SWAN

Swan Life Ltd

Annual Report 2017

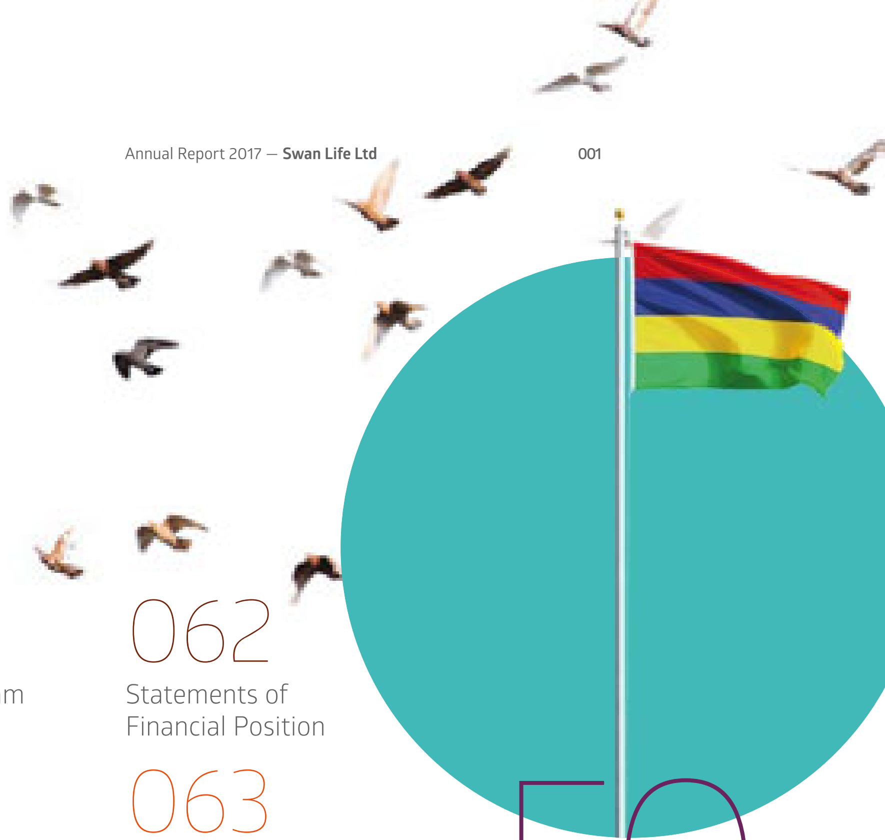
Dear Shareholder

The Board of Directors is pleased to present the Annual Report of Swan Life Ltd for the year ended 31 December 2017.

This report was approved by the Board of Directors on 27 March 2018.

Nicolas Maigrot
Chairperson

Louis Rivalland
Director and Group Chief Executive



50
years of
achievements

Contents

History

Swan Centre

1854

Creation of The Mauritius Fire Insurance Company Ltd.

1951

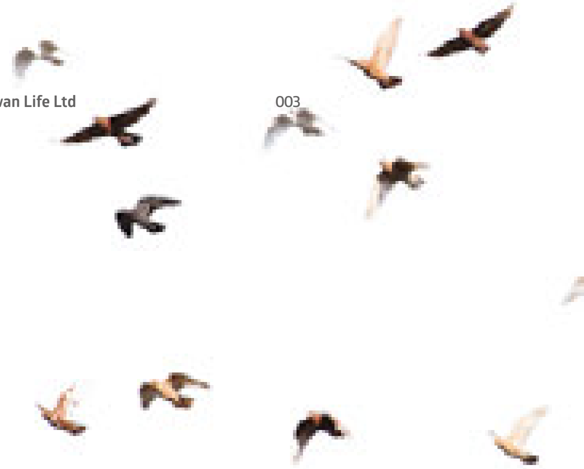
Creation of The Anglo-Mauritius Assurance Society Limited. The company proposed Life Assurance policies for individuals and the management of pension funds for companies.

1966

Inauguration of Anglo-Mauritius House, first multi-storey building in Mauritius

1972

Swan Insurance acquires a majority stake in the Anglo-Mauritius Assurance Society Limited.



On 12 March 1992, twenty-four years after independence, Mauritius was proclaimed a republic within the Commonwealth of Nations.

March 12, 2013, first ever commercial flight of an Airbus A380 to the Indian Ocean island of Mauritius to commemorate the island's 45th anniversary of independence.

1990

1. Anglo-Mauritius is listed on the OTC (now DEM) of the Stock Exchange of Mauritius.
2. Swan Insurance is the first Insurance company to be listed on the official SEM market.

2004

1. Creation of The Anglo-Mauritius Financial Services Ltd (now Swan Wealth Managers Ltd a subsidiary of Swan Life Ltd), a subsidiary of Anglo-Mauritius.
2. Anglo-Mauritius acquires Pension Consultants and Administrators Ltd (now Swan Pensions Ltd).

2013

1. New Values: Passion, People, Performance
2. Opening of Oxygen Insurance Shop in Grand Bay and Ebène

2015

Rebranding of SWAN

1966

The Anglo-Mauritius House,
was inaugurated in 1966,
two years before Mauritius gained
its Independence.

1929

In the late 1920s, in the wake of the reconstruction in Europe following World War I, the sugar industry witnessed its first boom, allowing sugar producers to not only record increasing profits, but also diversify their activities in other economic sectors.

SWAN

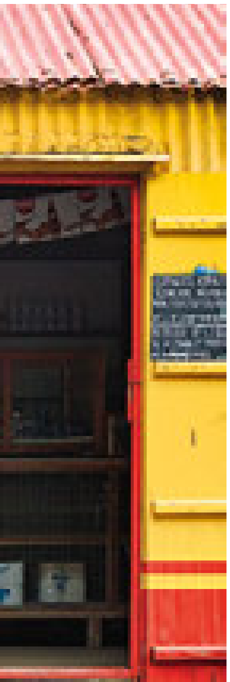
For the past 160 years,
we have been present in the lives of our clients and fellow Mauritians, offering them insurance and protection.
As a progressive company, we have reorganised ourselves as a people needs-driven enterprise and we are guided by our Vision, Mission and Values.

Our vision is to be your preferred financial solutions partner for life.

Our mission is to partner with you to secure a better future.

Our values are Passion, People and Performance.

WELCOME TO SWAN.



Our Philosophy

We are here for you at every stage of your life. We are for life.

We are SWAN.

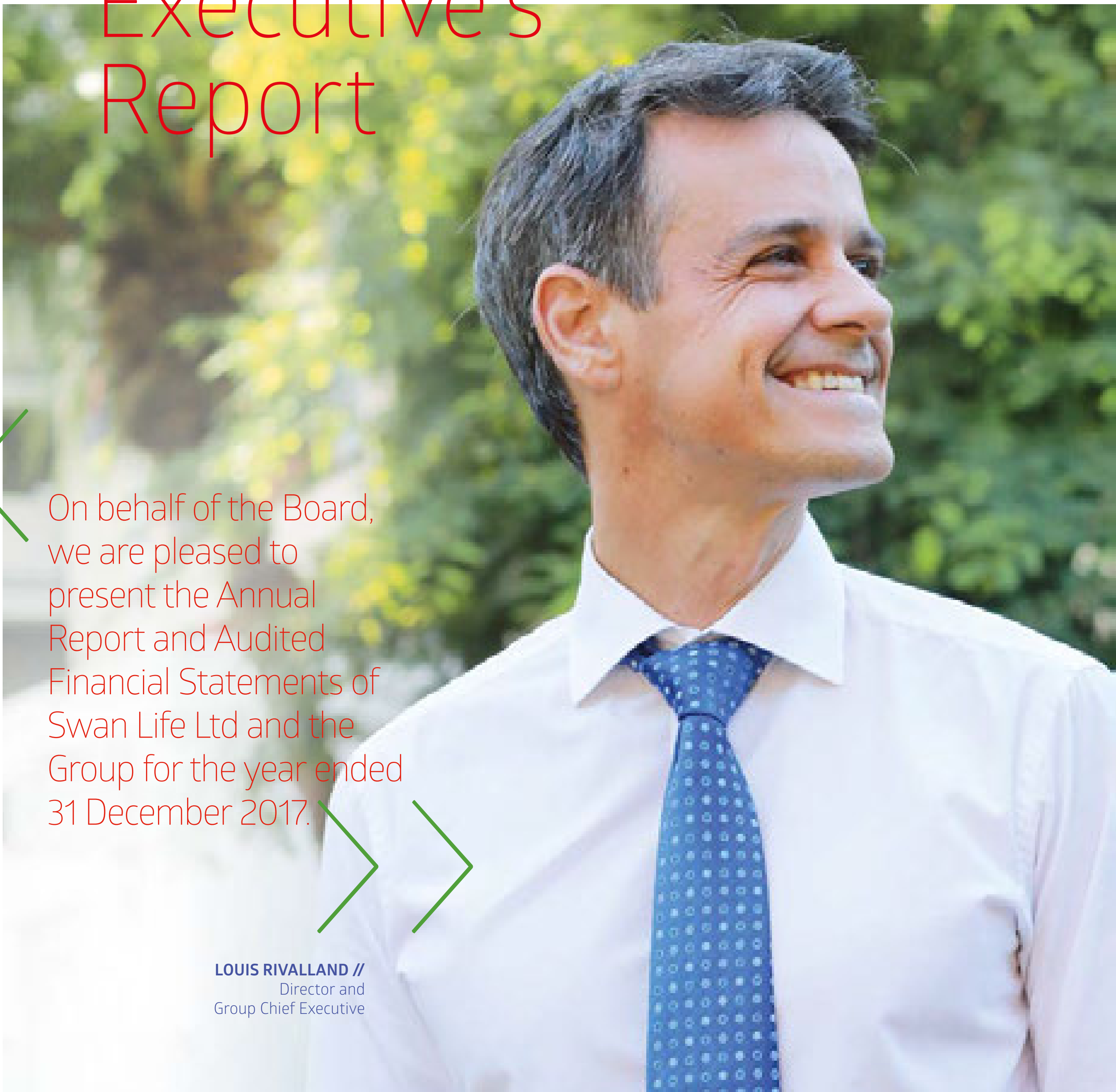
We place people at the centre of everything we do. We believe that every person who buys our products or services should have the tools to achieve financial freedom. Freedom to live, work and play, safe in the knowledge that they have everything they need, at every stage of their life.

Everything we do is governed by four guiding principles: Protect, Provide, Progress and Prosper.
We refer to these principles as the Pyramid of Prosperity.

We understand that life can take you on roller coaster rides: people go through good times and less fortunate ones.

It’s only when you know you are protected and your future has been provided for, that you progress towards your personal vision of prosperity.

Chairperson's & Group Chief Executive's Report



On behalf of the Board, we are pleased to present the Annual Report and Audited Financial Statements of Swan Life Ltd and the Group for the year ended 31 December 2017.

LOUIS RIVALLAND //
Director and
Group Chief Executive

Trust in financial services has been challenged over the past few years and with this in mind, we have strived to listen and remain as close as possible to our clients.

Long Term Operations - Individual

The individual life business delivered one of its best performance in terms of new business in 2017. This was the result of a clearly defined set of objectives, a well-structured sales process and close monitoring of performance. Our sales teams have been provided with regular coaching as well as a new array of prospecting opportunities via our marketing initiatives.

Trust in financial services has been challenged over the past few years and with this in mind, we have strived to listen and remain as close as possible to our clients. The message that went through to our team was to strengthen the relationship with our clients and to spare no effort to provide them with an excellent service.

Over the course of 2017, we pursued the implementation of the needs-based selling approach throughout our sales team, as we strongly believe that this is the way forward and that our value proposition lies in this approach. We maintained our training and development initiatives to ensure that our sales team is kept abreast of the latest product details.

In 2018, we shall make sure that our clients are provided with the most appropriate solutions, based on their specific needs. We shall further improve & digitalise our operations to improve efficiency and to ensure better quality customer information. We will also continue to be relentless in our aim to render our salesforce even more qualified, competent and professional.

Total Assets of the Company stood at

Rs**41,755**m

Long Term Operations - Corporate

2017 has been yet another challenging year for our corporate pension business where the low interest rate environment and the increase in longevity have continued to impact on the various stakeholders.

Employers having a Defined Benefit (DB) arrangement need to comply with the Private Pension Schemes Act (PPSA) and set up their pension arrangements under a Trust or foundation. At the same time they need to commit to funding deficits in their pension funds, which is prompting a rethink of the pension promise to their employees. The reality of each Employer means that a one size fits all solution cannot be applied.

Our teams are working hard to devise solutions which would suit the needs of each Employer, while preserving the accrued rights of Employees as far as possible. This requires constant interaction with the Regulator to ensure that the solutions we are proposing will meet their approval. The task at hand is by no means simple but we are confident that we have the best teams to complete this herculean task in the shortest possible timeframe.

Chairperson's & Group Chief Executive's Report

On the other hand, the transfer of our Defined Contribution (DC) pension schemes to Swan Defined Contribution Pension Scheme (SDCPS) is now completed. The management of all these pension schemes has moved from Swan Life Ltd to a trust administered by Swan Pensions Ltd.

Pension Administration

Swan Pensions Ltd (SPL) provides a comprehensive range of services to pension funds, whether they are of the Defined Benefit, Defined Contribution or Hybrid type. The company provided administrative services to 715 companies grouped under 26 schemes with total active membership reaching nearly 35,000 members.

During the 2017 financial year, SPL has posted an increase in income of 34% and continues to show a healthy profitability thus contributing to shareholder's value. This increase is attributable to new clients, increases in the overall payroll of our existing clients but mostly due to income with respect to the Swan Defined Contribution Pension Scheme which SPL took over from Swan Life Ltd in 2016 following the enactment of the Private Pensions Act and the setup of this scheme as a trust.

We are sparing no effort to consolidate our position on the market and are also more attentive to our clients' needs to help them with the challenges they are facing with their schemes in the rapidly changing and more sophisticated pension environment. We have also started working on the streamlining of our processes and expect in 2018 to complete our project initiated in 2017 to enable our clients to transfer membership data efficiently and securely through a web based platform.

During 2017, we have continued to investigate leads to provide our services in selected countries in Africa and expect successful conclusion of at least one project in 2018.

With the advent of the various new legislations, compliance is more than ever high on our agenda. As such, we have been putting more resources to reinforce our compliance team. We are now better equipped to inculcate a compliance culture throughout the organization with the fundamental idea being that compliance is a collective responsibility.

With the advent of the various new legislations, compliance is more than ever high on our agenda

NICOLAS MAIGROT //
Chairperson

Overall long term gross premium reached Rs 4,027M, an increase of 4.4 % compared to Rs 3,859M in 2016

Chairperson's & Group Chief Executive's Report

> Swan Wealth Managers Ltd (SWM) is a leading provider of asset management services in Mauritius, and currently manages investments worth more than Mur 45 billion across different asset classes, regions and sectors.

Capital Markets

Swan Wealth Managers Ltd (SWM) is a leading provider of asset management services in Mauritius, and currently manages investments worth more than Mur 45 billion across different asset classes, regions and sectors. SWM's customer base includes pension funds, insurance companies, investment funds, high net worth Individuals and retail investors.

SWM culminated a positive year characterised by robust top and bottom line growth, further expansion of our client base driven by successful bids for new mandates as well as an excellent client retention rate. Net profit rose by 10% whilst AUM (Assets under Management) grew by Mur 1.5 billion in 2017.

With a growing client book, much emphasis was laid on the delivery of services, generating innovative investment ideas and superior return on investments. The strategies were effectively implemented, thereby serving as stepping stones to further product development in 2018. For instance, SWM is extending its CIS (Collective Investment Scheme) range to cover a wider spectrum of marketable investment funds. In a bid to accentuate our competitive positioning, we secured Euroclear, as investment platform for our international investments, which grants us access to a wider range of scalable investment avenues and also complements our up-selling efforts.

The gradual saturation of the domestic market is rendering regional expansions crucial for SWM. We are dedicating significant resources to identify promising and sound growth avenues, most particularly in Sub Saharan Africa. We believe we have achieved the right balance of market insights and networking to stimulate sustainable international business. Advisory services is another horizontal integration for future fee income. To ensure appropriate segregation of duties, our advisory capacity is being transferred to a separate subsidiary with dedicated staff and mandates.

Swan Securities Ltd (SSL), a licensed stockbroking entity, managed to augment brokerage revenue by more than 5% in an environment which was marred by lower adjusted trading volumes and overall timid foreign investor's participation. In 2018, SSL shall pursue additional revenue generation efforts by way of enhanced product offering, including international investment funds and structured products. SSL is also scoping the international arena by playing a pivotal role in international deal origination.

Swan Capital Markets, a combination of both SWM and SSL represents a diverse and balanced business mix with a prime position to deliver strong financial performance. 2018 promises to be an eventful year marked by a healthy array of new products, intense marketing/networking initiatives and concretisation of strategic intents.

Human Resources

In 2017, we elaborated a 3-year plan with a view to ensure that Swan has the HR systems, processes, policies and practices to face the people management challenges of the 2020's. The outcome of this exercise is a list of projects to be implemented over the next 3 years.

During the course of the year, we also initiated a few actions in order to optimise our Talent Suite. In this context, the succession planning module our HR application, was successfully launched. This constituted another step towards the digitalisation of our HR processes for more effectiveness.

Life assurance fund of the Company reached

Rs**39,556**m

in 2017

With the growing pressure on our working time and the need to quickly acquire new knowledge, skills and competencies, we implemented a few innovative learning strategies in 2017. Apart from being more efficient than the traditional ones, these new methods also have the advantage of being in line with the expectations of the younger generation.

Regulatory

The Insurance (Risk Management) Rules came into force in 2017. Implementation of the rules took considerable time of the senior management team. Our first returns under the rules have been submitted to the Financial Services Commission.

The Data Protection Act 2017, in line with current relevant international standards, in particular, the General Data Protection Regulation 2016/679 of the European Union, was enacted in December 2017 and came into force in January 2018. It aims at simplifying the regulatory environment for business in the digital economy and promoting the safe transfer of personal data to and from foreign jurisdictions, given the diversification, intensification and globalization of data processing and personal data flows. Implementation of this new piece of legislation will prove to be a major challenge.

On behalf of the Board, we thank management for the good performance as well as all our business partners. Our sincere thanks also go to all board members for their contribution.

Nicolas Maigrot
Chairperson

Louis Rivalland
Group Chief Executive

1968

Mauritius prides itself as being one of the first former British colonies in Africa to gain its Independence and fifty years later, Mauritius has become a leading economy in Africa and a reference in terms of socio-economic success for the rest of the world.

1970

With only 18,000 visitors for the whole year of 1970, the tourism industry was off to a rocky start. With the opening of world class hotels, the number of tourists kept on rising, crossing the 1-million around the turn of the decade. Nowadays, tourism is a booming industry offering jobs to more than 50,000 Mauritians and expatriates.

Directorate

LOUIS RIVALLAND
Group Chief Executive

Louis Rivalland, born in 1971, holds a Bachelor's degree in Actuarial Science and Statistics, a Post Graduate Diploma in Strategy and Innovation from SAID Business School, University of Oxford and is a Fellow of the Institute of Actuaries (UK).

He was part of the management team of Commercial Union in South Africa from 1994 to January 1997 and conducted several assignments for Commercial Union in Europe. From February 1997 to July 1999 he worked as Actuary and Consultant at Watson Wyatt Worldwide developing the investment function as well as enhancing the healthcare function

In August 1999, he joined Swan as Consultant to Group Chief Executive. He was involved in the review and setting up of processes and systems for the pensions, investments and life insurance operations and was responsible for the actuarial and consultancy work for the pension schemes.

From January 2002 to December 2004, he acted as Executive Manager of The Anglo-Mauritius Assurance, now Swan Life Ltd. In January 2005 he has been appointed Group Chief Operations Officer responsible for the operations of Swan Insurance, now Swan General Ltd and The Anglo-Mauritius Assurance, now Swan Life Ltd, and member of the Executive Management Committee of SWAN.

He has been the President of the Joint Economic Council, now Business Mauritius and of the Insurers' Association of Mauritius. He has played an active role in the development of risk management, investments, insurance and pensions in Mauritius having chaired or been part of various technical committees in these fields

Directorships in other listed companies:
- *Air Mauritius Ltd*
- *New Mauritius Hotels Ltd*
- *Swan General Ltd*

GOPALLEN MOOROOGEN
Independent Non-executive

Born in 1959, Gopallen Mooroogen is a fellow of the Association of Chartered Certified Accountants (FCCA).

He also holds an MBA from the University of Wales / Manchester Business School. He has been a director on the Board of the Stock Exchange of Mauritius (SEM) and the Central Depository Services Ltd (CDS) for a number of years and has been the Chairman of the SEM for a few years. He is currently a senior Executive at Mauritius Telecom looking at Finance Transformation.

Directorships in other listed companies:
- *Swan General Ltd*

PHILIPPE ESPITALIER-NOËL
Non-executive

Born in 1965, he holds a BSc in Agricultural Economics from the University of Natal in South Africa and an MBA from the London Business School.

He is currently the Chief Executive Officer and Executive Director of Rogers and Company Limited. He worked for CSC Index in London as a management consultant from 1994 to 1997. He joined Rogers in 1997 and was appointed Chief Executive Officer in 2007. He has proven experience of mergers and acquisitions, business turnaround and transformation. He has an extensive expertise with strategy development and execution, inspiring leadership with senior management in the Group's four served markets, FinTech, Hospitality, Logistics and Property.

Directorships in other listed companies:
- *Air Mauritius Limited*
- *Rogers and Company Limited*
- *Swan General Ltd*

Directorate

NICOLAS MAIGROT
Non-executive

Born in 1968, he holds a degree in Management Sciences from the London School of Economics and Political Sciences. He is presently the Managing Director of Terra Mauricia Ltd.

He has acquired, during his career, a rich experience at executive levels. He operated in various manufacturing industries, as well as in the areas of finance and services. Throughout his career, he had various leadership positions such as Chief Executive Officer of Ciel Textile Ltd and Ireland Blyth Limited.

Directorships in other listed companies:
- Terra Mauricia Ltd
- United Docks Ltd
- Swan General Ltd

SÉBASTIEN MAMET
Non-executive

Born in 1975, he worked in the audit department of Ernst & Young London and Mauritius for eight years, he joined the Corporate Finance division of PricewaterhouseCoopers Mauritius in 2004.

As Senior Manager of the division, he advised clients on mergers & acquisitions, business plans, finance raising and financial restructuring, among others. He joined Terra Group (previously known as Harel Frères) in 2009 to head its new strategic development function. As a member of the Management Committee, he advises on the strategic orientation of the group and is responsible for implementing new business developments.

As from 13 May 2016 he has been appointed General Manager of Terragri Ltd, in charge of all the agriculture sector of Terra in Mauritius and abroad.

Directorships in other listed companies:
- Swan General Ltd

HECTOR ESPITALIER-NOËL
Non-executive

Born in 1958, he is a member of the Institute of Chartered Accountants in England and Wales.

He worked for Coopers and Lybrand in London and with De Chazal du Mée in Mauritius. He is presently the Chief Executive of ENL Limited. He is also Chairman of New Mauritius Hotels Ltd and Bel Ombre Sugar Estate Ltd. He is also a Past President of Rogers and Company Limited, The Mauritius Chamber of Agriculture, the Mauritius Sugar Producers Association and the Mauritius Sugar Syndicate.

Directorships in other listed companies:
- ENL Commercial Limited
- ENL Land Ltd
- New Mauritius Hotels Ltd
- Rogers & Co Ltd
- Swan General Ltd

Directorate

HENRI HAREL
Non-executive

Born in 1960, he is an Associate member of the Institute of Chartered Secretaries and Administrators.

He is currently the Group Chief Finance Officer and a member of Terra Mauricia Ltd Strategic Committee.

Directorships in other listed companies:
- Swan General Ltd
- Terra Mauricia Ltd

VICTOR SEEYAVE
Independent Non-executive

Born in 1962, he holds a B.A Economics (UK) and an MBA (USA).

He is currently the Managing Director of Altima Ltd and previously held several management positions in the food division of the Innodis Group.

Directorships in other listed companies:
- Innodis Limited
- Swan General Ltd

RENÉ LECLÉZIO
Non-Executive Director

Born in 1956, he holds a BSc in Chemical Engineering and an MBA from the London Business School.

Before being appointed CEO of Promotion and Development Ltd in 1987, he worked in London as consultant engineer in the oil and gas industry and with Lloyds Merchant Bank as Assistant Manager in Project Finance.

