Rs 15 million requires the approval of the Credit Risk Manager, from Rs 15 Million to Rs 30 million is the management committee. Any contract in which the Company is committed to cover risks in excess of Rs 30 million and up to Rs 100 million requires the approval of the Credit Risk Committee. For contracts in which the Company is committed to cover risks in excess of Rs 100 million requires the approval of the reinsurer.

The reinsurance arrangements include treaty, excess of loss and facultative coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than Rs 5,625,000 (worst case scenario) in any one event.

Sources of uncertainty in the estimation of future claims payment

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards mainly granted for default on debtors factored by the customer.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.3 Insurance risk (continued)

Sources of uncertainty in the estimation of future claims payment (Continued)

at the end of the reporting period. The amount of claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.

In calculating the estimated cost of unpaid claims (both reported and not), the estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

Frequency and severity of claims

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis.

The Company uses assumptions based on a mixture of internal and market data to measure its claims liabilities. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at year-end to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.3 Insurance risk (continued)

Frequency and severity of claims (Continued)

The claims development table for the company is as follows:

UY	FY	2010	2011	2012	2013	2014	2015	2016	2017	2018
2010	Premium	17,956,450	17,956,450	17,956,450	17,956,450	17,956,450	17,956,450	17,956,450	17,956,450	17,956,450
	Paid	-	156,127	1,357,925	1,357,925	1,357,925	1,357,925	1,357,925	1,357,925	1,357,925
	Reserves	-	515,835	-	-	-	-	-	-	-
	Total	-	671,962	1,357,925	1,357,925	1,357,925	1,357,925	1,357,925	1,357,925	1,357,925
	Revoveries				(389,279)	(886,752)	(886,752)	(886,752)	(886,752)	(886,752)
	Grand Total	-	671,962	1,357,925	968,646	471,174	471,174	471,174	471,174	471,174
	Result	17,956,450	17,284,488	16,598,525	16,987,804	17,485,276	17,485,276	17,485,276	17,485,276	17,485,276
	L/R	0.0%	3.7%	7.6%	5.4%	2.6%	2.6%	2.6%	2.6%	2.6%
2011	Premium		33,316,789	33,316,789	33,316,789	33,316,789	33,316,789	33,316,789	33,316,789	33,316,789
	Paid		-	1,438,711	1,801,925	1,801,925	1,801,925	1,801,925	1,801,925	1,801,925
	Reserves		-	254,637	-	-	-	-	-	-
	Total		-	1,693,348	1,801,925	1,801,925	1,801,925	1,801,925	1,801,925	1,801,925
	Revoveries					(330,352)	(560,527)	(620,527)	(708,027)	(708,027)
	Grand Total		-	1,693,348	1,801,925	1,471,574	1,241,399	1,181,399	1,093,899	1,093,899
	Result		33,316,789	31,623,441	31,514,864	31,845,215	32,075,390	32,135,390	32,222,890	32,222,890
	L/R		0.0%	5.1%	5.4%	4.4%	3.7%	3.5%	3.3%	3.3%
2012	Premium			47,782,733	47,782,733	47,782,733	47,782,733	47,782,733	47,782,733	47,782,733
	Paid			-	9,855,743	14,672,399	14,672,399	14,672,399	14,672,399	14,672,399
	Reserves			6,123,427	4,816,656	-	-	-	-	(0)
	Total			6,123,427	14,672,399	14,672,399	14,672,399	14,672,399	14,672,399	14,672,399
	Revoveries					(3,625,653)	(4,707,936)	(5,164,669)	(5,434,775)	(5,434,775)
	Grand Total			6,123,427	14,672,399	11,046,747	9,964,463	9,507,730	9,237,625	9,237,625
	Result			41,659,306	33,110,334	36,735,986	37,818,270	38,275,003	38,545,108	38,545,108
	L/R			12.8%	30.7%	23.1%	20.9%	19.9%	19.3%	19.3%
2013	Premium				51,332,180	51,332,180	51,332,180	51,332,180	51,332,180	51,332,180
	Paid				86,250	30,249,347	36,028,172	36,028,172	36,028,172	36,028,172
	Reserves				19,363,258	4,590,000	-	-	-	-
	Total				19,449,508	34,039,347	36,028,172	36,028,172	36,028,172	36,028,172
	Revoveries					(2,836,084)	(3,527,294)	(5,300,188)	(6,853,161)	(6,853,161)
	Grand Total				19,449,508	32,003,263	32,500,878	30,727,984	29,175,011	29,175,011
	Result				31,882,672	19,328,917	18,831,302	20,604,196	22,157,169	22,157,169
	L/R				37.9%	62.3%	63.3%	59.9%	56.8%	56.8%
2014	Premium					49,437,185	49,437,185	49,437,185	49,437,185	49,437,185
	Paid					327,835	125,182,119	129,142,422	129,142,422	129,142,422
	Reserves					11,042,773	3,521,426	0	0	0
	Total					11,370,608	128,703,545	129,142,422	129,142,422	129,142,422
	Revoveries					-	(272,071)	(5,065,809)	(5,426,065)	(5,426,065)
	Grand Total					11,370,608	128,431,474	124,076,613	123,716,357	123,716,357
	Result					38,066,578	(78,994,289)	(74,639,428)	(74,279,172)	(74,279,172)
	L/R					23.0%	259.8%	251.0%	250.2%	250.2%
2015	Premium						47,497,916	47,497,916	47,497,916	47,497,916
	Paid						320,781	7,480,010	7,480,010	7,678,672
	Reserves						5,804,130	-	-	-
	Total						6,124,911	7,480,010	7,480,010	7,678,672
	Revoveries						(12,558)	(281,837)	(333,569)	(363,211)
	Grand Total						6,112,353	7,198,174	7,146,441	7,315,461
	Result						41,385,563	40,299,743	40,351,475	40,182,455
	L/R						12.9%	15.2%	15.0%	15.4%
2016	Premium							49,671,716	49,671,716	49,671,716
	Paid							-	16,222,721	18,645,789
	Reserves							15,832,825	793,382	(0)
	Total							15,832,825	17,016,103	18,645,789
	Revoveries							-	(10,220)	(350,795)
	Grand Total							15,832,825	17,005,883	18,294,994
	Result							33,838,891	32,665,833	31,376,722
	L/R							31.9%	34.2%	36.8%
2017	Premium								43,269,377	43,269,377
	Paid								-	2,442,624
	Reserves								-	1,093,899
	Total								-	3,536,522
	Revoveries								-	(87,600)
	Grand Total								-	3,448,922
	Result								43,269,377	39,820,455
	L/R								0.0%	8.0%
2018	Premium									51,685,630
	Paid									44,714
	Reserves									9,237,625
	Total									9,282,339
	Revoveries									-
	Grand Total									9,282,339
	Result									42,403,291
	L/R									18.0%

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.3 Insurance risk (continued)

The Company uses a non-statistical method to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The history of the activity of the Company and the size of its portfolio does not enable yet to use actuarial methods, based on past experience. The directors have adopted a methodology based on a budgeted loss ratio of the underwriting year, as approved by the Actuary. The budgeted loss ratio is applied to the turnover. The IBNR is the difference between the amount calculated and the claims already settled. The IBNR amount for 2018 has been estimated on 50% of the gross written premium, net of 70% reinsurance and net of all paid/payable amounts and recoveries net of reinsurance.

