

BRITISH AMERICAN EXCHANGE CO. LTD

Financial Statements

For the year ended

31 December 2018

BRITISH AMERICAN EXCHANGE CO. LTD

Financial Statements

For the year ended

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BRITISH AMERICAN EXCHANGE CO. LTD

Annual Report 2018


The financial statements are prepared on the basis of the accounting policies set out in the notes to the financial statements.

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BRITISH AMERICAN EXCHANGE CO. LTD

Certificate from the Company Secretary under Section 166(d) of the Mauritius Companies Act 2001

In accordance with section 166(d) of the Mauritius Companies Act 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies for the year ended 31 December 2018, all such returns as are required of the Company under the Mauritius Companies Act 2001.


.....
Associated Corporate Services Limited
Company Secretary
7 Green Hill Building,
Candos,
Quatre Bornes

Date... **26 MAR 2019**

BRITISH AMERICAN EXCHANGE CO. LTD
STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

COMPLIANCE STATEMENT

British American Exchange Co. Ltd is committed to the highest standard of business integrity, transparency and professionalism to ensure that all its activities are managed ethically and responsibly to enhance values for all stakeholders. As an essential part of this commitment, the board of Directors of the company subscribes to and is fully committed to complying with the National Code of Corporate Governance (2016) for Mauritius (“the Code”) to the extent it is reasonable and possible.

Our company strongly believes in maintaining a simple and transparent corporate structure which define the division of power and establish mechanism for achieving accountability between board of directing management and shareholders driven solely by a business need.

During the year under review, the Board of British American Exchange Co. Ltd assessed the requirements and provisions as specified in the Code and took necessary steps to ensure adherence to the extent possible and reasonable. Adherence to the 8 Principles of the Code can be summarised as follows:

Principles	Compliance	Remarks
Principle 1: Governance Structure	YES	Complied, except for Code of Ethics & Board Charter which are under preparation
Principle 2: Board Structure and its Committees	YES	Complied, except for Corporate Governance Committee and Remuneration Committee
Principle 3: Director Appointment Procedures	YES	Complied, except for Board Induction Pack which is under preparation
Principle 4: Directors Duties, Remuneration & Performance	YES	Complied, except for Board’s self-appraisal
Principle 5: Risk Governance & Internal Control	YES	
Principle 6: Reporting with Integrity	YES	
Principle 7: Audit	YES	
Principle 8: Relations with Shareholders & Key Stakeholders	YES	

The Directors are continually focusing on maintaining the sustainability of the Company’s business and discharging their responsibility with integrity through the existence of a proper control environment and a well-functioning system of internal control. Relevant areas in connection with the corporate governance principles are being constantly reviewed to improve their applicability as far as is reasonably possible and practicable.

BRITISH AMERICAN EXCHANGE CO. LTD

STATEMENT OF COMPLIANCE

FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPLE 1: GOVERNANCE STRUCTURE

British American Exchange Co. Ltd is a money-changer company duly licensed by the Bank of Mauritius. We have 9 branches including our Head Office across Mauritius and each branch is headed by a Manager who reports directly to the Business Operations Manager who is based at the Head Office in Port Louis.

Our governance structure

The company is led by a committed and unitary Board of Directors which provides effective leadership and strategic guidance to the Senior Management Team and the organization as a whole. The Board always advocates for (i) strong commitment to ethics and values, (ii) strict compliance to laws and industry best practices and (iii) having a robust risk and internal control system.

The Board meets regularly and assumes responsibility for leading and controlling the company and meeting all legal and regulatory requirements. The Board has a Chairperson who leads the Board and presides over Board Meetings.

The Board is assisted by the Senior Management Team and officers consisting of a CEO, MLRO, Compliance Officer, Head of Finance, Head of Operations and HR officer. Each officer and employee of the company has a clear written job description and responsibilities with defined reporting line.

The role of the Chairperson is distinct and separate from that of the CEO and there is a clear division of responsibilities with the Chairperson leading the Board and the CEO managing the day-to-day business. The Chairperson however provides support, guidance and supervision of the CEO.

The company has its own Staff Handbook which is regularly updated. All Directors and senior staff have to declare any self-interest in the Register of Interest.

The Board is also assisted in its tasks by one sub-committee, namely the Audit & Risk Committee which is reportable to the Board.

The company is in the process of finalising a Code of Ethics for Staff and a Board Charter to enhance its governance structure.

Our governance processes

Process governance is the way in which the company consolidates the process management initiatives within standards, rules, and guidelines that all go together towards a common goal.

We can summarize the role of process governance within the company with 6 major goals:

1. Standardize and encourage continuous improvement of business process
2. Define roles and responsibilities of the processes.
3. Determine who has the power to decide the procedures.
4. Become a more agile organization in response to the emergence of changes.
5. Align management processes with the strategic objectives of the company.
6. Promote culture of efficiency and integrity in the organization

BRITISH AMERICAN EXCHANGE CO. LTD

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FOR THE YEAR ENDED 31 DECEMBER 2018

Shareholding

The sole shareholder of the company is **Mr. Bahadurali Hussein Jiwan HIRJI** who does not interfere in the day-to-day operations of the company. He is also a non-resident Director of the Company.

The company's policy is to distribute a reasonable amount of the after-tax profit for the relevant period subject to the solvency test under s. 6(1) of the Companies Act 2001 being satisfied and that there is sufficient retained earnings from which to pay any dividend.

During the year under review, the Board did not declare any dividends.

PRINCIPLE 2: BOARD STRUCTURE & ITS COMMITTEES

The role of the Board

The Board plays a central supporting and supervisory role in the company's corporate governance structure, provides leadership and guidance to the senior Management Team and oversees the execution of the company's business strategies. Specific matters reserved for the Board's consideration and decision are –

- To determine the company's objectives, missions, strategies, policies and business plans and monitor their implementation
- To set appropriate policies to manage risks in pursuit of the company's strategic objectives
- To ensure the integrity of the company's accounting and financial reporting system and compliance with the relevant laws and standards, and that appropriate internal control systems are in place, including systems for risk management, as well as financial and operational control
- To monitor and control the company's operations and financial performance through the determination of the annual budget in particular the capital expenditure budget and annual operating plan
- To ensure a transparent Board nomination and functioning
- To appoint key senior executives
- To ensure timely and accurate disclosure to and communications with stakeholders
- To monitor the effectiveness of the company's practices in corporate governance and CSR, and approve corporate governance and CSR policies and practices

BRITISH AMERICAN EXCHANGE CO. LTD

STATEMENT OF COMPLIANCE

FOR THE YEAR ENDED 31 DECEMBER 2018

The Board & Corporate Governance

The board of directors ensures that the principles of Corporate Governance are followed and are fully committed to comply with the Code. In addition, the board aims at higher standard of corporate governance with a culture of best practice as a performance benchmark for the company. The Board, being the focal point of the corporate governance system is ultimately accountable and responsible for the performance and affairs of the Company.

The compliance with the principles of Corporate Governance is viewed by the company, its board and the management, as an integral part of the company's business activities and are respected at all levels of the company.

The board also monitors and evaluates the implementation of strategies, policies management performance criteria and business plans. It provides guidance and maintains effective control over the company and monitors management to carry out board plans and strategies.

Board Composition

The Board is presently composed of seven members, including five independent directors. Two members are full-time executive directors.

The Board has met 8 times during the year under review. However, regular Management meetings are held on a monthly basis.

The Board retains full and effective control over the company, delegating the day-to-day running and operational issues to the Chief Executive Officer and his management team. The board of directors is appointed by the shareholders on the basis of integrity, skill, acumen and experience to make sound judgements relevant to the business of the Company. In compliance with the Code, the Board of directors comprises of three independent directors and two executive directors.

Directors' profiles

- **Mr Jaypal Dabee** (Chairman): Mr. Jaypal Dabee, aged 50, joined the Board of the company on 4 January 2017 and was appointed Chairman on same date. He is a Chartered Accountant by profession and has worked for several years in the UK prior to joining the company as a Director. Mr. Dabee is also the Managing Partner of the accounting firm Masterson Associates.
- **Mr. Harish Bhoyroo** (CEO): Mr. Harish Bhoyroo, aged 43, joined the Board of the company on 1 March 2017. He holds a Bachelor degree in Economics from the University of Delhi and is also a holder of a STEP certificate in Trusts and Estates Practitioners, UK.
- **Mr. Ashvinath Geerjanan** (Independent Director): Mr. Ashvinath Geerjanan, aged 42, joined the Board on 4 January 2017. He holds a BA in Industrial Relations and Personnel Management from Delhi University and is also a holder of a Master in Business Administration from the University of Technology of Mauritius.

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- **Mr. Ashvin Metturjeet** (Independent Director): Mr. Ashvin Metturjeet, aged 40, joined the Board on 4 January 2017. Mr. Ashvin Metturjeet is currently working at Delta International Mauritius Ltd.
- **Mr. Bahadurali Hussein Jiwan Hirji** (Non-Executive Director and sole shareholder): Mr. Bahadurali Hussein Jiwan Hirji, aged 75, became a director since 4 January 2017 when he bought the company. He is a seasoned businessman residing in Dubai and has various and diverse business interest across the world.
- **Mr. Viraj Gunnowree** (independent Director): Mr. Viraj Gunnowree aged 50 became a director since 1 August 2018. He is the Managing Director of iCountancy Consultants & Financial Training.
- **Mr. Prithvinath Geerjanan** (independent Director): Mr. Prithvinath Geerjanan aged 65 became a director since 1 August 2018. He was previously working at ex DBM Bank.

Board attendance

The directors who served on the Board and their attendance at the Board Meetings during financial year 2018 is provided in the following table:

	Directors	Board Meetings (Jan-Dec. 2018)
1.	Mr Jaypal Dabee (Chairman)	8 out of 8
2.	Mr Harish Bhoyroo (CEO)	8 out of 8
3.	Mr. Ashvinath Geerjanan	8 out of 8
4.	Mr. Ashvin Metturjeet	1 out of 8
5.	Mr. Bahadurali Hussein Jiwan Hirji	1 out of 8
6.	Mr. Viraj Gunnowree	3 out of 8
7.	Mr. Prithvinath Geerjanan	3 out of 8

The Company Secretary is Associated Corporate Secretarial Services Ltd, represented by Me Jessica Naga who is a legal practitioner.

Directors' self-interests

The Company Secretary maintains a Register of Interests which is updated with every transaction entered into by directors and their closely related parties, if any.

Related party transactions

There have been no related party transactions during the financial year 2018

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Shareholders Agreement

There is currently no Shareholder's Agreement which affects the good governance of the company.

Management Agreement

The company has not entered into any management agreement with third parties.

Board Committees

Audit and Risk Committee

The Board has set up during the year the *Audit and Risk Committee*, which consists of Messrs. Jay Dabee, Viraj Gunnowree and Ashvin Metturjeet. The Board considers that each member of the Committee brings broad experience and professional knowledge of financial reporting, more so since Mr. Dabee is an experienced Chartered Accountant. The Board has delegated to the Audit & Risk Committee the responsibility to supervise the monitoring and mitigation of risk exposure, to ensure effective internal control system and financial reporting.

The main objective of the Audit and Risk Committee is to assist and recommend to the Board of Directors on accounting aspects and financial reporting and ensure that risks are properly identified and managed. The said Committee focuses on:

- The functioning and effectiveness of internal control systems and the internal audit;
- The reliability, accuracy, integrity and transparency of financial reporting;
- The evaluation of the independence, effectiveness, objectivity of both the internal and external auditors;
- The constant identification of actual and potential operational and other risks;
- setting-up risk mitigating strategies, assessing and monitoring the risk management process and ensuring the proper implementation of the company's risk policies

Two meetings of the Audit and Risk Committee were held as follows during the financial year 2018:

Directors	Audit and Risk Committee Meetings January 2018 - December 2018
Mr Jaypal Dabee	2 out of 2
Mr Viraj Gunnowree	2 out of 2
Mr. Ashvin Metturjeet	2 out of 2

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Key topics discussed and recommendations made to the Board by the Audit & Risk Committee during the financial year 2018 were as follows:

- (i) Examination of the Management Letter by the external auditors in respect of the financial year ended 31 December 2017
- (ii) Review and follow-up on previous internal audit reports.
- (iii) Recommended the review of the AML Manual

Other sub-committees

The Board is in process of setting up in the year 2019 two subsidiary committees namely the *Corporate Governance Committee* and *Remuneration Committee* with the aim of maintaining quality standards of corporate governance and streamlining the tasks of the Board.

