DIRECTORS' Report

The Group's Turnover maintained its growth to reach Rs 4.9 BN, or an increase of almost 9% compared to 2017. This growth was achieved at all the cluster levels despite an increasing challenging environment.

Our operating profit rose by 4% to reach Rs 827 M against Rs 795 M last year. Last year's figure, however, included profit on disposal of shares in a listed company of Rs 205 M. Adjusting for this, the operating profit shows an increase of over 40% against last year. Our continued focus on cost containment and introduction of new products and services helped achieve this result.

The Group closed the year with a NPAT of Rs 421 M compared to Rs 440 M in the previous year. On a comparable basis, excluding the profit on disposal of shares in 2017, the NPAT would stand at Rs 421 M in 2018 compared to Rs 235 M last year, or an increase of 79%.

The net profit attributable to equity holders amounted to Rs 139 M in 2018 from Rs 193 M in 2017 (or from a negative Rs 9 M excluding the profit on disposal).

- The Technology cluster's results showed good progress, with an increase in turnover contributed by almost all the companies of the cluster. Our agility to be innovative has allowed the companies to pursue their investment plans, allowing us to offer not only new products and services, but also allowed entry into new markets.
- The Group's strategy of seeking improvement in rental yield for its Real Estate cluster is progressing well, and the reconversion of Phoenix Central into an office destination has been completed. Another key project earmarked and started in 2018 was the development of our property at John Kennedy Street, which will consist of different food outlets and retail points. The project is set to be completed early 2019.
- On the Hospitality front, one major development in 2018 was the start of the construction of the hotel at Le Chaland, after two consecutive years of legal battles and substantial legal costs incurred. The Group also acquired Silver Wings Travels Ltd early 2018, a previously family-owned business, which helped strengthen the cluster's activities.
- The Group streamlined its businesses within the Commerce & Financial cluster at the end of 2018, so as to have a better focus on core profitable businesses.

The Group's other comprehensive income was affected by a decrease in value of quoted investments of Rs 335 M in 2018, compared to an appreciation in 2017. This was, however, partly mitigated by positive movements on post-employment benefits, arising from changes in financial assumptions, of Rs 54 M and gain on revaluation of property, plant and equipment of Rs 24 M.

As a result of the above, the Group's total comprehensive income ended at Rs 182 M compared to Rs 515 M in the previous year.

The Company's NPAT grew to Rs 400 M compared to Rs 249 M in 2017, mainly due to higher dividend received from its investments.

The Company paid out dividend of Rs 110 M in 2018 compared to Rs 100 M last year.

DIRECTORS

The following directors held office during the year ended 31 December 2018:

Bashirali A. Currimjee

Anil C. Currimjee

Ashraf M. Currimjee

Azim F. Currimjee

Mazahir F. E. Adamjee

Geerja Shankar Ramdaursingh

Riaz A. Currimjee

Christophe de Backer

Shahrukh D. Marfatia

M. Iqbal Oozeer

Aisha Timol- appointed on 24th of May 2018

Karim Barday – appointed on 13th of July 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 Group and of the Company. In preparing those financial statements, the directors are required to:

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

The directors have confirmed 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. 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.

DONATIONS

During the year ended 31 December 2018, donations amounting to **Rs 1,173,000 and Rs 1,118,000** (2017 – Rs 1,337,000) were made by the Group and the Company respectively.

AUDITOR

The auditor, PricewaterhouseCoopers, has indicated its willingness to continue in office. The directors shall propose their re-appointment at the Annual Meeting.

ACKNOWLEDGEMENT

On behalf of the Board, we wish to express our sincere appreciation and gratitude to Management and staff for their hard work, dedication, commitment and loyalty to the Company.

Mr Anil C. Currimjee
Managing Director

Mr Mazahir F.E. Adamjee
Director

10 April 2019

INDEPENDENT AUDITORS' Report

To the shareholders of Currimjee Jeewanjee and Company Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Qualified Opinion on consolidated financial statements

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the financial position of Currimjee Jeewanjee and Company Limited and its subsidiaries (together the "Group") 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 in compliance with the Mauritian Companies Act 2001.

Opinion on separate financial statements

In our opinion, the separate financial statements give a true and fair view of the financial position of Currimjee Jeewanjee and Company Limited (the "Company") standing alone as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

Currimjee Jeewanjee and Company Limited's consolidated and separate financial statements set out on pages 165 to 251 comprise:

- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

Basis for Qualified Opinion

The financial statements of Currimjee Jeewanjee and Company Limited group are prepared using IFRS 9 except for one of its subsidiaries, Island Life Assurance Limited (ILA) which meets the criteria for eligibility of a temporary exemption from the application of IFRS 9 until 2022. The exemption is only eligible at ILA level and the group has to prepare its financial statements under IFRS 9. However, the impact of IFRS 9 on ILA financial statements has not been quantified at group level and accordingly the possible resulting misstatements has not been quantified on group financial statements.

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 and Separate Financial Statements" section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report, the corporate governance report and the secretary's report but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion on page 162, the financial statements of Currimjee Jeewanjee and Company Limited group are prepared using IFRS 9 except for one of its subsidiaries, Island Life Assurance Limited (ILA) which meets the criteria for eligibility of a temporary exemption from the application of IFRS 9 until 2022. The exemption is only eligible at ILA level and the group has to prepare its financial statements under IFRS 9. However, the impact of IFRS 9 on ILA financial statements has not been quantified at group level and accordingly the possible resulting misstatements has not been quantified on group financial statements. We are unable to conclude if the possible resulting misstatements are material to the group financial statements for the same reason as described in the Basis for qualified opinion on page 162.

In addition to the responsibilities described above and our work undertaken in the course of the audit, the Financial Reporting Act 2004 requires us to report certain matters as described below.

Corporate Governance Report

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

The directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 and Company'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 directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Currimjee Jeewanjee and Company Limited (Continued)

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

(a) we have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditor and tax advisor of the Company and auditor, tax advisor, business advisor and dealings in the ordinary course of business of some of its subsidiaries;

(b) we have obtained all the information and explanations we have required; and

(c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's shareholders, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

10 April 2019

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CONSOLIDATED AND SEPARATE INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Revenue (Note 4)	**4,864,726**	4,470,173	**7,730**	8,734
Cost of sales	**(2,381,539)**	(2,299,977)	**(7,030)**	(8,105)
Gross profit	**2,483,187**	2,170,196	**700**	629
Other operating income – net (Note 5)	**111,271**	299,657	**794,769**	697,140
Selling and distribution costs	**(452,676)**	(446,220)	**-**	-
Administrative expenses	**(1,314,910)**	(1,228,542)	**(205,298)**	(238,341)
Operating profit (Note 6)	**826,872**	795,091	**590,171**	459,428
Finance costs (Note 8)	**(297,451)**	(305,137)	**(216,040)**	(233,210)
Finance income (Note 8)	**43,079**	48,373	**25,528**	22,628
Finance costs – net (Note 8)	**(254,372)**	(256,764)	**(190,512)**	(210,582)
Share of profit of associates (Note 14)	**55,906**	55,679	**-**	-
Profit before taxation	**628,406**	594,006	**399,659**	248,846
Income tax expense (Note 9)	**(207,772)**	(154,143)	**-**	-
Profit for the year	**420,634**	439,863	**399,659**	248,846
Profit attributable to :				
Owners of the parent	**139,121**	192,953		
Non-controlling interest	**281,513**	246,910		
	420,634	439,863		

The notes on pages 174 to 251 form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
Profit for the year	**420,634**	439,863	**399,659**	248,846
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Revaluation of property, plant and equipment	**8,032**	9,330	**59**	103
Group share on revaluation of property, plant and equipment in associates	**16,271**	(26,858)	**-**	-
Group share of other comprehensive income in associates	**8,132**	3,533	**-**	-
Fair value loss on financial assets at fair value through other comprehensive income (Note 15)	**(335,165)**	-	**-**	-
Remeasurement of post-employment benefit obligations (Note 25)	**54,210**	(110,144)	**15,942**	(65,349)
	(248,520)	(124,139)	**16,001**	(65,246)
Items that may be subsequently reclassified to profit or loss				
Fair value (loss)/gain on available-for-sale financial assets (Note 15)	**-**	438,565	**-**	-
Fair value gain on disposal of available-for-sale financial assets recycled to income statement	**-**	(204,702)	**-**	-
Currency translation difference	**10,310**	(34,856)	**-**	-
	10,310	199,007	**-**	-
Other comprehensive income for the year, net of tax	**(238,210)**	74,868	**16,001**	(65,246)
Total comprehensive income for the year	**182,424**	514,731	**415,660**	183,600
Total comprehensive income for the year				
Attributable to:				
Owners of the parent	**(106,010)**	271,266		
Non-controlling interest	**288,434**	243,465		
	182,424	514,731		

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 9.

The notes on pages 174 to 251 form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2018

ASSETS	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
Non-current assets				
Freehold land and buildings (Note 10)	**861,526**	700,896	**8,122**	8,381
Property, plant and equipment (Note 10)	**2,847,222**	2,209,855	**62,419**	25,076
Investment properties (Note 11)	**2,169,683**	2,264,484	**218,328**	205,483
Intangible assets (Note 12)	**463,698**	514,170	**6,524**	4,019
Investments in subsidiaries (Note 13)	**-**	-	**4,424,168**	4,001,771
Investments in associates (Note 14)	**378,534**	356,468	**31,872**	31,872
Financial assets at fair value through OCI (Note 15)	**417,115**	721,565	**11,992**	6,092
Financial assets at fair value through profit or loss (Note 16)	**447,776**	463,019	**-**	-
Loans and receivables (Note 17)	**580,646**	471,755	**337,434**	336,536
Prepaid operating lease (Note 18)	**171,550**	169,197	**-**	-
Deferred income tax asset (Note 19(i))	**8**	12	**-**	-
	8,337,758	7,871,421	**5,100,859**	4,619,230
Current assets				
Inventories (Note 20)	**122,989**	97,333		-
Financial assets at fair value through OCI (Note 15)	**16,137**	61,694		-
Loans and receivables (Note 17)	**810,390**	648,113	**451,557**	418,416
Cash and cash equivalents (Note 30)	**749,864**	424,645	**10,853**	10,802
	1,699,380	1,231,785	**462,410**	429,218
Assets held for sale (Note 21)	**1,544**	895	**-**	-
	1,700,924	1,232,680	**462,410**	429,218
Total assets	**10,038,682**	9,104,101	**5,563,269**	5,048,448

The notes on pages 174 to 251 form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2018 (CONTINUED)

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital (Note 22)	**29,700**	29,700	**29,700**	29,700
Revaluation reserve	**251,030**	228,720	**8,158**	8,099
Fair value reserve	**194,827**	571,309	**-**	-
Foreign currency translation reserve	**114,000**	94,992	**-**	-
Other reserves	**13,011**	13,011	**-**	-
Retained earnings	**255,092**	137,040	**1,300,679**	995,478
	857,660	1,074,772	**1,338,537**	1,033,277
Non-controlling interests	**515,781**	541,675	**-**	-
Total equity	**1,373,441**	1,616,447	**1,338,537**	1,033,277
LIABILITIES				
Non-current liabilities				
Life assurance funds (Note 23)	**888,009**	781,492	**-**	-
Borrowings (Note 24)	**3,192,492**	2,902,397	**2,464,707**	2,254,024
Deferred income tax liabilities (Note 19(ii))	**223,728**	238,494	**-**	-
Post-employment benefits (Note 25)	**515,922**	601,179	**426,372**	472,464
Provision for asset retirement obligations (Note 26)	**67,950**	53,511	**-**	-
Trade and other payables (Note 27(i))	**16,116**	11,652	**-**	-
	4,904,217	4,588,725	**2,891,079**	2,726,488
Current liabilities				
Life assurance funds (Note 23)	**111,842**	95,329	**-**	-
Trade and other payables (Note 27(i))	**1,470,629**	1,033,524	**74,684**	69,385
Current income tax liability (Note 9 (a))	**103,022**	107,220	**-**	-
Post-employment benefits (Note 25)	**2,387**	-	**-**	-
Borrowings (Note 24)	**2,027,858**	1,610,469	**1,258,969**	1,219,298
Provisions for other liabilities and charges (Note 27(ii))	**45,286**	52,387	**-**	-
	3,761,024	2,898,929	**1,333,653**	1,288,683
Total liabilities	**8,665,241**	7,487,654	**4,224,732**	4,015,171
Total equity and liabilities	**10,038,682**	9,104,101	**5,563,269**	5,048,448

Authorised for issue by the Board of Directors on and signed on its behalf by:

Mr Anil C. Currimjee
Managing Director

Mr Mazahir F.E. Adamjee
Director

The notes on pages 174 to 251 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the parent								
	Share capital Rs'000	Revaluation reserve Rs'000	Fair value reserve Rs'000	Foreign currency translation reserve Rs'000	Other reserves Rs'000	Retained earnings Rs'000	Subtotal Rs'000	Non-controlling interests Rs'000	Total equity Rs'000
Group									
At 01 January 2017	29,700	248,555	224,790	240,611	44,104	149,092	936,852	524,217	1,461,069
Comprehensive income									
Profit for the year	-	-	-	-	-	192,953	192,953	246,910	439,863
Other comprehensive income (net of tax)									
Revaluation of property (Note 10)	-	8,913	-	-	-	-	8,913	2,307	11,220
Deferred tax on revaluation (Note 9)	-	(1,890)	-	-	-	-	(1,890)	-	(1,890)
Group share of other comprehensive income in associates	-	(26,858)	-	3,799	-	(266)	(23,325)	-	(23,325)
Disposal of available for sale assets	-	-	(202,655)	-	-	-	(202,655)	(2,047)	(204,702)
Remeasurement of post employment benefits (Note 25)	-	-	-	-	-	(104,609)	(104,609)	(8,955)	(113,464)
Deferred tax on remeasurement of post employment benefits	-	-	-	-	-	2,123	2,123	1,297	3,320
Fair value gain on financial assets at fair value through OCI (Note 15)	-	-	434,124	-	-	-	434,124	4,441	438,565
Currency translation difference recognised directly in reserves	-	-	-	(34,368)	-	-	(34,368)	(488)	(34,856)
Total comprehensive income	-	(19,835)	231,469	(30,569)	-	90,201	271,266	243,465	514,731
Transactions with owners									
Loss on acquisition of subsidiary	-	-	-	-	(31,093)	-	(31,093)	-	(31,093)
Foreign currency translation reserve recycled to fair value reserves	-	-	115,050	(115,050)	-	-	-	-	-
Reserves of Island Life Assurance Co. Ltd transferred to life fund	-	-	-	-	-	(1,953)	(1,953)	-	(1,953)
Dividends paid (Note 31)	-	-	-	-	-	(100,300)	(100,300)	(226,007)	(326,307)
At 31 December 2017	**29,700**	**228,720**	**571,309**	**94,992**	**13,011**	**137,040**	**1,074,772**	**541,675**	**1,616,447**

The notes on pages 174 to 251 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the parent								
	Share capital	Revaluation reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Group									
Profit for the year	-	-	-	-	-	139,121	139,121	281,513	420,634
Other comprehensive income (net of tax)									
Revaluation of property (Note 10)	-	7,264	-	-	-	-	7,264	2,401	9,665
Deferred tax on revaluation (Note 9)	-	(1,225)	-	-	-	-	(1,225)	(408)	(1,633)
Group share of other comprehensive income in associates	-	16,271	-	8,796	-	(664)	24,403	-	24,403
Adjustment on disposal of financial assets held at fair value through OCI	-	-	(44,770)	-	-	44,770	-	-	-
Remeasurement of post employment benefits (Note 25)		-	-	-	-	47,821	47,821	9,718	57,539
Deferred tax on remeasurement of post employment benefits	-	-	-	-	-	(1,894)	(1,894)	(1,435)	(3,329)
Fair value gain on financial assets at fair value through OCI (Note 15)	-	-	(331,712)	-	-	-	(331,712)	(3,453)	(335,165)
Currency translation difference recognised directly in reserves	-	-	-	10,212	-	-	10,212	98	10,310
Total comprehensive income	-	22,310	(376,482)	19,008	-	229,154	(106,010)	288,434	182,424
Transactions with owners									
Adjustment on disposal of subsidiary	-	-	-	-	-	9,237	9,237	-	9,237
Adjustment on new subsidiary						(9,939)	(9,939)		(9,939)
Dividends paid (Note 31)	-	-	-	-	-	(110,400)	(110,400)	(314,328)	(424,728)
At 31 December 2018	29,700	251,030	194,827	114,000	13,011	255,092	857,660	515,781	1,373,441

The notes on pages 174 to 251 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Share capital	Revaluation reserve	Retained earnings	Total equity
Company	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2017	29,700	7,996	912,281	949,977
Comprehensive income				
Profit for the year	-	-	248,846	248,846
Revaluation of property (Note 10)	-	103	-	103
Remeasurement of post-employment benefits (Note 25)			(65,349)	(65,349)
Total comprehensive income	-	103	183,497	183,600
Transactions with owners				
Dividends paid (Note 31)	-	-	(100,300)	(100,300)
At 31 December 2017	29,700	8,099	995,478	1,033,277
Comprehensive income				
Profit for the year	-	-	399,659	399,659
Revaluation of property (Note 10)	-	59	-	59
Remeasurement of post employment benefits (Note 25)	-	-	15,942	15,942
Total comprehensive income	-	59	415,601	415,660
Transactions with owners				
Dividends paid (Note 31)	-	-	(110,400)	(110,400)
At 31 December 2018	29,700	8,158	1,300,679	1,338,537

The revaluation reserve represents the revaluation surplus on freehold land and buildings.

The fair value reserve relates to revaluation surplus on available-for-sale investments.

The other reserves relate to the Group's share of reserves in associates and the acquisition of Silver Wings Travels Ltd, now a wholly owned subsidiary.

The foreign currency translation reserve consists of the exchange difference arising on the consolidation of subsidiaries whose functional currencies are denominated in foreign currencies.

The notes on pages 174 to 251 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Cash flows from operating activities				
Cash generated from/(used in) operating activities (Note 28)	**1,917,957**	1,393,166	**(201,805)**	(256,403)
Interest received	**34,325**	38,119	**20,912**	24,024
Interest paid	**(280,187)**	(295,250)	**(201,146)**	(207,813)
Tax paid (Note 9)	**(231,694)**	(214,396)	**-**	-
Net cash generated from/(used in) operating activities	**1,440,401**	921,639	**(382,039)**	(440,192)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**25,699**	15,971	**2,484**	953
Proceeds from disposal of investment property	**8,159**	1,465	**-**	-
Proceeds from disposal of available for sale investments	**61,051**	219,477	**-**	-
Proceeds from asset held for sale	**2,681**	94,994	**-**	-
Proceeds from disposal of financial asset at fair value through profit or loss	**84,356**	82,523	**-**	-
Payments for purchase of property, plant and equipment (Note 10)	**(1,311,878)**	(443,566)	**(48,239)**	(12,266)
Payments for purchase of intangible assets (Note 12)	**(29,408)**	(145,628)	**(4,499)**	(2,578)
Payments for purchase of financial assets at fair value through OCI (Note 15)	**(36,370)**	(2,100)	**(6,000)**	(2,100)
Additional investments in subsidiaries	**-**	-	**(410,899)**	(66,000)
Payments for purchase of share in subsidiary	**-**	(52,687)	**-**	-
Additional prepayments for operating lease (Note 18)	**(5,727)**	(528)	**-**	-
Payments for purchase of investment properties (Note 11)	**(59,546)**	(103,894)	**(10,156)**	(1,759)
Payments for purchase of financial assets at fair value through profit or loss (Note 15)	**(43,881)**	(53,070)	**-**	-
Payment for purchase of debt securities (Note 17 (v))	**(148,817)**	(25,120)		
Proceeds from disposal of debt securities (Note17 (v))	**16,378**	-	**-**	-
Loans granted	**(62,834)**	(65,960)		(69,230)
Loans repayments received	**29,953**	73,757		123,092
Loans made to parent	**(900)**	(900)	**(900)**	-
Deposits placed with financial institutions	**(118)**	7,380	**-**	-
Dividends received from subsidiaries (Note 5)	**10,091**	1,902	**715,416**	638,152
Dividends received from associates (Note 14)	**58,243**	28,841	**-**	-
Net cash (used in)/from investing activities	**(1,402,868)**	(367,143)	**237,207**	608,264

The notes on pages 174 to 251 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Cash flows from financing activities				
Bank loans received	**7,165,065**	1,531,000	**1,301,000**	150,000
Bank loans repaid	**(6,527,940)**	(1,683,871)	**(1,127,213)**	(313,104)
Capital element of finance lease payments (Note 29)	**(8,819)**	(10,717)	**(5,224)**	(2,752)
Proceeds on inception of finance leases (Note 29)	**7,527**	4,814	**7,527**	2,208
Loans raised from shareholders (Note 35)	**-**	125,000	**-**	125,000
Loans raised from subsidiaries (Note 35)	**-**	-	**40,000**	11,700
Loans repaid to subsidiaries (Note 35)	**-**	-	**(5,000)**	
Loans raised from directors (Note 35)	**5,720**	14,836	**5,720**	14,836
Loans repaid to directors	**(5,350)**	(2,486)	**(5,350)**	(2,486)
Other loans raised	**119,952**	64,728	**47,504**	51,442
Other loans repaid	**(80,618)**	(42,535)	**(44,288)**	(32,850)
Dividends paid to group shareholders	**(110,400)**	(100,300)	**(110,400)**	(100,300)
Dividends paid to non-controlling interests	**(314,328)**	(226,007)	**-**	-
Net cash used in financing activities	**250,809**	(325,538)	**104,276**	(96,306)
Increase/(decrease) in cash and cash equivalents	**288,342**	228,958	**(40,566)**	71,766
Cash and cash equivalents at beginning of year	**321,600**	92,642	**(31,700)**	(103,466)
Cash and cash equivalents at end of year (Note 30)	**609,942**	321,600	**(72,256)**	(31,700)

The notes on pages 174 to 251 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

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

Basis of preparation

In the separate financial statements, Currimjee Jeewanjee and Company Limited is referred to as the "Company" whereas the consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee applicable to companies reporting under IFRS. The financial statements also comply with the Mauritian Companies Act 2001. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings, investment properties, financial assets at fair value through profit or loss and available-for-sale investments.

During the year, the Group and the Company made a profit of **Rs 420,634,000** (2017 - Rs 439,863,000) and **Rs 399,659,000** (2017 - Rs 248,846,000), respectively. At the statement of financial position date, the Group and the Company's current liabilities exceeded their current assets by **Rs 2,060,100,000** (2017 - Rs 1,666,249,000) and **Rs 871,243,000** (2017 - Rs 859,465,000), respectively.

The financial statements have been prepared on the going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future and depends on the continued support of the Group's bank.

The Company has agreed with its bankers on a planned sale of investments in the short to medium terms in order to honour its commitments on debt reduction.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

(a) Critical accounting estimates and assumptions

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

- Post-employment benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Critical assumptions are made by the actuary in determining the present value of retirement benefit obligations. These assumptions are set out in Note 25.

- Estimate of recoverable amount of investments in subsidiaries

The recoverable amount of investments in some subsidiaries has been determined based on value in use calculations and fair value less costs to sell. These calculations require the use of estimates, including discounted cash flows based on management's expectations of future revenue growth, operating costs and profit margins for each subsidiary. The bases of these calculations are set out in note 13.

- Life assurance fund (Note 23) – estimates of future benefit payments under the long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the actuary. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The actuary bases these estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the actuary's own experience. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

Long-term business technical provisions are computed using statistical or mathematical methods. The computations are made by the Group's actuaries on the basis of recognised actuarial methods, with due regard to the actuarial principles laid down by the law and by actuarial best practices. The methodology takes into account the risks and uncertainties of the particular classes of long-term business written and the results are certified by the actuaries undertaking the valuations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

- Life assurance fund (Note 23) - estimates of future benefit payments under the long-term insurance contracts (Continued)

For long-term insurance contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations, investment returns and administration expenses are made at the inception of the contract and form the assumptions used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract. New estimates are made each subsequent year in order to determine whether the previous liabilities are adequate in the light of these latest estimates. If the liabilities are considered adequate, the assumptions are not altered. If they are not adequate, the assumptions are altered ('unlocked') to reflect the best estimate assumptions.

The reasonableness of the estimation process of future benefit payments is tested by an analysis of sensitivity under several different scenarios. The analysis enables the Group to assess the most significant assumptions and monitor the emerging variations accordingly.

Liabilities in relation to death and disability benefits are amortised by reinsuring the yearly sums at risk above the retention limit against payment of respective reassurance premiums. The sensitivity analysis has been disclosed in Note 3(d).

- Provision for asset retirement obligation

In one of the Group's subsidiaries, the directors have estimated the costs of dismantling, removing antennas and restoring the leased sites to their original conditions which have been provided in full in the financial statements. This assumes that the effect of the inflationary increase on the costs will be minimised on discounting such costs to their present values. These assumptions and the sensitivity analysis are set out in Note 26.

- Fair value estimates of property, plant and equipment

The fair value at 31 December 2018 comprises the best estimate of market value by independent valuations performed by external property valuers. The best evidence of fair value is the current price in an active market for similar properties as set out in Note 10.

- Fair value estimates of investment properties

The fair value at 31 December 2018 comprises the best estimate of market value by independent valuations performed by external property valuers. The best evidence of fair value is the current price in an active market for similar properties, please refer to Note 11.

- Income taxes

The Group is subject to income taxes at an average tax rate 17% (2017 – 17%). Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Group has a current tax receivable of Rs 80.4 million, please refer to Note 17.

- Fair value of financial instruments

For financial instruments traded in active markets, the determination of fair values of financial assets is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major stock exchanges. The quoted market price used for financial assets held by the Company is the current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. The sensitivity analysis is set out on Note 2.

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

(a) Critical judgements in applying the entity's accounting policies

In preparing the financial statements, the directors, in the process of applying the Group's accounting policies, did not make any judgement other than those involving estimates that could have a significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group and the Company

The Group and Company have applied the following standards and amendments for the first time for their annual reporting period commencing 01 January 2018:

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 'Revenue from contracts with customers' during the reporting period ended 31 December 2018. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The adoption did not have a significant effect on the current or prior period.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 'Financial instruments'. IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income with no recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts

The adoption of these standards did not have any significant impact on the Group's accounting policies.

The Group has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application, as a consequence:

(a) any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings.

(b) financial assets are not reclassified in the balance sheet for the comparative period.

(c) provisions for impairment have not been restated in the comparative period.

Since IFRS has not been retrospectively applied, the profit figures for 2017 is maintained at Rs 439,863,000. Had IFRS 9 been applied retrospectively in 2017, the net profit figures would have been lower by Rs 204,702,000, representing the profit on disposal of shares held in Bharti Airtel, bringing it to Rs 235,161,000.

Impairment

The Group has adopted the simplified expected credit loss model for its trade receivables and contract assets, as required by IFRS 9, paragraph 5.5.15, and the general expected credit loss model for debt investments carried at amortised cost and debt investments carried at fair value through other comprehensive income. All of the group's debt investments have low credit risk at both the beginning and end of the reporting period.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy and disclosures (Continued)

(a) New and amended standards adopted by the Group and the Company (Continued)

Classification and measurement of financial instruments.

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 are compared as follows:

Financial statement line items	Classification under IAS 39	Classification under IFRS9	Amount
			Rs'000
Loans and receivables	Loans and receivables (amortised cost)	Financial assets at amortised cost	**1,218,418**
Loans and receivables	Held to maturity investments	Financial assets at amortised cost	**172,618**
Cash and cash equivalents	Cash and cash equivalents	Cash and cash equivalents	**749,864**
Financial assets at fair value through OCI	Available for sale	Financial assets at fair value through other comprehensive income	**433,252**
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	**1,486,745**
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	**5,220,350**

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning after 1 January 2018 and not adopted early

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below.

IFRS 16, 'Leases' will result in all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. As at the reporting date, the group has non-cancellable operating lease commitments of **MUR 772,264,000** (2017 – Rs 789,726,000), see note 33. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for financial years commencing on or after 01 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning after 1 January 2018 and not adopted early (Continued)

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The standard is effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. The directors have not yet assessed the impact of this standard on the financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Consolidation

- Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains and losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

- Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

- Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

- Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

Investment in subsidiaries and associates in the Company's separate financial statements

Investments in subsidiaries and associates are recognised at cost (which includes transaction costs) in the separate financial statements of the Company.

Subsequently, 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, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Foreign currency translation

- Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in thousands of Mauritian rupee.

In the separate financial statements of the Company, items are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The separate financial statements are presented in thousands of Mauritian rupee, which is the Company's functional currency.

- Transactions and balances

Transactions denominated in foreign currencies 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income - net'.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

- Transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

- Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- income and expenses for each income statement are translated at average exchange rate, unless the average exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. The directors determine the classification of its financial assets at initial recognition.

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'loans and receivables' and 'cash and cash equivalents' in the statements of financial position.

- Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or the directors intend to dispose of it within 12 months of the end of the reporting period.

Financial assets – recognition and measurement

Recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets – recognition and measurement

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables' in the statement of financial position. Subsequent measurement of loan and receivables is at amortised cost given that these are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of comprehensive income and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

Equity instruments

The Group subsequently measures all equity investments at fair value. The Directors have elected to present fair value gains and losses on equity investments in statement of other comprehensive income and there is no subsequent reclassification of fair value gains and losses to the statement of comprehensive income following the derecognition of the investment. Dividends from such investments are to be recognised in the statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/losses in the statement of comprehensive income as applicable. Impairment losses and reversal of impairment losses on equity investments measured at fair value through other comprehensive income (FVOCI) are not reported separately from other changes in fair value.

Property, plant and equipment

Freehold land and buildings and buildings on leasehold land are shown at fair value, based on a periodic but at least triennial valuation by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs 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 Group 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.

Increases in the carrying amount arising on revaluation of freehold land and buildings and buildings on leasehold land are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings and buildings on long leasehold land	2.0% to 5.0%
Plant, equipment and other assets	10.0% to 50.0%
Motor vehicles	20.0% to 33.0%
Furniture and fittings	5.0% to 22.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating income/(expenses)-net' in profit or loss. On disposal of revalued assets, the surplus on revaluation remaining in revaluation reserve for these assets is transferred to retained earnings.

Property, plant and equipment which have been funded through finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment property

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group or the Company, are classified as investment properties. Investment properties comprise office buildings and retail outlets leased out under operating lease agreements.

Some properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Group considers the owner-occupied portion as insignificant when the property is more than 95% held to earn rental income or capital appreciation. In order to determine the percentage of the portions, the Group uses the size of the property measured in square metre.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is calculated on the basis of recent transactions in similar properties adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers.

The Group only enters as lessor into lease agreements that are classified as operating leases (IAS 17). A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The properties leased out under operating leases are included in 'Investment properties'. Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term. The Group makes payments to agents for services in connection with negotiating lease contracts with the Group's lessees. The letting fees are capitalised within the carrying amount of the related investment property and depreciated over the lease term.

Insurance contracts

(a) Classification

One of the Group's subsidiary issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

(b) Recognition and measurement

The Group issues long-term insurance contracts with fixed and guaranteed terms. These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums).

The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

The liabilities are recalculated at each reporting date using the assumptions established at valuation date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance contracts (Continued)

(c) Minimum capital requirement test

As required by the Long Term Insurance Solvency Rules, an insurer shall at all times maintain a solvency margin that is at least equal to the Minimum Capital Requirement. The Minimum Capital Requirement for an insurer shall be determined by its actuary as the higher of a stress test requirement determined in accordance with guidelines issued by the Financial Services Commission to ensure that the long-term insurer remains solvent or the higher of an amount of Rs 25 million or an amount representing 13 weeks' operating expenses. The purpose of the set stress requirement is to quantify the minimum level of assets in excess of liabilities so as to enable the insurer to meet all the obligations as and when they are due and to provide sufficient cushion against adverse deviations in experience in any of the variables used in the valuation of liabilities. Stress Test Requirements equals the higher of the "Termination Capital Adequacy Requirements" (TCAR) and the "Ordinary Capital Adequacy Requirements" (OCAR).

As set out in (b) above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the valuation date.

(d) Reinsurance contracts held

Contracts entered into by one of the Group's subsidiaries with reinsurers under which the subsidiary is compensated for losses on one or more contracts issued by the subsidiary and that meet the classification requirements for insurance contracts in (a) above 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 subsidiary under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the subsidiary is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) 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 subsidiary's property or casualty insurance contracts. Where the premium due to the reinsurers differs from the liability established by the subsidiary for the related claim, the difference is amortised over the estimated remaining settlement period.

The subsidiary assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the subsidiary reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The subsidiary 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 also calculated following the same method used for these financial assets.

(e) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, 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 also calculated under the same method used for these financial assets.

Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software costs

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful life (5 years).

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

(c) Patent rights and licences

Separately acquired patents and licences are initially recognised at cost. Subsequently, they are carried at cost less amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patent and licences over their useful lives of 5 – 15 years.

(d) Indefeasible Rights of Use ("IRU")

Capacity purchased on an Indefeasible rights of use ("IRU") basis is shown under non-current assets. The IRU is amortised on a straight-line basis over the contract period of 15 years from the effective date of the IRU's purchase. Remaining useful life is approximately is 9 years.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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). Prior impairment of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Trade receivables

Trade receivables are amounts due from customers for goods and services sold in the ordinary course of the business. They are generally due for settlement within 30 and 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Company applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables.

Trade receivables have been grouped based on shared credit characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over the last 3 years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Company has identified Gross Domestic Product (GDP) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average cost ("AVCO") method and includes all costs incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in progress comprises purchase price, materials and all applicable expenses. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Property held for resale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

Share capital

Ordinary shares are classified as equity.

Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is done within one year or less. 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 method.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 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 investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group 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 tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Provisions

Provisions are recognised when: the Group 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. Restructuring provisions comprise lease termination penalties and employee termination payments. 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.

Provision for asset retirement obligations

This provision relates to the estimated cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item is located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including the removal of items included in plant and equipment that is erected on leased land.

The Group only recognises these decommissioning costs for the proportion of its overall number of sites for which it expects decommissioning to take place. The expected percentage has been based on actual experience in the respective operations.

A provision is made for the present value of the estimated future decommissioning costs at the end of the life of the site/expected lease term. When this provision gives rise to future economic benefits, an asset is recognised, otherwise the costs are charged to profit or loss. The estimated cost is discounted at a pre-tax rate that reflects current market assessments of the time value of money. The increase in the decommissioning provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

(a) Pension obligations

The Group has both defined benefit and defined contribution plans. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

- Defined benefit pension

Group companies operate various pension schemes for employees eligible for a defined benefit schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

Where employees are not covered under defined pension scheme, the present value of severance allowances calculated on the basis the enacted laws in the countries where the respective entity operates has been provided for. The present value of severance allowances has been disclosed within unfunded obligations under retirement benefit obligations.

- Defined contribution plan

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

Some Group companies provide post-retirement healthcare and other benefits apart from pensions to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

Termination benefits are payable when employment is terminated by a group entity before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. The following specific criterias must also be met. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and upon customer acceptance if any, or performance of services, net of value added taxes and discounts. The Group's turnover reflects the invoiced value derived from operations.

Revenues from pre-paid phone cards are recognised based on actual usage by the customers.

Other revenues earned by the Group are recognised on the following bases:

(i) Dividend income is recognised when the shareholder's right to receive payment is established.

(ii) Interest income is recognised using the effective interest method. Interest income includes accrued discount on Treasury Bills.

(iii) Commitment fee is recognised at the time of the signature of the lease agreement.

(iv) Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Life assurance fund

At the end of every year the amount of the liabilities of the life assurance fund is established. Effective from the year 2004, the adequacy of the fund is determined annually by actuarial valuation. Under current legislation, an annual actuarial reporting is required by Financial Services Commission. Based on the annual actuarial valuation, the actuary recommends the bonus declaration and the amount of actuarial surplus that can be transferred from profit or loss.

Dividend distribution

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out under policies approved by the Board of Directors.

(a) Market risk

- Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar ("USD"), Euro ("EUR"), and Indian rupee ("INR"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Group companies individually manage foreign exchange risk against their functional currency by:

(i) Forecasting their requirements for foreign currencies and retaining, wherever possible, such amounts necessary to settle amounts denominated in foreign currencies.

(ii) Buying foreign currencies at forward rates or negotiated spot rate with commercial banks. Selling excess foreign currencies on the local market.

Sensitivity analysis

The profitability of the Group and Company is sensitive to foreign exchange gains/losses on translation of fair value through OCI, loans and receivables, cash and cash equivalents, net of borrowings and trade and other payables. The tables below depicts the sensitivity of the Group's and Company's post tax profit to changes in the exchange rates of the major currencies to which the Group and Company is exposed.

	USD	EUR	INR
	%	%	%
Group			
Hypothetical rate of appreciation/(depreciation) of the Mauritian rupee against the foreign currency	**(2)**	**3**	**7**
	USD	EUR	INR
	Rs'000	**Rs'000**	**Rs'000**
Hypothetical effect on group post tax profit:			
Increase/(Decrease) in post tax profit for the year ended 31 December 2018	**(1,383)**	**4,750**	**(24,115)**
Hypothetical rate of appreciation of the Mauritian rupee against the foreign currency	7	(6)	0.4
Increase/ (decrease) in post tax profit for the year ended 31 December 2017	959	(4,927)	(2,880)

	2018		2017	
	USD	EUR	USD	EUR
	%	%	%	%
Company				
Hypothetical rate of appreciation/(depreciation) of the Mauritian rupee against the foreign currency	**(2)**	**3**	7	(6)
	USD	EUR	USD	EUR
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Increase/(decrease) in post tax profit for the year ended 31 December	**(48)**	**46**	1,851	(11,436)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

- Price risk

The Group is exposed to equity securities price risk in respect of the available-for-sale investments and financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. The Group's strategy for its financial assets at fair value through OCI is to hold them for long term capital appreciation and is not influenced by short term market fluctuations. However, the Directors monitor the equity markets on a daily basis and the Board of Directors meet on a regular basis to review the performance of these investments.

The available-for-sale investment consists primarily of investment in a company incorporated in India and listed on the Bombay Stock Exchange and the National Stock Exchange. During the year ended 31 December 2018, the market price of this investment has lost **41%** (2017 – gain of 73%) of its value compared to the market price in 2017. At 31 December 2018, if the price of the investment had increased/decreased by a further **10%** (2017 – 10%), with all variables held constant, equity would have been **Rs 34 million** (2017 – Rs 71 million) higher/lower.

The value of quoted shares held at fair value through profit or loss would have increased/decreased by **Rs 30 million** (2017 – Rs 31 million) if a change of 10% occurred in the share price. The value of unquoted shares held at fair value through profit or loss would have increased/decreased by **Rs 15 million** (2017 – Rs 15 million) if a change of 10% occurred in the share price.

The Group is not exposed to any other significant price risk at 31 December 2018.

- Interest rate risk

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on with respect to its interest bearing assets and liabilities.

The significant interest-bearing assets include loans, hire purchase debtors and cash at bank. The loans arising on the life assurance business are on a fixed interest rate basis and are not subject to interest rate fluctuations. Interest on hire purchase debtors is fixed by law and is also not subject to interest rate fluctuations. The effective interest rate on cash and cash equivalents was **0.01%** (2017 – 0.1%); the impact of a 0.75% shift would cause a maximum shift in the post-tax profit of **Rs 4,660,000** (2017 – Rs 2,643,000).

With respect to interest-bearing liabilities, significant interest rate risk arises on the Group bank loans which are at variable rates. The effective interest charge on bank loans was **5.1%** (2017 – 6.9%); the impact of a 0.75% shift would cause a maximum shift in post tax profit of **Rs 27,646,000** (2017 – Rs 23,711,000).

The Company's effective interest charge on bank loans was **5.8%** (2017 – 6.6%); the impact of a 0.75 % shift would cause a maximum shift in post-tax profit of **Rs 18,831,000** (2017 – Rs 17,780,000).

(b) Credit risk

Credit risk arises from cash and cash equivalents, loans and receivables and financial assets at fair value through OCI.

For cash and cash equivalents, the Group and Company transacts with only highly reputable financial institutions. The Directors have assessed that the credit risk associated with cash and cash equivalents is insignificant based on the historical information of the financial strengths of the financial institutions.

Due to the diversity of the Group's activities, the credit risks associated with each type of receivables are managed according to their nature and are described below. The credit quality of these receivables is provided in Note 17.

The credit quality of financial assets at fair value through OCI is disclosed in Note 15. Credit risk is managed by the Board of each subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Trade receivables

The Group has policies in place to control the level of debts to ensure that sale of products and services are made to customers with an appropriate credit history. Such policies include credit vetting before sale, setting up credit limits, disconnection (cellular phone and pay TV subscribers) and subscription payments through direct debits amongst others.

Loans and other loans receivable

Exposure to credit risk for loans receivable is managed through analysis of the ability of borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate. Exposure to credit risk is also managed by obtaining collaterals and guarantees, fixed charges are sought from mortgage borrowers.

Hire purchase debtors

Hire purchase debtors comprise of a wide variety of customers buying on hire purchase facilities and are from different sectors of the economy. The Group has no significant concentrations of credit risk and has policies in place to ensure that the vetting criteria are assessed and reviewed in order to take into consideration economic realities. All credit applications go through a rigorous vetting process and material contracts are subject to management approval. At the level of operations, outstanding debts are continuously monitored and relevant provisions/diminution in value is recognised as and when they become apparent.

The maximum exposure to credit risk is represented by the book values of the receivables carried in the statement of financial position without taking into account the value of any collateral obtained. Hire purchase debtors are secured over the hire purchase assets and the latter's fair values approximate the carrying amounts of hire purchase debtors at the reporting date.

Rating of assets bearing credit risks

Credit Ratings	2018 Rs'000	2017 Rs'000
A+	**1,888**	-
A	**1,863**	-
A-*	**-**	2,602
AAA	**1,948**	-
AA-	**1,922**	-
AA+u	**3,580**	-
A1+***	**3,454**	19,156
A2**	**3,451**	3,576
A3*	**1,869**	-
Aa3	**10,470**	-
BBB+*	**7,671**	5,794
BBB-*	**337,615**	713,449
Baa1**	**107,304**	40,054
Baa3**	**57,909**	63,566
CARE MAU AA	**2,000**	-

The remaining assets bearing credit risks are unrated. *The ratings for foreign investments were taken from ratings provided by Standard & Poor's. ** The ratings for local equity (MCB and SBM) and for government treasury bills and notes were taken from ratings provided by Moody's. *** The ratings for local equity were taken from ratings provided by Care Ratings. The unrated assets consist of equity investments, secured housing and policy loans, unsecured and secured loans receivable from related parties, other receivables, fixed deposits from financial institutions and cash balances.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Prudent liquidity risk management policies implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the finance department aims at maintaining flexibility in funding by keeping committed credit lines available.

The tables below analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trade and other payables are due within 12 months and therefore approximate their carrying balances as the impact of discounting is not significant.

	Less than 1 year Rs'000	Between 1 and 2 years Rs'000	Between 2 and 5 years Rs'000	Later than 5 years Rs'000	Total Rs'000
Group					
At 31 December 2018					
Borrowings	**2,240,142**	**1,714,396**	**1,632,508**	**305,991**	**5,893,037**
Trade and other payables	**1,309,522**	**16,166**	-	-	**1,325,688**
Life assurance funds	**111,842**	**111,555**	**312,553**	**463,901**	**999,851**
	3,661,506	**1,842,117**	**1,945,061**	**769,892**	**8,218,576**
At 31 December 2017					
Borrowings	1,795,737	2,003,719	1,120,071	29,937	4,949,464
Trade and other payables	887,778	8,850	-	2,802	899,430
Life assurance funds	95,329	130,583	230,662	420,248	876,822
	2,778,844	2,143,152	1,350,733	452,987	6,725,716

	Less than 1 year Rs'000	Between 1 and 2 years Rs'000	Between 2 and 5 years Rs'000	Later than 5 years Rs'000	Total Rs'000
Company					
At 31 December 2018					
Borrowings	**1,424,381**	**1,456,170**	**1,056,035**	**250,361**	**4,186,947**
Trade and other payables	**74,684**	**-**	**-**	**-**	**74,684**
Guarantees	**604,240**	**-**	**-**	**-**	**604,240**
	2,103,305	**1,456,170**	**1,056,035**	**250,361**	**4,865,871**
At 31 December 2017					
Borrowings	1,375,480	1,692,905	729,311	24,240	3,821,936
Trade and other payables	69,385	-	-	-	69,385
Guarantees	551,280	-	-	-	551,280
	1,996,145	1,692,905	729,311	24,240	4,442,601

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value estimation

The fair value of financial assets at fair value through OCI that are traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group and Company is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, unquoted shares) is determined using valuation techniques. The Group and Company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long term debt. Other techniques, such as discounted cash flows, are used to determine the fair value of the remaining instruments.

The carrying amounts of loans and receivables less impairment provision are assumed to approximate their fair values. The carrying values of financial liabilities also approximate their fair values.

• Fair values hierarchy

In accordance with the amendment to IFRS 13, the Group and Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

• Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

• Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

• Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Group and Company. Management considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Group's and Company's assets measured at fair values at 31 December 2018 and 2017:

	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Group – 2018				
Assets				
Financial assets at fair value through profit or loss				
- Trading securities	**297,865**	**-**	**149,911**	**447,776**
Land and buildings	**-**	**861,526**	**-**	**861,526**
Financial assets at fair value through OCI				
- Equity securities	**337,618**	**-**	**11,989**	**349,607**
- Debt securities	**1,604**	**82,041**	**-**	**83,645**
Total assets	**637,087**	**943,567**	**161,900**	**1,742,554**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

• Fair values hierarchy (Continued)

	Level 1	Level 2	Level 3	Total
Group - 2017				
Assets	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Financial assets at fair value through profit or loss				
- Trading securities	310,311	-	152,708	463,019
Land and buildings	-	700,896	-	700,896
Financial assets at fair value through OCI				
- Equity securities	713,451	-	6,089	719,540
- Debt securities	2,025	61,694	-	63,719
Total assets	1,025,787	762,590	158,797	1,947,174
Company – 2018				
Assets				
Financial assets at fair value through OCI				
- Equity securities	**3**	**-**	**11,989**	**11,992**
Land and buildings	**-**	**8,122**	**-**	**8,122**
Total assets	**3**	**8,122**	**11,989**	**20,114**
Company – 2017				
Assets				
Financial assets at fair value through OCI				
- Equity securities	3	-	6,089	6,092
Land and buildings	-	8,381	-	8,381
Total assets	3	8,381	6,089	14,473

The Group is exposed to equity securities and debt securities price risks. If the fair value of the investments increases/decreases by 5%, other factors remaining unchanged, the Group's profit for the year and financial assets (at fair value through profit or loss and available-for-sale investments) would increase/decrease by **Rs 44,051,400** (2017 – Rs 62,313,900).

The Group's financial assets valued at fair value through profit or loss are directly related to the fair valuation of the investee entity. The investee entity uses various valuations methods to value its underlying investment assets. Level 3 includes all investments classified as financial assets at fair value through profit or loss. The investments have been valued using the share of net asset value ("NAV") and dividend yield of the respective investee companies. At 31 December 2018, had the fair value increased/decreased by **1%** (2017- 1%), valuation would have increased/decreased by **Rs 1,499,110** (2017 – Rs 1,527,080).

The Group is exposed to equity securities and debt securities price risks as described in Note 2(a).

The Level 3 available for sale investments have been valued at cost and they approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

• Fair values hierarchy (Continued)

The following table presents the changes in Level 3 instruments for the years ended 31 December 2018 and 2017:

	Financial asset at fair value through profit or loss	Financial assets at fair value through OCI	Total
	Rs'000	Rs'000	Rs'000
Group - 2018			
Balance at 01 January 2018	**152,708**	**6,089**	**158,797**
Total gains recognised in profit or loss	**23,231**	**-**	**23,231**
Purchases	**9**	**6,000**	**6,009**
Sales/transfers	**(26,037)**	**(100)**	**(26,137)**
Balance at 31 December 2018	**149,911**	**11,989**	**161,900**
Total losses for the period included in profit or loss for assets held at the end of the reporting period	**-**	**-**	**-**
Change in unrealised gains for the period included in profit or loss for assets held at the end of the reporting period	**23,231**	**-**	**23,231**
Group - 2017			
Balance at 01 January 2017	140,963	3,999	144,962
Total gains recognised in profit or loss	23,050	-	23,050
Purchases	9	2,090	2,099
Sales	(11,314)	-	(11,314)
Balance at 31 December 2017	152,708	6,089	158,797
Total gains for the period included in profit or loss for assets held at the end of the reporting period	-	-	-
Change in unrealised gains for the period included in profit or loss for assets held at the end of the reporting period	23,050	-	23,050

	2018	2017
	Rs'000	Rs'000
Company		
Financial assets at fair value through OCI		
Balance at 01 January	**6,089**	3,999
Purchases	**6,000**	2,100
Transfer to investment in subsidiaries	**(100)**	-
Impairment	**-**	(10)
Balance at 31 December	**11,989**	6,089

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

• Financial instruments by category

	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Group -2018				
Financial assets per statement of financial position:				
Loans and receivables excluding non-financial assets	**1,181,189**	**-**	**-**	**1,181,189**
Financial assets at fair value through OCI	**-**	**-**	**433,252**	**433,252**
Financial assets at fair value through profit or loss	**-**	**447,776**	**-**	**447,776**
Cash and cash equivalents	**749,864**	**-**	**-**	**749,864**
Total	**1,931,053**	**447,776**	**433,252**	**2,812,081**
Group -2017				
Financial assets per statement of financial position:				
Loans and receivables excluding non-financial assets	978,662	-	-	978,662
Financial assets at fair value through OCI	-	-	783,259	783,259
Financial assets at fair value through profit or loss	-	463,019	-	463,019
Cash and cash equivalents	424,645	-	-	424,645
Total	1,403,307	463,019	783,259	2,649,585

All financial assets at fair value through profit or loss are designated in this category upon initial recognition since the directors have no express intention of disposing those investments within the next 12 months.

Financial liabilities for the Group are all carried at amortised cost and are as follows:

	2018	2017
	Rs'000	Rs'000
Group		
Financial liabilities per statement of financial position:		
Borrowings (excluding finance lease liabilities)	**5,203,606**	4,494,830
Finance lease liabilities	**16,744**	18,036
Trade and other payables (excluding non-financial liabilities)	**1,309,522**	899,430
Life assurance fund	**999,851**	876,821
	7,529,723	6,289,117

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

• Financial instruments by category (continued)

	Loans and receivables	Financial assets at fair value through OCI	Total
	Rs'000	Rs'000	Rs'000
Company - 2018			
Financial assets per statement of financial position:			
Financial assets at fair value through OCI	**-**	**11,992**	**11,992**
Loans and receivables excluding non-financial assets	**764,035**	**-**	**764,035**
Cash and cash equivalents	**10,853**	**-**	**10,853**
Total	**774,888**	**11,992**	**786,880**
Company - 2017			
Financial assets per statement of financial position:			
Financial assets at fair value through OCI	-	6,092	6,092
Loans and receivables excluding non-financial assets	740,107	-	740,107
Cash and cash equivalents	10,802	-	10,802
Total	750,909	6,092	757,001

Financial liabilities for the Company are all carried at amortised cost and are as follows:

	2018	2017
	Rs'000	Rs'000
Company		
Financial liabilities per statement of financial position:		
Borrowings (excluding finance lease liabilities)	**3,712,899**	3,464,849
Finance lease liabilities	**10,777**	8,473
Trade and other payables (excluding non-financial liabilities)	**74,684**	69,385
	3,798,360	3,542,707

(e) Capital risk management

The subsidiary's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings') as shown in the statement of financial position less cash and cash equivalents. The Group regards 'equity' as shown in the statement of financial position as being capital. Total capital is calculated as capital plus net debt.

The Board of Directors assesses the impact of each significant new investment on the gearing of the Group and Company as part of the investment appraisal process. The gearing ratios at 31 December 2018 and 2017 were as follows:

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Net debt	**4,470,486**	4,088,221	**3,712,823**	3,462,520
Capital	**1,373,441**	1,616,447	**1,338,537**	1,033,277
Total capital	**5,843,927**	5,704,668	**5,051,360**	4,495,797
Gearing ratio	**76.50%**	71.70%	**73.50%**	77.02%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial risk arising in the Life Assurance Business subsidiary (the "LABS")

The following relate to the LABS which is the subsidiary that operates a life assurance business.

The LABS exposes the Group to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit 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 risks that the LABS and the Group face are primarily interest rate risk and equity price risk.

The LABS manages financial risks via its Investment Committee which is mandated to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Investment Committee is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained. The LABS has not changed the processes used to manage its risks from previous periods.

Fixed and guaranteed insurance contracts

Insurance contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefits) and hence the LABS's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

Liquidity risk

Liquidity risk is the risk that the LABS 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 as debt maturities. Such outflows would deplete available cash resources for operational, trading and investments activities. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil policyholder commitments. The risk that the LABS will be unable to do so is inherent in all insurance operations and can be affected by a range of institution-specific and marketwise events including, but not limited to, credit events, systemic shocks and natural disasters.

The LABS is exposed to daily calls on its available cash resources with regard to claims and maintains a certain level of cash resources in the bank to service the daily claims. Investments are also made in certain liquid investments such as Government Treasury bills and investments in equity shares that are traded in active markets and can be readily disposed of. The Company has also made arrangements in its reinsurance programme to cater for large claims whereby its reinsurers will pay their share of these losses within a short period of time through cash calls.

Mismatch risk

All insurance liabilities are asset backed. Mismatch risk arises when the nature, term and currency of backing assets are different from the nature, term and currency of liabilities. Nature of liabilities refers to whether they are fixed, indexed or variable (DPF) at the LABS's discretion.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial risk arising in the Life Assurance Business subsidiary (the "LABS") (Continued)

Mismatch risk (Continued)

The following tables indicate the estimated amount and timing of cash flows arising from the insurance liabilities and the extent of duration-matching for these contacts. They summarise the LABS's exposure to interest rate risk for these assets and liabilities. When debt securities mature, the proceeds not needed to meet the liability cash flows will be re-invested in floating rate securities. The reinvestment of these net positive proceeds in the earlier years will fund the negative cash flows displayed in the table below for the later years.

At 31 December 2018		Estimated cash flows (undiscounted)			
	Carrying amount	0 – 5 yrs	5 – 10 yrs	10 – 15 yrs	> 15 years
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Liabilities					
Life insurance – life	**1,033,376**	**633,325**	**424,853**	**340,992**	**627,402**
Outstanding claims	**6,786**	**6,786**	**-**	**-**	**-**
Trade and other payables	**55,112**	**55,112**	**-**	**-**	**-**
Retirement benefit obligations	**7,253**	**7,253**			
Total	**1,102,527**	**702,476**	**424,853**	**340,992**	**627,402**

At 31 December 2017		Estimated cash flows (undiscounted)			
	Carrying amount	0 – 5 yrs	5 – 10 yrs	10 – 15 yrs	> 15 years
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities					
Life insurance – life	877,557	494,954	361,702	317,897	626,001
Outstanding claims	6,774	6,774	-	-	-
Trade and other payables	40,071	40,071	-	-	-
Total	924,402	541,799	361,702	317,897	626,001

The liability period analysis does not agree with the total carrying amount due to the fact that the period analysis is undiscounted whilst the total carrying amount is discounted.

The LABS intends to manage the net cash outflows position arising from Year 5 onwards as follows:

• Available for sale investments would be reinvested in similar instruments at maturity;

• The value of investment portfolio classified as "financial assets at fair value through profit or loss" is expected to increase in the future as the LABS realises the fair value gain upon sale of investments and proceeds are reinvested in similar instruments;

• Amount of loans disbursed is expected to increase and hence, the interest income generated from these loans would increase.

Minimum capital requirements

The LABS has to comply with capital requirements as set out by the Financial Services Commission for insurance companies. The law requires that an insurance company manages its capital on a basis at least 100% of its minimum capital requirement ("MCR"). The MCR for the LABS stands at **111.7%** for the year ended 2018 (2017:104.2%).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

3 MANAGEMENT OF INSURANCE RISK

Long term insurance contracts

Insurance risk relates to the LABS.

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 LABS 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.

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. The LABS has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

(a) Frequency and severity of claims

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations.

The LABS has factored the impact of contract holders behaviour into the assumptions used to measure these liabilities associated with long-term insurance contracts.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

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

The LABS uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the LABS over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the LABS overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The LABS maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

The LABS currently monitors default premiums by sending default notices to clients requesting for payment on a monthly basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

3 MANAGEMENT OF INSURANCE RISK (CONTINUED)

Long-term insurance contracts (Continued)

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts (Continued)

The LABS's actuary determines the position of the life fund yearly and then declares bonus accordingly. Cost of all new products is determined by the actuary after thorough consideration of the mortality tables as per actuarial guides.

(c) Process used to decide on assumptions

Assumptions used to work out future liabilities under long-term insurance contracts are estimated by the LABS and its actuaries. Firstly, best estimate assumptions are worked out based on past experience and expectations of future developments. These are then adjusted with prescribed margins, as per the FSC solvency rules and actuarial guidance notes.

• Mortality

Estimates are made as to the expected number of deaths for each of the years in which the LABS is exposed to risk. These estimates are based on South African mortality tables (in the absence of local ones), adjusted where appropriate (e.g. for AIDS) to reflect the local experience. For contracts that insure the risk of longevity, prudent allowance is made for expected mortality improvements. Prescribed and additional margins are built into these estimates to allow for future uncertainty.

• Morbidity

Given the low financial significance of morbidity on the LABS and its predictability, morbidity tables are not used to model morbidity claims. A simpler approach used by the actuaries is to compare morbidity premiums against morbidity claims and work out any inadequacy in the premiums charged. For the last three years, this exercise has shown that the premiums are enough to cover expected claims. Any major change to morbidity experience in the industry will however be modeled differently.

• Expenses

Expenses are estimated on a going concern basis. Per policy, expenses are split between acquisition and renewal expenses. Expenses incurred for the benefit of policies to be sold in the future are amortised over the relevant future period. Provision is made for the impact of future business volumes and inflation on expenses.

• Investment Income

Future investment return is estimated for each asset class and split between income return and capital gains. The starting point for this estimate is the risk free rate of return (government bonds), reflecting expectations of future economic and financial developments. The risk premium corresponding to the different asset types is then added based on the various risk profiles, asset term, capital growth and comparable yielding investments.

• Inflation

Investment income and inflation assumption are inter-twined. The gap between risk free returns and inflation over the last 20 years is worked out and projected into the future.

• Persistency

Policy lapse/surrenders are estimated from historical company and industry available data. These are adjusted to reflect changes in the legal, tax and business environment (e.g. removal of tax incentives or inability to surrender pension plans).

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

The LABS uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the LABS is carried out and statistical methods are used to compare the fit of the mortality tables with the actual claims experience. Adjustments to the selected standard mortality table are then worked out to optimise the fit of the mortality model.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

3 MANAGEMENT OF INSURANCE RISK (CONTINUED)

Long-term insurance contracts (Continued)

(c) Process used to decide on assumptions (Continued)

• Uncertainty in premium income

The LABS's actuary builds in provision for non-receipts of future premiums (arising from deaths, withdrawals, surrenders, defaults, etc.) due in his valuation basis. This basis is used to determine the position of the life fund every year. Further, cost of all new products is determined by the actuary after thorough consideration of the key assumptions.

• Uncertainty in payment of benefits

Uncertainty in benefit payments arises from changes in underlying mortality trends (e.g. mortality improvement, increasing life expectancies) and the economic environment.

The actuary builds in margins in his valuation assumptions that reflect mortality improvements/deterioration, as warranted by the particular policy being valued. For example, for endowment plans, higher deaths than expected will be a source of uncertainty in benefit payouts while for annuities; uncertainty arises from higher life expectancy.

Bonus rates are used to reduce uncertainty in payouts due to changes in the economic environment. Bonus rates are not guaranteed and are reviewed in line with current and future market prospects.

(d) Sensitivity analysis

At 31 December 2018, the actuarial liability in respect of the business issued by the LABS amounted to **1,033,376,000** (2017: Rs 867,680,000) as assessed by the LABS's actuary.

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

Assumptions	Change in variable	Change in liability 2018 Rs'000	Change in liability 2017 Rs'000
Worsening of mortality	+ 5% p.a.	**(218)**	417
Drop in interest rate on investments	- 2% p.a.	**153,752**	135,961
Worsening of renewal expense rate	+ 10% p.a.	**7,847**	6,671
Worsening of lapse rate	+ 10% p.a.	**(8,083)**	(7,504)

The LABS's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The LABS's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the LABS.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

4 REVENUE

	Group		Company	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
Sale of services	**4,274,110**	4,106,738	**7,730**	8,734
Sale of goods	**544,869**	318,199	**-**	-
Rental income	**40,893**	38,161	**-**	-
Hire purchase debtors collection fees and surcharges	**4,854**	7,075	**-**	-
	4,864,726	4,470,173	**7,730**	8,734

5 OTHER OPERATING INCOME – NET

	Group		Company	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
Other operating income:				
Dividend income	**10,091**	1,902	**732,161**	638,152
Net fair value gains on investment properties (Note 11)	**48,868**	4,867	**2,689**	1,488
Management fee income	**6,400**	6,757	**55,715**	54,397
Rental income	**2,014**	3,268	**7,040**	6,084
Other fee income	**8,284**	6,813	**11,558**	6,131
Gains on disposal of available for sale investments	**-**	238,696	**-**	-
Profit on disposal of property, plant and equipment	**4,792**	7,728	**456**	946
Net foreign exchange gain – non-financing activities	**2,909**	9,150	**-**	-
Other operating income	**40,305**	27,712	**-**	-
Income from life assurance business	**413,673**	330,691	**-**	-
	537,336	637,584	**809,619**	707,198
Other operating expenses:				
Management fee expense	**(1,953)**	(4,273)	**(8,352)**	(9,664)
Rental expense	**(10,439)**	(2,963)	**(5,954)**	(394)
Other fee expenses	**-**	-	**(544)**	-
Net foreign exchange loss – non-financing activities	**-**	-	**-**	-
Other operating expenses	**-**	-	**-**	-
Total expenses of life assurance business	**(290,643)**	(286,064)	**-**	-
Transferred to life assurance fund (Note 23)	**(123,030)**	(44,627)	**-**	-
	(426,065)	(337,927)	**(14,850)**	(10,058)
Other operating income – net	**111,271**	299,657	**794,769**	697,140

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

6 OPERATING PROFIT

	Group		Company	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
The following items have been charged/(credited) in arriving at operating profit:				
Profit on disposal of property, plant and equipment	**(4,792)**	(7,728)	**(456)**	(946)
Depreciation on property, plant and equipment:				
- owned assets	**642,973**	782,794	**4,964**	3,948
- leased assets	**7,777**	7,498	**4,107**	3,225
Cost of inventories expensed	**406,587**	284,033	**-**	-
Staff costs (Note 7)	**886,960**	852,942	**154,216**	134,886
Fees paid to auditors:				
- audit services	**7,594**	7,595	**1,340**	1,303
- tax and advisory services	**3,706**	1,981	**2,741**	44
Amortisation of intangible assets (Note 12)	**79,408**	80,258	**1,994**	2,023
Operating lease rentals	**97,571**	95,084	**-**	-
Provision for impairment of doubtful debts (Note 17)	**29,579**	37,851	**-**	-
Impairment reversal on investment in subsidiaries	**-**	-	**(11,398)**	-
Impairment charge on loans and receivables from subsidiaries	**-**	-	**614**	9,772
Repairs and maintenance costs	**94,310**	128,950	**4,272**	3,676
Write-offs of property, plant and equipment (Note 10)	**4,950**	26,557	**-**	-
Donations	**1,173**	1,337	**1,118**	1,337

7 STAFF COSTS

	Group		Company	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
Wages and salaries	**576,487**	546,412	**72,866**	65,961
Social security costs	**21,450**	22,279	**2,066**	1,898
Pensions cost - defined benefit plans (Note 25)	**68,620**	67,569	**35,661**	33,413
Pensions cost - defined contribution	**38,149**	75,506	**13,700**	14,086
Other short-term benefits	**182,254**	141,176	**29,923**	19,528
	886,960	852,942	**154,216**	134,886
	Number	**Number**	**Number**	**Number**
Number of employees at year end : Full time	**1,092**	1,133	**76**	73
Part-time	**-**	2	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

8 FINANCE COSTS – NET

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
Finance costs:				
Interest expense on:				
Bank overdrafts	**10,862**	11,034	**5,289**	5,911
Bank borrowings	**227,702**	240,271	**174,466**	187,404
Loans from subsidiaries (Note 35)	**-**	-	**178**	97
Loans from related parties (Note 35)	**12,676**	11,879	**11,674**	11,415
Shareholder's loan (Note 35)	**19,672**	15,665	**19,607**	15,600
Loan from directors (Note 35)	**3,296**	2,878	**3,296**	2,878
Import loans	**4,584**	3,709	**-**	-
Finance lease charges	**1,395**	1,594	**824**	672
Bank charges	**6,024**	3,694	**408**	345
Unwinding of asset retirement obligations	**8,175**	2,449	**-**	-
Foreign exchange loss arising on financing activities	**179**	8,770	**-**	8,769
Others	**2,886**	3,194	**298**	119
	297,451	305,137	**216,040**	233,210
Finance income:				
Interest income on:				
Short-term bank deposits	**(105)**	(263)	**-**	-
Hire purchase income	**(3,944)**	(4,563)	**-**	-
Loans to shareholders (Note 35)	**(20,057)**	(21,508)	**(20,057)**	(21,508)
Loans to subsidiaries (Note 35)	**-**	-	**(952)**	(1,120)
Loans to related parties (Note 35)	**-**	(10)	**-**	-
Others	**(268)**	(17)	**-**	-
Foreign exchange gain arising on financing activities	**(18,705)**	(22,012)	**(4,519)**	-
	(43,079)	(48,373)	**(25,528)**	(22,628)
Finance costs – net	**254,372**	256,764	**190,512**	210,582

9 INCOME TAX EXPENSE

The Group is liable to income tax on its profits, as adjusted for income tax purposes at the average tax rate of 17% (2017 – 17%), of which 2% relates to Corporate Social Responsibility Fund. At 31 December 2018, the Group and Company had accumulated tax losses of **Rs 588,370,000** (2017 – Rs 175,213,000) and **Rs 296,717,480** (2017 – Rs 80,708,000), respectively.

Solidarity levy is calculated at the rate of 5 per cent of the "book profit" of Emtel Ltd and 1.5 per cent of its turnover and is payable in the following year.

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
Charge for the year				
Based on the profit for the year, as adjusted for tax purposes	**189,699**	171,278	**-**	-
(Over)/Under provision in previous year	**7,985**	(1,378)	**-**	-
Solidarity levy	**29,812**	17,975	**-**	-
Deferred income tax charge (Note 19)	**(19,724)**	(33,732)	**-**	-
	207,772	154,143	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

9 INCOME TAX EXPENSE (CONTINUED)

A reconciliation between the actual income tax charge and the theoretical amount that would arise using the applicable income tax rate for the Group and Company follows:

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
Profit before taxation	**628,406**	594,006	**399,657**	248,846
Tax calculated at domestic tax rates applicable to profits in respective countries	**171,739**	204,969	**71,442**	42,304
Impact of:				
Dividend income	**-**	(79,398)	**(124,467)**	(79,398)
Other exempt income	**(6,783)**	(30,711)	**(12,524)**	-
Non-allowable expenses and impairment charge	**32,771**	43,412	**50,556**	34,617
Investment allowances	**(15,365)**	56,767	**-**	-
Share of profits of associates	**(9,504)**	(9,465)	**-**	-
Under provision of income tax in previous year	**(17)**	42		73
Unrecognised deferred tax written off during the year	**-**	-	**21,007**	-
Deferred income tax not provided in current year	**830**	3,321	**(6,000)**	2,404
Deemed foreign tax credit applicable to certain subsidiaries	**(1,184)**	(212)	**-**	-
Solidarity levy	**29,812**	17,975	**-**	-
Other permanent differences	**5,473**	(52,557)	**(14)**	-
Actual income tax charge	**207,772**	154,143	**-**	-

(a) Current income tax liability

	2018 Rs'000	2017 Rs'000
At 01 January	**107,220**	132,775
Charge for the year	**227,496**	187,875
Paid during the year	**(231,694)**	(214,396)
Transfer	**-**	966
At 31 December	**103,022**	107,220

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

9 INCOME TAX EXPENSE (CONTINUED)

(c) Expiry dates of tax losses

The tax losses are available for set-off against future taxable profits as follows:

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Up to year ending:				
31 December 2018	58,622	9,475	-	-
31 December 2019	72,402	31,947	-	-
31 December 2020	46,121	23,997		56
31 December 2021	63,137	50,671		25,546
31 December 2022	140,688	35,879	100,973	31,862
31 December 2023	129,154	-	117,498	
Indefinite	78,246	23,244	78,246	23,244
	588,370	175,213	296,717	80,708

(d) Tax on other comprehensive income

	Before tax	Tax credit	After tax
Group – 2018	Rs'000	Rs'000	Rs'000
Fair value loss on financial assets at fair value through OCI	(335,165)	-	(335,165)
Revaluation of property, plant and equipment	9,665	(1,633)	8,032
Remeasurement of post-employment benefit	57,539	(3,329)	54,210
Currency translation difference	10,310	-	10,310
Group share of other comprehensive income in associates	24,403	-	24,403
Other comprehensive income	(233,248)	(4,962)	(238,210)
Current tax		-	
Deferred tax (Note 19(ii))		(4,962)	
		(4,962)	
Group – 2017			
Fair value gain on financial assets at fair value through OCI	438,565	-	438,565
Revaluation of property, plant and equipment	11,220	(1,890)	9,330
Remeasurement of post-employment benefit	(113,464)	3,320	(110,144)
Currency translation difference	(34,856)	-	(34,856)
Disposal of available for sale financial assets	(204,702)	-	(204,702)
Group share of other comprehensive income in associates	(23,325)	-	(23,325)
Other comprehensive income	73,428	1,430	74,868
Current tax		-	
Deferred tax (Note 19(ii))		1,430	
		1,430	

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings	Plant, equipment, and other assets	Motor vehicles	Furniture and fittings	Asset in progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2018						
At Cost	-	5,852,115	121,620	269,181	281,472	6,524,388
At valuation	799,986	-	-	-	-	799,986
	799,986	5,852,115	121,620	269,181	281,472	7,324,374
Accumulated depreciation	(99,090)	(4,027,266)	(80,629)	(206,638)	-	(4,413,623)
Net book amount	700,896	1,824,849	40,991	62,543	281,472	2,910,751
Year ended 31 December 2018						
Additions	9,356	663,551	10,070	30,973	597,928	1,311,878
Disposal of subsidiary	-	(15)	(907)	(41)	-	(963)
Disposals	(93)	(17,075)	(3,181)	(558)	-	(20,907)
Revaluation	9,665	-	-	-	-	9,665
Revaluation recognised in life assurance fund	1,101					1,101
Transfer to asset held for sale (Note 21)	-	(2,451)	-	(366)	-	(2,817)
Transfer from investment properties (Note 11)	155,869	-	-	-	-	155,869
Transfer from/(to) intangible assets (Note 12)	-	147	-	-	(276)	(129)
Transfers	-	80,376	263	1,153	(81,792)	-
Write-offs	-	(4,066)	-	(418)	(466)	(4,950)
Charge for the year	(15,268)	(599,540)	(18,145)	(17,797)	-	(650,750)
Closing net book amount	861,526	1,945,776	29,091	75,489	796,866	3,708,748
At 31 December 2018						
At cost	-	6,471,284	105,016	267,116	796,866	7,640,282
At valuation	975,240	-	-	-	-	975,240
	975,240	6,471,284	105,016	267,116	796,866	8,615,522
Accumulated depreciation	(113,714)	(4,525,508)	(75,925)	(191,627)	-	(4,906,774)
Net book amount	861,526	1,945,776	29,091	75,489	796,866	3,708,748

The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserves.

No property, plant and equipment is pledged as security for borrowings. For security on borrowings, see note 24.

The write-offs under asset in progress relate to assets which will not be available for use in the future due to obsolescence.

Asset in progress consists of project cost capitalised relating to hotel construction in the books of Le Chaland Hotel Limited and technical equipment acquired by Emtel Limited which was not available for use at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Freehold land and buildings	Plant, equipment, and other assets	Motor vehicles	Furniture and fittings	Asset in progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2017						
At Cost	-	5,703,256	149,939	249,382	248,714	6,351,291
At valuation	754,007	-	-	-	-	754,007
	754,007	5,703,256	149,939	249,382	248,714	7,105,298
Accumulated depreciation	(88,502)	(3,485,023)	(94,847)	(190,191)	-	(3,858,563)
Net book amount	665,505	2,218,233	55,092	59,191	248,714	3,246,735
Year ended 31 December 2017						
Additions	2,965	319,053	8,704	23,650	89,194	443,566
Acquisition of subsidiary	-	940	-	181	-	1,121
Disposals	-	(4,869)	(2,428)	(946)	-	(8,243)
Revaluation	11,220	-	-	-	-	11,220
Revaluation recognised in life assurance fund	12,040					12,040
Transfer from investment properties (Note 11)	21,112	-	-	49	-	21,161
Transfers	-	32,709	-	1,553	(34,262)	-
Write-offs	(1,141)	(3,157)	-	(85)	(22,174)	(26,557)
Charge for the year	(10,805)	(738,060)	(20,377)	(21,050)	-	(790,292)
Closing net book amount	700,896	1,824,849	40,991	62,543	281,472	2,910,751
At 31 December 2017						
At cost	-	5,852,115	121,620	269,181	281,472	6,524,388
At valuation	799,986	-	-	-	-	799,986
	799,986	5,852,115	121,620	269,181	281,472	7,324,374
Accumulated depreciation	(99,090)	(4,027,266)	(80,629)	(206,638)	-	(4,413,623)
Net book amount	700,896	1,824,849	40,991	62,543	281,472	2,910,751

The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserves.

No property, plant and equipment is pledged as security for borrowings. For security on borrowings, see note 24.

The write-offs under asset in progress relate to assets which will not be available for use in the future due to obsolescence.

Asset in progress consists of project cost capitalised relating to hotel construction in the books of Le Chaland Hotel Limited and technical equipment acquired by Emtel Limited which was not available for use at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Freehold land and buildings	Plant, equipment, and other assets	Motor vehicles	Furniture and fittings	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2017					
At Cost	-	19,614	33,530	21,478	74,622
At valuation	8,278	-	-	-	8,278
	8,278	19,614	33,530	21,478	82,900
Accumulated depreciation	-	(14,116)	(24,576)	(15,939)	(54,631)
Net book amount	8,278	5,498	8,954	5,539	28,269
Year ended 31 December 2017					
Additions	-	2,662	2,513	7,091	12,266
Disposals	-	(8)	-	-	(8)
Revaluation	103	-	-	-	103
Charge for the year	-	(2,883)	(3,225)	(1,065)	(7,173)
Closing net book amount	8,381	5,269	8,242	11,565	33,457
At 31 December 2017					
At Cost	-	19,248	28,610	28,570	76,428
At valuation	8,782	-	-	-	8,782
	8,782	19,248	28,610	28,570	85,210
Accumulated depreciation	(401)	(13,980)	(20,368)	(17,004)	(51,753)
Net book amount	8,381	5,268	8,242	11,566	33,457
Year ended 31 December 2018					
Additions	**-**	**27,693**	**8,136**	**12,410**	**48,239**
Disposals	**-**	**(723)**	**(1,277)**	**(143)**	**(2,143)**
Revaluation	**59**	**-**	**-**	**-**	**59**
Transfers	**(318)**	**4,114**	**-**	**(3,796)**	**-**
Charge for the year	**-**	**(4,028)**	**(4,107)**	**(936)**	**(9,071)**
Closing net book amount	**8,122**	**32,324**	**10,994**	**19,101**	**70,541**
At 31 December 2018					
At Cost	**-**	**52,457**	**24,644**	**28,110**	**105,211**
At valuation	**8,523**	**-**	**-**	**-**	**8,523**
	8,523	**52,457**	**24,644**	**28,110**	**113,734**
Accumulated depreciation	**(401)**	**(20,133)**	**(13,650)**	**(9,009)**	**(43,193)**
Net book amount	**8,122**	**32,324**	**10,994**	**19,101**	**70,541**

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

If land and buildings were stated on historical cost basis, the amounts would be as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
	Rs'000	Rs'000	Rs'000	Rs'000
Cost	**466,193**	464,546	**5,181**	5,181
Accumulated depreciation	**(108,539)**	(98,351)	**(400)**	(400)
Net book value	**357,654**	366,195	**4,781**	4,781

Net book value of property, plant and equipment held under finance leases:

	Plant, equipment and other assets	Motor vehicles	Total
	Rs'000	Rs'000	Rs'000
Group			
At 31 December 2018	**-**	**17,346**	**17,346**
At 31 December 2017	14,895	16,293	31,188
Company			
At 31 December 2018	**-**	**10,993**	**10,993**
At 31 December 2017	-	8,242	8,242

Fair values of land and buildings

The Group's land and buildings were revalued, based on fair value model, on 31 December 2018 by the directors and by an independent valuer, Noor Dilmohamed & Associates, Fellow of the Australian Property Institute. The valuation was arrived at taking into consideration recent sale for comparable properties in the region and with reference to open market values.

The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in revaluation reserves' in shareholders' equity.

2018

Recurring fair value measurements	Significant other observable inputs (Level 2) Group	Company
	Rs'000	Rs'000
Land	**106,502**	**4,239**
Buildings	**755,024**	**3,883**

2017

Recurring fair value measurements	Significant other observable inputs (Level 2) Group	Company
	Rs'000	Rs'000
Land	105,223	4,180
Buildings	595,673	4,201

Level 2 fair values of land and buildings have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

11 INVESTMENT PROPERTIES

	Group 2018	Group 2017	Company 2018	Company 2017
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	**2,264,484**	2,182,795	**205,483**	202,236
Additions	**59,546**	103,894	**10,156**	1,759
Disposal	**(8,159)**	(1,465)	**-**	-
Transfer to property, plant & equipment (Note 10)	**(155,869)**	(21,161)	**-**	-
Fair value gains recognised in income statement (Note 5)	**48,868**	4,867	**2,689**	1,488
Fair value gains/(loss) recognised in the income statement of Life Assurance Business	**1,152**	(3,551)	**-**	-
Impairment	**(40,339)**			
Transfer to Assets held for sale (Note 21)	**-**	(895)	**-**	-
At 31 December	**2,169,683**	2,264,484	**218,328**	205,483

The land and buildings are valued annually on 31 December by independent qualified valuers. The latest independent valuation was performed on 31 December 2018 by Noor Dilmohamed & Associates based on fair value model, taking into consideration recent sale for comparable properties in the region. Noor Dilmohamed & Associates hold recognised and relevant professional qualifications and has recent experience in the locations of properties valued.

Recurring fair value measurements	Significant other observable inputs (Level 2) Group 2018	Group 2017	Company 2018	Company 2017
	Rs'000	Rs'000	Rs'000	Rs'000
Land	**1,664,755**	1,660,710	**167,287**	165,196
Buildings	**504,928**	603,774	**51,041**	40,287

The fair values of land and buildings have been derived from observable sales prices of comparable land and buildings in close proximity and are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

Investment properties value as at 31 December 2018 included project costs incurred by a subsidiary in prior years amounting to Rs 76,734,347 which were for the real estate development project. Due to delays in the start of the project, the project costs capitalised were reviewed at the end of the current year and management has carried out an impairment assessment. Based on fair value less costs to sell computation, an impairment of **Rs 40,338,900** was deemed appropriate and recognised for the year ended 31 December 2018.

Rental income and operating expenses from investment properties were as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
	Rs'000	Rs'000	Rs'000	Rs'000
Rental income	**59,933**	56,280	**7,369**	6,085
Direct operating expenses arising from investment properties that generated rental income	**16,173**	11,411	**274**	172
Direct operating expenses from investment properties that did not generate rental income	**18,690**	26,873	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

12 INTANGIBLE ASSETS

	Patent rights and licences	Computer software	Indefeasible rights of use	Total
Group	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Cost:				
At 1 January 2017	90,699	114,161	525,553	730,413
Additions	3,601	7,527	134,500	145,628
Acquisition of subsidiary	-	970	-	970
Write-offs	-	(1,505)	-	(1,505)
At 31 December 2017	94,300	121,153	660,053	875,506
Additions	**20,745**	**8,471**	**192**	**29,408**
Disposal of subsidiary	**-**	**(312)**	**-**	**(312)**
Transfer from property, plant and equipment	**-**	**129**	**-**	**129**
Transfer to asset held for sale (Note 21)	**-**	**(14,317)**	**-**	**(14,317)**
Adjustment	**-**	**2,279**	**(2,279)**	**-**
Write-offs	**(33,510)**	**(2,132)**	**(40)**	**(35,682)**
At 31 December 2018	**81,535**	**115,271**	**657,926**	**854,732**
Amortisation:				
At 1 January 2017	61,916	91,551	128,209	281,676
Amortisation for the year	23,628	11,430	45,200	80,258
Acquisition of subsidiary	-	892		892
Write-offs	-	(1,490)	-	(1,490)
At 31 December 2017	85,544	102,383	173,409	361,336
Amortisation for the year	**4,587**	**11,616**	**63,205**	**79,408**
Transfer to asset held for sale (Note 21)	**-**	**(13,764)**	**-**	**(13,764)**
Disposal of subsidiary	**-**	**(312)**	**-**	**(312)**
Write-offs	**(33,498)**	**(2,132)**	**(4)**	**(35,634)**
At 31 December 2018	**56,633**	**97,791**	**236,610**	**391,034**
Net book value:				
At 31 December 2018	**24,902**	**17,480**	**421,316**	**463,698**
At 31 December 2017	8,756	18,770	486,644	514,170

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

12 INTANGIBLE ASSETS (CONTINUED)

Company	**Rs'000**
Cost:	
At 01 January 2017	19,261
Additions	2,578
Write-offs	(1,490)
At 31 December 2017	20,349
Additions	**4,499**
At 31 December 2018	**24,848**
Accumulated amortisation:	
At 01 January 2017	15,797
Amortisation for the year	2,023
Write-offs	(1,490)
At 31 December 2017	16,330
Amortisation for the year	**1,994**
At 31 December 2018	**18,324**
At 31 December 2018	**6,524**
At 31 December 2017	4,019

The intangible asset above relates to computer software. The amortisation charge for the year is included in profit or loss within the 'administrative expenses' line.

13 INVESTMENTS IN SUBSIDIARIES

	2018	2017
	Rs'000	**Rs'000**
Company		
Cost:		
At 01 January	**4,434,436**	4,599,281
Additional equity injections into existing subsidiaries	**469,618**	66,000
Transfer from financial assets at fair value through OCI	**100**	-
Acquisition of new subsidiary	**-**	54,000
Disposals	**(58,719)**	(284,845)
At 31 December	**4,845,435**	4,434,436
Impairment charge		
At 01 January	**432,665**	433,329
Charge for the year	**76,602**	-
Write-back for the year	**(88,000)**	(664)
At 31 December	**421,267**	432,665
Net book amount:		
At 31 December	**4,424,168**	4,001,771

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

At 31 December 2018, the directors have reviewed the carrying amounts of investments in subsidiaries. An impairment loss is recognised for the amount by which the investments' carrying amount exceeds its recoverable amount. Recoverable amount is the higher of the fair value less cost to sell or value in use determined for each individual subsidiary.

Fair value less cost to sell

Fair value less cost to sell is the amount obtainable from sale in an arm's length transactions between knowledgeable willing parties, less cost to sell. On this basis, an impairment loss of **Rs 76,602,338** (2017 – Rs Nil) was recognised during the year mainly in relation to Batimex Ltd (Rs 40 M) and Plaisance Aeroville Ltd (Rs 20.6 M)

For Batimex Ltd, the fair value less cost to sell calculations use post-tax cash flow projections based on financial forecast approved by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates stated below.

The key assumptions used for the fair value less cost to sell in the year 2018 and 2017 for Batimex Ltd were as follows:

Gross margin – **39% - 41%** (2017 – 38%-41%)

Terminal Growth rate – **3%** (2017 – 2.5%)

Discount rate – **13.3%** (2017 – 13.3%)

For Plaisance Aeroville Ltd, the investment in the holding Company exceeded the net assets of the subsidiary and the excess amount was impaired.

Details of the Group's direct subsidiary companies, which principal place of business and incorporation is Mauritius, are:

Name	Description of shares held	% holding 2018	% holding 2017	Principal activity
AMC Limited	Ordinary	-	100.00	Sale of high quality kitchenware
Atoll Investments Limited	Ordinary	100.00	100.00	Investment holding
Batimex Ltd	Ordinary	100.00	100.00	Trading in building materials and sanitary products
Ceejay Telenet Limited	Ordinary	-	75.00	Investment holding
CH Management Ltd	Ordinary	100.00	100.00	Professional and Management Consultancy Services
Cheribinny Ltd	Ordinary	100.00	100.00	Credit finance
CJ Investments Ltd	Ordinary	100.00	100.00	Dormant
Compagnie Immobilière Limitée	Ordinary	66.81	66.81	Renting of property
Currimjee Informatics Limited	Ordinary	100.00	100.00	Supply and installation of computer hardware and software
Currimjee Property Management & Development Ltd	Ordinary	100.00	100.00	Property development and management
Currimjee Secretaries Limited	Ordinary	100.00	-	Management and secretarial services
EM Vision Ltd	Ordinary	90.00	90.00	Investment holding
Emtel Limited	Ordinary	75.00	75.00	Cellular phone operator
E-Skills Ltd	Ordinary	100.00	100.00	Provider of HRD services
Island Life Assurance Co. Ltd	Ordinary	100.00	100.00	Long term insurance business
Le Chaland Resort Village Ltd	Ordinary	100.00	100.00	Land promoter and developer
Lux Appliances Ltd	Ordinary	100.00	100.00	Sale of vacuum cleaner
Mauritius Properties Ltd	Ordinary	100.00	100.00	Dormant
Multi Channel Retail Limited	Ordinary	100.00	100.00	Property development and management
Plaisance Aeroville Hotel Limited	Ordinary	100.00	100.00	Own and operate a hotel and all related facilities
Plaisance Aeroville Ltd	Ordinary	100.00	100.00	Land promoter and developer
Screenage Limited	Ordinary	80.00	80.00	Technology driven solutions and advisory services.
Seejay Cellular Limited	Ordinary	99.00	99.00	Investment holding
Silver Wings Travels Ltd	Ordinary	100.00	100.00	Travel agent and tour operator
Zac Investments Ltd	Ordinary	50.00	50.00	Investment in properties

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group, indirectly, holds investments in the following subsidiaries:

Name	Principal place of business	Description of shares held	Effective % Holding 2018	Effective % Holding 2017	Principal activity
Ceejay International Ltd	Mauritius	Ordinary	-	60.00	Investment holding
Eight IKO Villas Ltd	Mauritius	Ordinary	100.00	-	Land promoter and developer
Emtel MFS Co Ltd	Mauritius	Ordinary	75.00	75.00	Mobile financial services
Island Investment Properties Limited	Mauritius	Ordinary	100.00	100.00	Investment in properties
Le Chaland Hotel Limited	Mauritius	Ordinary	100.00	100.00	To own and operate a hotel
MC Vision Ltd	Mauritius	Ordinary	47.65	47.65	Operator of Pay TV broadcasting
Multi Contact Ltd	Mauritius	Ordinary	68.40	68.40	Call centre and BPO services

All subsidiaries have year-end of 31st of December except for Mauritius Properties Ltd, which is 30th of June.

Summarised financial information on subsidiaries with material non-controlling interests

Summarised statement of financial position as at 31 December 2018 and 2017:

	Emtel Limited 2018 Rs'000	Emtel Limited 2017 Rs'000	MC Vision Ltd 2018 Rs'000	MC Vision Ltd 2017 Rs'000
Current				
Assets	688,671	500,658	431,029	285,145
Liabilities	(1,552,366)	(964,533)	(368,072)	(275,192)
Total net current (liabilities)/assets	(863,695)	(463,875)	62,957	9,953
Non-current				
Assets	2,599,305	2,445,470	269,881	310,907
Liabilities	(769,088)	(821,276)	(40,515)	(53,233)
Total non-current net assets	1,830,217	1,624,194	229,366	257,674
Net assets	966,522	1,160,319	292,323	267,627
% ownership held by non-controlling interest at 31 December	25%	25%	52.35%	52.35%
Non-controlling interest	241,630	290,080	153,031	140,103

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised income statement for the year ended 31 December 2018 and 2017:

	Emtel Limited		MC Vision Ltd	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Revenue	3,005,384	2,740,025	1,356,613	1,334,050
Profit before income tax	550,958	318,202	383,347	419,905
Income tax expense	(133,349)	(80,442)	(69,412)	(71,475)
Post-tax profit from operations	417,609	237,760	313,935	348,430
Other comprehensive income	5,074	(7,626)	10,760	(8,349)
Total comprehensive income	422,683	230,134	324,695	340,081
Profit attributable to non-controlling interest	104,402	59,440	164,345	182,403
Total comprehensive income allocated to non-controlling interest	105,671	57,533	169,978	178,032
Dividend paid to non-controlling interest	154,120	91,080	157,050	130,875

Summarised statement of cash flows as at 31 December 2018 and 2017:

	Emtel Limited		MC Vision Ltd	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Cash flows from operating activities				
Cash generated from operations	1,260,179	1,044,468	529,172	539,446
Interest (paid)/received	(49,229)	(50,241)	(243)	(1,458)
Income tax paid	(172,008)	(158,126)	(102,588)	(84,519)
Net cash generated from operating activities	1,038,942	836,101	426,341	453,469
Net cash used in investing activities	(757,254)	(437,173)	(84,099)	(72,616)
Net cash used in financing activities	(291,480)	(333,070)	(188,824)	(300,000)
Net increase in cash and cash equivalents	(9,792)	65,858	153,418	80,853
Cash and cash equivalents at beginning of year	76,904	6,960	223,758	143,185
Effect of exchange rate changes	6,203	4,086	(6,276)	(280)
Cash and cash equivalents at end of year	73,315	76,904	370,900	223,758

The Group controls MC Vision Ltd by virtue of its shareholders agreement which allows Currimjee Jeewanjee and Company Limited to nominate the Chairman of the Board who has a casting vote.

14 INVESTMENTS IN ASSOCIATES

	2018	2017
	Rs'000	Rs'000
Group		
Equity accounting:		
At 01 January	356,468	352,955
Share of profit after tax for the year	55,906	55,679
Dividends paid	(58,243)	(28,841)
Share of loss recognised in revaluation reserves	16,271	(26,858)
Share of retirement benefit adjustment	(664)	(266)
Exchange difference	8,796	3,799
At 31 December	378,534	356,468
Company		
At 01 January and 31 December	31,872	31,872

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

14 INVESTMENTS IN ASSOCIATES (CONTINUED)

Set out below are the associates of the Group as at 31 December 2018, which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares which are held directly by the Group; the country of incorporation is Mauritius.

Nature of investment in associates 2018 and 2017:

Name	Place of business	Description of shares held	Proportion of ownership %	Principal activity
Ceejay Gas Ltd	Mayotte	Ordinary	33.33	Investment holding and trading in liquefied petroleum gas.
Total Mauritius Limited	Mauritius	Ordinary	24.98	Import and distribution of petroleum products, lubricants and liquefied petroleum gas.

Financial information of the Group's associates, all of which are unquoted, are set out below:

Summarised statement of financial position as at 31 December 2018 and 2017:

	Total (Mauritius) Ltd		Ceejay Gas Ltd	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Current				
Cash and cash equivalents	284,944	238,090	160,752	102,276
Other current assets	1,422,875	1,259,759	59,528	50,112
Total current assets	1,707,819	1,497,849	220,280	152,388
Financial liabilities excluding trade payables	238,277	283,212	18,532	4,715
Other current liabilities including trade payables	1,904,861	1,686,971	153,445	132,734
Total current liabilities	2,143,138	1,970,183	171,977	137,449
Non-current				
Assets	1,742,140	1,710,521	185,402	209,061
Other liabilities	103,295	105,409	-	3,496
Net Assets	1,203,526	1,132,778	233,705	220,504

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

14 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised statement of comprehensive income for the year ended 31 December 2018 and 2017:

	Total (Mauritius) Ltd		Ceejay Gas Ltd	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Revenue	**8,068,773**	6,615,445	**322,193**	297,243
Cost of sales	**(7,309,388)**	(5,934,937)	**(114,827)**	(109,569)
Gross profit	**759,385**	680,508	**207,366**	187,674
Depreciation and amortisation	**(177,891)**	(167,344)	**-**	-
Other income	**84,931**	115,823	**30,678**	1,247
Interest expense	**(31,804)**	(23,245)	**(1,298)**	(464)
Other expenses	**(422,039)**	(403,871)	**(198,388)**	(147,004)
Profit before tax from continuing operations	**212,582**	201,871	**38,358**	41,453
Income tax expense	**(30,898)**	(28,094)	**(6,795)**	(4,648)
Profit after tax	**181,684**	173,777	**31,563**	36,805
Other comprehensive income	**62,478**	(108,581)	**-**	-
Total comprehensive income	**244,162**	65,196	**31,563**	36,805

Reconciliation of summarised financial information

	Total (Mauritius) Ltd	Ceejay Gas Ltd
	Rs'000	Rs'000
Opening net assets 01.01.17	1,167,582	183,899
Profit for the period	173,777	36,805
Exchange difference	-	11,487
Decrease in revaluation reserves	(107,517)	-
Actuarial losses	(1,064)	-
Dividend paid	(100,000)	(11,687)
Closing net assets 31.12.17	1,132,778	220,504
Profit for the period	**181,684**	**31,563**
Exchange difference	**-**	**26,387**
Increase in revaluation reserves	**65,136**	**-**
Actuarial losses	**(2,658)**	**-**
Dividend paid	**(173,414)**	**(44,749)**
Closing net assets 31.12.18	**1,203,526**	**233,705**

	Total (Mauritius) Ltd	Ceejay Gas Ltd	Total
	Rs'000	Rs'000	Rs'000
Interest in associates (24.98%, 33.33%)			
2018	**300,641**	**77,893**	**378,534**
2017	282,967	73,501	356,468

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income are carried at fair value and can be analysed as follows:

Group	2018	2017
	Rs'000	Rs'000
Non-current		
Current	**417,115**	721,565
	16,137	61,694
	433,252	783,259

Group	Quoted shares	Unquoted shares	Overseas bonds	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2017	539,083	18,929	63,410	621,422
Additions	-	2,100	-	2,100
Net fair value (loss)/gain transferred to equity	438,333	-	232	438,565
Foreign currency translation adjustment	(44,490)	-	79	(44,411)
Write-offs	-	(11)	-	(11)
Transfer to debt securities (Note 17(v))	-	(14,929)	-	(14,929)
Disposal	(219,477)	-	-	(219,477)
At 31 December 2017	**713,449**	**6,089**	**63,721**	**783,259**
Additions	**-**	**6,000**	**30,370**	**36,370**
Net fair value loss transferred to equity	**(334,744)**	**-**	**(421)**	**(335,165)**
Net fair value loss transferred to life fund	**-**	**-**	**(719)**	**(719)**
Foreign currency translation adjustment	**10,658**	**-**	**-**	**10,658**
Transfer to investment in subsidiaries (Note 13)	**-**	**(100)**		**(100)**
Disposals	**(51,747)**	**-**	**(9,304)**	**(61,051)**
At 31 December 2018	**337,616**	**11,989**	**83,647**	**433,252**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The bonds and securities attract interest at rates between **1.875% and 6.8%** (2017 - 2.35% and 6.8%). These financial assets are denominated in the following currencies below:

	2018	2017
	Rs'000	Rs'000
Indian rupees	**337,416**	713,449
Mauritius rupees	**78,580**	61,414
United States dollars	**17,256**	5,794
Other currencies	**-**	2,602
	433,252	783,259

	Quoted shares	Unquoted shares	Total
	Rs'000	Rs'000	Rs'000
Company			
Cost:			
At 01 January 2017	3	7,229	7,232
Additions	-	2,100	2,100
At 31 December 2017	**3**	**9,329**	**9,332**
Additions	**-**	**6,000**	**6,000**
Transfer to investment in subsidiaries (Note 13)	**-**	**(100)**	**(100)**
At 31 December 2018	**3**	**15,229**	**15,232**
Impairment charge:			
At 01 January 2017	-	(3,240)	(3,230)
Charge for the year	-	**-**	**-**
At 31 December 2017 and 2018	**-**	**(3,240)**	**(3,240)**
Net book amount			
At 31 December 2018	**3**	**11,989**	**11,992**
At 31 December 2017	3	6,089	6,092

All the financial assets at fair value through other comprehensive income of the Company are denominated in Mauritian rupees. The directors have reviewed the carrying amounts of these financial assets at 31 December 2018 and noted no additional impairment is required.

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets at fair value through other comprehensive income.

The directors assess the credit quality of each investment at a subsidiary level and ensure that appropriate procedures made to ensure credit quality.

None of these financial assets is either past due or impaired.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Quoted shares	Unquoted shares	Total
	Rs'000	Rs'000	Rs'000
Group			
Domestic			
At 01 January 2017	214,148	140,963	355,111
Additions	31,739	9	31,748
Disposals	(44,648)	(11,314)	(55,962)
Net fair value gains	31,847	20,030	51,877
Net profit on disposal	6,206	3,020	9,226
At 31 December 2017	**239,292**	**152,708**	**392,000**
Additions	**18,190**	**9**	**18,199**
Disposals	**(18,890)**	**(24,930)**	**(43,820)**
Net fair value gains	**5,375**	**23,231**	**28,606**
Net profit/(loss) on disposal	**684**	**(1,107)**	**(423)**
At 31 December 2018	**244,651**	**149,911**	**394,562**
Foreign			
At 01 January 2017	73,235	-	73,235
Additions	21,322	-	21,322
Disposals	(26,561)	-	(26,561)
Net fair value gains	5,243	-	5,243
Net gain on disposal	(2,220)	-	(2,220)
At 31 December 2017	**71,019**	**-**	**71,019**
Additions	**25,682**	**-**	**25,682**
Disposals	**(40,536)**	**-**	**(40,536)**
Net fair value loss	**(3,645)**	**-**	**(3,645)**
Net gain on disposal	**694**	**-**	**694**
At 31 December 2018	**53,214**	**-**	**53,214**
Total			
At 31 December 2018	**297,865**	**149,911**	**447,776**
At 31 December 2017	310,311	152,708	463,019

All financial assets at fair value through profit or loss are included in non-current assets since the directors have no express intention of disposing of those investments within the next 12 months.

Included in quoted shares is an amount of **Rs 6,470,545** (2017 - Rs 6,191,304) in respect of investments in related companies.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

17 LOANS AND RECEIVABLES

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
Loans and receivables:				
Not later than one year	**810,390**	648,113	**451,557**	418,416
Later than one year	**580,646**	471,755	**337,434**	336,536
	1,391,036	1,119,868	**788,991**	754,952

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
Loans				
Loans receivable arising on life assurance business (Note (i))	**153,135**	125,407	**-**	-
Loans to subsidiaries (Note 35(iii)(c))	**-**	-	**354,855**	354,855
Loan to parent (Notes (ii) and 35(iii)(a))	**337,436**	336,536	**337,436**	336,536
Loans to directors (Note 35(iii)(b))	**347**	347	**347**	347
Loans to other related parties (Notes (ii) and 35(iii)(a))	**3,306**	2,706	**6**	6
Loans to third parties	**4,526**			
	498,750	464,996	**692,644**	691,744
Trade and other receivables				
Trade receivables (Note (iii))	**278,641**	254,209	**883**	316
Hire purchase debtors (Note (iv))	**37,813**	48,233	**-**	-
Receivable from:				
Subsidiaries (Note 35(iv) (e))	**-**	-	**41,504**	32,659
Associates (Note 35(iv) (a))	**1,349**	850	**275**	271
Shareholders (Note 35(iv) (b))	**23**	1,278	**-**	1,255
Directors (Note 35(iv) (c))	**1,991**	908	**1,050**	908
Other related parties (Note 35(iv) (d))	**18,244**	26,344	**2,077**	2,021
Deposits with financial institutions (Note (vi))	**3,157**	3,039	**-**	-
Premiums receivable and agents' balances	**-**	230	**-**	-
Amount receivable from MRA *	**80,382**	80,382	**-**	-
Prepayments	**118,026**	56,010	**24,956**	14,845
Deposits	**8,282**	1,775	**-**	-
Debt securities (Note v)	**172,618**		**-**	
Other receivables	**171,760**	141,038	**25,602**	10,933
	892,286	614,296	**96,347**	63,208
	1,391,036	1,079,292	**788,991**	754,952

The loans to related parties bear interest at a rate ranging between **5.35% and 6%** (2017 – 5.35% and 7%). The carrying values of the loans to related parties approximate their fair values. The fair values are within level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

17 LOANS AND RECEIVABLES (CONTINUED)

* Emtel Ltd (a subsidiary) has objected against the Income Tax re-assessment by the MRA for the year of assessment 2006/2007 and 2007/2008 (based on the year 2005 and 2006 accounts respectively). The MRA pointed out that Emtel Ltd had wrongly applied the tax rate of 15% in the years 2005 and 2006 (instead of 25% for the year 2005 and 22.5% for the year 2006) as there has been amendment to the Income Tax Act 2001. The total amount claimed inclusive of penalties and interest was Rs 80.4 million of which Emtel Ltd has already paid Rs 36.5 million at the time of objection and Rs 43.9 million in October 2014 by virtue of section 21(3) of the MRA Act 2004 in accordance with the decision of the Committee. The ARC gave its decision on 14 November 2013 maintaining MRA's assessment and on 04 Dec 2013, Emtel Ltd has appealed to the Supreme Court against that decision. In parallel to those appeals, Emtel is contesting before the Supreme Court the MRA's refusal to allow it to join the VDIA Scheme for those same years. Pending the determination of those cases, the payments made to the MRA have been recorded as a receivable from the MRA as the Board of the Company is confident that the matter shall be resolved positively. Matter has been heard on 13 March 2018 and judgement is awaited.

(i) Loans receivable arising on life assurance business

	Group 2018 Rs'000	Group 2017 Rs'000
Secured loans (at amortised cost):		
At 01 January	**115,664**	128,962
Loans granted	**22,973**	28,210
Interest	**(139)**	5,834
Loans refunded	**(29,687)**	(47,184)
Write-off on policy loans	**(266)**	(158)
At 31 December	**108,545**	115,664
Unsecured loans (at amortised cost):		
At 01 January	**24,000**	14,000
Loans granted	**40,000**	29,000
Loans refund	**-**	(19,000)
	64,000	24,000
Total loans at amortised cost	**172,545**	139,664
The movement in provision for impairment is as follows:		
At 01 January	**(14,257)**	(12,295)
Charge during the year	**(5,153)**	(1,962)
At 31 December	**(19,410)**	(14,257)
Carrying amount:		
At 31 December	**153,135**	125,407

The estimated fair values of the loans are the discounted amount of the estimated cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The effective interest rates were in the range of **5%** to **14%** (2017 – 5% to 14%).

The fair values of the loans approximate their carrying amounts.

At 31 December 2018, loans amounting to **Rs 37,111,328** (2017 - Rs 29,074,845) were overdue which includes impaired and not impaired. These overdue loans receivables are secured by mortgaged properties.

Loans arising on life assurance business, **Rs 135,432,847** (2017 – Rs 102,677,155), are considered neither past due nor impaired when loan instalments are overdue for less than three months. When they are overdue for more than three months, they are tested for impairment individually and are considered impaired when the value of their mortgaged property is less than the carrying value of the loan receivable. The loans are secured against mortgaged properties.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

17 LOANS AND RECEIVABLES (CONTINUED)

(i) Loans receivable arising on life assurance business (Continued)

The ageing analysis of the loans arising on the life assurance business which are considered overdue and not impaired were as follows:

	2018 Rs'000	2017 Rs'000
Between 6 months to 1 year	**5,112**	1,165
Between 1 to 2 years	**3,863**	4,220
More than 2 years	**8,727**	9,432
Total overdue but not impaired originated loans	**17,702**	14,817

The amount of impaired loans amount to **Rs 19,410,390** (2017 – Rs 14,257,320). The other classes within loans and receivables do not contain impaired assets.

Included in the loans are **Rs 1,553,376** (2017 – Rs 3,991,428) in respect of loans made to directors and key management personnel.

(ii) Other loans

The loan to the parent, Fakhary Ltd, is unsecured and bears interest at **6.5%** (2017 – 6.5%).

All the other loans bear interest between **5.35%** and **6.5%** (2017 – 5.35% to 6.5%)

There are no overdue or non-performing loans.

At 31 December 2018, the carrying values of all loans receivable approximate their fair value.

The directors assess the credit quality of each receivable at a subsidiary level and ensure that appropriate procedures made to ensure credit quality.

(iii) Trade receivables

At 31 December 2018, trade receivables include provision of impairment on receivables amounting to **Rs 125,502,107** (2017 – Rs 125,963,034):

	2018 Rs'000	2017 Rs'000
Trade receivables – net	**278,641**	254,209
Provision for impairment	**125,502**	125,963
Gross amount receivable	**404,143**	380,172
Neither past due nor impaired	**200,948**	174,068
Past due but not impaired	**77,693**	80,141
Past due and impaired	**125,502**	125,963
Total past due	**203,195**	206,104
Gross amount receivable	**404,143**	380,172

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

17 LOANS AND RECEIVABLES (CONTINUED)

(iii) Trade receivables (Continued)

The movement in provision for impairment of receivables is as follows:

	2018 Rs'000	2017 Rs'000
At 01 January	**125,963**	157,229
Bad debts written off	**(28,237)**	(67,926)
Charge reversal for the year	**(315)**	-
Charge for the year	**28,091**	36,660
At 31 December	**125,502**	125,963

Fully performing receivables relate to a number of independent customers for whom there is no recent history of default. The directors assess the credit quality of each receivable at a subsidiary level and ensure that appropriate procedures made to ensure credit quality.

The gross receivables which are past due at the reporting date can be analysed as follows:

	Up to 6 months	6 months to 1 year	More than 1 year	Total
2018				
Gross receivables	**98,995**	**14,756**	**89,444**	**203,195**
Provision for impairment	**(22,945)**	**(13,890)**	**(88,667)**	**(125,502)**
	76,050	**866**	**777**	**77,693**
2017				
Gross receivables	91,116	109,137	5,851	206,104
Provision for impairment	(11,719)	(109,137)	(5,107)	(125,963)
	79,397	-	744	80,141

	2018 Rs'000	2017 Rs'000
(iv) Hire purchase debtors		
Hire purchase debtors – gross receivables	**46,633**	61,396
Unearned future hire purchase income	**(4,692)**	(6,206)
	41,941	55,190
Provision for credit losses	**(4,128)**	(6,957)
Net investment in hire purchase debtors	**37,813**	48,233
The gross receivables from hire purchase debtors may be analysed as follows:		
Not later than 1 year	**46,633**	44,181
Later than 1 year and not later than 5 years	**-**	17,215
	46,633	61,396
The net receivables hire purchase debtors may be analysed as follows:		
Not later than 1 year	**37,813**	32,144
Later than 1 year and not later than 5 years	**-**	16,089
	37,813	48,233

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

17 LOANS AND RECEIVABLES (CONTINUED)

(iv) Hire purchase debtors (continued)

Hire purchase debtors are considered fully performing when the respective debtors are up to date with their instalments payments as per the terms of the hire purchase agreements. They are classified as past due as and when one instalment is overdue. Past due hire purchase debtors are then tested for impairment individually and are considered impaired when their carrying amounts exceed their recoverable amounts. An additional portfolio provision is also made on the basis of expected values. Hire purchase debtors are secured over the hire purchased assets and the latter's fair values approximated the carrying amounts of hire purchase debtors at the end of the reporting period. At reporting date, fully performing hire purchase debtors relate to debtors who are complying with their instalment payments.

The ageing analysis of hire purchase debtors are as follows:

	Fully performing	Past due but not impaired 1 to 4 months	Past due and provided for more than 4 months	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Group - 2018				
Receivables from hire purchase debtors net of unearned future hire purchase income	**28,206**	**8,893**	**4,842**	**41,941**
Provision for credit losses				
Portfolio provision	**(564)**	**(356)**	**-**	**(920)**
Provision for impairment	**-**	**-**	**(3,208)**	**(3,208)**
Provision for credit losses	**(564)**	**(356)**	**(3,208)**	**(4,128)**
Net investment in hire purchase debtors	**27,642**	**8,537**	**1,634**	**37,813**
Group - 2017				
Receivables from hire purchase debtors net of unearned future hire purchase income	34,237	11,156	9,797	55,190
Provision for credit losses				
Portfolio provision	(684)	(446)	-	(1,130)
Provision for impairment	-	-	(5,827)	(5,827)
Provision for credit losses	(684)	(446)	(5,827)	(6,957)
Net investment in hire purchase debtors	33,553	10,710	3,970	48,233

The movement in provision for credit losses is as follows:

	Group 2018	Group 2017
	Rs'000	Rs'000
At 01 January	**6,957**	10,628
Charge for the year	**1,488**	1,191
Bad debts written off	**(4,317)**	(4,862)
At 31 December	**4,128**	6,957

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

17 LOANS AND RECEIVABLES (CONTINUED)

(v) Debt securities

The debt securities may be analysed as follows:

	2018	2017
	Rs'000	Rs'000
At 01 January	**40, 576**	-
Additions	**148,817**	25,120
Disposals	**(16,378)**	-
Transfer from financial assets at fair value through OCI	**-**	14,929
Net fair value gain	**26**	5
Net gain on disposal	**56**	-
Interest accrued	**42**	522
Interest received	**(521)**	-
At 31 December	**172,618**	40,576
Due within 1 year	**14,526**	-
Due after more than 1 year	**158,092**	40,576
	172,618	40,576

Debt securities include the following:

	2018	2017
	Rs'000	Rs'000
Unlisted securities:		
Treasury Bonds	**160,853**	40,576
Treasury Notes	**8,185**	-
Foreign Treasury Bill	**3,580**	-
	172,618	40,576

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities. None of these financial asset is either past due or impaired.

Held-to-maturity financial assets are denominated in the following currencies:

	2018	2017
	Rs'000	Rs'000
MUR	**169,039**	40,576
USD	**3,579**	-
At 31 December	**172,618**	40,576

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

17 LOANS AND RECEIVABLES (CONTINUED)

(vi) Deposits with financial institutions

Deposits placed with financial institutions have maturities ranging from 1-2 years and earn interest at the rate of **2.6%** (2017 – 4.5% to 5.25%) per annum for the year ended 31 December 2018. Placement is made through a fund manager who ensures the credit quality of these deposits.

At 31 December 2018, statutory deposits comprised of fixed deposit certificates of **Rs 10,000,000** (2017 – Rs 10,000,000).

(vii) The other classes of loans and receivables do not contain impaired assets.

(viii) The maximum exposure to credit risk at reporting date is the carrying value of each class of loans and receivables mentioned above.

(ix) The Group does not hold any collateral as security other than already disclosed in note 17(i) and 17(iv).

(x) Currency profile of loans and receivables

The carrying amounts of the Group's and Company's loans and receivables are denominated in the following currencies:

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Mauritian Rupees	1,123,181	923,103	764,035	740,107
US Dollars	31,360	18,245	-	-
Euros	26,264	36,947	-	-
Great Britain Pounds	384	367	-	-
	1,181,189	978,662	764,035	740,107

Loans and receivables exclude deposits with financial institutions, amount receivable from MRA, prepayments and deposits.

18 PREPAID OPERATING LEASE

Group

	2018			2017		
	Cost associated to lease	Contribution to lease	Total	Cost associated to lease	Contribution to lease	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	119,545	49,652	169,197	121,312	50,469	171,781
Additions during the year	5,727	-	5,727	528	-	528
Amortisation for the year	(2,557)	(817)	(3,374)	(2,295)	(817)	(3,112)
At 31 December	122,715	48,835	171,550	119,545	49,652	169,197

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

18 PREPAID OPERATING LEASE (CONTINUED)

Costs associated to lease

The costs associated to lease consist of expenses incurred by the Company to comply with Article 21 of the Industrial Site Lease Agreement with respect to relocation of National Coast Guard, construction of public access road, re-routing of existing services and upgrading of public beach. The costs incurred are amortised with effect from the date of handing over to the relevant authorities over the remaining life of the lease.

Prepaid operating lease

In 2004, a subsidiary (Emtel Ltd), entered into a land lease agreement with Business Parks of Mauritius Ltd for the lease of 2 acres of land at Ébène Cybercity for a period of 30 years, renewable at the lessee's option for two further consecutive periods of 30 years.

In 2010, a subsidiary (Le Chaland Hotel Limited) deposited Rs 25 million as contribution to the Tourism Fund in connection with the Group's hotel project at La Cambuse. During the year ended 31 December 2015, the Company deposited an additional Rs 23,690,060 to the Tourism Fund, as required by the revised State Land Act. The contribution acts as an up-front payment to the revised land lease agreement dated June 2015, starting as from January 2015. In previous years, the lease rental was being amortised based on the draft lease agreement dated 2010. Upon signature of the revised lease agreement in June 2015, the previous amortisation reserve has been written back and amortisation is being recorded as from January 2015, over a period of 60 years to 2074.

19 DEFERRED INCOME TAX

(i) Assets

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	12	459	-	-
Income statement charge	(4)	(447)	-	-
At 31 December	8	12	-	-

The movement in deferred tax assets and liabilities is as follows:

	At 01 January	(Charge)/ credit to income statement	At 31 December`
	Rs'000	Rs'000	Rs'000
Group-2018			
Deferred income tax assets:			
Tax losses carried forward	-	-	-
Provision for impairment of trade receivables	-	-	-
Post-employment benefits	6	(4)	2
Accelerated capital allowances	6	-	6
	12	(4)	8
Group-2017			
Deferred income tax assets:			
Tax losses carried forward	222	(222)	-
Provision for impairment of trade receivables	176	(176)	-
Post-employment benefits	53	(47)	6
Accelerated capital allowances	8	(2)	6
	459	(447)	12

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

19 DEFERRED INCOME TAX (CONTINUED)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	4	6	-	-
Deferred tax liabilities:				
Deferred tax liability to be recovered after more than 12 months	4	6	-	-
Deferred tax asset (net)	8	12	-	-

(ii) Liabilities

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
At 01 January	238,494	274,103	-	-
Income statement (credit)/charge	(19,728)	(34,179)	-	-
(Credit)/charge to other comprehensive income (Note 9(c))	4,962	(1,430)	-	-
At 31 December	223,728	238,494	-	-

The movement in deferred income tax assets and liabilities is as follows:

Group - 2018

	At 01 January 2018 Rs'000	Charge/ (credit) to income statements Rs'000	Charge to other comprehensive income Rs'000	At 31 December 2018 Rs'000
Deferred income tax liabilities:				
Accelerated capital allowances	233,238	(20,290)	-	212,948
Unrealised exchange gain	30	1,038	-	1,068
Revaluation of property, plant and equipment	32,352	-	1,633	33,985
	265,620	(19,252)	1,633	248,001
Deferred income tax assets:				
Provision for impairment of receivables	(20,350)	80	-	(20,270)
Retirement benefit obligations	(6,776)	(556)	3,329	(4,003)
Unrealised exchange loss	-	-	-	-
	(27,126)	(476)	3,329	(24,273)
Net deferred income tax liabilities	238,494	(19,728)	4,962	223,728

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

19 DEFERRED INCOME TAX (CONTINUED)

(ii) Liabilities (Continued)

Group - 2017

	At 01 January 2017 Rs'000	Charge/ (credit) to income statements Rs'000	Charge/(credit) to other comprehensive income Rs'000	At 31 December 2017 Rs'000
Deferred income tax liabilities:				
Accelerated capital allowances	270,534	(37,296)	-	233,238
Unrealised exchange gain	52	(22)	-	30
Revaluation of property, plant and equipment	30,462	-	1,890	32,352
	301,048	(37,318)	1,890	265,620
Deferred income tax assets:				
Provision for impairment of receivables	(22,978)	2,628	-	(20,350)
Retirement benefit obligations	(3,848)	392	(3,320)	(6,776)
Unrealised exchange loss	(119)	119	-	-
	(26,945)	3,139	(3,320)	(27,126)
Net deferred income tax liabilities	274,103	(34,179)	(1,430)	238,494

The movement in deferred income tax assets and liabilities is as follows:

The directors have not recognised a deferred income tax asset attributable to the following as future taxable profits may not be available against which the temporary differences can be utilised:

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
Tax losses carried forward	108,560	57,743	50,442	13,720
Accelerated capital allowances	8,186	10,218	6,699	6,541
Provision for retirement benefit obligations	76,858	89,874	72,483	80,319
Provision for bad and doubtful debts	3,572	1,381	-	-
Others	484	514	-	-
	197,660	159,730	129,624	100,580

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

20 INVENTORIES

	Group	
	2018	2017
	Rs'000	Rs'000
At cost:		
Finished goods and goods for resale	**53,089**	39,155
Telephone sets, related spares and accessories	**34,004**	37,110
Spare parts and consumables	**2,046**	4,733
Goods in transit	**18,001**	5,016
Work in progress	**6,510**	4,180
	113,650	90,194
At net realisable value:		
Telephone sets, related spares and accessories	**9,339**	7,139
	122,989	97,333

21 ASSETS HELD FOR SALE

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Group				
At 01 January	**895**	61,000	**-**	-
Transfer from investment property (Note 11)	**-**	895	**-**	-
Transfer from property, plant and equipment (Note 10)	**2,817**	-	**-**	-
Transfer from intangible assets (Note 12)	**553**	-	**-**	-
Impairment	**(1,826)**	-	**-**	-
Disposal	**(895)**	(61,000)	**-**	-
At 31 December	**1,544**	895	**-**	-

The asset held for sale for 2018, Rs 1,544,000, relates to a subsidiary which prepared its Financial Statements on a non-going concern basis subsequent to the end of the reporting period. The board of the subsidiary has approved the disposal of the Company's assets to a third party and the Company will cease trading.

During the year 2017, the Government of Mauritius sent a notice under section 8 of the Land Acquisition Act to Multichannel Retail Limited, a subsidiary of the Group, for compulsorily acquisition of land to the extent of 157.40 square metres for the implementation of Metro Express Project. Sale proceeds of Rs 1,419,450 inclusive of interest were received in July 18. The land was valued at Rs 895,000 as at 31 December 2017.

Sales proceeds of Rs 94,994,521 inclusive of interest were received from disposal of asset held for sale in February 2017. The land was valued at Rs 61,000,000 as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

22 SHARE CAPITAL

Group and Company

	2018	2017	2018	2017
	Number	Number	Rs'000	Rs'000
Authorised:				
Ordinary shares of Rs 100 each	**300,000**	300,000	**30,000**	30,000
Issued and fully paid:				
Ordinary shares of Rs 100 each	**297,000**	297,000	**29,700**	29,700

23 LIFE ASSURANCE FUNDS

	2018	2017
	Rs'000	Rs'000
Group		
At 01 January	**876,821**	818,202
Transfer of surplus/(deficit) from/to life assurance business revenue account (Note 5)	**123,030**	44,627
Other transfers	**-**	13,992
At 31 December	**999,851**	876,821
Non-current	**888,009**	781,492
Current	**111,842**	95,329
	999,851	876,821

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

23 LIFE ASSURANCE FUNDS (CONTINUED)

The Group's actuary for its life insurance business is True South Actuaries & Consultants. The Group's actuary for pension business is Aon Hewitt Ltd.

The Group has provided the breakdown of life assurance fund due within 1 year and more than 1 year based on best estimates available.

At 31 December 2018, the adequacy of the life assurance fund has been assessed based on the following assumptions:

- Interest rate of **8.25%** (2017: 7.5%);
- Assumed lapse rates of **27%, 11%, 8% and 8%** for years 1,2,3 and 4+ (2017: 27%, 11%, 8% and 8%);
- Expense inflation rate of **1.80%** (2017: 2.20%); and
- Mortality table **36% SA 85/90** (2017: 35% SA 85/90)

24 BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Non-current				
Bank loans – secured	**3,181,152**	2,889,820	**2,457,435**	2,248,645
Other loans	**-**	1,729	**-**	-
Loans payable to related parties (Note 35(v) (a))	**678**	-	**-**	-
Finance lease obligations	**10,662**	10,848	**7,272**	5,379
	3,192,492	2,902,397	**2,464,707**	2,254,024
Current				
Bank overdrafts (Note 30)	**139,922**	103,045	**83,109**	42,502
Bank loans – secured	**1,260,018**	919,155	**567,690**	607,624
Import loans	**14,257**	10,202	**-**	-
Loans payable to subsidiaries (Note 35(v)(d))	**-**	-	**2,958**	2,958
Loans payable to related parties (Note 35(v) (a))	**253,342**	213,639	**248,469**	210,252
Loans payable to shareholders (Note 35(v) (b))	**300,999**	300,999	**300,000**	300,000
Loans payable to directors (Note 35(v) (c))	**53,138**	52,768	**53,138**	52,768
Other loans	**100**	3,473	**100**	100
Finance lease obligations	**6,082**	7,188	**3,505**	3,094
	2,027,858	1,610,469	**1,258,969**	1,219,298
Total borrowings	**5,220,350**	4,512,866	**3,723,676**	3,473,322

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The borrowing rate is between **3.7% and 7.1%** (2017 – 3.27% and 8.25%).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

24 BORROWINGS (CONTINUED)

Bank overdrafts

The bank overdrafts and other banking facilities are secured by floating charges on all of the assets of the Company.

Bank loans

The bank loans are secured by floating charges on the assets of the Group and the Company and also by the pledge of shares and can be analysed as follows:

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Current				
Within one year	**1,260,018**	919,155	**567,690**	607,624
Non-current				
After one year and before two years	**1,535,606**	1,834,284	**1,307,641**	1,564,172
After two years and before five years	**1,360,684**	1,026,916	**914,933**	661,549
After five years	**284,862**	28,620	**234,861**	22,924
	3,181,152	2,889,820	**2,457,435**	2,248,645
Total bank loans	**4,441,170**	3,808,975	**3,025,125**	2,856,269

The denomination and effective interest rates of the bank loans are as follows:

	3.27% to 7.00%	7.01% to 8.25%	Total
	Rs'000	Rs'000	Rs'000
Group – 2018			
Mauritian rupees	**4,373,992**	**65,297**	**4,439,289**
Euros	**1,881**	-	**1,881**
	4,375,873	**65,297**	**4,441,170**
Group – 2017			
Mauritian rupees	3,484,043	93,739	3,577,782
US dollars	29,493	-	29,493
Euros	201,700	-	201,700
	3,715,236	93,739	3,808,975
Company – 2018			
Mauritian rupees	**2,968,875**	**56,250**	**3,025,125**
Company – 2017			
Mauritian rupees	2,543,827	81,250	2,625,077
US dollars	29,492	-	29,492
Euros	201,700	-	201,700
	2,775,019	81,250	2,856,269

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

24 BORROWINGS (CONTINUED)

Bank loans (Continued)

The bank loans are scheduled for payment as follows:

	2019	2020	2021	2022	2023	Later than 2023	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Group – 2018							
Mauritian rupees	**1,260,018**	**1,535,606**	**815,433**	**369,942**	**173,429**	**284,861**	**4,439,289**
Euros	**-**	**-**	**1,881**	**-**	**-**	**-**	**1,881**
	1,260,018	**1,535,606**	**817,314**	**369,942**	**173,429**	**284,861**	**4,441,170**
Company – 2018							
Mauritian rupees	**567,690**	**1,307,641**	**483,400**	**287,029**	**144,504**	**234,861**	**3,025,125**

	2018	2019	2020	2021	2022	Later than 2022	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Group – 2017							
Mauritian rupees	813,269	1,719,649	457,940	405,553	152,751	28,620	3,577,782
US dollars	9,177	9,644	10,672	-	-	-	29,493
Euros	96,709	104,991	-	-	-	-	201,700
	919,155	1,834,284	468,612	405,553	152,751	28,620	3,808,975
Company – 2017							
Mauritian rupees	501,738	1,449,538	299,301	246,990	104,687	22,823	2,625,077
US dollars	9,177	9,643	10,672	-	-	-	29,492
Euros	96,709	104,991	-	-	-	-	201,700
	607,624	1,564,172	309,973	246,990	104,687	22,823	2,856,269

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

24 BORROWINGS (CONTINUED)

	Group 2018	Group 2017	Company 2018	Company 2017
	Rs'000	Rs'000	Rs'000	Rs'000
Finance lease obligations - minimum lease payments				
Amounts falling due:				
Not later than 1 year	**7,002**	8,062	**4,107**	3,608
Later than 1 year and not later than 5 years	**11,735**	11,417	**7,993**	5,640
Later than 5 years	**70**	196	**70**	196
	18,807	19,675	**12,170**	9,444
Future finance charges on finance leases	**(2,063)**	(1,639)	**(1,393)**	(971)
Present value of finance lease obligations	**16,744**	18,036	**10,777**	8,473
The present value of finance lease obligations is as follows:				
Not later than 1 year	**6,082**	7,188	**3,505**	3,094
Later than 1 year and not later than 5 years	**10,593**	10,662	**7,204**	5,193
Later than 5 years	**69**	186	**68**	186
Present value of finance lease obligations (Note 29)	**16,744**	18,036	**10,777**	8,473

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Net debt reconciliation

This section sets out an analysis of the net debt and the movements in net debt of each of the periods presented.

	Group 2018	Group 2017	Company 2018	Company 2017
	Rs'000	Rs'000	Rs'000	Rs'000
Cash and cash equivalents (including bank overdraft)	**(609,942)**	(321,600)	**72,256**	31,700
Borrowings – repayable within one year	**1,887,936**	1,507,424	**1,175,860**	1,176,796
Borrowings – repayable after one year	**3,192,492**	2,902,397	**2,464,707**	2,254,024
Net debt	**4,470,486**	4,088,221	**3,712,823**	3,462,520
Cash and cash equivalents	**(749,864)**	(424,645)	**(10,853)**	(10,802)
Gross debt with fixed interest rates	**500,000**	239,424	**150,000**	158,573
Gross debt with variable interest rates	**4,720,350**	4,273,442	**3,573,676**	3,314,749
Net debt	**4,470,486**	4,088,221	**3,712,823**	3,462,520

	Group			Company		
	(Cash)/bank overdraft	Borrowings due within one year	Borrowings due after one year	Cash/bank overdraft	Borrowings due within one year	Borrowings due after one year
Net debt as at 01 January 2017	(92,642)	1,102,894	3,305,821	103,466	704,047	2,714,382
Cash flows	(228,958)	400,082	(407,374)	(71,766)	468,300	(464,308)
Foreign exchange adjustments	-	4,448	3,950	-	4,449	3,950
Net debt as at 31 December 2017	**(321,600)**	**1,507,424**	**2,902,397**	**31,700**	**1,176,796**	**2,254,024**
Cash flows	**(287,842)**	**375,582**	**290,095**	**40,556**	**(5,866)**	**210,683**
Foreign exchange adjustments	**-**	**4,930**	**-**	**-**	**4,930**	**-**
Net debt as at 31 December 2018	**(609,442)**	**1,887,936**	**3,192,492**	**72,256**	**1,175,860**	**2,464,707**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

25 POST-EMPLOYMENT BENEFITS

Defined benefit pension plan

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Amounts recognised in the statement of financial position:				
Present value of funded obligations	448,795	496,177	150,139	163,980
Fair value of plan assets	(296,757)	(304,374)	(90,038)	(100,892)
Deficit of funded plans	152,038	191,803	60,101	63,088
Present value of unfunded obligations	366,271	409,376	366,271	409,376
Liability in the statement of financial position	518,309	601,179	426,372	472,464
Non-current	515,922	601,179	426,372	472,464
Current	2,387	-	-	-

The Group operates defined benefit pension plans. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Pensions in payment are generally updated in line with the inflation rate and benefit payments for funded obligations are from ILA managed Pension Fund.

The movement in the defined benefit obligation over the year is as follows:

Group

	Present value of obligation	Fair value of plan assets	Total
	Rs'000	Rs'000	Rs'000
At 01 January 2018	905,553	(304,374)	601,179
Current service cost	28,854	-	28,854
Interest cost	47,737	(16,735)	31,002
Past service cost	4,596	-	4,596
Other movements	2,793	1,375	4,168
	989,533	(319,734)	669,799
Remeasurements:			
Return on plan assets excluding amount included in interest expense	-	4,877	4,877
Gain from change in financial assumptions	(55,924)	-	(55,924)
Experience gains	(6,492)	-	(6,492)
	(62,416)	4,877	(57,539)
Exchange differences			
Contribution – Employers	-	(38,149)	(38,149)
Payment from plans – Benefit payments	(112,051)	56,249	(55,802)
	(112,051)	18,100	(93,951)
At 31 December 2018	815,066	(296,757)	518,309

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

25 POST-EMPLOYMENT BENEFITS (CONTINUED)

The movement in the defined benefit obligation over the year 2017 is as follows:

Group (Continued)

	Present value of obligation	Fair value of plan assets	Total
	Rs'000	Rs'000	Rs'000
At 01 January 2017	728,779	(228,786)	499,993
Current service cost	23,148	-	23,148
Interest cost	45,542	(15,625)	29,917
Past service cost	7,512	-	7,512
Other movements	16,233	(9,241)	6,992
	821,214	(253,652)	567,562
Remeasurements:			
Return on plan assets excluding amount included in interest income	-	(18,902)	(18,902)
Loss from change in demographic assumptions	619	-	619
Loss from change in financial assumptions	123,423	-	123,423
Experience losses	8,324	-	8,324
	132,366	(18,902)	113,464
Exchange differences			
Contribution – Employers	-	(75,506)	(75,506)
Payment from plans – Benefit payments	(48,027)	43,686	(4,341)
	(48,027)	(31,820)	(79,847)
At 31 December 2017	905,553	(304,374)	601,179

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

25 POST-EMPLOYMENT BENEFITS (CONTINUED)

Company

	Present value of obligation	Fair value of plan assets	Total
	Rs'000	**Rs'000**	**Rs'000**
At 01 January 2018	**573,356**	**(100,892)**	**472,464**
Current service cost	**9,089**	**-**	**9,089**
Interest cost/(income)	**30,292**	**(5,924)**	**24,368**
Past service cost	**2,204**	**-**	**2,204**
	614,941	**(106,816)**	**508,125**
Remeasurements:			
Return on plan assets excluding amount included in interest expense	**-**	**2,348**	**2,348**
Gain from change in financial assumptions	**(10,320)**	**-**	**(10,320)**
Experience gains	**(7,970)**	**-**	**(7,970)**
	(18,290)	**2,348**	**(15,942)**
Exchange differences			
Contribution – Employer	**-**	**(13,700)**	**(13,700)**
Payment from plans – Benefit payments	**(80,241)**	**28,130**	**(52,111)**
	(80,241)	**14,430**	**(65,811)**
At 31 December 2018	**516,410**	**(90,038)**	**426,372**

The movement in the defined benefit obligation over the year 2017 is as follows:

	Present value of obligation	Fair value of plan assets	Total
	Rs'000	Rs'000	Rs'000
At 01 January 2017	505,582	(76,574)	429,008
Current service cost	6,856	-	6,856
Interest cost/(income)	31,558	(5,428)	26,130
Past service cost	427	-	427
	544,423	(82,002)	462,421
Remeasurements:			
Return on plan assets excluding amount included in interest expense	-	(4,804)	(4,804)
Loss from change in financial assumptions	55,278	-	55,278
Experience losses	14,875	-	14,875
	70,153	(4,804)	65,349
Exchange differences			
Contribution – Employer	-	(14,086)	(14,086)
Payment from plans – Benefit payments	(41,220)	-	(41,220)
	(41,220)	(14,086)	(55,306)
At 31 December 2017	573,356	(100,892)	472,464

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

25 POST-EMPLOYMENT BENEFITS (CONTINUED)

Company (Continued)

The significant actuarial assumptions were as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
Discount rate	**5.6% to 6.1%**	5.5%	**5.6% to 6.1%**	5.5%
Inflation rate	**3.5%**	3.0%	**3.5%**	3.0%
Salary growth rate	**4.0%**	4.0%	**4.0%**	4.0%
Pension growth rate	**1.0%**	0.5%	**1.0%**	0.5%

Average life expectancy in years for a pensioner retiring at age 63

Retiring at the end of the reporting period

	Group 2018	Group 2017	Company 2018	Company 2017
Male	**12.3**	17.3	**12.3**	17.3
Female	**13.5**	21.7	**13.5**	21.7

Average life expectancy in years for a pensioner retiring at age 63

Retiring 20 years after the end of the reporting period

	Group 2018	Group 2017	Company 2018	Company 2017
Male	**12.3**	17.3	**12.3**	17.3
Female	**13.5**	21.7	**13.5**	21.7

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Group			
Discount rate	**1%**	**60,252**	**69,237**
Company			
Discount rate	**1%**	**24,507**	**23,850**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

25 POST - EMPLOYMENT BENEFITS (CONTINUED)

Plan assets are comprised as follows:

2018	Group Quoted	Group Unquoted	Group Total	Company Quoted	Company Unquoted	Company Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Equities – Overseas	**29,676**	**-**	**29,676**	**9,004**	**-**	**9,004**
Equities – Local	**130,573**	**11,870**	**143,443**	**39,616**	**3,602**	**43,218**
Fixed interest securities – Overseas	**20,773**	**-**	**20,773**	**6,303**	**-**	**6,303**
Fixed interest securities – Local	**20,773**	**56,384**	**77,157**	**6,303**	**17,107**	**23,410**
Cash and others	**-**	**26,708**	**26,708**	**-**	**8,103**	**8,103**
	201,795	**94,962**	**296,757**	**61,226**	**28,812**	**90,038**

2017	Group Quoted	Group Unquoted	Group Total	Company Quoted	Company Unquoted	Company Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Equities – Overseas	30,437	-	30,437	10,089	-	10,089
Equities – Local	115,662	-	115,662	38,339	-	38,339
Fixed interest securities – Overseas	15,219	-	15,219	5,045	-	5,045
Fixed interest securities – Local	-	3,044	3,044	6,053	8,071	14,124
Cash and others	18,262	121,750	140,012	-	33,295	33,295
	179,580	124,794	304,374	59,256	41,366	100,892

The Group and Company operate a final salary defined benefit pension plan for its employees. The plan exposes the Group and Company to normal risks associated with defined benefit pension plans, such as investment, interest, longevity and salary risks.

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

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

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

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

The Company's expected employer contribution for the next year is **Rs 16,521,000** and the weighted average duration of the defined benefit obligation is between 6 and 13 years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

26 PROVISION FOR ASSET RETIREMENT OBLIGATIONS

The provision is in respect of the dismantling and removal of equipment from leased cell sites for the period if the operating lease is not renewed.

	Group 2018	Group 2017
	Rs'000	Rs'000
At 01 January	**53,511**	50,545
Additional provision during the year	**6,521**	902
Disposal adjustments	**(257)**	(385)
ARO adjustments	**-**	-
Finance charge	**8,175**	2,449
At 31 December	**67,950**	53,511

The above has been calculated based on these assumptions:

Life of the assets – **5 to 25 years** (2017 – 5 to 25 years)

Interest rate – **5.95%** (2017 – 5.85%)

A change in the rate of interest of 1% higher/lower than the actual rate would have increased/decreased the finance charge by **Rs 679,499** (2017 – Rs 535,111).

27 TRADE AND OTHER PAYABLES AND PROVISION FOR OTHER LIABILITIES AND CHARGES

(i) TRADE AND OTHER PAYABLES

	Group 2018	Group 2017	Company 2018	Company 2017
	Rs'000	Rs'000	Rs'000	Rs'000
Not later than one year	**1,470,629**	1,033,524	**74,684**	69,385
Later than one year	**16,116**	11,652	**-**	-
	1,486,745	1,045,176	**74,684**	69,385
Bills payable (secured)	**51,713**	51,294	**-**	-
Trade payables	**188,204**	159,834	**1,368**	272
Other payables and accruals	**921,855**	613,830	**66,857**	34,108
Subscription received in advance (pay TV subscribers)	**105,222**	107,980	**-**	-
Deposits	**47,087**	29,754	**-**	-
Amount due to subsidiaries	**-**	-	**1,799**	3,273
Amount due to other related parties (Note 35(vi)(c))	**48,256**	53,295	**1,688**	13,594
Amount due to associates (Note 35(vi)(a))	**622**	1,139	**-**	-
Amount payable to shareholder (Note 35(vi) (d))	**1,864**	48	**1,655**	-
Amount due to directors (Note 35(vi) (b))	**1,317**	18,138	**1,317**	18,138
Income received in advance	**8,798**	8,012	**-**	-
Dividends payable	**111,807**	1,852	**-**	-
	1,486,745	1,045,176	**74,684**	69,385

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

27 TRADE AND OTHER PAYABLES AND PROVISION FOR OTHER LIABILITIES AND CHARGES (CONTINUED)

(ii) PROVISION FOR OTHER LIABILITIES AND CHARGES

The Group provision for other liabilities and charges relates to solidarity levy charge on revenue. The movement in provision is shown below:

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	**52,387**	38,585	**-**	-
Charge for the year	**45,286**	52,387	**-**	-
Adjustment for prior year	**4**	(97)	**-**	-
Paid during the year	**(52,391)**	(38,488)	**-**	-
At 31 December	**45,286**	52,387	**-**	-

28 CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Profit before taxation	**628,406**	594,006	**399,659**	248,846
Adjustments for:				
Depreciation on property, plant and equipment (Note 10)	**650,750**	790,292	**9,071**	7,173
Amortisation of intangible assets and prepaid leases (Note 12 and note 18)	**82,782**	83,370	**1,994**	2,023
Profit on disposal of property, plant and equipment (Note 5)	**(4,792)**	(7,728)	**(456)**	(945)
Write-offs of property, plant and equipment (Note 10)	**4,950**	26,557	**-**	-
Write-offs of intangible assets (Note 12)	**48**	15	**-**	-
Gain on disposal of asset held for sale	**(1,786)**	(33,994)	**-**	-
Impairment on asset held for sale (Note 21)	**1,826**	-	**-**	-
Profit on disposal of available for sale investments	**-**	(204,702)	**-**	-
Write-offs and impairment of available for sale investments	**-**	11	**-**	10
Fair value loss/(gain) on financial assets at fair value through profit or loss (Note 16)	**-**	(57,120)	**-**	-
(Profit)/loss on disposal of financial assets at fair value through profit or loss (Note 16)	**-**	(7,006)	**-**	-
Fair value (gain)/loss on investment properties (Note 11)	**(48,868)**	(4,867)	**(2,689)**	(1,488)
Impairment of investment properties (Note 11)	**40,339**	-	**-**	-
Unrealised foreign exchange differences	**(5,278)**	17,953	**(4,930)**	8,399
Disposal adjustment of asset retirement obligation (Note 26)	**8,175**	2,449	**-**	-
Depreciation adjustment on ARO	**6,264**	517	**-**	-
Impairment charge on loans and receivables	**29,579**	112,602	**-**	437
Net impairment reversal on investment in subsidiaries	**-**	-	**(26,798)**	-
Share of profit of associated companies (Note 14)	**(55,906)**	(55,679)	**-**	-
Dividend income (Note 5)	**(10,091)**	(1,902)	**(732,161)**	(638,152)
Finance costs – net	**255,813**	260,669	**189,806**	201,813
Other adjustments	**261**	-	**-**	-
	1,582,472	1,515,443	**(166,504)**	(171,884)
Working capital changes				
Decrease/(increase) in inventories	**(25,656)**	(12,392)	**-**	-
(Increase)/decrease in trade and other receivables	**(144,236)**	(136,187)	**3,735**	(19,300)
Increase/(decrease) in trade and other payables	**441,669**	(9,486)	**(8,886)**	(43,325)
(Decrease)/ increase in provision for other liabilities	**(7,101)**	8,309	**-**	-
Movement in retirement benefits obligations	**(25,331)**	(20,171)	**(30,150)**	(21,894)
Increase in life assurance funds and liabilities of life assurance company	**96,140**	47,650	**-**	-
	335,485	(122,277)	**(35,301)**	(84,519)
Cash generated from/(used in) operations	**1,917,957**	1,393,166	**(201,805)**	(256,403)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

29 NON-CASH INVESTING AND FINANCING ACTIVITIES

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Finance lease obligations at 01 January	**18,036**	23,939	**8,473**	9,017
Inception of new leases	**7,527**	4,814	**7,527**	2,209
Capital element of finance lease payments	**(8,819)**	(10,717)	**(5,223)**	(2,753)
Finance lease obligations at 31 December (Note 24)	**16,744**	18,036	**10,777**	8,473

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following amounts:

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Cash and cash equivalents	**749,864**	424,645	**10,853**	10,802
Bank overdrafts (Note 24)	**(139,922)**	(103,045)	**(83,109)**	(42,502)
	609,942	321,600	**(72,256)**	(31,700)

31 DIVIDENDS

	Company	
	2018	2017
	Rs'000	Rs'000
Proposed and paid		
Rs 371.72 per share (2017 – Rs 337.71)	**110,400**	100,300

32 CAPITAL COMMITMENTS

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Capital commitments for property, plant and equipment:				
Authorised and contracted for	**863,478**	1,020,268	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

33 OPERATING LEASES COMMITMENTS

The Group leases premises for use as warehouses, offices, retail outlets and cell sites. The leases are under non-cancellable operating lease agreements and their lease terms are between 3 and 10 years. The majority of the lease agreements are renewable at the end of the lease period. The Group does not have the option to purchase the leased premises at the expiry of the lease period.

The Group leases equipment under non-cancellable operating lease agreement. Their lease terms are between 3 and 10 years. The majority of the lease agreements are renewable at the end of the lease period. The Group does not have the option to purchase the leased equipment at the expiry of the lease period.

The Group also leases a plot of land at La Cambuse under operating lease for a period of 60 years. The lease has varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Not later than 1 year	**119,737**	106,927	**-**	-
Later than 1 year and not later than 5 years	**357,262**	347,093	**-**	-
Later than 5 years	**295,265**	335,706	**-**	-
	772,264	789,726	**-**	-

34 (i) CONTINGENCIES

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Guarantees				
On loans and bank overdraft facilities of subsidiaries, associates and related companies	**1,164,290**	1,150,690	**1,164,290**	1,150,690
Group's share of bank guarantees of associates	**10,399**	8,188	**-**	-
Bank guarantees	**55,399**	66,790	**2,064**	2,027

At 31 December 2018, the Group and Company had contingent liabilities in respect of bank guarantees in the ordinary course of business amounting to **Rs 55,399,000** (2017 – Rs 66,790,000) and **Rs 2,064,000** (2017 – Rs 2,027,000) respectively, from which it is anticipated that no material liabilities will arise.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

34 (ii) CONTINGENT ASSETS AND LIABILITIES

Emtel Limited, one of the Group's subsidiary, has lodged a claim for damages in excess of Rs 1 billion (USD 32 M) (plus interest and cost) against the Information & Communication Technologies Authority, Mauritius Telecom Ltd, Ministry of Technology, Telecommunications and Innovations and Cellplus Mobile Communications Ltd for losses incurred as a result of inter alia failure by the authorities to ensure a level of playing field and unfair competitive practices. Judgment was given by the Supreme Court in favour of Emtel Limited on the 9 August 2017 and a total amount of Rs 554,139,900 with costs and interests at the legal rate was awarded to Emtel Limited. The defendants have lodged their respective appeals before the Supreme Court (Court of Civil Appeal) and now the Appeal has been fixed for merits in June 2019.

On the other hand, Emtel Limited has received a counter claim from Data Communications Ltd for 1.5 million euros for allegedly failing to supply an uninterrupted data service in respect of an International Private Line leased from Emtel Limited. The case is not yet in shape for trial.

At this stage the Board of Directors does not believe that Emtel Limited will be required by the Court to settle the amount claimed by Data Communications Ltd.

35 RELATED PARTY TRANSACTIONS

The Group is directly controlled by Fakhary Limited which owns 62.95% of the Company's shares.

The particulars of the significant transactions carried out with related parties are presented below.

The other receivables from related parties are receivable within 1 year. The terms of loans receivable from and loans payable to related parties are also disclosed below.

	Group		Company	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
(i) Sales of goods and services				
Associates	**4,315**	3,530	**-**	-
Directors	**154**	-	**-**	-
	4,469	3,530	**-**	-
Rental income				
Subsidiaries	**-**	-	**5,695**	3,530
Management fee income				
Subsidiaries	**-**	-	**54,976**	50,136
Shareholders	**2,596**	2,596	**100**	100
Associates	**639**	639	**640**	639
Entity significantly influenced by the directors of the Company	**3,165**	3,521	**-**	3,521
	6,400	6,756	**55,716**	54,396
(ii) Purchases of goods and services				
Purchases of goods				
Associates	**5,793**	7,329	**-**	-
Entity significantly influenced by the directors of the Company	**549,203**	514,866	**-**	-
	554,996	522,195	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

35 RELATED PARTY TRANSACTIONS (CONTINUED)

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
Rental costs				
Entity significantly influenced by the directors of the Company	**6,356**	5,616	**3,518**	2,386
Management fee expense excluding Currimjee Limited				
Subsidiaires	**-**	-	**6,942**	2,246
Interest expense				
Subsidiaries	**-**	-	**178**	97
Related parties	**12,676**	11,879	**11,874**	11,415
Shareholders	**19,672**	15,665	**19,607**	15,600
Directors	**3,296**	2,878	**3,296**	2,878
Interest income				
Subsidiaries	**-**	-	**952**	1,120
Related parties	**-**	10	**-**	-
Shareholders	**20,057**	21,508	**20,057**	21,508
Currimjee Limited (common directorships)				
Secretarial fees	**-**	5,110	**-**	530
Management fees	**1,953**	6,888	**1,953**	6,888
	1,953	11,998	**1,953**	7,418
Key management compensation				
Salaries and other short term employee benefits	**169,872**	165,420	**102,926**	93,310
Post-employment benefits	**2,224**	23,155	**-**	21,987
	172,096	188,575	**102,926**	115,297

Key management personnel of the Company refers to directors (Executive and Non-Executive) and members of the senior management team of the Company as disclosed in the Corporate Governance report. Key management personnel of the Group refers to key management personnel of the Company and key management personnel of subsidiaries.

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
(iii) Loans receivable (Note 17)				
(a) *Loans to related parties*				
Parent company	**337,436**	336,536	**337,436**	336,536
Entity significantly influenced by the directors of the Company	**3,306**	2,706	**6**	6
	340,742	339,242	**337,442**	336,542

The above loans to related parties are unsecured, repayable at call, bearing interest between **5.35% and 6%** per annum. (2017 – 5.35% and 6.5%).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

35 RELATED PARTY TRANSACTIONS (CONTINUED)

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
(iii) Loans receivable (Note 17) (Continued)				
(b) *Loan to directors*	**347**	347	**347**	347
The above loan to directors are unsecured, interest free and repayable at call.				
(c) *Loans to subsidiaries*	**-**	-	**354,855**	354,855
The loans to subsidiaries are repayable at call and bears interest rates as follows:				
Interest free loan	**-**	-	**330,210**	330,210
Interest rate ranging from **5.35% to 6%** (2017 – 5.35% to 6.5%)	**-**	-	**24,645**	24,645
	-	-	**354,855**	354,855
(iv) Amounts receivable from:				
(a) *Associates (Note 17)*				
At 01 January	**850**	830	**271**	402
Movement during the year	**499**	20	**4**	(131)
At 31 December	**1,349**	850	**275**	271
(b) *Shareholders (Note 17)*				
At 01 January	**1,278**	1,865	**1,255**	1,865
Movement during the year	**(1,255)**	(587)	**(1,255)**	(610)
At 31 December	**23**	1,278	**-**	1,255
(c) *Directors (Note 17)*				
Amount receivable from directors	**1,991**	908	**1,050**	908
(d) *Other related parties (Note 17)*				
Entities significantly influenced by the Group	**17,329**	25,619	**-**	1,988
Other related parties	**915**	725	**2,077**	33
	18,244	26,344	**2,077**	2,021
(e) *Subsidiaries (Note 17)*				
Amounts receivable from subsidiaries	**-**	-	**41,504**	32,659

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

35 RELATED PARTY TRANSACTIONS (CONTINUED)

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
(v) Loans payable to:				
(a) Related parties (Note 24)				
Entities significantly influenced by the Group	**71,500**	36,500	**71,500**	36,500
Shareholders of the ultimate parent	**125,105**	121,585	**125,105**	121,485
Close family members of shareholders of the ultimate parent	**57,415**	55,554	**51,864**	52,267
	254,020	213,639	**248,469**	210,252

- The loan payable to entities significantly influenced by the Group are unsecured, repayable within one year and interest payable ranging from **5% to 7%** (2017 – 7%) per annum.

- The loan payable to the shareholders of the ultimate parent are unsecured, repayable at call and bear interest at the rate of **5.35%** (2017 – 5.35%) per annum.

- The loan payable to close family members of shareholders of the ultimate parent are unsecured, repayable at call and bear interest at the rate of **5.35%** (2017 – 5.35%) per annum.

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
(b) Shareholders (Note 24)				
At 01 January	**300,999**	175,999	**300,000**	175,999
Raised during the year	**-**	125,000	**-**	125,000
	300,999	300,999	**300,000**	300,000
- The loan payable to shareholders are unsecured, repayable at call and bear interest at the rate of **6.5%** (2017 – 6.5%) per annum.				
(c) Directors (Note 24)				
At 01 January	**52,768**	40,418	**52,768**	40,418
Raised during the year	**5,720**	14,836	**5,720**	14,836
Repaid during the year	**(5,350)**	(2,486)	**(5,350)**	(2,486)
	53,138	52,768	**53,138**	52,768
- The loan payable to directors are unsecured, repayable at call and bear interest at the rate of **5.35%** (2017 – 5.35%) per annum.				
(d) Subsidiaries (Note 24)				
Loan payable to subsidiaries	**-**	-	**2,958**	2,958

- The loan payable to subsidiaries are unsecured, repayable at call and bear interest at the rate of **6%** (2017 – ranging from 6% to 7%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONTINUED)

35 RELATED PARTY TRANSACTIONS (CONTINUED)

	Group 2018 Rs'000	Group 2017 Rs'000	Company 2018 Rs'000	Company 2017 Rs'000
(vi) Amounts due to:				
(a) Associates (Note 27)	**622**	1,139	**-**	-
(b) Directors (Note 27)	**1,317**	18,138	**1,317**	18,138
(c) Other related parties (Note 27)				
Entities significantly influenced by the Group	**46,420**	47,867	**670**	13,594
Other related entities	**1,836**	5,428	**1,018**	-
	48,256	53,295	**1,688**	13,594
(d) Shareholders (Note 27)	**1,864**	48	**1,655**	-

37 PARENT AND ULTIMATE PARENT

The directors regard Fakhary Limited, a company incorporated in Mauritius, as the Company's parent and ultimate controlling party.

38 INCORPORATION AND REGISTERED OFFICE

The Company is a private limited company incorporated and domiciled in Mauritius. The registered office and place of business of the Company is at 38, Royal Street, Port Louis.