Management has also reassessed the IBNR relating to potential claims in 2017 using a claims ratio of 40% of the gross written premium for 2017. An analysis of the actual claims in 2018 has revealed that the actual loss ratio approximates 6.8% for actual claims incurred relating to 2017 underwriting year and management have used the actual loss ratio to determine any additional provision for IBNR.

As at 31 December 2018, if the directors had used a LR ratio 10% higher or lower than 50%, pre tax profit would have been Rs 2,037,728 and Rs 5,138,865 respectively. As at 31 December 2017, if the directors had used a LR ratio 10% higher or lower than 40%, pre tax profit would have been higher or lower by Rs 2,856,565.

3.4 Financial risk – Maturity profiles

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most important components of this financial risk are market risk (including foreign exchange risk, interest rate risk, other price risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The principal technique is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Company has not changed the processes used to manage its risks from previous periods.

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and

THE GROUP

		No stated Maturity	Contractual cash flows (undiscounted)			
	2018		0-2 months	2-6 months	6-12 months	1 yr
Financial Assets	Rs	Rs	Rs	Rs	Rs	Rs
Trade and other receivables	30,189,695	481,574	27,768,765	1,267,254	469,170	202,933
Reinsurance contract	41,598,135	-	-	-	-	41,598,135
Cash at bank	13,640,331	13,640,331	-	-	-	-
Available-for-sale	21,543,862	-	-	-	-	21,543,862
Held to maturity	20,000,000	-	-	-	-	20,000,000
Total	**126,972,023**	**14,121,905**	**27,768,765**	**1,267,254**	**469,170**	**83,344,930**
Financial Liabilities	Rs	Rs	Rs	Rs	Rs	Rs
Insurance liabilities	(57,145,577)	-	-	-	-	(57,145,577)
Trade and other payables	(4,183,725)	-	-	-	-	(4,183,725)
Amount payable to reinsurers	(17,230,926)	-	-	-	-	(17,230,926)
Total	**(78,560,228)**	**-**	**-**	**-**	**-**	**(78,560,228)**

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.4 Financial risk (continued)

THE GROUP

		No stated Maturity	Contractual cash flows (undiscounted)			
	2017		**0-2 months**	**2-6 months**	**6-12 months**	**1 yr**
Financial Assets	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Trade and other receivables	25,531,475	-	23,430,565	1,410,904	104,081	585,725
Reinsurance contract	27,497,960	-	-	-	-	27,497,960
Cash at bank	40,474,340	40,474,340	-	-	-	-
Available-for-sale	13,520,990	-	-	-	-	13,520,990
Total	**107,024,765**	**40,747,340**	**23,430,565**	**1,410,904**	**104,081**	**41,604,675**
Financial Liabilities	Rs	Rs	Rs	Rs	Rs	Rs
Insurance liabilities	(39,282,853)	-	-	-	-	(39,282,853)
Trade and other payables	(4,780,173)	-	-	-	-	(4,780,173)
Amount payable to reinsurers	(19,652,889)	-	-	-	-	(19,652,889)
Total	**(63,715,914)**	**-**	**-**	**-**	**-**	**(63,715,914)**

THE COMPANY

		No stated Maturity	Contractual cash flows (undiscounted)			
	2018		**0-2 months**	**2-6 months**	**6-12 months**	**1 yr**
Financial Assets	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Trade and other receivables	30,049,013	3,111,381	25,341,215	1,213,885	196,642	185,889
Reinsurance contract	41,598,135	-	-	-	-	41,598,135
Cash at bank	10,115,520	10,115,520	-	-	-	-
Available-for-sale	21,543,862	-	-	-	-	21,543,862
Held to maturity	20,000,000	-	-	-	-	20,000,000
Total	**123,306,530**	**13,226,901**	**25,341,215**	**1,213,885**	**196,642**	**83,327,886**
Financial Liabilities	Rs	Rs	Rs	Rs	Rs	Rs
Insurance liabilities	(57,145,577)	-	-	-	-	(57,145,577)
Trade and other payables	(4,250,294)	-	-	-	-	(4,250,294)
Amount payable to reinsurers	(17,230,926)	-	-	-	-	(17,230,926)
Total	**(78,626,797)**	**-**	**-**	**-**	**-**	**(78,626,797)**

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.4 Financial risk (continued)

THE COMPANY

		No stated Maturity	Contractual cash flows (undiscounted)			
	2017		**0-2 months**	**2-6 months**	**6-12 months**	**1 yr**
Financial Assets	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Trade and other receivables	26,177,192	-	20,531,007	1,070,953	104,081	4,471,151
Reinsurance contract	27,497,960	-	-	-	-	27,497,960
Cash at bank	38,355,238	38,355,238	-	-	-	-
Available-for-sale	13,520,990	-	-	-	-	13,520,990
Total	**105,551,380**	**38,355,238**	**20,531,007**	**1,070,953**	**104,081**	**45,490,101**
Financial Liabilities	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Insurance liabilities	(39,282,853)	-	-	-	-	(39,282,853)
Trade and other payables	(4,646,371)	-	-	-	-	(4,646,371)
Amount payable to reinsurers	(19,652,889)	-	-	-	-	(19,652,889)
Total	**(63,582,112)**	**-**	**-**	**-**	**-**	**(63,582,112)**

3.4.1 Foreign exchange risk

The Group is exposed to foreign exchange risks arising from financial assets denominated in foreign currencies.

THE GROUP

At 31 December 2018	**EURO**	**USD**	**RS**	**Total**
Assets	**4,155,796**	**11,649,523**	**111,166,705**	**126,972,023**
Liabilities	**-**	**(23,866,704)**	**(54,693,524)**	**(78,560,228)**
Net position	**4,155,796**	**(12,217,181)**	**56,473,181**	**48,411,795**

At 31 December 2017	EURO	USD	RS	Total
Assets	2,747,061	19,993,154	84,284,549	107,024,765
Liabilities	(32,130)	(17,855,848)	(45,827,936)	(63,715,914)
Net position	2,714,931	2,137,306	38,456,613	43,308,850

The Group is exposed to foreign exchange risk arising from cash and cash equivalents and financial assets and liabilities held in foreign currency The Company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities. This mitigates the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.4.1 Foreign exchange risk (continued)

As at 31 December 2018, if the Mauritian Rupee had weakened/strengthened by 10% against the EURO and USD, the Group's pre tax profit and equity would have been Rs 423,873 higher/lower and Rs 1,127,286 higher/lower respectively. As at 31 December 2017, if the Mauritian Rupee had weakened/strengthened by 10% against the EURO and USD, the Group's pre tax profit and equity would have been Rs 271,493 lower/higher and Rs 213,731 lower/higher respectively.

THE COMPANY

At 31 December 2018	**EURO**	**USD**	**RS**	**Total**
Assets	**3,501,215**	**10,640,155**	**109,165,161**	**123,306,530**
Liabilities	**-**	**(23,822,739)**	**(54,804,058)**	**(78,626,797)**
Net position	**3,501,215**	**(13,182,584)**	**54,361,102**	**44,679,733**
At 31 December 2017				
	EURO	**USD**	**RS**	**Total**
Assets	1,675,066	18,807,524	85,068,790	105,551,380
Liabilities	(86)	(17,855,848)	(45,726,178)	(63,582,112)
Net position	1,674,980	951,676	39,342,612	41,969,267

As at 31 December 2018, if the Mauritian Rupee had weakened/strengthened by 10% against the EURO and USD, the Company's pre tax profit and equity would have been Rs 358,415 higher/lower and Rs 1,030,745 higher/lower respectively. As at 31 December 2017, if the Mauritian Rupee had weakened/strengthened by 10% against the EURO and USD, the Company's pre tax profit and equity would have been Rs 167,498 lower/higher and Rs 95,168 lower/higher respectively.

3.4.2 Credit risk

The Company's exposure to credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts receivable from insurance intermediaries and insurance contract holders.

The aged analysis of amount receivable from policyholders at year end are as follows:

	THE GROUP	
The aged analysis of its receivable is as follows:	**2018**	2017
	Rs	Rs
Neither past due nor impaired	26,652,031	20,559,506
Up to 60 days overdue	1,116,733	2,871,059
Up to 180 days overdue	1,267,254	1,410,904
Up to 270 days overdue	469,170	187,875
Up to 365 days overdue	202,933	20,288
Overdue more than 365 days	444,401	5,518,205
	30,152,522	**30,567,837**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.4.2 Credit risk (continued)

In line with the Board decision 50% of debtors above 180 days have been provided in the accounts in addition to full provision for debtors owing more than 365 days.

Regarding credit quality, receivable has been analysed as follows:

	THE GROUP	
	2018	2017
	Rs	Rs
Neither past due nor impaired	26,652,031	20,559,506
Past due but not impaired	3,056,090	4,386,044
Past due and impaired	444,401	5,622,286
Gross	30,152,522	30,567,836
Less : provision for impairment	(444,401)	(5,622,286)
Net	**29,708,121**	24,945,550

The aged analysis of its premium receivable is as follows:	THE COMPANY	
	2018	2017
	Rs	Rs
Neither past due nor impaired	24,444,529	17,892,666
Up to 60 days overdue	896,687	2,638,341
Up to 180 days overdue	1,213,885	1,070,953
Up to 270 days overdue	196,642	187,875
Up to 365 days overdue	185,889	20,288
Overdue more than 365 days	444,401	4,459,318
	27,382,033	26,269,439

In line with the Board decision 50% of debtors above 180 days have been provided in the accounts in addition to full provision for debtors owing more than 365 days

	THE COMPANY	
	2018	2017
	Rs	Rs
Neither past due nor impaired	24,444,529	17,892,666
Past due but not impaired	2,493,104	3,813,375
Past due and impaired	444,401	4,563,398
Gross	**27,382,033**	26,269,439
Less : provision for impairment	**(444,401)**	(4,563,398)
Net	**26,937,632**	21,706,041

Refer to Note 13 for disclosure for movement in provision for doubtful debts. The Company has no significant concentrations of credit risk. Other areas where credit risk arises include cash and cash equivalents and other receivables.

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.4.3 Credit risk (continued)

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category are approved by the Managing Director.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Company's reinsurers, Atradius Re, ONDD, Caitlin, Endurance and R+V Re, are A, AA and AA rated by the rating agency Moody's and Standard and Poors. A and AA rating indicates a strong capacity of the financial institution to meet financial commitments but somewhat susceptible to adverse economic conditions and changes in circumstances.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and subsequent write-offs. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the risk department.

The financial assets are analysed in the table below using Moody's and Standard and Poors (S&P) rating (or equivalent when not available from S&P). The concentration of credit risk is substantially unchanged compared to the prior year.

THE GROUP

31 December 2018	**A & AA** **Rs**	**Baa** **Rs**	**Not rated** **Rs**	**Total** **Rs**
Trade and other receivables	**-**	**-**	**30,189,695**	**30,189,695**
Reinsurance contracts	**41,598,135**	**-**	**-**	**41,598,135**
Cash at bank	**-**	**13,640,331**	**-**	**13,640,331**
Placement with financial institutions	**-**	**20,000,000**	**-**	**20,000,000**
	41,598,135	**33,640,331**	**30,189,695**	**105,428,161**

31 December 2017	A & AA Rs	Baa Rs	Not rated Rs	Total Rs
Trade and other receivables	-	-	25,531,475	25,531,475
Reinsurance contracts	27,497,960	-	-	27,497,960
Cash at bank	-	40,474,340	-	40,474,340
	27,497,960	40,474,340	25,531,475	93,503,775

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.4.3 Credit risk (continued)

THE COMPANY

31 December 2018	A & AA Rs	Baa Rs	Not rated Rs	Total Rs
Trade and other receivables	-	-	30,049,013	30,049,013
Reinsurance contracts	41,598,135	-	-	41,598,135
Cash at bank	-	10,115,520	-	10,115,520
Placement with financial institutions	-	20,000,000	-	20,000,000
	41,598,135	**30,115,520**	**30,049,013**	**101,762,668**

31 December 2017	A & AA Rs	Baa Rs	Not rated Rs	Total Rs
Trade and other receivables	-	-	26,177,192	26,177,192
Reinsurance contracts	27,497,960	-	-	27,497,960
Cash at bank	-	38,355,238	-	38,355,238
	27,497,960	38,355,238	26,177,192	92,030,390

For banks, the Company transacts only with highly reputable financial institutions. The credit quality of this financial asset can be assessed by the historical information about the financial strengths of the financial institutions the Company is dealing with.

In the opinion of the Company there is no associated risk as these are reputable institutions in the industry.

3.4.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows. Such outflows would deplete available cash resources for operational, trading and investments activities. In extreme circumstances, lack of liquidity could result in sales of assets, or potentially an inability to fulfil policyholder commitments. The risk that the Company will be unable to do so is inherent in all insurance operations and can be affected by a range of institution-specific and market wide events.

The Company's liquidity management process, is monitored by the general manager and the accountant and includes day-to-day monitoring of the current liquidity position and of future cash flows requirements to ensure that requirements can be met, while maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow and monitoring the liquidity ratios of the statement of financial position.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.4.4 Liquidity risk (continued)

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:
A liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

The Company's catastrophe excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

The table below presents the cash flows payable by the Company for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

THE GROUP

	Payments due by period 31 December 2018			
	0-2 mths	**2-6 mths**	**6 – 12mths**	**1 yrs**
	Rs	**Rs**	**Rs**	**Rs**
Insurance liabilities	-	-	-	**57,145,577**
Amount payable to reinsurers	-	-	-	**17,230,926**
Trade and other payables	-	-	-	**4,183,725**
Total contractual obligations	-	-	-	**78,560,228**

	Payments due by period 31 December 2017			
	0-2 mths	2-6 mths	6 – 12mths	1 yrs
	Rs	Rs	Rs	Rs
Insurance liabilities	-	-	-	39,282,853
Amount payable to reinsurers	-	-	-	19,652,889
Trade and other payables	-	-	-	4,780,173
Total contractual obligations	-	-	-	63,715,914

THE COMPANY

	Payments due by period 31 December 2018			
	0-2 mths	**2-6 mths**	**6 – 12mths**	**1 yrs**
	Rs	**Rs**	**Rs**	**Rs**
Insurance liabilities	-	-	-	**57,145,577**
Amount payable to reinsurers	-	-	-	**17,230,926**
Trade and other payables	-	-	-	**4,250,294**
Total contractual obligations	-	-	-	**78,626,797**

	Payments due by period 31 December 2017			
	0-2 mths	2-6 mths	6 – 12mths	1 yrs
	Rs	Rs	Rs	Rs
Insurance liabilities	-	-	-	39,282,853
Amount payable to reinsurers	-	-	-	19,652,889
Trade and other payables	-	-	-	4,646,370
Total contractual obligations	-	-	-	63,852,112

3.4.5 Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The rates of interest on the bank deposits which are on a variable interest rate basis are subject to the prevailing bank prime lending rate.

The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is re–priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

THE GROUP

At 31 December 2018	Up to 1 Year	1 – 5 Years	Above 5 years	Non-interest Bearing	Total
Assets	Rs	Rs	Rs	Rs	Rs
Reinsurance contracts	-	-	-	41,598,135	41,598,135
Trade and other receivables	-	-	-	30,189,695	30,189,695
Cash and cash equivalents	500,000	-	-	13,140,331	13,640,331
Available-for-sale financial assets	-	-	-	21,543,862	21,543,862
Placement with financial institutions	-	20,000,000	-	-	20,000,000
Total assets	**500,000**	**20,000,000**	**-**	**106,472,023**	**126,972,023**
Liabilities					
Insurance liabilities	-	-	-	(57,145,577)	(57,145,577)
Amounts payable to reinsurers	-	-	-	(17,230,926)	(17,230,926)
Trade and other payables	-	-	-	(4,183,725)	(4,183,725)
Total liabilities	**-**	**-**	**-**	**(78,560,228)**	**(78,560,228)**
On statement of financial position Interest sensitivity gap	**500,000**	**20,000,000**	**-**	**27,911,795**	**48,411,795**

At 31 December 2017	Up to 1 Year	1 – 5 Years	Above 5 years	Non-interest Bearing	Total
Assets	Rs	Rs	Rs	Rs	Rs
Reinsurance contracts	-	-	-	27,497,960	27,497,960
Trade and other receivables	-	-	-	25,531,475	25,531,475
Cash and cash equivalents	20,500,000	-	-	19,974,340	40,474,340
Available-for-sale financial assets	-	-	-	13,520,990	13,520,990
Total assets	**20,500,000**	**-**	**-**	**86,524,765**	**107,024,765**
Liabilities					
Insurance liabilities	-	-	-	(39,282,853)	(39,282,853)
Amounts payable to reinsurers	-	-	-	(19,652,889)	(19,652,889)
Trade and other payables	-	-	-	(4,780,173)	(4,780,173)
Total liabilities	**-**	**-**	**-**	**(63,715,914)**	**(63,715,914)**
On statement of financial position Interest sensitivity gap	**20,500,000**	**-**	**-**	**22,808,851**	**43,308,851**

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.4.5 Interest rate risk

THE COMPANY

At 31 December 2018	Up to 1 Year	1 – 5 Years	Above 5 years	Non-interest Bearing	Total
Assets	Rs	Rs	Rs	Rs	Rs
Reinsurance contracts	-	-	-	41,598,135	41,598,135
Trade and other receivables	-	-	-	30,049,013	30,049,013
Cash and cash equivalents	500,000	-	-	9,615,520	10,115,520
Available-for-sale financial assets	-	-	-	21,543,862	21,543,862
Placement with financial institutions	-	20,000,000	-		20,000,000
Total assets	**500,000**	**20,000,000**	**-**	**102,806,530**	**123,306,530**
Liabilities					
Insurance liabilities	-	-	-	(57,145,577)	(57,145,577)
Amounts payable to reinsurers	-	-	-	(17,230,926)	(17,230,926)
Trade and other payables	-	-	-	(4,250,294)	(4,250,294)
Total liabilities	**-**	**-**	**-**	**(78,626,797)**	**(78,626,797)**
On statement of financial position Interest sensitivity gap	**500,000**	**20,000,000**	**-**	**24,179,733**	**44,679,733**

At 31 December 2017	Up to 1 Year	1 – 5 Years	Above 5 years	Non-interest Bearing	Total
Assets	Rs	Rs	Rs	Rs	Rs
Reinsurance contracts	-	-	-	27,497,960	27,497,960
Trade and other receivables	-	-	-	26,177,192	26,177,192
Cash and cash equivalents	20,500,000	-	-	17,855,238	38,355,238
Available-for-sale financial assets	-	-	-	13,520,990	13,520,990
Total assets	**20,500,000**	**-**	**-**	**85,051,380**	**105,551,380**
Liabilities					
Insurance liabilities	-	-	-	(39,282,853)	(39,282,853)
Amounts payable to reinsurers	-	-	-	(19,652,889)	(19,652,889)
Trade and other payables	-	-	-	(4,646,370)	(4,646,370)
Total liabilities	**-**	**-**	**-**	**(63,582,112)**	**(63,582,112)**
On statement of financial position Interest sensitivity gap	**20,500,000**	**-**	**-**	**21,469,268**	**41,969,268**

The Group and Company's interest rate risk arises from bank deposits. At 31 December 2018, if interest rate had been 1% higher/lower with all other variables held constant, the Group and Company's profit and equity for the year would have been **Rs 485,218** and **449,678** respectively higher/lower (2017 – profit and equity for the year would have been **Rs 433,089** and **419,693** lower/higher for the Group and the Company).

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.4.6 Price risk

The Company's exposure to price risk arises in its investment in available for sale financial assets at 31 December 2018 (2017 nil).

THE GROUP AND COMPANY	**2018**	2017
	Rs	Rs
Available for sale	**21,543,862**	13,520,990
	==========	==========

3.4.7 Fair values risk

The carrying amounts of trade and other receivable, reinsurance contract, cash at bank, insurance liabilities, amount payable to reinsurers and trade and other payables approximate their fair values at 31 December 2018 and 31 December 2017 due to their short term nature.

3.4.8 Capital risk management

In order to maintain or adjust the capital structure, the Company may issue new shares or have recourse to its shareholders for funding and vary the amount of dividends or return on capital to the shareholders.

The Company's objectives when managing capital are:

- to comply with the insurance capital requirement and solvency rules required by the regulator of the insurance market in Mauritius and the Mauritian Insurance Act 2005 (as amended in 2007);
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The law requires that the Company at all times keep and maintain a solvency margin in accordance with the General Insurance Business Solvency Rules. The Solvency margin shall at all times be at least 100% of the minimum capital requirement. The capital requirement ratio shall at all times be at the target level of at least 150%.

The Mauritian Insurance Act 2005 (as amended in 2007) also requires that at all times the Company shall maintain a stated capital of not less than Rs 25 million and shall make good forthwith any part of the stated capital that is impaired by losses or otherwise.

The table below summarises the minimum capital required against the regulatory capital held as per the solvency margin.

	2018	2017
	Rs	Rs
Total capital available	46,361,694	44,875,623
Minimum regulatory capital	15,296,323	11,900,950
Capital adequacy ratio	303%	377%

The Company has therefore complied with the minimum capital requirement ratio for 2018 and 2017.