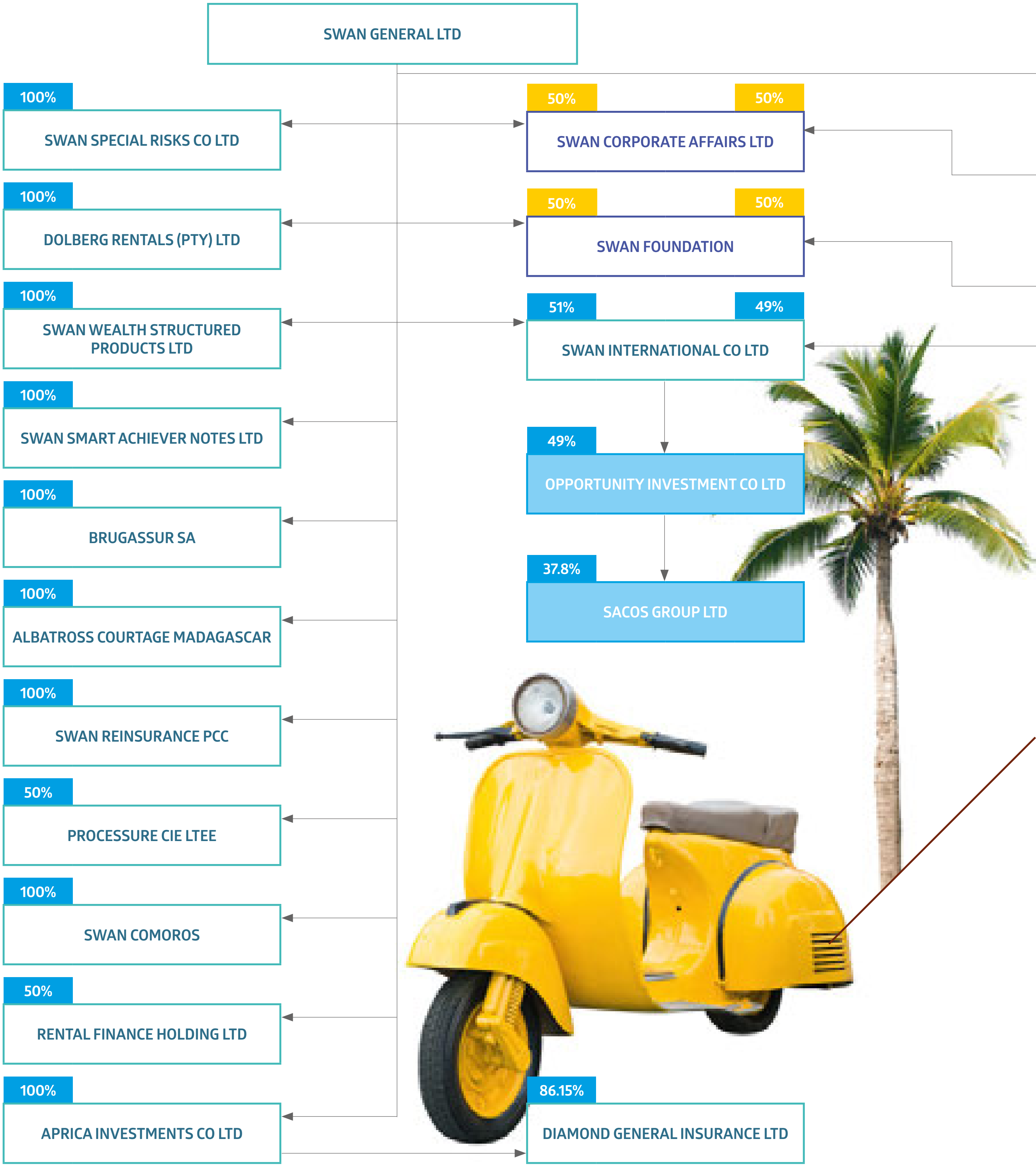
Directorships in other listed companies:
- Caudan Development Limited
- Promotion and Development Limited
- Swan General Ltd

Creation of Mauritius Life Assurance Company which developed Life Assurance and was thereafter merged with Anglo-Mauritius (now Swan Life Ltd).

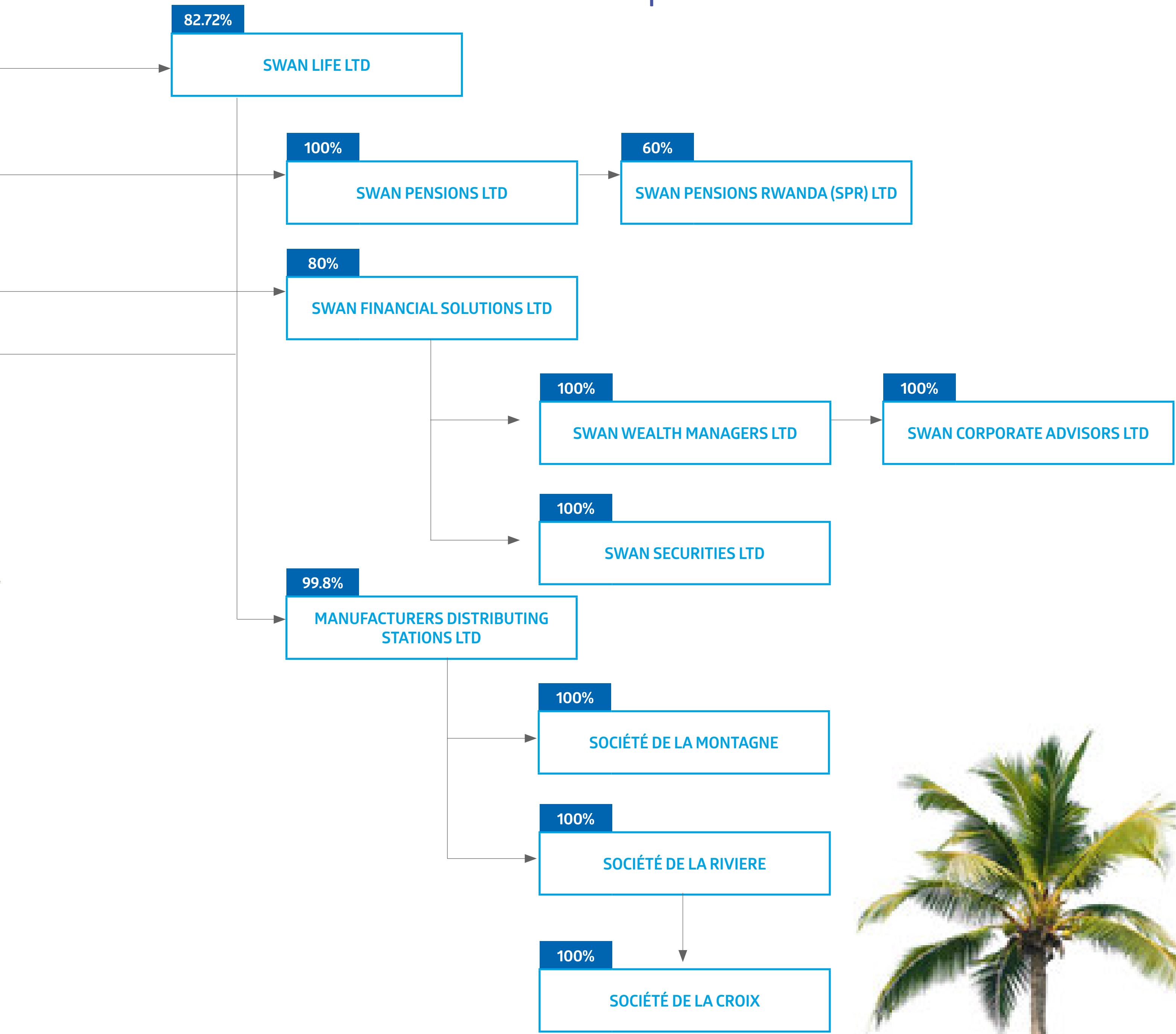
1968

Anglo-Mauritius House was the first multi-storeyed building in Mauritius, reigning over the Port Louis skyline for many years before other skyscrapers were set up in the country's capital city. The building remains iconic to this day and is often featured in reports on the economic history of Port Louis.

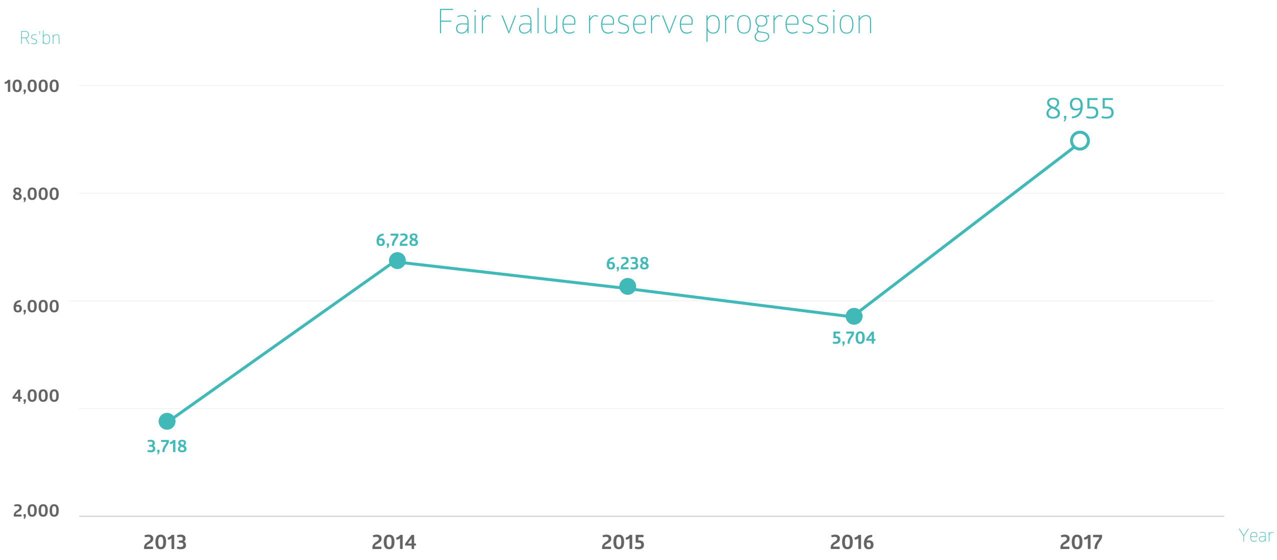
1966


SWAN GENERAL LTD
100%
SWAN SPECIAL RISKS CO LTD
100%
DOLBERG RENTALS (PTY) LTD
100%
SWAN WEALTH STRUCTURED PRODUCTS LTD
100%
SWAN SMART ACHIEVER NOTES LTD
100%
BRUGASSUR SA
100%
ALBATROSS COURTAGE MADAGASCAR
100%
SWAN REINSURANCE PCC
50%
PROCESSURE CIE LTEE
100%
SWAN COMOROS
50%
RENTAL FINANCE HOLDING LTD
100%
APRICA INVESTMENTS CO LTD
50%
50%
SWAN CORPORATE AFFAIRS LTD
50%
50%
SWAN FOUNDATION
51%
49%
SWAN INTERNATIONAL CO LTD
49%
OPPORTUNITY INVESTMENT CO LTD
37.8%
SACOS GROUP LTD
86.15%
DIAMOND GENERAL INSURANCE LTD

Group Structure



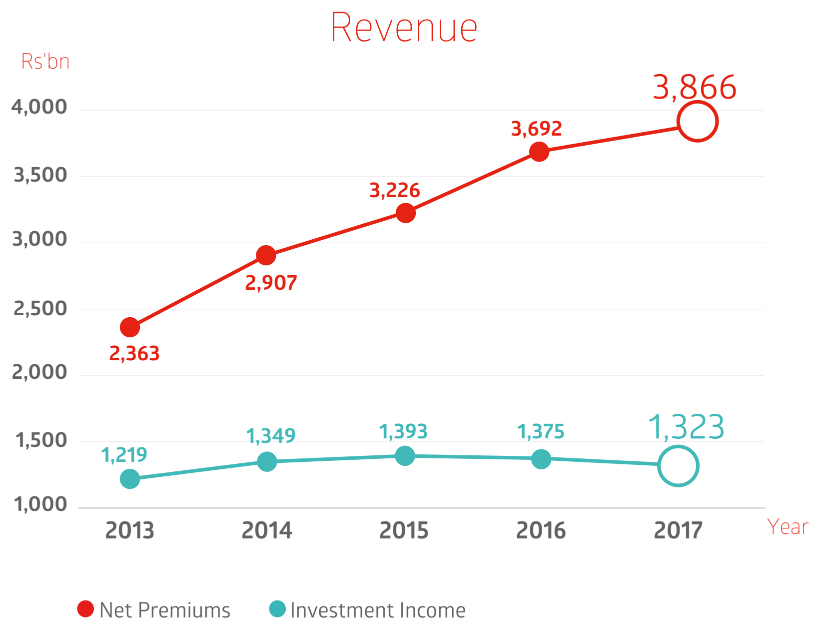
Key Numbers



In 2017

Rs46.00

Dividend per share

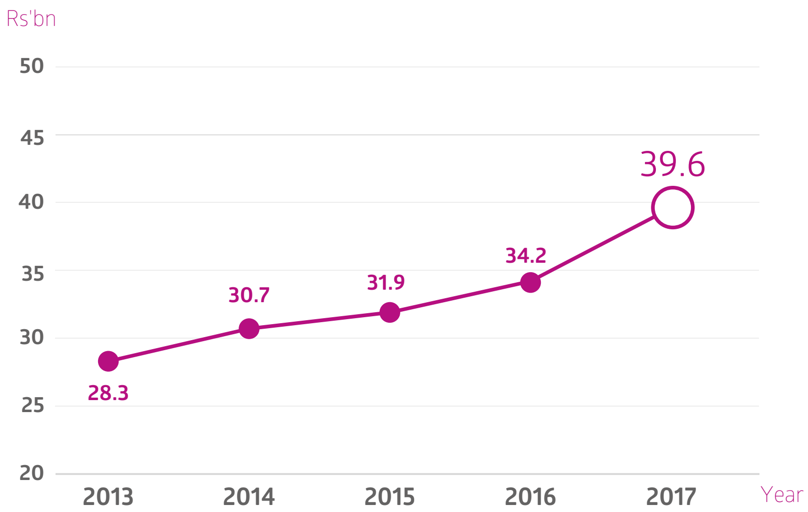


In 2017

Rs**3.9**bn

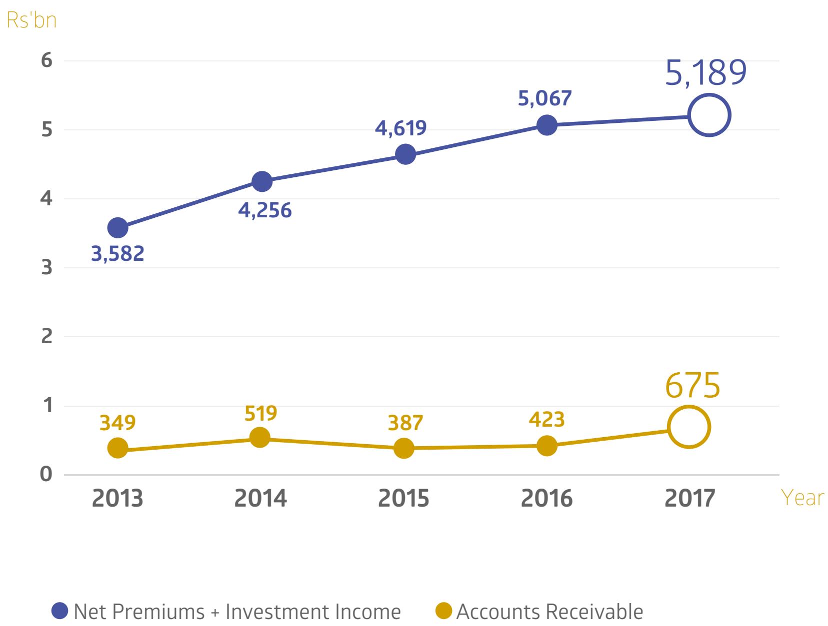
Net Premiums (Company)

Life Assurance Fund



Surplus after Tax amounts to Rs 2.0m in 2017

Accounts Receivable v/s Total Income



Senior Management Team

ISHWARI MADHUB
B.Sc (Hons), F.C.C.A, M.B.C.S, M.B.A
Systems & Processes

Born in 1967, she is a fellow of the Association of Chartered Certified Accountants (FCCA). She holds a BSc in Information Systems and an MBA from Oxford Brookes University (UK) as well as certifications in Project Management, Change Management and Lean/Six Sigma Process Improvement (Green Belt).

She started her career as a software developer at Swan Insurance Co. Ltd (now known as Swan General Ltd) in 1987 and was appointed as manager in 2000. She has been responsible for managing the Group Systems and Processes department since 2007; overseeing IT Procurement, Network and Infrastructure, IT Systems and Business Process Improvement. She was promoted to Senior Manager in January 2018.

VANISHA PURSUN
BA (Hons), F.I.A. – Actuarial

Vanisha Pursun, born in 1975, joined Swan Life Ltd in 2016. She is responsible for the day to day running of the actuarial department which provides actuarial services to a number of pension funds which are either managed by Swan or other service providers. The department also prepares accounting disclosures in respect of pension or other retirement benefit obligations for a number of companies. Vanisha is also responsible for the Life Reinsurance and Underwriting teams and the Group Credit Arrangements which Swan has with a number of local and regional banks. In addition she provides advice to the Group on actuarial matters for both life and general insurance.

Vanisha holds a BA (Hons) degree in Mathematics from the University of Delhi and is a qualified actuary from the Faculty and Institute of Actuaries. Prior to joining Swan she has worked in pensions and employee benefits consulting for about 10 years before moving on to the insurance industry in 2011.

NITISH BENI MADHU
B.Sc. (Hons), M.Sc
Chief Investment Officer

Born in 1979. Nitish Beni Madhu holds an honours degree in Economics and Masters of Arts in Economics from the University of Ottawa (Canada).

He has more than 15 years' experience in the finance industry and has expertise in asset management, investment advisory and insurance. He is the chairperson of the Central Depository & Settlement Co Ltd (CDS) and also holds directorship positions on the Stock Exchange of Mauritius, MDA Properties, Constance Hotels Services Ltd, Moka City Ltd amongst others and regularly lecturers at the University of Mauritius in Economics & Finance. He joined Anglo Mauritius Investment Managers Ltd (now Swan Wealth Managers Ltd) in 2005 and now heads the non-insurance cluster of SWAN (Capital Markets) together with the Loans and Property segments of SWAN. Nitish is a member of the Investment Committee of SWAN and is equally involved with investment projects of the group in Africa.

VISHNOO LUXIMAN
M.Sc. – Group Human Resources

Born in 1962, he worked as Assistant Personnel & Public Relations Officer at the Constance & La Gaieté SE Company Ltd from 1983 to 1988. He joined Deep River-Beau Champ Ltd (DRBC) as Assistant Personnel Manager/Public Relations Officer in 1988. He was promoted to the position of Personnel Manager/Public Relations Officer with the same company in 1990.

He was appointed Human Resources Manager of DRBC in 2002 and, as such, provided advice and services to 7 companies of the CIEL Group, including TPC Ltd, found in Tanzania. He cumulated the responsibility of Acting Secretary of the Mauritius Sugar Producers' Association with that of Human Resources Manager of DRBC from September to December 2005.

ALAN GODER
Chief Operations Officer

Born in 1967, he worked in the Actuarial Department of The Anglo Mauritius Assurance Society Limited (now known as Swan Life Ltd) as Actuarial Clerk from February 1988 to April 1989. From May 1989 to December 1995, he was employed as Technical Supervisor in the Life Department of The Albatross Insurance Company Ltd.

From August 1996 to June 2001, he was Executive Director of Actuarial & Capital Management Services Ltd, now the AXYS GROUP.

From July 2001 to October 2004, he was the Chief Executive Officer of Pension Consultants & Administrators Limited (now known as Swan Pensions Ltd).

He joined The Anglo Mauritius Assurance Society Limited (now known as Swan Life Ltd) as Senior Manager in November 2004 where he oversees the Claims and Fund Administration departments. He is also responsible for managing Swan Pensions Ltd. Since August 2009, Alan has been appointed to oversee the pension department of Swan Life Ltd.

Alan was also Senior Manager to the Group Systems & Processes department until December 2017. Since January 2018, he has been appointed as Chief Operations Officer of Swan Life Ltd. His key areas of specialisation are pensions administration and consulting.

Senior Management Team

JAIYANSING (SHAILEN) SOOBAH
FCCA, MBA, Dip C.I.I
Group Company Secretary,
Group Risk Officer

Jaiyansing (Shailen) Soobah, born in 1974, is a Fellow of the Association of Chartered Certified Accountants and holds a Master in Business Administration. He started his career with De Chazal Du Mée (now BDO) where he spent 10 years in the audit and offshore departments. In 2003, he moved to the Financial Services Commission in the insurance supervision department.

In 2009, he joined CIM Group, and was subsequently appointed as Senior Manager Compliance of the insurance and investment cluster. He joined SWAN with the merger of the insurance businesses of Swan and CIM in June 2012. He is currently Senior Manager – Group Company Secretary and Group Risk Officer. He also holds directorship positions in the subsidiaries of SWAN.

ROBERT GALLET
Individual Business Marketing &
Development, Properties

Robert Gallet, born in 1951, worked as assistant to Divisional Accountant for eight years in the Pensions Business of Southern Life in South Africa. He then worked for six years in the Individual Life Business of Southern Life in South Africa where he held the position of Manager and Senior Manager.

He joined The Anglo Mauritius in March 1987 whereby he has spent eighteen years in Pensions and Individual Life Business. He holds the position of Senior Manager responsible for the marketing of the Individual Business including the overall responsibility of its sales force. He is responsible for the administration of the immovable property portfolio of the Company and its subsidiaries.

His key areas of expertise are administration and marketing.

PREETEE JHAMNA-RAMDIN
Held the position of Senior Manager –Chief Financial Officer UP to 18 December 2017.

PATRICE BASTIDE
B.Sc and M.Sc
Group Marketing

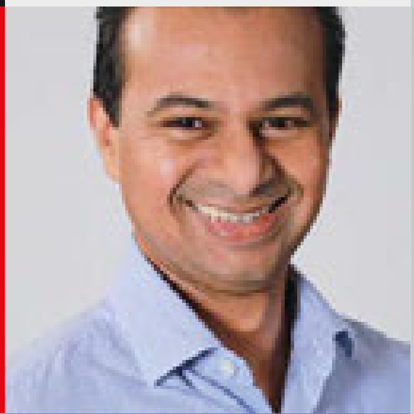
Born in 1963, Patrice holds a M.Sc. in Applied Mathematics, USA. He is responsible for Swan's international development and oversees a number of projects mainly in sub Saharan Africa where he assists Swan in setting up an elaborate network of cross-border relationships as well as implementing Swan's longer term objectives in these jurisdictions. He has developed an in-depth knowledge of these markets including of their local regulatory environments and is a Board Director on a few international subsidiaries. On the strength of his previous tenure as Marketing Manager of Albatross Insurance and CIM Insurance, Patrice took over the Marketing function of the Group in September 2016.


JAIYANSING (SHAILEN) SOOBAH
PATRICE BASTIDE

Herbert MADANAMOOTHOO
Maîtrise de Droit - Compliance, M.L.R.O

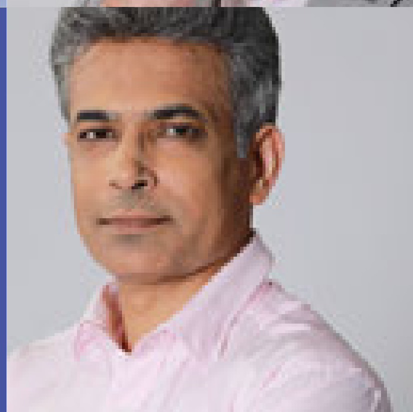
Sonia KALACHAND-CANABADY
B.A, M.A - Group Human Resources

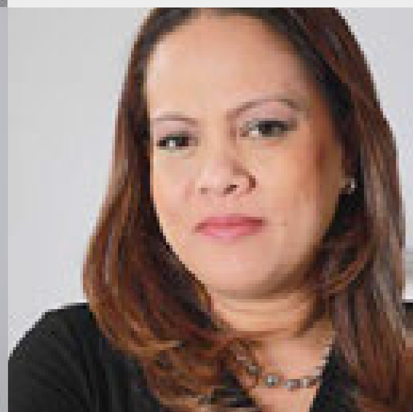
Neeraj UMANEE
B.A. (Hons) – Swan Securities Ltd



Gaël ALIPHON
A.C.I.I. - Sales and Development

Sachinanand MUNGRA
Diplôme De Technologie, Masters in Business Administration - Corporate Office





Veenaye BUSGEETH
F.C.C.A. - Corporate Finance

Navindranath BHUGALOO
A.C.I.I – Swan Pensions Ltd and Pensions (DC)

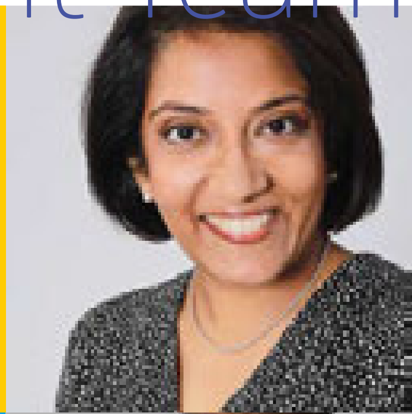
Krystel HEE KWUN FONG
Dip CII, LLB (Hons) - Claims

Mario BUTTIE
F.C.C.A. - Fund Administration

Management Team

Charisma JAWAHEER-ROOPUN
B.Sc (Hons), MBA - Pensions

Alvin JOYEKURUN
B.Sc (Hons), FIA Actuarial



Patrick DE MARCY CHELIN
Loans

Gianduth JEEAWOCK
B.Sc. (Hons.), CFA - Investments

Dave LUCHMUN
Group Facilities

Carine ADELSON
B.A, M.A - Group Marketing

Karmchandrasingh ROOPUN
B.Sc (Hons) Actuarial

Leong LAI MAN CHUN
Systems and Processes

Karine MOREL
B.Com., F.C.C.A, M.I.P.A. (M) – Finance

1788

Part of the Mauritian folklore, the fictional story of 'Paul et Virginie' has largely contributed to seal the reputation of Mauritius as a paradise island thanks to the vivid depictions of the landscapes as well as indigenous fauna and flora by French author Bernardin de Saint-Pierre. This tragic love story has also been the basis for numerous literary and cinematographic adaptations

Mauritius has been slowly consolidating its economy over the past two decades. With current infrastructure works designed to reshape the country and its target to achieve high-income country status by 2030, Mauritius has been concentrating in the past couple of years on ways to achieve its ambitions. Growth forecasts for 2017 and 2018 indicate that the outlook is positive.