PRINCIPLE 3: DIRECTORS APPOINTMENT PROCEDURES

The company does not have an Appointment or Remuneration Committee yet. The Board headhunts suitably qualified and experienced people who pass the 'fit and proper' persons test of the Bank of Mauritius. Prospective candidates are assessed based on established set of criteria which relate, amongst others to their knowledge, competencies, experience, independence, time commitment, ethics and values among other things. Once the right candidate is identified, the Board seeks prior approval of the Bank of Mauritius as required by law before the Board formally confirms any senior official or before appointing any person as Director. All directors and senior staff are required to declare any self-interest, which is recorded in the Register of Interest.

The Directors did not undergo any specific training during the year for continuous development due to time constraint. The Board is in the process of preparing an Induction Pack for new Directors and staff.

PRINCIPLE 4: DIRECTORS' DUTIES, REMUNERATION & PERFORMANCE

Directors' duties

All Directors are aware of their legal duties as per the Companies Act 2001 and the various rules and regulations and Guidelines of the Bank of Mauritius. The Directors are supplied with relevant information on the company in a timely manner to make effective decision-making. Directors are required to declare any self-interest in the Register of Interest maintained by the Company Secretary.

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Directors remuneration

Directors are paid Directors fees based on their responsibilities on the Board.

	2018 Rs	2017 Rs
Executive Directors	6,916,602	2,611,656

Directors' performance

No review of the performance of the Directors were conducted during the financial year 2018 since the Board had other more pressing and urgent matters to deal with.

The Board is in the process of preparing a Code of Ethics for Directors, a Board Charter and an Induction Pack for new Directors and senior staff.

PRINCIPLE 5: RISK GOVERNANCE & INTERNAL CONTROL

The risk management system is an integral part of management's approach to delivering business objectives and is a systematic process designed to identify, assess and manage risks.

The Board is ultimately responsible for the process of risk management and has delegated to the Audit & Risk Committee the responsibility to supervise the monitoring and mitigation of risk exposure. Risks are identified by the Audit & Risk Committee and the Board determines the principal strategies to mitigate the risk upon recommendation from the Audit & Risk Committee. Please refer to the section of Board Committees at page 10.

The company's policy on risk management encompasses all significant business risks including physical, operational, business continuity, financial compliance and reputational which could influence the achievement of the company's objectives.

The risk management mechanism in place includes:

- A system for the ongoing identification and assessment of risk;
- Development of strategies in respect of risks and definition of acceptable and non-acceptable levels of risk;
- Reviewing the effectiveness of the system of internal control and
- Processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined by the Board.

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Risk Management refers to the process used by the Company to monitor and mitigate its exposure to risk. The objective of risk management is not to eliminate risk altogether, but to reduce it to an acceptable level having regard to the objectives of the Company.

The Board is responsible for the overall risk management and internal control systems, oversight of the Company's risk management process.

To strengthen control, a Risk Management Framework is being implemented to:

- ensure all material risks are identified and reported to management and to the Board
- ensure mitigation activities are developed, communicated, agreed and measured to ensure objectives are achieved
- ensure continuous identification of new risks that may arise so as to implement mitigation controls.

The following risk areas have been identified by the Company: (Further quantitative disclosures are included throughout these financial statements.)

Market risk

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

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company has established appropriate controls and procedures to ensure segregation of duties at all levels and minimise the operational risk through training, internal audit and other processes.

IT risk

IT risk is the risk of server downtime in case of failure as there is no back up system. The Company is in process of a BCP plan.

Credit risk

At the reporting date the maximum exposure to credit risk is represented by the carrying amount of each related financial asset in the statement of financial position. Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The carrying amount of financial assets represents the maximum credit exposure.

Credit risk consists of cash deposit with banks, investment in securities and receivables. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The Company invests exclusively in short term government Treasury bills in order to mitigate any potential default risk. The exposure to credit risk on receivables is monitored on an ongoing basis by management and these are considered recoverable.

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FOR THE YEAR ENDED 31 DECEMBER 2018

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 meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Currency risk

The Company is not exposed to the risk that the exchange rate of currencies may change in a manner which has a material effect on the reported values of the Company's financial assets and liabilities as they all are denominated in Mauritian rupees.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's significant interest-bearing financial assets are cash at bank and investment in Treasury Bills. Interest income may fluctuate in amount, in particular due to changes in interest rates.

Internal control

The Board has overall responsibility for ensuring that management maintains an adequate system of internal control and for reviewing its effectiveness. The Board ensures that controls in place result in an acceptable level of risk with the Audit & Risk Committee (ARC) overseeing the effectiveness of the company's internal control system.

The ARC on behalf of the Board is required to undertake the detailed monitoring of the controls in place. Such control system in place is designed to manage rather than eliminate the element of risk completely and can only provide reasonable and absolute assurance against material misstatement or loss.

Systems and processes have been implemented and are reviewed on an ongoing basis. Where weaknesses are identified, the ARC ensures that management takes appropriate action.

PRINCIPLE 6: REPORTING WITH INTEGRITY

Information governance

Clear and transparent information flow between the Directors and the management is encouraged. The Board and each individual Director have separate and independent access to senior executives. Directors could always request for business information from senior executives via the Chief Executive or the Company Secretary.

All Directors have direct access to the Company Secretary whose major responsibilities include establishing an effective working relationship with the Chairman and the Chief Executive, ensuring the smooth running of the activities of the Board and its committees by providing guidance in Board procedures, and keeping under close review of all legislative, regulatory and corporate governance developments.

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FOR THE YEAR ENDED 31 DECEMBER 2018

All information and personal data on clients and staff are treated with strict confidentiality and in accordance with the Data protection Act (2017). User access controls are in place to protect the integrity, confidentiality and availability of all information resources.

Reporting with integrity

The Board is responsible for the preparation of accounts and annual report that fairly present the state of affairs of the company and the results of its operations. The Board is responsible to ensure that the accounts are in compliance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), the Companies Act (2001), the Financial Reporting Act and the requirements of the Bank of Mauritius.

The Directors declare that:

- (i) adequate accounting records and an effective system of internal controls and risk management have been maintained;
- (ii) appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;
- (iii) applicable accounting standards have been adhered to. Any departure in the interest of fair presentation has been disclosed, explained and quantified; and
- (iv) the Corporate Governance guideline has been adhered to. Reasons have been provided where there has not been compliance.

Contribution to political parties

No contribution was made to any political party during the year under review.