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.5 Financial instruments by category

	THE GROUP	
Financial assets	**2018**	2017
Loans and receivables	**Rs**	Rs
Trade and other receivables	**30,189,695**	25,531,475
Reinsurance contracts	**41,598,135**	27,497,960
Cash at bank	**13,640,331**	40,474,340
Placement with financial institutions	**20,000,000**	-
	105,428,161	93,503,775
Available-for-sale	**21,543,862**	13,520,990
Financial liabilities		
Financial liabilities at amortised cost	**Rs**	Rs
Insurance liabilities	**(57,145,577)**	(39,282,853)
Amount payable to reinsurers	**(17,230,926)**	(19,652,889)
Trade and other payables	**(4,183,725)**	(4,780,173)
	(78,560,228)	(63,715,915)

	THE COMPANY	
Financial assets	**2018**	2017
Loans and receivables	**Rs**	Rs
Trade and other receivables	**30,049,013**	26,177,192
Reinsurance contracts	**41,598,135**	27,497,960
Cash at bank	**10,115,520**	38,355,238
Placement with financial institutions	**20,000,000**	-
	101,762,668	92,030,390
Available-for-sale	**21,543,862**	13,520,990
Financial liabilities		
Financial liabilities at amortised cost	**Rs**	Rs
Insurance liabilities	**(57,145,577)**	(39,282,853)
Amount payable to reinsurers	**(17,230,926)**	(19,652,889)
Trade and other payables	**(4,250,294)**	(4,646,370)
	(78,626,797)	(63,582,112)

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.6 Standards issued and effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. Only those standards and amendments issued not effective applicable to the Company has been considered. The Company intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2018, the Company performed a high-level impact assessment of all three aspects of IFRS 9. Overall, the Company expects no significant impact on its balance sheet and equity, except for the effect of applying the impairment requirements of IFRS 9. The Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2022, applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

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

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities.

An entity may apply the temporary exemption from IFRS 9 if:

i. it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and
ii. its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

The Group applies the temporary exemption from IFRS 9 as permitted by the amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts issued in September 2016. The temporary exemption permits the Group to continue applying IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2022.

The Group concluded that it qualified for the temporary exemption from IFRS 9 because its activities are predominantly connected with insurance. As at 31 December 2018, the Group's gross liabilities arising from contracts within the scope of IFRS 4 represented 94% of the total carrying amount of all its liabilities. Since incorporation, there has been no change in the activities of the Group that requires reassessment of the use of the temporary exemption.

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.6 Standards issued and effective*(continued)*

IFRS 15 Revenue from Contracts with Customers

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The subsidiary applied IFRS 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

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

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

Impact of adoption of IFRS 15

The subsidiary adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018.

Revenue policy for the period ended 31 December 2017 (prior period) under the previous revenue standard, IAS 18
Under the IAS 18 revenue standard used in 2017, revenue comprises the fair value of proceeds for services rendered, net of value-added tax. Revenue for investment income was recognised as follows: Income from investments is included in profit or loss on the following bases: Interest - As it accrues using the effective interest rate method. Refer to Note 2.3 paragraph o for more details.

Quantitative impact

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations. Under IFRS 15, revenue is recognised on transfer of control. The main revenue stream of the company is derived from sale of credit worthiness reports. The subsidiary has concluded that transfer of control occurs on delivery of the reports. This revenue continues to be recognised at a point in time under IFRS 15. Hence, there is no quantitative impact on adoption of IFRS 15.

3.7 Standards issued but not yet effective

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Company is currently assessing the impact of IFRS 16 on its financial statements.

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.7 Standards issued but not yet effective (continued)

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting for a modification where the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The company does not have any share based payment scheme.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts. The main features of the new accounting model for insurance contracts are, as follows:

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

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

SECTION 3: INSURANCE, FINANCIAL RISK AND OTHERS

3.7 Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (Continued)

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt the new standard on the required effective date together with IFRS 9 (see above). The Company started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Company expects that the new standard will result in important change to the accounting policies for insurance contract liabilities of the Company and is likely to have an impact on profit and total equity together with presentation and disclosure.

SECTION 4: DETAILED INFORMATION ON STATEMENT OF PROFIT OR LOSS

4. REVENUE

	THE GROUP	
	2018	2017
Type of goods	**Rs**	Rs
Sale of credit worthiness report	6,362,465	3,851,976
Success fees (Debt collection service)	67,612	490,673
Total revenue from contract with customers	6,430,077	4,342,650
Insurance income (Note 4(i))	15,284,914	13,268,757
Total net revenue	21,714,991	17,611,407
Geographical markets		
Local	6,430,077	4,342,650
Total revenue from contract with customers	6,430,077	4,342,650
Timing of revenue recognition		
Goods transferred at a point in time	6,430,077	4,342,650
Total revenue from contract with customers	**6,430,077**	4,342,650

4.1- INSURANCE INCOME

	THE COMPANY	
	2018	**2017**
	Rs	**Rs**
Gross Insurance contracts		
- Gross premium	**52,928,601**	44,132,686
- Change in unearned premium	**893,029**	1,438,252
Gross Insurance premium	**53,821,630**	45,570,938
Premium ceded to reinsurers		
- Gross premium	**(37,911,595)**	(31,295,405)
- Change in unearned premium	**(625,120)**	(1,006,776)
Total premium ceded to reinsurers	**(38,536,715)**	(32,302,181)
Net earned premium	**15,284,914**	13,268,757

5. INVESTMENT INCOME

	THE GROUP	
	2018	2017
	Rs	Rs
Interest income on cash and short-term deposit	**640,916**	446,468
Dividend income	**452,417**	282,732
Total investment income	**1,093,333**	729,200

SECTION 4: DETAILED INFORMATION ON STATEMENT OF PROFIT OR LOSS

5. INVESTMENT INCOME (CONTINUED)

	THE COMPANY	
	2018	2017
	Rs	Rs
Interest income on cash and short-term deposit	**636,843**	446,371
Dividend income	**452,417**	282,732
Total investment income	**1,089,260**	729,103

6. INSURANCE

	THE GROUP AND COMPANY	
	2018	2017
	Rs	Rs
Gross insurance recoveries	**890,226**	2,322,448
Success fees incurred	**(67,612)**	(447,401)
Remittance to policyholders	**(39,020)**	(38,906)
Recoveries ceded to reinsurers	**(524,681)**	(1,120,040)
Insurance recoveries	**258,913**	716,101

7. CURRENT YEAR CLAIMS

	THE GROUP AND THE COMPANY					
	2018			2017		
	Gross claims	**Reinsurance ceded**	**Net claims paid**	Gross claims	Reinsurance ceded	Net claims paid
	Rs	**Rs**	**Rs**	Rs	Rs	Rs
Current year claims	**28,505,152**	**(21,529,981)**	**6,975,171**	1,183,278	(828,294)	354,984

8. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	THE GROUP	
	2018	2017
	Rs	Rs
Employee benefits expense (Note 8.1)	15,942,332	14,563,520
Audit and other services	634,800	565,800
Rent & Rates	1,393,133	1,388,863
Utilities	224,902	575,560
Computer and internet expenses	474,616	394,385
Other expenses	4,016,444	4,503,719
Total operating and administrative expenses	**22,686,227**	**21,991,847**

Other expenses include licences and permits, motor vehicle running expenses, provision for doubtful debts and others

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

SECTION 4: DETAILED INFORMATION ON STATEMENT OF PROFIT OR LOSS (CONTINUED)

8. OTHER OPERATING AND ADMINISTRATIVE EXPENSES (CONTINUED)

	THE COMPANY	
	2018	2017
	Rs	Rs
Employee benefits expense (Note 8.1)	13,968,176	12,743,080
Audit and other services	634,800	565,800
Rent & Rates	1,218,991	1,215,255
Utilities	196,789	506,799
Computer and internet expenses	211,292	170,230
Other expenses	2,611,630	2,412,138
Total operating and administrative expenses	**18,841,679**	17,613,302

Other expenses include licences and permits, motor vehicle running expenses, provision for doubtful debts and others

8.1 EMPLOYEE BENEFITS EXPENSE

	THE GROUP	
	2018	**2017**
	Rs	**Rs**
Wages and salaries	**13,574,553**	11,848,908
Social security costs	**328,487**	350,246
Pension costs – defined contribution plan	**768,224**	1,118,046
Other benefits	**1,271,067**	1,246,320
	15,942,332	14,563,520

	THE COMPANY	
	2018	**2017**
	Rs	**Rs**
Wages and salaries	**11,600,398**	10,028,468
Social security costs	**328,487**	350,246
Pension costs – defined contribution plan	**768,224**	1,118,046
Other benefits	**1,271,067**	1,246,320
	13,968,176	12,743,080

Employee benefit expenses are included in 'Operating and administrative expenses' on the statement of profit or loss.

9. COMPUTER SOFTWARE

	THE GROUP	THE COMPANY
Cost :	Rs	Rs
At 01 January 2017	**1,130,046**	**952,646**
Additions	31,050	31,050
At 31 December 2017	**1,161,096**	**983,696**
Additions	700,063	700,063
At 31 December 2018	**1,861,159**	**1,683,759**
Accumulated amortisation :		
At 01 January 2017	**933,116**	**880,241**
Amortisation for the year	86,093	41,743
At 31 December 2017	**1,019,209**	**921,984**
Amortisation for the year	183,649	139,299
At 31 December 2018	**1,202,858**	**1,061,283**
Net book value:		
At 31 December 2018	**658,300**	**622,476**
At 31 December 2017	141,887	61,712

10. PROPERTY, PLANT & EQUIPMENT

THE GROUP

	Computer equipment	Furniture & fittings	Office equipment	Motor vehicle	Total
Cost :	Rs	Rs	Rs	Rs	Rs
At 01 January 2017	1,299,851	264,710	182,573	1,900,000	3,647,134
Additions	**56,384**	**346,900**	-	-	**403,284**
At 31 December 2017	1,356,235	611,610	182,573	1,900,000	4,050,418
Additions	**143,000**	-	-	-	**143,000**
At 31 December 2018	**1,499,235**	**611,610**	**182,573**	**1,900,000**	**4,193,418**
Accumulated depreciation :					
At 01 January 2017	981,024	100,110	138,863	538,333	1,758,330
Charge for the year	**143,768**	**37,668**	**21,485**	**380,000**	**582,922**
At 31 December 2017	1,124,792	137,778	160,348	918,333	2,341,252
Charge for the year	**142,589**	**61,762**	**21,485**	**380,000**	**605,835**
At 31 December 2018	**1,267,381**	**199,540**	**181,833**	**1,298,333**	**2,947,087**
Net book value:					
At 31 December 2018	**231,854**	**412,070**	**740**	**601,667**	**1,246,331**
At 31 December 2017	231,443	473,832	22,225	981,667	1,709,166

THE COMPANY

	Computer equipment	Furniture & fittings	Office equipment	Motor vehicle	Total
Cost :	Rs	Rs	Rs	Rs	Rs
At 01 January 2017	871,550	122,310	173,183	1,900,000	3,067,043
Additions	**48,132**	**346,900**	-	-	**395,032**
At 31 December 2017	919,682	469,210	173,183	1,900,000	3,462,075
Additions	**119,400**	-	-	-	**119,400**
At 31 December 2018	**1,039,082**	**469,210**	**173,183**	**1,900,000**	**3,581,475**
Accumulated depreciation **:**					
At 01 January 2017	747,491	39,120	132,578	538,333	1,457,522
Charge for the year	**65,032**	**22,827**	**20,302**	**380,000**	**488,161**
At 31 December 2017	812,523	61,947	152,880	918,333	1,945,683
Charge for the year	**77,219**	**46,921**	**20,302**	**380,000**	**524,442**
At 31 December 2018	**889,742**	**108,868**	**173,182**	**1,298,333**	**2,470,125**
Net book value:					
At 31 December 2018	**149,340**	**360,342**	**1**	**601,667**	**1,111,350**
At 31 December 2017	107,159	407,263	20,303	981,667	1,516,392

11. INVESTMENT IN SUBSIDIARY

	2018	2017
	Rs	Rs
At 01 January and 31 December	**1,000**	1,000

Details of the Company's interests in its subsidiary company, which is incorporated in Mauritius, are as follows:

Name of company	Activities	Date of investment	Description of shares held	Percentage holding
Credit Guarantee Information Services Ltd	Providing credit worthiness information and debt collection service	20-Oct-09	Ordinary	100%

12. AVAILABLE FOR SALE FINANCIAL ASSETS

	THE GROUP AND COMPANY	
	2018	2017
	Rs	Rs
Equity securities	**21,543,862**	13,520,990
Total available for sale financial assets at fair value	**21,543,862**	**13,520,990**

12.1 Carrying values of financial instruments other than derivative financial instruments

	THE GROUP AND COMPANY	
Available for sale financial assets	**2018**	2017
	Rs	Rs
At 01 January	**13,520,990**	-
Purchases	**8,507,322**	13,396,267
	22,028,312	13,396,267
Fair value gain recorded in OCI	**103,485**	124,723
Impairment	**(587,935)**	-
At 31 December	**21,543,862**	**13,520,990**

- Fair value measurement has been arrived using Quoted prices in active markets (Level 1) as at 31 December 2017.
- Total gains or losses for period recognised in OCI are presented in 'Net gain on available-for-sale financial assets' in the consolidated statement of comprehensive income.

12.2 PLACEMENT WITH FINANCIAL INSTITUTIONS

	THE GROUP AND COMPANY	
	2018	2017
	Rs	Rs
Long term fixed deposits (5 years)	**20,000,000**	-

The company holds fixed deposits with different financial instiutions with interest range from 3.33% to 3.75%.

13. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs	Rs	**Rs**	Rs
Trade receivables	**30,152,522**	30,567,836	**27,382,033**	26,269,439
Provision for doubtful debts	**(444,401)**	(5,622,286)	**(444,401)**	(4,563,398)
	29,708,121	24,945,550	**26,937,632**	21,706,041
Amount due by subsidiary	-	-	**2,631,992**	3,887,411
Other receivables	**481,574**	585,925	**479,389**	583,740
Prepayments	**240,560**	50,000	**95,325**	50,000
	30,430,256	25,581,475	**30,144,338**	26,227,192

Trade receivables arising out of direct insurance arrangements net of provision for doubtful debts	THE COMPANY	
	2018	2017
	Rs	Rs
Due from policyholders	**25,314,397**	18,536,699
Due from brokers	**1,623,235**	3,169,342
	26,937,632	21,706,041

Trade receivables reasonably approximate their fair value and carried at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

SECTION 5: DETAILED INFORMATION ON STATEMENT OF FINANCIAL POSITION (CONTINUED)

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Provision for doubtful debts movement

	THE GROUP		THE COMPANY	
	2018	**2017**	**2018**	**2017**
	Rs	Rs	Rs	Rs
Balance at 01 January	**5,622,286**	5,984,350	**4,563,398**	4,397,735
Charge during the year	**-**	534,276	**-**	513,481
Written off during the year	**(4,888,582)**	-	**(3,835,694)**	-
Recovered during the year	**(289,303)**	(896,340)	**(283,303)**	(347,818)
Balance at 31 December	**444,401**	**5,622,286**	**444,401**	**4,563,398**

14. REINSURANCE CONTRACT/INSURANCE LIABILITIES

These provisions represent the liabilities for short-term insurance contracts for which the Company's obligations are not expired at year-end. The unexpired risk provision relates to the insurance contracts for which the Company expects to pay claims in excess of the related unearned premium provision.