2017-18

CSR

At SWAN, we believe that we can achieve a world that is both fair/equal and more sustainable through helping Non-Governmental Organisations that play a crucial role in society. The group has thus provided financial support amounting to **Rs 4.2m** to **41 NGOs**, while further strengthening and reinforcing its partnership with them. These organisations are involved in a number of initiatives ranging from education and training to socio-economic development through health, environment, leisure, arts and sports.

In 2017

Rs**4.2**m

were dedicated to support **41 NGOs**

Education has a tremendous impact on national development. Over the last few years, SWAN has put a lot of emphasis on this sector as we acknowledge its vital role for both our society and our economy. 39% of our CSR funds were allocated to education and training, where NGOs are committed to helping children reach their full potential.

Financial support granted to NGOs involved in socio-economic development has seen a slight rise in 2017. SWAN allocated 25% of its total contribution to those organisations working towards the upgrading of the standard of living of the underprivileged through financial assistance and some basic skills education. Granting its support to NGOs which aim at helping people stand on their own and be able to make their own living aligns with Swan's core priorities.

Visit to Association Elles C Nous

Cheque remittance ceremony

As we have stressed over the years, health is one area that needs constant attention as the well-being of its citizens is synonymous with a country's progress. In that regard, we have donated 17% of our CSR budget to 8 NGOs which are committed towards improving the health of the population, namely through sensitisation and awareness campaigns. During the year 2017, SWAN focused on different health issues that afflict the Mauritian people, and among the recipients of our CSR contributions were the Muscular Dystrophy Association, the Centre d'Accueil de Terre Rouge and Link to Life.

On another note, SWAN is also a keen supporter of sports in Mauritius. We believe that sport contributes to the betterment of our society as it instigates a sense of respect towards others, as well as promoting values that we cherish, such as team spirit, resilience and commitment.

> Swan Foundation laid much emphasis last year in socio-economic development.

This is why we allotted 11% of our 2017 budget to the sponsorship of sports association.

Our natural environment needs to be protected and SWAN is committed to this endeavour. We believe that to upgrade our standard of living, we must recognise the importance of preserving our flora and fauna for the generations to come. 8% of our CSR funds in 2017 thus went to organisations involved in the protection of the environment, most notably the Mauritius Wildlife Foundation and Mission Verte.

SWAN firmly believes that the private sector should have a strong commitment to the society in which it operates. Besides our duty to make the company grow, our role is to also contribute in enhancing the environment for progress, for the people and the society as a whole.

Corporate Governance Report

YEAR ENDED 31 DECEMBER 2017

1. COMPLIANCE STATEMENT

The Board of Directors ensures that the principles of good governance are followed and applied. For the year under review, except as specifically mentioned, the Company has complied in all material respects with the Code of Corporate Governance for Mauritius (2003).

The new National Code of Corporate Governance 2016 shall be applicable as from the year ending 31 December 2018.

SHAREHOLDERS

2.1 Holding structure

As at 31 December 2017, Swan General Ltd held 82.72% of the Company. No other single shareholder held more than 5% of the Company.

2.2 Common Directors

For the year ended 31 December 2017, the following directors were common to both the Company and Swan General Ltd:

Nicolas Maigrot

Gopallen Mooroogen

Hector Espitalier-Noël

Henri Harel

Jean-Sebastien Mamet

Louis Rivalland

Philippe Espitalier-Noël

Pierre Dinan (until 13 June 2017)

René Leclézio

Victor Seeyave

2.3 Share ownership

Share ownership as at 31 December 2017 was as follows:

Size of shareholding	Number of shareholders	Number of shares	% of total issued shares
1 – 500	274	33,494	1.272
501 – 1,000	36	25,040	0.951
1,001 – 5,000	68	129,482	4.919
5,001 – 10,000	7	47,210	1.794
10,001 – 50,000	7	108,776	4.132
50,001 – 100,000	2	110,833	4.211
100,001 – 250,000	-	-	-
250,001 – 500,000	0	0	-
Over 500,000	1	2,177,375	82.72
TOTAL	**395**	**2,632,210**	**100%**

2.4 Shareholder category

Shareholder category	Number of shareholders	Number of shares	% of total issued shares
Individuals	313	235,638	8.952
Insurance & Assurance companies	3	2,179,437	82.799
Pensions and Provident funds	24	29,798	1.132
Investment and Trust companies	9	55,347	2.103
Other corporate bodies	46	131,990	5.014
TOTAL	**395**	**2,632,210**	**100**

2.5 Shareholder communication and events

The Company communicates with its shareholders through press communiqués, publication of quarterly results, its annual report and at the meeting of shareholders. Shareholders are encouraged to ask questions during the annual meetings. Board members attend the annual meeting of shareholders.

In addition, the Company's website is regularly updated with share price and financial results. Key events are set out below:

December	Declaration of dividend
January	Payment of dividend
March	Publication of annual results
May	Publication of first quarter results
June	Annual meeting of shareholders
August	Publication of half year results
November	Publication of nine months results

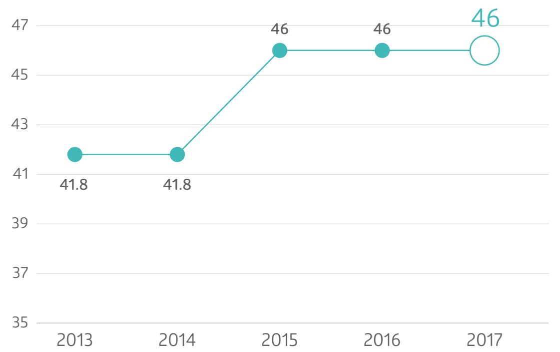
Corporate Governance Report

2.6 Dividend policy

The Company does not follow a formal dividend policy. Dividends are declared after taking into account the Company's profitability and the solvency requirements of the Companies Act and the Insurance Act. The Company declares dividend in December based on best estimates of yearly results to 31 December.

For the year under review, the Company declared and paid a dividend of Rs 46.00 per share. Dividend paid during the last 5 years is shown below.

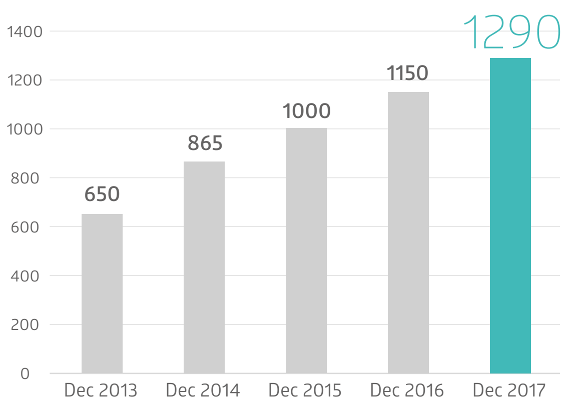
Dividend (Rs)



2.7 Share price information

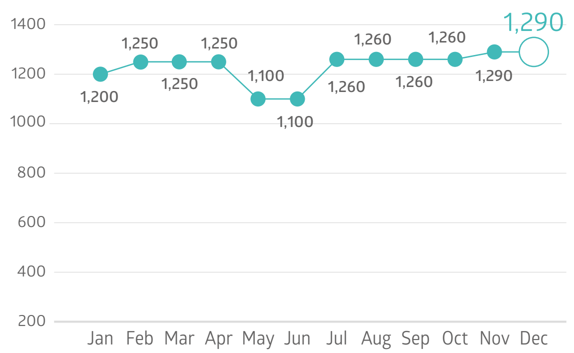
The share prices (at 31 December) of the Company for the past five years are shown below:

Market Price (Rs)



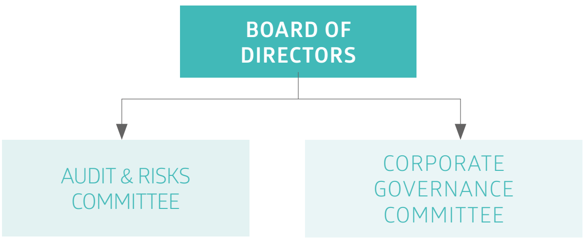
Share prices at month end of the Company during 2017 were as follows:

Market Price (Rs)



3. GOVERNANCE STRUCTURE

The governance framework of the Company is as follows:



Each subsidiary has its own Board. As provided in the Code of Corporate Governance, the Audit & Risks Committee and the Corporate Governance Committee are established at Group level and oversee the governance, audit and risk issues of all the subsidiaries.

4. BOARD

4.1 Composition of the Board

Directors' profiles appear on pages 18 to 23 of the Annual Report.

The functions and responsibilities of the Chairperson and Group Chief Executive are separate. The Chairperson leads the Board, ensuring that each director is able to make an effective contribution. He monitors, with the assistance of the Company Secretary, the information distributed to the Board to ensure it is sufficient, accurate, timely and clear. The Group Chief Executive has the day-to-day management responsibility for the Group's operations, implementing the strategies and policies agreed by the Board.

The Board consists of executive, non-executive and independent non-executive directors. The non-executive directors constructively challenge and help develop proposals on strategy, scrutinise the performance of Management in achieving objectives and monitor the reporting of performance.

The Code of Corporate Governance requires all Boards to have a strong executive presence with at least two executives as Directors. The Company has only one executive director. The Company will reassess the composition of its Board in light of the new National Code of Corporate Governance (2016), which has become effective as from July 2017.

The independent non-executive directors bring a wide range of experience and skills to the Board. They are free from any business or other relationships which would materially affect their ability to exercise independent judgement, constructively dissent and are critical by-standers. Independent non-executive directors constitute the majority of the Audit & Risks Committee and the Corporate Governance Committee.

All directors have access to the advice and services of the Company Secretary. Where necessary in the discharge of their duties, directors may seek independent professional advice at the Company's expense.

As part of the induction process, newly appointed directors receive an 'Induction Pack' containing key information on the Group and the sector in which it operates. All new Board appointments are subject to the approval of the Financial Services Commission.

The composition of the Board for the year 2017 was as follows:

Executive	Louis Rivalland *(Group Chief Executive)*
Independent non-executive	Gopallen Mooroogen Pierre Dinan *(until 13 June 2017)* Victor Seeyave
Non-executive	Nicolas Maigrot (Chairperson) Hector Espitalier-Noël Henri Harel Philippe Espitalier-Noël René Leclézio Sébastien Mamet

4.2 Role of the Board

The Board leads and controls the Company and is the link between shareholders and the Company. It also is the focal point of the corporate governance system and is ultimately accountable for the performance of the affairs of the Company. Compliance is equally the responsibility of the Board, which ensures that the Company complies with the full set of laws, rules and regulatory framework in which it operates.

The Board is responsible for organising and directing the affairs of the Company in the best interests of shareholders, in conformity with legal and regulatory framework, and consistent with its constitution and best governance practices.

4.3 Election of Directors

The Code of Corporate Governance provides for directors to be elected (or re-elected as the case may be) every year at the annual meeting of shareholders. However, the Board does not consider this recommendation to be appropriate within the context of the Company. In addition, the constitution of the Company does not make any provision for such a procedure.

The Board believes that the complexity of the Company's and Group's operations is such that sufficient time should be allowed for an independent director to be reasonably conversant with its technicalities. This applies particularly to those Directors who are members of the Audit and Risks Committee. Re-election of directors over the age of 70 years is made in compliance with section 138(6) of the Companies Act 2001.

Corporate Governance Report

4.4 Board appraisal

The Board is composed of directors coming from different sectors of the economy. Each director has drawn from his professional background and competence in positively contributing to the Board's activities. No formal evaluation of the Board was undertaken during the year.

4.5 Board Committees

(i) The Audit and Risks Committee

The Committee members were as follows for the year ended 31 December:

Mr. Peroomal Gopallen Mooroogen (Chairperson) (*independent*)

Mr. Pierre Dinan (*independent*) *(until 13 June 2017)*

Mr. Victor Seeyave (*independent*)

Mr. Henri Harel (*non-executive*).

The Committee meets at least four times a year. The Group Chief Executive attends unless a conflict of interest is likely to arise. Members of the Committee have adequate financial awareness.

Members of the Senior Management, the External Auditors and the Internal Auditors regularly attend meetings of the Audit and Risks Committee. The Company Secretary acts as Secretary to the Committee.

The Committee may secure the attendance of external professional advisers at its meetings in order to perform its duties.

The primary function of the Committee in relation to audit is to assist the Board of Directors in discharging its oversight responsibilities with respect to:

a) the safeguarding of assets;

b) the systems of internal controls regarding finance, accounting standards, legal compliance and ethical behaviour;

c) the auditing, accounting and financial reporting processes generally;

d) the financial statements and other financial information provided by the Group to its shareholders, the public and others;

e) compliance with legal and regulatory requirements; and

f) the performance of the Group's Internal Auditors and External Auditors.

In relation to risks, the Committee will discharge its duties by:

a) Reviewing and assessing the integrity of the risk control systems and ensuring that risk policies and strategies are effectively managed;

b) Setting out the nature, role, responsibility and authority of the risk management function and outlining the scope of risk management work;

c) Keeping abreast of external developments relating to the practice of corporate accountability, i.e. the way those entrusted with the day-to-day management of the Group's affairs are held accountable to shareholders regarding the management of emerging and prospective risks, uncertainties and influences that could impact on the Group's future results;

d) Reviewing and providing an independent and objective oversight on reports submitted by management on corporate accountability and specifically how associated risks are being mitigated.

The Committee is satisfied that it has discharged its responsibilities for the year in compliance with its terms of reference.

During the year, the Committee met five times and the main issues discussed and deliberated on were:

(i) Yearly audited accounts – consideration and recommendation to the Board for approval;

(ii) Abridged quarterly accounts - consideration and recommendation to the Board for approval and publication;

(iii) Internal audit – consideration of internal audit, data protection, fixed assets management, cash life cycle and procurement & payment reports;

(iv) Risk Management.

(ii) The Corporate Governance Committee

The Committee members were as follows for the year ended 31 December 2017:

Mr. Nicolas Maigrot (Chairperson) (*non executive*)

Mr. Pierre Dinan (*independent*) *(until 13 June 2017)*

Mr. Peroomal Gopallen Mooroogen (*independent*)

Mr. Victor Seeyave (*independent*)

The Group Chief Executive is in attendance.

The Corporate Governance Committee's terms of reference (which comprise areas covered by a Nomination and Remuneration Committee) include but are not limited to:

(i) Determining, agreeing and developing the general policy on corporate governance in accordance with the Code of Corporate Governance, legal compliance and ethical policies;

(ii) assisting the Board on establishing a formal and transparent procedure for developing a remuneration policy for executive and senior management;

(iii) putting in place plans for succession, in particular the Chairperson and the Group Chief Executive;

(iv) making recommendations to the Board on all new Board appointments; and

(v) determining the level of emoluments of executive, non-executive, independent non-executive directors and Board Committee members.

The Committee is authorised to seek any information it requires from any employee of the Group in order to perform its duties and shall set the appropriate procedures accordingly. The Committee is also authorised to obtain, at the Company's expense, such outside legal or other independent professional advice as it considers necessary to perform its duties.

During the year 2017, the Corporate Governance Committee took certain decisions through written resolutions.

4.6 Attendance at board and audit committee meetings

	Board	Audit & Risks Committee
Number of meetings held	**6**	**5**
Louis Rivalland	6	n/a
Pierre Dinan *(until 13 June 2017)*	1	2
Victor Seeyave	6	4
Gopallen Mooroogen	5	4
Henri Harel	6	3
Hector Espitalier-Noël	5	n/a
Philippe Espitalier-Noël	6	n/a
René Leclézio	5	n/a
Nicolas Maigrot	6	n/a
Sébastien Mamet	4	n/a

4.7 Directors' interests and dealing in shares

In accordance with the Companies Act 2001, the Company Secretary maintains a Register of Directors' Interests. As soon as a Director becomes aware that he is interested in a transaction, or that his holdings or that of his associates have changed, the interest should be reported to the Company Secretary in writing.

The Register of Directors' Interests is updated with every transaction notified by the Directors and their associates. All new Directors are required to notify in writing to the Company Secretary their holdings in the Company's shares. According to the Company's Constitution, a Director is not required to hold shares in the Company.

The Directors confirm that whenever they deal in the shares of the Company, they follow the principles of the model code on securities transactions by directors as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules.

Corporate Governance Report

Directors' interests in shares were as follows:

Directors	In the Company		
		Direct	Indirect
	No. of Shares	%	%
J.M. Louis Rivalland	16,229	0.616	-
Philippe Espitalier-Noël	-	-	0.9179
Hector Espitalier-Noël	-	-	0.9499

There was no dealing by directors in the shares of the company during the year.

4.8 Directors' remuneration

Remuneration and benefits received by the directors during the year were as follows:

	From the Company (Rs)	From subsidiaries (Rs)
Executive Directors	5,035,613	4,896,930
Non-Executive Directors	1,025,010	158,330

The Directors' fees and remuneration are in accordance with market rates. They have not been disclosed on an individual basis, as recommended by the Code of Corporate Governance, due to the sensitive nature of the information.

5. SENIOR MANAGEMENT PROFILE

A profile of each member of the senior management team appear on pages 30 to 33 of the Annual Report.

6. REMUNERATION POLICY

The Board is responsible for the remuneration policy of the Group and duties are delegated to the Group Human Resource (HR) management team.

The Remuneration structure has been designed so as to support the following strategic aims:

- Provide a remuneration package that attracts, retains and motivates staff and helps to develop a high performance culture.
- Ensure that pay levels are internally consistent and externally competitive.
- Reward employees according to their performance and contribution.
- Provide a right mix of non-financial as well as financial rewards.
- Ensure that the remuneration package promotes improved performance and is affordable.

Executive directors' remuneration package consists of basic salary, annual performance bonus, pension provision, other benefits and an annual director's fee. The structure of the package is reviewed annually and benchmarked to market norms and practices. The Group's objective is to attract, motivate and retain executive directors of the highest calibre. This is essential for the successful leadership and effective management of the Group.

Non-executive directors receive an annual fee for their knowledge, experience and insight given to the Board and Committees.

The remuneration policy for executive directors approaching retirement is determined by the Corporate Governance Committee on a case-to-case basis.

7. COMPANY SECRETARY

The Company Secretary plays a key role in the application of corporate governance. All directors have access to the advice and services of the Company Secretary, who provides guidance to the Directors on their statutory responsibilities, ethics and good governance. The Company Secretary discharged his duties as per the statutory requirements.

8. RELATED PARTY TRANSACTIONS

For related party transactions, please refer to note 32 to the financial statements.

9. CONSTITUTION

The constitution of the Company does not provide any ownership restriction or pre-emption rights. It is in conformity with the Companies Act 2001 and the Mauritius Stock Exchange Listing Rules.

10. RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

Please refer to the Risk Report on pages 49 to 53.

11. SHAREHOLDERS' AGREEMENTS/ THIRD PARTY MANAGEMENT AGREEMENTS

There were no such agreements during the year.

12. SHARE OPTION

The Company and Group have no share option plan.

13. CHARITABLE DONATIONS, CORPORATE SOCIAL RESPONSIBILITY AND POLITICAL CONTRIBUTION.

Please refer to 'Other Statutory Disclosures' in the financial statements.

14. STAKEHOLDERS' RELATIONS AND COMMUNICATION

The Company's and Group's objective is to properly understand the information needs of stakeholders and to have an open and meaningful dialogue with all its stakeholders. Open lines of communication are maintained to ensure transparency and optimal disclosure. The Company communicates through press communiqués, publication of quarterly results and its annual report. In addition, the Company's website is regularly updated with share price and financial results.

15. CODE OF ETHICS

The Company and the Group are committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. The Company adopted a new Code of Ethics during 2016. The Code explains our policies for how we conduct business. Employees, officers and members of the Board of Directors commit to understanding the Code and to abide by its principles, which support full compliance with applicable laws. They also represent the practical ways that we put our values to work every day. We believe that when we apply our ethical principles to our business decisions, the Company and the group are positioned for success.

16. ENVIRONMENT, HEALTH & SAFETY AND SOCIAL ISSUES

The Company and the Group are committed to the development and implementation of social, safety, health and environmental policies (including carbon reduction) and practices, which comply with existing legislative and regulatory frameworks. In this area, the Company and the Group are aiming for best practice in line with its corporate values and long-term objectives.

In reckoning its social responsibility and the significance of broadening its role to areas not directly connected with its operations, the Company and the Group, as a corporate citizen, contributed to the development of a number of organisations in the educational, cultural, social and humanitarian fields through the Swan Foundation.

Jaiyansing Soobah
for Swan Corporate Affairs Ltd
Company Secretary

Date: 27 March 2018

Statement of Compliance

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

Name of Public Interest Entity (PIE): Swan Life Ltd

Reporting Period: December 31 2017

We, the Directors of Swan Life Ltd, confirm that to the best of our knowledge that the PIE has not complied with Sections 2.2.3, 2.2.6, 2.8.2 and 2.10.3 of the Code of Corporate Governance. Reasons for non-compliance are given at Sections 4.1, 4.3, 4.8 and 4.4 respectively of the Corporate Governance report.

Nicolas Maigrot
Chairperson

Louis Rivalland
Group Chief Executive

27 March 2018

Risk Management Report

The Board of Directors have ultimate responsibility for risk management. The Board is assisted in this task by the Audit & Risk Committee, the Risk Officer and Management.

Regulatory Developments

The Financial Services Commission (FSC) has, under section 130 of the Insurance Act and section 93 of the Financial Services Act, issued the Insurance (Risk Management) Rules 2016 ('FSC Rules'). The Rules were gazetted in October 2016 and became effective on 1st July 2017. Swan has been working on the implementation of the FSC Rules, the main components of which are as set below:

Risk Management Report

Implementation Process

Setting up of the risk management function and appointment of the Risk Officer

↓

Risk workshops were provided to Senior Management with the help of an external consultant

↓

Risk Appetite Statements were formulated by Risk Owners under supervision of the Risk Officer

↓

Our 3-year Business Plan was prepared by the CFO and Operational Managers while stress testing on our future solvency positions

↓

The Risk Management Framework, the Internal Control policy, the ORSA policy and Risk policies were finalized

↓

The ORSA reports were compiled subject to stress testing scenarios on our regulatory solvency

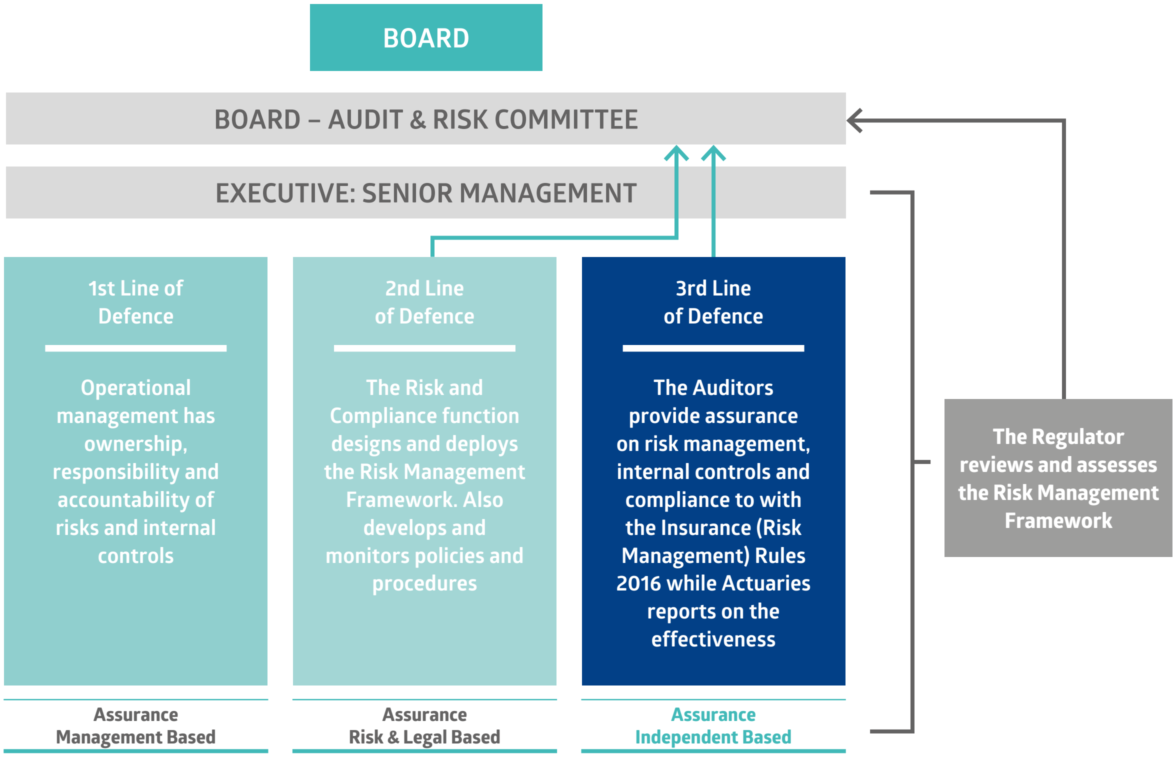
↓

The Risk Management Framework and all our risk policies were approved by the Board

How We Oversee and Manage Risk

The Risk Management Function

The Risk Management Framework allows the management team, the Audit & Risk Committee and the Board to have a comprehensive view of the risks identified in Swan, hence promoting a combined and integrated risk and assurance function. To ensure the effectiveness of the risk management framework, the Board and Management rely on adequate line functions, including monitoring and assurance. Swan has adopted the 'three-lines-of-defence' model where ownership for risk is taken at all levels within Swan. This model is widely adopted by financial services companies globally. It clearly sets out the risk management responsibilities across the business and is consistent with the current regulatory climate encompassing corporate governance, systems and controls.