PRINCIPLE 7: AUDIT

Internal audit

The mission of the internal audit is to provide independent, objective assurance and consulting activity on risk management, internal control and governance processes designed to add value and improve the Company's operations. It derives its authority from the Board.

The Internal Audit adopts a risk-based approach in formulating its yearly audit plan which must be submitted to the Audit & Risk Committee for approval. The scope of the internal audit department encompasses:

- Identifying risk areas and evaluating the level of risk for each risk area,
- Reviewing internal control processes and making appropriate recommendations to the Management,
- Monitoring the implementation of the recommendations.

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Reporting lines

The Internal Auditor has a direct reporting line to the Board of Directors through the Chief Executive Officer and maintains an open and constructive communication with the Management. He also has direct access to the Chairman of the Board of Directors. This structure allows the Internal Auditor to remain independent.

Coverage

The Internal Audit Plan, which is approved by the Board of Directors, is based on the principles of risk management designed to ensure that the scope of work aligns with the degree of risk attributable to the area being audited.

Restrictions

The Internal Auditor has unrestricted access to all records, physical properties and personnel of the company to discharge its responsibilities.

External Audit

With a view to ensuring the overall adequacy of the company's internal control system, the Audit & Risk Committee evaluates the independence and effectiveness of the external auditors on an ongoing basis. The external auditors, namely Moore Stephens (Mauritius) have not provided any non-audit services to the company during the financial year under review.

PRINCIPLE 8: SHAREHOLDER & KEY STAKEHOLDERS RELATIONS

Relationship with shareholder

BA Exchange Ltd has a sole shareholder, who is also a Board Member. All minutes of Board Meetings are sent to him or any other Directors who are unable to attend a Board Meeting. A meaningful and open dialogue is always maintained by the Board and the Management Team with the shareholder and his close advisors.

Relationship with stakeholders

The Board has a trusted and honest relationship with all stakeholders, most importantly the Bank of Mauritius as the regulator, based on full and frank disclosure, cooperation and compliance.

Employee relationship

The company ensures that its employment policy is fair and that all its staff are treated with fairness, merit-based and in accordance with the law. The Board also ensures that the security, safety, health and working environment is appropriate at all times.

Corporate Social Responsibility (CSR)

No funds were spent on CSR activities for the year ended December 31 2018 since the company's financial position did not allow it to do so. Nonetheless, the Board is mindful of the need to protect the environment and to be active in social welfare activities and shall do so once the financial position of the company allows it to do so.

BRITISH AMERICAN EXCHANGE CO. LTD
STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Directors acknowledge their responsibilities for:

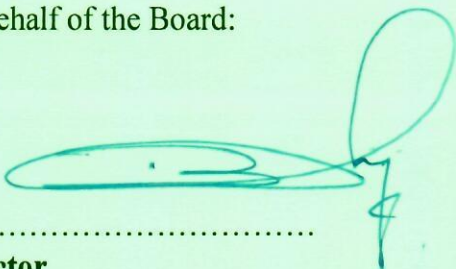
- (i) adequate accounting records and maintenance of effective internal control systems;
- (ii) the preparation of the financial statements which fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows, which comply with International Financial Reporting Standards (IFRS), the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004;
- (iii) the selection of appropriate accounting policies supported by reasonable and prudent judgements.

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

The Directors report that:

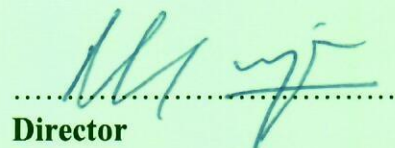
- (i) adequate accounting records and an effective system of internal controls and risk management have maintained;
- (ii) appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;
- (iii) applicable accounting standards have been adhered to. Any departure in the interest of fair presentation has been disclosed, explained and quantified; and
- (iv) the Corporate Governance guideline has been adhered to. Reasons have been provided where there has not been compliance.

On behalf of the Board:



.....

Director



.....

Director

BRITISH AMERICAN EXCHANGE CO. LTD
STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of Compliance

We, the Directors of British American Exchange Co. Ltd, confirm to the best of our knowledge that the company has throughout the year ended 31st December 2018 complied with all of its obligations and requirements under the Code of Corporate Governance of Mauritius (2016) with explanations, except for the following:

Principle 1: Code of Ethics & Board Charter	Under preparation
Principle 2: Corporate Governance Committee	Board had other pressing priorities
Remuneration Committee	Lack of human resources
Principle 3: Board Induction Pack	Company had other pressing priorities. Now under preparation
Principle 4: Board's self-appraisal	Board had other pressing priorities. Plans to develop and adopt a self-assessment Questionnaire at some stage.

.....
Director

.....
Director

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
BRITISH AMERICAN EXCHANGE CO. LTD**

6th Floor, Newton Tower
Sir William Newton Street
Port Louis, Mauritius

Tel. : (230) 211 6535, 211 0021, 211 7484

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Website : www.moorestephens.mu

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of British American Exchange Co. Ltd (the "Company") set out on pages 22 to 45, which comprise the statement of financial position as at 31 December 2018 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 the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Annual Report, Corporate Governance Report and Certificate from the Company Secretary, or any other information. The other information does not include the financial statements and our auditors' report thereon.

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

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

Directors' Responsibility for the Financial Statements

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

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
BRITISH AMERICAN EXCHANGE CO. LTD**

Report on the Audit of Financial Statements (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the Company's members, in accordance with Section 205 of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state 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 member, for our audit work, for this report, or for the opinions we have formed.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
BRITISH AMERICAN EXCHANGE CO. LTD**

Report on the Audit of Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act 2001

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

Banking Act 2004

- In our opinion the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius;
- The explanations or information called for or given to us by the officers or agents of the Company were satisfactory.

The Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code. The directors have given satisfactory explanations on the principles of the Code which have not been complied with. In our opinion, except for the reasons mentioned in the Statement of Compliance, the disclosure in the annual report is consistent with the principles of the Code.


MOORE STEPHENS

Chartered Accountants


Arvin Rogbeer, FCA

Licensed by FRC

PORT LOUIS

REPUBLIC OF MAURITIUS

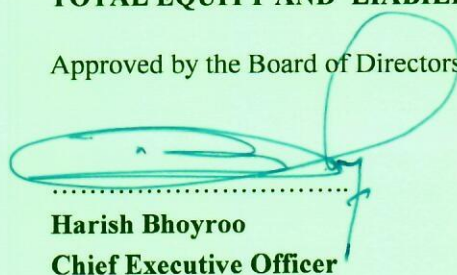
DATE: **26 MAR 2019**

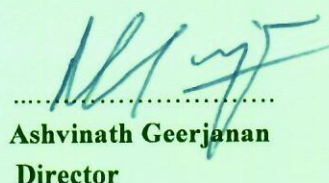
BRITISH AMERICAN EXCHANGE CO. LTD

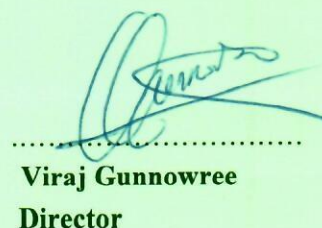
Statement of financial position
as at 31 December 2018

ASSETS	Notes	2018	2017
		Rs	Rs
Non-current assets			
Property, plant and equipment	4	10,991,861	11,124,741
Intangible assets	5	1,181,121	856,778
Deferred tax	12	2,298,444	544,050
		14,471,426	12,525,569
Current assets			
Other receivables	6	21,018,774	22,270,737
Deposit with financial institutions	7	19,514,319	20,001,200
Cash and cash equivalents	8	41,394,332	64,774,499
Total current assets		81,927,425	107,046,436
TOTAL ASSETS		96,398,851	119,572,005
EQUITY AND LIABILITIES			
Equity			
Stated capital	9	47,025,000	47,025,000
Retained earnings		19,071,357	24,065,015
Total equity		66,096,357	71,090,015
Non-current liabilities			
Obligations under finance lease	11	2,953,828	2,676,682
Deferred tax	12	706,497	706,497
Retirement benefit obligations	10	-	3,539,471
		3,660,325	6,922,650
Current liabilities			
Obligations under finance lease	11	416,397	312,620
Trade and other payables	13	26,225,772	41,246,720
		26,642,169	41,559,340
TOTAL EQUITY AND LIABILITIES		96,398,851	119,572,005

Approved by the Board of Directors on **26 MAR 2019**


Harish Bhoyroo
Chief Executive Officer


Ashvinath Geerjanan
Director


Viraj Gunnowree
Director

The notes on pages 26 to 45 form an integral part of these financial statements.

BRITISH AMERICAN EXCHANGE CO. LTD

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2018

	Notes	2018	2017
		Rs	Rs
Revenue	3.2 , 15	64,663,659	64,905,302
Administrative expenses	16	(71,513,028)	(61,792,045)
(Loss) / profit before tax		(6,849,369)	3,113,257
Taxation	17	1,855,711	(91,772)
Total comprehensive (loss) / income for the year		(4,993,658)	3,021,485
(Loss) / earnings per share		(1.1)	0.6

The notes on pages 26 to 45 form an integral part of these financial statements.

BRITISH AMERICAN EXCHANGE CO. LTD

Statement of changes in equity for the year ended 31 December 2018

	Stated capital	Retained earnings	Total
	Rs	Rs	Rs
At 1 January 2017	47,025,000	21,043,530	68,068,530
Total comprehensive income for the year	-	3,021,485	3,021,485
At 31 December 2017	47,025,000	24,065,015	71,090,015
Total comprehensive loss for the year	-	(4,993,658)	(4,993,658)
At 31 December 2018	47,025,000	19,071,357	66,096,357

The notes on pages 26 to 45 form an integral part of these financial statements.

BRITISH AMERICAN EXCHANGE CO. LTD

Statement of cash flows

for the year ended 31 December 2018

	Notes	2018	2017
		Rs	Rs
Cash flows from operating activities			
(Loss) / profit before tax		(6,849,369)	3,113,257
<i>Adjustment for:-</i>			
Depreciation and amortisation		4,157,715	3,526,886
Overprovision of tax in previous year		-	(65,063)
Interest received		634,352	(4,091,018)
Retirement benefits obligations		-	(293,205)
Operating loss before working capital changes		(2,057,302)	2,190,857
Decrease / (increase) in other receivables		1,251,963	(14,088,683)
(Decrease) / increase in other payables & provision		(18,560,417)	18,581,691
Cash generated from / (absorbed into) operations		(19,365,756)	6,683,865
Interest received		(634,352)	4,091,018
Taxation		101,317	-
Net cash generated from / (used in) operating activities		(19,898,791)	10,774,883
Investing activities			
Purchase of property, plant and equipment		(3,661,815)	(9,557,768)
Purchase of intangible assets		(687,365)	(75,370)
Deposit with financial institutions		486,881	211,000
Net cash used in investing activities		(3,862,299)	(9,422,138)
Financing activities			
Obligations under finance lease		380,923	2,989,302
Net cash from financing activities		380,923	2,989,302
Net increase / (decrease) in cash and cash equivalents		(23,380,167)	4,342,047
Cash and cash equivalents at the beginning of the year		64,774,499	60,432,452
Cash and cash equivalents at the end of the year	8	41,394,332	64,774,499

The notes on pages 26 to 45 form an integral part of these financial statements.

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements

for the year ended 31 December 2018

1. Corporate information

BRITISH AMERICAN EXCHANGE CO. LTD (the "Company") is a private limited company incorporated in Mauritius. The address of its registered office is 25, Pope Hennessy Street, Port Louis. The principal activity of the Company is to act as a foreign exchange dealer and as an agent of Western Union Financial Services Inc.

2. Basis of preparation

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated as modified by fair valuation of financial assets and financial liabilities.

2.1 Basis of preparation

The financial statements of the Company comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention as modified by fair valuation of financial assets and financial liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements are disclosed below.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and

Significant estimates in the financial statements include the amounts recorded for the fair value of the investments. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the Company's financial statements of changes in estimates in future periods could be significant.

Functional and presentation currencies

The directors have selected the Mauritius Rupee (Rs) as the presentation currency of the Company which is also the functional currency.

2.2 Standards, Amendments to published Standards and Interpretations effective in the reporting period

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Company has elected to apply the exemption in IFRS 9 paragraph 7.2.15 not to restate prior periods in the year of initial application of the standard. The Company has chosen to adopt the simplified expected credit loss model for trade receivables in accordance with IFRS 9 paragraph 5.5.15.

IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Company has not restated comparatives for the 2017 financial year.

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements

for the year ended 31 December 2018

2. Basis of preparation(Continued)

2.2 Standards, Amendments to published Standards and Interpretations effective in the reporting period(continued)

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

The amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The amendment has no impact on the Company's financial statements.

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

The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional. The amendment has no impact on the Company's financial statements.

Annual Improvements to IFRSs 2014–2016 Cycle

- IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.
- IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. The amendment has no impact on the Company's financial statements.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency denominated contracts. The amendment has no impact on the Company's financial statements.

Transfers of Investment Property (Amendments to IAS 40). The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The amendment has no impact on the Company's financial statements.

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

2. Basis of preparation (Continued)

2.3 *Standards amendments to published standards and interpretations issued but not yet effective.*

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2019 or later periods, but which the Company has not early adopted.

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

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

IFRS 17 Insurance Contracts

IFRIC 23 Uncertainty over Income Tax Treatments

Prepayment Features with negative compensation (Amendments to IFRS 9)

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

Annual Improvements to IFRSs 2015–2017 Cycle

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

Definition of a Business (Amendments to IFRS 3)

Definition of Material (Amendments to IAS 1 and IAS 8)

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

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

3. Significant accounting policies

Basis of preparation

3 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the profit or loss.

3.2 Revenue

Revenue is recognised upon delivery of services and customer acceptance.

Other revenues earned by the Company and recognised on the following bases:

- Interest income, commission income, gain on swift transfer and money changing income - as it accrues (taking into account effective yield on the asset) unless collectibility is in doubt.

3.3 Expenses

All expenses are accounted for on an accrual basis in the statement of profit or loss and other comprehensive income.

3.4 Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax is provided, using the equity method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Under this method the Company is required to make provision for deferred income taxes on the revaluation of certain non-current assets and, in relation to an acquisition, on the difference between the fair values of the net assets acquired and their tax base.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets and on tax losses carried forward.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

3. Significant accounting policies (continued)

3.5 3.5.1 *Investments*

Investments in securities are designated as fair value through profit and loss. Investments are initially recognised at cost on a trade date basis. The investments are subsequently remeasured at fair value.

3.5.2 *Impairment of financial assets*

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.6 *Cash and cash equivalents*

Cash in banks and short term deposits that are held to maturity are carried at amortised cost. Cash and cash equivalents consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

3.7 *Other receivables*

Other receivables do not carry any interest and are short-term in nature. Other receivables are recognised and carried at the lower of their fair value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Allowance is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. They are accordingly stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

3.8 *Trade and other payables*

Trade and other payables are not interest bearing and are recognised and carried at their fair value.

Trade and other payables mainly consist of amount due to Western Union(France) and other accruals.

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

3. Significant accounting policies (continued)

3.9 Borrowings

Borrowings are recognised net of borrowing costs and capital amount repaid.

3.10 Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and any recognised impairment loss, if any.

Depreciation is charged on the carrying value of property, plant and equipment and is designed to write off assets on a straight line basis over their useful economic lives. The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvement	20.00%
Furniture and fittings	12.50%
Computer equipment	20.00%
Office equipment	12.50%
Motor vehicles	12.50%

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

Profits and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in the profit or loss.

Impairment is recognised in the respective period and is included in operating expenses.

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

3. Significant accounting policies (continued)

3.10 *Property, plant and equipment (continued)*

After the recognition of an impairment loss, the depreciation charge for property, plant and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.11 *Intangible assets*

Intangible assets consist of purchased computer software. Costs that are directly associated with identifiable software programmes owned by the Company and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining the computer software programmes are recognized as an expense as incurred.

The software cost is amortized on a straight line basis over an estimated useful life of 5 years. All items of intangible assets are disposed in line with the Company's Fixed Assets Disposal Policy. No amortisation is charged in the statement of profit or loss and other comprehensive income in the financial year in which the intangible asset is disposed.

3.12 *Impairment of tangible and intangible assets*

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible 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. Recoverable amount is the higher of fair value less costs to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment losses and reversals of impairment losses are recognised immediately in the profit or loss.

3.13 *Provisions*

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

3. Significant accounting policies (continued)

3.14 *Employee benefits*

3.14.1 *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.

3.15 *Related parties*

For the purposes 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.

3.16 *Share capital and equity*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

If the company reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in the statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 *Finance costs*

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

3.18 *Fair value*

The Directors consider the carrying value of all financial assets and liabilities to approximate their fair value. Where the difference is significant, note disclosure is provided.

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

3.19 *Financial instruments*

3.19.1 *Financial assets*

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

(i) Fair value through profit or loss

The Company classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI
- derivative financial instruments not designated as hedging instruments

(ii) Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of comprehensive income (operating profit).

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

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

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements for the year ended 31 December 2018

3.19 *Financial instruments(continued)*

3.19.1 *Financial assets(continued)*

(iii) Fair value through other comprehensive income

The Company has a number of strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Company has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Company considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

The Company has debt securities whose objective is achieved by both holding these securities in order to collect contractual cash flows and having the intention to sell the debt securities before maturity. The contractual terms of the debt securities give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

3.19.2 *Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

(i) Fair value through profit or loss

This category comprises only out-of-the-money derivatives (see "Financial assets" for in the money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. The Company does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements for the year ended 31 December 2018

3.19 Financial instruments

3.19.2 Financial liabilities(continued)

(ii) Other financial liabilities

Other financial liabilities include the following items:

Bank borrowings and the Company's redeemable preference shares are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Liability components of convertible loan notes are measured as described in note 8.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

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Notes to the financial statements
for the year ended 31 December 2018

4. Property, plant and equipment

	Leasehold improvement	Computer equipment	Furniture and fittings	Motor vehicles	Total
Cost / Valuation	Rs	Rs	Rs	Rs	Rs
At 1 January 2018	12,404,728	4,812,153	4,082,112	5,063,842	26,362,835
Additions	1,744,370	985,815	117,420	814,210	3,661,815
Disposal	(4,280,524)	(285,359)	(195,353)	-	(4,761,236)
At 31 December 2018	9,868,574	5,512,609	4,004,179	5,878,052	25,263,414
Depreciation					
At 1 January 2018	7,133,003	2,895,562	3,358,688	1,850,841	15,238,094
Charge for the year	2,111,241	670,191	231,412	781,851	3,794,695
Disposal	(4,280,522)	(285,357)	(195,357)	-	(4,761,236)
At 31 December 2018	4,963,722	3,280,396	3,394,743	2,632,692	14,271,553
Net book value					
At 31 December 2018	4,904,852	2,232,213	609,436	3,245,360	10,991,861
At 31 December 2017	5,271,725	1,916,591	723,424	3,213,001	11,124,741

5. Intangible assets

Computer Software

	Total
Cost	Rs
At 1 January 2018	3,155,591
Additions	687,365
Disposal	(226,650)
At 31 December 2018	3,616,306
Amortisation	
At 1 January 2018	2,298,813
Charge for the year	363,020
Disposal	(226,648)
At 31 December 2018	2,435,185
Net book value	
At 31 December 2018	1,181,121
At 31 December 2017	856,778

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

	2018	2017
	Rs	Rs
6. Other receivables		
Deposit with Western Union	10,440,175	8,801,794
Professional fee for application BOM Licences	5,150,000	-
Other receivables and prepayments	5,428,599	13,468,943
	<u>21,018,774</u>	<u>22,270,737</u>
7. Deposit with financial institutions		
Special cash deposits with Bank of Mauritius	<u>19,514,319</u>	<u>20,001,200</u>
8. Cash and cash equivalents		
Cash at bank	<u>41,394,332</u>	<u>64,774,499</u>
9. Stated capital		
<i>Issued and fully paid</i>		
4,702,500 ordinary shares with a par value of Rs 10 each	<u>47,025,000</u>	<u>47,025,000</u>

Each ordinary share entitles its holder to receive notice of, to attend and vote at any meeting of the Company. It shall entitle its holder the right of an equal share in dividends as authorised by the Board. Upon winding-up, each ordinary share shall entitle its holder the right to an equal share in the distribution of the surplus assets of the Company.

10. Retirement benefit obligations

	2018	2017
	Rs	Rs
At 1 January	3,539,471	3,832,676
(Release) / charge to profit or loss and other comprehensive income statement	<u>(3,539,471)</u>	<u>(293,205)</u>
At 31 December	<u>-</u>	<u>3,539,471</u>

The employment benefit liability relates to provision for gratuity on retirement based on the Employment Right Act.

11. Obligations under finance lease

	Repayable within 1 year	Repayable after 1 year and within 5 years	Repayable after more than 5 years	TOTAL
	2018	2018	2018	2018
	Rs.	Rs.	Rs.	Rs.
Future minimum lease repayments	642,408	3,465,709	104,958	4,213,075
Less: Finance charges allocated to future periods	<u>(226,011)</u>	<u>(613,459)</u>	<u>(3,380)</u>	<u>(842,850)</u>
Capital amount outstanding as at 31 December 2018	<u>416,397</u>	<u>2,852,250</u>	<u>101,578</u>	<u>3,370,225</u>

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

	2018	2017
	Rs	Rs
12. Deferred tax		
Deferred tax asset	(2,298,444)	(544,050)
Deferred tax liability	706,497	706,497
At end of year	<u>(1,591,947)</u>	<u>162,447</u>
At beginning of year	162,447	70,675
(Credit) /Debited to the income statement	<u>(1,754,394)</u>	<u>91,772</u>
At end of year	<u>(1,591,947)</u>	<u>162,447</u>
13. Trade and other payables		
Trade payables	23,705,179	39,581,347
Other payables	2,520,594	1,665,373
	<u>26,225,772</u>	<u>41,246,720</u>
14. (Loss) / profit before tax		
Profit / (loss) before taxation is arrived at after charging:		
Depreciation and amortisation	4,157,715	3,526,886
Staff costs	18,517,423	17,494,814
	<u>22,675,138</u>	<u>21,021,700</u>
15. Income		
Net commission income	43,445,557	47,096,519
Interest and other income	634,352	4,091,018
Gains on exchange on revaluation of balances	5,031,134	1,804,419
Gains on forex trading	15,552,617	11,117,216
Swift income	-	796,130
	<u>64,663,659</u>	<u>64,905,302</u>
16. Administrative expenses		
Employees benefit expenses	18,517,423	17,494,814
Rent	11,793,846	10,120,632
Depreciation and amortisation	4,157,715	3,526,886
Other expenses	37,044,045	30,649,713
	<u>71,513,028</u>	<u>61,792,045</u>

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

17. Taxation

Income tax is calculated at the rate of 15% on the profit for the year as adjusted for income tax purposes.

Charge to the statement of comprehensive income

	2018	2017
	Rs	Rs
Tax Refund from prior years	101,317	-
Deferred taxation movement	1,754,394	(91,772)
Tax expense	1,855,711	(91,772)

Reconciliation of tax to current tax expense

Total comprehensive income per statement of comprehensive income	(6,849,369)	3,113,257
Tax at 15 %	(1,027,405)	466,989
Effect of:		
- Non allowable items	636,649	661,495
- Exempt income	(771,920)	(692,952)
- Capital allowance	(591,718)	(527,304)
- Under provision in previous year	-	-
- Deferred income tax	1,754,394	(91,772)
Tax expense	-	-

Statement of financial position

At 1 January	-	65,063
Provision for the year	-	-
Over provision	-	(65,063)
Paid under the Advance Payment Scheme	-	-
Paid during the year	-	-
At 31 December	-	-

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

18. Related party transactions

Director's remuneration

	2018	2017
	Rs	Rs
	6,916,602	2,611,656

19. Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate 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. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors of British American Exchange Co. Ltd has 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.

Credit risk

At the reporting date the maximum exposure to credit risk is represented by the carrying amount of each related financial asset in the statement of financial position. Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Notes	2018	2017
		Rs	Rs
Other receivables	6	21,018,774	22,270,737
Deposit with financial institutions	7	19,514,319	20,001,200
Cash and cash equivalents	8	41,394,332	64,774,499
		81,927,425	107,046,436

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Notes to the financial statements
for the year ended 31 December 2018

19. Financial risk management (continued)

Credit risk (continued)

Credit risk consists of cash deposit with banks, other receivables. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The Company invests exclusively in short term Government Treasury bills in order to mitigate any potential default risk. The exposure to credit risk on receivables is monitored on an ongoing basis by management and these are considered recoverable.

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 meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities:

	Less than one year	Between one and five years	Over five years	Total
	Rs	Rs	Rs	Rs
<i>At 31 December 2018</i>				
Obligations under finance lease	416,397	2,852,250	101,578	3,370,225
Trade and other payables	26,225,772	-	-	26,225,772
	<u>26,642,169</u>	<u>2,852,250</u>	<u>101,578</u>	<u>29,595,997</u>
<i>At 31 December 2017</i>				
Obligations under finance lease	312,620	1,936,589	740,093	2,989,302
Trade and other payables	41,246,720	-	-	41,246,720
	<u>41,559,340</u>	<u>1,936,589</u>	<u>740,093</u>	<u>44,236,022</u>

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's significant interest-bearing financial assets are cash at bank and investment in Treasury Bills. Interest income may fluctuate in amount, in particular due to changes in interest rates.

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

19. Financial risk management (continued)

Exposure

At 31 December 2018, the Company's interest bearing financial assets included cash at bank amounting to Rs 9,834,798 which bears an average rate of interest of 4% and investment in Treasury Bills amounting to Rs 19,514,319 (2017 - Rs 20,001,200) which bears an average rate of interest of 3%. The rate of interest on the cash at bank balance may increase or decrease depending on the prime lending rate. The effective yield on Treasury Bills is fixed in nature, therefore changes in interest rate at the reporting date would not have an impact on the profit after tax figure.

Sensitivity analysis

The sensitivity analysis for the above exposure is as follows:

At 31 December 2018, if the prime lending rate had been 1% higher/lower, profit after tax would have been Rs 316,447 higher/lower, mainly because of higher or lower interest income.

At 31 December 2018, had the interest rates increased or decreased by 0.5% with all other variables held constant, the (decrease) / increase in profit would amount to:

	2018		2017	
	Interest rate risk		Interest rate risk	
	+0.5%	-0.5%	+0.5%	-0.5%
	MUR	MUR	MUR	MUR
Cash and cash equivalents	<u>398,800</u>	<u>(398,800)</u>	<u>316,447</u>	<u>(316,447)</u>

Fair values

The carrying amounts of stocks of foreign currencies in notes and cheques, other receivables, cash at bank and in hand, finance lease obligations and other payables approximate their fair values.

Currency risk

The Company is exposed to the risk that the exchange rate of currencies may change in a manner which has a material effect on the reported values of the Company's financial assets and liabilities as they all are denominated in Mauritian rupees.

The currency profile of the company's financial assets and liabilities is summarised as follows:

	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	2018	2018	2017	2017
	Rs	Rs	Rs	Rs
GBP	1,084,585	-	2,341,698	-
EUR	6,679,727	-	3,689,263	-
USD	1,739,056	2,520,594	5,312,092	6,434,924
MUR	<u>72,424,058</u>	<u>27,075,403</u>	<u>95,703,383</u>	<u>37,801,098</u>
	<u>81,927,425</u>	<u>29,595,997</u>	<u>107,046,436</u>	<u>44,236,022</u>

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

19. Financial risk management (continued)

The company is mainly exposed to fluctuations in US Dollar, Euro, and UK Pound

The following table details the company's sensitivity to a 5 % increase and decrease in

	2018 <i>Profit / (loss)</i>	2017 <i>Profit / (loss)</i>
	Rs	Rs
Great Britain Pound (GBP)	54,229	117,085
United States Dollar (USD)	86,953	265,605
EURO (EUR)	333,986	184,463
	475,168	567,153

Capital management

The Company's primary objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines "capital" as the total funds employed in generating profits and is calculated as total assets less total liabilities. On this basis, the amount of capital employed at 31 December 2018 was Rs 66,096,357 (2017: Rs 71,090,015).

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Company. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company, to the extent that these do not conflict with the directors' fiduciary duties towards the Company or the requirements of local regulations. Based on its current capital structure component, the Company is not subject to a significant financial gearing level.

As per the Bank of Mauritius terms and conditions, the Company has to observe a daily inventory level not exceeding 75% of its net owned funds. The net owned funds figure is determined by adding up the latest audited amounts for stated capital and retained earnings.

Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company has established appropriate controls and procedures to ensure segregation of duties at all levels and minimise the operational risk through training, internal audit and other processes.

BRITISH AMERICAN EXCHANGE CO. LTD

Notes to the financial statements
for the year ended 31 December 2018

20. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial assets, financial liabilities and equity instrument are described in the accounting policies on page 34 to 36.

(b) Categories of financial instruments

		2018	2017
Financial Assets	Notes	Rs	Rs
Other receivables	6	21,018,774	22,270,737
Deposit with financial institutions	7	19,514,319	20,001,200
Cash and cash equivalents	8	41,394,332	64,774,499
		<u>81,927,425</u>	<u>107,046,436</u>

(c) Categories of financial instruments (continued)

		2018	2017
Financial Liabilities	Notes	Rs	Rs
Obligations under finance lease	11	3,370,225	2,989,302
Trade and other payables	13	26,225,772	41,246,720
		<u>29,595,997</u>	<u>44,236,022</u>

21. Contingent assets

The Company has made an insurance claim totalling to Rs. 630,849. However, since there was not enough information to estimate the potential amount to be recovered by the Company, management has decided that no provision should be made in the financial statements.

22. Events after the reporting period

There are no events after the reporting period which may have a material effect on the financial statements as at 31 December 2018.

BRITISH AMERICAN EXCHANGE CO. LTD

Appendix I

Schedules to the statement of profit or loss and comprehensive income
for the year ended 31 December 2018

	2018	2017
	Rs	Rs
I Administrative expenses		
Staff costs	11,600,821	17,494,814
Directors emoluments	6,916,602	2,611,656
Rent	11,793,846	10,120,632
Water and electricity	1,245,852	1,380,327
Legal and professional fees	10,870,874	5,981,243
Printing, postage and stationery	1,664,269	1,814,786
Commissions	-	120,512
Bank charges	225,857	408,302
Security charges	4,995,405	4,401,862
Telephone	4,684,153	3,614,423
Insurance	2,197,048	1,828,379
Office and general expenses	2,575,529	3,379,529
Share of common expenses	758,394	811,139
Motor vehicle expenses	1,260,074	1,051,866
Computer expenses and cleaning costs	2,894,085	2,238,170
Finance charges	212,594	-
Advertising	3,459,913	1,007,519
	<u>67,355,313</u>	<u>58,265,159</u>
II Depreciation and amortisation		
Leasehold land	2,111,241	1,816,802
Computer equipment	670,191	558,157
Furniture and fittings	231,412	298,457
Motor vehicle	781,851	357,000
Software	363,020	496,470
	<u>4,157,715</u>	<u>3,526,886</u>