	THE GROUP AND COMPANY	
	2018	2017
Insurance liabilities	Rs	Rs
Gross		
Claims reported and loss adjustment expenses	**24,189,481**	793,384
Claims incurred but not reported (IBNR)	**16,441,308**	21,081,652
Unearned premiums	**16,514,788**	17,407,817
Total insurance liabilities	**57,145,577**	39,282,853
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	**18,528,867**	555,331
Claims incurred but not reported (IBNR)	**11,508,916**	14,757,157
Unearned premiums	**11,560,352**	12,185,472
Total reinsurer's share of insurance liabilities	**41,598,135**	27,497,960
Excess of insurance liabilities over amount		
Net Claims reported and loss adjustment expenses	**5,660,614**	238,053
Net Claims incurred but not reported (IBNR)	**4,932,392**	6,324,495
Net Unearned premiums	**4,954,436**	5,222,345
Total share of insurance liabilities	**15,547,442**	11,784,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

SECTION 5: DETAILED INFORMATION ON STATEMENT OF FINANCIAL POSITION (CONTINUED)

14. REINSURANCE CONTRACT/INSURANCE LIABILITIES (CONTINUED)

	Insurance Liabilities (Gross) Rs	Reinsurance Contracts (Reinsurance) Rs	Net Rs
Unearned premium provision			
At 01 January 2017	18,846,069	(13,192,248)	5,653,821
Increase / (Decrease) in the year	(1,438,252)	1,006,776	(431,476)
At 31 December 2017	17,407,817	(12,185,472)	5,222,345
(Decrease) / Increase in the year	(893,029)	625,120	(267,909)
At 31 December 2018	**16,514,788**	**(11,560,352)**	**4,954,436**
IBNR			
At 01 January 2017	16,784,148	(10,546,190)	6,237,958
Movement in incurred but not reported reserve	4,297,504	(4,210,967)	86,537
At 31 December 2017	21,081,652	(14,757,157)	6,324,495
Movement in incurred but not reported reserve	(4,640,344)	3,248,241	(1,392,104)
At 31 December 2018	**16,441,308**	**(11,508,916)**	**4,932,391**
Claims reported and loss adjustment expenses			
At 01 January 2017	15,832,827	(11,082,978)	4,749,851
Current year claims	1,183,278	(828,294)	354,983
Claims paid during the year	(16,222,721)	11,355,941	(4,866,780)
At 31 December 2017	793,384	(555,331)	238,053
Current year claims	28,505,152	(21,529,981)	6,975,171
Claims paid during the year	(5,109,055)	3,556,445	(1,552,610)
At 31 December 2018	**24,189,481**	**(18,528,867)**	**5,660,613**
At 31 December 2018	**57,145,577**	**(41,598,135)**	**15,547,442**
At 31 December 2017	**39,282,853**	**(27,497,960)**	**11,784,893**
As 31 December 2016	51,463,044	(34,821,416)	16,641,630

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs	Rs	**Rs**	Rs
Cash at bank	**13,140,331**	19,974,340	**9,615,520**	17,855,238
Short term deposits	**500,000**	20,500,000	**500,000**	20,500,000
	13,640,331	40,474,340	**10,115,520**	38,355,238

The carrying amounts disclosed above reasonably approximate fair value at the reporting date

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

SECTION 5: DETAILED INFORMATION ON STATEMENT OF FINANCIAL POSITION (CONTINUED)

16. STATED CAPITAL

	THE GROUP AND COMPANY	
	2018	2017
	Rs	Rs
Stated capital :		
390,000 ordinary shares of Rs 100 each	**39,000,000**	39,000,000
Issued and paid:		
390,000 ordinary shares of Rs 100 each	**39,000,000**	39,000,000

17. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs	Rs	**Rs**	Rs
Trade payables	**1,543,747**	2,051,047	**1,495,993**	1,989,552
Accruals	**980,199**	1,012,923	**973,524**	1,012,923
Other payables	**1,659,778**	1,716,203	**1,511,236**	1,505,623
Amount payable to subsidiary	**-**	-	**269,541**	138,272
	4,183,725	4,780,173	**4,250,293**	4,646,370

Other payables

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs	Rs	**Rs**	Rs
Minimum deposit refundable - credit insurance contract	**999,384**	1,104,188	**999,384**	1,104,188
Client remittance - credit insurance contract	**126,909**	87,888	**126,909**	87,888
Client refund account	**131,771**	131,771	**131,771**	131,771
VAT account	**148,542**	210,580	**-**	-
Unextinguished liabilities	**253,172**	181,776	**253,172**	181,776
	1,659,778	1,716,203	**1,511,236**	1,505,623

Trade and other payables at the year-end are unsecured and interest free.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

SECTION 5: DETAILED INFORMATION ON STATEMENT OF FINANCIAL POSITION (CONTINUED)

18. INCOME TAX

The Company is liable to income tax at **17%** (2017: 17%), including 2% CSR on its chargeable income.

The reconciliation between the actual income rate of 18.8% (2017 – 19.6%) and the applicable income tax rate of 17%

	2018	2017
	%	%
Applicable income tax rate	**17**	**17**
Impact of:		
Non-allowable expenses	**0.3**	**0.6**
Under-provision of deferred tax in prior year	**1.5**	**2**
Actual income tax rate	**18.8**	**19.6**

Movement in taxation charge for the year:

	2018	2017
	Rs	Rs
Current income tax charge	318,452	715,807
CSR Current year based on preceding year chargeable income	-	107,848
CSR next year based on current year chargeable income	42,460	95,441
Under provision of current tax	35,070	289,138
Deferred taxation charge/(credit) (Note 17)	916,179	(296,630)
Charge for the year	**1,312,161**	**911,604**

The movement in income tax (receivable)/liability is as follows:

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs	Rs	**Rs**	Rs
At 1 January	**272,008**	349,481	**272,008**	349,481
Charge for the year	**387,557**	1,118,937	**360,912**	919,096
Under-provision reversed during the year	**35,070**	289,138	**35,070**	289,138
Refund during the year	**-**	-	**-**	-
Paid during the year	**(881,341)**	(1,485,548)	**(854,696)**	(1,285,707)
At 31 December	**(186,706)**	272,008	**(186,706)**	272,008

SECTION 5: DETAILED INFORMATION ON STATEMENT OF FINANCIAL POSITION (CONTINUED)

19. DEFERRED INCOME TAX ASSET

Deferred income tax is calculated in full on all temporary differences under the liability method using a principal tax rate of 17.00%.