1st Line of Defence

As the first line of defence, Operational Managers and Senior Managers own and manage risks, they naturally serve as the first line of defence because controls are designed into systems and processes under their guidance of operational management. This function makes sure adequate managerial and supervisory controls are in place to ensure compliance and to highlight control breakdown, inadequate processes, and unexpected events. They also are responsible for implementing corrective actions to address process and control deficiencies on a day-to-day basis.

2nd Line of Defence

The Board establishes various risk management and compliance functions to help build and monitor the first Line of defence, the Risk Officer who is appointed by the Board, lies in the 2nd Line of Defence and is independent from other management functions. His duty is to facilitate and monitor the implementation of effective risk management practices by operational management and assists risk owners in defining the Risk Appetite Statements (RAS), target risk exposure and reporting adequate risk-related information throughout the organization.

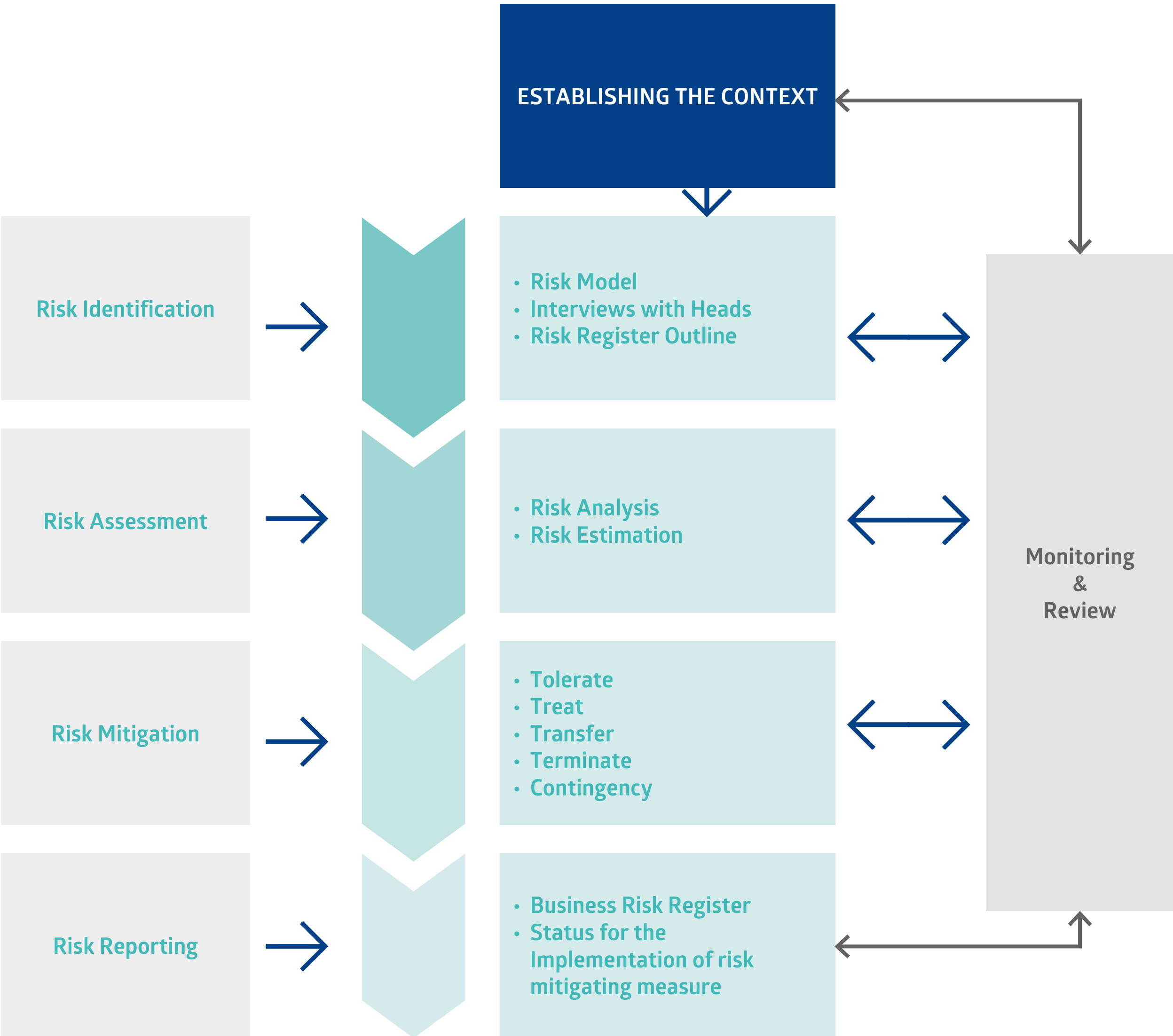
3rd Line of Defence

External auditors provide the governing body and senior management with comprehensive assurance based on the highest level of independence and objectivity within Swan. This high level of independence is not available in the second line of defence. Furthermore, the statutory Actuary provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives.

Risk Management Report

The Risk Management Process

The risk management strategy provides a structured and coherent approach on key iterative processes that need to be followed in order to identify, assess, mitigate, monitor, report and escalate risks.



Risk Mitigations

The table below sets out our preference for those risks arising in our day-to-day operations whereby we seek to reduce of residual risk exposure through management actions and various risk mitigating measures.

RISKS FROM INVESTMENTS

- Liquidity Risk is the risk whereby Swan is unable to meet short term financial demands such as claims due to insufficient assets in liquid form.
- Investment Risks arises due to fluctuations of returns caused by macroeconomic factors which affect our asset values.
- Credit Risks is the risk that a financial loss will be incurred if a counterparty to a transaction does not fulfil its financial obligations in a timely manner.

RISKS FROM CUSTOMERS

- Life Insurance risk comprises of longevity risk (people living longer than expected), mortality risks, expense risks (the cost of administration) and persistency risks (surrenders and lapses)
- Life insurance risks (High costs of fraudulent claims from customers)

RISKS FROM OPERATIONS AND OTHER BUSINESS RISKS

- Operational risks results into losses due to inadequate internal controls/ processes, people and systems.

Risk	Mitigating Strategies
Liquidity	• Monitoring of cash inflow and outflow • Trigger contingency plans
Investment	• Review investment guidelines • Re-balancing of asset portfolio
Capital	• Review Underwriting Capacity • Review Investment Strategy • Review Reinsurance Programme
Credit	• Review distribution strategy • Monitor of credit limits • Review SLAs with intermediaries
Longevity Mortality Persistency	• Close monitoring through Valuation reports • Re-pricing of products • Assess market trends • Review Reinsurance Programme
Claims	• Close monitoring of claims • Capital Injection • Review Underwriting Guidelines • Proper Customer Due Dilligence
Operational risk	• BI reports • Segregation of duties • Penetration Testing
Outsourcing risk	• Ensure SLAs are in place for outsourced activities

Statement of Directors' Responsibilities

Directors acknowledge their responsibilities for:

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

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

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

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

The Directors report that:

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

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

(iii) international financial reporting standards have been adhered to. Any departure in the fair presentation has been disclosed, explained and quantified;

(iv) The Code of Corporate Governance has been adhered to. Reasons have been provided where there has not been compliance.

Signed on behalf of the Board of Directors on 27 March 2018

Nicolas MAIGROT
Chairperson

Louis RIVALLAND
Director & Group Chief Executive

Company Secretary's Certificate

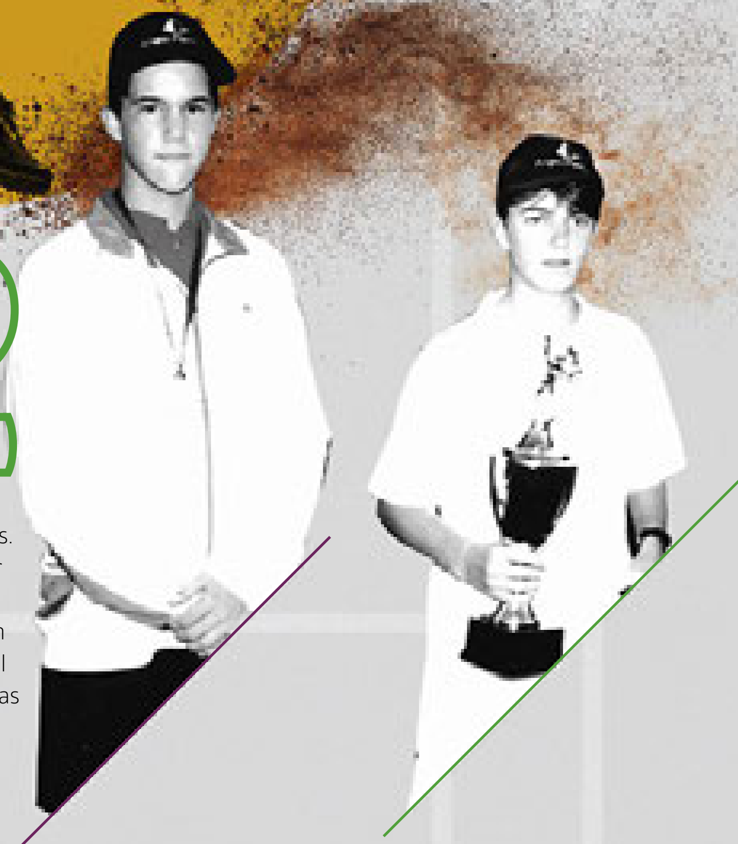
YEAR ENDED 31 DECEMBER 2017

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001.

JAIYANSING SOOBAH
FOR SWAN CORPORATE AFFAIRS LTD
COMPANY SECRETARY

27 March 2018

2002



SWAN has been an avid promoter of tennis in Mauritius. It has partnered, since 2002, with the Rose Hill Club for the Swan Tennis Open, the only tennis competition in the country that is held on clay courts. This competition has seen the emergence of local as well as international players. For its latest editions, the Swan Tennis Open has seen participants from all over the world.

One of the greatest assets of Mauritius as a country is its cultural, religious and ethnic diversity. Mauritius is indeed a microcosm of the entire world, with representatives of all major ethnic groups making up its rainbow population.

Independent Auditors' Report to the Members

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Swan Life Ltd and its subsidiaries (the Group), and the Company's separate financial statements on pages 62 to 124 which comprise the statements of financial position as at December 31, 2017, and the life assurance fund, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 62 to 124 give a true and fair view of the financial position of the Group and of the Company as at December 31, 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Key Audit Matters

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

1. Financial Reporting and Close Process (FRCP)

Key Audit Matter

The Company uses an accounting software to process and record transactions of its long term insurance business. The accounting software is not synchronised with the underwriting system of the pension department. The flow of information from the underwriting system to the financial reporting ledger may not be complete and accurate. In the absence of proper monitoring and control procedures, it may result in a significant risk of material misstatement on the recognition of gross premium and premium receivable.

Related Disclosures

Refer to note 12, 21 note 2.9, 2.17 (accounting policies) and note 3.2 (financial risk) of the accompanying financial statements.

Audit Response

- We tested the design and implementation and operating effectiveness of the key controls over revenue recognition, focusing on the flow of information from the underwriting systems to the financial reporting ledger.
- We ascertained that reconciliations between the financial reporting ledger and the operating department have been performed.
- We requested independent confirmations of receivables and payables arising from insurance contracts at reporting date.
- We obtained assurance over the accuracy and completeness of gross premiums, receivables and payables arising from insurance contracts by vouching a sample of gross premiums and receipts during the year to supporting documents from the operating department and bank statements.
- The accuracy and completeness of the gross and net premiums were also verified through Computer Assisted Audit Techniques, cut-off test and analytical reviews.

2. Carrying Value of Investments in Financial Assets

Key Audit Matter

The Group and the Company hold investments in financial assets with a carrying amount of Rs 32,751m and Rs 32,722m respectively at reporting date. The significance of the investment in financial assets on the statement of financial position resulted in them being identified as a Key Audit Matter. In assessing the fair value of financial assets, the Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Many of the inputs required can be obtained from readily available liquid market prices and rates. Where observable market data is not available, estimates must be developed based on the most appropriate source data and are subject to significant judgement.

The fall in value of available-for-sale financial assets if prolonged may lead to impairment losses. This determination requires significant judgement. In making this judgement, the Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Related Disclosures

Refer to note 10, note 2.8 (accounting policies), note 3.2 (financial risk) and notes 4.3, 4.4, 4.7 (critical accounting estimates) of the accompanying financial statements.

Audit Response

- We performed audit procedures over the valuation and accounting of investments in financial assets held by the Group and the Company. We ensured the financial assets are being recognised, measured and disclosed in line with the respective IFRS.
- We tested the design and implementation and operating effectiveness of the key controls over the investment valuation process. We tested, on a sample basis, their valuation at reporting date and we ascertained that the valuation techniques used are appropriate and consistently applied.
- We requested independent confirmation for the foreign and the local securities at the reporting date.
- For unquoted financial assets classified as level 3, we tested that the valuation techniques adopted reflect the best appropriate basis for valuation of the investments. We checked the reasonableness of inputs to the valuation techniques used.
- We reviewed and discussed with management and those charged with governance the Group and the Company's assessment of whether there is objective evidence that a financial asset is impaired and the completeness of impaired assets.
- We carried out impairment tests. Impairment tests, include review of performance and the factors affecting the investee company, ability to pay dividend, analysis of market price trend, the reasonableness of significant judgements made and the business outlook.

3. Valuation of Life Insurance Contract Liabilities Key Audit Matter

Life insurance contract liabilities is a key audit matter because of the inherent challenge in the assessment of estimates determined by projecting expected cash flows long into the future. Specific actuarial expertise is required to evaluate complex and judgmental actuarial methodologies and assumptions. The actuarial methodologies and assumptions require judgements and significant estimates about future events which may have significant impact to the valuation of liabilities under long-term insurance contracts. The assumptions include the likelihood of policyholders discontinuing their policies, the incidence of policyholder's sickness or death, future assumed investment return, risk discount rates and developments such as changes in legal practice and new medical treatments. These assumptions are used in conjunction with policyholders details to project the expected future cash flows related to the liabilities over the expected life of the inforce policies.

Related Disclosures

Refer to notes 16, notes 2.13 (accounting policies), notes 3.1 (insurance risk) and note 4.1 (critical accounting estimates) of the accompanying financial statements.

Audit Response

- Evaluating the key controls in the life insurance contract liabilities measurement process. This included controls over the integrity of the base data used in the estimation process. The base data is projected over the expected life of the policy which may be a period of many years.
- We considered the findings of the actuarial report. Through critical assessment of the actuarial report and supporting documentation, and discussion with the actuary, we analysed the differences in accrual methodology applied and we challenged the key assumptions being used.
- We assessed the reasonableness of key assumptions used and any changes in methodology in line with changes in the industry and the Company's historical claims experience.
- We verified that a Stress Test Requirement (STR) has been determined in accordance with guidelines issued by the Commission, the Company's capital and solvency margins are above the minimums required by the Insurance Act 2005 and proper internal controls are in place to ensure that they remain so.

Independent Auditors' Report to the Members

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

Insurance Act 2005

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

Financial Reporting Act 2004

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

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

BDO & Co
Chartered Accountants

Ameenah Ramdin, FCCA, ACA
Licensed by FRC

March 28, 2018

Port Louis,
Mauritius.

Statements of financial position

DECEMBER 31, 2017

	Notes	THE GROUP		THE COMPANY	
		2017	2016	2017	2016
ASSETS		Rs'000	Rs'000	Rs'000	Rs'000
Non-current assets					
Property and equipment	5	275,504	284,824	250,681	260,118
Investment properties	6(a)	479,475	475,804	439,653	435,982
Intangible assets	7	103,138	112,867	15,002	18,789
Investments in subsidiary companies	8	-	-	540,012	540,012
Investments in associated companies	9	35,078	49,290	614	614
Investments in financial assets	10	31,810,041	25,560,379	31,781,820	25,535,531
Loans and receivables	11	4,510,844	4,860,264	4,524,282	4,873,704
Deferred tax assets	17(b)	695	770	-	-
		37,214,775	31,344,198	37,552,064	31,664,750
Current assets					
Trade and other receivables	12	729,122	455,845	674,949	422,765
Investments in financial assets	10	940,640	372,218	940,640	372,218
Loans and receivables	11	319,925	351,109	319,925	351,109
Seized properties	6(b)	51,867	39,306	51,867	39,306
Short term deposits	13/27(b)	1,787,070	2,712,259	1,787,070	2,712,259
Cash and cash equivalents	27(b)	794,631	889,911	428,219	598,731
		4,623,255	4,820,648	4,202,670	4,496,388
Total assets		41,838,030	36,164,846	41,754,734	36,161,138
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	26,322	26,322	26,322	26,322
Proprietors' fund		703,425	635,400	703,425	635,400
Reserves		61,214	61,214	529,643	529,643
Owners' interest		790,961	722,936	1,259,390	1,191,365
Non-controlling interests	15	181,358	171,030	-	-
Total equity		972,319	893,966	1,259,390	1,191,365
Technical Provisions					
Life Assurance Fund	2.13/16	39,881,578	34,487,118	39,556,256	34,206,384
Gross outstanding claims	3.1(a) (iii)	87,022	60,299	87,022	60,299
		39,968,600	34,547,417	39,643,278	34,266,683
Non-current liability					
Retirement benefit obligations	18	70,340	229,161	66,126	224,455
		70,340	229,161	66,126	224,455
Current liabilities					
Trade and other payables	19	695,189	368,757	664,858	357,553
Current tax liabilities	20(c)	10,500	4,463	-	-
Dividend payable	25	121,082	121,082	121,082	121,082
		826,771	494,302	785,940	478,635
Total equity and liabilities		41,838,030	36,164,846	41,754,734	36,161,138

These financial statements have been approved for issue by the Board of Directors on: March 27, 2018.

Nicolas MAIGROT
Chairperson

Louis RIVALLAND
Director & Group Chief Executive

The notes on pages 66 to 124 form an integral part of these financial statements.

Auditors' report on pages 58 to 61.

Life assurance fund

YEAR ENDED DECEMBER 31, 2017

	Notes	THE GROUP		THE COMPANY					
				NON-LINKED	LINKED	TOTAL	NON-LINKED	LINKED	TOTAL
		2017	2016			2017			2016
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Gross premiums	2.17/21	**4,026,740**	3,859,237	**2,417,485**	**1,609,255**	**4,026,740**	2,294,658	1,564,579	3,859,237
Ceded to reinsurers		**(160,804)**	(167,141)	**(160,804)**	**-**	**(160,804)**	(167,141)	-	(167,141)
Net insurance premiums		**3,865,936**	3,692,096	**2,256,681**	**1,609,255**	**3,865,936**	2,127,517	1,564,579	3,692,096
Fee income on insurance and investment contracts		**464,313**	383,417	**290,727**	**-**	**290,727**	213,833	-	213,833
Investment income	22	**1,253,593**	1,306,042	**897,656**	**425,813**	**1,323,469**	927,246	448,008	1,375,254
Other income	23 (a)	**287,810**	168,154	**215,034**	**68,349**	**283,383**	149,496	18,464	167,960
Gain on derecognition of financial assets	23(b)	**-**	982,812	**-**	**-**	**-**	952,257	30,555	982,812
Gain/(loss) on exchange		**-**	4,982	**-**	**-**	**-**	6,828	(632)	6,196
Other operating income - rent		**22,589**	5,629	**20,444**	**-**	**20,444**	2,984	-	2,984
Share of results of associated companies	9	**(7,650)**	2,885	**-**	**-**	**-**	-	-	-
		5,886,591	6,546,017	**3,680,542**	**2,103,417**	**5,783,959**	4,380,161	2,060,974	6,441,135
Gross death and disablement insurance claims		**209,211**	145,447	**168,798**	**40,413**	**209,211**	138,384	7,063	145,447
Recoverable from reinsurers		**(24,832)**	(25,901)	**(24,832)**	**-**	**(24,832)**	(25,901)	-	(25,901)
Net death and disablement insurance claims		**184,379**	119,546	**143,966**	**40,413**	**184,379**	112,483	7,063	119,546
Maturity claims		**1,642,989**	1,620,687	**1,171,960**	**471,029**	**1,642,989**	1,210,671	410,016	1,620,687
Surrenders		**427,315**	449,443	**72,878**	**354,437**	**427,315**	44,513	404,930	449,443
Annuities		**567,227**	502,858	**545,120**	**22,107**	**567,227**	489,333	13,525	502,858
Commissions payable to agents and brokers		**236,313**	166,866	**236,313**	**-**	**236,313**	166,866	-	166,866
Fees payable		**206,856**	166,256	**153,542**	**151,603**	**305,145**	115,302	135,348	250,650
Depreciation and amortisation	5/6/7	**37,353**	40,030	**30,950**	**-**	**30,950**	33,173	-	33,173
Bad debts and impairment		**4,641**	24,682	**4,641**	**-**	**4,641**	24,682	-	24,682
Marketing and administrative expenses	24	**383,778**	335,899	**294,843**	**-**	**294,843**	237,377	-	237,377
Loss on exchange		**69,820**	-	**17,679**	**49,415**	**67,094**	-	-	-
		3,760,671	3,426,267	**2,671,892**	**1,089,004**	**3,760,896**	2,434,400	970,882	3,405,282
Surplus for the year before taxation		**2,125,920**	3,119,750	**1,008,650**	**1,014,413**	**2,023,063**	1,945,761	1,090,092	3,035,853
Taxation	20(a)	**(29,085)**	(24,311)	**-**	**-**	**-**	-	-	-
Surplus for the year		**2,096,835**	3,095,439	**1,008,650**	**1,014,413**	**2,023,063**	1,945,761	1,090,092	3,035,853
Surplus transferred as follows:									
- Life Assurance Fund	16	**1,844,101**	3,006,092	**781,199**	**1,014,413**	**1,795,612**	1,879,761	1,090,092	2,969,853
- Proprietors' fund		**227,451**	66,000	**227,451**	**-**	**227,451**	66,000	-	66,000
- Non-controlling interests	15	**25,283**	23,347	**-**	**-**	**-**	-	-	-
		2,096,835	3,095,439	**1,008,650**	**1,014,413**	**2,023,063**	1,945,761	1,090,092	3,035,853

The notes on pages 66 to 124 form an integral part of these financial statements.

Auditors' report on pages 58 to 61.

Statements of changes in equity

YEAR ENDED DECEMBER 31, 2017

THE GROUP

	Notes	Attributable to owners of the parent							
		Proprietors' Fund							
		Share Capital	Distributable	Non distributable	Amalgamation reserve	Other reserve	Total	Non-controlling interests	Total equity
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at January 1, 2017		**26,322**	**130,080**	**505,320**	**61,214**	**-**	**722,936**	**171,030**	**893,966**
Interest allocated		**-**	**41,433**	**-**	**-**	**-**	**41,433**	**-**	**41,433**
Transfer from/(to) Life Assurance Fund		**-**	**227,451**	**(79,777)**	**-**	**-**	**147,674**	**-**	**147,674**
Net movement for the year	15	**-**	**-**	**-**	**-**	**-**	**-**	**25,533**	**25,533**
Dividends	25/15	**-**	**(121,082)**	**-**	**-**	**-**	**(121,082)**	**(15,205)**	**(136,287)**
Balance at December 31, 2017		**26,322**	**277,882**	**425,543**	**61,214**	**-**	**790,961**	**181,358**	**972,319**
Balance at January 1, 2016		26,322	123,433	472,000	61,214	-	682,969	162,763	845,732
Interest allocated		-	61,729	-	-	-	61,729	-	61,729
Transfer from Life Assurance Fund		-	66,000	33,320	-	-	99,320	-	99,320
Net movement for the year	15	-	-	-	-	-	-	23,272	23,272
Dividends	25/15	-	(121,082)	-	-	-	(121,082)	(15,005)	(136,087)
Balance at December 31, 2016		26,322	130,080	505,320	61,214	-	722,936	171,030	893,966

THE COMPANY

	Notes	Proprietors' Fund					
		Share Capital	Distributable	Non distributable	Amalgamation reserve	Other reserve	Total Equity
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at January 1, 2017		**26,322**	**130,080**	**505,320**	**61,214**	**468,429**	**1,191,365**
Interest allocated		**-**	**41,433**	**-**	**-**	**-**	**41,433**
Transfer from/(to) Life Assurance Fund		**-**	**227,451**	**(79,777)**	**-**	**-**	**147,674**
Dividends	25	**-**	**(121,082)**	**-**	**-**	**-**	**(121,082)**
Balance at December 31, 2017		**26,322**	**277,882**	**425,543**	**61,214**	**468,429**	**1,259,390**
Balance at January 1, 2016		26,322	123,433	472,000	61,214	468,429	1,151,398
Interest allocated		-	61,729	-	-	-	61,729
Transfer from Life Assurance Fund		-	66,000	33,320	-	-	99,320
Dividends	25	-	(121,082)	-	-	-	(121,082)
Balance at December 31, 2016		26,322	130,080	505,320	61,214	468,429	1,191,365

The notes on pages 66 to 124 form an integral part of these financial statements.

