SICOM
GENERAL INSURANCE
A member of the SICOM Group

2 Annual Report

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Corporate Profile

Our Mission, Shared Values and Objectives

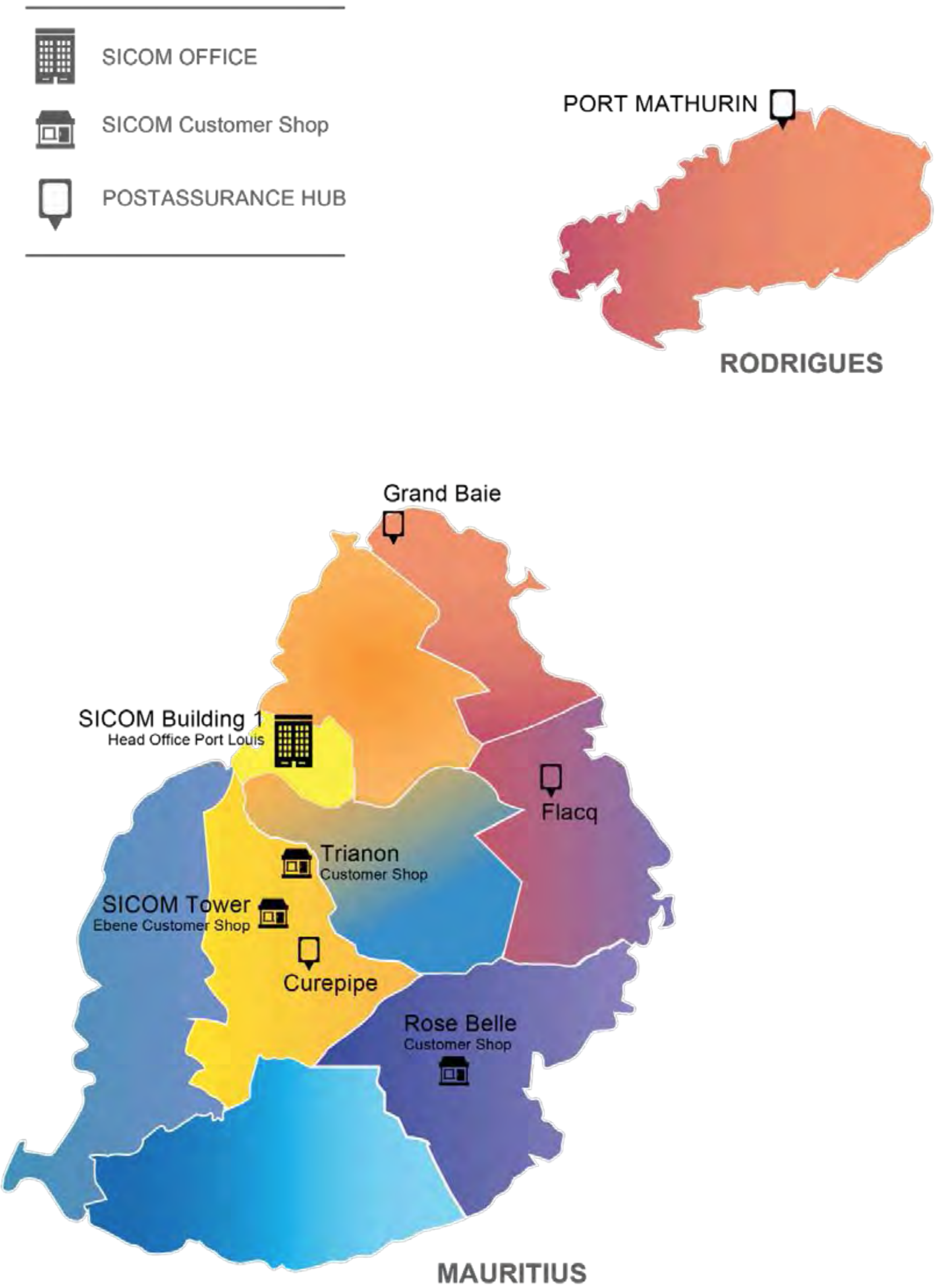
- Dedicated to providing the best in insurance and financial services, with focus on competitive quality products and excellent levels of customer care

- Our Customers: The focus of all actions
- Our Employees: The source of our success
- Our Products and services: Competitive and first-class security
- Commitment to innovation and teamwork
- Assisting the development of the community

- Provide excellent customer service
- Maximise profits and returns to stakeholders
- Highly effective staff and agents
- Increase market share
- Respond to new customer needs
- Identify diversification opportunities

Corporate Profile

Locate Us



Registered Office

SICOM General Insurance Ltd
SICOM Building
Sir Célicourt Antelme Street, Port Louis, Mauritius
Telephone: (230) 203 8400
Fax: (230) 203 8502
Email Address: sicomgin@sicom.mu
Website: www.sicom.mu

Auditor

Ernst & Young

Consulting Actuary

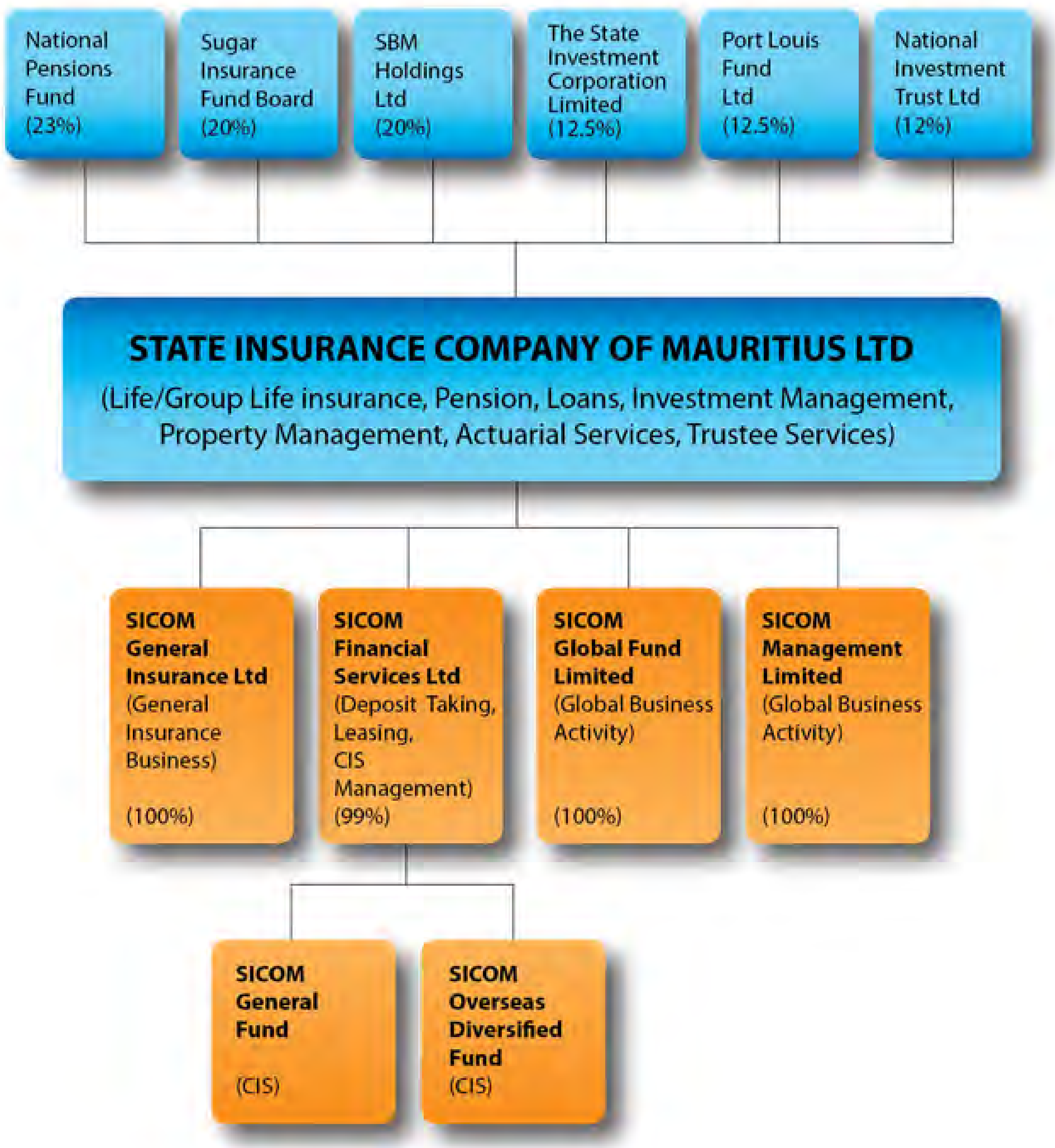
QED Actuaries & Consultants (Mauritius) Ltd

Main Bankers

Absa Bank (Mauritius) Limited
AfrAsia Bank Limited
Bank One Limited
HSBC (Mauritius) Ltd
MauBank Ltd
MCB Ltd
SBI (Mauritius) Ltd
SBM Bank (Mauritius) Ltd

Corporate Profile

Our Group Structure & Shareholding



Corporate Profile

Our Offerings

Board of Directors

Members	Category
M Y Salemohamed (Chairperson)	Non-Executive Director
R Ballah	Independent Director
A Balluck	Independent Director
K G Bhoojedhur-Obeegadoo	Non-Executive Director
B Boodhoo	Independent Director
C Dussoye	Non-Executive Director
V K Koonjoo	Independent Director
H Y K Leung Lam Hing	Executive Director
J M C G Chaperon (up to 19 December 2019)	Executive Director

Committee of the Board

RISK AND AUDIT COMMITTEE

Members	Category
R Ballah (Chairperson)	Independent Director
A Balluck	Independent Director
B Boodhoo	Independent Director
C Dussoye	Non-Executive Director

Directors' Report

The Board of Directors of the SICOM General Insurance Ltd (the "Company" or "SGIN") is pleased to present the tenth Annual Report together with the audited financial statements of the Company for the year ended 30 June 2020.

Economic Review

The financial year 2019/2020 has been marked by the outbreak of the Covid-19 coronavirus pandemic, which has affected people and businesses in an unprecedented and huge way, and is still raging globally. No sector of activity has been spared from its effects, though some sectors have been hit harder than others.

The global economic costs of the coronavirus pandemic will be massive and its impact on the Mauritian economy is yet to be fully comprehended. Before the outbreak of the coronavirus pandemic, the macroeconomic outlook for Mauritius was largely favourable and after several years of steady growth (averaging 3.8% during 2015–2019), projections point to a drastic deceleration in economic activity. Statistics Mauritius is forecasting real GDP to contract by around 13.0% in 2020 as the impact of the pandemic on the very open economy of Mauritius is expected to be severe. While the necessary lockdown measures have succeeded in slowing down the spread of the virus, business activity in many sectors has either stalled or contracted. Sectors in extreme difficulties, such as "accommodation and food service activities" and "textile manufacturing", are expected to take longer to recover as the path to economic recovery remains highly uncertain. Based on lower expected global business activities, the "financial and insurance activities" sector is expected to grow by about 1.0% in 2020 as compared to the 5.2% growth posted during 2019.

Financial Performance

The general insurance industry has been growing consistently over the last few years. In 2018 the industry has generated MUR 9.1 Billion of gross premium registering a growth of 4% over the preceding year. Motor and Health insurance continue to be the major lines of business of the industry. As economic activity slows in the aftermath of the coronavirus pandemic, gross premium is expected to shrink globally. In Mauritius, the coronavirus pandemic has resulted in a marked decrease in new business in the last quarter of the financial year 2019/2020.

Gross Premiums Earned

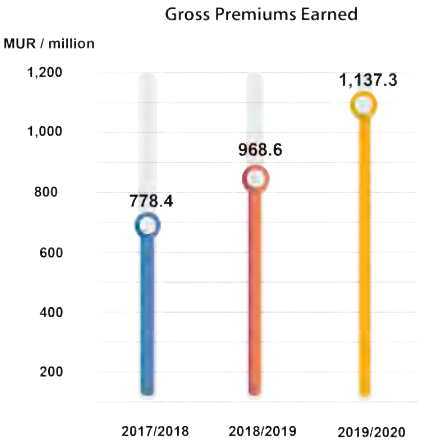
Profit Before Tax

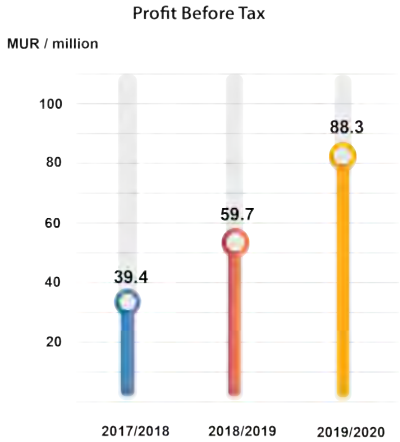
Total Assets

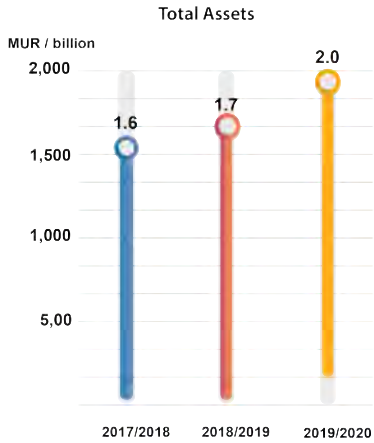
Notwithstanding the slowdown in the last months of 2019/2020, SGIN has achieved a Gross Written Premium of MUR 1.2 Billion during the financial year 2019/2020, which is an increase of 12.7% compared to the Gross Written Premium of financial year 2018/2019. Likewise, there has been an increase in the Gross Earned Premium with MUR 1.1 Billion achieved (+17.4% over 2018/2019). The Profit Before Tax (PBT) for the year is MUR 88.3 Million as compared to MUR 59.7 Million achieved in the previous Financial Year. There has been a significant increase of 10.8% in administrative expenses resulting mainly from a review of salary and terms and conditions of employment. Disciplined underwriting underpinned by strong processes and tools to maintain business quality combined with significant increase in top line, have had positive impacts on the PBT, resulting in a 47.8% increase compared to the previous financial year.

The investment climate during the financial year under review has been challenging, especially following the outbreak of the Covid-19 pandemic, which resulted in more difficult economic and financial conditions. The already low market interest rates have fallen further attaining new all-time lows, while equity markets have been in turmoil. Investment income of SGIN increased marginally from MUR 41.6 Million for the corresponding period last year to reach to MUR 42.3 Million for the financial year ended 2019/2020.

The total assets of the Company as at 30 June 2020 showed an increase of 16.4% to cross the mark of MUR 2.0 Billion as compared to MUR 1.7 Billion for the previous financial year. The total assets net of reinsurance assets reached an amount of MUR 1.4 Billion as compared to MUR 1.3 Billion for 2018/2019.







Our achievements for 2019/2020

The lockdown due to the pandemic was a very unique and challenging situation and SGIN quickly adapted to the `New Normal`. SGIN has been proactively investing on enhancing its digital capabilities for quite some time before the pandemic. During the lockdown, the Business Continuity Plan was successfully implemented and SGIN continued to operate and serve clients and stakeholders with a fully-remote and fully-connected workforce. The SGIN customer portal saw a significant usage increase and credit goes to our customers for the smooth transition from physical to digital. While key emphasis was to fully support our customers during these times, we also ensured the safety and well-being of our employees. We equipped most of our employees with the requisite technological tools to work from home. We also utilised this time to upskill our employees' skills through webinars and other online training programs. As a brand, we are trying to take this positively and are stepping up the roll out of our digital agenda while also focusing on innovation and improved customer experience.

During financial year 2019/2020 we have embarked on the implementation of the Initiatives of the 3rd year of our 3-year strategy plan. New partnerships were forged both locally and internationally. SGIN continued to maintain a healthy mix of business across various distribution channels and product lines. This product and distribution mix helps the company stay secured over business cycles that may impact one line of business or distribution.

Intermediaries are an important distribution channel and have been integrated at each step through digital interactions and interfaces. E-delivery of documents has facilitated intermediaries to do business with SGIN and today more than 90% of the insurance policies issued by us are in paperless form.

A review of the organisation structure of SGIN has been carried out with the aim at addressing the structural and HR needs of the Company to meet business challenges and achieve its growth plans, against the backdrop of enhancing the customer experience, management of risks, compliance to laws and regulations and succession planning. The new organisation structure is being rolled out.

Outlook 2020-2021

The impact of the coronavirus on insurers globally will depend on the classes and mix of businesses they underwrite, their pricing and reserving and policy wordings and reinsurance coverages. Operational costs of insurers are rising in part due to crisis management, while premiums will be shrinking in many lines of business. Insurers are also being hard hit by lower investment returns and volatility in financial markets. Similar to overseas insurers, severe challenges are expected for the local insurance market as consumers in general will have less disposable income to spend on insurance and financial products. Reinsurance rates in general have increased to compensate for increasing liability and catastrophe losses as well as lower interest rates.

For a long time, the traditional distribution model has proved to be remarkably resilient, but the pandemic and resulting lockdown has shown that digital is the way to go. We already have a portal to service existing clients and have already embarked on the development of an online sales platform. We shall continue investing in the digitalisation of business processes to achieve efficiency and cost reduction using integrated workflows that improve customer servicing capabilities for both policy servicing and claims management.

As a result of the situation surrounding Covid-19, there is a unique opportunity for SGIN to rethink and innovate further. We believe that consumer spending patterns will change in the coming months and to adjust to changing customer requirements we would introduce new products to address changes in customer needs. Until the Covid-19 situation is resolved or until we learn to live with it, there are many uncertainties in all spheres of activities. We have to adjust accordingly and, in the meantime, shall continue to consolidate the innovation and customer-centric culture of the Company as major competitive differentiators in the new landscape.

Engaging with Stakeholders

SGIN believes that stakeholder engagement is an important part of how it operates since it is on the basis of open dialogue and mutual trust that the Company is able to move forward its agenda. Effective two-way communication enables understanding and response to the legitimate interests and expectations of key stakeholders, hence creating winning partnerships. Leveraging such strong relationships adds to the process of unlocking value for all parties and is a catalyst for the Company in remaining aligned with its objectives and statement of lifetime commitment.

Key stakeholders of SGIN are as follows:

Stakeholders	Expectations	Response to Expectations	Channels of Communication	Capital Impacted
Customers (including scheme members)	- Excellent service - Seamless experience across channels - Instant support - Competitive prices - Simplification of processes - Partnership and relationship - Customised solutions - Value- Added services	- Soft skills and general skills training to staff - Opening of a customer lounge and new branch - Digitalisation of our services - Call centre services for greater availability - Regular campaigns and reminder \ campaigns for products - Timely communication with customers - Offer innovative products to better meet customers' needs - Tailor made packages - Integrated solutions are provided to conglomerates, small and medium enterprises across industries - New bancassurance partnerships to connect and serve customers	- Customer service - Distribution channels such as Hubs, Customer shop - Events such as Open day - Email, Phone call, SMS, Letters, - Customer Portal - Website - Media Campaigns - Presentations - Brochures	- Financial - Intellectual - Relationship
Shareholders	- Strong governance, ethics and transparency - Higher returns on investment and long term business value - Clear and consistent business strategy	- Risk Management and compliance functions to oversee soundness of financial, operation, compliance and strategic risk management - Timely reporting of financial performance to the authorities and the shareholders - Strategy consulting done to take the Group to the next level	- Annual General Meeting - Annual Report - Website	- Financial - Intellectual

Stakeholders	Expectations	Response to Expectations	Channels of Communication	Capital Impacted
Employees	- Stimulating and rewarding package - Training and career development opportunities - Work-Life balance - Regular communication - Enabling culture	- Competitive remuneration and employment conditions - Learning culture and continued professional development are encouraged by way of various schemes that motivate employees to pursue their self-development - Workshops, training and development programmes are organised - Communication with employees through different platforms - Women and men are given equal opportunities at work and during recruitment - Sponsorship of sports events	- Staff Club - Communication via Employee Hub - At staff events such as End of year party, family day… - Trainings - Involve them in Project committees	- Human - Intellectual - Relationship
Intermediaries	- Commissions - Quality of service - Relationship	- We listen to the needs of our intermediaries regularly - Key Performance Indicators to ensure alignment to mutual objectives - Trainings organised on new products - A dedicated salesmen unit to serve intermediaries - Timely processing of commissions - Develop sustainable relationships - Digitalisation of the service for Intermediaries	- Face-to-face meetings - Agent Awards Ceremony - Email, Phone call, SMS, Letters - Trainings	- Financial - Human - Relationship
Business partners (Reinsurers, Valuers, Car dealers, Legal advisors, Consultants, Suppliers , Third Party Administrators, etc)	- Fair payment practices - Comply to terms in Service Level Agreements - Fair tender process - Supplier relationship management	- Timely payment to suppliers and other business partners such as consultants - Develop sustainable relationships - Work as a team with a common goal - Timely communication and consultation	- Face-to-face meetings - Email, Phone call, Letters - Regular Visits	Financial Relationship

Stakeholders	Expectations	Response to Expectations	Channels of Communication	Capital Impacted
Government and Regulators	- Good governance - Statutory and legal Compliance - Proactively engage with regulators - Responsible development of insurance sector	- Engage constructively on new policies and regulations - Compliance with existing rules - Timely filing of returns and reports - Good governance practices - Abide to capital adequacy ratio and minimum capital requirement - Comply with new laws and create organisation wide awareness - Providing expert services and advice to government bodies and institutions	- Annual Report - Corporate Governance Report - ORSA Report - Returns - Workshops - Meetings - Email, Phone call, Letters - Presentations	- Financial - Intellectual - Relationship - Manufactured
Community	- Social Welfare activities - Job creation - Poverty alleviation	- Supporting the National Social Inclusion Foundation for CSR projects - Sponsorships and donations to Non-Governmental Organisa-tions and charitable funds - Trainees periodically onboarded for short-term training within the organisation	- Sponsorships	- Social - Relationship
Environment	- Care for the environment - Energy saving initiatives	- Include more plants and trees within our premises - Keeping the premises of our buildings clean and equipped with bins - Installation of LED bulbs in the buildings - Used paper sent for recycling - Use of rain water harvesting for maintenance purposes - Encourage use of natural ventilation - Introduce indoor plants in new set-ups - Keep premises clean and use of environmental friendly products - Undertake energy audits of buildings - Procurement of energy efficient equipment	- Meeting with the Ministry of Environment, Solid Waste Management and Climate Change representatives for possible environmental projects	- Natural - Relationship

Corporate Governance Report

The SICOM General Insurance Ltd (the 'Company') is a public interest entity as defined under the Financial Reporting Act 2004 and as such is required to adhere to the National Code of Corporate Governance for Mauritius 2016 (the 'Code'). The Board of Directors believes that the principles of good governance are key in the review of the Company's structure and processes and further contribute to the enhancement of stakeholders' value.

The Corporate Governance Report describes how the Company has implemented the recommendations of the Code.

The Company's compliance with the Code is set out within the eight principles below:

Principle 1: Governance Structure

Principle 2: The Structure of the Board and its Committees

Principle 3: Director Appointment Procedures

Principle 4: Director Duties, Remuneration and Performance

Principle 5: Risk Governance and Internal Control

Principle 6: Reporting with Integrity

Principle 7: Audit

Principle 8: Relations with Shareholders and Other Key Stakeholders

Corporate Governance Report

Governance Structure

The Company is led by a unitary Board which is collectively responsible for its long-term success, reputation and Governance. Chairperson of the Board is a Non-Executive Director and is seconded in this pivotal role by Executive, Non-Executive and Independent Non-Executive Directors.

The Board provides leadership and guidance towards the achievement of Company strategy and always acts in the latter's best interest. While showing great respect for its fiduciary responsibilities, the Board also assumes responsibility for all legal and regulatory requirements of the Company. The roles and responsibilities of the Board are set out in the Company's Board Charter which is available on the Company's website.

The Board of the Holding Company has added the Group Corporate Governance Policy to the existing list of governance documents in place.

The Company has not adopted a Constitution and is governed by the Companies Act 2001.

Corporate Governance Report

Board Structure

SICOM General Insurance Ltd has a Board of Directors which oversees the general business of the Company. The Board exercises leadership, enterprise, integrity and judgment in directing the Company. The delegation of authority to any Committee does not relieve the Board of its responsibilities in respect of the actions and decisions of that Committee.

Board Committees established under the Board of the Holding Company, the State Insurance Company of Mauritius Ltd also look at matters pertaining to the Company.

Corporate Governance Report

Key Governance Responsibilities and Accountabilities

The Board has approved the following job descriptions for key governance positions at Group level:

1. **Chairperson of the Board**

   The roles of the Chairperson and the Group Chief Executive Officer ('Group CEO') are distinct. The Chairperson is primarily responsible for the activities of the Board and its Committees. He is the spokesperson for the Board and is the principal contact for the Group CEO. The Group CEO and the Chairperson of the Board regularly interact. The Chairperson discusses and sets the agenda with the Group CEO and the Company Secretary and facilitates the effective contribution of Non-Executive Directors and encourages active participation during Board meetings. He ensures that Board members, upon appointment, participate in an induction programme and that the development needs of Directors are catered for through appropriate training.

2. **Deputy Group CEO/Officer in Charge**

   The Deputy Group CEO/Officer in Charge is currently at the helm of the SICOM Group (the 'Group') and has the authority and responsibility to manage the overall operations and resources of the Group. She acts as the main point of contact between the Board and Management. The other responsibilities of the Deputy Group CEO/Officer in Charge include, among others, to develop and recommend to the Board a long-term vision and strategy for the Group as well as the annual business plans and budgets that support this strategy; to execute and implement the strategy as decided by the Board; to monitor the Group's performance and keep the Board appropriately informed; to foster a corporate culture that promotes ethical practices, rejects corrupt practices, offers equal opportunities, encourages individual integrity and meets social responsibility objectives and imperatives.

3. **Company Secretary**

   The Company Secretary is appointed by the Board in accordance with the Companies Act 2001. She assists and advises the Board. The main responsibilities of the Company Secretary include, among others, to prepare and circulate agendas of Board, Board Committees and Shareholders' meetings and any supporting papers; take minutes of meetings and circulate same to members; ensure that the procedure for the appointment of Directors is properly carried out; and ensure that the Company complies with all relevant statutory and regulatory requirements and any procedures set by the Board.

Corporate Governance Report

Board of Directors

Muhammad Yoosuf SALEMOHAMED

Reappointed as Chairman and Director on 19 December 2019

Muhammad Yoosuf Salemohamed started his career in a chartered accountant firm where he obtained training in Accounting and Auditing. He joined a vertically integrated textile manufacturing company as accountant in 1975 and ended his career there as General Manager.

He is a past President of the Mauritius Chamber of Commerce and Industry, past Chairman of the Mauritius College of the Air, past Chairman of Enterprise Mauritius and past President of the MEFPA (now Business Mauritius Provident Association). He has also been a Director of the Development Bank of Mauritius Ltd, Air Mauritius Limited and an adviser to the Ministry of Commerce and Industry.

He is currently a Board member of the Islamic Cultural Centre Trust Fund Board.

Rikesh BALLAH

Reappointed on 19 December 2019

BSc (Hons) Accounting and Finance, University of Birmingham, UK
Fellow of the Association of Chartered Certified Accountants, UK
Certificate in Oxford Fintech Programme from the Saïd Business School, University of Oxford UK, and an Oxford Saïd Executive Education Alumni

Rikesh Ballah has acquired professional experience with Big 4 accountancy firms in Cyprus, Ireland and Luxembourg as well as in leading offshore management companies in both Luxembourg and Mauritius.

He is currently the Chairman of RIHABA Group and also serves as Director on the Board of several companies. He is also the Honorary Consulate of the Republic of Moldova in the Republic of Mauritius.

Corporate Governance Report

Board of Directors

Awadhkoomarsing BALLUCK
Reappointed on 19 December 2019

Diploma in Human Resource Management, University of Mauritius

Awadhkoomarsing Balluck had a long career in the public service and has served at different levels in the Ministry of Labour, Industrial Relations and Employment prior to being the Registrar of Associations. He was also a former Customs and Excise Officer in the Customs and Excise Department. From 1995 to 2012, Awadhkoomarsing Balluck has been successively a Board Member, Vice-Chairman and Chairman of the Board of Directors as well as the Chairman of the Building Committee and has been throughout, a member of the Finance Committee at the Mauritius Civil Service Mutual Aid Association Ltd. He is also in the co-operative sector (credit union) as President of a co-operative society for more than 30 years.

Karuna G BHOOJEDHUR-OBEEGADOO
Reappointed on 19 December 2019

Fellow of the Institute of Actuaries, UK
BSc (Hons) in Actuarial Science, London School of Economics and Political Science
Fellow of the Mauritius Institute of Directors

Karuna Bhoojedhur-Obeegadoo was the Group Chief Executive Officer heading the SICOM Group of Companies until her retirement in September 2017. She has also worked with M&G Reinsurance Company in London (now Swiss Re) prior to joining SICOM and was appointed Actuarial Adviser to the National Pensions Fund and member of its Investment Committee.

In the past, she has served as Director on the board of several companies, including State Bank of Mauritius Ltd, National Mutual Fund Ltd, First Republic Fund Ltd, Cyber Properties Investment Ltd, Mauritius Housing Company Ltd, National Housing Development Company Ltd, China Index Fund Ltd and China Actis Ltd. She was also a Founding Member of the National Committee on Corporate Governance and the Board of Investment.

She is currently a Director on the Board of companies within the SICOM Group and is also a member of the Board of the MCB Group Ltd and of its Remuneration and Corporate Governance Committee and a member of the Board of MCB Equity Fund Ltd.

Corporate Governance Report

Board of Directors

Balchund BOODHOO

Reappointed on 19 December 2019

Diploma in Chartered Institute of Marketing, UK
Advanced Diploma in Chartered Institute of Business Administration, UK
Master in Business Administration (General), UK

Balchund Boodhoo has over 25 years of experience in management and marketing. He has been training the youngsters and newcomers in sales & marketing, communication and leadership skills.

Balchund Boodhoo has worked as freelance consultant, trainer/advisor in the private security service field. He is currently a freelance Consultant and Security Advisor hiring his service to SMEs and Private Security Companies and companies in direct selling willing to phase in their products in a restricted and competitive market.

Chandrek DUSSOYE

Reappointed on 19 December 2019

Affiliate of Association of Chartered Certified Accountants
BSc (Hons) Business Management, University of Mauritius

Chandrek (Nitin) Dussoye has been working in the financial sector since 2000 as Business and Financial Consultant and Financial Analyst. He also has extensive exposure to private equity financing. He currently works as Investment Executive at the State Investment Corporation Limited where he is involved in portfolio and investment management. He has been involved in the implementation of several live projects in a fast-paced investment environment and gathered experience across several economic sectors. He is also Director of some companies within the SIC Group.

Corporate Governance Report

Board of Directors

Vinod Kumar KOONJOO

Reappointed on 19 December 2019

B.Sc (Hons) Chemistry, Delhi University

Vinod Kumar Koonjoo has a long career in the private and parastatal sectors. He started his career as a teacher in 1982. He has also worked at the MITD and in 1994, he had introduced the National Dual System of Apprenticeship Training which is an important part of the training sector till date. In 2002, he joined the National Handicraft Promotion Agency where he promoted the local handicraft products in Europe. Vinod Koonjoo has also set up a unit for Chemtech Ltd (Medical and Signage products) in Madagascar from 2008 to 2011.

In 2011, he joined the Harel Mallac Group as the Regional Sales Manager in Tanzania and was responsible for the marketing and sale of industrial chemicals in the East African Countries. He is presently the CSR Executive at Compagnie de Mont Choisy Limitée.

Since 2018, he has been nominated as the Honorary Chairman of the Mauritius Council of Youth Leaders, a 40 years old NGO, involved in voluntary works.

Suzanne H Y K LEUNG LAM HING

Reappointed on 19 December 2019

Chartered Insurer
Associate of the Chartered Insurance Institute UK (ACII)

Suzanne Leung Lam Hing has served the Company in various capacities in both the General and Life Insurance Departments. In 2002, she was appointed Manager of the General Insurance Business and since the inception of SICOM General Insurance Ltd in 2010, she spearheads the overall strategic and operational functions of the business. She was appointed Chief Operating Officer in 2013 and currently serves as Executive Director on the Board of SICOM General Insurance Ltd. She is also a member of The Insurance Institute of Mauritius, of which she has been a past President.

Corporate Governance Report

Board of Directors

Theresa M LEE SHING PO
Appointed on 20 September 2013

Attorney–at-Law
Company Secretary

Theresa Lee Shing Po was admitted as Attorney–at-Law in 1986. She had her private practice and also worked in an international accounting and auditing firm, as well as at the Attorney General's Office. She joined SICOM in 2000 as Legal Officer and set up in the Legal Department, a recovery unit and a fixed and floating charge unit responsible for the in-house preparation of charges.

She is presently the Senior Executive Officer – Legal, responsible for the overall operational and strategic functions of the Legal Department and advises the Group in all legal matters. She also acts as Company Secretary to the State Insurance Company of Mauritius Ltd, SICOM General Insurance Ltd and SICOM Financial Services Ltd.

Corporate Governance Report

Management Team

Suzanne H Y K LEUNG LAM HING

Chief Operating Officer, SICOM General Insurance Ltd

The profile of Suzanne H Y K LEUNG LAM HING can be found on page 22.

Surendranath (Kiran) ANCHARAZ

Acting Senior Executive Officer - General Insurance

Executive Masters in Business Administration, IIELM, India
Bachelor's Degree in Economics, Delhi University, India

Kiran Ancharaz joined SICOM General Insurance Ltd in January 2019 after gaining more than 19 years of experience in the insurance sector. He has a sound knowledge of General Insurance products, Underwriting, Claims and Marketing, among others and is well acquainted with most forms of distribution for an insurance company, while driving top line growth and profitability. He is currently the Ag Senior Executive Officer and is responsible for the management of the overall General Insurance Business Operations of the Company.

Irshad CHOOLUN

Deputy Manager, Head Casualty

Chartered Insurance Practitioner UK
Associate of the Chartered Insurance Institute UK
Bachelor's Degree in Actuarial Science, University of Cape Town RSA

Irshad Choolun joined SICOM in 2018 after having worked for leading insurance groups in Mauritius and Sub Saharan Africa. He is currently the Deputy Manager - Head Casualty at SICOM General Insurance Ltd and is responsible for the administration and development of the Accident and Health, Liability, Miscellaneous and Specialist classes of business. He also oversees the Reinsurance, Statistics and Actuarial functions of the Company.

Corporate Governance Report

Management Team

Ashley Kumar MOTI

Deputy Manager, Head Motor

During his 37 years dedicated to SICOM Group, Ashley Moti has occupied several posts at supervisory, technical and managerial positions. He has managed the SICOM Customer Care and Marketing Departments for over 8 years handling Life, Personal Pensions, Property, Motor along with Investment products. He is currently in charge of the Motor Department.

Ashvin SOOKENRAM

Deputy Manager, Head Property & Engineering

Bachelor of Arts in Economics with Honours Degree from University of Delhi
MSc in Insurance and Risk Management from City University Business School, London

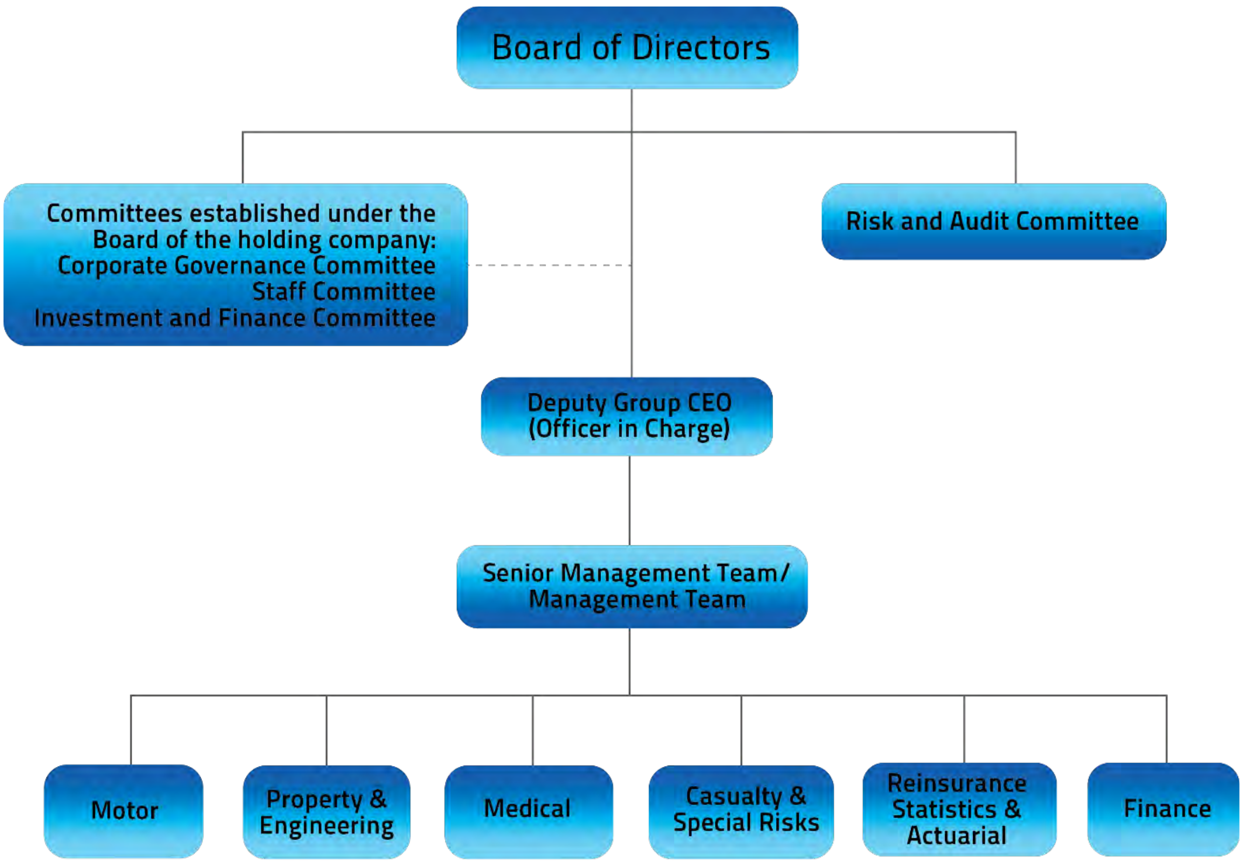
With nearly 20 years' experience in the Insurance Industry, Ashvin Sookenram started his career as a Reinsurance Broker for a leading South African Firm based in Mauritius before joining SICOM in 2002.

As Deputy Manager/Head in General Insurances from 2003 onwards, he has assumed several responsibilities. He has been instrumental in shaping the Financial Risks Portfolio and has developed collaborative working relationships within the local market. He currently oversees Medical Insurance along with Property, Engineering and Transportation Insurances, and assists in Risk Management requirements of the Company.

Corporate Governance Report

Organisational Chart

The Company operates within a defined governance framework with clear lines of authority, accountability and responsibility as illustrated in the chart below:



Support Services are outsourced to the holding company

Corporate Governance Report

The Structure of the Board and its Committees

The Directors' profiles appear on pages 19 to 22.

Board Size and Composition

The Company has a unitary Board offering the right balance of skills, experience and diversity. It is composed of one (1) Executive Director, three (3) Non-Executive Directors, four (4) Independent Directors, who are all residents of Mauritius. The Company complies with the statutory number of Directors required and has a Board Charter which is reviewed by the Board as and when required.

It is to be noted that the Ag Group Chief Executive Officer retired in early 2020 and another Executive Director will be appointed at the next Annual Meeting of Shareholders.

The Independent and the Non-Executive Directors come from diverse business backgrounds and they possess the skills, objectivity, integrity, experience and commitment to make sound judgments on various key issues relevant to the business of the Company. The Independent and the Non-Executive Directors do not have any involvement in the operations of the Company and none of the appointed Independent Directors were employed by the Company during the past three (3) years.

Having taken into consideration the varied director profiles that the Company needs, as per the Board Charter, coupled with the number of sub-committees that are presently assisting the Board in the discharge of its responsibilities and the current number of Directors with their mix of knowledge, skills and experience, the Board is of opinion that these are sufficient to effectively meet the requirements of the Company.

In order to strike gender balance, the Code provides that all organisations should have Directors from both genders as members of the Board – i.e. at least one (1) male and one (1) female Director. The Board currently comprises of six (6) male and two (2) female Directors.

Corporate Governance Report

Other Directorships held by Members of The Board

M Y Salemohamed – State Insurance Company of Mauritius Ltd, SICOM Financial Services Ltd, SICOM Global Fund Limited, Aurdally Bros & Co Ltd and Genuine Services Ltd

K G Bhoojedhur-Obeegadoo – State Insurance Company of Mauritius Ltd, SICOM Financial Services Ltd, SICOM Global Fund Limited, SICOM Management Limited, MCB Group Limited and MCB Equity Fund Ltd

C Dussoye – Beach Casinos Ltd, Capital Asset Management Ltd, Compagnie Mauricienne D'Hippodrome Ltd, Guibies Holdings Ltd, Guibies Properties Ltd, Mauritius Cargo Community Services Ltd, Mauritius Shipping Corporation Ltd, , Morning Light Co. Ltd, National Equity Fund Ltd, Prime Real Estate Ltd, SIC Fund Management Ltd and Sun Casinos Ltd

R Ballah – AFRI-IMEX Commodities Limited, International LuxeMerken Ltd, International Pay Gateway Ltd, Kennigton Food Ltd, LuxeMerken Limited, Madrida Property Ltd, Merchant Gateway Ltd, Rashmari Holdings Ltd and RIHABA Holdings Ltd

Corporate Governance Report

Attendance at Board Meetings and Committee Meetings

Below is a record of all Board and Committee meetings held during the financial year 2019-2020:

Board Composition	Classification	Board	Risk and Audit Committee
№ of Meetings held		5	4
Directors' attendance during their period of directorship			
M Y Salemohamed	Non-Executive Director	5 of 5	
R Ballah	Independent Director	5 of 5	4 of 4
A Balluck	Independent Director	4 of 5	4 of 4
K G Bhoojedhur-Obeegadoo	Non-Executive Director	5 of 5	
B Boodhoo	Independent Director	5 of 5	4 of 4
C Dussoye	Non-Executive Director	4 of 5	3 of 4
V K Koonjoo	Independent Director	4 of 5	
H Y K Leung Lam Hing	Executive Director	5 of 5	
J M C G Chaperon (up to 19 December 2019)	Executive Director	0 of 3	

Corporate Governance Report

Board Committee

Mandate

The Board has established a Risk and Audit Committee to assist it in the discharge of its responsibilities.

The Risk and Audit Committee has its own charter, approved by the Board and which may be reviewed as and when required. It assists the Board of Directors in fulfilling its oversight responsibilities related to corporate accounting, financial reporting practices, quality and integrity of financial reports, compliance, internal controls, risk management and business ethics.

Composition

The Charter of the Risk and Audit Committee provides that it shall comprise of at least three (3) Non-Executive Directors appointed by the Board and the majority shall be Independent Non-Executive Directors. The Chairperson shall be an Independent Director.

The Committee shall meet at least four (4) times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. During the financial year 2019/2020, the Committee met four (4) times.

The current composition of the Committee is found on page 7.

The following Committees established by the Board of the Holding Company, details of which are available in SICOM's Annual Report, also look at matters pertaining to the Company:

- Corporate Governance Committee
- Staff Committee
- Investment and Finance Committee

Matters discussed in the above committees are referred to the Company's Board.

Corporate Governance Report

Directors' Appointment Procedures

New Directors are appointed on the basis of objective criteria that encompasses individual skills and talent, knowledge, experience, independence and their ability to act in the best interest of the Company. This exercise acknowledges the benefits of diversity on the Board and this include gender and age. Each Director is elected by a separate resolution at the Annual Meeting of Shareholders to hold office until the next Annual Meeting of Shareholders at which he/she may be eligible for re-election.

The Corporate Governance Committee of the Holding Company reviews the profile of prospective Directors and makes its recommendations to the Board for approval. Once a prospective Director has been selected, his/her appointment is put forward to the shareholders at the Annual Meeting or by way of resolution for appointment. The appointment of Directors is subject to the approval of the Financial Services Commission.

It is to be noted that, the total number of directors shall not at any time be less than seven (7) as prescribed by the Insurance Act 2005.

As part of its mandate, the Board carefully considers the needs of the organisation in appointing Directors. The Board considers the following factors before appointing a new Director:

- Skills, knowledge and expertise of the candidate
- Previous experience as a Director
- Balance required on the Board such as gender and age
- Independence where required
- Conflicts of interest

Upon appointment, Non-Executive Directors are given a letter accordingly.

Directors' Duties, Remuneration and Performance

Legal Duties

All the Directors on the Board, including any alternate Director, are aware of their fiduciary duties and responsibilities at the time of their appointment. New Directors are given a copy of the Financial Services Act 2007, the Insurance Act 2005 and relevant extracts of the Companies Act 2001 regarding their statutory duties and responsibilities.

Corporate Governance Report

Remuneration

The Company has a remuneration policy which was adopted by the Board on 11 September 2019. The remuneration of the Directors is disclosed in Section 221, as included in the Financial Statements.

Code of Ethics

The Group's Code of Ethics for Directors and the Group's Code of Ethics for Employees were approved by the Board and published on the Group's website. Both Directors and employees are made aware of the requirements of their respective Code.

The Board monitors compliance with the Code of Ethics on an ongoing basis.

Conflicts of Interest

Directors should disclose any interest that they have including related party transactions, to the Board. An Interest Register is maintained by the Company Secretary and is updated as and when required. The Register may be made available to the Shareholders of the Company upon request to the Company Secretary.

It is also to be noted that, at the end of each financial year, Directors are requested to fill in a disclosure of interest form.

Information Technology and IT Security

The Company's Information Security Policy is a key component of the Group's overall Information Security Management Framework and reflects the commitments of Management to information security. This policy aims to establish and maintain the security and confidentiality of information, information systems, applications and networks owned or held by the Group. In this respect, security solutions are continuously sought to keep abreast of new security threats. Other policies under information governance include the password-protection and monitoring access to computer systems. Security solutions, such as anti-virus software, are regularly updated and encryption is used to protect sensitive information. These policies apply to all information, information systems, networks, applications, locations and users of the Group.

Assessment and Evaluation of Board Members

An evaluation of the effectiveness of the Board and its Committee was conducted internally and the method employed to secure relevant information was done through questionnaires. Overall, Directors were satisfied with the performance of the Board and its Committee.

Evaluation of the Chairman and the Directors on an individual basis was also done.

Corporate Governance Report

Succession Planning and Induction

The Board ensures that suitable plans are in place for the orderly succession of appointments to the Board and to senior executive positions in order to maintain an appropriate balance of knowledge, skills and experience on the Board and within the Company.

Upon appointment all Directors receive suitable induction and orientation programme.

Risk Governance and Internal Control

The Board is responsible for the governance of risk and for determining the nature and extent of the principal risks the Company is willing to take in the achievement of its strategic objectives.

The complete Risk Management Report can be found at pages 39 to 45.

Reporting with Integrity

The SICOM Group is laying down the foundation for integrated reporting incorporating enhanced elements on value proposition to stakeholders and how the Company engages with them. The business model and the value creation are available in SICOM's annual report.

Code of Conduct

The Company is committed to ethical practices in the conduct of its business and its Code of Conduct sets out standards of business behaviour for its employees.

Donations

The Group and the Company did not make any political donation during the financial year 2019/2020.

Audit

Directors' Responsibilities

The Directors are responsible for the fair preparation of the financial statements in accordance with International Financial Reporting Standards and all the requirements of the Companies Act 2001, the Insurance Act 2005 and Financial Reporting Act 2004 and any internal controls as the Directors deem necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Any deviations from the above will be reported in the independent auditor's report attached to the financial statements.

Corporate Governance Report

Internal Audit

The Internal Audit function has the overall responsibility of providing independent and objective assurance designed to add value and improve the Company's operations. The scope of work of the Internal Audit function is to enable the Company to accomplish its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its risk management, control, information systems and governance processes.

The Internal Audit function reports to the Risk and Audit Committee and it derives its authority from the Board. The Internal Audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management but is not responsible for the implementation of the controls.

The Internal Auditor has a direct reporting line to the Risk and Audit Committee and maintains an open and constructive communication channel with Management. He has unfettered access to the records, Management or employees of the Company. This reporting structure allows the Internal Auditor to remain independent and report all items of significance to the Risk and Audit Committee. The Internal Auditor's profile is available on the Group's website.

The scope of work of the Internal Audit function encompasses:

- Assessing financial and operating information and the means used to initiate, authorise, record, process and report such information to validate the reliability and integrity of the process
- Ascertaining the extent of compliance with good internal accounting controls, established policies and procedures, laws and regulations
- Reviewing the means to safeguard assets as well as the adequacy and effectiveness of applicable policies and practices
- Appraising the economy and efficiency with which processes are executed and resources are employed
- Reviewing operations and programs to ascertain whether results are consistent with established objectives
- Participating in special projects and/or assignments

The Internal Audit Plan which is approved by the Risk and Audit committee, is based on the principles of risk management and aims to ensure that the scope of work is aligned with the degree of risks attributable to the areas to be audited.

Corporate Governance Report

During the financial year ended 30 June 2020 the Internal Audit function conducted a review on Claims Processing and Monitoring for the Motor and Non-Motor businesses. In addition, an ad-hoc audit inspection was carried out on Records of Premiums Received in the Finance section.

Subsequent to the findings of the reviews conducted, the Internal Audit function makes appropriate recommendations to the Risk and Audit Committee and Management and monitors their implementation.

External Audit

The Risk and Audit Committee and External Auditors

The roles and responsibilities of the Risk and Audit Committee members in the external audit process consist in:

- Considering and making recommendations to the Board, to be put to shareholders for approval at the Annual Meeting of Shareholders, in relation to the appointment, reappointment and removal of the Company's external auditor
- Meeting with the external auditor and financial management of the Company to review the scope of the proposed external audit for the current year
- Reviewing the remuneration of the external auditor and their provision of non-audit services
- Assessing the external auditor's performance as and when required and their independence in providing non-audit services
- Meeting with the external auditor, as and when required and at least once a year, without Management being present to discuss the auditor's remit and any issues arising from the audit
- Reviewing the appropriateness of accounting standards and making appropriate estimates and judgments taking into account the views of external auditors
- Examining and reviewing the quality and integrity of the financial statements, including the Annual Report

Reappointment of External Auditors

The Board of Directors of the Company had recommended the appointment of Ernst & Young as the external auditors of the Company for the financial years 2018-2022 following a tender exercise. Section 200 of the Companies Act 2001 provides for the automatic reappointment of auditors applicable for this financial year.

The provision of non-audit services is subject to a tender process so as to ensure that the nature of the non-audit services, if provided by the external auditors, could not be perceived as impairing their independence on the external audit exercise.

Corporate Governance Report

Auditors' Fees and Fees for other services

	2020 Rs'000	2019 Rs'000
Ernst & Young		
Statutory Audit	**729**	694
Review of Tax Computation	**101**	97
Other services	**345**	-

Quality Assurance

The Quality Management System in place within the Company is continually being improved by a dedicated and motivated workforce that places particular emphasis on the Company's clients, its people and other stakeholders. The Quality Objectives as set for the Group is key in the prime objective of maximising shareholder's value.

Relations with Shareholders and other Key Stakeholders

Key stakeholders of the Group and the principal ways in which we engage with them are found on pages 11 to 14.

Shareholders' Diary

Financial year-end	30 June 2020
Audited Financial Statements for the year ended 30 June 2020	30 September 2020
Statutory Returns to Financial Services Commission	September 2020
Annual Meeting	October 2020
Dividend payment	October 2020

Corporate Governance Report

Shareholders’ Communication

The Company holds an Annual Meeting of Shareholders with prior notice given to the shareholders and the latter are required to express their vote on matters which include the approval of accounts, approval of dividends and appointment/reappointment of Directors.

Dividend Policy

The Company’s objective is to provide value to its shareholders through an optimum return on equity. Dividends are proposed and paid after taking into consideration the profit after taxation, projects, technical provisions and appropriations to statutory and other reserves for ongoing operational activities. Dividends are only authorised and paid out if the Company shall, upon the distribution being made, satisfy the Solvency Test. The current policy of dividend distribution is a minimum of 25% of the profit after tax of the Company. For the financial year 2019/2020, the Company declared a dividend of 75% of the profit after tax, i.e. Rs 248.53 (2018/2019: Rs148.04) per share.

Corporate Governance Report

Statement of Compliance

(Section 75(3) of the Financial Reporting Act)
Name of PIE: SICOM General Insurance Ltd
Reporting period: Year ended 30 June 2020

Throughout the year ended 30 June 2020, to the best of the Board's knowledge, the Company has applied most of the recommendations of the Code and measures will be taken, during the next financial year, to address the parts which have not been complied with during this financial year.

M Y SALEMOHAMED
Chairman

H Y K LEUNG LAM HING
Director

Date: 24 SEP 2020

Secretary's Certificate

I certify to the best of my knowledge and belief that for the year ended 30 June 2020, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

Theresa M Lee Shing Po
Company Secretary
SICOM General Insurance Ltd

Date: 24 SEP 2020

Risk Management Report

Taking risks is inherent to the insurance business, but such risk-taking needs to be made in an informed and disciplined manner, and within a pre-determined risk appetite and tolerance. Enterprise Risk Management ('ERM') is a structured framework aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties the Company faces as it creates value.

The objective of the ERM Framework is to support the Board of Directors' efforts to prudently run the Company by consistently and effectively identifying, assessing, managing, monitoring and reporting all material risks facing the Company. A fully integrated ERM framework enables an enhanced understanding of the Company's risk profile by providing a platform for analysing the interrelationship between risks.

Risk management magnifies value creation by embedding disciplined risk taking in the Company culture and contributes to an optimal risk-return profile where risk reward trade-offs are transparent, understood, and risks are appropriately rewarded.

Regulatory Requirements

The Insurance (Risk Management) Rules 2016 ('the Rules') issued by the Financial Services Commission require insurers, registered under the Insurance Act 2005, to establish and at all times maintain a Risk Management Framework to effectively develop and implement strategies, policies, procedures and controls to manage their material risks. In doing so, insurers need to establish (and Board approve) the following:

- Risk Appetite Statement
- Risk Management Strategy
- 3-year Business Plan
- Own Risk & Solvency Assessment
- Liquidity Policy
- Designated Risk Management Function
- Defined Roles and Reporting Lines

The existing ERM Framework ensures that all requirements of the Rules are being complied with.

Risk Management Report

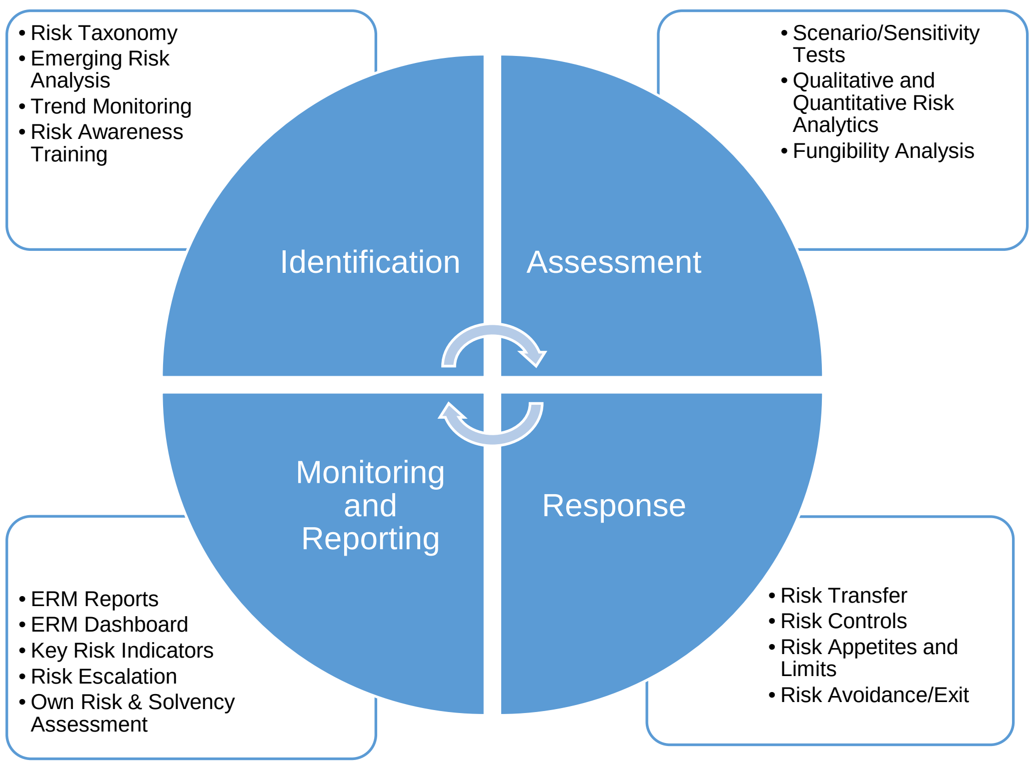
Key Elements of ERM

Elements		Our approach
Align ERM process to goals and objectives Ensure that the ERM process maximises the achievement of our objectives and results		Strategic objectives are examined by regularly considering how uncertainties, both risks and opportunities, could affect the Company's ability to achieve its targets.
Identify Risks Assemble a comprehensive list of risks, threats and opportunities, that could affect the Company from achieving its goals and objectives		Through this element of ERM, the Company systematically identifies the sources of risks as they relate to strategic objectives by examining internal and external factors that could affect their accomplishment.
Assess Risks Examine risks considering both the likelihood of the risk and the impact of the risk on the mission to help prioritize risk response		Each risk is assessed by assigning the likelihood of the risk's occurrence and the potential impact if the risk occurs. Risks are ranked based on organisational priorities in relation to strategic objectives.
Select Risk Response Select a risk treatment response including acceptance, avoidance, reduction, sharing or transfer		The Company reviews the prioritized list of risks and selects the most appropriate treatment strategy to manage the risk.
Communicate and Report on Risks Communicate risks with stakeholders and report on the status of addressing the risks		Communicating and reporting risk information notify relevant stakeholders about the status of identified risks and their associated treatments, and assure them that risks are being managed effectively.

Risk Management Report

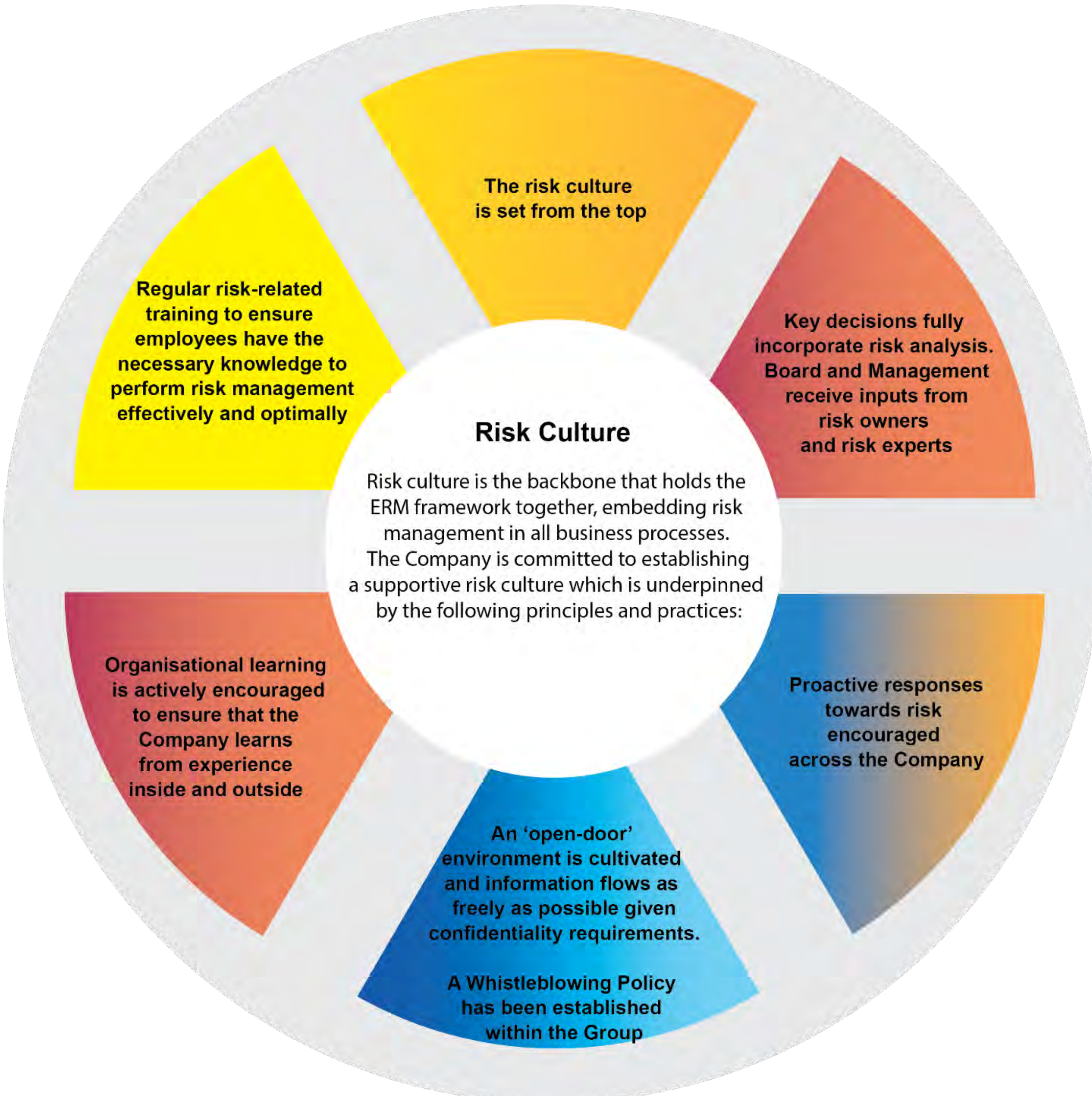
Risk Management Process

The Risk Management Process ('RMP') refers to the continuous cycle of identifying, assessing, monitoring, managing and reporting of risks, as applicable. The RMP is the cornerstone of any ERM framework and is formalised in a risk register. Below is a high-level depiction of the ERM processes embedded within the day-to-day business operations of the Company in managing its risk exposure.



Risk Management Report

Risk Culture

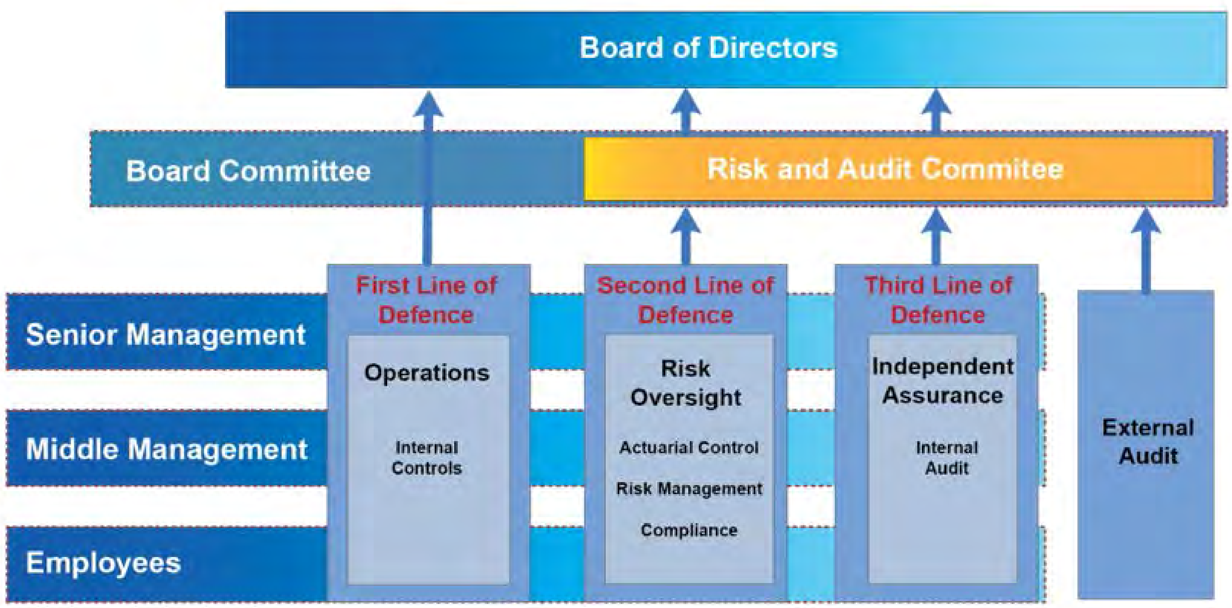


Risk Management Report

Risk Governance

For Risk Governance, the Company adopts the Three Lines of Defense Model. In this model, key functions and operations are grouped into three categories or lines of defense depending on their specific roles and responsibilities. For each line of defense, the corresponding functions' roles and responsibilities are defined so that they align with that particular line of defense.

Three Lines of Defence Model



Management of Key Risks

Within the Group's ERM framework, the key risk elements are categorized as Operational, Insurance, Market and Investment, Credit and Strategic risks. Key risks within each category are identified and ranked on a Group-wide basis. These risks are managed holistically, that is, risk management reflects interdependencies between risks. The Group uses an overarching risk management strategy, as such, most risk management processes and controls cater for more than one risk.

Risk Management Report

Operational Excellence

The risk of losses resulting from inadequate or failed internal processes, people, systems or from external events.

Insurance Risk

Risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

Market & Investment risk

Risk of financial loss arising from changes in market factors that affect the absolute or relative values of assets and liabilities.

Credit Risk

The risk that the Company will not receive cash flows or assets to which it is entitled, in a timely manner, because a party with which it has bilateral contract defaults on one or more obligations..

Strategic Risk

Risk of a change in the value of the insurer due to the inability to implement appropriate business plans and strategies, make decisions, allocate resources or adapt to changes in the business environment.

Risk Management Report

Business Continuity

Business Continuity sets out the capability of the Company to ensure that its operations continue and that its products and services are delivered at pre-defined levels, that its brands and value-creating activities are protected, and that the reputations and interests of its key stakeholders are safeguarded whenever disruptive incidents occur.

The Company recognises that the consequences of remote risks such as natural catastrophes, pandemics or technology failure constitute a major challenge to doing business and will likely weigh on its ability to operate normally. In response to these disruptive incidents, the current business continuity plan is continuously being updated across the Group, where the possible impacts of these disruptions are being analysed, and appropriate measures are being put in place to build organisational resilience. A pandemic business continuity plan will also be developed to cater for this emerging pandemic risk.

Furthermore, the use of remote access, such as “Work-From-Home”, has also increased the vulnerability to cyber-attacks. The initial cyber security assessment is being enhanced to cater for the new threats and vulnerabilities and the roadmap will be updated accordingly and appropriate actions will be implemented.

Business Planning

The Company does not just manage its risk exposure at a particular point in time, but also on a forward-looking basis. This is done by looking at the impact of risk over a longer time span, both when considering the financial impact of a material new business venture, and for SICOM as a whole (together with each of its legal entities).

A detailed three-year business plan has been prepared and includes financial forecasts and projected solvency positions. The business plan is also adjusted for any known deviations from the previous business plan and is reviewed at least annually at the same time the Company performs its annual Own Risk and Solvency Assessment.

Statement of Directors' responsibilities

The Directors acknowledge responsibility for:

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

(ii) the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year 2019/2020 and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards, and

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

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 been maintained,

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

(iii) International Financial Reporting Standards have been adhered to.

Acknowledgement

The Board of Directors would like to thank the former Acting Group CEO, Mr J M C G Chaperon for his commitment to the Company and his contribution to the Board.

The Board of Directors expresses its deep appreciation of the support given to all the stakeholders of the Company by the Government of Mauritius, the Financial Services Commission, Reinsurers, Insurance and Reinsurance Brokers, Investment Managers, Bankers and Insurance Agents and Salespersons. The Board of Directors is also thankful to its customers and stakeholders for their loyalty and trust and would like to thank Management and staff for their dedicated effort and commitment to the Company.

Signed on behalf of the Board of Directors.

M Y SALEMOHAMED
Chairman

H Y K LEUNG LAM HING
Director

Date: 24 SEP 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SICOM GENERAL INSURANCE LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SICOM General Insurance Ltd (the "Company") set out on pages 52 to 106 which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Company as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, the Financial Reporting Act 2004 and the Insurance Act 2005.

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 of the Company and in Mauritius, 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.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Valuation of insurance contract liabilities	
The valuation of general insurance loss reserves amounting to Rs. 379.8m (2019: Rs. 260.7m) involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Company uses a range of actuarial methodologies namely the Cape Cod method and Chain-Ladder method (Refer to Note 5 of the financial statements) to estimate these provisions. General insurance loss reserves require significant judgement relating to factors and assumptions such as inflation, claims development patterns and regulatory changes.	We obtained an understanding, evaluated the design and tested the operating effectiveness of selected key controls over the claims estimation process including Incurred But Not Reported (IBNR). In particular, we tested the controls over the integrity of data and the assumptions setting and governance processes used by management related to the valuation of general insurance reserves.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SICOM GENERAL INSURANCE LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Valuation of insurance contract liabilities	
Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, some catastrophic events can be more complex to model using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves. Refer to Note 14(b) of the financial statements. Given its complexity and significance, valuation of insurance contract liabilities has been considered as a Key Audit Matter.	In relation to the particular matters set out above, our substantive testing procedures included the following: • We reviewed the documentation around outstanding claims which are high in value and involving longer settlement periods and tested management best estimates of the settlement outcome. Where appropriate, we obtained legal confirmation to corroborate management's assessment; • We tested the completeness and accuracy of underlying claims data that are sent to the actuary in estimating general insurance loss reserves. This includes the testing of information sent to the actuary for the determination of IBNR; • We evaluated the actuarial assumptions used by management based on the analysis of the experience to date, industry practice and the financial and regulatory requirements; • With the support of our internal specialist, we tested the assumptions, inputs and formulas used in the IBNR model. This included assessing the appropriateness of model design, formulas used, recalculating the IBNR based on management's model. • We evaluated management's methodology and assumptions against actuarial practices and industry standards; and • We evaluated whether the actuary has the relevant expertise and experience in this field.

Other Information

The directors are responsible for the other information. The other information comprises the Annual Report and Secretary's Report as required by the Companies Act 2001, and the Corporate Governance Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information (except the Corporate Governance Report) and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SICOM GENERAL INSURANCE LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information (Continued)

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 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.

Corporate Governance Report

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, the Financial Reporting Act 2004 and the Insurance Act 2005 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 intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SICOM GENERAL INSURANCE LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- 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 director'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 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.

Use of the report

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

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

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.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SICOM GENERAL INSURANCE LTD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONTINUED)

Insurance Act 2005

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

ERNST & YOUNG
Ebène, Mauritius

PATRICK NG TSEUNG, A.C.A
Licensed by FRC

Date: 24 SEP 2020

SICOM GENERAL INSURANCE LTD
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	2020	2019
		Rs'000	Rs'000
NON-CURRENT ASSETS			
Property and equipment	6	**2,800**	3,005
Intangible assets	7	**4,202**	5,220
Right of use assets	8(a)	**47,690**	-
Financial Assets at FVOCI	9 (a)	**26,798**	36,528
Financial Assets at FVTPL	9 (b)	**-**	66
Financial Assets at Amortised Cost	9 (c)	**676,739**	576,363
Loans and advances	10	**9,276**	12,040
Deferred tax assets	11(b)	**27,507**	21,866
		795,012	655,088
CURRENT ASSETS			
Loans and advances	10	**2,412**	133
Insurance and other receivables	12	**385,382**	371,649
Prepayments		**933**	1,074
Deferred acquisition costs receivables	14(d)	**26,237**	22,264
Reinsurance assets	14(a)	**589,838**	462,076
Financial Assets at Amortised Cost	9 (c)	**148,808**	141,684
Cash and cash equivalents		**56,166**	68,446
		1,209,777	1,067,326
TOTAL ASSETS		**2,004,788**	1,722,414
EQUITY AND LIABILITIES			
Stated capital	18	**25,000**	25,000
Reserves		**134,503**	143,951
Subordinated loan	19	**341,625**	341,625
TOTAL EQUITY		**501,128**	510,576
NON-CURRENT LIABILITIES			
Lease liabilities	8(b)	**41,616**	-
Pension benefit obligations	20(a)iii	**164,561**	133,036
		206,177	133,036
CURRENT LIABILITIES			
Insurance contract liabilities	14(a)	**897,115**	727,741
Deferred acquisition costs payables	14(e)	**37,402**	31,898
Trade and other payables	16	**289,800**	267,192
Lease liabilities	8(b)	**7,310**	-
Dividend	17	**62,133**	37,011
Current tax liabilities	15(a)	**3,723**	7,090
Bank overdraft		**-**	7,870
TOTAL CURRENT LIABILITIES		**1,297,483**	1,078,802
TOTAL LIABILITIES		**1,503,660**	1,211,838
TOTAL EQUITY AND LIABILITIES		**2,004,788**	1,722,414

These financial statements have been approved for issue by the Board of Directors on 24 SEP 2020

M Y SALEMOHAMED
Chairman

H Y K LEUNG LAM HING
Director

The notes on pages 57 to 106 form an integral part of these financial statements. Auditors' report on pages 47 to 51.

SICOM GENERAL INSURANCE LTD
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020	2019
		Rs'000	Rs'000
Gross insurance premiums	13(a)	1,137,267	968,637
Premium ceded to reinsurers	13(b)	(570,351)	(499,150)
Net earned premiums		566,916	469,487
Gross claims paid	14(b)	575,086	619,150
Claims settled from reinsurers	14(b)	(259,978)	(321,496)
Gross change in contract liabilities	14(b)	119,050	(133,648)
Change in contract liabilities ceded to reinsurers	14(b)	(96,403)	122,018
Net claims incurred		337,755	286,024
Commissions receivable from reinsurers	14(f)	81,829	63,258
Commissions paid to agents and brokerage fees	14(g)	(74,988)	(54,824)
		6,841	8,434
Underwriting surplus		236,002	191,897
Interest Income using effective interest rate	21	41,029	39,366
Other Investment income	21	1,273	2,278
Credit loss expenses	9(c)	(345)	(57)
Net loss on financial assets at fair value through profit or loss		-	(8)
Revenue from contract with customers	22(a)	386	409
Other income	22	12,427	5,973
		290,772	239,858
Administrative and other expenses	23	(199,669)	(180,148)
Profit from operations		91,103	59,710
Finance costs	8(c)	(2,846)	-
PROFIT BEFORE TAX		88,257	59,710
Income tax expense	15(c)	(5,414)	(10,364)
PROFIT FOR THE YEAR		82,843	49,346

The notes on pages 57 to 106 form an integral part of these financial statements. