ANNUAL REPORT

SPICE FINANCE LTD

FINANCIAL YEAR ENDED

JUNE 30, 2018

SPICE FINANCE LTD
INDEX

The Directors have pleasure in submitting the Annual Report of SPICE Finance Ltd (the "Company"), together with the audited financial statements for the year ended June 30, 2018.

1. PRINCIPAL ACTIVITIES

The principal activities of the Company consist of providing lease facilities and deposit-taking business.

2. RESULTS FOR THE YEAR

The statement of comprehensive income for the year is shown on page 43.

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Net interest income	**60,030,490**	40,948,542	33,280,147
Profit/ total comprehensive income	**33,424,839**	27,443,585	2,658,630

3. DIRECTORS

The names of the existing directors of the Company are as follows:

	Date of appointment	**Date of resignation**
Independent Chairman		
Mr. POISSON Albert Pierre Gilbert	22-Jul-14	-
Independent Director		
Mr. PASCAL Marie Desire Freehman Sylvain	16-Aug-16	-
Mr. ESPITALIER NOEL Patrice Jean Pierre Edouard	25-Aug-17	-
Mr. OCHIT Ouma Shankar	17-Nov-17	-
Mr. REY Joseph Marie Clément Labauve D'Arifat	15-Oct-13	19-Dec-17
Non-Executive Director		
Mr. PITOT Francois Sebastien	28-Dec-10	-
Mr. BOURGAULT DU COUDRAY Laurent	11-Apr-16	-
Executive Director		
Mr. TULSIDAS Vikash R	15-Oct-13	-

4. DIRECTORS' SERVICE CONTRACTS

Mr. Vikash R Tulsidas and Mr. Sebastien Pitot have an on-going employment contract with the Company.

5. DIRECTORS' SHARE INTEREST

The existing Directors having interest in the shares of the Company at the year end were as follows:

		Indirect interest	
	June 30, 2018	June 30, 2017	June 30, 2016
	%	%	%
Mr PITOT Francois Sébastien	**0.210**	0.210	0.254
Mr TULSIDAS Vikash R	**0.106**	0.106	0.143
Mr BOURGAULT DU COUDRAY Laurent	-	0.049	0.061

The other Directors did not hold any shares in the Company directly or indirectly.

6. CONTRACT OF SIGNIFICANCE

There was no contract of significance between the Company and any director during the year (2017 and 2016: nil).

7. DIRECTORS' REMUNERATION AND BENEFITS

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Directors' remuneration	**9,762,218**	6,812,935	5,003,648

8. DONATION

The Company has made no donation during the year 2018 (2017: Nil and 2016: Nil).

9. AUDITOR'S REMUNERATION

	June 30, 2018		June 30, 2017		June 30, 2016	
	Audit	**Others**	Audit	Others	Audit	Others
	Rs.	**Rs.**	Rs.	Rs.	Rs.	Rs.
Ernst & Young	-	-	184,000	101,200	877,400	37,950
PricewaterhouseCoopers	1,150,000	505,863	920,000	42,550	-	-
BDO & Co	-	1,380,000	-	57,500	-	-

……………………………… **Director**

……………………………… **Director**

……………………………… **Chief Executive Officer**
Vikash R TULSIDAS

Date: 27 SEP 2018

INTRODUCTION

SPICE Finance Ltd (SPICE / the 'Company') is a public company licensed by the Financial Services Commission for its leasing business and authorised by the Bank of Mauritius to conduct deposit-taking business. The Company accepts deposits from the public to finance its lease book. Accordingly, the Company has the duty to ensure that its asset portfolio is adequately matched with the deposit book. SPICE has the responsibility of safeguarding the funds entrusted by the depositors and, to that effect, the Company ascertains that its business is carried out with integrity and that its staff adheres to a strict code of ethics and professionalism.

PRINCIPLE 1: GOVERNANCE STRUCTURE

The Board is committed to attain and sustain high standards of corporate governance. The Directors recognise the importance of good governance to ensure continued growth, success and to enhance investors' confidence. The Board is collectively responsible for the Company's leadership, strategy, values, standards, control, management and the long-term success of the Company. It is also responsible for providing strong leadership and independent judgement for complying with all legal and regulatory requirements.

The corporate governance framework includes a unitary Board of Directors, Board Committees and Management Committees. It follows industry best practices, established policies and procedures and ensures that the employees adopt the highest standards of business integrity, transparency, professionalism and ethical behavior.

As such, the Board fully supports the principles of good governance as set out in The National Code of Corporate Governance for Mauritius (2016) ('the Code') which is based on an "apply and explain basis" and conducts its operations in line with these principles and with the Revised Guideline on Corporate Governance issued by the Bank of Mauritius in May 2016.

The Terms of Reference ('TOR') of the Board and its Committees were approved on 27 March 2015 and it is the policy of the Company to review its TORs on a regular basis.

The Company has on 14 June 2018 adopted the AXYS Group Code of Ethics and the whistleblowing procedures are elaborated therein.

The following key governance documents will be available on the Company's website http://www.spicefinance.mu/ by end of October 2018:

- Constitution
- Code of Ethics
- Organisation Chart
- Board Charter (Terms of Reference)

Role of the Board

The key role of the Board is to determine the Company's direction, monitor its performance and oversee risks. The Board of Directors ensures that the Board effectively sets policies and supervises the management of the Company, either directly or through the Board Sub-Committees, for more in-depth analysis and review of various issues.

The powers of Directors are set out in the Constitution of the Company.

PRINCIPLE 1: GOVERNANCE STRUCTURE (CONT'D)

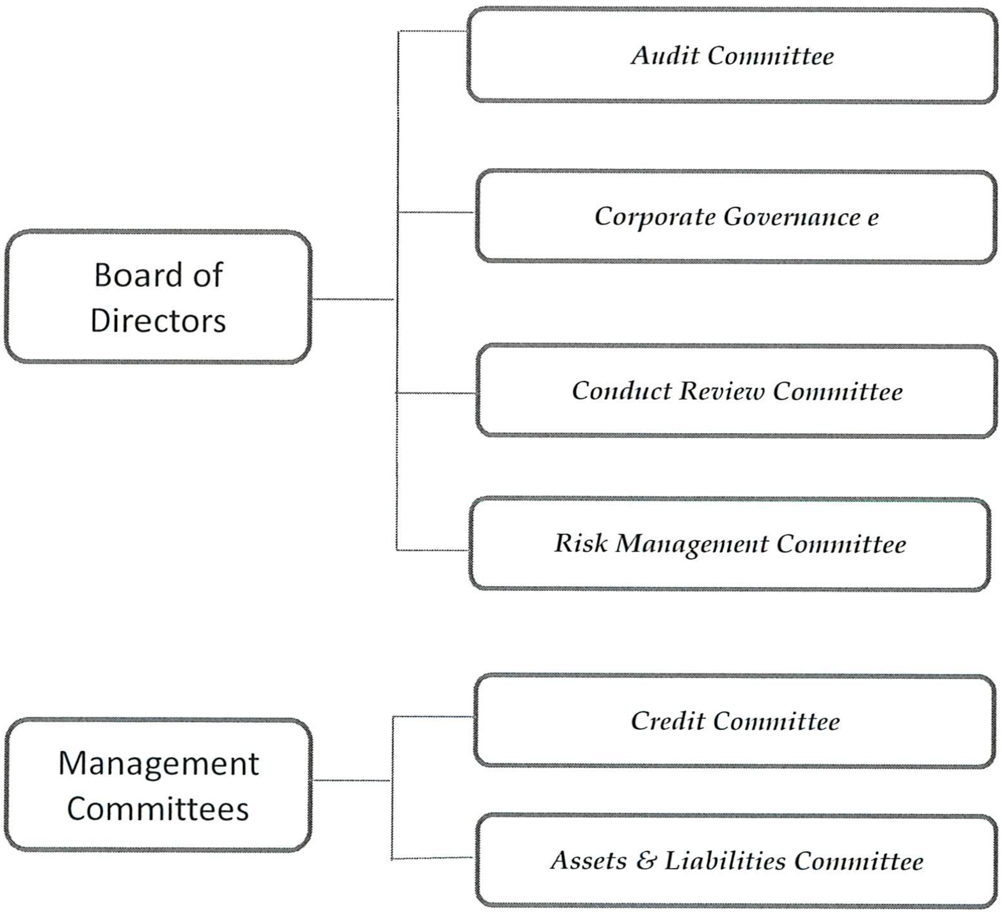
Responsibilities of the Board

The Board is responsible in ensuring that the Company adheres to all relevant applicable legislations and remains committed to best governance practices for the benefit of all its stakeholders. The Board is also responsible in monitoring and assessing risks in order to ensure that the viability of the Company is sustained at all times. In addition, the Board ensures that its internal control systems and reporting arrangements are designed and set up so as to provide for the effective, prudent and efficient administration of its assets and liabilities.

The key functions of the Board include:

a) setting the business strategy of the Company and approving business plans and budgets that implement the said strategy;
b) supervising the management of the business of the Company;
c) ensuring the financial soundness of the Company; and
ensuring that licensing requirements are satisfied.

BOARD STRUCTURE



Key Governance Responsibilities

The Board takes particular note of the key governance positions which are critical to the Board's performance against its strategy and achievement of a high level of good governance. The Board has approved all of the key governance positions within the Company and the corresponding accountabilities that are matched with these key positions.

PRINCIPLE 1: GOVERNANCE STRUCTURE (CONT'D)

Key Management Positions

Chairman of the Board

The key responsibilities of the Chairman of the Board are as follows:

- To preside over meetings, encourage participation of Directors in Board matters and mediate differences of opinion;
- To participate in the nomination of Directors to ensure that the Board has the right mix of competencies, skills, objectivity and expertise;
- To monitor and evaluate Board and director appraisals;
- To guide the Board and Senior Management, ensuring time for consultation, preparing of Agenda and minutes, and supervision of implementation of resolutions;
- To ensure adequate succession planning for the Directors and Management;
- To ensure that all relevant information on financial and operating matters are placed before the Board to enable Directors to reach informed decisions;
- To ensure adoption of good corporate governance practices;
- To maintain relations with the Shareholders of the Financial Institution and ensure that information is clearly communicated to them through appropriate disclosure; and
- To issue a compliance statement to the Bank of Mauritius in respect of each financial year, certifying that the Company has complied with the provisions of the law and regulations issued by the Bank of Mauritius.

Mr. POISSON Albert Pierre Gilbert is the Chairman of the Board and a brief profile is found on page 11.

Chief Executive Officer

The key responsibilities of the CEO are as follows:

- To develop and implement the Company's short term and long-term strategy with a view to creating shareholder value;
- To be responsible for the day to day management of the Company;
- To monitor and supervise all processes, work in progress and the activities of the Company as a whole; and
- To be the main point of contact between the Board and Management;

Mr. TULSIDAS Vikash R is the Chief Executive Officer and a brief profile is found on page 11.

Chairman of Audit Committee ('AC')

The key responsibilities of the Chairman of the Audit Committee are as follows:

- To provide support and advice to the Chairman of the Board;
- To provide advice and counsel on matters relating to the work of the AC, the CEO, Head of Accounting or other members of Management; Board of Directors and the external auditors;
- To regularly review and assess the AC Terms of Reference;
- To create an annual work Plan in collaboration with the Head of Accounts, internal auditors and external auditors;
- To report to the Board on the work of the AC in a timely and comprehensive manner;
- To schedule an appropriate number and the timing of AC meetings each calendar year so as to enable the AC to carry out its responsibilities diligently and effectively;
- To create the agenda for each AC meeting with a view to establishing the appropriate priorities, and fulfilling the obligations of the AC under its TOR and in accordance with its work Plan;

PRINCIPLE 1: GOVERNANCE STRUCTURE (CONT'D)

Key Management Positions (Cont'd)

- To ensure that the AC receives all material to be discussed at the meeting in a timely manner in order to allow AC members a sufficient amount of time to review the information provided with; and
- To ensure that an update report of each AC meeting is presented to the Board

Mr. OCHIT Ouma Shankar is the Chairman of the AC and a brief profile is found on page 12.

Chairman of Risk Management Committee ('RMC')

The key responsibilities of the Chairman of the RMC are as follows:

- To provide support and advice to the Chairman of the Board;
- To provide risk expertise to the RMC;
- To guide and advise the Board in the approval of an appropriate risk management framework; and
- To ensure that an update report of each RMC meeting is presented to the Board;

Mr. PASCAL Marie Desire Freehman Sylvain is the Chairman of the RMC and a brief profile is found on page 12.

Chairman of Corporate Governance Committee ('CGC')

The key responsibilities of the Chairman of the CGC are as follows:

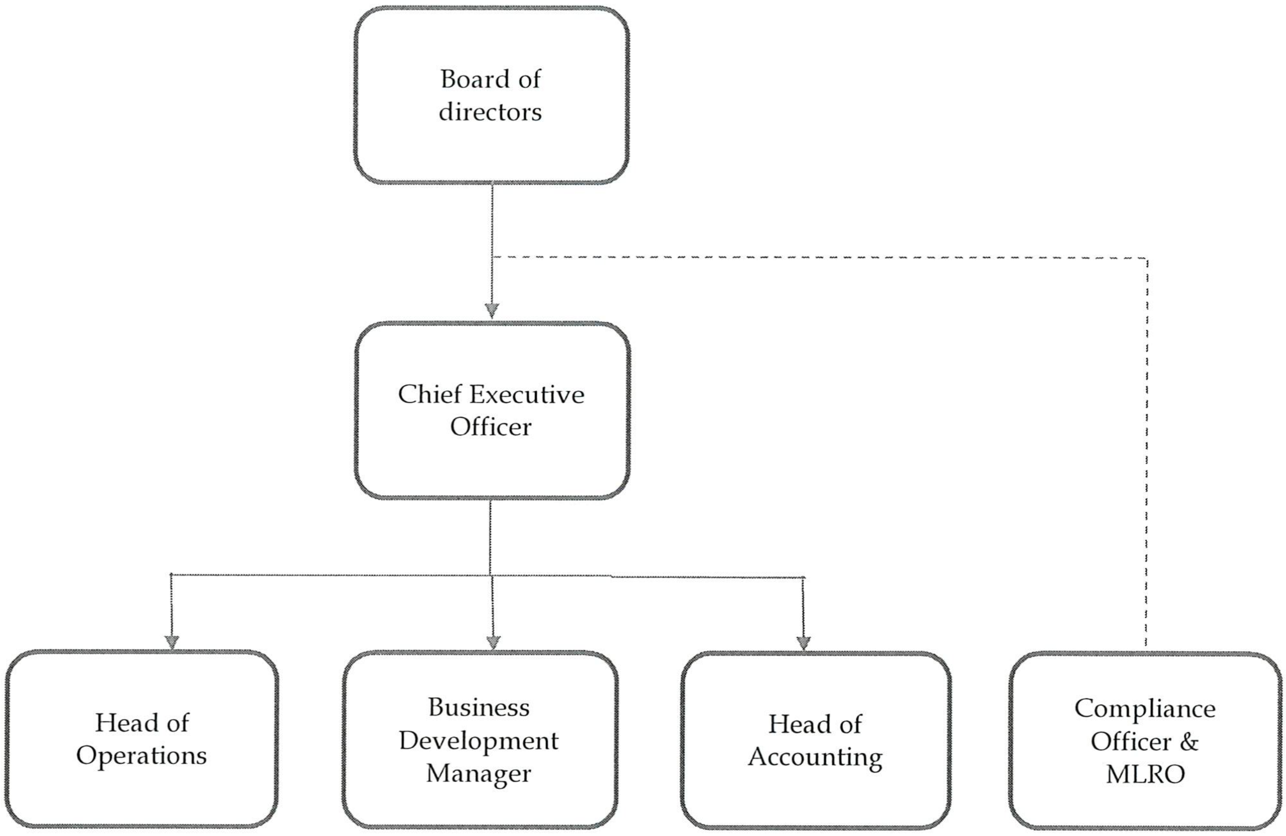
- To provide expertise in the areas of Corporate Governance;
- To ensure that an update report of each CGC meeting is presented to the Board;
- To ensure that the Board members receives regular and ongoing training and development; and
- To oversee the production of the Annual Report each year.

Mr. ESPITALIER NOEL Patrice Jean Pierre Edouard is the Chairman of the CGC and a brief profile is found on page 12.

PRINCIPLE 1: GOVERNANCE STRUCTURE (CONT'D)

Other Key Management Positions

The Senior Management Structure is set out below:



Head of Operations

The Head of Operations is responsible for ensuring that procedures are implemented, followed and continuously monitored to meet the Company's objectives and stakeholders' expectations. The Head of Operations is also responsible in assisting Management to develop and encourage a shared vision for the future directions, goals and priorities whilst providing strategic and administrative assistance for the overall running of the organisation.

Dominique Nicolin
Head of Operations

Dominique joined SPICE Finance Ltd in December 2010 as Head of Operations. She holds a Diploma in Management from Challenger Tafe, Institute of Technology of Western Australia.
She previously worked for an insurance company where she occupied several functions in the investment and loans department. She also worked for La Prudence Leasing Finance Co. Ltd as Assistant Manager and later as Customer Service Manager and Money Laundering Reporting Officer. Through her 20 years' experience in the finance sector, Dominique has been in touch with various important players in the economic field where she has proved to ensure achievements in all of her duties.

PRINCIPLE 1: GOVERNANCE STRUCTURE (CONT'D)

Other Key Management Positions (Cont'd)

Business Development Manager

The Business Development Manager (BDM) is responsible for assisting the Company to acquire new customers as well as exploiting business opportunities as and when they arise. The main objective of the BDM is to generate new revenue and help the Company grow. The BDM is also responsible to oversee the activities of the recovery department.

Patrick Selvon
Business Development Manager

Patrick joined SPICE Finance Ltd in May 2008 as Business Development Manager. He holds a "Brevet Bancaire" from the Centre de Formation pour la Profession Bancaire, France.
He joined BNPI - Mauritius in 1990. He was appointed Relationship Manager at BNPI Leasing in 2000. He joined Barclays Leasing Company Limited in 2002 as Relationship Manager following the merger of BNPI and Barclays Bank Plc. Patrick was appointed Manager of the Barclays Business Support in September 2007. He has acquired a wide experience in leasing activities. and is well known for his professionalism in the industry.

Head of Accounting

The Head of Accounting is responsible for the day-to-day aspects of the business's accounting and reporting functions whilst ensuring compliance with applicable accounting standards (IFRS/IAS), Mauritian company laws and prevailing regulators guidelines (BOM, FSC, MRA etc). The Head of Accounting oversees all activities of the accounting and tax accounting is involved in the supervision and management o
f general accounting activities, analyses, and the maintenance of effective internal controls while ensuring reporting to the regulatory bodies, such as the BOM, FSC and MRA.

Jessila Mootoosamy Monien
Head of accounting

Jessila joined Spice Finance Ltd in October 2009, since she was appointed as Head of Accounting. She is a fellow member of the Association of Chartered Certified Accountants (FCCA) and holds more than 15 years of audit and accountancy experience.
Prior to joining the Company, she spent a number of years in the Cayman Islands and Luxembourg, where she worked as Audit Supervisor and Audit Manager for two of the big four international audit and accounting firms.
Her vast exposure to the accounting field through the numerous years enables her to duly execute her duties, whilst at the same time ensuring compliance with applicable accounting standards (IFRS/IAS), Mauritian company laws and prevailing regulators guidelines.

Compliance & MLRO Officer

The Compliance officer bears the responsibility to verify, on a regular basis, compliance with policies, procedures and controls relating to money laundering and the financing of terrorism activities. The Compliance officer has also been appointed as the Money Laundering Reporting Officer. The main duty of the MLRO is to make Suspicious Transaction Reports to the FIU, on behalf of the Company.

PRINCIPLE 1: GOVERNANCE STRUCTURE (CONT'D)

Other Key Management Positions (Cont'd)

Anoushka Rampeearee-Pascal
Compliance & MLRO Officer

Anoushka joined SPICE Finance Ltd since October 2016 and is employed as Compliance Officer and MLRO. She a Law graduate from the University of Orléans, France. For her Master 1, she completed an exchange program and obtain a Certificate in English Law from the University of Birmingham, UK. She is a Certified Anti -Money Laundering Specialist and an MQA approved trainer in Law.

In 2008, she started her legal career at the "Tribubal de Grande Instance d'Orléans", France. She joined Banymandhub - Boolell Chambers/ Temple Professionals Ltd as Senior Legal Executive from 2010 to 2012. From 2012 to 2016, her main responsibilities when she joined Rogers Capital and eventually IPRO/Ciel Group were ensuring ongoing monitoring and risk management. She carried out compliance review of files and provided in-house training to Staff. She helped develop, initiate, maintain, and revise policies and procedures for the general operation of the Compliance Program and its related activities to prevent illegal, unethical, or improper conduct. She also managed day-to-day operation of the Program. She assisted in providing guidance to management and employees with regards to AML/CFT procedures.

Company Secretary

All Directors have access to the advice and services of the Company Secretary, NWT Secretarial Services Ltd, through its representative V.Oomadevi Chetty, who is responsible for providing guidance to the Board as to their duties, responsibilities and powers. The Company Secretary is appointed by the Board in accordance with the Constitution.

The Company Secretary ensures that the Board procedures are followed and that applicable rules and regulations as well as principles of good governance are adhered to.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Board of SFL has aimed to create the right balance and composition in such a way as to best serve the Company. Given the size and the sector of activities of the Company, the Directors consider that the current Board is of reasonable size and possesses the appropriate mix of competencies, experience, skill and independence to efficiently manage the affairs of the Company. However, the Board took cognizance of the requirement of the Code with regards to gender balance and is actively looking for a suitable candidate with required knowledge, skills and experience to add value to the Board.

The Company is currently managed by a unitary Board of seven members, residents of Mauritius, out of whom one (1) is Executive Director, two (2) are Non-Executive and four (4) are Independent Non-Executive Directors.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

DIRECTORS' PROFILE

The profiles of the Board Members at June 30, 2018 are as follows:

Mr. POISSON Albert Pierre Gilbert
Independent Director (Chairperson)

Gilbert Poisson is a Fellow member of the association of Chartered Certified Accountants (UK) and an Associate member of the Chartered Insurance Institute (UK).

He was an auditor with De Chazal DuMee &Co, Chartered Accountants before proceeding to UK with Futcher, Head & Gilberts, Chartered Accountants where he was the Audit manager for the Lloyds Syndicate audit. Back in Mauritius, he joined The Mauritius Union Assurance Company Limited as the financial controller and resigned as deputy CEO and director in December 2012 after 30 years of service. Gilbert was also a director of La Prudence (Mauricienne) Assurances Ltée and of the National Mutual Fund Ltd.
He is now a consultant in business strategy and financial solutions. He was appointed Director and Chairperson of the SPICE on 22 July 2014.

Mr. TULSIDAS Vikash R
Executive Director

Vikash Tulsidas is a graduate from the University of Warwick, UK. He joined AXYS Group in 2004. He was the Managing Director of AXYS Stockbroking Ltd from 2004 until end 2016 and specialised in trading on stock markets both locally and internationally. He is a licenced Investment Advisor by the Financial Services Commission (FSC).

He was appointed Director of SPICE on 29 October 2013 and since the 1 February 2017 he is the Chief Executive Officer of the Company. Since 2008, he is also a director of NWT (Mauritius) Ltd, an offshore management company. He is part of the Capital Markets team within AXYS. He is also a non-executive director on several entities within the group. Prior to joining AXYS, Vikash has also worked as an analyst in the Marketing and Economic Studies department of a leading Accounting firm for two years.

He was an active member of the executive committee of the Port-Louis Stockbroking Association until end 2016. Vikash has been a member on the Board of directors of the Stock Exchange of Mauritius for 9 years until December 2016 and a Director of the Central Depository & Settlement (CDS) for 8 years. He was the Chairman of the CDS for 3 years until December 2016.

Mr. PITOT Francois Sébastien
Non-Executive Director

Sébastien holds a BTS en Informatique de Gestion from the Mauritius Chamber of Commerce and Industry Business School and an Executive MBA from the University of Birmingham. Sébastien also attended a 1-year GMP from ESSEC Business School. Sébastien started his career in the IT sector, more specifically in programming. He then spent five years in an asset management company holding various functions before joining the AXYS group in February 2005. He has spent two years at AXYS Capital Management before joining SPICE Finance Ltd as Business Development Manager.

Sébastien was appointed General Manager of SPICE Finance Ltd beginning of 2008. He assumed the role of Managing Director during the period 28 December 2010 to 31 January 2017. He however remained on the Board of SPICE as a Non-Executive Director.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

DIRECTORS' PROFILE (CONT'D)

Mr. BOURGAULT DU COUDRAY Laurent
Non-Executive Director

Laurent is a graduate in Accounting and Finance from Curtin University in Perth, Australia and is a member of the Institute of Chartered Accountants in Australia. He has worked over four years in Perth providing corporate and international tax services and is, since January 2013, Project Manager at the United Investments Ltd. He was appointed Director of SPICE on 11 April 2016.

Mr. PASCAL Marie Desire Freehman Sylvain
Independent Director

Sylvain holds an MBA from the Witwatersrand University (SA). During his career he has been acting as Managing Director of entities involved in Insurance and Third-Party Administration in the health expense sector respectively. He is presently a Director of the several companies in the Financial Services Sector. He was appointed Director of SPICE on 16 August 2016.

Mr. ESPITALIER NOEL Patrice Jean Pierre Edouard
Independent Director

Edouard holds a BSc Engineering (Electronic) from Greenwich University, UK. He started his career in the retail business of electronic equipment and in 1987 became the Sales Manager of JM

Goupille, a leader in its field. He then took over the General Management of Galaxy in 1995 and in 1996 was promoted as Managing Director of both JM Goupille and Galaxy.

In 2008, Edouard was promoted as Chief Retail Executive of the CIM Group. He has now retired after some 30 years of service. Edouard has a good experience in the trade and retail market of Mauritius. He was appointed Director of SPICE on 25 August 2017.

Mr. OCHIT Ouma Shankar
Independent Director

Ouma Shankar is the Senior Partner of Nexia Baker & Arenson, a member of Nexia International. He is a fellow of the Association of Chartered Certified Accountants and holds a Master of Business Administration, with specialisation in Finance, from the University of Mauritius. He is licensed by the Financial Reporting Council as an Auditor and registered as an Insolvency Practitioner.

Prior to joining Nexia Baker & Arenson, he had worked for Coopers & Lybrand, International Financial Services Ltd and the University of Mauritius.

He sat on the COMESA Infrastructure Fund Interim Advisory Board. He was an independent non-executive director of SBM Holdings Ltd and was the Chairman of the Audit Committee.

Ouma Shankar currently sits on the Board of the Tertiary Education Commission and is a non-executive director of various companies both domestic and in the Global sector. He was appointed Director of SPICE on 17 November 2017.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

POWERS OF THE BOARD

The key roles and responsibilities of the Board of Directors are set out in Board Charter (Terms of Reference) which has been approved accordingly. The Board is aware of its responsibility to ensure that the Company adheres to all relevant legislations such as the Banking Act 2004, the Financial Services Act 2007, Financial Reporting Act 2004, the Companies Act 2001. The Board also follows the principle of good corporate governance as recommended in the National Code on Corporate Governance.

Board Meetings

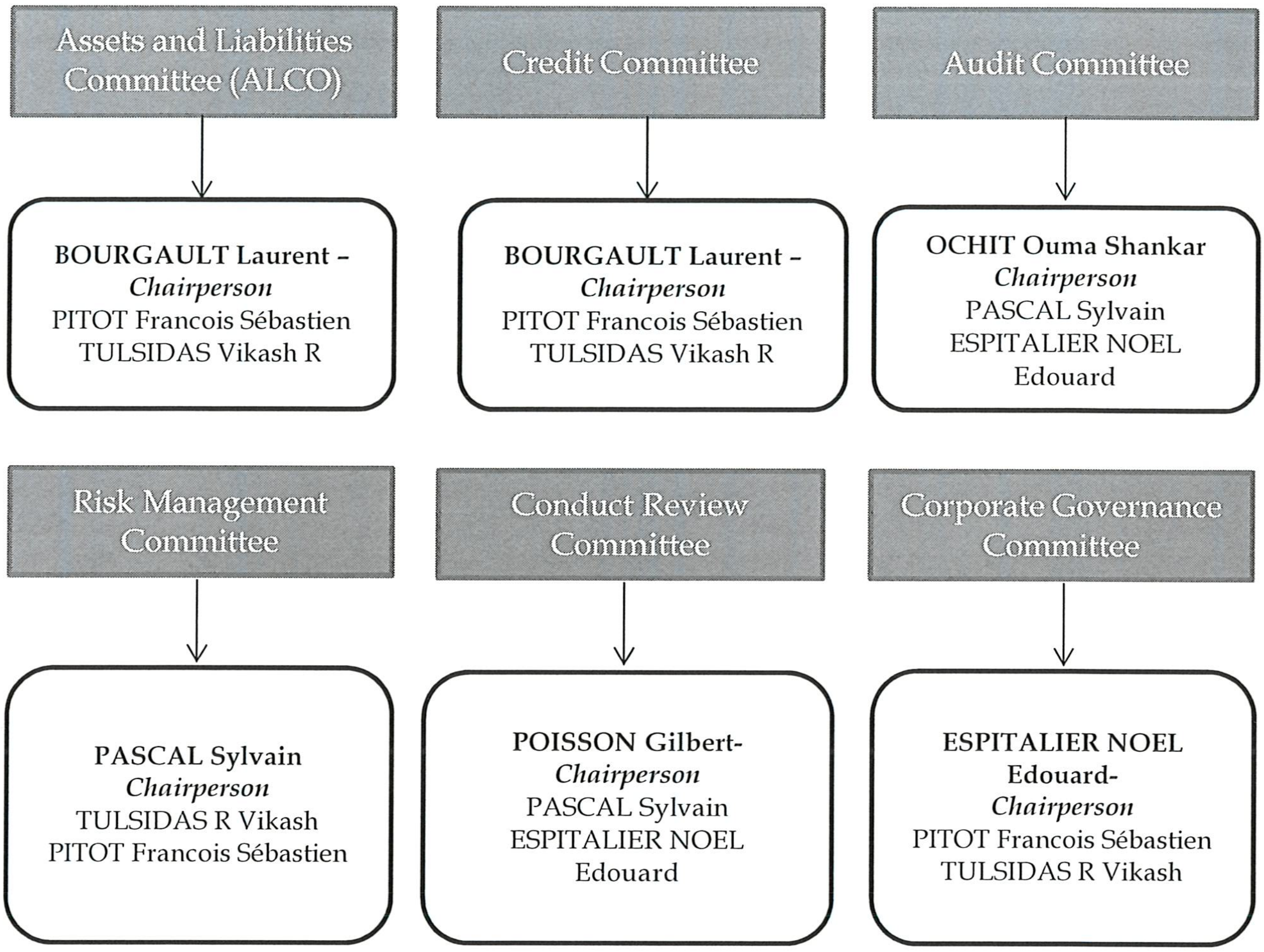
The Board holds a minimum of four Board meetings annually and Special Board meetings are convened when necessary.

BOARD COMMITTEES

In line with best practice and good corporate governance principles, the Board of Directors of SPICE Finance Ltd has delegated clearly defined responsibilities to 6 sub-committees. These sub-committees operate within clearly defined Terms of Reference and provide assistance to the Board and its Directors in discharging their duties through a more comprehensive evaluation of specific issues. The sub-committees report regularly to the Board to whom they submit their recommendations. The Company Secretary of the Board also acts as secretary to all the Board Committees except the Conduct Review and Credit Committees.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

BOARD COMMITTEES (CONT'D)



The salient points of the Terms of Reference of the sub committees are as follows:

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling part of its duties and responsibilities in relation to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements according to applicable legislations and accounting standards. The core functions of the Audit Committee are to:

- Review the appropriateness of the accounting policies and assess the effectiveness of the systems of internal controls and auditing processes in the day-to-day management of the Company;
- Determine the balance between the scope of financial and operational priorities to ensure, procedurally, a value-added contribution to the interactive processes governing both the economic imperatives and effectiveness of internal controls of SPICE Finance Ltd';
- Facilitate communication between the Board, Management and internal and external auditors; and
- Serve as an independent arbitrator to the stakeholders of the Company.

The Audit Committee comprises of three independent non-executive Directors. During the year under review, the Audit Committee met on 4 occasions and the external and internal auditors are requested to attend the meetings as and when required.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

BOARD COMMITTEES (CONT'D)

Corporate Governance Committee

The Corporate Governance Committee was set up by the Board of Directors to make recommendations to the Board on the Company's general policy on corporate governance in accordance with the guidelines issued by the Bank of Mauritius and the provisions of the Code of Corporate Governance.

The Corporate Governance Committee, which also acts as Remuneration Committee and Nomination Committee as and when required, met on 4 occasions during the year. The Corporate Governance Committee which consists of one independent Director, one non-executive Director and one executive director, are responsible for making recommendations to the Board of Directors on, inter alia, the following:

- all corporate governance provisions to be adopted so that the Board remains effective and complies with prevailing corporate governance principles;
- all the essential components of remuneration; and
- all new Board and senior executive nominations.

Conduct Review Committee

The Conduct Review Committee comprises of three independent non-executive Directors and its main objectives is to review, approve and monitor related party transactions. The Conduct Review meets at least once a year. It does not formally sit at regular intervals to assess Related Party Transactions but rather vets such requests electronically as and when required.

Risk Management Committee

The Risk Management Committee has been established by the Board to provide assistance in the discharge of the Board's duties relating to the risk management framework. The Risk Management Committee comprises one independent Director, one non-executive Director and one executive Director. The main functions of this Committee are to ensure that the Company develops the appropriate risk management framework and policies and has the proper procedures in place to monitor and evaluate the effectiveness of these policies.

The Risk Management Committee can be called to fulfill the functions of the Credit Committee as and when required.

MANAGEMENT COMMITTEES

Assets and Liabilities Committee

The Assets and Liabilities Committee ('ALCO') meets as many times as necessary during the year. The responsibilities of the ALCO are to determine and recommend to the Risk Management Committee, the risk limits of the Company and also to ensure that SPICE Finance Ltd adheres to these risk limits.

Credit Committee

The Credit Committee has been set up by the Board of Directors to approve financing proposals and during the year under review, the Credit Committee met twice weekly during the financial year.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

Board and Committees Attendance

During the year under review, attendance at Board and Committees meetings were as follows:

	Board	Audit Committee	Corporate Governance Committee	Risk Committee	Assets & Liabilities Committee
Directors	Attendance	Attendance	Attendance	Attendance	Attendance
Mr. POISSON Albert Pierre Gilbert (appointed on 22 July 2014)	3 out of 4	1 out of 2*			
Mr. TULSIDAS Vikash R (appointed on 15 October 2013)	4 out of 4		4 out of 4	4 out of 4	1 out of 1
Mr. PITOT Francois Sébastien (appointed on 28 December 2010)	4 out of 4		4 out of 4	4 out of 4	1 out of 1
Mr. BOURGAULT DU COUDRAY Laurent (appointed on 11 April 2016)	4 out of 4				1 out of 1
Mr. PASCAL Marie Desire Freehman Sylvain (appointed on 16 August 2016)	4 out of 4	4 out of 4		4 out of 4	
Mr. ESPITALIER NOEL Patrice Jean Pierre Edouard (appointed on 25 August 2017)	4 out of 4	2 out of 2	2 out of 2		
Mr. OCHIT Ouma Shankar (appointed on 17 November 2017)	2 out of 4	2 out of 2			
Resignation					
Mr. REY Joseph Marie Clement Labauve D'Arifat (resigned on 19 December 2017)	2 out of 4	2 out of 2	2 out of 2		

- Mr Poisson should not be a member of the Audit Committee under the Code on Corporate Governance. He was replaced by Mr Ochit on 11 November 2017 and thus the Company is now adhering with the Code.

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES

The Corporate Governance Committee reviews the proposal for the appointment of prospective Directors and makes recommendation to the Board. Major factors that are considered in the appointment procedures are:

- Skills, knowledge and expertise required on the Board;
- Skills, knowledge and expertise of the proposed Director;
- Previous experience as a Director
- Balance on the Board such as gender and age;
- Fees requested by prospective Director; and
- Independence where required
- Potential conflict of interest.

The appointment of new directors is subject to confirmation by shareholders at the next Annual Meeting of Shareholders.

The Constitution of the Company does not provide for election of Directors on a regular basis at the Annual Meeting of Shareholders and the Board is aware that it is a departure from the General Guidance to the Code while remaining committed to sustaining the highest standards of corporate governance, the Board is of opinion that the General Guidance is inappropriate for the Company.

Succession planning

The Board is also responsible for the succession planning and induction of new Directors.

Induction

Newly appointed Directors receive a complete induction pack which includes his or her duties and responsibilities under the respective legislations.

Continuous Development Programme

Though the Board does not organize or enrol its members on specific training sessions, it encourages all its Directors to keep on enhancing their knowledge and competencies through development programmes offered by various institutions in Mauritius.

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

Legal Duties

The Company is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. This commitment, which is actively endorsed by the Board, is based on the fundamental belief that business should be conducted honestly, fairly and legally.

All the Directors on the Board are fully apprised of their fiduciary duties as laid out in the Companies Act 2001.

Code of Ethics

The Code of Ethics was drafted by the Group Human Resource Manager and has been approved by the board of Directors. It will be published on the website of the Company. All employees have been made aware of this Code.

Board Evaluation

Good governance encourages the Board to undertake a formal, regular and rigorous evaluation of its own performance and that of its Committees and individual Directors and produce a development plan on an annual basis.

The Board evaluation exercise carried out during the financial year under review was not done by an external evaluator.

Statement of Remuneration Policy

The remuneration policy of SPICE Finance Ltd is focused on optimizing performance within the Company while taking into account the efforts and merits of the personnel. The remuneration of Directors is dealt with by the Corporate Governance Committee, also the Remuneration Committee which is thereafter ratified by the Board upon the recommendations of the Committee.

Remuneration of Directors

The remuneration and benefits are based on an annual Director's fees of Rs. 50,000 and an attendance fee of Rs. 10,000 per sitting. The Chairperson of the Board receives an annual fee of Rs. 100,000 as well as an attendance fee of Rs 10,000 per sitting.

The Chairperson and the members of the Corporate Governance Committee receive a fixed fee of Rs. 54,000 and Rs. 25,000 respectively. The same amount of fixed fees is paid to the Chairperson of the Audit Committee and its members. The Chairperson of the Risk Committee is paid a fixed fee of Rs 54,000. No fees are paid to the Non-Executive Directors and members of the other sub-committees.

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)

Remuneration of Directors (Cont'd)

The Directors' remuneration and benefits for the year under review amounted to MUR 9,150,218 for executive and non-executive directors and MUR 612,000 for independent directors (2017: MUR 6,290,935 for executive and non-executive and MUR 522,000 for independent directors). A table highlighting amount paid to Directors on the remunerated committees is detailed hereunder:

The non-executive directors have not received remuneration in the form of share options or bonuses associated with organisational performance. The executive director has an on-going contract of employment with the Company and has received a remuneration linked with the performance of the Company.

The Directors' remuneration and benefits related to various Committees for the year under review is shown in the table below:

	Board Committee	Audit Committee	Corporate Governance Committee	Risk Committee	Total Fees
Directors	**(MUR)**	**(MUR)**	**(MUR)**	**(MUR)**	**(MUR)**
Mr. POISSON Albert Pierre Gilbert	130,000	27,000	-	-	157,000
Mr. PASCAL Marie Desire Freehman Sylvain	90,000	25,000	-	54,000	169,000
Mr. ESPITALIER NOEL Patrice Jean Pierre Edouard (appointed on 25.08.2017)	90,000	12,500	27,000	-	129,500
Mr. OCHIT Ouma Shankar (appointed on 17.11.2017)	45,000	27,000	-	-	72,000
Mr. TULSIDAS Vikash R	-	-	-	-	-
Mr. PITOT Francois Sébastien	-	-	-	-	-
Mr. BOURGAULT DU COUDRAY Laurent	-	-	-	-	-
Resignation					
Mr. REY Joseph Marie Clement Labauve D'Arifat (resigned on 19.12.2017)	45,000	12,500	27,000	-	84,500

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)

Information Technology and IT security

The Board of Directors is aware that a strategic alignment of information security with business strategy is important to achieve organisational goals. As such, it ensures that appropriate resources are allocated for the implementation of an information and IT security framework within the organisation.

The Risk Management Committee is mandated by the Board to ensure that adequate controls and information systems are in place to implement the Company's policy on IT which also falls under the Operational Risks of the Company.

Conflict of interest

As soon as a Director becomes aware that he is interested in a transaction or that his holdings or his associates' holdings have changed, the interest should be reported to the Company in writing. The Register of Interests is updated with every transaction entered into by the Directors and persons closely associated with them. When it appears to be a conflict of interest, any Director who could have such a conflict of interest will abstain from discussions at Board or Committee meetings when the relevant matter is tabled.

Interest register

In accordance with the Companies Act 2001, written records of the interests of the Directors and their closely related parties in the Company's shares are kept in a Register of Directors' Interests by the Company Secretary. The register is available to shareholders upon request to the Company Secretary.

Information policy

Board information is sent to the Directors in a timely manner before each Board meeting. Information is sent by Management who remains at the disposal of the Board members should they wish to obtain further clarification. The Company Secretary acts as a liaison between the Management and the Board.

Directors' Interests in Shares

The direct and indirect interests of Directors in the shares of the Company as at June 30, 2018 were:

	Direct Interests (%)	Indirect Interests (%)
Mr. POISSON Albert Pierre Gilbert	-	-
Mr. TULSIDAS Vikash R	-	0.106
Mr. PITOT Francois Sébastien	-	0.210
Mr. BOURGAULT DU COUDRAY Laurent	-	-
Mr. PASCAL Marie Desire Freehman Sylvain	-	-
Mr. ESPITALIER NOEL Patrice Jean Pierre Edouard	-	-
Mr. OCHIT Ouma Shankar	-	-

PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL

The Directors are responsible for maintaining an effective system of risk management and internal control. The governance of risk, the nature and risk appetite of the Company remain the ultimate responsibility of the Board which is assisted by Management to monitor, implement and enforce internal controls to minimise risk as well as achieve strategic objectives.

While it is not possible to identify or anticipate every risk due to the changing business environment, the Company has an established risk management process to manage and mitigate those key risks which could impact on its activities. The process for identifying and managing risks are set by the Board and delegated to the Risk Management Committee (RMC)

The RMC ensures that all identified risks are regularly and consistently monitored. The Company has a Risk Register which is updated at least once every quarter, also as and when necessary. The risks are classified into three categories namely High, Medium and Low. A High risk carries a high probability chance of happening with a high impact. This can threaten the Company's business model and performance. All these risks have been monitored and evaluated by RMC.

The main risks that have been identified are described below:

1. Operational Risk

   The risk of loss or costs resulting from human errors, inadequate or failed internal processes and systems or external events and adverse market conditions. Operational risk includes, Business Continuity, Human Resource and IT risks among others.

2. Interest Rate Risk

   The risk arising from changes in interest rates impacting on the Company's interest income and interest expense.

3. Legal & Compliance Risk

   Laws, guidelines and regulations may change at any point in time. The risk that the Company is not kept abreast with those changes may impact the operations and functioning of the business. Should the Company not operate within the defined legal framework, statutory or regulatory sanctions may be imposed by the authorities which may result in fines and penalties.

4. Liquidity Risk

   The risk that the Company does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at an excessive cost.

5. Foreign Exchange Risk

   Foreign exchange risk also known as currency risk is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the Company. SPICE has an insignificant exposure to this risk under the LEMS Agreement, but no hedging is done.

PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

The main risks that have been identified are described below (cont'd):

6. Reputational Risk

   The risk of loss resulting from reputational damage to the Company's image caused by various factors such as compliance failures, underperformance, negative media coverage etc. Such risks may result in loss of revenue, increase operating expenses and legal costs, destruction of shareholder value and breakdown of trust from clients and the public.

7. Strategic Risk

   Strategic risks are risks that affect or are created by a company's business strategy and strategic objectives. This risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.

8. Related Party Transaction Risk

   Although such transactions are a common feature of business, they may give rise to specific risks of material misstatement of the financial statements, including the risk of fraud, because of the nature of related party relationships. The Company has to follow the Guidelines issued by the Bank of Mauritius with regards to related party transactions, thus mitigating the risks associated with such relationships.

9. Credit Concentration Risk

   The risk of over exposure to a client, group of clients or industry sector which may potentially have a major impact on the business. The Company has to follow the Guidelines issued by the Bank of Mauritius with respect to the maximum exposure it can have.

10. Market Risk

    Market risk is the possibility of a company experiencing losses due to factors that affect the overall performance of the financial markets in which it is involved. Market risk, also called systematic risk cannot be eliminated, though it can be hedged against.

11. Country Risk

    The risk of loss arising when political or economic conditions or events in a country hinder the company operating in that country to meet its financial obligations.

Whistle Blowing Policy

The Company has established a Whistle Blowing Policy which sets out the procedures for whistle blowing. The Whistle Blowing Policy forms part of the Company's Code of Ethics and will be available on the Company's website.

PRINCIPLE 6: REPORTING WITH INTEGRITY

The Board is responsible for the preparation of the financial statements in accordance to the International Financial Reporting Standards which fairly present the state of affairs of the Company and the Companies Act. The financial and operational performance of the Company are detailed in the Annual Report.

PRINCIPLE 6: REPORTING WITH INTEGRITY (CONT'D)

Environment, Health, Safety and Social Issues & Sustainability Reporting

SPICE Finance Ltd together with the other companies within AXYS Group have tried to increase its staff's awareness to environmental issues and each and everyone's footprint with respect to pollution, garbage collection etc..
Staff were encouraged to make use of the special bins (paper, plastic and aluminums) provided to them.

SPICE Finance Ltd staff were asked to think of ways and means to reduce the amount of paper used through copying and printing in order to help fight against deforestation and in order to help reduce their carbon footprint. Various contracts were reviewed, fonts were reduced, and a substantial amount of paper was saved through some basic and simple measures.

PRINCIPLE 7: AUDIT

Directors' responsibilities

The Directors are responsible for the preparation and fair preparation of the financial statements in accordance with International Financial Reporting Standards and all the requirements of the Companies Act 2001, the Banking Act 2004 and Financial Reporting Act 2004 and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. Any material deviations on the above will be reported by the independent auditors in their report on accompanying the financial statements.

Internal audit

The Board ensures that its internal control systems and reporting arrangements are such so as to provide for the effective, prudent and efficient administration of the Company's assets and liabilities.

To ensure that the system of internal control is operating to an acceptable standard and that the risk management policies in place are adequate in managing risks in a manner acceptable to the Board, the Company has outsourced its internal audit function to Messrs UHY & CO who reports to the Audit Committee. UHY & CO have unlimited access to the Company's accounting database, administrative systems and documents and to the Company directors and officials.

Internal Audit reports prepared by Messrs UHY & CO are circulated to Management and members of the AC following which necessary recommendations are made to the Board. During the year under review the scope of work of the internal audit covered the following areas:

- Leasing & Deposit Cycles;
- Follow-up on the implementation status of recommendations made in the previous audit reports;
- BOM Guidelines;
- Credit Impairment Measurement and Income Recognition; and
- XBRL Returns Procurement-to-payment process

External Audit

The current auditors are Messrs PricewaterhouseCoopers ('PwC') and have been appointed on 22 May 2017 and their tenure of office will be reviewed in due course in line with good governance and BOM Guidelines.

The AC is responsible for reviewing with the external auditors the letter of engagement, terms and nature of the audit scope and approach and ensure that no restrictions or limitations have been placed on the scope. The external auditors report directly to the AC which is also responsible for monitoring the external auditors' independence, objectivity and compliance with ethical, professional and regulatory requirements. Meetings with the external auditor include a period when management are not present.

PRINCIPLE 7: AUDIT (CONT'D)

External Audit (Cont'd)

The financial statements and accounting policies applicable are discussed in the audit committee. Auditors are expected to observe the highest standards of business and professional ethics and, in particular, that their independence is not impaired in any manner. Audit fees are set in a manner that enables an effective external audit and are as per table below for the year under review.

Non-audit services

The Audit Committee, has a process in place to ensure that there is no threat to the objectivity and independence of external auditors in the conduct of the audit, resulting from the provision of non-audit services by them. As such, non-audit services, which are limited to ad hoc advice and other assurance related services, are pre-approved by the Audit Committee.

The fees paid to the Auditors, for audit and non-audit services were:

	June 30, 2018		June 30, 2017		June 30, 2016	
	Audit	**Others**	Audit	Others	Audit	Others
	Rs.	**Rs.**	Rs.	Rs.	Rs.	Rs.
Ernst & Young	-	-	184,000	101,200	877,400	37,950
PricewaterhouseCoopers	1,150,000	505,863	920,000	42,550	-	-
BDO & Co	-	1,380,000	-	57,500	-	-

PRINCIPLE 8 - RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

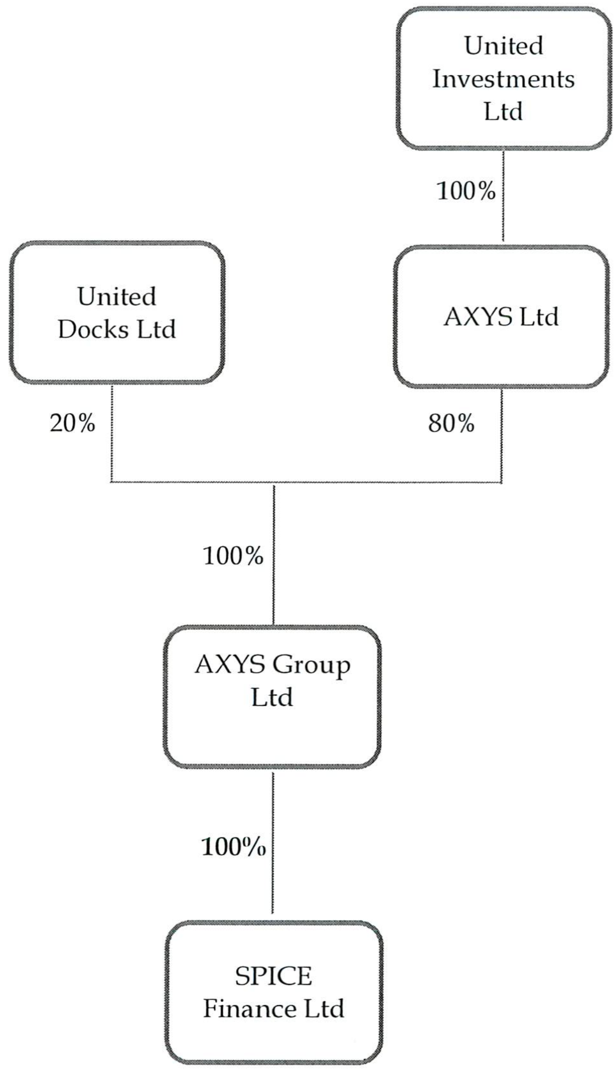
Shareholders' Information

The Board of Directors places great importance on an open and transparent communication with all the stakeholders of the Company. It also endeavours to regularly inform the shareholders on matters affecting the Company in the press, at the Annual Meeting of shareholders and through disclosures in the Annual Report.

PRINCIPLE 8 - RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONT'D)

Shareholders' Information (cont'd)

The shareholding structure of the Company as at June 30, 2018 was as follows:



Share Option Plans

The Company does not have any Share Option Plan.

Shareholders' Agreement

There exists no Shareholders' Agreement to the knowledge of the Company.

Management Agreement

No major agreements, other than those in the ordinary course of business, were contracted by the Company during the year under review.

PRINCIPLE 8 – RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONT'D)

Dividend Policy

The Company does not have any predetermined dividend policy and the dividend payout is subject to the performance of the Company.

Common Directors

There were no common directors within the holding structure of the Company.

Salient points of the Constitution of the Company

The Constitution of SPICE Finance Ltd, which is in conformity with the provisions of the Companies Act 2001, comprises the following main clauses:

- The Board shall consist of not less than four or more than ten Directors.
- The Directors have the power at any time, and from time to time, to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the number fixed in accordance with the Constitution.
- The Company may purchase or acquire its own shares.
- There shall be a quorum for holding a general meeting where the shareholders present or represented or who have cast postal votes, are between them, able to exercise a majority of the votes to be cast on the business to be transacted by the general meeting.

A copy of the Constitution is available upon request, in writing, to the Company Secretary at the Registered Office of SPICE Finance Ltd (formerly known as "AXYS Leasing Ltd"), 6/7th Floor Dias Pier Building, Le Caudan Waterfront, Caudan, Port Louis 11307.

Important Dates

- The publication of the Annual Report is done as per laws and regulations and is thus published in the Government Gazette within 90 days of the Company's financial year end. A condensed version of the last audited Financial Statements is available on the Company's website for consultation.
- Board and Committee meetings are held quarterly as per regulatory requirement.
- Payments of dividends are done once a year but only after approval by the Board of Directors.
- The annual audited Financial Statements are approved by way of Shareholders' resolution.
- The Annual Meeting of Shareholders will be held before the end of December 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements in accordance with International Financial Reporting Standards for each financial year. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State that applicable accounting standards have been adhered to, subject to any material departures being disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001, Banking Act 2004 and the guidelines issued thereof by the Bank Of Mauritius. They are also responsible for safeguarding the assets of the Company and hence for the implementation and operations of the accounting and internal control systems that are designed to prevent and detect fraud and an effective risk management system.

SIGNED BY:

Names: Sylvain M.D.F PASCAL	Shankar O. OCHIT
DIRECTOR	DIRECTOR
DATE: 27 SEP 2018	DATE: 27 SEP 2018

STATEMENT OF COMPLIANCE

Name of PIE: SPICE FINANCE LTD
Reporting Period: 30 June 2018

We, the Directors of SPICE FINANCE LTD confirm that to the best of our knowledge SPICE FINANCE LTD has complied with all its obligations and requirements under the Code of Corporate Governance except for the following:

Principles	Reasons for non-compliance
Company Website **Principle 1: Company website to include:** (a) Constitution; (b) Board charter; and (c) Code of ethics. **Principle 3: Company website to include:** (a) Details of nomination and appointment process of Directors; and (b) Biographies of Directors and Company Secretary. **Principle 6: Company website to include:** (a) Annual report; (b) Board and Committee Charters; (c) Code of ethics; (d) Board & Governance Structure; (e) Dividend information; and (f) Financial highlights;	Necessary actions have been taken so that the necessary documents and information are available on the Company's website by end of October 2018.
Gender Balance of the Board **Principle 2:** (i) Ensuring Board diversity and Gender balance of the Board (ii) Strong executive management presence with at least two executives as Directors	The Board is actively looking for a suitable candidate to improve women presence on the Board. The Board is considering the appointment of a second executive Director on the Board

SIGNED BY:

Names: Sylvain M.D.F PASCAL — DIRECTOR — DATE: 27 SEP 2018

Names: Shankar O OCHIT — DIRECTOR — DATE: 27 SEP 2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of SPICE Finance Ltd presented in this Annual Report have been prepared by management, who is responsible for the integrity, consistency, objectivity and reliability of the information provided therein. International Financial Reporting Standards as issued by the International Accounting Standards Board as well as the requirements of the Banking Act 2004 and the guidelines issued thereof, have been applied and management has exercised its judgement and made best estimates were deemed necessary.

The Company has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organization and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance and the communication of the Company's policies, procedures manuals and guidelines from the Bank of Mauritius throughout the Company.

The Board of Directors oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas and assessment of significant related party transactions.

The Company's Internal Auditor, UHY & Co, who have full and free access to the Audit Committee, conducts a well-designed program of internal audits in coordination with the Company's external auditors. In addition, the Company's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Company as it deems necessary.

The Company's external auditors, PricewaterhouseCoopers, have full and free access to the Board of Directors and its Committees to discuss on audit and/or related issues arising thereon, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

………………………………
Director

………………………………
Director

………………………………
Chief Executive Officer

Cautionary Note

The Management Discussion and Analysis includes forward-looking statements. The forecasts, projections and assumptions contained therein may not materialise. Actual results may vary materially from the plans and expectations. The Company has no plans to update any forward-looking statements before the end of the next financial year. The reader should, therefore, stand cautioned not to place any undue reliance on these forecasts.

Review for the year ended June 30, 2018

SPICE Finance Ltd, ended this financial year with a Profit before Tax of MUR 38.7m compared to MUR 33.9m last year representing an increase of 14.02%. Net investment in finance leases increased by 7.64% from MUR 2,212.2m to MUR 2,381.1m whilst deposits from the public increased by 6.56% from MUR 3,011.7m to MUR 3,209.2m. Our Operating Lease Book stood at MUR 645.7m compared to last years' MUR 631.2m. The year under review has been no different compared to the past couple of years in terms of liquidity. However, the Bank of Mauritius Jubilee Bonds as well as other Corporate Bonds have significantly mopped up the excess liquidity on the market. Our margins have thus remained under pressure in a growing competitive environment. Interest rates globally have been on a downward trend. The Monetary Policy Committee of the Bank of Mauritius met on four occasions during the financial year and not surprisingly reviewed the Repo Rate down from 4.00% to 3.50% on September 06, 2017, in line with international trends. The mismatch between our variable and fixed lease and deposit books has been under close monitoring during the year and kept at below the 1% mark. On the back of a low interest rate environment for several years now, there has been no material difference in the pricing of fixed or floating rate deposits and leases.

The Company continues to operate in a very competitive environment stemming from not only other leasing companies but also from banks and insurance companies but also new comers. Banks enjoy from a much lower cost of funds and have been very aggressive on the market. Despite this very challenging environment, the Company has managed to grow its balance sheet by 4.65% on the back of quality, rapidity and general excellence in our personalized service and offering. These characteristics have been key to our success so far. Furthermore, on the back of a young and dynamic team, the Company has consolidated its position as a preferred leasing partner with the most important and renowned brand new car and equipment dealers and throughout the market in general.

During the year under review, the Company has successfully rebranded its name and logo from AXYS Leasing Ltd to SPICE Finance Ltd on the 2nd of August 2018 which coincided with the Motorshow event that we participate every year. Our new brand name has been widely welcomed by all our stakeholders.

Financial Review for the year ended June 30, 2018

TABLE I

	Jun-18 Rs	Jun-17 Rs	% Change
Income from Leasing Operations	406,196,262	372,217,061	9.13%
Interest Expense and depreciation on OL assets	298,341,908	279,412,244	6.77%
Net Income from Leasing Operations	107,854,354	92,804,817	16.22%
Other income other than leasing operations	7,512,036	6,085,644	23.44%
Total Income	115,366,390	98,890,461	16.66%
Non interest expenses	76,698,812	64,977,494	18.04%
Net profit before tax	38,667,578	33,912,967	14.02%
Related Assets	3,253,277,198	3,069,439,157	5.99%
Related Liabilities	3,218,527,317	3,034,001,563	6.08%
Total Average Assets (TAA)	3,632,010,861	3,549,479,510	2.33%
Average Interest Earning Assets (AIEA)	3,161,358,177	3,069,439,157	2.99%
Net income from leasing operations to AIEA	3.41%	3.02%	12.84%
Net income from leasing operations to TAA	2.97%	2.61%	13.58%
Tier One Capital	333,037,036	299,505,403	11.20%

Revenue growth

Income from leasing operations improved from MUR 372.2m last year to MUR 406.2m at the end of this financial year showing an increase of MUR 34.0m (+9.13%). Net income from leasing operations was MUR 107.9m compared to MUR 92.8m last year representing an increase of MUR 15.1m (16.22%).

Cost Controls

Over the past year, non-interest expenses (exclusively for the leasing operations) increased by 18.04% from MUR 65.0m to MUR 76.7m. The main drivers of this increase being:

(i) Staff expenses mainly due to increase in salaries, bonuses and provision for bonuses
(ii) Advertising expenses which increased mainly due to re-branding expenses incurred for the change of name of the Company from AXYS Leasing Ltd to SPICE Finance Ltd.
(iii) Professional fees due to the implementation of the IFRS 9 project and increase in audit fees

TABLE II

	Jun-18 Rs	Jun-17 Rs	% Change
Staff expenses	32,441,732	23,772,994	36.46%
Depreciation (excl. depreciation of OL assets)	12,748,891	12,619,153	1.03%
Advertising expenses	3,377,489	1,711,326	97.36%
Management & other professional fees	4,296,281	2,157,900	99.10%
Administrative expenses	23,834,419	24,716,121	-3.57%
Total Non Interest Expenses	76,698,812	64,977,494	18.04%

Credit Exposure

We define our credit exposure as all transactions where losses might occur due to the fact that counterparties may not fulfill their contractual payment obligations. At SPICE Finance Ltd, we focus on achieving the right balance between growth, interest rate margin, and liquidity through the careful selection of the right market sectors and companies and individuals operating within them. The Company has a well-diversified lease portfolio as shown in the table below. The current financial year was characterized by high liquidity which has resulted in more and more competitors tapping the finance lease market. This increased competition has resulted in lower interest rates and a higher pressure on margins. The market has now reached a point where interest rates practiced on leases are not a measure of the risk taken anymore. The excess liquidity on the market and the stiffening competition have brought rates to unprecedented lows. Despite extremely difficult market conditions with some sectors feeling the international slowdown more than others, the demand for lease financing has not slowed down during this financial year. Clients still tend to indebt themselves to be able to acquire a family car or a vehicle to carry out a business activity. In fact, we keep on seeing a drop in credit quality while lessees are stretching their cash flow to be able to lease cars over longer periods (up to 7 years) while having a higher indebtedness ratio. Clients are also very aware of the leasing terms offered by competitors and do not hesitate to enter into hard fought negotiations to get the best deal as has been the case for the past couple of years.

TABLE III

	Jun-18 Rs	Jun-17 Rs	% Change
Personal and others	**1,287,075,170**	1,341,564,123	-4.06%
Professional	**161,081,553**	135,189,630	19.15%
Traders	**186,170,553**	157,499,123	18.20%
Tourism	**116,834,819**	113,590,719	2.86%
Transport	**288,138,991**	137,237,335	109.96%
Agriculture and fishing	**74,226,355**	79,867,886	-7.06%
Construction	**123,479,694**	118,463,389	4.23%
Financial institutions	**17,848,675**	24,881,139	-28.26%
Manufacturing	**142,791,944**	111,297,111	28.30%
Education	**13,552,518**	13,250,605	2.28%
IT & Telecommunications	**22,197,177**	23,867,294	-7.00%
Total Investment in Finance Leases	**2,433,397,449**	2,256,708,354	7.83%
Allowance for Credit Losses	**(46,632,679)**	(42,013,290)	11.00%
Transfer of repossessed assets to PPE	**(5,682,130)**	(2,532,946)	124.33%
Total Net Investment in Finance Leases	**2,381,082,640**	2,212,162,118	7.64%
Assets under Operating Leases	**645,701,879**	631,158,511	2.30%
Total Lease Portfolio	**3,026,784,519**	2,843,320,629	6.45%
Other interest earning assets	**225,174,706**	224,800,555	0.17%
Operating income earning assets	**3,251,959,225**	3,068,121,184	5.99%

Credit quality

The Company has complied with the Guideline on Credit Impairment Measurement and Income Recognition except for the non-compliance with the specific provisioning requirement set out in the guideline and has adopted a provisioning policy which is in line with the requirements of IAS 39 Financial Instruments: Recognition and Measurement. Total provisions as at June 30, 2018 amounted to MUR 46.6m compared to MUR 42.0m as at June 30, 2017, showing an increase of 11.00%. It is to be noted that a portfolio provisioning policy of 1% is applied on the overall performing lease book. Additional adjustments have also been brought to ensure that the provisioning policy is better aligned with historical losses as well exposures to risky assets and sectors. As at financial year end, total provisions represented 1.92% of the total lease portfolio which is consistent with last year.

Despite a marked weakening of credit quality and also seeing more and more clients having difficulties meeting their monthly commitments, the Company has managed to keep write-offs and impairment relatively low in line with previous year's allowances.

Next Year's objectives

Objectives for the coming year are as follows:

- The migration from our current IT platform to our new software;
- Automate and digitalise our work flow process
- Widen our client base and further tap into the Retail segment;
- Enhancing our customers experience
- Work on increasing our margins; and
- A closer monitoring of our debtors list in order to further reduce same.

Review by business lines / segments

Deposits

Over the past financial year, the Company's deposit book grew by 6.56% from MUR 3,011.7m to MUR 3,209.2m. At year end, fixed rate deposits represented 60.49% of the total deposit book, up by 13.50% from last year. Despite the fact that interest rates are historically low, individual clients continue to look for fixed rate deposits while corporate clients tend to prefer variable rate deposits. There have been mixed feelings with respect to the movement of rates during the year, with a number of clients betting on the stability of rates while others have anticipated a drop in the Repo Rate. We have continued to actively market longer term deposits in order to better match our lease and deposit maturity profile.

Leases

This year, the Company's finance lease book grew by a commendable 7.64% from MUR 2,212.2m to MUR 2,381.1m despite fierce competition. Our Operating Lease Book stood at MUR 645.2m compared to last years' MUR 631.2m. Leases disbursed over the year were well in excess of last year's disbursement, but its effect was dampened by a number of early terminations. The Company has been encouraging fixed rate leases in its rebalancing exercise to decrease its mismatch with its deposit book and has been successful in doing so.

Overall, the leasing sector has never been so competitive with more banks and insurance companies and new comers offering leases at unbeatable rates. Rates are more and more under pressure and the only way the Company has managed to keep an advantage over its competitors is through excellence and rapidity in service and its proximity with the main car dealers.

Capital Structure

At June 30, 2018, the Company's Tier 1 Capital stood at MUR 333.0m compared to MUR 299.5m last year, representing an increase of 11.20%. This substantial increase in the Tier-1 Capital can be attributed to the disposal of the Banking Software. It is to be noted that no dividend was paid since last year. The table below gives the details of the Tier 1 Capital components.

TABLE IV

	Jun-18 Rs	Jun-17 Rs	% Change
Issued Capital	**200,000,000**	200,000,000	0.00%
Retained Earnings	**87,240,135**	58,829,022	48.29%
Statutory Reserves	**45,978,516**	40,964,790	12.24%
Intangible assets	**(181,615)**	(288,409)	-37.03%
Tier One Capital	**333,037,036**	299,505,403	11.20%

Risk Management Policies and Controls

Credit Risk

The Board, with the help of its sub-committees, has set out clear approval and credit limits for the lease facilities. It has also set out clear policies regarding sectorial exposures together with limits on credit concentration on clients and/or groups of clients.

Management monitors and reviews non-performing leases on an on-going basis to maintain the risk within levels established by the sub-committees and Board.

Interest Rate Risk

The Company's sole source of funding is in the form of Term Deposits which carry both fixed and floating interest rates. Similarly, the Company's lease book is made up of both fixed and floating rate leases. As mentioned above, there was an insignificant mismatch between fixed and floating rate deposit and lease books. The fixed deposit book accounted for 60.49% of the total deposit book whereas the fixed lease book accounted for 61.03% of the total lease book, thus representing a mismatch of only 0.50%.

On July 20, 2016, at its 47th meeting, the Monetary Policy Committee of the Bank of Mauritius reviewed the Repo Rate down by 50 basis points to 3.50%. All members voted unanimously for this drop. The Assets and Liabilities Committee (ALCO) has met to review and monitor the Company's interest rates. The main objectives of the ALCO are as follows:

- To reduce the interest rate risk and to maintain the Company's interest rate spread;
- To assess the Company and the market's liquidity situation;
- To compare the rates being used by competitors;
- To assess the asset / liabilities position of the Company and the maturity profile of the its funding; and
- To assess the fixed / variable weights of the funding portfolio and their impact on the Company's cost of funds.

Risk Management Policies and Controls (cont'd)

Foreign Exchange Rate Risk

The Company is generally not exposed to foreign exchange rate risk in the normal course of its business. However, it has entered into LEMS Forex lease contracts with some of its clients. This is a back-to-back agreement whereby the Company entered into either USD or EUR loan agreements with the SIC and with corresponding amounts leased to its clients. Potential movements in the exchange rate would have a negligible impact on the company's bottom line. A sensitivity analysis can be found on page 85 of the Annual Report.

Liquidity Risk

The Company is exposed, on a daily basis, to calls on its available cash through maturing or early termination of deposits. Prudent liquidity management implies maintaining sufficient cash resources to provide for such occurrences. A very close monitoring of the Company's cash position is carried out systematically on a daily basis. In accordance with the Bank of Mauritius Guideline on liquidity, the Company maintains liquid assets at a minimum of 10% of its deposit base.

Operational Risk

Operational risk is inherent in all leasing products, activities, processes and systems, and the effective management of operational risk has always been a fundamental element of the Company's risk management programme. As a result, sound operational risk management is a reflection of the effectiveness of the board and senior management in administering its portfolio of products, activities, processes, and systems.

Concentration of Risk Policies

As at 30 June 2018, SPICE Finance Ltd was not compliant with the Guideline on Credit Concentration which came into effect on December 19, 2017. One group of closely-related companies were reported as exceeding the 40% concentration mark. As at financial year end, the credit exposure of this group of closely related parties stood at MUR 226.1m. After the financial year end, the amount due by this group of closely related parties was reduced to bring the amount to below the 40% concentration limit and is therefore now compliant with the Guideline on Credit Concentration.

Related Party Transactions Policies and Practices

As per 'Guideline on Related Party Transactions' issued by Bank of Mauritius, the Company is required to disclose certain information in relation to related party transactions. As at June 30, 2018, the total exposure to related parties on leases amounted to MUR 68.4m, of which MUR 10.8m are reported as exempt. Exempt exposures being credit exposures collateralised by deposit or credit exposure representing less than 2% of Tier 1 capital. As per the Bank of Mauritius Guideline, the transactions with related parties are disclosed within the following 3 Categories:

Category 1 (which include transactions with entities with significant influence over the Company as per note 25 (a) of the financial statements and credit exposures to directors of the Company) MUR 68.4m, of which MUR 10.8m are exempt.

Category 2: No credit exposure identified within this category.

Category 3: No credit exposure identified within this category (which include transactions with key management personnel of the Company as per note 25 (c) of the financial statements but exclude credit exposures to directors of the Company).

In accordance with Section 166(d) of the Companies Act 2001, we certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, for the financial year ended June 30, 2018, all such returns as required under the Companies Act 2001.

NWT SECRETARIAL SERVICES LTD

…………………………………………
Per NWT Secretarial Services Ltd
Company Secretary

Date……………………………… 27 SEP 2018

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Independent Auditor's Report

To the Shareholder of SPICE Finance Ltd

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SPICE Finance Ltd (the "Company") as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

The financial statements of SPICE Finance Ltd set out on pages 42 to 87 comprise:

- the statement of financial position as at 30 June 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

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

Independence

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

PricewaterhouseCoopers, 18 CyberCity, Ebène, Réduit 72201, Republic of Mauritius
T: +230 404 5000, F:+230 404 5088/89, www.pwc.com/mu
Business Registration Number : F07000530

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Independent Auditor's Report

To the Shareholder of SPICE Finance Ltd (Continued)

Report on the Audit of the Financial Statements (Continued)

Other Information

The directors are responsible for the other information. The other information comprises the annual report, the corporate governance report, the management discussion and analysis and the certificate from the company secretary, 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. Our reporting responsibilities regarding the corporate governance report is dealt with in the "Report on Other Legal and Regulatory Requirements" section of this report.

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

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Company's 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 Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the financial reporting process.

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Independent Auditor's Report

To the Shareholder of SPICE Finance Ltd (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report

To the Shareholder of SPICE Finance Ltd (Continued)

Report on the Audit of the Financial Statements (Continued)

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

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

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

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

(a) we have no relationship with or interests in the Company other than in our capacity as auditor and tax advisor;
(b) we have obtained all the information and explanations we have required; and
(c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Mauritian Banking Act 2004

The Mauritian Banking Act 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

(a) in our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and except for the non-compliance with the specific provisioning requirement set out in the guideline on Credit Impairment Measurement and Income recognition, comply with the Mauritian Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius; and
(b) the explanations or information called for or given to us by the officers or agents of the Company were satisfactory.

Mauritian Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report on pages 4 to 29 and on whether the disclosure is consistent with the principles of the Code.

In our opinion, except for failure to satisfactorily explain the reasons for non-compliance, the disclosure in the annual report on pages 4 to 29 is consistent with the principles of the Code.

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Independent Auditor's Report

To the Shareholder of SPICE Finance Ltd (Continued)

Other Matter

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

PricewaterhouseCoopers

Michael Ho Wan Kau, licensed by FRC

27 September 2018

SPICE FINANCE LTD
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Notes	June 30, 2018	June 30, 2017	June 30, 2016
		Rs.	Rs.	Rs.
ASSETS				
Balances with banks and cash in hand	3	**130,247,548**	183,819,644	203,660,836
Investments				
Held-to-maturity investments	4	**225,174,706**	224,800,555	-
Loans and receivables	5	**-**	-	51,128,081
Net investment in finance leases	6	**2,381,082,640**	2,212,162,118	1,888,556,689
		2,606,257,346	2,436,962,673	1,939,684,770
Others				
Intangible assets	7	**181,615**	288,409	81,651,697
Property, plant and equipment	8	**709,972,098**	708,730,947	691,918,276
Other assets	9	**267,883,604**	219,677,837	116,662,648
		978,037,317	928,697,193	890,232,621
		3,714,542,211	3,549,479,510	3,033,578,227
Assets classified as held for sale	10	**-**	-	6,437,241
Total assets		**3,714,542,211**	3,549,479,510	3,040,015,468
LIABILITIES AND EQUITY				
Deposits				
Personal		**1,456,322,255**	1,366,110,549	1,311,365,387
Business		**1,752,853,484**	1,645,552,942	1,303,579,993
	11	**3,209,175,739**	3,011,663,491	2,614,945,380
Other liabilities				
Other liabilities	14	**136,506,568**	191,876,723	90,479,573
Interest-bearing loans	15	**9,351,578**	22,338,072	41,761,904
Income tax payable	12 (a)	**3,745,894**	67,403	81,754
Deferred income tax liabilities	13	**22,543,781**	23,740,009	20,396,630
		172,147,821	238,022,207	152,719,861
Equity				
Issued capital	16	**200,000,000**	200,000,000	200,000,000
Retained earnings		**87,240,135**	58,829,022	35,501,975
Statutory reserve	17	**45,978,516**	40,964,790	36,848,252
		333,218,651	299,793,812	272,350,227
Total liabilities and equity		**3,714,542,211**	3,549,479,510	3,040,015,468

These financial statements have been approved for issue by the Board of Directors on 27 SEP 2018

Director

Director

Chief Executive Officer
Vikash R TULSIDAS

The notes on pages 46 to 87 form an integral part of these financial statements.
Auditor's report on pages 37 to 41.

	Notes	June 30, 2018	June 30, 2017	June 30, 2016
		Rs.	Rs.	Rs.
Interest and similar income	18	212,295,872	184,510,993	172,256,482
Interest and similar expense	19	(152,265,382)	(143,562,451)	(138,976,335)
Net interest income		60,030,490	40,948,542	33,280,147
Loss on sale of repossessed assets classified as finance lease		(14,993,425)	(6,603,214)	(10,025,025)
Allowance for impairment losses on finance leases	6 (c)	(4,619,389)	(8,454,778)	(4,525,544)
		40,417,676	25,890,550	18,729,578
Other operating income	20	227,187,492	216,243,727	200,035,944
Loss on sale of assets classified as operating lease		(2,551,477)	(3,971,374)	(1,485,577)
Allowance for impairment losses for assets under operating lease	22 (c)	(3,610,774)	(3,422,649)	(1,254,026)
Net interest and other income		261,442,917	234,740,254	216,025,919
Amortisation of intangible assets	7	(106,794)	(115,218)	(166,541)
Depreciation of property, plant and equipment for leasing operations	8	(158,825,418)	(148,468,946)	(135,404,080)
Administrative expenses	21	(63,843,127)	(51,253,763)	(41,130,985)
Non-interest expenses		(222,775,339)	(199,837,927)	(176,701,606)
Profit before income tax from leasing operations		38,667,578	34,902,327	39,324,313
Depreciation of property, plant and equipment for previously started banking project	8	-	(989,360)	(488,680)
Pre-operational expenses incurred in the setting up of the banking project	31	-	-	(29,105,714)
Profit before income tax		38,667,578	33,912,967	9,729,919
Income tax expense	12 (b)	(5,242,739)	(6,469,382)	(7,071,289)
Profit and total comprehensive income for the year		33,424,839	27,443,585	2,658,630
Earnings per share				
Basic and diluted earnings per share	26	1.67	1.37	0.13

The notes on pages 46 to 87 form an integral part of these financial statements.
Auditor's report on pages 37 to 41.

SPICE FINANCE LTD
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	Issued capital	Retained earnings	General reserve	Statutory reserve	Total equity
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at July 1, 2015	200,000,000	30,900,298	2,341,842	36,449,457	269,691,597
Profit/total comprehensive income for the year	-	2,658,630	-	-	2,658,630
Transfer to statutory reserve	-	(398,795)	-	398,795	-
Transfer from general reserve	-	2,341,842	(2,341,842)	-	-
Balance as at June 30, 2016	200,000,000	35,501,975	-	36,848,252	272,350,227
Balance as at July 1, 2016	200,000,000	35,501,975	-	36,848,252	272,350,227
Profit/total comprehensive income for the year	-	27,443,585	-	-	27,443,585
Transfer to statutory reserve	-	(4,116,538)	-	4,116,538	-
Balance as at June 30, 2017	200,000,000	58,829,022	-	40,964,790	299,793,812
Balance as at July 1, 2017	**200,000,000**	**58,829,022**	**-**	**40,964,790**	**299,793,812**
Profit/total comprehensive income for the year	**-**	**33,424,839**	**-**	**-**	**33,424,839**
Transfer to statutory reserve	**-**	**(5,013,726)**	**-**	**5,013,726**	**-**
Balance as at June 30, 2018	**200,000,000**	**87,240,135**	**-**	**45,978,516**	**333,218,651**

The notes on pages 46 to 87 form an integral part of these financial statements.
Auditor's report on pages 37 to 41.

	Notes	June 30, 2018	June 30, 2017 Restated	June 30, 2016 Restated
CASH FLOW FROM OPERATING ACTIVITIES		Rs.	Rs.	Rs.
Profit before income tax		38,667,578	33,912,967	9,729,919
Adjustment for:				
Non cash-items:				
Depreciation of property, plant and equipment for leasing operations	8	158,825,418	148,468,946	135,404,080
Depreciation of property, plant and equipment for banking project	8	-	989,360	488,680
Interest income		(212,295,872)	(184,510,993)	(172,256,482)
Interest expense		152,265,382	143,562,451	138,976,335
Amortisation of intangible assets	7	106,794	115,218	166,541
Profit on disposal of property, plant and equipment		(9,314,950)	(7,667,386)	(7,811,170)
Loss on disposal of assets held for sale		-	1,452,241	-
Allowance for impairment losses on finance lease	6(c)	4,619,389	8,454,778	4,525,544
Allowance for impairment losses for assets under operating lease	22(c)	3,610,774	3,422,649	1,254,026
		97,816,935	114,287,264	100,747,554
Change in operating assets				
Net investment in finance leases		(166,848,833)	(349,320,950)	(133,624,801)
Other assets		(56,254,762)	2,591,636	(3,014,145)
Interest received		209,534,938	196,172,889	177,330,457
		(13,568,657)	(150,556,425)	40,691,511
Change in operating liabilities				
Deposits		164,139,651	366,227,944	282,162,850
Liabilities		(64,958,738)	101,397,150	8,391,260
Interest paid		(118,712,785)	(113,072,284)	(129,541,855)
Income tax paid		(2,760,475)	(3,140,354)	(5,918,017)
		(22,292,347)	351,412,456	155,094,238
Net cash from operating activities		100,623,509	349,056,262	306,263,222
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment		79,019,030	68,416,737	73,214,862
Proceeds from assets classified as held for sale		-	4,985,000	-
Acquisition of intangible assets	7	-	-	(25,241,984)
Acquisition of assets under operating leases	8	(218,775,188)	(239,977,897)	(243,370,549)
Acquisition of property, plant and equipment- leasing operations	8	(1,586,880)	(8,868,240)	(78,414,817)
Acquisition of property, plant and equipment- banking project	8	-	-	(6,949,357)
Loans and receivables		-	50,000,000	-
Net cash used in investing activities		(141,343,038)	(125,444,400)	(280,761,845)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans		2,431,244	-	-
Repayment of interest-bearing loans		(15,417,738)	(19,423,832)	(24,678,607)
Net cash used in financing activities		(12,986,494)	(19,423,832)	(24,678,607)
Net movement in cash and cash equivalents		(53,706,023)	204,188,030	822,770
Cash and cash equivalents				
Cash and cash equivalents at beginning of the year		407,848,866	203,660,836	202,838,066
Cash and cash equivalents at end of the year		354,142,843	407,848,866	203,660,836
Cash and cash equivalents are made up of:				
Balances with banks and cash in hand	3	130,247,548	183,819,644	203,660,836
Held-to-maturity investments	4	223,895,295	224,029,222	-
		354,142,843	407,848,866	203,660,836

The notes on pages 46 to 87 form an integral part of these financial statements.
Auditor's report on pages 37 to 41.

1. CORPORATE INFORMATION

The Company changed its name from AXYS Leasing Ltd to SPICE Finance Ltd. SPICE Finance Ltd (the "Company"), is a public limited liability company incorporated and domiciled in Mauritius. The main activity of the Company is to provide lease financing for various types of assets. The Company also holds a deposit-taking licence under the Banking Act 2004. The Company's registered office is situated at 6th Floor, Dias Pier Building, Le Caudan Waterfront.

The financial statements have been authorised by the Board of Directors for issue on 27 SEP 2018.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except where otherwise stated. The financial statements are presented in Mauritian Rupees rounded to the nearest Rupee.

The directors have made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.3 Significant accounting judgements and estimates

The preparation of the Company's financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, the directors have used its judgement and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgement and estimates are as follows:

Judgements

In preparing the financial statements, the directors had to consider whether the significant risks and rewards of ownership are transferred to the lessees in determining whether the leases should be classified as finance or operating leases. The directors make use of the guidance as set out in IAS 17 Leases to classify leases between finance and operating leases.

Estimates and assumptions

Impairment losses on net investment in finance leases

In estimating specific and collective impairment on the lease receivables, the directors have made certain estimates and assumptions regarding future default rates, realisable value of collaterals and time required to liquidate collaterals. Actual results could differ significantly from the estimates resulting in material adjustments to the impairment provision. Refer to note 6(d) for the impairment losses booked at 30 June 2018.

2. ACCOUNTING POLICIES (CONT'D)

2.3 Significant accounting judgements and estimates (Cont'd)

Estimates and assumptions (Cont'd)

Estimated useful lives and residual values of equipment

The directors are required to make estimation in respect of the useful lives and residual values of its assets. The estimates of useful lives and residual values carry a degree of uncertainty especially for assets which have been leased under an operating lease agreement. The directors have used historical information relating to similar equipment in order to best determine the useful lives and residual values of these items.

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of July 01, 2017 which are applicable to the Company's operations:

Amendments to published standards (effective as from 01 January 2017):

Amendments to IAS 12 Income Taxes – effective 01 January 2017

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment did not have a material impact on the financial statements.

Amendments to IAS 7 Statement of Cash Flows – effective 01 January 2017

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities were required to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (gains and losses due to foreign currency movements). A reconciliation of the liabilities arising from financing is set out in note 15.

2.5 Summary of significant accounting policies

(a) Foreign currency translation

The financial statements are presented in Mauritian Rupees, which is the Company's functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. ACCOUNTING POLICIES (CONT'D)

2.5 Summary of significant accounting policies (Cont'd)

(b) Equipment

Equipment is stated at cost excluding the costs of the day to day servicing, net of accumulated depreciation and/or accumulated impairment losses, if any. Changes in the expected useful life and residual values, which are reviewed at least at the end of each financial year, are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated on the straight-line method to write down the cost of equipment to their residual values over their estimated useful life as follows:

Furniture and fittings	10-20%
Office equipment	10-33%
Computer equipment	20-33%
Motor vehicles	20%

Depreciation charged for assets under operating leases, is based on the lower of the useful life of the asset or the terms of the operating lease agreement.

The net carrying amount of equipment leased to customers under operating leases includes projected residual values, which at the end of the current lease terms, will be recovered through re-letting or disposal. The estimated useful lives of equipment under operating leases vary between 1 and 7 years.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "other income" or "non-interest expense" in profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

(c) Leases

Finance leases - Company acting as the Lessor

(i) Recognition and initial measurement

Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the Company, and thus the lease payment receivable is treated by the Company as repayment of principal and finance income to reimburse and reward the lessor for its investment and services.

Initial direct costs such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, but excluding general overheads, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable; there is no need to add them separately.

(ii) Subsequent measurement

The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

2. ACCOUNTING POLICIES (CONT'D)

2.5 Summary of significant accounting policies (Cont'd)

(c) Leases (Cont'd)

Finance leases - Company acting as the Lessor (Cont'd)

(ii) Subsequent measurement (Cont'd)

The Company aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Company's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Estimated unguaranteed residual values used in computing the Company's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect of amounts accrued is recognised immediately.

Operating leases - Company acting as the Lessor

Assets subject to operating leases are presented in the statement of financial position under property, plant and equipment.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished.

Leases that do not transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Receipts under operating leases are recognised as an income in profit or loss on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

(d) Financial instruments -recognition and measurement

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

Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

2. ACCOUNTING POLICIES (CONT'D)

2.5 Summary of significant accounting policies (Cont'd)

(d) Financial instruments-recognition and measurement (Cont'd)

Financial assets (Cont'd)

(ii) Recognition and initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "Interest and similar income" in profit or loss. The losses arising from impairment are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks and amounts due from banks on demand or with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above and held-to-maturity investments which have a short term maturity of three months or less from the date of acquisition.

(e) Impairment of financial assets

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

Net investment in finance leases

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

2. ACCOUNTING POLICIES (CONT'D)

2.5 Summary of significant accounting policies (Cont'd)

(e) Impairment of financial assets (Cont'd)

Net investment in finance leases (Cont'd)

If there is objective evidence that an impairment loss has been incurred, 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Finance leases together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a net investment in finance lease has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of calculating the portfolio provision, financial assets are grouped on the basis of the Company's internal credit grading system that considers credit risk characteristics such as asset type, industry, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Where possible, the Company seeks to restructure leases rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new lease conditions. Once the terms have been renegotiated, the lease is no longer considered past due. Management continuously reviews renegotiated leases to ensure that all criteria are met and that future payments are likely to occur. The leases continue to be subject to an individual or collective impairment assessment, calculated using the lease's original effective interest rate.