Auditors' report on pages 58 and 61.

Statements of cash flows

YEAR ENDED DECEMBER 31, 2017

	Notes	THE GROUP 2017 Rs'000	THE GROUP 2016 Rs'000	THE COMPANY 2017 Rs'000	THE COMPANY 2016 Rs'000
Cash flows from operating activities					
Cash generated from operations	27(a)	**865,554**	661,362	**681,716**	499,235
Investment income received		**1,235,418**	1,308,149	**1,305,294**	1,380,962
Tax paid	20	**(22,859)**	(31,137)	**-**	-
Net cash generated from operating activities		**2,078,113**	1,938,374	**1,987,010**	1,880,197
Cash flows from investing activities					
Purchase of property and equipment	5	**(7,494)**	(13,032)	**(6,916)**	(11,595)
Purchase of investment properties	6(a)	**(13,553)**	(19,485)	**(13,553)**	(19,485)
Purchase of seized properties	6(b)	**(12,561)**	(2,909)	**(12,561)**	(2,909)
Purchase of intangible assets	7	**(928)**	(3,705)	**(928)**	(3,280)
Purchase of financial assets	10	**(5,412,860)**	(2,698,393)	**(5,338,731)**	(2,610,884)
Loans granted		**(337,391)**	(849,486)	**(337,391)**	(849,486)
Proceeds from disposal/maturity of financial assets		**2,143,425**	2,864,427	**2,066,656**	2,775,668
Proceeds from sale of property and equipment		**-**	48	**-**	-
Proceeds from sale of seized properties		**-**	3,300	**-**	3,300
Loans recovered		**696,017**	849,248	**696,017**	849,248
Net cash (used in)/generated from investing activities		**(2,945,345)**	130,013	**(2,947,407)**	130,577
Cash flows from financing activities					
Dividends paid to Company's shareholders	25	**(121,082)**	(121,082)	**(121,082)**	(121,082)
Dividends paid to non-controlling interest	15	**(15,205)**	(15,005)	**-**	-
Net cash used in financing activities		**(136,287)**	(136,087)	**(121,082)**	(121,082)
(Decrease)/increase in cash and cash equivalents		**(1,003,519)**	1,932,300	**(1,081,479)**	1,889,692
Movement in cash and cash equivalents					
At January 1,		**3,602,170**	1,669,019	**3,310,990**	1,419,232
(Decrease)/increase during the year		**(1,003,519)**	1,932,300	**(1,081,479)**	1,889,692
Effects of exchange rate changes		**(16,950)**	851	**(14,222)**	2,066
At December 31,	27(b)	**2,581,701**	3,602,170	**2,215,289**	3,310,990

The notes on pages 66 to 124 form an integral part of these financial statements.

Auditors' report on pages 58 to 61.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

1. GENERAL INFORMATION

Swan Life Ltd is a limited liability company incorporated and domiciled in Mauritius. The address of its registered office is Swan Centre, 10 Intendance Street, Port Louis. These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of the Company.

The principal activities of the Company consist of life insurance, pensions, actuarial and investment business and have remained unchanged during the year. The activities of the subsidiary companies forming part of the Group, are detailed in note 8.

2. PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements include the consolidated financial statements of the parent company and its subsidiary companies (the Group) and the separate financial statements of the parent company (the Company). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'000). Where necessary, comparative figures have been amended to conform with change in presentation and disclosure in the current year. The financial statements are prepared under the historical cost convention, except that:

(i) available-for-sale financial assets and relevant financial assets and liabilities are stated at their fair values; and

(ii) held-to-maturity investments, loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost.

Amendments to published Standards effective in the reporting period

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendment has no impact on the Group's financial statements.

Disclosure Initiative (Amendments to IAS 7). The amendments require the entity to explain changes in its liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. The Group does not have any liabilities arising from financing activity to disclose during the year.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 12 Disclosure of Interests in Other Entities. The amendments clarify that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations. The amendment has no impact on the Group's financial statements.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2018 or later periods, but which the Group/Company has not early adopted.

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

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IFRS 16 Leases

Clarifications to IFRS 15 Revenue from Contracts with Customers

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

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

Annual Improvements to IFRSs 2014-2016 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Transfers of Investment Property (Amendments to IAS 40)

IFRS 17 Insurance Contracts

IFRIC 23 Uncertainty over Income Tax Treatments

Prepayment Features with negative compensation (Amendments to IFRS 9)

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Annual Improvements to IFRSs 2015-2017 Cycle

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

IFRS 9 Financial instruments-effective 1 January 2018

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). In many instances, the classification and measurement outcomes will be similar to IAS 39, although differences will arise.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

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

IFRS 9 Financial instruments-effective 1 January 2018 (cont'd)

Classification and measurement (cont'd)

The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. The classification of financial liabilities is essentially unchanged. For certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in other comprehensive income.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk, and the estimation of ECL, are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link between it and risk management strategy and permitting the former to be applied to a greater variety of hedging instruments and risks. The standard does not explicitly address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

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

IFRS 9 Financial instruments-effective 1 January 2018 (cont'd)

Transition

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods.

The mandatory application date for the standard as a whole is 1 January 2018. The Group plans to defer the application of IFRS 9 until the earlier of the effective date of the new insurance contract standard (IFRS 17) of 1 January 2021, opting the temporary exemption from applying IFRS 9 by the amendments to IFRS 4.

Temporary exemption from IFRS 9

The optional temporary exemption from IFRS 9 is available to the Companies whose activities are predominantly connected with insurance. The Group continues to apply IAS 39 Financial Instruments: Recognition and Measurement and will defer the application of IFRS 9 until 1 January 2021 at the latest.

IFRS 15 Revenue from contracts with customers - effective 1 January 2018

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The Group is assessing the impact of this new standard, except for the Company which is applying IFRS 4, excluded under the scope of the standard.

IFRS 17 Insurance contracts - effective 1 January 2021

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

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

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

IFRS 17 Insurance contracts (cont'd)

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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and the Company'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 disclosed in Note 4.

2.2 Property and equipment

All property and equipment are stated at historical cost/deemed cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated on the straight line method to write off the cost of each asset, to their residual values over their estimated useful life, as follows:

Buildings	2%
Furniture, fixtures and fittings	10%
Computer equipment	15% - 33.3%
Electrical equipment	10%
Motor vehicles	20%

Land is not depreciated.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.2 Property and equipment (cont'd)

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with their carrying amount and are included in the Life Assurance Fund.

Increases in the carrying amount arising on revaluation are credited to revaluation reserve in the Life Assurance Fund. Decreases that offset previous increases of the same asset are charged against Life Assurance Fund.

2.3 Intangible assets

Intangible assets consist of the following :

(i) Goodwill

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity over the fair value of the net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in Life Assurance Fund as a bargain purchase. Goodwill on acquisition of subsidiaries is included in Goodwill and Intangible Assets. Gain on bargain purchase represents the excess of the Group's interest in the net fair value of the acquiree's net identifiable asset over cost of acquisition is recognised in profit or loss. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment.

Goodwill arising on the acquisition of a foreign operation is treated as an asset of the operation, expressed in the functional currency of the operation and translated at the closing rate.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gains and losses on disposal. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Computer software

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use and is amortised over an estimated useful lives of 3 years. The carrying amounts of the computer software are reviewed annually and adjusted for impairment where considered necessary.

(iii) Development and other costs

Development and other costs are recognised as assets and are amortised over their estimated useful life of 5 years.

(iv) Value of business acquired (VOBA)

Value of business acquired represents the value of the customer lists and customer relationships reflecting the expectation of future contracts that are not part of the contractual insurance rights and contractual insurance obligations that existed at the date of business acquisition. This intangible asset is amortised over the estimated life of the contracts i.e. 15 years.

(v) Customer portfolio

Customer portfolio represents the value of the customer list. It is amortised over the estimated useful economic life of 10 years. It is tested annually for impairment.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.4 Investment properties

Properties held to earn rentals or capital appreciation or both and not occupied by the Group and the Company are classified as investment property.

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight line method to write off the cost of each asset, to its residual value over its estimated useful life. The principal annual rate used is:-

Buildings 2%

Land is not depreciated.

Gains and losses on the disposal of investment properties are determined by reference to their carrying amount and are taken into account in determining the surplus on the Life Assurance Fund.

Properties seized by the Group and the Company represent properties acquired through auction at the Master's Bar further to the default of clients. The properties are held by the Group and the Company until they are sold. Seized properties are stated at the price paid at the Master's Bar together with all related expenses incurred on the acquisition. Realised loss/gain on the disposal of seized property is taken to the Life Assurance Fund. No depreciation is charged on seized properties.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life 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 carrying amount of the asset 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).

2.6 Investment in subsidiaries

Separate financial statements of the investor

In the separate financial statements of the investor, investments in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements

Subsidiaries are all entities (including structured entities) over which the Group and the Company have control. The Group and the Company control an entity when the Group and the Compnay are exposed to, or has right 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 and the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group and the Commpany. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group and the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non controlling interest in the acquiree at fair value or at the non controlling interest's proportionate share of the acquiree's net assets.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.6 Investment in subsidiaries (cont'd)

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the net of the acquisition-date amounts of identifiable assets acquired and the liabilities and contigent liabilities assumed measured in accordance with IFRS 3 is recorded as goodwill. In the case of a bargain purchase (excess of (b) over (a)), the resulting gain is recognised directly in the Life Assurance Fund.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group and the Company.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between 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 without loss of control are also recorded in equity.

Disposal of subsidiaries

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

2.7 Investment in associates

Separate financial statements of the investor

In the separate financial statements of the investor, investments in associated companies are carried at cost (which includes transaction costs). The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements

An associate is an entity over which the Group and the Company have significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method except when classified as held-for-sale. Investment in associates are initially recognised at cost as adjusted by post acquisition changes in the Group's and the Company's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition and the Group's and the Company's share of net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised in goodwill, which is included in the carrying amount of the investment. Any excess of the Group's and the Company's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.7 Investment in associates (cont'd)

Consolidated financial statements (cont'd)

Unrealised profits and losses are eliminated to the extent of the Group's and the Company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Unrealised profits and losses are eliminated to the extent of the Group's and the Company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Group and the Company.

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 are reclassified to Life Assurance Fund where appropriate.

Dilution gains and losses arising in investments in associates are recognised in Life Assurance Fund.

2.8 Financial assets

(a) *Categories of financial assets*

The Group and the Company classify its financial assets into the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the investments at initial recognition.

(i) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

(ii) **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(iii) **Available-for-sale financial assets**

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

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.8 Financial assets (cont'd)

(b) *Recognition and measurement*

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Investments are initially recorded at fair value plus transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or they have been transferred and the Group and the Company have also transferred substantially all risks and rewards of ownership.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at their fair values.

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

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity of the subsidiaries and in the Life Assurance Fund for the Company, until the security is disposed of or found to be impaired, at which time the cumulative gain or loss previously recognised in equity or in the Life Assurance Fund is included in the Life Assurance Fund as gains or losses on financial assets. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the Life Assurance Fund as gains or losses on financial assets.

The fair values of quoted investments are based on current bid prices (Level 1). The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates (Level 2). If the market for a financial asset is not active and for unlisted securities, the Group and the Company establish fair value by using valuation techniques as follows (level 3) (note 10):

- Over the first two years following acquisition, an investment in such an asset is valued at the lower of cost price and any new issue price.
- Thereafter, fair value is estimated based on the lower of price earnings ratio and dividend yield methodologies.
- Where neither the price earnings ratio nor the dividend yield methodologies are applicable, the net asset value or the price to book value methodology is applied.
- In the event there has been any rights issue or initial public offering or any other similar transaction carried out at arm's length in the relevant period under consideration, the offered price is used as proxy for fair value.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.8 Financial assets (cont'd)

(c) *Impairment of financial assets*

(i) *Financial assets classified as available-for-sale*

The Group and the Company assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity, is removed from equity and recognised in the Life Assurance Fund. Impairment loss for the Group and the Company are recognised in the Life Assurance Fund. Impairment losses recognised in Life Assurance Fund for an investment in an equity instrument classified as available-for-sale are not reversed through the Life Assurance Fund.

(ii) *Financial assets carried at amortised cost*

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and, the amount of the loss is recognised in the Life Assurance Fund. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

2.9 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is recognised in the Life Assurance Fund.

2.10 Trade and other payables

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

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.12 Share Capital

Ordinary shares are classified as equity.

2.13 Life Assurance Fund

(i) Non-Linked Account

The surplus on the Life Assurance Fund-Non Linked Account for the year is retained in the Life Assurance Fund. The adequacy of the fund is determined by actuarial valuation every year. The declaration of surplus is made every three years. As from year ended December 31, 2017, the declaration of surplus will be made on an annual basis.

(ii) Linked Account

Earmarked assets in respect of segregated funds are assigned in the name of the Life Assurance Fund.

2.14 Retirement Benefit Obligations

(i) Defined Benefit Plan

The following pension benefits are in place:

- The Group and the Company contributes to a defined benefit plan, the assets of which are held independently and administered by Swan Life Ltd.
- The Group and the Company contributes to a pension plan in respect of some employees who have a No Worse Off Guarantee (NWOG) that their benefits would not be worse than what they would have earned under a previous defined benefit plan.

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

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

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

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

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in the Life Assurance Fund.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.14 Retirement Benefit Obligations (cont'd)

(ii) Defined Contribution Plan

A defined contribution plan is a pension plan under which the Group and the Company pays fixed contributions into a separate entity. The Group and the Company have 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.

The Group and the Company operate a defined contribution retirement benefit plan for all qualifying employees (new entrants and their dependents). Payments to deferred contribution retirement plans are charged as an expense as they fall due.

(iii) Termination benefits

Termination benefits are payable when the employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognises termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) The Company

The Company has a retirement pension fund for its employees which is internally managed. Full liability of the retirement benefit obligations has been recognised as at December 31, 2016 as the assets were not legally separate and could not therefore be considered as plan assets. Following enactment of the Private Pension Schemes Act 2012, all pension funds now have to be set up under a Trust. This process is currently being completed for Swan Life Ltd and assets have been earmarked to fund the Swan Life pension fund.

2.15 Current and deferred income tax

The tax expense for the year comprises of current and deferred tax. Tax is recognised in Life Assurance Fund, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

The current income tax charge is based on the taxable income for the year calculated on the basis of tax laws enacted or substantially enacted by the end of the reporting period.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

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

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

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.16 Insurance contracts - The Company

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance contracts are derecognised when all rights and obligations are extinguished or expired. Contracts that do not transfer significant insurance risk are investment contracts. The Group and the Company consider that all its long term products are a mix of insurance and investment contracts.

Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain event adversely affects the policyholder.

Insurance contracts issued by the Company are classified into the following main categories:

(i) Long-term insurance contracts without fixed terms and with discretionary participating feature (DPF)

This type of contracts entitles the contract holders to a minimum guaranteed amount. The Discretionary Participating Feature (DPF) component gives the contract holders contractual rights to bonuses in addition to the minimum guaranteed amounts. A bonus is declared when the actual return on backing assets is higher than the expected return at inception of the contract. The amount and timing of the settlement of the DPF element is however at the discretion of the Company. The bonus is derived from the DPF eligible surplus available arising mainly from upon revaluation of backing assets.

The Company has legal obligation to eventually pay to contract holders at least 90% of the DPF eligible surplus. Any portion of the DPF eligible surplus that is not declared as a bonus rate and not credited to individual contract holders accounts is retained as a liability for the benefit of all contract holders until declared and credited to them individually in future periods. Equity holders' share of the DPF eligible surplus, equal to 10%, is transferred from the Life Assurance Fund to the Proprietors' fund on a triennial basis when bonuses are declared. As from December 31, 2017, the transfer will be on an annual basis.

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

These contracts insure events with human life (for example death or survival) over a long duration. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is based on assumptions such as 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.

(iii) Unit-Linked

A unit-linked insurance contract includes an embedded derivative linking payments on the contract to units of investment (unitised) funds set up by the Company with consideration received from contract holders. This embedded derivative meets the definition of an insurance contract and is therefore not accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

2.17 Revenue recognition

(i) The Group

Revenue comprises the fair value for services rendered and after eliminating revenue within the Group.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.17 Revenue recognition (cont'd)

(ii) The Company

Premiums earned on long-term insurance contracts are recognised as income when they become payable by the contract holder. When policies lapse (due to non-receipt of premiums) within two years for unit-linked business and three years for other contracts, the related unpaid premium income due from the date they are deemed to have lapsed is reversed against premiums in the Life Assurance Fund. For contracts that lapse after longer periods, a surrender or paid up value is refunded to contract holders based on the terms of the contracts.

(iii) Other revenues earned by the Group and the Company are recognised on the following bases:

(i) Consideration for annuities - upon maturity of insurance contracts.

(ii) Rental income - as it accrues based on the terms of the rental contract.

(iii) Interest income - on a time-proportion basis using the effective interest method.

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

2.18 Liability adequacy test

The Company's independent Actuaries review contract liabilities and carry out a liability adequacy test using current estimates of future contractual cash flows after taking into account the investment return expected on assets relating to the relevant long term business. Any deficiency is immediately recognised in the Life Assurance Fund by establishing a provision for the losses arising from liability adequacy test (the unexpired risk provision).

2.19 Reinsurance contracts

Contracts entered into by the Company with Reinsurers under which it is compensated for losses are classified as reinsurance contracts held. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company's reinsurance assets arise from 'First Surplus Obligatory' treaty arrangements. Reinsurance assets are assessed for impairment on a regular basis. If ever there is objective evidence that the assets are impaired, the carrying amounts are reduced to the recoverable amounts and impairments recognised in the Life Assurance Fund.

2.20 Foreign Currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using Mauritian rupees, the currency of the primary economic environment in which the entities operate ("functional currency"). The consolidated financial statements are presented in Mauritian rupees, which is the Company's functional and presentation currency.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.20 Foreign Currencies (cont'd)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on 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 the Life Assurance Fund. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Translation differences on non-monetary items such as financial assets classified as available-for-sale financial assets are included in the fair value reserve in the Life Assurance Fund.

(c) Translation of foreign entities

The results and financial position of foreign entities which have a functional currency different from that of the presentation currency of the Company, are translated as follows:

(i) assets and liabilities are translated at the end of the reporting period rate;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) the resulting exchange differences are recognised in the 'Translation Reserve', as a separate component of equity.

In the event of disposal, such translation differences are recognised in the Life Assurance Fund as part of the gain or loss on sale.

2.21 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

2.22 Dividend distribution

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

2.23 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group and the Company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

The Company issues contracts that transfer insurance or financial risk or both. This section summarises the main risks linked to long-term insurance business and the way they are managed.

A description of the significant risk factors is given below together with the risk management policies applicable.

3.1 Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities.

The Company 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.

(a) Insurance contracts

(i) Concentration, frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. Insurance risk is therefore subject to contract holders' behaviours and the impact of contract holders' behaviours have been factored into the assumptions used to measure insurance liabilities.

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

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

The Company manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, the Company balances death risk and survival risk across its portfolio. Medical selection is also included in the Company's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Company has defined group-wide retention limit on any single life insured and reinsures the excess of the insured benefit over its retention limit. The retention limit is further reinsured through a Catastrophe Risk Reinsurance treaty. The Company does not have any reinsurance covers for contracts that insure survival risk.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

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

3.1 Insurance risk (cont'd)

(a) Insurance contracts (cont'd)

(ii) Sources of uncertainty in the estimation of future 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 holders' behaviour.

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

(iii) Claims development

The claims relate to death claims of the Group and the Company. The table below illustrates the outstanding claims at the end of the previous five years appearing in the statement of financial position:

	2013	2014	2015	2016	2017
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Gross outstanding claims	41,443	72,298	73,039	60,299	**87,022**

3.2 Financial risk

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

The most important components of this financial risk are :

- Market risk (which includes currency risk, interest rate risk and equity price risk)
- Credit risk;
- Liquidity risk;
- Capital management; and
- Fair value estimation.

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 Group's and the Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and control, and to monitor the risks and adherence to limits by means of reliable and up-to-date administrative and information systems.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

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

3.2 Financial risk (cont'd)

The Group and the Company regularly review their risk management policies and systems to reflect changes in markets, products and emerging best practice. The Board recognises the critical importance of having efficient and effective risk management policies and systems in place. To this end, there is a clear organisational structure with delegated authorities and responsibilities from the Board to Board Committees, executives and senior management. Individual responsibility and accountability are designed to deliver a disciplined, conservative and constructive culture of risk management and control.

3.2.1 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuation in interest rates, equity prices, property prices and foreign currency exchange rates.

The Group and the Company have established policies which set out the principles that they expect to adopt in respect of management of the key market risks to which they are exposed. The Group and the Company monitor adherence to this market risk policy through the Company Investment Committee. The Company Investment Committee are responsible for managing market risk at Group and Company level.

The financial impact from market risk is monitored at board level through investment reports which examine the impact of changes in market risk on investment returns and asset values. The Group's and the Company's market risk policy sets out the principles for matching liabilities with appropriate assets, the approaches to be taken when liabilities cannot be matched and the monitoring processes that are required.

(i) Currency risk

<u>The Group:</u>

The Group has an investment in a Global Business Licence '(GBL)' company which in turn holds an equity investment in Seychelles. The net assets of the GBL company is exposed to currency translation risk.

<u>The Company:</u>

The Company purchases reinsurance contracts internationally, thereby exposing it to foreign currency fluctuations. The Company's primary exposures are with respect to the Euro, US Dollar and Japanese Yen.

The Company also has a number of investments in foreign currencies, namely Euro, US Dollar, Japanese Yen, which are exposed to currency risk.

The Investment Committee closely monitors currency risk exposures against pre-determined limits. Exposure to foreign currency exchange risk is not hedged.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

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

3.2 Financial risk (cont'd)

3.2.1 Market risk (cont'd)

The Group's financial assets and financial liabilities by currency are detailed below:

At December 31, 2017	Rs.	JPY	USD	Euro	Others	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets						
- Investments in financial assets	22,666,654	46,300	9,324,668	689,983	23,076	32,750,681
- Loans and receivables	4,888,868	-	-	-	13,501	4,902,369
- Trade and other receivables	682,141	-	1,494	-	3,713	687,348
- Bank balances, deposits and cash	2,127,782	-	357,678	76,697	19,544	2,581,701
	30,365,445	46,300	9,683,840	766,680	59,834	40,922,099
Less allowances for credit impairment						(76,600)
Total						40,845,499
Financial liabilities						
- Technical Provisions:						
· Life assurance fund	39,881,578	-	-	-	-	39,881,578
· Gross outstanding claims	87,022	-	-	-	-	87,022
- Trade and other payables	691,434	-	3,755	-	-	695,189
	40,660,034	-	3,755	-	-	40,663,789

At December 31, 2016	Rs.	JPY	USD	Euro	Others	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets						
- Investments in financial assets	19,215,711	38,649	6,197,031	462,414	18,792	25,932,597
- Loans and receivables	5,252,642	-	-	-	28,231	5,280,873
- Trade and other receivables	412,726	-	-	-	3,938	416,664
- Bank balances, deposits and cash	2,981,785	-	486,511	58,283	75,591	3,602,170
	27,862,864	38,649	6,683,542	520,697	126,552	35,232,304
Less allowances for credit impairment						(74,500)
Total						35,157,804
Financial liabilities						
- Technical Provisions:						
· Life assurance fund	34,487,118	-	-	-	-	34,487,118
· Gross outstanding claims	60,299	-	-	-	-	60,299
- Trade and other payables	364,806	-	3,951	-	-	368,757
	34,912,223	-	3,951	-	-	34,916,174

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

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

3.2 Financial risk (cont'd)

3.2.1 Market risk (cont'd)

The Company's financial assets and financial liabilities by currency are detailed below :

At December 31, 2017	Rs.	JPY	USD	Euro	Others	Total
Financial assets	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
- Investments in financial assets	**22,639,619**	**46,300**	**9,323,804**	**689,983**	**22,754**	**32,722,460**
- Loans and receivables	**4,902,306**	**-**	**-**	**-**	**13,501**	**4,915,807**
- Trade and other receivables	**633,175**	**-**	**-**	**-**	**-**	**633,175**
- Bank balances, deposits and cash	**1,921,031**	**-**	**259,394**	**16,519**	**18,345**	**2,215,289**
	30,096,131	**46,300**	**9,583,198**	**706,502**	**54,600**	**40,486,731**
Less allowances for credit impairment						**(76,600)**
Total						**40,410,131**
Financial liabilities						
- Technical Provisions:						
· Life assurance fund	**39,556,256**	-	-	-	-	**39,556,256**
· Gross outstanding claims	**87,022**	-	-	-	-	**87,022**
- Trade and other payables	**664,858**	-	-	-	-	**664,858**
	40,308,136	-	-	-	-	**40,308,136**

At December 31, 2016	Rs.	JPY	USD	Euro	Others	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets						
- Investments in financial assets	19,190,863	38,649	6,197,031	462,414	18,792	25,907,749
- Loans and receivables	5,266,082	-	-	-	28,231	5,294,313
- Trade and other receivables	385,379	-	-	-	-	385,379
- Bank balances, deposits and cash	2,807,953	-	417,248	11,435	74,354	3,310,990
	27,650,277	38,649	6,614,279	473,849	121,377	34,898,431
Less allowances for credit impairment						(74,500)
Total						34,823,931
Financial liabilities						
- Technical Provisions:						
· Life assurance fund	34,206,384	-	-	-	-	34,206,384
· Gross outstanding claims	60,299	-	-	-	-	60,299
- Trade and other payables	357,553	-	-	-	-	357,553
	34,624,236	-	-	-	-	34,624,236

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

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

3.2 Financial risk (cont'd)

3.2.1 Market risk (cont'd)

(i) Currency risk (cont'd)

Sensitivity

If the rupee had weakened/strengthened against the following currencies with all variables remaining constant, the impact on the Life Assurance Fund for the year would have been as shown below mainly as a result of foreign exchange gains/losses.

