CENTRAL DEPOSITORY
& SETTLEMENT Co. Ltd.

ANNUAL REPORT 2017

Central Depository & Settlement Co. Ltd

Annual Report 2017

The board of directors of the Central Depository & Settlement Co. Ltd (CDS) is pleased to present the Annual Report of the Company for the year ended 30th June 2017. The report was approved by the board of directors of CDS on 24th August 2017.

The board of directors wishes to thank all the stakeholders of the Company (Ministry of Financial Services, Good Governance and Institutional Reforms; Financial Services Commission; Stock Exchange of Mauritius Ltd; Bank of Mauritius; Investment Dealers; Custodian Banks; Listed Companies; and Registries) for their continued support and collaboration.

The board of directors expresses its appreciation to the management and staff for their dedicated efforts and commitment to the Company.

Nitish Benimadhu
Chairperson

Vipin Y. S. Mahabirsingh
Managing Director

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CORPORATE INFORMATION

Company Profile

The core business of the CDS is to provide centralised depository, clearing and settlement services to securities markets. The objective of the Company is to provide its services in line with the Principles for Financial Market Infrastructures (PFMIs) issued by the Committee on Payment and Market Infrastructure (CPMI) of the Bank for International Settlements (BIS) and the International Organization of Securities Commissions (IOSCO), with particular emphasis on safety, efficiency and financial stability. The disclosure regarding the compliance of the CDS with the CPMI-IOSCO PFMIs is published on the website of the Company. The Securities (Central Depository, Clearing and Settlement) Act 1996, the Securities Act 2005 and the Financial Services Act 2007 provide the legal framework for the operations of the CDS. The CDS is licensed by the Financial Services Commission and is guided in its day-to-day activities by its Rules and Procedures. The CDS also provides consultancy services to African exchanges and depositories as well as IT outsourcing services and registry software on an application service provider basis, and allocates International Securities Identification Numbers to financial instruments issued by issuers that are registered in Mauritius.

Board of Directors

Mr Nitish Benimadhu	Chairperson
Ms Aruna Radhakeesoon	Vice-Chairperson
Mrs Reedhee Bhuttoo	
Mr André Chung Shui	
Mr Steve Leung Sock Ping	
Mr Vipin Y.S. Mahabirsingh	Managing Director
Mr Kevin Rangasami	
Mr Sameer Sharma	

Company Secretary

Mr Chaitanand Jheengun (FCIS)

Management Team

Mr Vipin Y.S. Mahabirsingh	Managing Director
Mr Manoven Sadayen	Systems Manager
Mr Joseph How Tien Fat	Finance & Administration Manager

Registered Office

4th Floor, One Cathedral Square Building
16 Jules Koenig Street
Port Louis
Mauritius

Website: www.stockexchangeofmauritius.com/cds

Legal Adviser

Sir Hamid Moollan Q.C
PCL Building
Sir William Newton Street
Port Louis

Bankers

The Mauritius Commercial Bank Limited
Sir William Newton Street
Port Louis

SBM Bank (Mauritius) Limited
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis

ABC Banking Corporation Ltd
7, Duke of Edinburgh Avenue
Place D'Armes
Port Louis

Banque des Mascareignes Limitée
9th Floor, Maeva Tower
Cnr Bank Street / Silicon Avenue
Ebene

Afrasia Bank Limited
Bowen Square
10, Dr Ferrière Street
Port Louis

Bank One Limited
16, Sir William Newton Street
Port Louis

Independent Auditors
PKF (Mauritius)
5 Duke of Edinburgh Avenue
Port Louis

CHAIRPERSON'S AND MANAGING DIRECTOR'S REPORT

The main focus of the CDS during 2016-2017 was on the market development front. With the collaboration of the SEM, we became one of the few markets in the world where dual-currency trading is possible. SEM and CDS introduced dual-currency trading and settlement for the securities of foreign and global business companies listed on the SEM with the objective of offering investors the option to trade securities that are currently only traded in foreign currency, in MUR as well. At the request of the respective issuers, SEM and CDS now allow securities that are denominated in foreign currencies, to be traded in the currency in which the security is issued in as well as in MUR.

It is expected that this initiative will improve trading and liquidity in international products and global business companies that are listed on SEM, enhancing the attractiveness of SEM as a listing and trading platform for Global Business companies. Based on feedback received from the market, it seems that local investors would be more interested to trade in shares of Global Business companies (denominated in foreign currency) if such trades can be executed in MUR.

Under dual-currency trading and settlement, investors who hold securities denominated in foreign currency in their securities accounts with CDS, have the choice to trade and settle these securities either in the foreign currency or in MUR. For each security, there are two security codes (the existing code for foreign currency trading and a new security code for MUR trading) in the Automated Trading System which is linked to the existing security code in CDS.

To implement dual-currency trading, we made significant changes to the automated trading system of the SEM and the system of CDS, and to the interface between the two systems. The implementation also required changes to our Procedures.

Along the same lines, we also made changes to our systems and Procedures to allow trades in securities denominated in Indian Rupee (INR) to be settled in USD. The objective here is to attract INR denominated bonds issued by Indian companies outside India (Masala Bonds), to list and trade on the SEM. As per the Reserve Bank of India's (RBI) regulation on Masala Bonds, the money can be used only for infrastructure financing purposes. In August 2016, the RBI allowed banks to issue masala bonds to procure money to meet their capital needs and to collect funds to finance infrastructure projects. The amendments made to the Mauritius-India double taxation avoidance treaty regarding withholding tax on interest, could offer new opportunities for debt structuring through Mauritius.

We also collaborated with the SEM to create the following three new indices: SEM All Share Index (SEM-ASI); and SEM Volume Weighted Average Price Index (SEM-VWAP); and SEM Total Return Index on constituents of SEM-ASI (SEMTRI-ASI). To create these indices, we made significant changes to the automated trading system of SEM and the system of CDS. A number of Global Business Companies Category 1 (GBC 1) and other international products are listed on the SEM. However, the performances of these GBC 1 companies were not previously captured by SEM's existing indices. With a view to acknowledging the contribution of GBC 1 companies and foreign-currency denominated international companies to its internationalization strategy, the SEM created the SEM All Share Index (SEM-ASI). SEM-ASI includes the current constituents of SEMDEX but is also comprised of foreign-currency denominated (USD, EURO, GBP and ZAR), GBC 1 and international companies. The inclusion of these new constituents has not only boosted SEM's market capitalisation but also gives a better reflection of the effective size of our market and enhance the profile of Mauritius as an International Financial Centre. The SEM-VWAP is calculated based on the volume weighted average price of ordinary shares forming part of SEM-ASI. Previously the calculation of SEM market indices was based on the last traded price of securities only. The SEM -VWAP Index has introduced a new dimension through the use of volume weighted average prices as a basis for the calculation of the index.

We made changes to the automated trading system of SEM to implement amendments to the ATS Schedule of Procedures (Trading Procedures) for the purpose of adjusting the closing price where there has been no trade in an ETF during a trading session. An ETF normally tracks underlyings (securities/ indices) where prices evolve continuously during a trading session, based on which its NAV is computed, and bid and ask prices are offered by market makers. In case there is no trade in the ETF during a trading session, publishing its closing price based on the last time the ETF was traded, may lead to significant departures from the ETF's NAV, especially in situations when the ETF has not experienced any trading activity for successive trading sessions. This may result in serious pricing inefficiencies for the investor community. To alleviate this problem, the NAV of an ETF is now published as its closing price when there has been no trade during a trading session to better reflect the price movements in the ETF's underlyings and ultimately the intrinsic value of the ETF.

Another important market development is the initiation of discussions between CDS/SEM and an international CSD (ICSD) regarding the establishment of a link between SEM/CDS and the ICSD to attract the listing and safekeeping of foreign debt securities on SEM/CDS on terms that are mutually beneficial to SEM, CDS and the ICSD. All the legal, operational and commercial aspects will need to be explored before a firm decision is taken on this matter

In line with our objective to diversify the range of products that are traded on our market and to allow local investors take exposures on foreign underlying stocks through the local market infrastructure, we are collaborating with the SEM to introduce the trading, clearing and settlement of the Depository Receipts (DRs) which have become increasingly popular investment vehicles worldwide. The multi-currency trading and settlement capabilities of SEM and CDS will play a key role in attracting the listing of USD denominated DRs issued by African institutions on the SEM. In the future, we expect more and more African companies that need to raise capital in USD or Euro, to do so through the issue of DRs listed on SEM. It is in the same context that in February 2017, CDS participated with SEM in a road show in South Africa to attract South African companies to dual-list on SEM to take advantage of the multi-currency trading and settlement capabilities of SEM and CDS. Based on the feedback obtained, it appears that there is interest from some South African companies to dual-list on SEM and have their shares traded and settled in USD.

On the international front, we provided consultancy services to an African stock exchange for the replacement of its trading and depository systems. We have successfully completed the following key tasks in this project:

a) Prepare, finalise and issue Request For Proposal (RFP);
b) Evaluate proposals to RFP, demo from vendors of ATS and CSD system, select vendor;
c) Assist the client in contract negotiations

The trading and depository systems are expected to be live by the end of 2017 and we are continuing to assist the client in the following areas:

- Project management
- Organise workshops and awareness campaign for market players
- User acceptance testing
- Training

Another important activity at the international level was the participation of the Managing Director on a panel discussion on blockchain and the challenges to CSDs and financial markets, at the annual meeting of the Africa and Middle East Depositories Association (AMEDA) that was held in Cape Town in April 2017. There is a lot of discussions going on globally on the use of blockchain technology in the securities industry. Blockchain is an open, distributed ledger that records transactions safely, permanently, and efficiently. Up to now blockchain has mainly been used to generate and transfer crypto currencies and to implement smart contracts. Blockchain may have the power to transform the securities industry or even the whole economy but its applicability in the short to medium term may also be overhyped. According to the Chairman of the Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements, "distributed ledger technology bears promise but there is still a long way to go before the promise may be fully realized". The main hurdles to the adoption of blockchain in capital markets are: regulation and legislation; operational risks; scalability; governance structures; and cross-border challenges. In line with our innovative spirit and the leading role that we have played in Africa on the technological front, it is important for CDS to closely follow developments on the use of blockchain in capital markets and identify opportunities in this area.

In May 2017, the Systems Manager of CDS attended the Workshop and Annual General Meeting of the Association of the National Numbering Agencies (ANNA) which was hosted by the Malta Stock Exchange. The topics discussed included: best practices regarding assignment of International Securities Identification Numbers (ISIN); Classification of Financial Instruments (CFI) implementation and guidelines; and Financial Instrument Short Name (FISN) implementation and guidelines. The CDS is a member of the Association of National Numbering Agencies (ANNA) and is recognized by the latter as the National Numbering Agency for Mauritius. As such, the CDS is responsible for codifying financial instruments issued by issuers that are registered in Mauritius and financial instruments where the lead manager's registered office is in Mauritius in accordance with the ISO-6166 Standard. The securities for which the CDS allocates ISIN codes include those issued by global business companies registered in Mauritius as well as securities issued by the Government of Mauritius and Bank of Mauritius.

On the operational front, 61,261 trades with a total value of MUR 15.2 Billion were cleared and settled by CDS during 2016-2017 without any single failure. Our risk management framework operated effectively and there were no defaults, operational issues nor systems downtime. We have provided our services smoothly in accordance with the Securities (Central Depository, Clearing and Settlement) Act 1996, the Securities Act 2005 and the Financial Services Act 2007, under the regulatory oversight of the Financial Services Commission. We have continued to comply with international standards, with a particular focus on the Principles for Financial Market Infrastructures (PFMIs) issued by the Committee for Payments and Market Infrastructures (CPMI) of the Bank for International Settlements (BIS), and the International Organisation of Securities Commissions (IOSCO). The disclosure regarding our compliance with the CPMI-IOSCO PFMIs is published on our website.

In April - May 2017, PricewaterhouseCoopers conducted a security audit of the IT systems of the CDS. In their report, the auditors stated that they found that the IT infrastructure of SEM and CDS have been well designed to protect against both internal and external threats. They performed external attacks such as password cracking, denial of service, buffer overflow, user enumeration among others on the web facing application, but were not able to penetrate inside the network or retrieve any information. Their vulnerability assessment and penetration testing did not reveal weaknesses which may lead to the direct compromise of the SEM/CDS IT infrastructure. As part of their review, they also validated that our servers, databases and network equipment are appropriately configured in line with good practices and proven methods. The report also concluded that the IT security policy and IT contingency plan are well designed and structured to mitigate known security risks, and that the disaster recovery procedures are tested regularly to ensure a timely resumption of services following a major incident or disaster. The auditors also identified a few improvement opportunities which can be incorporated in the current IT environment.

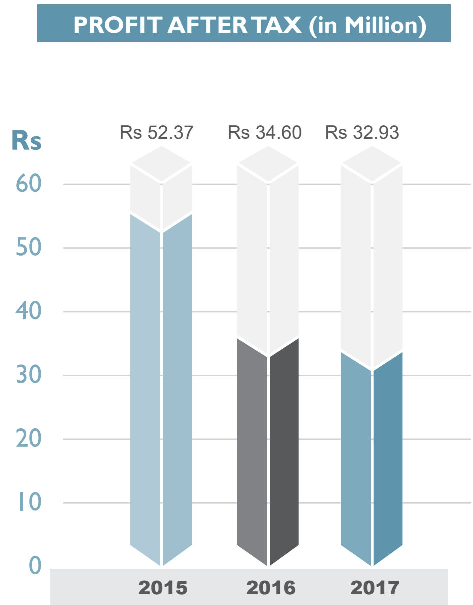
The turnover on the SEM increased by 3% in 2016-2017 compared to last year. Despite a slight increase in transaction fees, our profit after tax has decreased by 4.85% compared to last year because of an actuarial loss on the Pension Fund of the company, and a significant reduction in revenue from international projects. The actuarial loss occurred mainly because the actuaries have used a lower discount rate and expected return on assets in the IAS 19 calculations compared to last year (6.5% instead of 7%), as the yield on 20-year government bonds have gone down. The income from international projects has gone down because there has been a delay in the implementation of a major project for reasons beyond the control of CDS. Nevertheless, it is important to note that the Company earned an amount of MUR 14.03 M which represents 20.4% of total revenue, from sources other than the depository, clearing and settlement services which is our core business. These other sources of income include investment income, fees from international projects, IT outsourcing services, fees on issue of International Securities Identification Numbers and provision of registry software service.

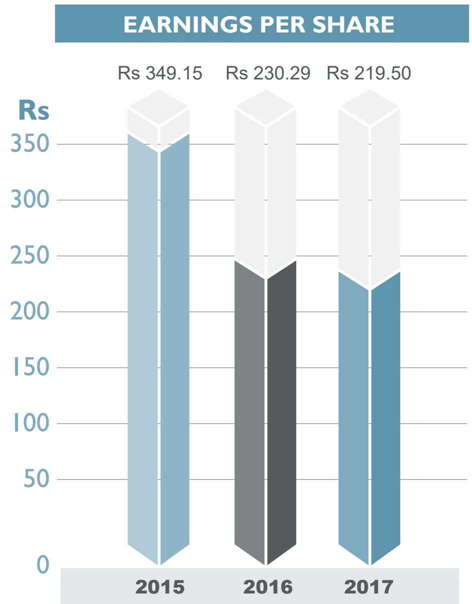
Despite the challenges faced by the Mauritian economy (which seem to have been addressed in the 2017-2018 Government Budget and the 3-Year Strategic Plan), our stock market performed even better than the global indices in the first semester of 2017 with the all shares index (SEMDEX) and the blue chip index (SEM10) posting gains of 17.39 % and 19.56% respectively, on the back of the good performance of our flagship companies. The CAC 40, FTSE 100, Dow Jones Industrial Average and NASDAQ Composite, raised by 5.31%, 2.38%, 8.03% and 14.7% respectively, during the same period. It is interesting to note that, according to a Wall Street Journal analysis of the world's 30 biggest stock markets by value, 26 registered gains in the first half of 2017 (the exceptions were Canada, China, Israel and Russia). At the global level, this delivered the best first-half performance since the immediate bounce back from the depth of the 2008-09 global financial crisis

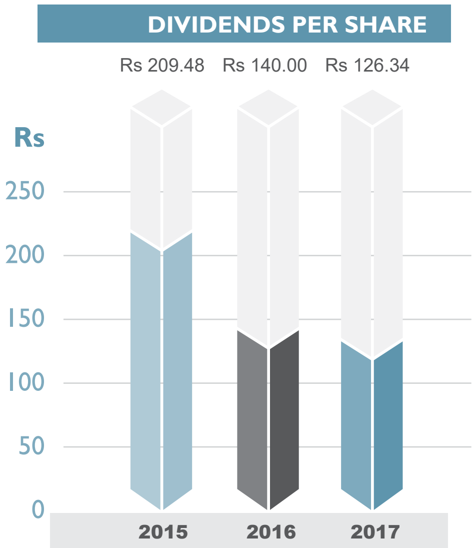
The above achievements of the Company would not have been possible without the guidance and support of the Board. We wish to thank all directors for their active participation and contribution to the success of the Company. We also wish to express our gratitude to the staff of the Company for the sense of belonging that they have demonstrated and for the excellent team work.

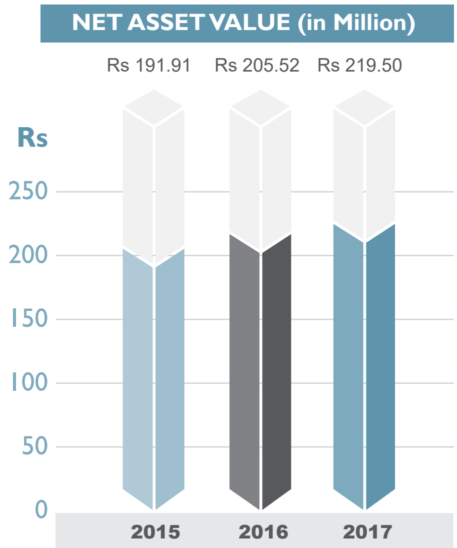
Nitish Benimadhu	Vipin Y. S. Mahabirsingh
Chairperson	Managing Director

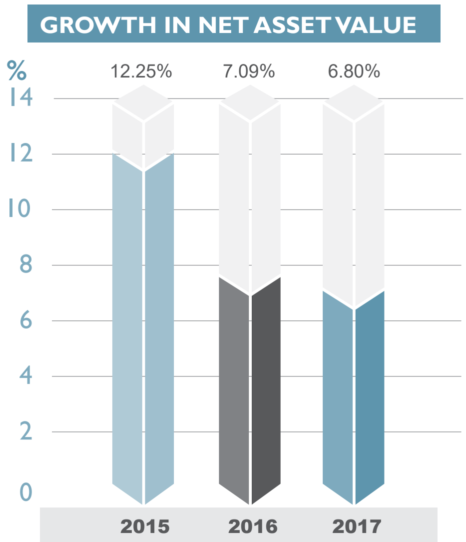
FINANCIAL HIGHLIGHTS

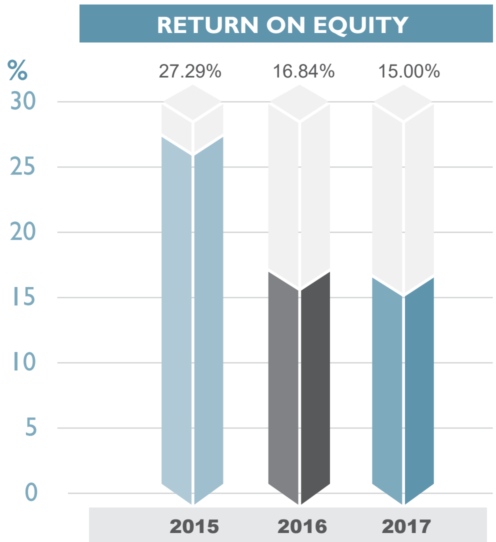












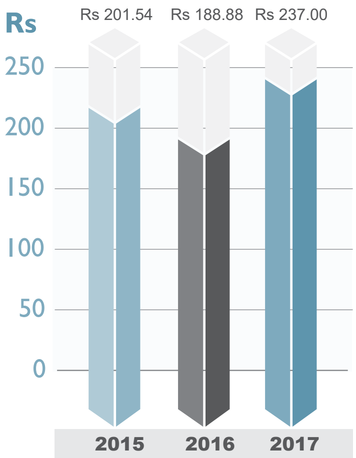
VALUE ADDED STATEMENT

	As at 30th June 2017		As at 30th June 2016	
	Rs ' 000	%	Rs ' 000	%
Turnover	54,690		53,426	
Other Income	14,032		15,181	
Administrative Expenses	(7,975)		(8,333)	
Total Wealth Created	**60,747**	**100**	**60,274**	**100**
Distributed as follows				
Members of Staff	18,369	31	15,841	25
Salaries and other Benefits				
CDS Guarantee Fund	210	1	218	1
Contributions made by the Company				
Providers of Capital				
Dividends to Ordinary Shareholders	18,951	31	21,000	35
	37,530	63	37,059	61
Government - Taxation	6,505	10	6,435	11
Corporate Social Responsibility	843	1	1,214	2
Wealth reinvested in the Company				
Profit Retained	13,974	23	13,604	23
Depreciation	1,895	3	1,962	3
	15,869	26	15,566	26
Total Wealth Distributed and Retained	**60,747**	**100**	**60,274**	**100**

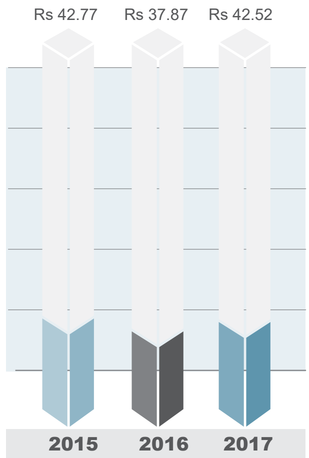
STATISTICS ON OPERATIONS

AGGREGATE VALUE OF SECURITIES HELD IN CDS (in Billion)

OFFICIAL MARKET

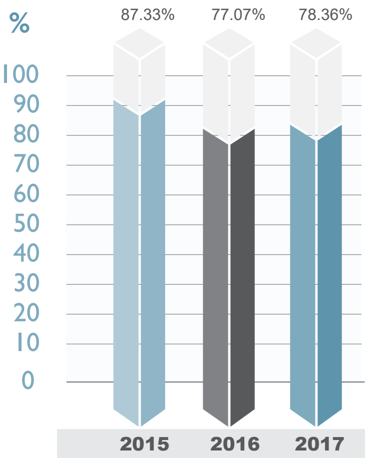


DEVELOPMENT & ENTERPRISE MARKET

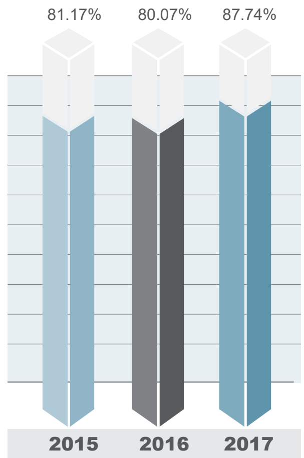


PERCENTAGE OF TOTAL NUMBER OF SECURITIES HELD IN CDS

OFFICIAL MARKET

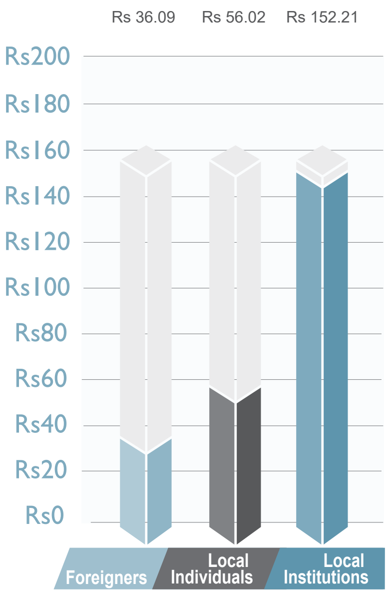


DEVELOPMENT & ENTERPRISE MARKET

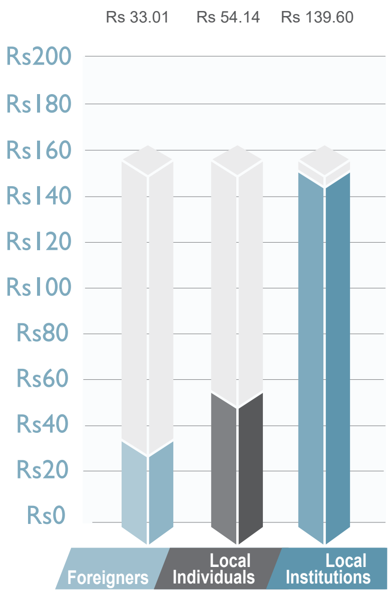


BREAKDOWN OF AGGREGATE VALUE HELD IN CDS (in Billion)

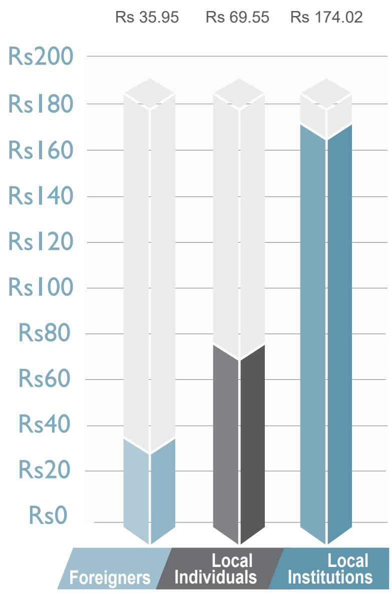
As at 30th June 2015



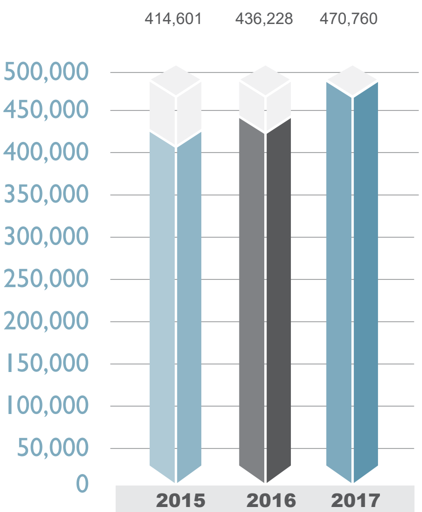
As at 30th June 2016



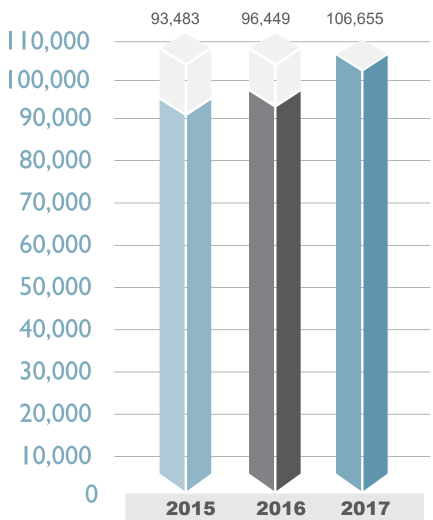
As at 30th June 2017



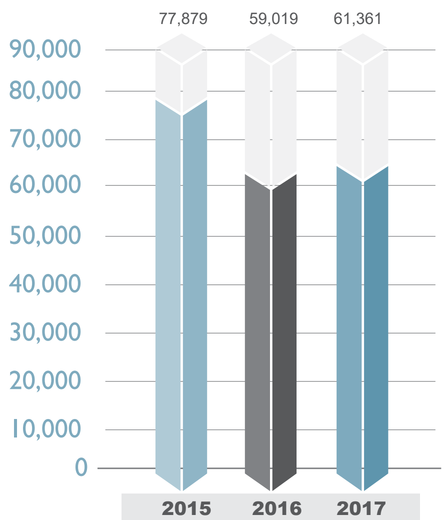
NUMBER OF SECURITIES ACCOUNTS OPENDED IN CDS



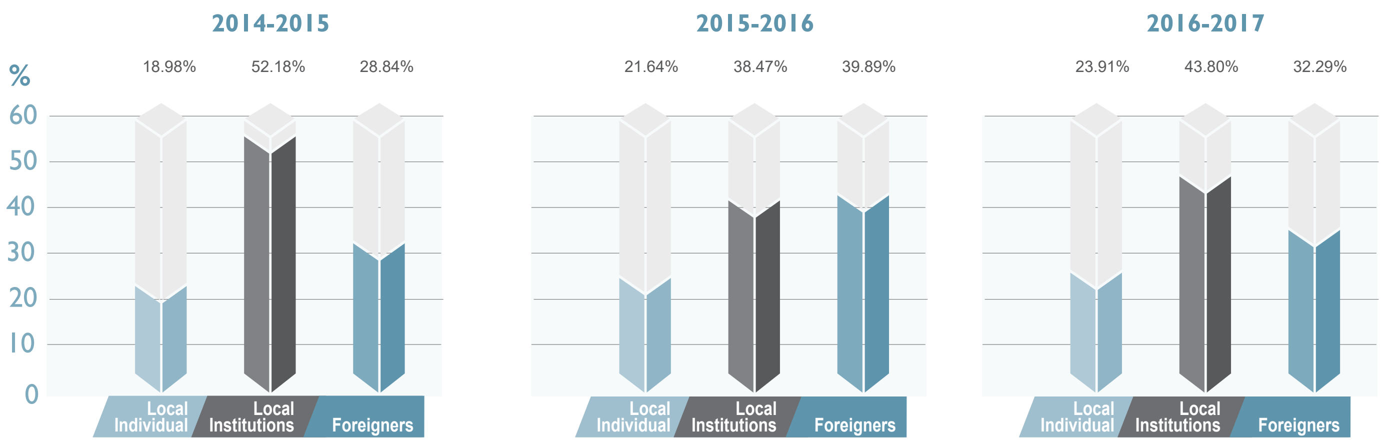
NUMBER OF REGISTERED CLIENTS



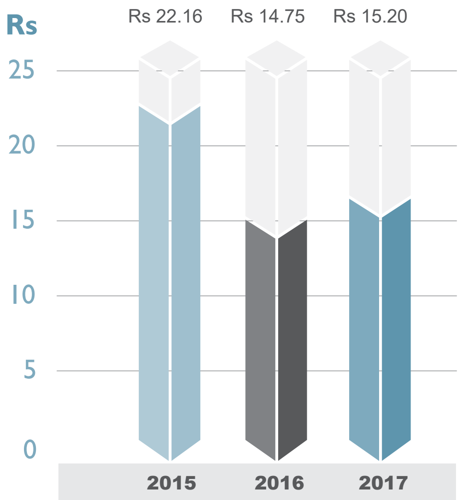
NUMBER OF TRADES CLEARED AND SETTLED



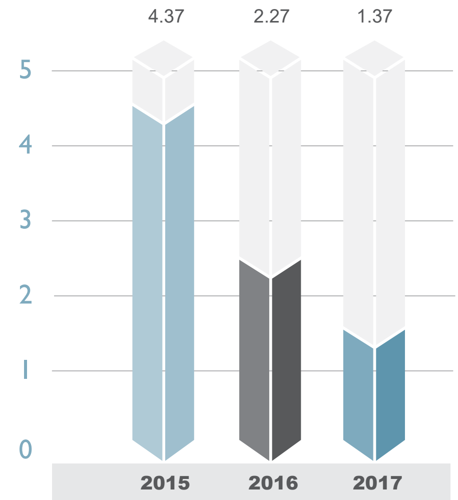
BREAKDOWN OF VALUE OF TRADES CLEARED AND SETTLED



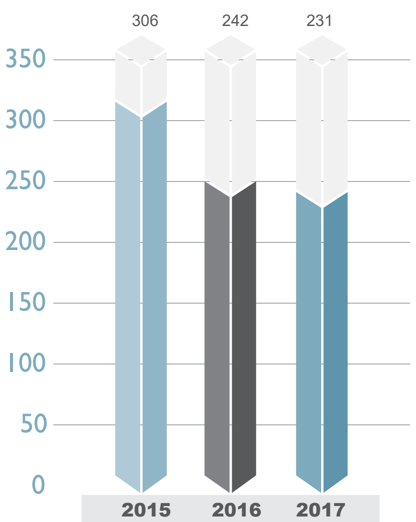
VALUE OF TRADES CLEARED AND SETTLED (in Billion)



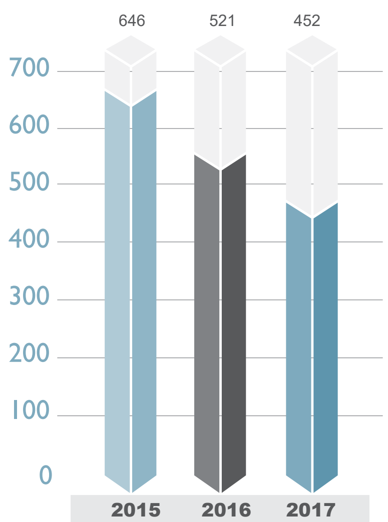
VOLUME OF SECURITIES CLEARED AND SETTLED (in Billion)



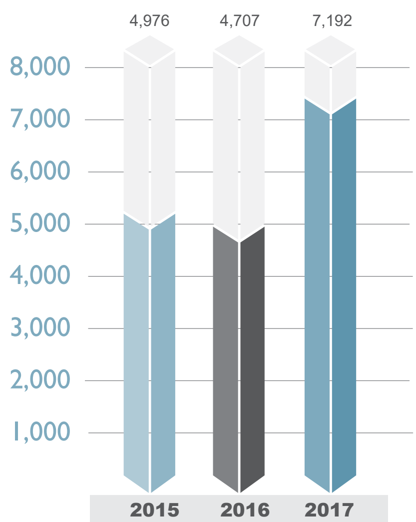
NUMBER OF WITHDRAWALS PROCESSED



NUMBER OF PLEDGES PROCESSED



NUMBER OF DEPOSITS PROCESSED



CORPORATE GOVERNANCE REPORT

1.0 COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR MAURITIUS

This report describes the governance measures that have been implemented by the Central Depository & Settlement Co. Ltd (CDS or the 'Company') during the financial year 2016-2017 and complies with the requirements of Section 20(1)(a) of the Securities Act 2005. The report also sets out the relevant disclosures as per the requirements of Section 8.4 of the Code of Corporate Governance for Mauritius (2003). Matters relating to risk management, internal control and audit are covered in the Risk Management Report.

The CDS complies with the Code of Corporate Governance for Mauritius (2003) except for the following:

Executive Directors

The Company has only one executive director. The Board is of the view that due to the relative small size of the Company, there is no need to appoint a second executive director. Moreover, directors have access to departmental managers.

Internal Audit

The Company has an internal operations audit function but it does not have an internal financial audit function because of its relative small size. Nevertheless on a periodical basis, an accounting firm is retained to review the internal control measures of the Company. Its findings are debated at Board level and corrective actions implemented. The Board is satisfied that the financial control measures that have been implemented by the Company and described in the Risk Management Report are adequate.

2.0 NATURE OF ACTIVITIES

The CDS operates a critical component of the capital market infrastructure of Mauritius. It plays a key role in boosting confidence in the safety and reliability of settlement and safekeeping processes. As such, the Company is committed to operate in accordance with principles of good governance

3.0 BOARD OF DIRECTORS

3.1 Composition of the Board

The Company has a unitary Board composed of 10 directors as follows:

- 5 directors appointed by the Stock Exchange of Mauritius Ltd. ('SEM');
- 1 director appointed by the Minister to whom the responsibility of Financial Services is attributed;
- 1 director appointed by the Bank of Mauritius;
- 2 directors appointed by ordinary resolution at the annual meeting of shareholders (and where the SEM is not entitled to vote on any resolution appointing such 2 directors);
- 1 Managing Director.

With the exception of the Managing Director, all directors have a term of office of one year.

The persons who held office as directors of the Company for the year under review are listed in **Table I** below.

Directors nominated by shareholders who hold more than 5% of the shares of the Company are not classified as Independent Directors.

A directors' and officers' liability insurance policy has been subscribed to by the Company. This policy provides cover for the risks arising out of the acts or omissions of the directors and officers of the Company but excludes claims for any fraudulent act or omission or any wilful violation of any statute or regulation.

An induction pack is given to new directors to familiarise them with the Company's affairs and operations.

The secretary of the Company is Mr Chaitanand Jheengun (F.C.I.S).

3.2 Board Meetings and Remuneration of Directors

Board meetings are convened by formal notice. A detailed agenda together with a comprehensive board pack are circulated to directors at least a week before board meetings.

Table I below shows the attendance of directors at board meetings of the Company and the remuneration received by each director for the year under review.

Name	Capacity	No. of meetings attended	Remuneration received (Rs)
Mr Nitish Benimadhu	Chairperson, Non-Executive (appointed by SEM)	4/4 (as from 20/01/2017)	120,000
Ms Aruna Radhakeesoon	Vice-Chairperson, Non-Executive (appointed at annual meeting)	4/5	181,000
Mrs Reedhee Bhuttoo	Non-Executive (appointed by SEM)	3/5	110,000
Mr Bhogunsingh Chikhuri	Independent (appointed by Minister of Financial Services, Good Governance and Institutional Reforms)	1/1 (up to 27/09/2016)	26,500
Mr André Chung Shui	Non-Executive (appointed by SEM)	5/5	148,500
Mr Steve Leung Sock Ping	Non-Executive (appointed at annual meeting)	5/5	128,000

Name	Capacity	No. of meetings attended	Remuneration received (Rs)
Mr Vipin Y.S Mahabirsingh	Executive	5/5	5,606,000*
Mr P. Gopallen Mooroogen	Non-Executive (appointed by SEM)	0/1 (up to 18/01/2017)	54,500
Mr Kevin Rangasami	Non-Executive (appointed by SEM)	5/5	128,000
Mr Sameer Sharma	Independent (appointed by Bank of Mauritius)	5/5	108,500
Mr Manvendra Singh	Non-Executive (appointed by SEM)	1/3 (from 20/01/2017 to 27/06/2017)	50,500
Mr Vikash Tulsidas	Non-Executive (appointed by SEM)	1/1 (up to 18/01/2017)	167,000

* For the Managing Director, the total remuneration consists of Short Term Benefits of Rs 4,049,000 and Post Employment Benefits of Rs 1,557,000.

3.3 Directors' Remuneration Philosophy

A fixed monthly fee as well as an attendance fee is paid to directors of the Company. An additional fee is paid to directors who are members of Board Committees for each meeting of the respective Board committee that they attend. The Managing Director is not remunerated for attending Board and Committee meetings.

3.4 Board Committees

The Board has constituted the following committees to facilitate efficient decision making and to assist it in the execution of its duties and responsibilities: Audit Committee; Corporate Governance Committee; Remuneration Committee and Investment Committee. The terms of reference of these Committees have been determined and approved by the Board and are posted on the website of the Company. The Corporate Governance Committee also has the responsibilities of a Nomination Committee. A separate Risk Committee has not been set up since the Business Conduct Committee, which was set-up at the inception of CDS, already covers the functions of the Risk Committee. The work done by the Business Conduct Committee is covered in the Risk Management Report.

Audit Committee

The composition of the Audit Committee as at 30th June 2017 was as follows:

Chairperson: Mr André Chung Shui
Members: Mrs Reedhee Bhuttoo
Mr Kevin Rangasami

The main responsibility of the Audit Committee is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

The attendance of members at the meetings of the Audit Committee for the year under review is given in Table 2 below.

Corporate Governance Committee

The composition of the Corporate Governance Committee as at 30th June 2017 was as follows:

Chairperson:	Ms Aruna Radhakeesoon
Members:	Mr Steve Leung Sock Ping
	Mr Kevin Rangasami
Secretary:	Mr Chaitanand Jheengun

The Corporate Governance Committee makes recommendations to the Board on all corporate governance measures to be adopted so that the Board remains effective and complies with corporate governance principles. It also oversees the CSR activities of the Company. The Committee ensures that the reporting requirements with regard to corporate governance, whether in the annual report or on an ongoing basis, are in accordance with the principles of the Code of Corporate Governance.

The attendance of members at the meeting of the Corporate Governance Committee for the year under review is given in **Table 2** below.

Remuneration Committee

The composition of the Remuneration Committee as at 30th June 2017 was as follows:

Chairperson:	Mr Nitish Benimadhu
Members:	Ms Aruna Radhakeesoon
	Mr Steve Leung Sock Ping

The Remuneration Committee determines the annual salary increases and the performance bonus of employees of the Company. The Committee makes recommendations to the Board regarding the remuneration of the Managing Director and Non-Executive Directors.

The attendance of members at the meeting of the Remuneration Committee for the year under review is given in **Table 2** below.

Investment Committee

The composition of the Investment Committee as at 30th June 2017 was as follows:

Chairperson: Mr Nitish Benimadhu
Members: Mr André Chung Shui
Mr Vipin Mahabirsingh

The Investment Committee sets investment guidelines within which funds generated by the Company are invested. Investment decisions are then made by management based on the guidelines. The decisions of management do not need to be approved by the Investment Committee as long as they are within the parameters of the investment guidelines. Any proposed deviation from the Investment Guidelines must be approved by the Committee. The Investment Committee is kept informed of the investment decisions taken via electronic mail.

Table 2: Attendance at Meetings of Board Committees

Name	Audit Committee	Corporate Governance Committee	Remuneration Committee
Mr Nitish Benimadhu			1/1 (as from 26/01/2017)
Ms Aruna Radhakeesoon		1/1	1/1
Mrs Reedhee Bhuttoo	1/2 (as from to 26/01/2017)		
Mr André Chung Shui	3/3		
Mr Steve Leung Sock Ping	*1/1 (up to 26/01/2017)*	0/0 (as from 26/01/2017)	1/1
Mr P. Gopallen Mooroogen		1/1 (up to 18/01/2016)	
Mr Kevin Rangasami	3/3	0/0 (as from to 26/01/2017)	
Mr Vikash Tulsidas		1/1 (up to 18/01/2017)	0/0 (up to 18/01/2017)

3.5 Role of Managing Director

The Managing Director performs the following main duties:

a) Make recommendations to the Board regarding strategic issues;
b) Oversee management activities and human resources;
c) Responsible for overall operations, cost control, risk management and development of the company;
d) Manage legal and regulatory issues;
e) Responsible for the implementation of Board decisions and policies;
f) Interact with government and relevant institutions in the financial sector;
g) Promote the Company on the international scene; and
h) Provide consultancy services to African stock exchanges and depositories.

3.6 Dealing in Shares by the Directors

The directors do not hold shares of the Company. Accordingly, there was no dealing in the shares of the Company by the directors for the year under review.

3.7 Common Directors and their percentage shareholding

The table below gives the names of the common Directors of CDS and its holding Company (SEM), together with the shareholding percentages of the shareholders they represent:

Name of Directors	Shareholders' Names	% Holding in CDS	% Holding in SEM
Mr Nitish Benimadhu	Swan Life Ltd.	-	15.0%
Mrs Reedhee Bhuttoo	SBM Securities Ltd	3.33%	4.83%
Mr André Chung Shui	Newton Securities Ltd	-	5.76%
Mr Kevin Rangasami	MCB Stockbrokers Ltd	-	5.44%

4.0 DIVIDEND

In 2011, the CDS adopted a new dividend policy whereby the percentage of Profit after Tax to be distributed as dividend was increased from 40% to 60%. The main reason for the increase of the payout ratio was that the reserves of the Company have grown to a comfortable level. However, the Board was of the view that it was important for CDS to strike the right balance between rewarding shareholders and ensuring that the Company fulfils its obligations under the law in a sustainable manner. The objective of the Company is to provide an acceptable return to its shareholders whilst at the same time continuing to build up its reserves to ensure business continuity and provide a shock absorber to cover the ultimate risk of default in the event that the resources of the Guarantee Fund are exhausted.

The Board maintained the dividend policy that was adopted in 2011 and declared a dividend equal to Rs 18.951 M (Rs 126.34 per share) for the year ended 30th June 2017.

5.0 SHAREHOLDERS OF CDS

Shareholder	Number of shares	Percentage holding
The Stock Exchange of Mauritius Ltd	76,500	51.00%
The Mauritius Commercial Bank Ltd	25,000	16.67%
Rogers and Company Ltd	20,000	13.33%
Promotion & Development Limited	10,000	6.67%
SBM Securities Ltd	5,000	3.33%
Swan General Ltd	5,000	3.33%
United Docks Ltd	2,500	1.67%
Harel Mallac & Co. Ltd	2,500	1.67%
State Investment Corporation Ltd	2,000	1.33%
Automatic Systems Ltd	1,000	0.67%
Mauritius Computing Services Ltd	500	0.33%
	150,000	100%

Any change in the ownership of shares of the Company is subject to restrictions and limitations set out in the Constitution of the Company.

6.0 RELATED PARTY TRANSACTIONS

CDS has a contract with its holding company (SEM) for the technical management of the Automated Trading System and for other IT services. The fees for the IT outsourcing services provided to the SEM for the year ended 30th June 2017 amount to Rs 1,430,000 plus VAT.

7.0 POLITICAL DONATIONS

No political donation was made by the Company for the year under review.

8.0 HR ISSUES

Labour cost represented about 64% of the Company's total operating expenses for 2016-2017. The Company recognizes the importance of its human capital in sustaining its smooth operations and growth. The Company's remuneration philosophy is to pitch its pay policy at the market average. The Company has a stable workforce with very low turnover.

In March 2017, the Board resolved that the rules of the CDS Pension Fund be amended to increase the Normal Retirement Age (NRA) to 65 with the preservation of accrued rights at the date of the change using a Late Retirement Factor of 8% pa. The CDS Pension Fund was set up on 1 July 1997 to provide pension and other benefits to employees of CDS. Members are entitled to a pension of 1/720 of final pensionable remuneration (excluding the 13th month salary bonus) for each complete month of service, including the NPF pension. These benefits are funded through employer contributions to the Fund. The life insurance business of Mauritian Eagle was acquired by Metropolitan Mauritius in 2013 and the CDS Pension Fund is administered by the latter since then. In 2016, Metropolitan made the necessary changes to the structure and rules of the Fund (creation of a trust etc.) to comply with the requirements of the Private Pension Schemes Act 2012.

With the coming into force of the Employment Rights Act in 2008, the retirement age in Mauritius was increased to 65. However, the NRA under the CDS Pension Fund was still 60. The services of actuarial consultants were hired to assess the implications of increasing the Normal Retirement Age under the CDS Pension Fund from 60 to 65. The report of the consultants highlighted that if the NRA is increased to 65 with the preservation of accrued rights at the date of change, the annual contribution of the company to the Fund will be reduced.

A meeting was held with all the employees of CDS to discuss the matter. The consultants made a presentation to employees where it was highlighted that employees will earn a higher pension if they retire at 65 and the NRA under the Fund is increased to 65 with the preservation of accrued rights. After an interactive discussion between the employees and the consultants, all the employees agreed that the NRA be increased to 65.

The Company has also implemented a number of measures to promote the welfare of its staff. These include car grant scheme, car loan scheme and soft loans to cater for specific needs. Training courses are provided to employees on a regular basis to enhance their skills. Financial assistance is also given to staff taking professional or tertiary courses. Managers and executives are given the opportunity to attend international conferences and training programmes.

The Company complies with the provisions of the Occupational Safety and Health Act 2005 regarding the safety and health of its employees. There was no complaint on this matter for the year under review.

9.0 CORPORATE SOCIAL RESPONSIBILITY

In line with the policy that was adopted during the past few years and as decided by the Corporate Governance Committee, CDS continued to support the Association of Disability Service Providers (ADSP) under its CSR programme for 2016-2017. CDS is currently the main sponsor of ADSP and thanks to our support, ADSP has been able to appoint more health care professionals to offer their services and expertise to the students and staff. ADSP has the following projects for 2017: training courses for teaching staff; food program for students; medical check-up and paramedical services; recruitment of new staff to better serve the children; new admissions; and purchase of furniture and equipment.

ADSP is also planning to purchase a new school van with the assistance of another sponsor.

In its request for assistance submitted to CDS, ADSP stated that its budgeted expenses for 2017 amount to Rs 3,479,624 and that its expected revenue for 2017 from sources other than CDS (Ministry of Education, Ministry of Social Security, NGO Trust Fund, Parents' Contribution and CSR Fund from other companies), would amount to Rs 2,464,500. The CSR Fund of CDS for the financial year 2016-2017 amounted to Rs 842,730 and the Corporate Governance Committee decided that the total amount be donated to ADSP to partially cover its operating expenses.

It should be noted that the amendment brought to Section 50L of the Income Tax Act by the Finance Act 2016 whereby at least 50% of the CSR Fund shall be remitted to the Director-General, is not applicable to CDS for 2016-2017 as its CSR Fund was set up before January 2017.

The management team of CDS participates in the activities of ADSP (e.g Independence Day Celebrations, Parents' Day etc.) on a regular basis.

10.0 PROTECTION OF THE ENVIRONMENT

The Company has implemented the following actions to contribute to the protection of the environment by minimizing the use of paper:

i. Sending statements of accounts by electronic mail rather than by post to account holders who choose this option (around 12,000 statements were sent by e-mail for the month of June 2017);
ii. Sending Board and Committee papers by electronic mail to directors who choose this option;
iii. Making efficient use of paper by printing on both sides; and
iv. Sensitising employees to use consumables efficiently and print mails and documents only when necessary.

11.0 CODE OF CORPORATE BEHAVIOUR

The Company has adopted a Code of Corporate Behaviour that sets out the standards of behaviour that all directors and employees of CDS are expected to uphold in conducting the Company's business. No breach of the Code of Corporate Behaviour was reported for the year under review.

12.0 EQUAL OPPORTUNITIES POLICY

In line with section 9 of the Equal Opportunities Act 2008 and the Guidelines issued by the Equal Opportunities Commission pursuant to Section 27(3)(f) of the Act, CDS has adopted an Equal Opportunities Policy with a view to minimizing the risks of discrimination and to promoting recruitment, training, selection and employment on the basis of merit. There was no complaint on these matters for the year under review.

Chaitanand Jheengun (FCIS)
Company Secretary

RISK MANAGEMENT REPORT

RISK MANAGEMENT FRAMEWORK

The ability to identify, monitor, measure and manage risks on an ongoing basis is crucial for a central depository, clearing and settlement organisation. Over the years, the Central Depository & Settlement Co. Ltd (CDS) has developed a comprehensive risk management framework to manage the different types of risks that arise in or are borne by a central depository, clearing and settlement organisation, namely: legal risk; credit (counterparty) risk; liquidity risk; systemic risk; general business risk; investment risk; and operational risk. This report describes the risk management policies, procedures and systems that are in place at the CDS and their application during 2016-2017 and complies with the requirements of Section 20(4) of the Securities Act 2005.

The main pillars of the risk management framework implemented by the CDS are as follows:

- Clear, transparent and enforceable rules and procedures that are consistent with the Securities (Central Depository, Clearing and Settlement) Act 1996, the Securities Act 2005 and the Financial Services Act 2007
- The Business Conduct Committee
- Capital Adequacy Requirements for Participants
- Settlement on a strict delivery versus payment basis
- Prevention of Settlement Failures and Guarantee Fund Mechanism
- Securities Lending and Borrowing
- System of Internal Controls
- External Audit of the System of Internal Controls
- Internal Audit of Operations and Systems Departments
- Disaster Recovery Plan
- IT Security Audit
- Financial Controls
- Investment Committee
- Strong and liquid balance sheet

ELIGIBLE SECURITIES DEPOSITORY UNDER US INVESTMENT COMPANY ACT

The CDS qualifies as an Eligible Securities Depository under the US Investment Company Act Rule 17f-7. This rule requires US registered investment companies to hold their securities only in Eligible Securities Depositories to reduce risks associated with offshore investments. Rule 17f-7 of the US Investment Company Act sets forth the following six criteria for the determination that a depository is "eligible" to hold assets of a U.S. or Canadian domiciled investment company:

1. Acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated, or a transnational system for the central handling of securities or equivalent book-entries;

2. Is regulated by a foreign financial regulatory authority;

3. Holds assets for the custodian that participates in the system on behalf of the fund under safekeeping conditions no less favourable than the conditions that apply to other participants;

4. Maintains records that identify the assets of each participant, and segregate the system's own assets from the assets of participants;

5. Provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account; and

6. An eligible securities depository must undergo periodic examination by regulatory authorities or independent accountants.

The CDS meets the above six criteria.

THE BUSINESS CONDUCT COMMITTEE

Since its inception in 1997 and in accordance with section 1.4 of the CDS Rules, the CDS has set up a Business Conduct Committee (BCC) with the following mandate:

1. Recommend the adoption of a risk management policy to the Board of Directors
2. Monitor the operations relating to risk management issues
    - 2.1 Ensure enforcement of the risk management policy being adopted.
    - 2.2 Ensure compliance with the requirements of Rule 3.8.7 with regard to the review of internal control
3. Monitor the operations relating to the Guarantee Fund
4. Hear complaints from aggrieved Participants who claim to be adversely affected by any decision of CDS with respect to CDS operations in accordance with Rule 2.4
5. Make recommendations to the Board of Directors of CDS with respect to Participation

Applications in accordance with Rule 2.2.4 and to Termination in accordance with Rule 2.3.3.

As per section 1.4.2 of the CDS Rules, the Business Conduct Committee is composed of a majority of members who are not members of the Board of CDS, nor Participants or related to Participants, and not employed by a Participant. The quorum for meetings of the Business Conduct Committee is three with at least two independent members. The composition of the Business Conduct Committee for the financial year 2016 – 2017 was as follows:

Chairperson: Mr Pierre Dinan

Members: Ms Feerdaus Bundhun
Mr Tega Appavou
Mr Ashish Jagarnath
Mr Vikash Tulsidas

The Finance & Administration Manager of CDS is the Secretary of the Business Conduct Committee which meets on a monthly basis to review and discuss the following issues:

- Financial Resource Requirements returns submitted by Participants
- Statement of assets and liabilities of the Guarantee Fund
- Settlement Limits of Participants
- Internal audit report
- Audited and unaudited accounts of Participants
- Statistics on operations

The attendance of members at the meetings of the BCC held during the year under review was as follows:

Name	No. of meetings attended
Mr Pierre Dinan	11/11
Ms Feerdaus Bundhun	10/11
Mr Tega Appavou	11/11
Mr Ashish Jagarnath	10/11
Mr Vikash Tulsidas	11/11

CAPITAL ADEQUACY REQUIREMENTS FOR PARTICIPANTS

The CDS has set up capital adequacy requirements for its Participants as a first line of defence against risk. An assessment of the stability and financial health of Participants in the clearing and settlement services provides an important indication of potential trouble. The CDS has implemented a set of rules on conditions for participation called Financial Resource Requirements. These rules require each investment dealer to have sufficient adjusted liquid capital to cover its fixed expenditure base requirements and risk (position, counter party and foreign exchange) requirements. Investment dealers are required to submit monthly returns so that CDS can monitor compliance with the Financial Resource Requirements (FRR). These returns are analysed by the BCC at its monthly meetings. Copies of the FRR returns are also filed with the Financial Services Commission.

All the FRR returns submitted by investment dealers during the year 2016 – 2017 showed Capital Surpluses.

DELIVERY VERSUS PAYMENT

The CDS has eliminated principal risk with respect to transactions effected on the Stock Exchange of Mauritius, by performing the settlement of transactions on a strict delivery versus payment basis. There is no risk that a CDS Participant delivers securities but does not receive payment or vice-versa. Trades executed on the Automated Trading System (SEMATS) are automatically fed into the CDS system and the relevant securities accounts are updated on a real-time basis. On trade day, the seller's securities account shows a Sale-in-Suspense and the traded securities are blocked in this account. The buyer's securities account shows a Purchase-in-Suspense but the securities are not transferred to this account. On settlement date, funds transfer between the seller's and buyer's Participants takes place at a cut-off time on a net basis through the Participants' settlement banks and the Bank of Mauritius. When funds settlement is completed by final and irrevocable transfer in the books of the Bank of Mauritius, the latter sends a confirmation message to CDS which then immediately transfers the securities by debiting the seller's securities account and crediting the buyer's securities account. The securities are delivered to the buyer if and only if the CDS receives confirmation of settlement of the cash leg from the central bank. Conversely, if the buyer makes payment, the delivery of the securities is guaranteed since the securities have already been blocked in the securities account of the seller.

GUARANTEE FUND

In accordance with Section 3(8)(a) of the Securities (Central Depository, Clearing and Settlement) Act 1996, the CDS has set up a Guarantee Fund for the purpose of providing an indemnity against any default in respect of payments for or delivery of securities and of obligations of Participants towards CDS. The Guarantee Fund is used to guarantee the settlement of transactions in the event of a default by a Participant. In such a situation, the Guarantee Fund steps into the net settlement mechanism and makes good the obligation of the defaulting Participant. The Guarantee Fund will seize the unpaid securities and sell these back on the market in order to replenish itself. The Guarantee Fund acts as a shock absorber in the event of a settlement failure and thus prevents the market from collapsing through systemic effect. The Guarantee Fund contributes to maintain confidence in the stock market.

It is important to note that to date there has never been any failed trade in the CDS.

The Fund is constituted of cash contributions by investment dealers and CDS, as well as Letters of Credit/Deposits provided by investment dealers. The CDS contributed an amount of Rs 210,125 to the Fund in 2016–2017 (Rs 217,916 in 2015-2016). The assets of the Fund are segregated from those of the CDS (separate bank accounts) and are available only for the purpose of the Fund as required by law. The Fund is independently managed by the Business Conduct Committee. The assets of the Fund are only invested in low-risk liquid instruments. The size of the Fund as at 30th June 2017 was as follows:
Cash contributions: Rs 34,020,472 (Rs 32,772,573 as at 30th June 2016).
Letters of Credit/Deposits submitted by investment dealers: Rs 28,119,000 (Rs 32,790,000 as at 30th June 2016)

The Fund can also have recourse to a standby line of credit of Rs 50 M from its banker.

RISK CONTROLS TO ADDRESS FUNDS SETTLEMENT FAILURES

Each investment dealer has a settlement limit that is based on the amount of collateral (cash and letters of credit) submitted to CDS. The minimum amount of the collateral required for an investment dealer is based on the moving average of its cumulative liability over the past 12 months. CDS monitors the settlement obligation of each investment dealer on a daily basis. If at the close of trading, the net cumulative liability (total amount of unsettled obligations over a period of three days) of an investment dealer exceeds its settlement limit, the investment dealer is required to submit additional collateral before being allowed to buy more securities during the next trading session.

During the year 2016–2017, there were 22 cases where the settlement limits of investment dealers were exceeded (15 cases in 2015-2016). In each case, the relevant investment dealer submitted the required collateral on the next business day after the limit was exceeded.

If an investment dealer fails to meet its settlement obligations, the CDS will have recourse to its Letter of Credit and to the Guarantee Fund to meet the investment dealer's obligations and complete the settlement of transactions. The Stock Exchange of Mauritius (SEM) and the Financial Services Commission will be immediately notified of the funds settlement failure.

There was no funds settlement failure during the year under review.

RISK CONTROLS TO ADDRESS SECURITIES DELIVERY FAILURES

When an investment dealer places a sell order for a client on the automated trading system (ATS), the system verifies that the client has previously deposited or purchased the securities that it wishes to sell, before accepting the sell order in the order book. However, the ATS allows an investment dealer to place a bulk order without indicating the clients' accounts. After the execution of the bulk order, the investment dealer will then allocate the trades to its clients. The CDS system automatically checks the securities balance each time a trade is allocated to a client's account. In case of insufficient balance in the client's account, the system will not allow the investment dealer to allocate the sale to that client. In such a situation, the trade is automatically posted to the account of the investment dealer that must now deliver the securities. If the investment dealer does not hold the securities, its proprietary account will show a negative balance.

When an investment dealer buys or sells securities for the client of a custodian bank, the transaction is subject to the confirmation of the latter. A situation that may lead to a negative balance in an investment dealer's account is when a custodian bank does not accept a sale that has been allocated to its client's account by the investment dealer. In such a case, the sale is allocated to the proprietary account of the investment dealer and this account will show a negative balance if the investment dealer does not hold the securities that must be delivered.

CDS monitors whether there are any negative balances in the proprietary accounts of investment dealers on a daily basis. Any negative balance in the securities account of an investment dealer must be rectified before 9:00 a.m on T+3 by re-allocating the trade to another client or by borrowing the securities through the securities loan service of CDS.

If the investment dealer still does not have securities in the account at 9:00 a.m on T+3, the trade is temporarily suspended and a buy-in procedure is initiated. The SEM and FSC are immediately notified. The investment dealer is required to make a cash deposit of 50% to CDS and pay a daily fine of 0.20% of the value of the securities (marked to market daily) until the buy-in is completed or the situation is corrected. CDS may abort the buy-in procedure in the following circumstances:

1. The Custodian Bank confirms the trade after T+3, 9:00 a.m and such confirmation is submitted to CDS before T+5, 9:00 a.m.
2. The defaulting investment dealer reports to CDS a loan transaction to settle the trade and the duly completed CDS Loan Forms reach CDS by T+5, 9:00 a.m.

When buy-in is aborted, the original failed trade together with all turnaround trades (see next section) linked to it will be reinstated and will be settled on the next Business Day. In such a situation, CDS will return the cash deposit to the defaulting investment dealer.

When buy-in is completed, notwithstanding whether it is successful or not, the CDS will use the cash deposit to compensate all the buyers involved in each turnaround trade linked to the failed trade, except the buyers involved in the last transaction in each chain of turnaround trades, by paying them an amount equal to 50% of the difference between the price at which they bought the securities and the price at which they subsequently sold the securities.

If after 5 trading sessions the buy-in is unsuccessful, CDS will use the cash deposit to also compensate the buyers in the last transaction in each chain of turnaround trades linked to the failed trade, by paying them an amount equal to 15% of the value of the securities that remain undelivered after the buy-in and CDS will request the SEM to cancel the failed trade together will all turnaround trades linked to it

There was no securities delivery failure during the year under review.

TURNAROUND TRADING

Following the coming into force of the Securities (Brokerage Fees for Turnaround Trades) Rules 2013, a schedule of reduced transaction fees for turnaround trades was implemented on 12th December 2013. Turnaround trading involves the selling of securities that have been purchased earlier during a trading session or during previous trading sessions before the settlement date of the initial purchase (i.e. between T and T+2 inclusive, where T is the date of the first trade), to take advantage of an upward movement in prices. Similarly an investor may purchase securities that have been sold earlier during a trading session or during previous trading sessions before the settlement date of the initial sale, to take advantage of a downward movement in price, provided that the investor had the securities in its account prior to the initial sale. 1,447 turnaround trades for a total amount of Rs 143 M were cleared and settled in 2016-2017 compared to 1,364 trades for a total amount of Rs 194.3 M in 2015-2016.

SECURITIES LENDING

The securities loan service implemented by CDS allows an investment dealer that faces a potential securities delivery failure consequential to the refusal of a sale by a custodian bank, to borrow the securities from a lender (which can be another Participant or its client) and deliver the securities to the buyer/s. The failure of the trade together with any turnaround trades linked to it would thus be avoided with the execution of the loan transaction.

Even with the implementation of the securities loan service, a securities delivery failure may occur if the investment dealer that faces the failure cannot find a willing lender for the securities. In such situations, the CDS Procedures regarding buy-in and compensation described above are applied.

It should again be noted that there was no securities delivery failure during the year under review.

INTERNAL CONTROL AND INTERNAL AUDIT

The CDS has implemented a system of internal controls pertaining to:

1. The recording of transactions in securities accounts;
2. The processing of transactions, including clearing and settlement, in accordance with CDS Rules and Procedures; and
3. The integrity and reliability of its data processing facilities.

The system of internal controls is implemented in the Rules and Procedures that govern the day-to-day activities of the CDS and is also integrated in the design of the computer system of CDS. Additional measures have been implemented to ensure the integrity of data and the effectiveness of the internal control system. These measures include the following:

a) Before any entry is made in the system, strict verifications are carried out against source documents and instructions.

b) The list of the authorised personnel of registries and CDS participants together with their specimen signatures and the respective powers conferred to them by their company, are kept up-to-date and are referred to when processing transactions relating to the registries and participants.

c) After posting into the system, verifications are carried out to ensure that balances are correctly updated by new validations or transactions posted. The balances of securities recorded in the system of CDS are reconciled with the figures (balances of securities held in the name of CDS) provided by registries, after the processing of each deposit and withdrawal.

d) All operations like deposits, withdrawals, transfers, pledges and trade amendments involve at least two CDS staff for control purposes. One person executes the function while the other verifies whether the function has been correctly executed.

e) A full concurrent audit is carried out to ensure that all transactions are backed up by relevant instructions and source documents.

f) A series of automated tests are performed by the Systems Department to verify the integrity of the database on a daily basis.

EXTERNAL AUDIT OF THE SYSTEM OF INTERNAL CONTROLS

The suitability and effectiveness of the system of internal controls are verified by external independent auditors on an annual basis. The external auditors also conduct a full operational audit at the same time. For the year ended 30th June 2017, the auditors, on the basis of the audit tests carried out, concluded that the system of internal controls of the CDS operated effectively and responded properly to the current environment. No exceptions were found by the auditors. The certificate of the auditors is included in the Annual Report.

INTERNAL AUDIT OF OPERATIONS AND SYSTEMS DEPARTMENTS

The Secretary of the Business Conduct Committee performs monthly internal audits of the functions performed by the Operations and Systems Departments of the CDS. The objective of these internal audits is to verify whether adequate control procedures are in place and also whether the CDS Rules and Procedures are complied with when performing the different functions. The results of these internal audits are reviewed by the Business Conduct Committee. No material exceptions were found by the internal auditor during the year under review.

IT SECURITY POLICY

The CDS ensures that its IT systems are secure (that is, has access controls; is equipped with adequate safeguards to prevent external intrusion; and provides audit trails), reliable and have sufficient capacity to handle expected volume growth. The CDS has implemented an IT Security Policy that defines the responsibilities relating to the management of the IT systems of the CDS and the procedures to be followed by employees of the company as well as by remote users (investment dealers, custodian banks, Financial Services Commission, Bank of Mauritius and registries) when using the IT systems of the company. The IT Security Policy is regularly updated to keep pace with latest developments regarding information security.

The CDS system has industry-standard security features like:

- User and Role Based Access Control (users have accessed to the different functions available in the system based on their respective roles)
- Password controls
- Auditing features at application, operating system and database levels

At the application level, the system maintains the history of all transactions carried out. Every event that changes a balance in a securities account is recorded as a ledger entry. These ledger entries are visible in the client balance inquiry screen giving a complete transaction history. In addition any changes made to investor, security and participant details are logged and are viewable in the form of an audit trail.

The system maintains log files that contain an audit trail of all activities and functions performed on the system as well as transactions processed. These log files are verified on a daily basis.

The Stock Exchange of Mauritius Ltd (SEM) has outsourced its IT function to CDS since January 2001. This includes the technical management of the Automated Trading System (ATS). SEM and CDS have renewed the IT Outsourcing Agreement where the service provided by CDS is clearly defined. The objective of the outsourcing is to achieve costs savings and synergies for both companies.

Investment Dealers, Custodian Banks, the Financial Services Commission and the Bank of Mauritius use the same network and telecommunications lines to access the ATS and CDS systems. Both systems use the same database servers. However, the engine of the Automated Trading System (ATS) runs on three separate servers on the same network.

Software enhancements, modifications and additions are thoroughly tested before implementation in the live environment. A formal Change Management Procedure is in place at CDS.

No breach of the IT Security Policy was observed during the year under review and the Change Management Procedure was followed for all changes that were made to the systems during 2016-2017.

IT SECURITY AUDIT

Independent external auditors with specific expertise in IT security perform a security audit of the IT systems of the CDS and SEM, once every two years. The scope of the security audit is as follows:

- Performing a review of the security policy of SEM and CDS;
- Reviewing the existing network architecture to confirm that it is capable of supporting required security controls;
- Performing a security audit of the network components like routers, firewall, switches etc;
- Performing security audit of the Solaris servers and databases;
- Conducting internal vulnerability assessment;
- Verifying the VPN and wireless connections;
- Performing non-intrusive external penetration testing;
- Reviewing of Disaster Recovery Planning and
- Verifying workstations on the network of SEM and CDS.

The last IT security audit was conducted in April-May 2017 by PricewaterhouseCoopers Ltd (PwC). In their report, the auditors stated that they found that the IT infrastructure of SEM and CDS have been well designed to protect against both internal and external threats. They performed external attacks such as password cracking, denial of service, buffer overflow, user enumeration among others on the web facing application, but were not able to penetrate inside the network or retrieve any information. Their vulnerability assessment and penetration testing did not reveal weaknesses which may lead to the direct compromise of the SEM/CDS IT infrastructure. As part of their review, they also validated that our servers, databases and network equipment are appropriately configured in line with good practices and proven methods. The report also concluded that the IT security policy and IT contingency plan are well designed and structured to mitigate known security risks, and that the disaster recovery procedures are tested regularly to ensure a timely resumption of services following a major incident or disaster. The auditors also identified a few improvement opportunities which can be incorporated in the current IT environment. The recommendations made by the auditors will be implemented by September 2017.

DISASTER RECOVERY PLAN

The CDS has in place a Disaster Recovery Plan (DRP) to cater for various scenarios. The DRP covers both preventive and corrective measures that will enable CDS to deal with various types of disasters that can disrupt normal systems operation. The physical environment includes UPS, backup generator, automatic fire extinguishing system and access control to the computer room. A back up server maintains a mirror image of the database on the main server. In the event of a problem with the main server, the back up server takes over within 10 minutes, without physical intervention at Participants' sites. In the event of a major disaster that causes the CDS site to be unavailable, systems and business operations will be restored at a DR site within 2 hours. Prevention of loss of data is achieved through the implementation of redundant and cyclical backup tapes that are stored both on-site and off-site. Backup to tapes is performed four times a day.

During 2016–2017, three simulations of the DRP were successfully performed on the following respective dates: 28th September 2016; 13th December 2016; and 27th April 2017. The simulation performed on 28th September 2016 involved the participation of investment dealers, custodian banks as well as SEM and CDS personnel. During the last simulation, it took 1 hour and 40 minutes to restore the ATS and CDS systems at the DR site.

There was no systems downtime during 2016 – 2017.

FINANCIAL CONTROLS

The system of internal controls of the Finance and Administration department is made up of a series of regular reports to the Board as well as authorization controls. They are as follows:

- The management presents a detailed capital and expenditure budget as well as revenue estimates for review and approval by the Audit Committee and the Board of Directors prior to the start of the financial year;
- The management presents monthly management accounts with detailed explanations on variances to budgeted figures to the Board;
- Authorised signatories for payments and bank transactions consist of two mandatory signatures (one from each of the following two groups: Managing Director/Finance Manager; and Directors).

The Board controls financial matters by receiving and reviewing detailed management accounts at regular and short intervals (monthly). Payments, banking and other financial transactions for amounts higher than Rs 50,000 cannot be made without the authorization of one non-executive director.

INVESTMENT COMMITTEE

Investments decisions are made within guidelines determined by the Investment Committee. The Company's funds are invested in low-risk fixed income instruments (fixed deposits at banks and other deposit taking institutions; and government securities). The main risks to which such investments are exposed are credit risk (the possibility that the deposit taking institution will default by failing to pay principal and interest in a timely manner) and interest rate risk. The investment guidelines seek to minimize credit risk by limiting the percentage of total funds that can be invested at a specific institution. The investment guidelines provide for investment in other instruments subject to the approval of the Investment Committee.

REVIEW OF FINANCIAL CONTROLS

Given the financial control measures that have been implemented and considering the small size of the Company, the Board decided in the past that it is not necessary to implement an internal financial audit function at the CDS. At the request of the Audit Committee, as from 2013 the external auditors carry out a review of the financial controls of the company and submit a report on their findings. In their annual report this year, the auditors have stated that the financial control processes of the Company that were reviewed, are adequate and that they have not observed any significant issues.

DIRECTORS' REPORT

FINANCIAL STATEMENTS, INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

The directors are also 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 Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and errors, as well as an effective risk management system.

AUDITORS' REMUNERATION

The fees (exclusive of VAT) payable to PKF (Mauritius) for the year ended 30th June 2017 are as follows:

Financial audit		120,000
Operations audit		46,000
Audit of Risk Management Report		27,000
Annual Income Tax		17,000
Financial control review		37,000
Total	**Rs**	**247,000**

The auditors, PKF (Mauritius), have expressed their willingness to continue in office. In accordance with Section 195 of the Companies Act 2001, a resolution for their re-appointment as auditors of the Company will be proposed at the annual meeting.

APPROVAL OF AUDITED FINANCIAL STATEMENTS

The audited financial statements of CDS which are set out from pages 38 to 60 of the Annual Report were approved by the board of directors on 24th August 2017.

Nitish Benimadhu
Chairperson

Vipin Y. S. Mahabirsingh
Managing Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements set out on pages 38 to 60 which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of, in all material respects, the financial position of the Company as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the statutory disclosures, Certificate from the Secretary and Corporate Governance report. Other information does not include the financial statements and our auditor's report thereon.

Report on the Audit of the Financial Statements (cont'd)

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this Auditor's Report, 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.

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

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

As part of an audit in accordance with ISAs, we exercise professional judgment 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 Company's internal control.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or any interests in, the Company other than in our capacity as auditors and tax advisors;
- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Securities Act 2005

In accordance with Section 20(4) of the Securities Act 2005, we have reviewed the Risk Management Report of the Company and in our opinion, it gives a true and fair view of the risk management procedures and their application for the year ended 30th June 2017.

PKF (MBS)

PKF (MAURITIUS)
PUBLIC ACCOUNTANTS

Christine Sek Sum

CHRISTINE SEK SUM, CPA
(Licensed by FRC)

Port Louis
MAURITIUS

Date: 24/08/2017

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	Notes	2017 Rs'000	2016 Rs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	(5)	18,572	20,012
Investments	(6)	146,400	154,400
Intangible assets	(7)	60	96
Trade & other receivables	(8)	23,867	17,606
Deferred tax asset	(11)	102	-
		189,001	192,114
CURRENT ASSETS			
Inventories		282	309
Trade and other receivables	(8)	9,289	8,935
Deposits and cash balances		55,878	39,597
		65,449	48,841
TOTAL ASSETS		**254,450**	**240,955**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Stated capital	(9)	15,000	15,000
Retained earnings		204,489	190,515
Total equity		219,489	205,515
NON-CURRENT LIABILITIES			
Retirement benefit obligations	(10)	6,280	4,226
Deferred taxation	(11)	-	816
		6,280	5,042
CURRENT LIABILITIES			
Trade and other payables	(12)	8,313	8,485
Taxation	(11)	1,417	913
Dividend payable	(15)	18,951	21,000
		28,681	30,398
TOTAL LIABILITIES		34,961	35,440
TOTAL EQUITY AND LIABILITIES		254,450	240,955

These financial statements were approved by the Board of Directors & authorised for issue on 24th August 2017 and signed on its behalf by:

NITISH BENIMADHU
Chairperson

VIPIN Y. S. MAHABIRSINGH
Managing Director

The notes on pages 42 to 60 form an integral part of these financial statements. Auditors' Report on pages 34 to 37

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

	Notes	2017 Rs'000	2016 Rs'000
Revenue	(3(b))	54,690	53,426
Other income	(13(a))	14,032	15,181
		68,722	68,607
Administrative expenses		(27,216)	(25,614)
Operating profit		41,506	42,993
Contribution to guarantee fund		(210)	(218)
Finance costs	(14)	(40)	(35)
PROFIT BEFORE TAXATION		41,256	42,740
Taxation	(11)	(6,505)	(6,435)
Corporate social responsibility		(843)	(1,214)
PROFIT FOR THE YEAR		33,908	35,091
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension plan	(10)	(2,248)	(487)
Deferred tax on Actuarial loss	(11)	1,265	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		32,925	34,604
Dividend	(15)	(18,951)	(21,000)
RETAINED COMPREHENSIVE INCOME FOR THE YEAR		13,974	13,604
EARNINGS PER SHARE	(16)	219.50	230.69

The notes on pages 42 to 60 form an integral part of these financial statements. Auditors' Report on pages 34 to 37

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

	STATED CAPITAL	RETAINED EARNINGS	TOTAL
	Rs'000	Rs'000	Rs'000
BALANCE AT 1st JULY 2015	15,000	176,911	191,911
Total comprehensive income for the year	-	34,604	34,604
Dividends	-	(21,000)	(21,000)
BALANCE AT 30th JUNE 2016	15,000	190,515	205,515
BALANCE AT 1st JULY 2016	15,000	190,515	205,515
Total comprehensive income for the year	-	32,925	32,925
Dividends	-	(18,951)	(18,951)
BALANCE AT 30th JUNE 2017	15,000	204,489	219,489

The notes on pages 42 to 60 form an integral part of these financial statements. Auditors' Report on pages 34 to 37

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 Rs'000	2016 Rs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		41,256	42,740
Adjustments for:			
Corporate social responsibility		(843)	(1,214)
Actuarial gain/(loss) on defined benefit pension plan		(2,248)	(487)
Depreciation	(5)	1,859	1,881
Amortisation	(7)	36	81
Interest income		(10,172)	(10,649)
Retirement benefit obligations		2,054	92
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		31,942	32,444
Decrease/(Increase) in inventories		27	(31)
(Increase)/decrease in trade and other receivables		(1,146)	(101)
(Decrease)/Increase in trade and other payables		(172)	1,544
CASH GENERATED FROM OPERATING ACTIVITIES		30,651	33,856
Tax Paid		(5,654)	(7,643)
NET CASH GENERATED FROM OPERATING ACTIVITIES		24,997	26,213
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in non-current deposit		(28,000)	(27,400)
Purchase of property, plant and equipment	(5)	(419)	(966)
Purchase of intangible asset	(7)	-	(6)
Proceeds from fixed deposit		36,000	19,106
Interest received		4,703	7,101
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES		12,284	(2,165)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(21,000)	(31,422)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		16,281	(7,374)
Cash and Cash Equivalents @ beginning of year		39,597	46,971
Cash and Cash Equivalents @ end of year		55,878	39,597
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Deposits and cash balances		55,878	39,597

The notes on pages 42 to 60 form an integral part of these financial statements. Auditors' Report on pages 34 to 37

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. GENERAL INFORMATION

Central Depository & Settlement Co. Ltd is a private company incorporated in Mauritius. Its registered office is situated at 4th floor, One Cathedral Square building, 16 Jules Koenig Street, Port Louis.

The main activities of the company are to provide depository, clearing and settlement services in order to facilitate dealings in securities.

2. ADOPTION OF NEW AND REVISED STANDARDS

(i) New standards and amendments

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 01 July 2016.

Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the financial statements of the Company. The nature and the impact of each new standard or amendment relevant to the Company are described below:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1 - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated - where this is relevant to an understanding of the entity's financial position or performance.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

These amendments affect presentation only and do not have any impact on the financial position or performance of the Company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

(i) New standards and amendments (Cont'd)

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Company as the Company does not apply the consolidation exception.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.
These amendments do not have any impact on the Company's financial statements.

Other standards, amendments and interpretations which are effective for the financial period beginning on 01 July 2016 are not relevant to the Company.

(ii) New standards, amendments and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 – Financial Instruments (effective for accounting periods beginning on or after 01 January 2018)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The Company plans to adopt the new standard on the required effective date. Early adoption is permitted.

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective for accounting periods beginning on or after 01 January 2017)

The amendments to IAS 7, 'Statement of Cash Flows', are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and noncash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted. The amendments are intended to provide information to help investors better understand changes in a company's debt.

The directors anticipate that these IFRSs will be applied on their effective dates in the future periods. The directors have not yet assessed the potential impact of the adoption of these amendments.

3. ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with change in presentation and disclosure in the current year. The financial statements are prepared under the historical cost convention except that held-to-maturity investments and trade and other receivables are carried at amortised cost, less any impairment loss.

(b) Revenue Recognition

Revenues are recognised upon performance of services, net of Value Added Tax.

Other income earned by the company is recognised on the following basis:
(i) Interest Income - using the effective interest method.
(ii) Project and Consultancy fees - as it accrues.
(iii) Fees on issue of ISIN Numbers - as it accrues.
(iv) IT Facilities Management fees - as it accrues.

(c) Property, Plant and Equipment

Property, Plant and Equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of assets by equal instalments to their residual values over their estimated useful lives as follows:

Office furniture & Equipment	5 years
Motor Vehicles	5 years
Computer Equipment	5 to 11 years
Office Premises	50 years

The assets' estimated residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

Gains and losses on disposal of Property, Plant and Equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

(d) Intangible Assets

Computer software

Intangible assets (Application Software) are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised at the rate of 7.41% per annum for a period of 13 years.

Development Costs

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Company and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs.

The Computer software development costs recognised as assets are amortised over their estimated useful lives (5 years).

(e) Investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. They are measured at amortised cost, less any impairment loss. The interest accrued is recorded as interest income in the statement of profit or loss and other comprehensive income.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Inventories represent stationery and CDS Forms, and are stated at cost. Cost is determined on the first-in first-out (FIFO) method.

(g) Deferred Tax

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

(h) Employee Benefits

(a) Defined benefit pension plan

The company contributes to a pension scheme which is a 'Defined Benefit' plan.

The present value of funded obligations is recognised in the statement of financial position as a non-current liability after adjusting for the fair value of plan assets, any recognised actuarial gains and losses and any unrecognised past service cost. The valuation of these obligations is carried out annually by a firm of consulting actuaries.

A portion of the actuarial gains and losses will be recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous accounting period exceeded the greater of:

- 10% of the present value of the defined benefit obligation at that date; and
- 10% of the fair value of plan assets at that date.

The current service cost and any recognised past service cost are included as an expense together with the associated interest cost, net of expected return on plan assets.

(b) State pension plan

Contributions to the National Pension Scheme are expensed to the statement of profit or loss and other comprehensive income in the period in which they fall due.

3. ACCOUNTING POLICIES (CONT'D)

(i) Provisions

Provisions are recognised when the company has a present or constructive obligation as a result of past events and it is probable that it will result in an outflow of economic benefits that can be reasonably estimated to settle the obligation.

(j) Financial Instruments

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company has become a party to the contractual provisions of the instrument.

The company's accounting policies in respect of the main financial instruments are set out below:

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. The amount of loss is recognised in the statement of profit or loss and other comprehensive income.

(ii) Cash and cash equivalents

Cash includes balances with banks. Cash equivalents are short-term, highly liquid assets which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

(iii) Trade payables

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

(k) Foreign Currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency").

The financial statements are presented in Mauritian rupees, which is the company's functional and presentation currency.

(ii) Transactions and balances

Transactions denominated in foreign currencies are translated in Mauritian rupees at the rates ruling at the transactions dates. Monetary assets and liabilities which are expressed in foreign currencies are translated into Mauritian rupees at the rates ruling at reporting date. Resulting gains or losses are transferred to the statement of profit or loss and other comprehensive income.

3. ACCOUNTING POLICIES (CONT'D)

(l) Alternative Minimum Tax (AMT)

Alternative Minimum Tax (AMT) is provided for, where the company which has a tax liability of less than 7.5% of its book profit pays a dividend. AMT is calculated as the lower of 10% of the dividend paid and 7.5% of book profit.

(m) Impairment

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount.

(n) Related Parties

For the purpose of these financial statements, parties are considered to be related to the company if they have the ability, directly or indirectly, to control the company or exercise significant influence over the company in making financial and operating decisions, or vice versa, or where the company is subject to common control or common significant influence. Related parties may be individuals or other entities.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRSs requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Property, plant and equipment

The cost of the property, plant and equipment is depreciated over the estimated useful life of the asset. The estimated useful life is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors. Management has not considered any residual value as it is deemed immaterial.

Retirement benefit obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using various assumptions that may differ from actual developments in future. The assumptions used include the discount rate, future salary increases, mortality rates and future pension increases. Changes in these assumptions will impact the carrying amount of the pension obligation.

The company determines the appropriate discount rate at each reporting date after discussions with the actuaries. In determining the appropriate discount rate, management considers the interest rates of long term government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the expected term of the related pension obligation.

5. PROPERTY, PLANT AND EQUIPMENT

	OFFICE PREMISES	OFFICE FURNITURE& EQUIPMENT	COMPUTER EQUIPMENT	MOTOR VEHICLES	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST					
At 1st July 2015	16,409	5,091	12,927	3,616	38,043
Additions	-	112	854	-	966
Disposal	-	(3)	-	-	(3)
At 30th June 2016	16,409	5,200	13,781	3,616	39,006
Additions	-	25	394	-	419
Disposal	-	(9)	-	-	(9)
AT 30th June 2017	16,409	5,216	14,175	3,616	39,416
DEPRECIATION					
At 1st July 2015	1,627	4,173	10,855	461	17,116
Charge for the year	328	278	552	723	1,881
Disposal	-	(3)	-	-	(3)
At 30th June 2016	1,955	4,448	11,407	1,184	18,994
Charge for the year	328	247	561	723	1,859
Disposal	-	(9)	-	-	(9)
AT 30th June 2017	2,283	4,686	11,968	1,907	20,844
NET BOOK VALUES					
AT 30th June 2017	14,126	530	2,207	1,709	18,572
AT 30th June 2016	14,454	752	2,374	2,432	20,012

6. INVESTMENTS

	2017	2016
	Rs'000	Rs'000
Held-to-maturity		
Maturity falling:		
- Between two to five years	146,400	154,400
	146,400	154,400

The investments bear interest at rates ranging from 4.03% to 5.45% p.a. (2016: 5.25% to 7.25% p.a.) These investments will mature in the financial years 2018 to 2022.

7. INTANGIBLE ASSETS

	APPLICATION SOFTWARE	DEVELOPMENT COSTS	TOTAL
	Rs'000	Rs'000	Rs'000
COST			
At 1st July 2015	6,769	250	7,019
Additions	6	-	6
At 30th June 2016	6,775	250	7,025
Additions	-	-	-
At 30th June 2017	6,775	250	7,025
AMORTISATION			
At 1st July 2015	6,644	204	6,848
Charge for the year	35	46	81
At 30th June 2016	6,679	250	6,929
Charge for the year	36	-	36
At 30th June 2017	6,715	250	6,965
NET BOOK VALUES			
AT 30th June 2017	60	-	60
AT 30th June 2016	96	-	96

8. TRADE AND OTHER RECEIVABLES

	Current		Non-current	
	2017	2016	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Trade receivables	4,070	2,491	-	-
Prepayments	1,147	1,076	-	-
Amount due from holding company	288	266	-	-
Interest receivable	2,579	3,898	21,713	14,925
Other receivables	1,205	1,204	2,154	2,681
	9,289	8,935	23,867	17,606

The average credit period on sales of services is 1 month. No interest was charged on the trade receivables. The company does not hold any collateral as security.

Before accepting any new customer, the Company assesses the potential customer's credit quality.
The directors believe that no provision for impairment is required as at 30th June 2017.

	2017	2016
	Rs'000	Rs'000
Ageing of past due but not impaired		
Less than 1 month	3,764	2,474
More than 1 month	306	17
	4,070	2,491

9. STATED CAPITAL

	ISSUED & FULLY PAID	
	2017	2016
	Rs'000	Rs'000
150,000 Ordinary Shares of Rs 100 each	15,000	15,000

The holder of an ordinary share in the company shall confer on the holder:

(a) the right to vote at meetings of shareholders and on a poll to cast one vote for each share held;

(b) the right to an equal share in dividends and other distributions made by the company; and

(c) the right to an equal share in the distribution of the surplus assets of the company on its liquidation.

10. RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the statement of financial position are determined as follows:

	2017	2016
	Rs'000	Rs'000
Present value of funded obligations	28,996	23,182
Fair value of plan assets	(22,716)	(18,956)
Liability in the statement of financial position	6,280	4,226

The amounts recognised in the Statement of profit or loss and other comprehensive income are as follows:

	2017	2016
	Rs'000	Rs'000
Current service cost	1,539	1,289
Interest cost	1,623	1,395
Expected return on plan assets	(1,394)	(1,158)
Fund expenses and life insurance	244	229
Past service cost	-	(226)
Net actuarial loss recognised in the year	2,248	487
Total included in staff costs (Note 13(b))	4,260	2,016

Movements in the liability recognised in the Statement of financial position:-

	2017	2016
	Rs'000	Rs'000
At 1st July	4,226	4,134
Effect of additional emoluments	-	150
Total expenses as shown above	4,260	2,016
Contributions	(2,206)	(2,074)
At 30th June	6,280	4,226

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	6.50%	7.00%
Expected return on plan assets	6.50%	7.00%
Future salary increases	4.50%	4.50%
Future pension increases	1.50%	1.50%

10. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Sensitivity

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the period, while holding all other assumptions constant.

	2017	2016
	Rs'000	Rs'000
Effect on present value of funded obligations		
1% increase in discount rate	24,472	19,506
1% decrease in discount rate	34,766	27,868
1% increase in salaries	32,360	26,035
1% decrease in salaries	26,068	20,706
Effect of changing longevity - rate up	28,509	22,817
Effect of changing longevity - rate down	29,472	23,539

Reconciliation of the present value of defined benefit obligation

	2017	2016
	Rs'000	Rs'000
Present value of obligation at start of year	23,182	19,776
Effect of additional emoluments	-	150
Current service cost	1,783	1,519
Interest cost	1,623	1,395
Fund expenses and life insurance	(244)	(229)
Liability loss/(gain)	2,652	797
Past service cost	-	(226)
Present value of obligation at end of year	28,996	23,182

Reconciliation of fair value of plan assets

Fair value of plan assets at start of year	18,956	15,642
Expected return on plan assets	1,394	1,158
Employer contributions	2,206	2,074
Fund expenses and life insurance	(244)	(229)
Asset gain	404	311
Fair value of plan assets at end of year	22,716	18,956

Distribution of plan assets at end of year

The assets of the scheme are invested in a Deposit Administration Fund with Metropolitan life (Mauritius) Ltd.

10. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

History of obligations, assets and experience adjustments

	2017	2016
	Rs'000	Rs'000
Fair value of plan assets	22,716	18,956
Present value of defined benefit obligation	(28,996)	(23,182)
Deficit	(6,280)	(4,226)
Asset experience gain during the year	404	311
Liability experience gain/(loss) during the year	(2,652)	(797)

The expected contributions to post-employment benefit plans for the year ending 30th June 2018 are Rs 2,304,911 (2017: Rs 2,167,380). The actual return on plan assets is Rs 1,617,135 (2016: Rs 1,469,564).

Pension amounts and disclosures have been based on the report submitted by Feber Associates Limited, Actuaries and Consultants.

11. TAXATION

(a) Tax liability

	2017	2016
	Rs'000	Rs'000
At 1st July	913	2,235
Taxation paid	(5,654)	(7,643)
Provision for the year	6,158	6,321
At 30th June	1,417	913

(b) Income tax

	2017	2016
	Rs'000	Rs'000
Current tax on the adjusted profit for the year at 15%	6,158	6,321
Deferred taxation	347	114
Tax charge	6,505	6,435

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:

	2017	2016
	Rs'000	Rs'000
Profit before tax	38,165	41,039
Tax calculated at a tax rate of 15%	5,725	6,156
Non-deductible expenses for tax purposes	753	574
Deferred taxation	347	114
Capital allowances effects	(320)	(409)
Tax charge	6,505	6,435

11. TAXATION (CONT'D)

(c) Deferred taxation

	2017	2016
	Rs'000	Rs'000
At 1st July	816	702
Charge for the year	347	114
Credited to other comprehensive income	(1,265)	-
At 30th June	(102)	816

	CAPITAL TAX ALLOWANCES	RETIREMENT BENEFIT OBLIGATION	TOTAL
	Rs'000	Rs'000	Rs'000
At 01 July 2015	702	-	702
Charge for the year	114	-	114
At 30 June 2016	816	-	816
Charge for the year	150	197	347
Credited to other comprehensive income	-	(1,265)	(1,265)
At 30 June 2017	966	(1,068)	(102)

12. TRADE AND OTHER PAYABLES

	2017	2016
	Rs'000	Rs'000
Service Fees received in advance	6,089	4,931
Other payables	2,224	3,554
	8,313	8,485

13. OPERATING PROFIT

		2017	2016
		Rs'000	Rs'000
(a) Operating profit is arrived at after :			
Crediting :			
Other income			
Interest receivable		10,172	10,649
Fees on issue of ISIN Numbers		1,421	848
Sundry Income		275	635
IT Facilities Management Fees		1,430	1,341
Project fees		210	1,660
Fees on issue of LEI Numbers		-	48
Registry software fees		524	-
		14,032	15,181
and Charging :			
Fees paid to auditors -	audit services	181	173
	operational audit services	53	51
	taxation services	20	18
	audit of risk management report	30	30
Non-Executive Directors' Emoluments		1,174	1,216
Depreciation		1,859	1,881
Amortisation		36	81
Staff costs (Note 13(b))		19,634	15,691

13. OPERATING PROFIT (CONT'D)

(b) Staff costs

	2017	2016
	Rs'000	Rs'000
Salaries	15,374	13,675
Pension costs (Note 10)	4,260	2,016
	19,634	15,691

(c) Number of employees

Administration	12	12

14. FINANCE COSTS

	2017	2016
	Rs'000	Rs'000
Bank Charges	40	35

15. DIVIDENDS

	2017	2016
Declared and not yet paid :		
Dividend of Rs 126.34 per Ordinary Share (2016: Rs 140.00)	18,951	21,000

16. EARNINGS PER SHARE

		2017	2016
Profit attributable to shareholders	Rs'000	32,925	34,604
Number of Ordinary Shares in issue		150,000	150,000
Earnings per share	Rs	219.50	230.69

17. RELATED PARTY TRANSACTIONS

	2017	2016
	Rs'000	Rs'000
(i) *Sales of Services to :*		
The Stock Exchange of Mauritius Ltd	1,430	1,341
(ii) *Outstanding Balance arising from the sales of services :*		
The Stock Exchange of Mauritius Ltd	288	266

The above transactions were carried out on commercial terms and conditions and the repayment is over a month upon receipt of invoice.

(iii) *Compensation of key management personnel*		
Short term benefits	4,049	3,565
Post employment benefits	1,557	735
	5,606	4,300

	2017	2016
(iv) Remuneration of directors	Rs'000	Rs'000
- Non executive directors	1,174	1,216
- Executive	5,606	4,300
(v) Dividend payable	18,951	21,000

18. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks from its use of financial instruments:

(a) Liquidity risk
(b) Market risk
(c) Interest rate risk
(d) Currency risk
(e) Credit risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Investment decisions are made within guidelines determined by the Investment Committee.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to finance its operations and to mitigate the effects of fluctuation in cash flows.

The maturity profile of the financial instruments is summarised as follows:

	2017			
	Less than 1 year Rs'000	1-5 years Rs'000	More than 5 years Rs'000	Total Rs'000
Financial assets				
Held-to-maturity investment	-	146,400	-	146,400
Deposits and cash balances	55,878	-	-	55,878
Trade and other receivables	9,289	23,867	-	33,156
	65,167	170,267	-	235,434
Financial liabilities				
Trade and other payables	8,313	-	-	8,313
Proposed dividends	18,951	-	-	18,951
	27,264	-	-	27,264

18. FINANCIAL RISK MANAGEMENT (CONT'D)

	2016			
	Less than 1 year Rs'000	1-5 years Rs'000	More than 5 years Rs'000	Total Rs'000
Financial assets				
Held-to-maturity investment	-	154,400	-	154,400
Deposits and cash balances	39,597	-	-	39,597
Trade and other receivables	8,935	17,606	-	26,541
	48,532	172,006	-	220,538
Financial liabilities				
Trade and other payables	8,485	-	-	8,485
Proposed dividends	21,000	-	-	21,000
	29,485	-	-	29,485

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of its financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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 interest rate profile of the company's financial assets as at 30 June is as follows:

	2017	2016
	%	%
Bank balances	0.30-2.30	2.75-3.00
Deposits	4.03-5.45	3.15-7.25

Deposits which have fixed interest rates and will not be affected by fluctuations in the level of interest rates. The following table details the sensitivity of the company's bank balances and fixed deposits if interest rate had been 50 basis points higher. For a lower interest rate by 50 basis points, there would be an equal and opposite impact on the profit and their equity.

	2017	2016
	Rs'000	Rs'000
Increase in profit	790	740
Increase in equity	672	629

18. FINANCIAL RISK MANAGEMENT (CONT'D)

Currency risk

Except for a USD bank account with a balance of Rs 1,402.54 (USD 41.01), a GBP bank account with a balance of Rs 1,756.77 (GBP 39.71), a AUD bank account with a balance of Rs 2,863.23 (AUD 110.26), a ZAR bank account with a balance of Rs 1,282.18 (ZAR 484.55) and a Euro bank account with a balance of Rs 2,163.99 (Euro 55.51), there are no other financial assets and liabilities denominated in foreign currencies.

The Company is exposed to currency risk of MUR relative to AUD, USD, EURO and GBP.

The following table details the company's sensitivity to a 5% decrease in the exchange rate of the AUD, GBP, ZAR, EUR and USD against the Mauritian Rupee. A positive number below indicates an increase in profit and other equity where United States dollars weaken 5% against Mauritian Rupee. For a 5% strengthening of Australian dollars and United States dollars against the relevant currency, there would be an equal and opposite impact on the profit and their equity.

	2017	2016
	Rs'000	Rs'000
Increase in profit	1	172
Increase in equity	1	146

Credit risk

The company's credit risk is primarily attributable to its trade receivables and deposits with banks and other financial institutions. At year end, the company has no significant concentration of credit risk which has not been adequately provided for. Cash and deposits are held in banks and other financial institutions with high credit ratings.

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns and value for its shareholders.

The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the company, comprising issued share capital and retained earnings.

The Company's overall strategy remains unchanged from 2016.

Categories of financial instruments	2017	2016
	Rs'000	Rs'000
Financial assets		
Held-to-maturity		
Held-to-maturity investment	182,400	186,467

18. FINANCIAL RISK MANAGEMENT (CONT'D)

	2017 Rs'000	2016 Rs'000
Loan & receivables		
Trade and other receivables	30,262	23,077
Cash and bank balances	19,878	7,530
	232,540	217,074
Financial liabilities		
Trade and other payables	8,313	8,485
Proposed dividends	18,951	21,000
	27,264	29,485

19. CONTINGENT LIABILITY

A contingent liablity will arise if, in the event of a default by a participant, the amount due by the participant exceeds the total amount of financial resources available to the Guarantee Fund.

20. HOLDING COMPANY

The directors consider The Stock Exchange of Mauritius Ltd, incorporated in the Republic of Mauritius, as the holding company.

21. FIVE YEAR FINANCIAL SUMMARY
STATEMENT OF PROFIT, CAPITAL & RESERVES

	2017 Rs'000	2016 Rs'000	2015 Rs'000	2014 Rs'000	2013 Rs'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
TURNOVER	54,690	53,426	71,668	58,995	47,287
PROFIT BEFORE TAXATION	41,256	42,740	62,081	49,183	38,551
TAXATION	(6,505)	(6,435)	(9,351)	(7,419)	(5,854)
CORPORATE SOCIAL RESPONSIBILITY	(843)	(1,214)	(986)	(775)	(754)
PROFIT AFTER TAXATION	33,908	35,091	51,744	40,989	31,943
OTHER COMPREHENSIVE (LOSS)/INCOME	(983)	(487)	628	(837)	(2,551)
DIVIDENDS	(18,951)	(21,000)	(31,422)	(24,091)	(17,635)
CAPITAL & RESERVES					
ISSUED & PAID UP STATED CAPITAL	15,000	15,000	15,000	15,000	15,000
REVENUE RESERVES	204,489	190,515	176,911	155,961	139,900

22. GUARANTEE FUND

Section 3(8) of the Securities (Central Depository, Clearing and Settlement) Act 1996 requires the Central Depository & Settlement Co. Ltd (CDS) to establish and maintain a Guarantee Fund for the purpose of providing an indemnity against any default in respect of payments for or delivery of securities by any participant and of obligations of participants towards CDS.

The Fund is independently managed by the Business Conduct Committee (BCC) and not by the Board of Directors of the CDS. The BCC consists of a majority of independent members who are not directors of the CDS. The accounts of the Fund are separately audited.

The assets of the Guarantee Fund consist of all money accruing lawfully to that fund and of such contributions as may be specified in the CDS rules. The assets of the Guarantee Fund are as follows:-

	2017 Rs'000	2016 Rs'000
Guarantee Fund Assets		
MCB Deposit A/c	29,200	28,770
MCB Savings A/c	3,720	3,688
MCB Current A/c	2	4
Contributions due on value of transactions	27	14
Temporary Cash deposit	-	(1)
Cash deposit from investment dealers	(410)	(410)
Interest receivable	1,511	749
Income tax payable	(30)	(42)
	34,020	32,772

Contributions made to the Guarantee Fund

	2017 Rs'000	2016 Rs'000
BALANCE AT 1ST JULY	32,772	32,236
Contributions	210	218
Refund to participant	-	(662)
Interest	1,221	1,153
Income tax charge	(183)	(173)
BALANCE AT 30TH JUNE	34,020	32,772

AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROLS TO THE BOARD OF DIRECTORS OF THE CENTRAL DEPOSITORY & SETTLEMENT CO. LTD

We have conducted a review of the system of internal controls of the Central Depository & Settlement Co. Ltd (CDS) in accordance with Section 3.8.7 of CDS Rules and have performed tests of the effectiveness of the system of internal controls during the period 1st July 2016 to 30th June 2017.

The review covered the suitability of the system of internal controls of the Central Depository & Settlement Co. Ltd pertaining to:-

(a) The recording of transactions in Securities Accounts
(b) The processing of transactions, including Clearing and Settlement, in accordance with CDS Rules and Procedures
(c) The integrity and reliability of the data processing facilities of CDS.

Our review also covered the suitability of the system of internal controls of CDS pertaining to the Automated Trading System that is managed by CDS in accordance with the IT Outsourcing Agreement that has been signed between CDS and the Stock Exchange of Mauritius Ltd.

Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion the control procedures were suitably designed to provide reasonable assurance that the system of internal controls of the CDS operated effectively.

PKF (MUS)

PKF (Mauritius)
Public Accountants

Christine Sek Sum

Christine Sek Sum, CPA
(Licensed by FRC)

Date: 18/07/2017

COMPANY SECRETARY'S CERTIFICATE

This is to certify that, in accordance with Section 166 (d) of the Companies Act 2001, all such returns as are required of the Company under the Companies Act 2001 have been filed with the Registrar of Companies during the financial year ended 30th June 2017.

Chaitanand Jheengun (FCIS)
Company Secretary

Profile of Directors

Nitish Benimadhu BSc (Hons.) Economics MA Economics	Senior Manager, SWAN Group Director, The Stock Exchange of Mauritius Ltd Director of a number of companies in various sectors of the economy
Aruna Radhakeesoon (Ms) Attorney-at-law, Mauritius Solicitor, England & Wales (NP) BA (Hons) Jurisprudence, Oxon F.MIoD	Executive Director & Chief Legal Executive, Rogers and Company Limited Director: Mauritius Development Investment Trust Company Limited National Committee on Corporate Governance Member: MIoD Forum The Law Society of England & Wales The Mauritius Law Society
Reedhee Bhuttoo (Mrs) BA (Hons.) Economics	Head, SBM Securities Ltd Director, The Stock Exchange of Mauritius Ltd
André Chung Shui BSc (Economics) Fellow of the Institute of Chartered Accountants in England & Wales F.MIoD	Executive Director, LCF Securities Ltd Director, The Stock Exchange of Mauritius Ltd
Steve Leung Sock Ping Fellow of the Institute of Chartered Secretaries & Administrators (FCIS) F.MIoD	Head of Quality Assurance, Mauritius Commercial Bank Ltd
Vipin Y.S. Mahabirsingh B.Tech (First Class, Hons) Electronic Engineering M.Phil Microelectronic Eng. MBA (with distinction) F.MIoD	Managing Director, CDS
Kevin S. Rangasami Fellow of the Association of Chartered Certified Accountants	Managing Director, MCB Stockbrokers Ltd Director, The Stock Exchange of Mauritius Ltd
Sameer K. Sharma MSc in Applied Finance Financial Risk Manager – Global Association of Risk Professionals Chartered Alternative Investment Analyst	Chief, Reserves Management Division, Bank of Mauritius

Profile of Management Team

MANAGING DIRECTOR — Vipin Y. S. Mahabirsingh

Vipin Y.S Mahabirsingh holds a B.Tech (First Class, Hons.) degree in Electronic Engineering from the University of Mauritius, an M.Phil in Microelectronic Engineering and Semiconductor Physics from the University of Cambridge and an MBA (with distinction) from Edinburgh Business School, Heriot Watt University. He joined the Central Depository & Settlement Co. Ltd at its inception in 1996 as Systems Manager and was appointed General Manager in July 1997. He was then appointed as Managing Director in November 2005. In his capacity as Managing Director of CDS, he also provides consultancy services to African stock exchanges and central depositories. He was involved as Project Director in the implementation of trading and depository systems at the Nairobi Stock Exchange, Bank of Ghana, Dar es Salaam Stock Exchange, Botswana Stock Exchange, Lusaka Stock Exchange and Bolsa de Valores de Mocambique. He supervised the implementation of an automated trading system at the Zimbabwe Stock Exchange and is currently spearheading the replacement of the trading and depository systems at the Lusaka Stock Exchange. He is a member of the Market and Product Development Committee of the Committee of SADC Stock Exchanges (CoSSE) which has been set up to drive the interconnectivity and clearing and settlement agenda of CoSSE. He is also a member of the Ratings Committee of CARE Ratings (Africa)

SYSTEMS MANAGER — Manoven Sadayen

Manoven Sadayen holds a B.Tech (Hons) degree in Computer Science and Engineering from the University of Mauritius. He joined the CDS in December 1998 as IT Officer and was promoted to Assistant Systems Manager in October 2000. He was appointed as Systems Manager in July 2001. He is responsible for the management of the CDS system as well as the automated trading system of the SEM. He also assists the Managing Director in overseeing the Operations department and in providing consultancy services to African stock exchanges and depositories. He participated in the implementation of the automated trading system at the Zimbabwe Stock Exchange and is currently involved in the replacement of the trading and depository systems at the Lusaka Stock Exchange.

FINANCE AND ADMINISTRATION MANAGER — Joseph How Tien Fat

Joseph How Tien Fat holds a Diploma in Accountancy from the City of Birmingham Polytechnic (UK) and is a Qualified Stockbroker. He joined the CDS at its inception in 1996 as Accountant and was appointed Finance and Administration Manager in July 2001. He is responsible for the Finance and Administration functions at CDS and plays a key role in managing the funds of the Company.

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