2. ACCOUNTING POLICIES (CONT'D)

2.5 Summary of significant accounting policies (Cont'd)

(f) Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in "Interest and similar expense" in profit or loss.

Deposits from customers

Deposits are received from individual and corporate (business) clients. Deposits are repayable and derecognised on demand or when the deposits come to maturity.

After initial recognition the deposits are subsequently measured at amortised cost using the effective interest rate method.

(g) Derecognition of financial assets and financial liabilities

Financial assets

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

2. ACCOUNTING POLICIES (CONT'D)

2.5 Summary of significant accounting policies (Cont'd)

(g) Derecognition of financial assets and financial liabilities (Cont'd)

Financial assets (Cont'd)

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Intangible assets

Intangible assets consist of computer software. Intangible assets acquired separately are measured on initial recognition at cost. The cost of the intangible assets acquired is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

Amortisation is calculated using the straight line method to write down the cost of intangibles to their residual values over their estimated useful lives as follows:

Computer software - 5 years

2. ACCOUNTING POLICIES (CONT'D)

2.5 **Summary of significant accounting policies (Cont'd)**

(i) **Intangible assets (Cont'd)**

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset) is recognised in "other income" or "non-interest expense" in profit or loss in the year the asset is derecognised.

(j) **Impairment of non-financial assets**

The Company assesses at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(k) **Recognition of income and expenses**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as held-to-maturity investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

2. ACCOUNTING POLICIES (CONT'D)

2.5 **Summary of significant accounting policies (Cont'd)**

(k) **Recognition of income and expenses (Cont'd)**

Interest and similar income and expense (Cont'd)

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Non-interest income

Financial service fees

The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument.

Fees that are an integral part of the effective interest rate of a financial instrument

Such fees are generally treated as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value with the change in fair value recognised in profit or loss, the fees are recognised as revenue when the instrument is initially recognised.

Rental income from operating leases

Lease income from operating leases is recognised as income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished.

(l) **Pension benefits**

The Company operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense in profit or loss. Unpaid contributions are recorded as a liability. The Company ensures that the fair value of the plan equals or exceeds the gratuity requirement under the Employment Rights Act 2008.

(m) **Taxes**

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

2. ACCOUNTING POLICIES (CONT'D)

2.5 Summary of significant accounting policies (Cont'd)

(m) Taxes (Cont'd)

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised. Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred income tax is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

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

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

Corporate Social Responsibility

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility (CSR) is regarded as a tax and is therefore subsumed with the income tax shown within profit or loss and the income tax liability on the statement of financial position.

The CSR charge for the current period is measured at the amount expected to be paid to the Mauritian tax authorities. The CSR rate and laws used to compute the amount are those charged or substantively enacted by the reporting date.

Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. ACCOUNTING POLICIES (CONT'D)

2.5 Summary of significant accounting policies (Cont'd)

(n) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

(o) Equity reserves

The reserves recorded in equity on the Company's statement of financial position include:

- Statutory reserve which represents 15% of the profit for the year which is transferred in accordance with the Banking Act 2004; and
- General provision reserve which comprises amounts set aside for collective impairment on leases.

(p) Segmental reporting

The Chief Executive Officer monitors the operating results of its business as a whole for the purpose of making decisions about resource allocation and performance assessment. As such, management considers that there is only one operating segment.

(q) Lease

Company as a lessee

Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

(r) Repossessed assets

It is the Company's policy to seize assets when client is defaulting. The repossessed assets are either leased back to a new client or disposed of.

2.6 Accounting standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

2. ACCOUNTING POLICIES (CONT'D)

2.6 Accounting standards and interpretations issued but not yet effective (Cont'd)

The following were in issue but not yet effective as at June 30, 2018:

- IFRS 2 Share-based payment Amendment on clarifying share-based payment transactions– effective 1 January 2018;
- IFRS 9 Financial Instruments – effective January 01, 2018;
- IFRS 15 Revenue from Contracts with Customers – effective January 01, 2018;
- IFRS 16 Leases – effective January 01, 2019;
- IFRS 17 Insurance Contracts – effective January 01, 2021;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration – effective January 01, 2018;
- IFRIC 23 Uncertainty over Income Tax Treatments – effective January 01, 2019;
- Annual Improvements 2014 – 2016 Cycle - effective January 01, 2018.

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

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition – January 01, 2018

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

2. ACCOUNTING POLICIES (CONT'D)

2.6 Accounting standards and interpretations issued but not yet effective (Cont'd)

IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition - January 01, 2018 (Cont'd)

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, can be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

The impact of the new standard is currently being assessed.

IFRS 15 Revenue from Contracts with Customers - effective January 01, 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 Company is still assessing the impact of this new standard, but it is not expected to have a significant effect on financial performance. There may be an impact on the level of disclosure provided.

No early adoption of these standards and interpretations is intended by the Board of directors.

3. BALANCES WITH BANKS AND CASH IN HAND

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Cash in hand	14,200	5,454	18,400
Balances with banks	130,233,348	183,814,190	203,642,436
	130,247,548	183,819,644	203,660,836

The Company earns interest at fluctuating rates varying between 0.10% and 3.00% on its current accounts, based on daily bank deposit rates.

4. HELD-TO-MATURITY INVESTMENTS

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Treasury bills	223,895,295	224,029,222	-
Interest accrued	1,279,411	771,333	-
	225,174,706	224,800,555	-

During the financial year ended June 30 2018, the Company invested in Treasury Bills for a total amount of Rs. 223,895,295 (2017: Rs. 224,029,222). Interest accrued on the Treasury Bills amounting to Rs 1,279,411 (2017: Rs 771,333) has been accrued as at June 30, 2018 and 2017.

5. LOANS AND RECEIVABLES

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
BanyanTree Bank Limited	-	-	51,128,081

2016:-

On December 31, 2015, the Company made a fixed deposit with Banyan Tree Bank Limited with a maturity term of one year and bearing a fixed interest rate payable at maturity of 4.50%. The deposit matured on December 31, 2016.

6. NET INVESTMENT IN FINANCE LEASES

	June 30, 2018	June 30, 2017	June 30, 2016
(a) Finance lease receivables	Rs.	Rs.	Rs.
Gross investment in finance leases	2,830,864,752	2,642,831,848	2,239,025,799
Unearned future finance income on finance leases	(397,467,303)	(386,123,494)	(311,059,581)
Net investment in finance leases before impairment	2,433,397,449	2,256,708,354	1,927,966,218
Allowance for impairment losses	(46,632,679)	(42,013,290)	(33,558,512)
	2,386,764,770	2,214,695,064	1,894,407,706
Transfer of repossessed assets to other assets/ property, plant and equipment	(5,682,130)	(2,532,946)	(5,851,017)
Net investment in finance leases	2,381,082,640	2,212,162,118	1,888,556,689

6. NET INVESTMENT IN FINANCE LEASES (CONT'D)

	June 30, 2018	June 30, 2017	June 30, 2016
(a) Finance lease receivables (Cont'd)	**Rs.**	Rs.	Rs.
The investment in finance leases can be analysed as follows:			
Current			
- Not later than 1 year	**957,874,711**	884,270,005	811,153,579
Non-current			
- Later than 1 year and not later than 5 years	**1,802,485,239**	1,697,106,410	1,377,896,133
- Later than 5 years	**70,504,802**	61,455,433	49,976,087
Total non-current	**1,872,990,041**	1,758,561,843	1,427,872,220
Gross investment in finance lease	**2,830,864,752**	2,642,831,848	2,239,025,799
Unearned future finance income on finance leases	**(397,467,303)**	(386,123,494)	(311,059,581)
	2,433,397,449	2,256,708,354	1,927,966,218

Assets (vehicles and equipments) are leased to customers for periods ranging from 12 to 96 months. The average lease term is 60 months and the majority of these leases are at interest rates linked to the Prime Lending Rate.

(b) Credit concentration of risk by industry sectors	**June 30, 2018**	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Personal and others	**1,287,075,170**	1,341,564,123	829,748,216
Transport	**288,138,991**	137,237,335	133,395,740
Traders	**186,170,553**	157,499,123	152,319,213
Professional	**161,081,553**	135,189,630	258,423,912
Manufacturing	**142,791,944**	111,297,111	61,924,015
Construction	**123,479,694**	118,463,389	118,147,145
Tourism	**116,834,819**	113,590,719	136,400,622
Agriculture and fishing	**74,226,355**	79,867,886	129,132,000
IT & Telecommunications	**22,197,177**	23,867,294	19,555,322
Financial institutions	**17,848,675**	24,881,139	64,431,001
Education	**13,552,518**	13,250,605	24,489,032
	2,433,397,449	2,256,708,354	1,927,966,218

(c) Individual and collective allowances for impairment losses

	Specific impairment	Collective impairment	Total impairment
	Rs.	Rs.	Rs.
At July 01, 2015	13,898,379	15,134,589	29,032,968
Charge for the year	(2,022,538)	6,548,082	4,525,544
At June 30, 2016	11,875,841	21,682,671	33,558,512
Charge for the year	7,861,711	593,067	8,454,778
At June 30, 2017	**19,737,552**	**22,275,738**	**42,013,290**
Charge for the year	**2,914,192**	**1,705,197**	**4,619,389**
At June 30, 2018	**22,651,744**	**23,980,935**	**46,632,679**

6. NET INVESTMENT IN FINANCE LEASES (CONT'D)

(d) Allowances for impairment losses by industry sectors

June 30, 2018	Impaired leases	Specific impairment	Collective impairment	Total impairment
	Rs.	Rs.	Rs.	Rs.
Personal and others	49,047,466	9,001,367	12,720,094	21,721,461
Agriculture and fishing	34,665,043	839,895	728,365	1,568,260
Manufacturing	13,104,636	1,790,427	1,408,215	3,198,642
Traders	11,483,618	4,698,829	1,793,527	6,492,356
Transport	9,628,914	799,858	2,855,165	3,655,023
Professional	4,990,508	1,565,177	1,593,476	3,158,653
Tourism	5,189,571	954,671	1,147,049	2,101,720
Construction	5,778,677	2,551,453	1,206,273	3,757,726
Financial institutions	1,981,360	-	178,487	178,487
Education	915,099	446,721	128,892	575,613
IT & Telecommunications	816,785	3,346	221,392	224,738
	137,601,677	22,651,744	23,980,935	46,632,679

June 30, 2017	Impaired leases	Specific impairment	Collective impairment	Total impairment
	Rs.	Rs.	Rs.	Rs.
Personal and others	74,288,778	9,400,982	13,270,390	22,671,372
Agriculture and fishing	42,157,150	-	798,679	798,679
Construction	20,849,804	7,463,888	1,096,183	8,560,071
Manufacturing	11,107,806	839,526	1,099,444	1,938,970
Traders	8,518,790	471,563	1,563,012	2,034,575
Professional	6,907,331	1,104,712	1,330,842	2,435,554
Transport	6,080,537	333,813	1,363,293	1,697,106
IT & Telecommunications	5,137,825	-	238,673	238,673
Tourism	4,726,658	123,068	1,133,905	1,256,973
Education	998,409	-	132,506	132,506
Financial institutions	-	-	248,811	248,811
	180,773,088	19,737,552	22,275,738	42,013,290

June 30, 2016	Impaired leases	Specific impairment	Collective impairment	Total impairment
	Rs.	Rs.	Rs.	Rs.
Agriculture and fishing	87,503,499	-	1,479,200	1,479,200
Personal and others	67,798,452	6,414,745	9,300,056	15,714,801
Manufacturing	22,956,543	2,537,540	1,285,843	3,823,383
Construction	22,410,563	1,237,579	2,913,290	4,150,869
Professional	10,418,562	205,608	1,518,236	1,723,844
Transport	8,143,962	73,345	1,726,575	1,799,920
Tourism	7,755,949	51,352	1,555,317	1,606,669
Traders	3,561,506	140,555	720,739	861,294
Financial institutions	3,383,942	1,115,700	688,368	1,804,068
IT & Telecommunications	1,554,076	-	224,005	224,005
Education	1,185,650	99,417	271,042	370,459
	236,672,704	11,875,841	21,682,671	33,558,512

7. INTANGIBLE ASSETS

	Leasing operation	Banking project	
	Computer software	Work in progress-development of computer software	Total
Cost	Rs.	Rs.	Rs.
At July 01, 2015	3,032,520	-	3,032,520
Additions	54,374	25,187,610	25,241,984
Transfer from property, plant and equipment	-	56,060,460	56,060,460
At June 30, 2016	**3,086,894**	**81,248,070**	**84,334,964**
Write offs	(114,073)	-	(114,073)
Transfer to other assets	-	(81,248,070)	(81,248,070)
At June 30, 2017	**2,972,821**	**-**	**2,972,821**
At June 30, 2018	**2,972,821**	**-**	**2,972,821**
Amortisation			
At July 01, 2015	2,516,726	-	2,516,726
Charge for the year	166,541	-	166,541
At June 30, 2016	**2,683,267**	**-**	**2,683,267**
Write offs	(114,073)	-	(114,073)
Charge for the year	115,218	-	115,218
At June 30, 2017	**2,684,412**	**-**	**2,684,412**
Charge for the year	**106,794**	**-**	**106,794**
At June 30, 2018	**2,791,206**	**-**	**2,791,206**
NET BOOK VALUE			
At June 30, 2018	**181,615**	**-**	**181,615**
At June 30, 2017	288,409	-	288,409
At June 30, 2016	403,627	81,248,070	81,651,697

8. PROPERTY, PLANT AND EQUIPMENT

	Leasing operations							Banking project			
	Computer & equipment	Furniture & fittings	Office equipment	Assets under operating lease *	Motor vehicles	Repossessed assets	Total	Work in progress	Computer & equipment	Total	Grand total
COST	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At July 01, 2015	3,350,708	20,723,952	2,557,803	810,262,737	16,881,171	18,192,874	871,969,245	56,060,460	-	56,060,460	928,029,705
Additions	14,804,007	54,209,793	9,401,017	243,370,549	-	-	321,785,366	-	6,949,357	6,949,357	328,734,723
Disposals	-	-	-	(121,082,687)	-	(7,665,559)	(128,748,246)	-	-	-	(128,748,246)
Transfers	84,525	-	(84,525)	850,000	(850,000)	-	-	-	-	-	-
Transfer to intangible assets	-	-	-	-	-	-	-	(56,060,460)	-	(56,060,460)	(56,060,460)
Transfer of repossessed assets from investment in finance lease	-	-	-	-	-	5,851,017	5,851,017	-	-	-	5,851,017
Transfers to assets classified as held for sale	-	(19,075,153)	(2,185,295)	-	-		(21,260,448)	-	-	-	(21,260,448)
At June 30, 2016	18,239,240	55,858,592	9,689,000	933,400,599	16,031,171	16,378,332	1,049,596,934	-	6,949,357	6,949,357	1,056,546,291
Additions	1,384,455	409,269	374,231	239,977,897	6,700,285	-	248,846,137	-	-	-	248,846,137
Disposals	-	-	-	(144,452,092)	(1,394,000)		(145,846,092)	-	-	-	(145,846,092)
Transfers	-	-	23,840	73,157	(73,157)	-	23,840	-	(23,840)	(23,840)	-
Write offs	(340,329)	-	(90,945)	-	-		(431,274)	-	-	-	(431,274)
Transfer to other assets	-	-	-	-	-	(16,378,332)	(16,378,332)	-	(6,925,517)	(6,925,517)	(23,303,849)
At June 30, 2017	**19,283,366**	**56,267,861**	**9,996,126**	**1,028,999,561**	**21,264,299**	**-**	**1,135,811,213**	**-**	**-**	**-**	**1,135,811,213**
Additions	**394,317**	**24,016**	**69,547**	**228,183,770**	**1,099,000**	**-**	**229,770,650**	**-**	**-**	**-**	**229,770,650**
Disposals	**-**	**-**	**-**	**(162,190,256)**	**(7,401,880)**	**-**	**(169,592,136)**	**-**	**-**	**-**	**(169,592,136)**
Transfers	**-**	**-**	**-**	**1,150,000**	**(1,150,000)**	**-**	**-**	**-**	**-**	**-**	**-**
At June 30, 2018	**19,677,683**	**56,291,877**	**10,065,673**	**1,096,143,075**	**13,811,419**	**-**	**1,195,989,727**	**-**	**-**	**-**	**1,195,989,727**
ACCUMULATED DEPRECIATION											
At July 01, 2015	2,598,984	12,935,840	2,176,040	274,918,771	6,607,822	-	299,237,457	-	-	-	299,237,457
Charge for the year	1,928,324	4,084,990	656,665	125,633,376	3,100,725	-	135,404,080	-	488,680	488,680	135,892,760
Disposals	-	-	-	(55,678,995)	-	-	(55,678,995)	-	-	-	(55,678,995)
Transfers	32,133	-	(32,133)	184,167	(184,167)	-	-	-	-	-	-
Transfers to assets classified as held for sale	-	(12,694,025)	(2,129,182)	-	-	-	(14,823,207)	-	-	-	(14,823,207)
At June 30, 2016	4,559,441	4,326,805	671,390	345,057,319	9,524,380	-	364,139,335	-	488,680	488,680	364,628,015
Charge for the year	3,500,816	5,458,169	1,070,727	135,849,793	2,589,441	-	148,468,946	-	989,360	989,360	149,458,306
Disposals	-	-	-	(83,744,741)	(1,352,000)	-	(85,096,741)	-	-	-	(85,096,741)
Transfers	-	-	-	678,679	(678,679)	-	-	-	-	-	-
Write offs	(340,329)	-	(90,945)	-	-	-	(431,274)	-	-	-	(431,274)
Transfer to other assets	-	-	-	-	-	-	-	-	(1,478,040)	(1,478,040)	(1,478,040)
At June 30, 2017	**7,719,928**	**9,784,974**	**1,651,172**	**397,841,050**	**10,083,142**	**-**	**427,080,266**	**-**	**-**	**-**	**427,080,266**
Charge for the year	**3,389,080**	**5,471,355**	**1,078,177**	**146,076,526**	**2,810,280**	**-**	**158,825,418**	**-**	**-**	**-**	**158,825,418**
Disposals	**-**	**-**	**-**	**(94,166,380)**	**(5,721,675)**	**-**	**(99,888,055)**	**-**	**-**	**-**	**(99,888,055)**
Transfers	**-**	**-**	**-**	**690,000**	**(690,000)**	**-**	**-**	**-**	**-**	**-**	**-**
At June 30, 2018	**11,109,008**	**15,256,329**	**2,729,349**	**450,441,196**	**6,481,747**	**-**	**486,017,629**	**-**	**-**	**-**	**486,017,629**
NET BOOK VALUE											
At June 30, 2018	**8,568,675**	**41,035,548**	**7,336,324**	**645,701,879**	**7,329,672**	**-**	**709,972,098**	**-**	**-**	**-**	**709,972,098**
At June 30, 2017	11,563,438	46,482,887	8,344,954	631,158,511	11,181,157	-	708,730,947	-	-	-	708,730,947
At June 30, 2016	13,679,799	51,531,787	9,017,610	588,343,280	6,506,791	16,378,332	685,457,599	-	6,460,677	6,460,677	691,918,276

* Assets under operating lease consist mainly of motor vehicles and operating equipments.

9. OTHER ASSETS

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
VAT receivable	-	8,743,927	17,788,516
Amounts receivable from related parties	231,822,051	167,838,022	65,459,799
Repossessed assets	7,521,130	11,959,352	-
Other receivables and prepayments	28,540,423	31,136,536	33,414,333
	267,883,604	219,677,837	116,662,648

Other receivables are non interest-bearing and are generally on 30-90 days' term.

For terms and conditions in respect of amounts receivable from related parties please refer to note 25.

10. ASSETS CLASSIFIED AS HELD-FOR-SALE

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Assets			
Property, plant and equipment (Note 8)	-	-	6,437,241

On 19 December 2015, the Company moved its operations from Bowen Square to Dias Pier building at Caudan Waterfront. The new premises were furbished with new computer equipments, furnitures and fittings. As the Company had the intention of disposing of all its old assets still at Bowen Square within the next twelve months and was already in the process of finding a buyer, the assets were classified as held-for-sale. These assets were disposed of during the financial year 2017 and the loss of Rs 1,452,241 made on disposal was accounted for in profit or loss.

11. DEPOSITS

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
PERSONAL AND BUSINESS			
Time deposits with remaining term to maturity:			
Within 3 months	317,555,644	285,753,673	205,585,261
Over 3 up to 6 months	92,812,447	159,722,754	117,356,024
Over 6 up to 12 months	417,659,926	211,309,077	208,355,158
Over 1 up to 5 years	2,264,690,749	2,354,877,987	2,083,648,937
Over 5 years	116,456,973	-	-
	3,209,175,739	3,011,663,491	2,614,945,380

Time deposits represent deposits from individuals and corporates. The maturity terms vary between 1 month to 6 years. Interest rate on these time deposits vary between 2.550% to 7.500%.

12. INCOME TAX

(a) **Amount shown on the Statement of financial position is as follows:**

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Current tax on the adjusted profit for the year ended June 30,	**5,782,759**	2,722,007	3,615,658
Less: Payment made under the Advance Payment System	**(2,036,865)**	(2,654,604)	(3,533,904)
Current tax liability at June 30,	**3,745,894**	67,403	81,754

(b) **The major components of income tax expense are as follows:**

	June 30, 2018	June 30, 2017	June 30, 2016
Current tax on the adjusted profit	**5,782,759**	2,722,007	3,615,658
Corporate Social Responsibility	**662,394**	471,930	628,250
(Over)/under provision in previous year	**(6,186)**	(67,934)	1,150,302
Over provision in deferred tax	**(1,073,740)**	(267,916)	(784,066)
Movement in deferred income taxes (Note 13)	**(122,488)**	3,611,295	2,461,145
Total income tax expense	**5,242,739**	6,469,382	7,071,289

(c) The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:-

	June 30, 2018	June 30, 2017	June 30, 2016
Profit before income tax	**38,667,578**	33,912,967	9,729,919
Tax calculated at 15% (2017 and 2016: 15%)	**5,800,137**	5,086,945	1,459,488
(Over)/under provision in previous year	**(6,186)**	(67,934)	1,150,302
Over provision in deferred tax in previous year	**(1,073,740)**	(267,916)	(784,066)
Non deductible expenses	**23,471**	1,246,357	4,617,315
Non deductible income	**(163,337)**	-	-
Corporate Social Responsibility	**662,394**	471,930	628,250
Income tax expense	**5,242,739**	6,469,382	7,071,289

13. DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method at 17% (2017 & 2016: 17%). Deferred income taxes relate to the following:

	Statement of financial position			**Statement of comprehensive income**		
	June 30, 2018	June 30, 2017	June 30, 2016	**June 30, 2018**	June 30, 2017	June 30, 2016
Deferred income tax liability	**Rs.**	Rs.	Rs.	**Rs.**	Rs.	Rs.
Accelerated depreciation for tax purposes	**(32,157,908)**	(31,955,008)	(26,588,414)	**(1,276,640)**	(5,634,510)	(3,433,435)
Deferred income tax asset						
Allowance for credit losses	**9,614,127**	8,214,999	6,191,784	**1,399,128**	2,023,215	972,290
	9,614,127	8,214,999	6,191,784	**1,399,128**	2,023,215	972,290
Deferred income tax expense				**122,488**	(3,611,295)	(2,461,145)
Deferred income tax liabilities	**(22,543,781)**	(23,740,009)	(20,396,630)			

14. OTHER LIABILITIES

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Lease creditors	32,826,704	122,645,441	43,955,245
Other payables	103,679,864	69,231,282	46,524,328
	136,506,568	191,876,723	90,479,573

Other payables are non interest-bearing and have an average term of 1- 3 months.

Lease creditors relate to amount due to the suppliers of the leased assets and have an average term of 1- 3 months.

15. INTEREST-BEARING LOANS

	Interest Rate	Maturity	June 30, 2018	June 30, 2017	June 30, 2016
			Rs.	Rs.	Rs.
Loan from State Investment Corporation (LEMS) (Note a)	4.25% - 5% per annum	2013-2019	3,771,008	12,156,689	23,233,487
Loan from State Investment Corporation (PHS) (Note b)	3.5% per annum	2013-2022	558,314	835,096	4,710,714
Loan from State Investment Corporation (LEMS FOREX) (Note c)	0.75% - 0.90% per annum	2014-2020	5,022,256	9,346,287	13,817,703
			9,351,578	22,338,072	41,761,904
At July 01,			22,338,072	41,761,904	66,440,511
Repayment			(15,417,738)	(19,423,832)	(24,678,607)
Addtion			2,431,244	-	-
At June 30,			9,351,578	22,338,072	41,761,904

(a) The Company entered into an agreement with the State Investment Corporation Ltd (SIC) known as the Leasing Equipment Modernisation Scheme (LEMS). This scheme was introduced by the Government in view of enhancing the competitiveness of Small and Medium Enterprises (SMEs) through the use of modern equipment by the latter. The agreement between SFL and SIC was therefore set up to provide assistance to the SMEs through a special finance leasing scheme.

Under this scheme and upon approval by the SIC, the SME applies for a finance lease at a preferential rate of 7.25% - 8.50% per annum. The lease is supported by a loan facility provided by SIC at a rate of 4.25% - 5.00% per annum. All loans provided by the SIC are used solely and exclusively for funding lease facilities under this scheme. SIC also provides a deed of guarantee to the Company whereby, in the event of a default of the lessee under this scheme, it guarantees to pay on demand to the Company, one third of the original cost of the asset granted under the scheme.

(b) In financial year 2012, the Company entered into another agreement with State Investment Corporation Ltd (SIC) in relation to Planters Harvest Support Scheme (PHS) again a scheme introduced by the Government. Such scheme was to provide assistance to sugar cane planters in improving and better planning their field harvest whereby they could reduce the overall harvest and transport costs.

15. INTEREST-BEARING LOANS (CONTINUED)

Under this scheme and upon approval by SIC, the beneficiary client applies for a lease at a beneficial rate of interest of 5.5% per annum. The lease is supported by a loan facility provided by the SIC at a rate of 3.5% per annum to SPICE Finance Ltd. All loans provided by SIC are used solely and exclusively for funding lease facilities under this scheme. The Milling Company/Main Harvest Service Providers (HSP) will provide a guarantee from the Milling Company equivalent to 50% of the value of the lease. SIC will provide a guarantee of 50% of any loss the leasing company may incur.

(c) In the financial year 2013, the Company entered into an additional agreement with State Investment Corporation (SIC) extending the existing Leasing Equipment Modernisation Scheme (LEMS) thereby providing leases in both USD and EURO.

Under this scheme and upon approval of the SIC, the SMEs and any other companies as approved by the SIC apply for finance lease at a preferential fixed rate of 2.90% for USD denominated leases and 2.75% for EURO denominated leases. The lease is supported by a loan facility provided by SIC at a fixed rate of interest of 0.90% p.a for USD and 0.75% p.a for EURO loan. The SIC also provides a moratorium period of 4 months in respect of capital repayment from date of disbursement to SPICE Finance Ltd.

16. ISSUED CAPITAL

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Issued and fully paid-up capital			
20,000,000 ordinary shares at no par value	**200,000,000**	200,000,000	200,000,000

17. RESERVES

Statutory reserve

The Statutory reserve represents transfers from Retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the profit for the year is transferred in this reserve until the balance is equal to the amount paid as stated capital.

General reserve

The general reserve relates to amount set aside for future losses and other unforeseeable risks on the finance lease portfolio.

18. INTEREST AND SIMILAR INCOME

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Interest and similar income on:			
- Finance leases	**205,943,979**	179,573,657	166,019,941
- Balances with banks	**704,266**	949,207	3,929,007
- Held-to-maturity financial assets	**5,647,627**	2,376,333	-
- Loans and receivables	-	1,611,796	2,307,534
	212,295,872	184,510,993	172,256,482

19. INTEREST AND SIMILAR EXPENSE

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Interest expense on deposit	151,662,822	142,522,095	137,139,518
Interest on loans	602,560	1,040,356	1,836,817
	152,265,382	143,562,451	138,976,335

20. OTHER OPERATING INCOME

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Rental income from operating leases	206,047,886	192,248,384	180,566,713
Facility fees	2,012,304	2,142,479	2,079,748
Profit on disposal of property, plant and equipment	11,974,004	6,215,145	7,811,170
Others	7,153,298	15,637,719	9,578,313
	227,187,492	216,243,727	200,035,944

21. ADMINISTRATIVE EXPENSES

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Included in administrative expenses:			
Advertising and marketing expenses	3,377,489	1,711,326	564,269
Employee benefit expenses	32,441,732	23,772,994	20,933,612
Professional fees	4,296,281	2,157,900	2,522,304
Rental premises	4,169,914	4,697,604	6,260,315
Expenses relating to operating leases	1,006,241	1,673,772	2,185,198

Analysis of employee benefits expense:			
- Salaries and wages	16,477,294	19,383,022	16,320,281
- Allowances	812,163	1,056,852	839,116
- Social security charges	673,020	608,233	568,434
- Pension costs	1,304,574	1,152,248	1,157,982
- Other benefits	13,174,681	1,572,639	2,047,799
	32,441,732	23,772,994	20,933,612

22. OPERATING LEASES

(a) The future minimum lease payments under non-cancellable operating leases can be analysed as follows:

SPICE Finance Ltd as the Lessor	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
- Not later than 1 year	**182,431,799**	180,324,246	168,450,852
- Later than 1 year and not later than 5 years	**322,357,761**	334,090,574	316,754,446
- Later than 5 years	**1,070,403**	6,288,519	6,072,817
	505,859,963	520,703,339	491,278,115

(b) *Amount in arrears*

1 - 30 days	**12,860,425**	13,269,691	10,863,168
31 - 60 days	**2,100,574**	2,008,633	1,902,609
61 - 90 days	**1,113,786**	1,141,087	1,577,002
Over 90 days	**4,274,493**	3,163,224	3,346,943
Total amount in arrears	**20,349,278**	19,582,635	17,689,722

(c) **Individual allowances for impairment losses**

Balance at July 1,	**6,346,619**	2,923,970	1,669,944
Charge for the year	**3,610,774**	3,422,649	1,254,026
At June 30,	**9,957,393**	6,346,619	2,923,970

Assets (vehicles and equipments) are leased to customers for periods ranging from 1 to 96 months. The average lease term is 48 months.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

	As at June 30, 2018		As at June 30, 2017		As at June 30, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balances with banks and cash in hand	130,247,548	130,247,548	183,819,644	183,819,644	203,660,836	203,660,836
Held-to-maturity investments	225,174,706	225,174,706	224,800,555	224,800,555	-	-
Loans and other receivables	-	-	-	-	51,128,081	51,128,081
Net investment in finance leases	2,381,082,640	2,381,082,640	2,212,162,118	2,212,162,118	1,888,556,689	1,888,556,689
Other assets	246,954,762	246,954,762	185,598,107	185,598,107	92,283,675	92,283,675
	2,983,459,656	2,983,459,656	2,806,380,424	2,806,380,424	2,235,629,281	2,235,629,281
Financial liabilities						
Deposits	3,209,175,739	3,058,394,205	3,011,663,491	2,821,217,960	2,614,945,380	2,462,650,981
Other liabilities	136,506,568	136,506,568	191,876,723	191,876,723	90,479,573	90,479,573
Interest-bearing loans	9,351,578	9,297,008	22,338,072	20,479,556	41,761,904	28,973,427
	3,355,033,885	3,204,197,781	3,225,878,286	3,033,574,239	2,747,186,857	2,582,103,981

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

<u>Assets for which fair value approximates carrying value</u>

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

<u>Fixed rate financial instruments</u>

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they are first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money-market interest rates for debts with similar credit risk and maturity.

<u>Financial instrument whose fair value is disclosed</u>

The fair value of fixed rate financial instruments as per note above would have been classified as level 2.

24. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

The table below shows an analysis of financial assets and liabilities analysed according to when they are expected to be recovered or settled. The basis of the expected maturity is the contractual terms and conditions as agreed between SPICE Finance Ltd and the counterparties.

	2018								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balances with banks and cash in hand	130,247,548	-	-	-	130,247,548	-	-	-	130,247,548
Held-to-maturity investments	-	225,174,706	-	-	225,174,706	-	-	-	225,174,706
Net investment in finance	-	192,456,240	166,953,467	380,271,775	739,681,482	1,574,839,831	66,561,327	1,641,401,158	2,381,082,640
Other assets	-	246,954,762	-	-	246,954,762	-	-	-	246,954,762
Total	130,247,548	664,585,708	166,953,467	380,271,775	1,342,058,498	1,574,839,831	66,561,327	1,641,401,158	2,983,459,656
Liabilities									
Deposits	-	317,555,644	92,812,447	417,659,926	828,028,017	2,264,690,749	116,456,973	2,381,147,722	3,209,175,739
Other liabilities	-	136,506,568	-		136,506,568	-	-	-	136,506,568
Interest-bearing loans	-	2,014,951	1,694,754	2,681,984	6,391,689	2,959,889	-	2,959,889	9,351,578
Total	-	456,077,163	94,507,201	420,341,910	970,926,274	2,267,650,638	116,456,973	2,384,107,611	3,355,033,885
Net	130,247,548	208,508,545	72,446,266	(40,070,135)	371,132,224	(692,810,807)	(49,895,646)	(742,706,453)	(371,574,229)

24. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

The table below shows an analysis of financial assets and liabilities analysed according to when they are expected to be recovered or settled. The basis of the expected maturity is the contractual terms and conditions as agreed between SPICE Finance Ltd and the counterparties.

	2017								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balances with banks and cash in hand	183,819,644	-	-	-	183,819,644	-	-	-	183,819,644
Held-to-maturity investments	-	224,800,555	-	-	224,800,555	-	-	-	224,800,555
Net investment in finance	-	176,170,212	146,775,277	357,826,009	680,771,498	1,473,672,215	57,718,405	1,531,390,620	2,212,162,118
Other assets		185,598,107	-	-	185,598,107	-	-	-	185,598,107
Total	183,819,644	586,568,874	146,775,277	357,826,009	1,274,989,804	1,473,672,215	57,718,405	1,531,390,620	2,806,380,424
Liabilities									
Deposits	-	285,753,673	159,722,754	211,309,077	656,785,504	2,354,877,987	-	2,354,877,987	3,011,663,491
Other liabilities	-	191,876,723	-	-	191,876,723	-	-	-	191,876,723
Interest-bearing loans	-	4,012,608	3,965,016	7,420,878	15,398,502	6,939,570	-	6,939,570	22,338,072
Total	-	481,643,004	163,687,770	218,729,955	864,060,729	2,361,817,557	-	2,361,817,557	3,225,878,286
Net	183,819,644	104,925,870	(16,912,493)	139,096,054	410,929,075	(888,145,342)	57,718,405	(830,426,937)	(419,497,862)

24. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

The table below shows an analysis of financial assets and liabilities analysed according to when they are expected to be recovered or settled. The basis of the expected maturity is the contractual terms and conditions as agreed between SPICE Finance Ltd and the counterparties.

	2016								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balances with banks and cash in hand	203,660,836	-	-	-	203,660,836	-	-	-	203,660,836
Loans and receivables	-	-	51,128,081	-	51,128,081	-	-	-	51,128,081
Net investment in finance	-	147,558,849	150,282,736	341,971,742	639,813,327	1,201,473,504	47,269,857	1,248,743,362	1,888,556,689
Other assets	-	92,283,675	-	-	92,283,675	-	-	-	92,283,675
Total	203,660,836	239,842,524	201,410,817	341,971,742	986,885,919	1,201,473,504	47,269,857	1,248,743,362	2,235,629,281
Liabilities									
Deposits	-	205,585,261	117,356,024	208,355,158	531,296,443	2,083,648,937	-	2,083,648,937	2,614,945,380
Other liabilities	-	90,479,573	-	-	90,479,573	-	-	-	90,479,573
Interest-bearing loans	-	4,784,352	4,813,768	9,756,583	19,354,703	22,407,201	-	22,407,201	41,761,904
Total	-	300,849,186	122,169,792	218,111,741	641,130,719	2,106,056,138	-	2,106,056,138	2,747,186,857
Net	203,660,836	(61,006,662)	79,241,025	123,860,001	345,755,200	(904,582,634)	47,269,857	(857,312,776)	(511,557,576)

25. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

During the year, transactions were entered with related parties. The following table shows the outstanding balances and the corresponding income earned and expenses borne by the Company.

	STATEMENT OF FINANCIAL POSITION					INCOME		
	Investment in finance leases			Deposits		Investment in finance leases	Deposits	Operating leases
	Leases granted	Receivable at year end	Other payables	Payable at year end	Other receivable	Interest income	Interest expense	Rental income
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
June 30, 2018								
Companies with common directors	**-**	**64,857,481**	**(5,718,796)**	**-**	**225,017,446**	**3,589,158**	**90,000**	**10,892,366**
Holding companies	**-**	**1,581,781**	**-**	**-**	**7,541,033**	**147,663**	**-**	**17,742**
June 30, 2017								
Companies with common directors	-	66,630,909	-	12,876,948	163,092,835	4,070,859	636,488	12,769,238
Holding companies	-	2,321,797	-	-	5,862,913	213,932	-	213,062
June 30, 2016								
Companies with common directors	8,494,905	70,621,884	920,901	19,099,965	39,418,422	4,354,935	1,388,414	14,906,280
Holding companies	852,335	3,197,169	-	-	26,609,509	260,760	-	317,385

25. RELATED PARTY DISCLOSURES (CONT'D)

(a) **Transactions with related parties (Cont'd)**

Terms and conditions of transactions with related parties

The outstanding balances arose in the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. For the year ended June 30, 2018, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2017: Nil , 2016: Nil). At June 30, 2018, none of the facilities granted to related parties was considered to be non-performing.

Investment in finance and operating leases

These represent leases granted to related parties bearing interest at normal commercial rate depending on nature of the asset.

Other receivables from related parties

Amount due from related parties in other receivables bear interest of BLR + (2% - 3%) (2017 and 2016: BLR + 2% - 3%) and is repayable on demand.

Deposits

These deposits were made at normal commercial rate which depend on the periodicity of the deposits.

(b) **Compensation of key management personnel of the Company**

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Short term employee benefits	**15,233,187**	8,943,078	8,440,255
Long-term employee benefits - post retirement benefits	**717,246**	494,590	578,112
	15,950,433	9,437,668	9,018,367

(c) **Transactions with the key management personnel of the Company**

The Company enters into transactions, arrangements and agreements involving directors and senior management in the ordinary course of business at commercial interest and commission rates. The table below provides the total amount of transactions entered into with key management personnel.

	June 30, 2018		June 30, 2017		June 30, 2016	
	Balance	**Income/ (expense)**	Balance	Income/ (expense)	Balance	Income/ (expense)
	Rs.	**Rs.**	Rs.	Rs.	Rs.	Rs.
Leases	**1,198,050**	**301,271**	1,766,585	463,036	2,560,143	688,599
Deposits	**11,950,179**	**384,887**	6,201,017	372,000	6,201,017	449,671

26. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

All classes of shares issued by the Company rank pari passu for dividends and have been taken into consideration when determining the average number of ordinary shares outstanding during the year.

The following table shows the earnings and weighted average number of shares outstanding during the year used in the calculation of earnings per share:

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Net profit attributable to ordinary equity holders of the Company	**33,424,839**	27,443,585	2,658,630
Weighted average number of ordinary shares	**20,000,000**	20,000,000	20,000,000
Earnings per share			
Basic and diluted earnings per share (Rs)	**1.67**	1.37	0.13

There has been no transactions involving ordinary shares or potential ordinary shares between the end of the reporting period and approval of these financial statements.

27. FINANCIAL RISK MANAGEMENT

Introduction

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and interest rate risk. It is also subject to operating risks.

Changes in the environment, technology and industry are monitored through the Company's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk Management Committee

The Risk Management Committee has the overall responsibility for the development of the risk management framework and policies and implementing these principles and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions. The Risk Management Committee ensures that the proper procedures are in place to monitor and evaluate the effectiveness of these policies.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

Risk measurement and reporting systems

Management

Management oversees the day to day operations and the Recovery unit which is responsible for the independent control of risks, including monitoring the risk exposures of finance leases.

The Company's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Company also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected industries. In addition, the Company's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the business is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Management Committee and Senior Management. The report includes aggregate credit exposure, limit exceptions, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry and customer risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

Risk mitigation

The Company actively uses collaterals to reduce its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(a) Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits. The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (Cont'd)

Maximum exposure to risk without taking into account of any collateral and other credit enhancements:-

	Maximum exposure		
	June 30, 2018	June 30, 2017	June 30, 2016
On-balance sheet exposures:	Rs.	Rs.	Rs.
Balances with banks	130,247,548	183,819,644	203,660,836
Held-to-maturity investments	225,174,706	224,800,555	-
Loans and receivables	-	-	51,128,081
Net investment in finance leases (net of allowance for impairment losses)	2,381,082,640	2,212,162,118	1,888,556,689
Other assets	246,954,762	185,598,107	92,283,675
	2,983,459,656	2,806,380,424	2,235,629,281
Off-balance sheet exposures:			
Operating leases (Note 22)	505,859,963	520,703,339	491,278,115
	3,489,319,619	3,327,083,763	2,726,907,396

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty and by industry sector. The maximum credit exposure to any single client or counterparty as of June 30, 2018 was Rs 88.1M (2017: Rs 86.2M and 2016: Rs 90.72M) before taking account of collateral or other credit enhancements.

An industry sector analysis of the Company's financial assets, before taking account any collateral held or other credit enhancements, is as follows:

	Gross maximum exposure		
	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Agriculture and fishing	83,717,158	96,404,012	145,678,872
Construction	176,102,360	145,591,664	122,023,484
Education	12,889,132	13,331,380	26,230,101
Financial institutions	652,692,615	666,487,202	422,537,611
IT & Telecommunications	34,666,152	33,940,094	34,005,769
Manufacturing	169,168,850	142,440,058	100,959,062
Personal and others	1,433,475,905	1,511,168,195	963,701,537
Professional	181,513,209	159,449,069	295,356,545
Tourism	135,774,366	140,557,581	165,582,507
Traders	306,444,208	262,502,163	291,813,321
Transport	302,875,664	155,212,345	159,018,587
	3,489,319,619	3,327,083,763	2,726,907,396

The maximum credit exposure associated with the financial instruments amounts to the carrying values as stated in the statement of financial position.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) **Credit risk (Cont'd)**

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main type of collateral obtained are assets held under finance leases. Such assets mostly include motor vehicles, fishing vessels, pleasure crafts, industrial equipment and machinery. For investment in finance leases, the assets under lease are registered under Spice Finance Ltd until the lessee pays in full the contractual amount due, whereby title is then transferred. Should the lessee default in payment, the Company has the right to undertake legal procedures to recover the asset under lease, which in substance acts as a collateral against defaults.

The directors monitor the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Company's policy to dispose of repossessed properties as soon as possible. The proceeds are used to reduce or settle the outstanding claim.

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk. The amount presented are gross of impairment allowances.

June 30, 2018	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired individually**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Balances with banks	**130,233,348**	**-**	**-**	**130,233,348**
Held-to-maturity investments	**225,174,706**	**-**	**-**	**225,174,706**
Net investment in finance leases before impairment	**2,290,113,642**	**100,458,668**	**37,143,009**	**2,427,715,319**
Other assets	**239,518,655**	**3,199,016**	**4,237,091**	**246,954,762**
	2,885,040,351	**103,657,684**	**41,380,100**	**3,030,078,135**

June 30, 2017	Neither past due nor impaired	Past due but not impaired	Impaired individually	Total
	Rs.	Rs.	Rs.	Rs.
Balances with banks	183,814,190	-	-	183,814,190
Held-to-maturity investments	224,800,555	-	-	224,800,555
Net investment in finance leases before impairment	2,073,402,320	142,212,124	38,560,964	2,254,175,408
Other assets	174,851,886	7,821,957	2,924,264	185,598,107
	2,656,868,951	150,034,081	41,485,228	2,848,388,260

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) **Credit risk (Cont'd)**

Credit quality per class of financial assets (Cont'd)

June 30, 2016	Neither past due nor impaired	Past due but not impaired	Impaired individually	Total
	Rs.	Rs.	Rs.	Rs.
Balances with banks	203,642,436	-	-	203,642,436
Loans and receivables	51,128,081	-	-	51,128,081
Net investment in finance leases before impairment	1,685,442,497	191,045,169	45,627,535	1,922,115,201
Other assets	82,652,564	5,300,260	4,330,851	92,283,675
	2,022,865,578	242,132,804	48,120,151	2,269,169,393

Ageing analysis of past due but not impaired financial assets:

	June 30, 2018	June 30, 2017	June 30, 2016
Net investment in finance leases	Rs.	Rs.	Rs.
Amount in arrears			
1 - 30 days	**4,115,578**	3,169,826	1,118,370
31 - 60 days	**2,301,439**	3,728,814	3,586,070
61 - 90 days	**1,476,111**	2,972,806	3,215,679
Over 90 days	**36,316,555**	50,895,281	76,740,827
Total amount in arrears	**44,209,683**	60,766,727	84,660,946
Amount due but not in arrears	**56,248,985**	81,445,397	106,384,223
Total exposure	**100,458,668**	142,212,124	191,045,169

Credit risk in respect of balances with banks and other financial institutions

Credit risk from balances with banks and financial institutions is considered negligible, since the counterparties are reputable banks with high quality of external credit ratings.

Collateral repossessed

During the year, the Company took possession of collaterals with an estimated fair value of Rs 8M (2017: Rs 12M, 2016: Rs 16M) , which the Company sold or is in the process of selling. The collateral consisted of motor vehicles and equipments.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (Cont'd)

Carrying amount per class of financial assets whose terms have been renegotiated

The table below shows the carrying amount for renegotiated financial assets, by class.

	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Net investment in finance leases	**24,657,012**	21,605,471	56,724,328

Impairment assessment

The main considerations for the impairment assessment of finance leases include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Company determines the allowances appropriate for each individually significant finance lease on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on finance leases where there is not yet objective evidence of individual impairment. Allowances are evaluated on a quarterly basis with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

The portfolio provision for credit losses in respect of finance leases is 1% of the exposure in finance leases, excluding finance leases individually impaired.

Neither past due nor impaired

The directors have assessed the recoverability of the "neither past due nor impaired" financial assets and as at year end considers that these are fully recoverable.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows.

The Company also, in accordance with the Bank of Mauritius guidelines, maintains liquid assets representing at least 10% of its deposit base.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cash flows indicated by the Company's deposit retention history.

	At June 30, 2018					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deposits	-	348,908,203	578,189,564	2,513,029,600	120,512,734	3,560,640,101
Other liabilities	-	136,506,568	-	-	-	136,506,568
Interest-bearing loans	-	2,060,845	4,464,789	3,057,348	-	9,582,982
	-	487,475,616	582,654,353	2,516,086,948	120,512,734	3,706,729,651

	At June 30, 2017					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deposits	-	306,524,406	443,697,991	2,632,379,037	-	3,382,601,434
Other liabilities	-	191,876,723	-	-	-	191,876,723
Interest-bearing loans	-	4,167,363	11,639,029	7,006,953	-	22,813,345
	-	502,568,492	455,337,020	2,639,385,990	-	3,597,291,502

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) **Liquidity risk (Cont'd)**

	At June 30, 2016					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deposits	-	231,688,514	392,110,851	2,360,061,889	-	2,983,861,254
Other liabilities	-	90,479,573	-	-	-	90,479,573
Interest-bearing loans	-	5,108,991	15,287,837	22,907,394	-	43,304,222
	-	327,277,078	407,398,688	2,382,969,283	-	3,117,645,049

(c) **Interest rate risk**

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company manages this risk by matching to the extent possible its deposit and lending interest rate profiles.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's profit before tax.

Sensitivity of net interest income	**Effect on profit before income tax**		
	June 30, 2018	June 30, 2017	June 30, 2016
	Rs.	Rs.	Rs.
Increase by 50 basis points	**(170,499)**	(60,703)	(735,320)
Decrease by 50 basis points	**170,499**	60,703	735,320

The items in the statement of financial position affected by changes in interest rates are the net investment in finance leases and deposits. The off balance sheet item on the other side affected by changes in interest rates relate to the operating lease portfolio.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

		June 30, 2018		June 30, 2017		June 30, 2016	
		FCY	Rs.	FCY	Rs.	FCY	Rs.
Finance leases in foreign currency	EURO	**62,588**	**2,521,051**	182,392	7,231,843	271,302	10,805,960
Finance leases in foreign currency	USD	**10,147**	**353,927**	34,109	1,182,903	40,021	1,437,970
Loan in foreign currency	EURO	**116,852**	**4,706,807**	214,105	8,489,282	311,350	12,401,072
Loan in foreign currency	USD	**9,044**	**315,449**	24,438	847,495	39,693	1,426,184

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and Euro exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	June 30, 2018	June 30, 2017	June 30, 2016
USD	**Rs.**	Rs.	Rs.
Increase by 50 basis points	**1,924**	16,770	589
Decrease by 50 basis points	**(1,924)**	(16,770)	(589)
EURO			
Increase by 50 basis points	**(109,288)**	(62,872)	(79,756)
Decrease by 50 basis points	**109,288**	62,872	79,756

28. CAPITAL

Capital includes equity attributable to the equity holders of the Company.

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Mauritius in supervising the Company. During the past year, the Company had complied in full with all its externally imposed capital requirements.

Capital management

The primary objectives of the Company's capital management are to ensure that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

29. COMMITMENT

Operating lease commitment

The Company as a Lessee

The operating lease commitment for part of 2016 relates to agreement signed between SPICE Finance Ltd and Ireland Blyth Limited for the lease of Bowen Square premises. As the Company shifted its operation to Dias Pier building, the lease is now paid by another affiliate company within the United Investment Limited Group and recharged to SPICE Finance Ltd on a monthly basis through a current account.

	June 30, 2018	June 30, 2017	June 30, 2016
Payments recognised as expense	**Rs.**	Rs.	Rs.
Minimum lease payments	-	-	2,641,903
Operating Lease Commitment			
Not later than 1 year	-	-	-

30. PARENT AND ULTIMATE PARENT

The Company considers AXYS Group Ltd as its immediate parent and United Investment Limited as the ultimate parent, both entities incorporated and operating in Mauritius.

31. BANKING PROJECT

The Company obtained an "in principle" banking license from the Bank of Mauritius. In the financial year 2016, pre-operational costs were incurred in respect of setting up of the banking business amounting to Rs. 29,105,714 which were expensed in profit or loss. As the ultimate parent has decided to transfer the Banking Project to another company within the group, all assets relating to this project were disposed of to that fellow subsidiary company during the financial year 2017.

32. PRIOR YEAR ADJUSTMENT

The cash flow statement has been amended to disclose income received and interest paid during. The following records were modified:

	June 30, 2017	June 30, 2016
	Rs.	Rs.
Effect on Cashflow:		
Non Cash-items	154,464,473	134,027,701
Interest income	(183,739,660)	(172,256,482)
Interest expense	143,562,451	138,976,335
Non cash items restated	**114,287,264**	**100,747,554**
Change in operating assets	(335,424,166)	(131,882,438)
Net investment in finance leases	(12,254,355)	(8,685,514)
Interest received	197,122,096	181,259,463
Change in operating assets restated	**(150,556,425)**	**40,691,511**
Change in operating liabilities	494,974,907	294,070,573
Deposits	(61,840,261)	(20,705,777)
Interest paid	(81,722,190)	(118,270,558)
Change in operating liabilities restated	**351,412,456**	**155,094,238**
Cash flow from investing activities	124,316,319	280,444,378
Loans and receivables	(1,128,081)	-
Cash flow from investing activities restated	**123,188,238**	**280,444,378**

33. EVENTS AFTER REPORTING PERIOD

There are no significant events after the reporting period which require disclosure or amendment to be done to the June 30, 2018 financial statements.