	THE GROUP				THE COMPANY			
	JPY +/-5%	USD +/-5%	EURO +/-5%	OTHERS +/-5%	JPY +/-5%	USD +/-5%	EURO +/-5%	OTHERS +/-5%
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Impact on Life Assurance Fund :								
- At December 31, 2017								
- Investments in financial assets	**2,315**	**466,233**	**34,499**	**1,154**	**2,315**	**466,190**	**34,499**	**1,138**
- Loan and other receivables	**-**	**-**	**-**	**675**	**-**	**-**	**-**	**675**
- Net trade and other receivables	**-**	**75**	**-**	**186**	**-**	**-**	**-**	**-**
- Bank balances, deposits and cash	**-**	**17,884**	**3,835**	**977**	**-**	**12,970**	**826**	**917**
- At December 31, 2016								
- Investments in financial assets	1,932	309,852	23,121	940	1,932	309,852	23,121	940
- Loan and other receivables	-	-	-	1,412	-	-	-	1,412
- Net trade and other receivables	-	198	-	197	-	-	-	-
- Bank balances, deposits and cash	-	24,326	2,914	3,780	-	20,862	572	3,718

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

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

3.2 Financial risk (cont'd)

3.2.1 Market risk (cont'd)

(ii) Interest rate risk

The Group:

Interest rate risk arises from the Group and Company's investments in long term debt securities and fixed income securities (held-to-maturity investments), bank balances and deposits which are exposed to fluctuations in interest rates. Exposure to interest rate risk on short term business is monitored by the Investment Committee through a close matching of assets and liabilities. The impact of exposure to sustained low interest rates is also regularly monitored.

The interest rate profiles of the financial assets of the Group and Company as at December 31, were as follows:

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	%	%	%	%
Held-to-Maturity investments	**2.00 - 12.75**	3.16 - 12.75	**2.00 - 12.75**	3.16 - 12.75
Loans and receivables	**5.00 - 14.00**	5.00 - 14.00	**5.00 - 14.00**	5.00 - 14.00
Short term deposits	**2.10 - 3.60**	2.35 - 5.40	**2.10 - 3.60**	2.35 - 5.40
Bank balances	**0.00 - 2.50**	0.00 - 3.35	**0.00 - 2.50**	0.00 - 3.35

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the surplus for the year ended December 31, 2017 would increase/decrease by Rs 63.4 m (2016: Rs. 61.2m) for the Group and Rs 63.1 m (2016: Rs.60.9m) for the Company.

The Company:

For liabilities under long term insurance contracts with fixed and guaranteed terms, changes in interest rate will not cause a change to the amount of liability because their carrying amounts are not affected by the level of market interest rates.

For unit linked contracts, the Company matches all the assets on which the unit prices are based with assets in the portfolio. There is therefore no price, currency or interest risk on these contracts.

However for insurance contracts with DPF, the DPF element liabilities are directly affected by changes in the level of interest rates to the extent that they affect the carrying amount of underlying assets. An increase in the value of the assets would require all other assumptions being equal, an increase in the DPF liability and vice versa.

Management regularly monitors the sensitivity of reported interest rate movements.

Sensitivity

A change of 50 basis point in interest rates has no material impact on the DPF eligible surplus of the life fund.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

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

3.2 Financial risk (cont'd)

3.2.1 Market risk (cont'd)

(iii) Equity price risk

The Group and the Company are subject to price risk due to daily changes in the market values of its equity securities portfolio. Equity price risk is actively managed in order to mitigate anticipated unfavourable market movements. In addition, local insurance regulations set out investment concentration as part as overall prudent portfolio investment policy.

The Group and the Company do not have material holdings in unquoted equity securities. The Investment Committee actively monitors equity assets owned directly by the Group and the Company as well as concentrations of specific equity holdings. Equity price risk is also mitigated as the Group and Company hold diversified portfolios of local and foreign investments in various sectors of the economy.

Sensitivity

The impact on the Life Assurance Fund had the equity market values increased/decreased by 1% with other assumptions left unchanged would have been as follows:

	THE GROUP	THE COMPANY
At December 31, 2017	**Rs'm**	**Rs'm**
- Available for sale financial assets	**223**	**223**
At December 31, 2016	Rs'm	Rs'm
- Available for sale financial assets	172	172

3.2.2 Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instruments fails to meet all or part of their obligations. The Group's credit risk is primarily attributable to :

- reinsurer's share of insurance liabilities;

- amounts due from reinsurers in respect of claims already paid;

- amounts due from insurance contract holders, and

- amounts due from insurance intermediaries.

The amounts presented in the statements of financial position are net of allowances for estimated irrecoverable amount receivables, based on management's prior experience and the current economic environment.

The Group and the Company have no significant concentration of credit risk in respect of its insurance business with exposure spread over a large number of clients, agents and brokers. The Group and the Company have policies in place to ensure that sales of services are made to clients, agents, and brokers with sound credit history.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

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

3.2 Financial risk (cont'd)

3.2.2 Credit risk (cont'd)

Reinsurance credit exposures - The Company

The Company is exposed to concentrations of risks with respect to its reinsurers due to the nature of the life reinsurance treaty. The Company is exposed to the possibility of default by its reinsurers in respect of their share of insurance liabilities and refunds in respect of claims already paid.

The Company manages its reinsurance counterparty exposures and the reinsurance department has a monitoring role over this risk. The Company's largest reinsurance counterparty is Swiss Re. At December 31, 2017, the reinsurance assets recoverable was Rs. 8.9m (2016: Rs. 4.7m).

This exposure is monitored on a regular basis for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the Company will arise.

Management also monitors the financial strength of reinsurers and there are policies in place to ensure that risks are ceded to top-rated and credit worthy reinsurers only.

The following table provides information regarding the carrying value of loans and receivables that have been impaired.

	Neither past due nor impaired	Past due and Impaired	Provision for impairment	Carrying amount at year end
	Rs'000	Rs'000	Rs'000	Rs'000
THE GROUP				
2017				
- Loans and receivables	**4,545,306**	**357,063**	**(71,600)**	**4,830,769**
- Trade and other receivables	**682,348**	**5,000**	**(5,000)**	**682,348**
2016				
- Loans and receivables	4,912,405	368,468	(69,500)	5,211,373
- Trade and other receivables	413,459	5,000	(5,000)	413,459
THE COMPANY				
2017				
- Loans and receivables	**4,558,744**	**357,063**	**(71,600)**	**4,844,207**
- Trade and other receivables	**628,175**	**5,000**	**(5,000)**	**628,175**
2016				
- Loans and receivables	4,925,845	368,468	(69,500)	5,224,813
- Trade and other receivables	380,379	5,000	(5,000)	380,379

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

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

3.2 Financial risk (cont'd)

3.2.3 Liquidity risk

The Group and the Company have strong liquidity positions and liquidity risk is considered to be low. Through the application of the liquidity management policy, the Group and the Company seek to maintain sufficient financial resources to meet its obligations as they fall due.

The tables below analyse the Group's and Company's financial assets and liabilities to the relevant maturity groupings based on the remaining years of repayment.

THE GROUP

Maturities of financial assets and liabilities:

At December 31, 2017	< 1 year	1 to 5 years	>5 years	Non-maturity items	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets					
- Investments in financial assets	22,665,057	4,228,064	5,857,560	-	32,750,681
- Loans and receivables	391,526	523,154	3,987,689	-	4,902,369
- Trade and other receivables	687,348	-	-	-	687,348
- Bank balances, deposits and cash	2,581,701	-	-	-	2,581,701
	26,325,632	4,751,218	9,845,249	-	40,922,099
Less allowances for credit impairment					(76,600)
Total					40,845,499
Financial liabilities					
- Technical Provisions:					
· Life assurance fund	-	-	-	39,881,578	39,881,578
· Gross outstanding claims	87,022	-	-	-	87,022
- Trade and other payables	695,189	-	-	-	695,189
	782,211	-	-	39,881,578	40,663,789

At December 31, 2016	< 1 year	1 to 5 years	>5 years	Non-maturity items	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets					
- Investments in financial assets	18,122,145	3,533,629	4,276,823	-	25,932,597
- Loans and receivables	420,610	693,487	4,166,776	-	5,280,873
- Trade and other receivables	416,664	-	-	-	416,664
- Bank balances, deposits and cash	3,602,170	-	-	-	3,602,170
	22,561,589	4,227,116	8,443,599	-	35,232,304
Less allowances for credit impairment					(74,500)
Total					35,157,804
Financial liabilities					
- Technical Provisions:					
· Life assurance fund	-	-	-	34,487,118	34,487,118
· Gross outstanding claims	60,299	-	-	-	60,299
- Trade and other payables	368,757	-	-	-	368,757
	429,056	-	-	34,487,118	34,916,174

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

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

3.2 Financial risk (cont'd)

3.2.3 Liquidity risk (cont'd)

THE COMPANY

Maturities of financial assets and liabilities:

At December 31, 2017	< 1 year	1 to 5 years	>5 years	Non-maturity items	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets					
- Investments in financial assets	22,636,836	4,228,064	5,857,560	-	32,722,460
- Loans and receivables	391,526	523,154	4,001,127	-	4,915,807
- Trade and other receivables	633,175	-	-	-	633,175
- Bank balances, deposits and cash	2,215,289	-	-	-	2,215,289
	25,876,826	4,751,218	9,858,687	-	40,486,731
Less allowances for credit impairment					(76,600)
Total					40,410,131
Financial liabilities					
- Technical Provisions:					
· Life assurance fund	-	-	-	39,556,256	39,556,256
· Gross outstanding claims	87,022	-	-	-	87,022
- Trade and other payables	664,858	-	-	-	664,858
	751,880	-	-	39,556,256	40,308,136

At December 31, 2016	< 1 year	1 to 5 years	>5 years	Non-maturity items	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets					
- Investments in financial assets	18,097,297	3,533,629	4,276,823	-	25,907,749
- Loans and receivables	420,610	693,487	4,180,216	-	5,294,313
- Trade and other receivables	385,379	-	-	-	385,379
- Bank balances, deposits and cash	3,310,990	-	-	-	3,310,990
	22,214,276	4,227,116	8,457,039	-	34,898,431
Less allowances for credit impairment					(74,500)
Total					34,823,931
Financial liabilities					
- Technical Provisions:					
· Life assurance fund	-	-	-	34,206,384	34,206,384
· Gross outstanding claims	60,299	-	-	-	60,299
- Trade and other payables	357,553	-	-	-	357,553
	417,852	-	-	34,206,384	34,624,236

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

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

3.2 Financial risk (cont'd)

3.2.4 Capital Management

The main objectives of the Company when managing capital are:

- to maintain at all times the Minimum Capital Requirement as required by the Insurance Act 2005, i.e. as determined by the company's actuary at the higher of:
  - (a) a stress test requirement determined in accordance with guidelines issued by the Commission or
  - (b) the higher of an amount of Rs.25m or an amount representing 13 weeks' operating expenses.
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts and other services commensurately with the level of risk.

The Company is required to maintain at all times a solvency margin that is at least equal to the Minimum Capital Requirement.

The Company's capital and solvency margins are above the minimums required by the Insurance Act 2005 and proper internal controls are in place to ensure that they remain so.

3.2.5 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group and the Company use a variety of methods and makes assumptions that are based on market conditions existing at each end of the reporting period.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Critical accounting estimates and assumptions

The Group and the 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 within the next financial year are discussed below.

4.1 Insurance contracts - The Company

(i) Estimates of future liabilities

Long-term business technical provisions are computed using statistical or mathematical methods. The computations are made by the Company'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 professionals undertaking the valuations.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience. 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 Company is exposed to longevity risk.

For contracts without fixed terms, it is assumed that the Company will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Under certain contracts, where the Company has offered guaranteed annuity options, estimates are made based on the percentage of contract holders that will exercise them. Changes in investment conditions could result in significantly more contract holders exercising their options than have been assumed.

Estimates are also made as to the future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONT'D)

4.1 Insurance contracts (cont'd)

(i) Estimates of future liabilities (cont'd)

For long-term insurance contracts with fixed and guaranteed terms and with DPF, 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.

(ii) Sensitivity

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

4.2 Reinsurance - The Company

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

4.3 Held-to-maturity investments

The Group and the Company follow the guidance of International Accounting Standard (IAS) 39 - Recognition and Measurement on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making their judgement for classification, the Group and the Company evaluate its intention and ability to hold such investments to maturity.

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

4.4 Impairment of available-for-sale financial assets

The Group and the Company follow the guidance of IAS 39 on determining when a financial asset is permanently impaired. This determination requires significant judgement. In making this judgement, the Group and the Company evaluate, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONT'D)

4.5 Impairment of other assets

At the end of each reporting period, management reviews and assesses the carrying amounts of other assets and where relevant write them down to their recoverable amounts based on best estimates.

4.6 Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions.

Additional information is disclosed in Note 18.

4.7 Fair value of security not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Group and the Company using valuation techniques including third party transactions values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The Group and the Company would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4.8 Asset lives and residual values

Property and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

4.9 Depreciation policies

Property and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group and the Company would currently obtain from disposal of the asset, if the asset was already of the age and in condition expected at the end of its useful life.

4.10 Limitation of sensitivity analysis

The sensitivity analyses demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's and the Company's views of possible near-term market changes that cannot be predicted with any certainty.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

5. PROPERTY AND EQUIPMENT

(a) **THE GROUP**

	Freehold land and buildings	Furniture fixtures & fittings	Computer Equipment	Electrical Equipment	Motor vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST/DEEMED COST						
At January 1, 2016	312,160	117,858	67,203	2,248	14,757	514,226
Additions	-	4,670	8,362	-	-	13,032
Disposals	-	-	(48)	-	-	(48)
Write off	-	(205)	-	-	-	(205)
Transfer from intangible assets (note 7)	-	-	1,496	-	-	1,496
Transfer to intangible assets (note 7)	-	-	(101)	-	-	(101)
At December 31, 2016	312,160	122,323	76,912	2,248	14,757	528,400
Additions	-	3,846	3,648	-	-	7,494
Write off	-	(34,975)	(39,962)	-	-	(74,937)
At December 31, 2017	**312,160**	**91,194**	**40,598**	**2,248**	**14,757**	**460,957**
DEPRECIATION						
At January 1, 2016	57,684	95,660	61,257	2,248	6,928	223,777
Charge for the year	5,761	4,565	7,393	-	1,907	19,626
Disposal adjustments	-	-	(20)	-	-	(20)
Write off	-	(205)	-	-	-	(205)
Transfer from intangible assets (note 7)	-	-	499	-	-	499
Transfer to intangible assets (note 7)	-	-	(101)	-	-	(101)
At December 31, 2016	63,445	100,020	69,028	2,248	8,835	243,576
Charge for the year	5,761	4,546	4,728	-	1,779	16,814
Write off	-	(34,975)	(39,962)	-	-	(74,937)
At December 31, 2017	**69,206**	**69,591**	**33,794**	**2,248**	**10,614**	**185,453**
NET BOOK VALUE						
At December 31, 2017	**242,954**	**21,603**	**6,804**	**-**	**4,143**	**275,504**
At December 31, 2016	248,715	22,303	7,884	-	5,922	284,824

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

5. PROPERTY AND EQUIPMENT (CONT'D)

(b) THE COMPANY

	Freehold land and buildings	Furniture fixtures & fittings	Computer Equipment	Motor vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST					
At January 1, 2016	288,061	110,228	63,512	13,476	475,277
Additions	-	4,151	7,444	-	11,595
Transfer from intangible asset (note 7)	-	-	1,496	-	1,496
At December 31, 2016	288,061	114,379	72,452	13,476	488,368
Additions	-	3,654	3,262	-	6,916
Write offs	-	(34,975)	(39,962)	-	(74,937)
At December 31, 2017	**288,061**	**83,058**	**35,752**	**13,476**	**420,347**
DEPRECIATION					
At January 1, 2016	57,016	88,166	57,993	5,780	208,955
Charge for the year	5,761	4,016	7,240	1,779	18,796
Transfer from intangible asset (note 7)	-	-	499	-	499
At December 31, 2016	62,777	92,182	65,732	7,559	228,250
Charge for the year	5,761	4,297	4,516	1,779	16,353
Write offs	-	(34,975)	(39,962)	-	(74,937)
At December 31, 2017	**68,538**	**61,504**	**30,286**	**9,338**	**169,666**
NET BOOK VALUE					
At December 31, 2017	**219,523**	**21,554**	**5,466**	**4,138**	**250,681**
At December 31, 2016	225,284	22,197	6,720	5,917	260,118

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

6(a) INVESTMENT PROPERTIES

	THE GROUP	THE COMPANY
	Rs'000	Rs'000
COST		
At January 01, 2016	550,770	510,700
Additions	19,485	19,485
At December 31, 2016	570,255	530,185
Additions	13,553	13,553
At December 31, 2017	**583,808**	**543,738**
DEPRECIATION		
At January 01, 2016	84,840	84,592
Charge for the year	9,611	9,611
At December 31, 2016	94,451	94,203
Charge for the year	9,882	9,882
At December 31, 2017	**104,333**	**104,085**
NET BOOK VALUE		
At December 31, 2017	**479,475**	**439,653**
At December 31, 2016	475,804	435,982

(i) The fair value of investment properties is estimated as follows:

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At December 31,	**1,565,400**	1,632,578	**1,457,125**	1,505,439

The investment properties were revalued in January 2018 by Messrs Noor Dilmohamed & Associates, an independent professionally qualified valuer. The fair value was determined on an open market value basis by reference to market evidence of transaction prices for similar properties and the valuation is performed every 3 years.

The following have been recognised in the Life Assurance Fund.

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Rental income	**58,194**	51,677	**53,899**	47,399
Direct operating expenses	**45,487**	55,486	**43,337**	54,026

6(b) SEIZED PROPERTIES

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
At January 1,	**39,306**	41,763
Additions	**12,561**	2,909
Disposal	-	(5,366)
At December 31,	**51,867**	39,306

Seized properties are stated at acquisition cost and fair value subsequently.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

7. INTANGIBLE ASSETS

(a) THE GROUP

	Goodwill	Computer Software	Development Cost	VOBA	Customer List	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST						
At January 1, 2016	59,598	23,173	21,975	28,477	55,375	188,598
Additions	-	3,705	-	-	-	3,705
Write off	-	(626)	-	-	-	(626)
Transfer from property and equipment (note 5)	-	101	-	-	-	101
Transfer to property and equipment (note 5)	-	(1,496)	-	-	-	(1,496)
At December 31, 2016	59,598	24,857	21,975	28,477	55,375	190,282
Additions	-	928	-	-	-	928
Write off	-	(9,745)	-	-	-	(9,745)
At December 31, 2017	**59,598**	**16,040**	**21,975**	**28,477**	**55,375**	**181,465**
AMORTISATION						
At January 1, 2016	-	17,252	21,975	11,390	16,612	67,229
Charge for the year	-	3,357	-	1,898	5,538	10,793
Write off	-	(209)	-	-	-	(209)
Transfer from property and equipment (note 5)	-	101	-	-	-	101
Transfer to property and equipment (note 5)	-	(499)	-	-	-	(499)
At December 31, 2016	-	20,002	21,975	13,288	22,150	77,415
Charge for the year	-	3,221	-	1,898	5,538	10,657
Write off	-	(9,745)	-	-	-	(9,745)
At December 31, 2017	**-**	**13,478**	**21,975**	**15,186**	**27,688**	**78,327**
NET BOOK VALUE						
At December 31, 2017	**59,598**	**2,562**	**-**	**13,291**	**27,687**	**103,138**
At December 31, 2016	59,598	4,855	-	15,189	33,225	112,867

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

7. INTANGIBLE ASSETS (CONT'D)

(b) THE COMPANY

	Computer Software	Development Cost	VOBA	Total
	Rs'000	Rs'000	Rs'000	Rs'000
COST				
At January 1, 2016	17,333	21,975	28,477	67,785
Additions	3,280	-	-	3,280
Transfer to property and equiment (note 5)	(1,496)	-	-	(1,496)
Write off	(626)	-	-	(626)
At December 31, 2016	**18,491**	**21,975**	**28,477**	**68,943**
Additions	928	-	-	928
Write off	(9,745)	-	-	(9,745)
At December 31, 2017	**9,674**	**21,975**	**28,477**	**60,126**
AMORTISATION				
At January 1, 2016	12,732	21,975	11,389	46,096
Charge for the year	2,868	-	1,898	4,766
Transfer to property and equiment (note 5)	(499)	-	-	(499)
Write off	(209)	-	-	(209)
At December 31, 2016	14,892	21,975	13,287	50,154
Charge for the year	2,817	-	1,898	4,715
Write off	(9,745)	-	-	(9,745)
At December 31, 2017	**7,964**	**21,975**	**15,185**	**45,124**
NET BOOK VALUE				
At December 31, 2017	**1,710**	-	**13,292**	**15,002**
At December 31, 2016	3,599	-	15,190	18,789

8. INVESTMENTS IN SUBSIDIARY COMPANIES

	THE COMPANY	
	2017	2016
	Rs'000	Rs'000
(a) UNQUOTED		
At January 1 and December 31,	**540,012**	540,012

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(b) The financial statements of the following subsidiaries, incorporated in Mauritius, have been included in the consolidated financial statements. The subsidiaries have a reporting date of December 31st and operate on the local market.

Name of subsidiaries	Class of shares held	Stated capital	Nominal value of investment	Proportion of ownership interest: Direct	Proportion of ownership interest: Indirect	Proportion of ownership interests held by non-controlling interests	Place of business	Country of incorporation	Main business
2017 & 2016		Rs'000	Rs'000	%	%	%			
· Manufacturers' Distributing Station Limited	Ordinary	961	47,686	99.8%	-	0.20%	Port Louis	Mauritius	· Investment Company
· Swan Pensions Ltd (c)	Ordinary	4,100	22,825	100.0%	-	-	Port Louis	Mauritius	· Pension and fund administration
· Swan Financial Solutions Ltd (c)	Ordinary	586,876	469,500	80.0%	-	20.00%	Port Louis	Mauritius	· Investment Company
· Swan Wealth Managers Ltd	Ordinary	1,000	-	0%	80.0%	20.00%	Port Louis	Mauritius	· Fund management and investment consulting
· Swan Securities Ltd	Ordinary	1,000	-	0%	80.0%	20.00%	Port Louis	Mauritius	· Stockbroking
· Swan Corporate Advisors Ltd (e)	Ordinary	1,000	-	0%	80.0%	20.00%	Port Louis	Mauritius	· Advisory
· Société de la Croix (d)	Parts	2,500	-	0%	99.8%	0.20%	Port Louis	Mauritius	· Investment entity
· Société de la Montagne (d)	Parts	45,654	-	0%	99.8%	0.20%	Port Louis	Mauritius	· Investment entity
· Société de la Rivière (d)	Parts	2,500	-	0%	99.8%	0.20%	Port Louis	Mauritius	· Investment entity
· Swan Foundation	Limited by guarantee	1	1	50%	-	50.00%	Port Louis	Mauritius	· Management of Swan Group CSR fund (not consolidated)
			540,012						

(c) As from May 01, 2010, an agreement has been reached whereby the proprietors will have a right to dividend of these subsidiaries.

(d) The Company owns 99.8% of the three above-named sociétés through Manufacturers' Distributing Station Limited.

(e) Swan Wealth Corporate Advisors Ltd was incorporated during the year and is wholly owned by Swan Wealth Managers Ltd

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(f) Details for subsidiaries are as follows:

Name of subsidiary	Profit/(loss) allocated to non-controlling interests during the year	Accumulated non-controlling interests at December 31,
2017	**Rs'000**	**Rs'000**
· Manufacturers' Distributing Station Limited (group)	**5**	**223**
· Swan Financial Solutions Ltd	**(1,451)**	**50,917**
· Swan Wealth Managers Ltd	**25,134**	**115,321**
· Swan Securities Ltd	**1,596**	**14,898**
· Swan Corporate Advisors Ltd	**(1)**	**(1)**
	25,283	**181,358**
2016		
· Manufacturers' Distributing Station Limited (group)	5	223
· Swan Financial Solutions Ltd	(1,400)	67,568
· Swan Wealth Managers Ltd	23,007	90,317
· Swan Securities Ltd	1,735	12,922
	23,347	171,030

(g) Summarised financial information on subsidiaries

(i) Summarised statement of financial position and statement of profit or loss and other comprehensive income of the subsidiaries are shown below:

Name of subsidiary	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss) after tax	Other comprehensive income for the year	Total comprehensive income for the year	Dividend paid to non-controlling interests
2017	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
· Manufacturers' Distributing Station Limited (group)	**9,322**	**43,861**	**4,290**	**-**	**4,426**	**2,367**	**-**	**2,367**	**5**
· Swan Pensions Ltd	**55,894**	**91**	**19,321**	**-**	**54,520**	**24,618**	**-**	**24,618**	**-**
· Swan Financial Solutions Ltd	**44,684**	**559,787**	**132**	**-**	**86,500**	**79,246**	**-**	**79,246**	**15,200**
· Swan Wealth Managers Ltd	**279,844**	**1,542**	**17,165**	**4,214**	**188,706**	**125,668**	**(647)**	**125,021**	**-**
· Swan Securities Ltd	**76,552**	**28,691**	**46,233**	**-**	**28,649**	**7,978**	**1,899**	**9,877**	**-**
· Swan Corporate Advisors Ltd	**600**	-	**4**	**-**	**-**	**(4)**	**-**	**(4)**	**-**
2016									
· Manufacturers' Distributing Station Limited (group)	9,003	43,861	3,838	-	4,540	2,509	-	2,509	5
· Swan Pensions Ltd	38,118	112	19,184	-	41,588	9,176	-	9,176	-
· Swan Financial Solutions Ltd	36,214	565,523	644	-	86,000	79,002	-	79,002	15,000
· Swan Wealth Managers Ltd	237,049	927	16,285	4,706	178,734	115,034	(2,280)	112,754	-
· Swan Securities Ltd	52,960	25,477	24,802	-	33,658	8,674	1,906	10,580	-

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(g) **Summarised financial information on subsidiaries (cont'd)**

(ii) Summarised cash flow information:

Name of subsidiary	Operating activities	Investing activities	Financing activities	Net increase/ (decrease) in cash and cash equivalents
2017	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
· Manufacturers' Distributing Station Limited (group)	**5,085**	-	**(4,995)**	**90**
· Swan Pensions Ltd	**5,723**	**(25)**	-	**5,698**
· Swan Financial Solutions Ltd	**(1,862)**	**81,862**	**(76,000)**	**4,000**
· Swan Wealth Managers Ltd	**130,970**	**(902)**	**(82,000)**	**48,068**
· Swan Securities Ltd	**16,153**	**3,739**	-	**19,892**
· Swan Corporate Advisors Ltd	-	-	-	-
2016	Rs'000	Rs'000	Rs'000	Rs'000
· Manufacturers' Distributing Station Limited (group)	2,326	(739)	-	1,587
· Swan Pensions Ltd	6,613	(80)	(12,000)	(5,467)
· Swan Financial Solutions Ltd	(1,080)	85,573	(75,000)	9,493
· Swan Wealth Managers Ltd	113,424	(182)	(80,000)	33,242
· Swan Securities Ltd	5,572	1,847	(6,000)	1,419

The summarised financial information above is the amount before intra-group eliminations.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

9. INVESTMENTS IN ASSOCIATED COMPANIES

	2017	2016
	Rs'000	Rs'000
(a) **The Company**		
At January 1 and December 31,	614	614

(b) Group's share of net assets	2017	2016
	Rs '000	Rs '000
At January 1,	49,290	50,769
Share of results of associated companies	(7,650)	2,885
Dividends	(1,656)	(3,198)
Share of reserves	(4,906)	(1,166)
At December 31,	35,078	49,290

During the year ended December 31, 2017, Swan International Co Ltd, a subsidiary of Swan Life Limited, has accounted for some prior year adjustments in its financial statements to its associate's, SACOS Group Limited (SGL) for the year ended December 31, 2016 and December 31, 2015. The impact on the group's Life Assurance Fund and other reserves of Swan Life Limited are Rs 7.7m and Rs 4.6m respectively. The adjustments on the Group are not significant and have been adjusted prospectively in the current financial year.

The audited financial statements of SACOS Group Limited (SGL) for the year ended December 31, 2016 have been approved by the Board on December 22, 2017. The financial statements of SGL for the year ended December 31, 2017 are not available and have not been reflected in these financial statements. The carrying values of SGL at December 31, 2017 in the financial statements of Swan International Co Ltd reflect the share of net assets at December 31, 2016 retranslated at December 31, 2017 exchange rates. No share of results has been accounted for the year ended December 31, 2017. The market value of the associate based on the Seychelles Securities Exchange bid price at December 31, 2017 amounted to Rs 54m (2016: Rs 74m).

(c) Details of each of the material associates at the end of the reporting year are as follows:

Name	Year end	Nature of business	Principal place of business	Country of incorporation	Proportion of ownership interest Direct
2017/2016					
Swan Corporate Affairs Ltd	Dec-31	Secretarial	Port Louis	Mauritius	50%
Swan International Co Ltd	Dec-31	Reinsurance brokers and consultants	Port Louis	Mauritius	49%

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

9. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

(d) Summarised financial information in respect of each of the associated companies is set out below

Name	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss) after tax	Other comprehensive income for the year	Total comprehensive income for the year	Other equity movement	Dividend received during the year
2017	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Swan Corporate Affairs Ltd	**6,635**	**-**	**1,331**	**-**	**4,257**	**800**	**-**	**800**	**-**	**-**
Swan International Co Ltd	**6,342**	**59,110**	**748**	**-**	**-**	**(16,428)**	**(10,013)**	**(26,441)**	**-**	**1,656**
2016										
Swan Corporate Affairs Ltd	7,698	46	3,240	-	3,632	675	-	675	-	-
Swan International Co Ltd	11,694	84,020	1,191	-	-	5,199	(2,398)	2,801	18	3,198

(e) Reconciliation of summarised financial information

Name	Opening net assets January 1,	Profit/(loss) for the year	Other comprehensive income for the year	Other equity movement	Dividend	Closing net assets December 31,	Ownership interest	Interest in associates	Goodwill	Carrying value
2017	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	%	Rs'000	Rs'000	Rs'000
Swan Corporate Affairs Ltd	**4,504**	**800**	**-**	**-**	**-**	**5,304**	**50%**	**2,652**	**-**	**2,652**
Swan International Co Ltd	**94,525**	**(16,428)**	**(10,013)**	**-**	**(3,380)**	**64,704**	**49%**	**31,705**	**721**	**32,426**
2016										
Swan Corporate Affairs Ltd	3,829	675	-	-	-	4,504	50%	2,252	-	2,252
Swan International Co Ltd	98,233	5,199	(2,398)	18	(6,527)	94,525	49%	46,317	721	47,038

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

10. INVESTMENTS IN FINANCIAL ASSETS

(a)

	THE GROUP			
	2017			2016
	Held-to-maturity	Available-for-sale	Total	Total
Local Securities	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	8,661,840	10,436,884	19,098,724	18,864,258
Additions	2,339,944	442,724	2,782,668	2,986,635
Reclassification from loans and receivables	15,047	-	15,047	-
Increase/(decrease) in fair value	-	2,279,864	2,279,864	(571,910)
Disposals	-	(282,272)	(282,272)	(499,227)
Matured	(576,578)	-	(576,578)	(1,668,715)
Movement in accrued interests	44,495	-	44,495	(14,271)
Exchange Differences	(51,028)	-	(51,028)	1,954
At December 31,	10,433,720	12,877,200	23,310,920	19,098,724
	Held-to-maturity	Available-for-sale	Total	Total
Foreign Securities	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	-	6,833,873	6,833,873	6,626,058
Additions	-	2,630,192	2,630,192	926,455
Increase in fair value	-	972,778	972,778	39,949
Disposals	-	(997,082)	(997,082)	(758,589)
At December 31,	-	9,439,761	9,439,761	6,833,873
Total	10,433,720	22,316,961	32,750,681	25,932,597

Analysed as follows:	2017	2016
	Rs'000	Rs'000
Non-current	31,810,041	25,560,379
Current	940,640	372,218
	32,750,681	25,932,597
Cumulative accrued interests	347,897	303,402

(i)

	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At December 31, 2017				
Available-for-sale	21,381,428	70,019	865,514	22,316,961
At December 31, 2016				
Available-for-sale	16,515,961	60,513	694,283	17,270,757

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

10. INVESTMENTS IN FINANCIAL ASSETS (CONT'D)

(b)

	THE COMPANY			
			2017	2016
	Held-to-maturity	Available-for-sale	Total	Total
Local Securities	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	8,661,640	10,412,239	19,073,879	18,839,822
Additions	2,339,944	372,120	2,712,064	2,899,126
Reclassification to loans and receivables	15,047	-	15,047	-
Increase/(decrease) in fair value	-	2,277,524	2,277,524	(573,816)
Disposals	-	(209,613)	(209,613)	(410,221)
Maturity	(576,578)	-	(576,578)	(1,668,715)
Movement in accrued interests	44,495	-	44,495	(14,271)
Exchange differences	(51,028)	-	(51,028)	1,954
At December 31,	10,433,520	12,852,270	23,285,790	19,073,879

	Held-to-	Available-for-sale	Total	Total
Foreign Securities	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	-	6,833,870	6,833,870	6,626,055
Additions	-	2,626,667	2,626,667	926,455
Increase in fair value	-	973,215	973,215	39,949
Disposals	-	(997,082)	(997,082)	(758,589)
At December 31,	-	9,436,670	9,436,670	6,833,870
Total	10,433,520	22,288,940	32,722,460	25,907,749

Analysed as follows:	2017	2016
	Rs'000	Rs'000
Non-current	31,781,820	25,535,531
Current	940,640	372,218
	32,722,460	25,907,749
Cumulative accrued interests	347,897	303,402

(i)

	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At December 31, 2017				
Available-for-sale	21,353,407	70,019	865,514	22,288,940
At December 31, 2016				
Available-for-sale	16,491,313	60,513	694,283	17,246,109

(c) Non-cash additions and disposals in 2016 amounted to Rs 1,214,697,867 and Rs 231,884,273 respectively.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

10. INVESTMENTS IN FINANCIAL ASSETS (CONT'D)

(d) The table below shows the changes in level 3 instruments:

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
At January 1,	694,283	790,876
Additions	192,738	65,225
Disposals	(129,922)	(200,416)
Increase in fair value	108,415	38,598
At December 31,	865,514	694,283

(e) Held-to-maturity investments comprise of Mauritius Government Securities, listed and unquoted Debenture Stocks and Treasury Bills with interest rates varying from 2.00% to 12.75% (2016: 3.16% to 12.75%).

(f) Available-for-sale financial assets comprise of listed, quoted and unquoted financial assets.

(g) The Directors do not consider the investee companies with a shareholding in excess of 20% to be "Associated Companies" as Swan Life Ltd does not exercise significant influence over these companies.

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

(i) The maturity of financial assets are disclosed in note 3.2.3.

11. LOANS AND RECEIVABLES

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Loans on policies	71,966	77,500	71,966	77,500
Loans on residential properties	3,375,465	3,400,563	3,375,465	3,400,563
Loans on business properties	1,318,090	1,648,244	1,318,090	1,648,244
Cumulative accrued interests	123,347	126,336	123,347	126,336
Less impairment provision (see note (a) below)	(71,600)	(69,500)	(71,600)	(69,500)
	4,817,268	5,183,143	4,817,268	5,183,143
Loans to related corporations	13,501	28,230	26,939	41,670
	4,830,769	5,211,373	4,844,207	5,224,813
Analysed as follows:-				
Non-current	4,510,844	4,860,264	4,524,282	4,873,704
Current	319,925	351,109	319,925	351,109
	4,830,769	5,211,373	4,844,207	5,224,813

(a) Movements on the provisions for impairments of loans and receivables are as follows:

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
At January 1,	69,500	54,184
Charge for the year	2,100	15,316
At December 31,	71,600	69,500

(b) The rate of interest on loans vary from 5.00% to 14.00% (2016: 5.00% to 14.00%).

(c) There is no concentration of credit risk with respect to loans and receivables since balances are widely dispersed.

(d) The non-covered portion of impaired loans and receivables are secured by fixed charge collaterals on immovable properties. Impairment provision has been booked where recovery was estimated as doubtful.

(e) The ageing of loans and receivables is disclosed in note 3.2.3.

(f) The carrying amounts of loan and receivables approximate their fair values.

(g) The carrying value of loans and receivables that have been impaired is disclosed in note 3.2.2.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

12. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
· Receivables arising from insurance contracts				
- Due from contract holders - Individuals	55,908	47,625	55,908	47,625
- Schemes	413,186	201,422	413,186	201,422
· Claims recoverable from Reinsurers	8,943	4,702	8,943	4,702
· Interest and other receivables	236,861	188,281	165,289	127,854
· Receivables from related parties:				
- Holding Company	14,224	13,815	13,333	12,651
- Subsidiary Companies	-	-	18,290	28,511
	729,122	455,845	674,949	422,765

(a) The ageing of trade and other receivables is disclosed in note 3.2.3.

(b) The other classes within trade and other receivables do not include impaired assets except as mentioned in note 3.2.2.

(c) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

(d) The Group and the Company do not hold any collateral security for trade and other receivables. Impairment provision has been booked where recovery was estimated as doubtful.

(e) The carrying value of trade and other receivables that have been impaired is disclosed in note 3.2.2.

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

(g) Currency analysis of trade and other receivables is disclosed in note 3.2.1

13. SHORT TERM DEPOSITS

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
Short term deposits (note 27(b))	1,787,070	2,712,259

(a) Short term deposits comprise of foreign deposits, money-at-call and savings accounts. The rates of interest vary between 2.10 % to 3.60% (2016: 2.35% to 5.40%).

14. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
At January 1 and December 31,	26,322	26,322

The total authorised number of ordinary share is 2,632,210 shares (2016: 2,632,210 shares) with a par value of Rs.10 per share (2016: Rs.10 per share). All issued shares are fully paid.

15. NON-CONTROLLING INTERESTS

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
At January 1,	171,030	162,763
Share of surplus (note 8(f))	25,283	23,347
Share of reserve	250	(75)
Dividend paid	(15,205)	(15,005)
At December 31,	181,358	171,030

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

16. LIFE ASSURANCE FUND

(a) **THE GROUP**

	2017					2016				
	Surplus	Fair value reserve	Other reserves	Actuarial gains/ (losses)	Total	Surplus	Fair value reserve	Other reserves	Actuarial gains/ (losses)	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1	28,911,463	5,702,771	(4,977)	(122,139)	34,487,118	25,938,682	6,235,113	(3,802)	(74,032)	32,095,961
Surplus on Life Assurance Fund for the year (page 63)	1,844,101	-	-	-	1,844,101	3,006,092	-	-	-	3,006,092
Change in value of available-for-sale financial assets (note 10)	-	3,482,437	-	-	3,482,437	-	428,569	-	-	428,569
Release from fair value reserve (note 10)	-	(230,175)	-	-	(230,175)	-	(960,911)	-	-	(960,911)
Share of reserves of associated company	-	-	(4,906)	-	(4,906)	9	-	(1,175)	-	(1,166)
Remeasurements of defined benefit obligations	-	-	-	(1,229)	(1,229)	-	-	-	(48,107)	(48,107)
Transfer from retirement benefit obligation (note 18(a) (ii)	224,455	-	-	-	224,455	-	-	-	-	-
Transfer from/(to) proprietors' fund (d)	79,777	-	-	-	79,777	(33,320)	-	-	-	(33,320)
At December 31,	31,059,796	8,955,033	(9,883)	(123,368)	39,881,578	28,911,463	5,702,771	(4,977)	(122,139)	34,487,118

(b) **THE COMPANY**

	2017					2016				
	Non-Linked	Linked	Fair value reserve	Actuarial gains/ (losses)	Total	Non-Linked	Linked	Fair value reserve	Actuarial gains/ (losses)	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1	19,134,382	9,486,389	5,703,882	(118,269)	34,206,384	17,287,941	8,396,297	6,237,749	(71,986)	31,850,001
Surplus on Life Assurance Fund for the year (page 63)	781,199	1,014,413	-	-	1,795,612	1,879,761	1,090,092	-	-	2,969,853
Change in value of available-for-sale financial assets (note 10)	-	-	3,481,174	-	3,481,174	-	-	428,559	-	428,559
Release from fair value reserve (note 10)	-	-	(230,435)	-	(230,435)	-	-	(962,426)	-	(962,426)
Transfer from retirement benefit obligation (note 18(a) (ii)	224,455	-	-	-	224,455	-	-	-	-	-
Movement in reserve	-	-	-	(711)	(711)	-	-	-	(46,283)	(46,283)
Transfer from/(to) proprietors' fund (d)	79,777	-	-	-	79,777	(33,320)	-	-	-	(33,320)
At December 31,	20,219,813	10,500,802	8,954,621	(118,980)	39,556,256	19,134,382	9,486,389	5,703,882	(118,269)	34,206,384

(c) The liability component of the Discretionary Participating Feature (DPF) within the Life Assurance Fund is included in the Non-Linked Account.

(d) As part of a restructure of the Life Assurance Fund, in order to create designated funds for each class of long term insurance business as required by the Insurance Act 2005, the Statutory Actuary of the Company recommended that 10% of the actuarial surplus as at 31st December 2014 be transferred from the Life Assurance Fund to the proprietors' fund as a non-distributable reserve (NDR). In line with the above recommendation, the board has approved the transfer of Rs 472m on April 1, 2015. Consequently, each year, following the actuarial valuation of the Company, a transfer will be made to/from the NDR on a consistent basis and based on the corresponding amount of surplus. As at December 31, 2017, the NDR amounted to Rs 425m following a transfer of Rs 79m to the Life Assurance Fund following the 2016 valuation. Based on the actuarial valuation received to date, the NDR is expected to increase to Rs 855m at January 1, 2018.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

16. LIFE ASSURANCE FUND (CONT'D)

Fair value reserve

Fair value reserve comprises of the cumulative net change in the fair value of available-for-sale financial assets recognised in Life Assurance Fund until the investments are derecognised or impaired.

Other reserves

This is a translation reserve whereby differences obtained when translating the associate, Swan International Ltd and its investment, which have a functional currency different from that of the presentation currency of the Company, are accounted.

Actuarial gains/(losses)

The actuarial gains/(losses) reserve represents the cumulative remeasurement of defined benefit obligation recognised.

17. DEFERRED TAX ASSETS

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

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

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
Deferred tax assets	**695**	770

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

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
At 1 January	**770**	241
(Debited)/credited to Life Assurance Fund (note 20(a))	**(189)**	125
Credited to actuarial gains/(losses) reserves	**114**	404
At December 31,	**695**	770

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

Deferred tax assets:	Accelerated capital	Retirement benefit obligation	**Total**
	Rs'000	Rs'000	Rs'000
At January 1, 2016	33	208	241
Credited to Life Assurance Fund (note 20(a))	29	96	125
Credited to actuarial gains/(losses) reserves	-	404	404
At December 31, 2016	62	708	770
Debited to Life Assurance Fund (note 20(a))	**(1)**	**(188)**	**(189)**
Credited to actuarial gains/(losses) reserves	**-**	**114**	**114**
At December 31, 2017	**61**	**634**	**695**

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

18. RETIREMENT BENEFIT OBLIGATIONS

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Amounts recognised in the statements of financial position:				
Defined pension benefits (note (a)(ii))	**70,340**	229,161	**66,126**	224,455
Analysed as follows:				
Non-current liabilities	**70,340**	229,161	**66,126**	224,455
Amount charged to Life Assurance Fund:				
- Defined pension benefits (note (a)(v) & 24)	**65,756**	25,061	**67,009**	24,422
Amount charged to actuarial gains/(losses) reserves:				
- Defined pension benefits (note (a)(vi))	**1,472**	48,965	**711**	46,283

(a) **Defined pension benefits**

(i) The plan is a defined benefit arrangement, with benefits based on final salary. It provides for a pension at retirement and a benefit on death or disablement in service before retirement. The assets of the fund are held independently and administered by Swan Life Ltd.

The Group also operates a final salary defined benefit pension plan for some employees. The assets are held separately from the Group under the control of the Management Committee of Rogers Money Purchase Retirement Fund (RMPRF). The Group contributes to the pension plan in respect of some employees who have a No Worse Off Guarantee (NWOG) so that their benefits would not be worse than what they would have earned under a previous defined benefit plan.

The most recent actuarial valuation of the present value of the defined benefits obligations were carried out at December 31, 2017. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Group and the Company has historically paid discretionary bonuses to its pensioners which are also taken into account in the actuarial valuation of the pension fund for funding purposes. However, the calculations carried out for the retirement benefit obligation as required under IAS 19, did not reflect the discretionary element in the previous years. The cumulative effect thereof is not significant and has been adjusted prospectively in the current financial year.

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

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Present value of funded obligations	**299,738**	233,847	**293,111**	224,455
Fair value of plan assets	**(229,398)**	(4,686)	**(226,985)**	-
Liability in the statements of financial position	**70,340**	229,161	**66,126**	224,455

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

18. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) **Defined pension benefits (cont'd)**

(ii) The reconciliation of the opening balances to the closing balances for the net defined benefit liability is as follows:

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1	229,161	177,899	224,455	176,514
Amounts charged in the Life Assurance Fund	65,756	25,061	67,009	24,422
Amounts charged in the actuarial gains/(losses) reserves	1,472	48,965	711	46,283
Contribution paid	(1,594)	(22,764)	(1,594)	(22,764)
Transfer to Life Assurance Fund (note 16)	(224,455)	-	(224,455)	-
At December 31	70,340	229,161	66,126	224,455

The retirement benefit obligation for Swan Life Ltd has been unfunded up to December 31, 2016 because the pension fund was set up under the Insurance Act and the assets would not therefore have been segregated from the Company. However, following the enactment of the Private Pension Scheme Act 2012, all pension funds now have to be set up under a Trust and the Company has created a master trust for all its corporate clients, one of which is Swan Life Ltd itself. Moreover, the law also requires that all pension funds meet the technical funding requirements and as a result Swan Life Ltd has to fund its obligations towards the Swan Life Ltd pension fund. Assets of Rs 224.4m have been earmarked for the Company's pension fund which will be transferred to the Trust after the approval of the Regulator. A contingency plan has also been signed by the Company so that the remaining deficit is funded over the period recommended by the actuary to the Trust.

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

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1	233,847	182,340	224,455	176,514
Current service cost	9,936	13,405	9,308	12,863
Past service cost	42,119	-	41,172	-
Interest cost	13,982	11,967	13,419	11,559
Actuarial losses:	1,448	48,899	711	46,283
Benefits paid	(1,594)	(22,764)	(1,594)	(22,764)
Transfers in	-	-	5,640	-
At December 31,	299,738	233,847	293,111	224,455

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

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1	4,686	4,441	-	-
Expected return on plan assets	281	311	-	-
Losses on pension scheme assets	(24)	(66)	-	-
Transfer to Life Assurance Fund (note 16)	224,455	-	224,455	-
Employer contributions	-	22,764	-	22,764
Transfer in	-	-	2,530	-
Benefits paid	-	(22,764)	-	(22,764)
At December 31,	229,398	4,686	226,985	-
Actual return on plan assets	257	245	-	-

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

18. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) **Defined pension benefits (cont'd)**

The Company has a retirement pension fund for its employees which is internally managed. The assets, which are not legally separate, are included in the investment in financial assets.

(v) Amounts recognised in the Life Assurance Fund are as follows:

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Current service cost	9,936	13,405	9,308	12,863
Net interest cost	13,701	11,656	13,419	11,559
Past service costs	42,119	-	41,172	-
Transfer in	-	-	3,110	-
Total included in employee benefit expense (note 24)	65,756	25,061	67,009	24,422

(vi) Amounts recognised in the actuarial gains/(losses) reserve are as follows:

	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Experience (gains)/losses on the liabilities	(530)	541	(1,159)	8
Losses on pension scheme	24	66	-	-
Change in assumption underlying the present value of the scheme	1,978	48,358	1,870	46,275
	1,472	48,965	711	46,283

(vii) The assets of the Group plan are invested in the Deposit Administration Policy underwritten by Swan Life Ltd. The Deposit Administration Policy is a pooled insurance product for Group Pension Schemes. It is a long-term investment Policy which aims to provide a smooth progression of return from one year to the next without the regular fluctuations associated with asset-linked investments such as Equity funds. Moreover, the Deposit Administration Policy offers a minimum guaranteed return of 4.0% p.a.

The assets backing the Deposit Administration Policy form part of the Life Fund of Swan Life Ltd so that the breakdown of the assets above corresponds to a notional allocation of the underlying investments based on long term strategic asset allocation of the policy.

(viii) The principal actuarial assumptions used for the purposes of the actuarial valuations were:

	THE GROUP AND THE COMPANY	
	2017	2016
	%	%
Discount rate	5.0	6.0
Expected return on plan assets	5.0	6.0
Future long-term salary increases	4.5	5.5
Future guarantee pension increases	0 - 3	0 - 3
NPS ceiling increases	4.5	5.5
Post retirement annuity rates	Swan Life Ltd rates	Swan Life Ltd rates

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

18. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) **Defined pension benefits (cont'd)**

(ix) Sensitivity analysis on defined benefit obligations at end of reporting period:

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Decrease due to 1% increase in discount rate	**29,480**	24,438	**28,989**	23,203
Increase due to 1% increase in future long-term salary assumption	**36,375**	30,871	**35,805**	29,363

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

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

(x) The defined benefit pension plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

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

(xii) The Group and the Company expect to pay Rs 50m and Rs 51m respectively in contributions to its post-employment benefit plans for the year ending December 31, 2018.

(xiii) The weighted average duration of the defined benefit obligation is 9 - 20 years for the Group and 9 - 20 years for the Company at the end of the reporting period (2016 - Group and Company: 9 - 20 years).

19. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
· Trade payables:				
- Insurance contracts	**61,983**	81,033	**61,983**	81,033
· Other payables and accruals	**607,357**	271,403	**565,231**	255,186
· Amounts due to related parties:				
- Holding company	**25,849**	16,321	**21,332**	11,123
- Subsidiary companies	**-**	-	**16,312**	10,211
	695,189	368,757	**664,858**	357,553

(a) Currency analysis of trade and other payables is disclosed in note 3.2.1.

(b) The carrying amounts of trade and other payables approximate their fair values.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

20. TAXATION

(a) *Income tax charge*

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Current tax on the adjusted surplus for the year at 15% (2016: 15%)	**29,011**	24,452	-	-
Over provision in prior year	**(115)**	(16)	-	-
Movement in deferred tax (note 17)	**189**	(125)	-	-
Tax charge for the year	**29,085**	24,311	-	-

(b) The tax on the Group's surplus before tax differs from the theoretical amount that would arise using the basic tax rate of the Group's as follows:

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Surplus before taxation	**2,125,920**	3,119,750	**2,023,063**	3,035,853
Less share of results of associates	**7,650**	(2,885)	-	-
Less Company surplus for the year	**(2,023,063)**	(3,035,853)	-	-
Add dividend income from related parties	**158,456**	157,693	-	-
	268,963	238,705	**2,023,063**	3,035,853
Tax calculated at 15% (2016: 15%)	**40,344**	35,806	-	-
Income not subject to tax	**(13,306)**	(13,155)	-	-
Expenses not deductible for tax purposes	**2,162**	1,676	-	-
Over provision in prior year	**(115)**	(16)	-	-
	29,085	24,311	-	-

(c) *Current tax liabilities*

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at January 1,	**4,463**	11,164	-	-
Current tax on the adjusted surplus for the year at 15% (2016: 15%)	**29,011**	24,452	-	-
Over provision in prior year	**(115)**	(16)	-	-
Amount paid during the year	**(5,229)**	(12,805)	-	-
Payment under Advance Payment System (APS)	**(17,630)**	(18,332)	-	-
	10,500	4,463	-	-

21. GROSS PREMIUMS

	THE GROUP AND THE COMPANY			
		2017		2016
	Non-Linked	Linked	Total	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross Premiums	**1,786,993**	**1,609,255**	**3,396,248**	3,204,592
Consideration for annuities	**630,492**	-	**630,492**	654,645
	2,417,485	**1,609,255**	**4,026,740**	3,859,237

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

22. INVESTMENT INCOME

	THE GROUP		THE COMPANY			
	2017	2016	2017			2016
			Non-Linked	Linked	Total	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest income	**930,589**	976,078	**586,236**	**343,489**	**929,725**	974,612
Dividend income	**323,004**	329,964	**311,420**	**82,324**	**393,744**	400,642
	1,253,593	1,306,042	**897,656**	**425,813**	**1,323,469**	1,375,254

23(a) OTHER INCOME

	THE GROUP		THE COMPANY			
			2017			2016
	2017	2016	Non-Linked	Linked	Total	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Profit on disposal of financial assets	**287,493**	169,781	**215,034**	**68,349**	**283,383**	170,028
Miscellaneous income	**317**	419	-	-	-	(2)
Loss on disposal of seized properties	-	(2,066)	-	-	-	(2,066)
Profit on disposal of property and equipment	-	20	-	-	-	-
	287,810	168,154	**215,034**	**68,349**	**283,383**	167,960

23(b) Gain on derecognition of financial assets

Gain on derecognition of financial assets	-	982,812	-	-	-	982,812

In 2016, the Group and the Company recorded an exceptional gain on the derecognition of financial assets following the amalgamation of a listed entity.

24. MARKETING AND ADMINISTRATIVE EXPENSES

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
Marketing and administrative expenses include:	Rs'000	Rs'000	Rs'000	Rs'000
- Contribution in respect of Corporate Social Responsibility	**5,501**	5,708	**2,339**	1,935
- Internal auditors' fees	**207**	495	**207**	305
- Staff costs (see note (a) below)	**263,561**	209,843	**228,023**	172,664

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
(a) Analysis of staff costs:				
Salaries and wages	**130,637**	115,430	**99,921**	87,443
Retirement benefit obligations:				
- defined benefit plan (note 18(a)(v))	**65,756**	25,061	**67,009**	24,422
- defined contribution plan	**4,573**	3,353	**3,121**	2,405
Other costs	**62,595**	65,999	**57,972**	58,394
	263,561	209,843	**228,023**	172,664

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

25. DIVIDEND PAYABLE

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
Declared and payable		
Final dividend of Rs. 46.00 per ordinary share (2016: Rs. 46.00).	**121,082**	121,082

26. EARNINGS PER SHARE

	THE GROUP AND THE COMPANY	
	2017	2016
Earnings attributable to shareholders is based on:	Rs'000	Rs'000
- Amount transferred from Life Assurance Fund	**67,884**	55,231
- Interest allocated	**41,433**	61,729
- Amount transferred to Proprietors' Fund	**67,800**	66,000
	177,117	182,960
Number of shares in issue	**2,632,210**	2,632,210
Earnings per share	**67.29**	69.51

The above amount of Rs. 67.9m (2016: Rs.55.2m) represents one-third of the total amount transferred from the Life Assurance Fund to the Proprietors' Fund following the actuarial valuation at December 31, 2016, and the declared bonus of 2017.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

27. NOTES TO THE CASH FLOW STATEMENTS

(a) **Cash generated from operations**

	Notes	THE GROUP 2017	THE GROUP 2016	THE COMPANY 2017	THE COMPANY 2016
		Rs'000	Rs'000	Rs'000	Rs'000
Surplus for the year before taxation		**2,125,920**	3,119,750	**2,023,063**	3,035,853
Adjustments for:					
Depreciation on property and equipment	5	**16,814**	19,626	**16,353**	18,796
Depreciation on investment properties	6	**9,882**	9,611	**9,882**	9,611
Amortisation of intangible assets	7	**10,657**	10,793	**4,715**	4,766
Profit on sale of property and equipment	23	-	(20)	-	-
Loss on sale of seized properties	23	-	2,066	-	2,066
Impairment charged on loans for the year	11	**2,100**	15,316	**2,100**	15,316
Intangible assets written off	7	-	417	-	417
Interest allocated to proprietors' fund		**41,433**	61,729	**41,433**	61,729
Investment income	22	**(1,253,593)**	(1,306,042)	**(1,323,469)**	(1,375,254)
Net loss/(gain) on exchange		**69,819**	(4,982)	**67,094**	(6,196)
Profit on sale of financial assets	23	**(287,493)**	(1,152,593)	**(283,383)**	(1,152,840)
Change in accrued interest		**(41,506)**	15,185	**(41,506)**	15,185
Changes in working capital					
- Trade and other receivables		**(255,102)**	(52,784)	**(234,009)**	(41,555)
- Trade and other payables		**326,432**	(79,320)	**307,305**	(77,577)
- Retirement benefit obligations	18	**64,162**	2,297	**65,415**	1,658
- Outstanding claims		**26,723**	-	**26,723**	(12,740)
Share of results of associated companies net of dividend		**9,306**	313	-	-
Cash generated from operations		**865,554**	661,362	**681,716**	499,235

(b) **Cash and cash equivalents**

	THE GROUP 2017	THE GROUP 2016	THE COMPANY 2017	THE COMPANY 2016
	Rs'000	Rs'000	Rs'000	Rs'000
Short term deposits (note 13)	**1,787,070**	2,712,259	**1,787,070**	2,712,259
Cash and cash equivalents	**794,631**	889,911	**428,219**	598,731
	2,581,701	3,602,170	**2,215,289**	3,310,990

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

28. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

	THE GROUP AND THE COMPANY		
	Gross	Reinsurance	Net
2017	**Rs'000**	Rs'000	**Rs'000**
At January 1,			
Notified claims	**60,299**	(4,702)	**55,597**
Increase in liabilities	**209,211**	(31,775)	**177,436**
Cash paid for claims during the year	**(182,488)**	27,534	**(154,954)**
At December 31,	**87,022**	(8,943)	**78,079**
2016			
At January 1,			
Notified claims	73,039	(4,500)	68,539
Increase in liabilities	145,447	(25,901)	119,546
Cash paid for claims during the year	(158,187)	25,699	(132,488)
At December 31,	60,299	(4,702)	55,597

29. CONTINGENT LIABILITIES

(a) Financial Commitments

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Outstanding commitments for the following:-				
Loans to be granted	**137,950**	122,803	**137,950**	122,803
Investments properties	-	8,236	-	8,236
Bank guarantees and letter of credit	**17,100**	17,100	-	-
	155,050	148,139	**137,950**	131,039

(b) Tax assessment

During the year ended December 31, 2013, the Company received income tax assessment relating to the income years ended December 31, 2008, 2009, 2010 and 2011 respectively against which the Company has objected. The above is pending in before the Assessment Review Committee. The maximum liability that could arise from this assessment amount to Rs 13.3m, including penalties and interests.

30. HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The Directors regard Swan General Ltd, which owns 82.72% (2016: 82.72%) of the Company's share capital, as the Holding and Ultimate Holding Company. The remaining shares are widely held. The Company is incorporated in Mauritius and its registered offices is situated at Swan Centre, 10 Intendance Street, Port Louis.

31. SEGMENT INFORMATION

The Company is in itself an operating segment and strategic business unit of the Swan Group. It carries out exclusively long term insurance business, which is reported to the Group Chief Executive.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

32. RELATED PARTY TRANSACTIONS

(a) THE GROUP

	Sales of services	Purchases of services	Investment income	Recharges	Rental charge	Financial assets	Loans/ Deposits	Amount receivable from related parties	Amount payable to related parties
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2017									
Holding company	33,152	26,243	521	6,455	(1,043)	-	124,950	42,169	25,849
Associated companies	-	-	-	2,888	-	35,078	13,440	808	-
Fellow subsidiaries	-	-	3,157	13,028	-	75,959	13,501	19,373	-
Shareholders with significant influence	60,328	-	97,189	-	-	2,801,007	1,088,467	1,335	-
Enterprise that have a number of key management/directors in common	767,369	-	-	2,657	-	-	-	90,624	-
Key management personnel	1,450	-	431	-	-	-	4,750	355	7
	862,299	26,243	101,298	25,028	(1,043)	2,912,044	1,245,108	154,664	25,856

	Sales of services	Purchases of services	Investment income	Recharges	Rental charge	Financial assets	Loans/ Deposits	Amount receivable from related parties	Amount payable to related parties
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2016									
Holding company	33,358	25,218	4,620	12,116	(1,007)	-	-	13,815	16,321
Associated companies	-	-	-	2,625	-	49,290	13,440	3,174	-
Fellow subsidiaries	-	-	8,370	12,849	-	60,626	28,230	17,445	-
Shareholders with significant influence	103,655	-	135,955	-	-	2,645,960	995,231	2,277	-
Enterprise that have a number of key management/directors in common	379,329	-	-	1,896	-	-	-	87,897	-
Key management personnel	1,062	-	450	-	-	-	7,237	692	-
	517,404	25,218	149,395	29,486	(1,007)	2,755,876	1,044,138	125,300	16,321

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

32. RELATED PARTY TRANSACTIONS (CONT'D)

(b) THE COMPANY

	Sales of services	Purchase of services	Investment income	Recharges	Rental Income	Financial assets	Loans/ Deposits	Amount receivable from related parties	Amount payable to related parties
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2017									
Holding company	27,945	16,455	521	6,718	-	-	124,950	41,278	21,332
Subsidiary companies	73	100,332	70,390	28,462	1,988	-	-	18,290	16,312
Associated companies	-	-	1,654	2,888	-	614	13,440	808	-
Fellow subsidiaries	-	-	3,157	13,028	-	75,959	13,501	19,373	-
Shareholders with significant influence	60,328	-	97,189	-	-	2,801,007	1,088,467	1,335	-
Enterprise that have a number of key management/directors in common	767,369	-	-	2,657	-	-	-	90,624	-
Key management personnel	1,450	-	431	-	-	-	4,750	355	7
	857,165	116,787	173,342	53,753	1,988	2,877,580	1,245,108	172,063	37,651

	Sales of services	Purchase of services	Investment income	Recharges	Rental Income	Financial assets	Loans/ Deposits	Amount receivable from related parties	Amount payable to related parties
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2016									
Holding company	28,500	15,694	4,620	12,206	-	-	-	12,651	11,123
Subsidiary companies	16	86,136	68,495	35,239	2,080	-	-	28,511	10,211
Associated companies	-	-	3,198	2,625	-	614	13,440	3,174	-
Fellow subsidiaries	-	-	8,370	12,849	-	60,626	28,230	17,445	-
Shareholders with significant influence	103,655	-	135,955	-	-	2,645,960	995,231	2,277	-
Enterprise that have a number of key management/directors in common	379,329	-	-	1,896	-	-	-	87,897	-
Key management personnel	1,062	-	450	-	-	-	7,237	692	-
	512,562	101,830	221,088	64,815	2,080	2,707,200	1,044,138	152,647	21,334

The related party transactions are within the normal commercial terms and in the normal course of the business. For loans, the interest rate varies between 5% and 14% and secured by life policies of the party.

Notes to the financial statements

YEAR ENDED DECEMBER 31, 2017

32. RELATED PARTY TRANSACTIONS (CONT'D)

(c) **Key management personnel compensation**

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Salaries and short-term employee benefits	31,427	27,692	19,800	16,109
Post-employment benefits	2,994	2,542	1,743	1,354
	34,421	30,234	21,543	17,463

(d) The terms and conditions in respect of receivables and payables have been disclosed under respective notes. For the year ended December 31, 2017, the Group and the Company have not recorded any impairment of receivables relating to amounts owed by related parties (2016: Nil).

33. THREE YEAR FINANCIAL REVIEW

	THE GROUP			THE COMPANY		
	2017	2016	2015	2017	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Life Assurance Fund						
Gross premiums	4,026,740	3,859,237	3,388,287	4,026,740	3,859,237	3,388,287
Net premiums	3,865,936	3,692,096	3,226,097	3,865,936	3,692,096	3,226,097
Investment and other income	2,028,305	2,851,036	2,226,910	1,918,023	2,749,039	2,115,098
Share of (loss)/profit of associates	(7,650)	2,885	6,477	-	-	-
	5,886,591	6,546,017	5,459,484	5,783,959	6,441,135	5,341,195
Surplus for the year before taxation	2,125,920	3,119,750	2,277,834	2,023,063	3,035,853	2,159,092
Taxation	(29,085)	(24,311)	(26,061)	-	-	2,624
Surplus for the year	2,096,835	3,095,439	2,251,773	2,023,063	3,035,853	2,161,716
Surplus allocated as follows:						
- Life Assurance Fund	1,844,101	3,006,092	2,159,519	1,795,612	2,969,853	2,098,116
- Proprietors' fund	227,451	66,000	63,600	227,451	66,000	63,600
- Non-controlling interests	25,283	23,347	28,654	-	-	-
	2,096,835	3,095,439	2,251,773	2,023,063	3,035,853	2,161,716
Dividends	121,082	121,082	121,082	121,082	121,082	121,082
Earnings attributable to shareholders	177,117	182,960	165,601	177,117	182,960	165,601
Statement of Financial Position						
Non-current assets	37,214,775	31,344,198	29,382,705	37,552,064	31,664,750	29,739,456
Current assets	4,623,255	4,820,648	4,377,509	4,202,670	4,496,388	4,067,708
	41,838,030	36,164,846	33,760,214	41,754,734	36,161,138	33,807,164
Share capital	26,322	26,322	26,322	26,322	26,322	26,322
Proprietors' fund	703,425	635,400	595,433	703,425	635,400	595,433
Reserves	61,214	61,214	61,214	529,643	529,643	529,643
Non-controlling interests	181,358	171,030	162,763	-	-	-
Life Assurance Fund	39,881,578	34,487,118	32,095,961	39,556,256	34,206,384	31,850,001
Non-current liabilities	157,362	289,460	250,938	153,148	284,754	249,553
Current liabilities	826,771	494,302	567,583	785,940	478,635	556,212
	41,838,030	36,164,846	33,760,214	41,754,734	36,161,138	33,807,164

Other statutory disclosures

FOR THE YEAR ENDED DECEMBER 31, 2017

(pursuant to Section 221 of the Companies Act 2001)

DIRECTORS OF THE COMPANY

Mr. M. E. Nicolas MAIGROT - Chairperson
Mr. M. D. Pierre DINAN, G.O.S.K. (resigned on 13 June 2017)
Mr. M. M. Hector ESPITALIER-NOËL
Mr. M. H. Philippe ESPITALIER-NOËL
Mr. M. D. Henri HAREL
Mr. J. M. René LECLÉZIO
Mr. Peroomal Gopallen MOOROOGEN
Mr. J. M. Louis RIVALLAND - Group Chief Executive
Mr. Victor C. SEEYAVE
Mr. Jean-Sebastien MAMET

DIRECTORS OF THE SUBSIDIARY COMPANIES

Manufacturers' Distributing Station Limited

Mr. J. M. Louis RIVALLAND
Mr. Gerald E. R. J. LINCOLN (resigned on 15 February 2017)
Mr. Jaiyansing SOOBAH

Swan Pensions Ltd

Mr. J. M. Louis RIVALLAND
Mr. Peroomal Gopallen MOOROOGEN
Mr. Alan GODER

Swan Wealth Managers Ltd

Mr. J. M. Louis RIVALLAND
Mr. Peroomal Gopallen MOOROOGEN
Mr. Nitish BENI MADHU

Swan Foundation

Mr. J. M. Louis RIVALLAND
Mr. Jaiyansing SOOBAH

Swan Financial Solutions Ltd

Mr. J. M. Louis RIVALLAND
Mr. Ziyad Abdool Raouf BUNDHUN (resigned on 20 April 2017)
Mr. Nitish BENI MADHU
Mr. Ashley Coomar RUHEE (appointed on 12 June 2017)

Swan Securities Ltd

Mr. Jaiyansing SOOBAH
Mr. Veenaye BUSGEETH (appointed on 09 January 2018)
Mrs Preetee Jhamna RAMDIN (resigned on 18 December 2017)

Swan Corporate Advisors Ltd

Mr. Jaiyansing SOOBAH (appointed on 29 January 2018)
Mr. Gianduth JEEAWOCK (appointed on 29 January 2018)
Mr. J. M. Louis RIVALLAND (appointed on 21 December 2017 and resigned on 29 January 2018)
Mr. Nitish BENI MADHU (appointed on 21 December 2017 and resigned on 29 January 2018)

Other statutory disclosures

FOR THE YEAR ENDED DECEMBER 31, 2017

(pursuant to Section 221 of the Companies Act 2001)

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company and of the Subsidiary Companies have service contracts that need to be disclosed under Section 221 of the Companies Act 2001.

DIRECTORS' REMUNERATION AND BENEFITS

Remuneration and benefits received from the Company and its subsidiaries were as follows:

- Directors of Swan Life Ltd

	From the Company		From the Subsidiaries	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Executive Directors				
- Full-time	**5,036**	6,252	**4,899**	7,144
Non-executive Directors	**1,025**	1,095	**158**	180
	6,061	7,347	**5,057**	7,324

	From the Subsidiaries	
	2017	2016
	Rs'000	Rs'000
- Directors of subsidiary companies who are not directors of the Company		
- Non-executive Director	**158**	140

DONATIONS

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Political donations	**-**	-	**-**	-
Charitable donations	**55**	32	**55**	32

CONTRACT OF SIGNIFICANCE

During the year under review, there was no contract of significance to which the Company or one of its subsidiaries was a party and in which a Director of the Company was materially interested either directly or indirectly.

AUDITORS' FEES

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Audit fees paid to:				
- BDO & Co	**1,975**	1,795	**1,485**	1,460
- Other firms	**94**	90	**-**	-
	2,069	1,885	**1,485**	1,460
Fees paid for other services to BDO & Co:				
- Review of statutory return	**150**	140	**150**	140
	150	140	**150**	140

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders (the "Meeting") of Swan Life Ltd (the "Company") will be held on 12 June 2018 at 9.30 a.m. at Swan Centre, 10, Intendance Street, Port Louis to transact the following business in the manner required for the passing of ORDINARY RESOLUTIONS:

AGENDA

1. To consider the 2017 Annual Report of the Company.
2. To receive the report of Messrs. BDO & Co, the external auditors of the Company.
3. To consider and adopt the audited financial statements of the Company and the Group for the year ended 31st December 2017.
4. To confirm the appointment of Mr. A. Fakhruddin Currimjee as director of the Company.
5. To re-appoint Messrs. BDO & Co as auditors of the Company in compliance with Section 40(3) of the Insurance Act 2005 for the ensuing year and to authorise the Board of Directors to fix their remuneration.
6. To ratify the remuneration paid to the auditors for the financial year ended 31st December 2017.

BY ORDER OF THE BOARD

Jaiyansing Soobah
for Swan Corporate Affairs Ltd
Company Secretary

4 May 2018

NOTES:

1. *A shareholder of the Company entitled to attend and vote at this meeting may appoint a proxy of his/her own choice to attend and vote on his/her behalf. A proxy need not be a member of the Company.*
2. *The instrument appointing a proxy or any general power of attorney shall be deposited at Registered Office of the Company not less than twenty-four (24) hours before the start of the meeting and in default, the instrument of proxy shall not be treated as valid.*
3. *A proxy form is included in this Annual Report and is also available at the registered office of the Company.*
4. *For the purpose of this Annual Meeting, the Directors have resolved, in compliance with Section 120(3) of the Companies Act 2001, that the shareholders who are entitled to receive notice of the meeting shall be those shareholders whose names are registered in the share register of the Company as at 15 May 2018.*

PROXY FORM

I/We,

of

being a member/members of Swan Life Ltd ("the Company), do hereby appoint:

of

or failing him/her,

of

or failing him/her the Chairman of the Meeting, as my/our proxy to represent me/us and vote for me/us and on my/our behalf at the Annual Meeting of the Company to be held at Swan Centre, 10, Intendance Street, Port Louis on 12 June 2018 at 09.30 hours and at any adjournment thereof.

I/We direct my/our proxy to vote in the following manner (please vote with a tick):

RESOLUTIONS	FOR	AGAINST	ABSTAIN
1. To consider the 2017 Annual Report of the Company.			
2. To receive the report of Messrs. BDO & Co, the auditors of the Company.			
3. To consider and adopt the audited financial statements of the Company and the Group for the year ended 31st December 2017.			
4. To confirm the appointment of Mr. A. Fakhruddin Currimjee as director of the Company.			
5. To re-appoint Messrs. BDO & Co as auditors of the Company for the ensuing year in compliance with Section 40 (3) of the Insurance Act 2005 and to authorise the Board of Directors to fix their remuneration.			
6. To ratify the remuneration paid to the auditors for the financial year ended 31st December 2017.			

Signed this day of 2018.

Signature(s)

Notes:

1. *A shareholder of the Company entitled to attend and vote at this meeting may appoint a proxy of his/her own choice to attend and vote on his/her behalf. A proxy need not be a member of the Company.*
2. *If the instrument appointing a proxy or any general power of attorney is returned without an indication as to how the proxy shall vote on any particular resolution, the proxy will exercise his/her discretion as to whether, and if so, how he/she votes.*
3. *To be valid, the instrument appointing a proxy or any general power of attorney, duly signed, shall be deposited at the Registered Office of the Company, Swan Centre, 10, Intendance Street, Port-Louis 24 hours before the time fixed for holding the Annual Meeting.*

Swan Life Ltd
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Port Louis, Mauritius
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