	THE GROUP AND COMPANY	
	2018	2017
	Rs	Rs
At 01 January	**1,854,830**	1,558,200
Tax (charge)/credit (Note 18)	**(916,179)**	296,630
At 31 December	**938,651**	**1,854,830**
The deferred tax assets is attributable to the following:		
Accelerated capital allowance	**(63,818)**	(27,099)
Provision for IBNR	**838,506**	1,075,164
Provision for bad debts	**84,882**	765,309
Pension benefit obligation	**79,081**	41,456
At 31 December	**938,651**	**1,854,830**

Deferred tax assets and deferred tax (charge)/credit in profit or loss are attributable to the following items:

	Accelerated capital allowances	Provision for IBNR	Provision for bad debts	RBO	Total
At 01 January 2017	(2,469)	1,076,263	484,406	-	1,558,200
(Charge)/ Credit to profit or loss	(24,630)	(1,099)	280,903	41,456	296,630
At 31 December 2017	(27,099)	1,075,164	765,309	41,456	1,854,830
(Charge)/ Credit to profit or loss	(36,719)	(236,658)	(680,427)	12,652	(941,151)
Charge to other comprehensive income	-	-	-	24,972	24,972
At 31 December 2018	**(63,818)**	**838,506**	**84,882**	**79,081**	**938,651**

20. RETIREMENT BENEFIT OBLIGATIONS

(a) Defined contribution plan

Retirement benefits to employees of the Company are provided by a Defined Contribution Pension Scheme, the United Mutual Superannuation Fund, which is administered by Feber Associates Ltd and is funded by contribution from the Company and employees. Payments made by the Company are charged to the statement of profit or loss in the year in which they are payable

(b) Gratuity on retirement

The Company is required to pay gratuity in accordance with Section 49 of the Employment Rights Act 2008. For members of the Company's defined contribution, the obligation relates to the residual retirement gratuity and as a result 5 times the annual pension, relating to the employer's share of contributions, is offset from the retirement gratuity.The following table summarises the components of net benefit expense recognised in the statement of profit or loss and the unfunded status and amounts recognised in the statement of financial position.

Refer to Note 2.3 paragraph u

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

SECTION 5: DETAILED INFORMATION ON STATEMENT OF FINANCIAL POSITION (CONTINUED)

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Financial data for disclosure under IAS19	*Credit Guarantee Insurance Co Ltd - Retirement Gratuity all amounts in Mauritian Rupees* Year ending 31 December 2017	Year ending 31 December 2018
Amounts recognised in the balance sheet:		
Present value of obligations	243,858	465,180
Fair value of plan assets	-	-
Effect on asset ceiling	-	-
Deficit (surplus) on obligations	***243,858***	***465,180***
Net cost for the period:		
Current service cost	38,005	59,795
Net interest cost	-	14,631
Fund expenses & life insurance	-	-
Contributions by employees	-	-
Past service cost	-	-
Curtailment / settlement (gain) loss	-	-
Net cost for the year recognised in profit & loss	38,005	74,426
Remeasurement recognised in OCI	-	***146,896***
Net cost for period	***38,005***	***221,322***
Net interest cost for the year :		
Interest on obligation	-	14,631
Expected return on plan assets	-	-
Net interest cost	-	***14,631***
Remeasurement recognised in other comprehensive income for period :		
Actuarial gains (losses) on the obligation	-	(146,896)
Actuarial gains (losses) on plan assets	-	-
Any change in effect of the asset ceiling, excluding amounts included in net interest cost	-	-
Remeasurement recognised in OCI - Gain/(Losses)	-	***(146,896)***
Changes in the Present Value of the Obligation		
Present value of obligation at start of period	-	243,858
Effect of adopting IAS 19	205,853	-
Interest cost	-	14,631
Current service cost	38,005	59,795
Past service cost	-	-
Benefits paid	-	-
Fund expenses & life insurance	-	-
Curtailment / settlement (gain) loss on obligation	-	-
Expected obligation at end of period	243,858	318,284
Present value of obligation at end of period	243,858	465,180
Remeasurement recognised in OCI at end of period - Gain/(Losses)	-	(146,896)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

SECTION 5: DETAILED INFORMATION ON STATEMENT OF FINANCIAL POSITION (CONTINUED)

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Principal actuarial assumptions at end of period:		
Normal Retirement Age	65	65
Discount rate	6.00%	As per table
Weighted average discount rate	N/A	5.20%
Expected rate of return on plan assets	0.00%	0.00%
Future salary increases	5.00%	5.00%
Future pension increases	0.00%	0.00%
Future NPF salary increases	0.00%	0.00%
Deferred pension increases	0.00%	0.00%
Annual proportion of employees leaving service	5% up to age 40, decreasing to 0% at 45 & nil thereafter	
Actuarial table for employee mortality	PMA92_PFA92	PMA92_PFA92

Movements in liability recognised in balance sheet:		
Net liability at start of period		
- as previously reported	-	243,858
Effect of adopting IAS 19	205,853	-
	205,853	243,858
Net expense recognised in profit or loss	38,005	74,426
Net actuarial (gains) losses recognised in OCI	-	146,896
Contributions & direct benefits paid	-	-
Net liability at end of period	***243,858***	***465,180***

Experience adjustments on:		
Plan liabilities	-	(86,438)
Plan assets	-	-

Sensitivity		
Effect on present value of obligations		
1% Increase in discount rate	31,681	279,345
1% Decrease in discount rate	545,818	865,907
1% Increase in salary increase assumption	446,389	665,554
1% Decrease in salary increase assumption	145,793	405,321
Effect of changing longevity - rate up	178,714	389,301
Effect of changing longevity - rate down	305,007	537,416

21. PARENT AND CONTROLLING PARTY

The directors consider Prudence Holding Ltd as the Company's parent and controlling party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

SECTION 5: DETAILED INFORMATION ON STATEMENT OF FINANCIAL POSITION (CONTINUED)

22. RELATED PARTY DISCLOSURE

During the year ended 31 December 2018, the Company enters into transactions with its subsidiary and key management personnel in the normal course of business. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions

The nature, volume of transactions and the balances with the related parties are as follows:

	THE COMPANY	
	2018	2017
	Rs	Rs
(i) **Amount due from subsidiary**		
At 01 January	**3,887,411**	5,680,834
Expenses paid by the Company	**4,268,781**	4,540,282
Amount repaid during the year	**(5,524,200)**	(6,333,705)
At 31 December	2,631,992	3,887,411
(ii) **Payable to subsidiary**	**269,541**	138,272
(iii) **Key management personnel**		
Emoluments	**5,135,780**	4,435,002
Pension benefits	**416,161**	387,000
(iv) **Transactions with shareholder**		
Bank balance held with one shareholder	**10,115,520**	38,355,238
Premium issued	**5,079,721**	4,922,725
Premium receivable at year end	**2,388,599**	2,948,113
Long term fixed deposit	**5,000,000**	-

As part of the investment strategy of the company, 30,000 shares of MCB Group Ltd were acquired and classified as available for sale investment.

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

For the year ended 31 December 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2017: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

23. INCORPORATION AND REGISTERED OFFICE

The Company is incorporated in Mauritius under the Companies Act 2001 as a public company with limited liability.

The Company's registered office and place of business is at United Docks Business Park, Kwan Tee Street, Caudan, Port Louis and is regulated by the Financial Services Commission.

24. CAPITAL COMMITMENTS AND OPERATING LEASES

FUTURE COMMITMENTS

Rental of office premises is classified as an operating lease payment and is recognised as an expense in the statement of profit or loss on a straight line basis over the lease term.

	THE GROUP	
	2018	2017
	Rs	Rs
Minimum lease payments under operating lease recognised in the statement of profit or loss and other comprehensive income	**1,393,133**	1,388,863

	THE COMPANY	
	2018	2017
	Rs	Rs
Minimum lease payments under operating lease recognised in the statement of profit or loss and other comprehensive income	**1,218,991**	1,215,255

As at 31 December 2018, the company had outstanding commitments under cancellable operating lease which fall due as follows:

	THE GROUP	
	2018	2017
	Rs	Rs
Within one year	**1,453,854**	1,350,852
Two years	**744,657**	2,701,704

25. SUBSEQUENT EVENTS

There are no subsequent events to report for financial year ended 31 December 2018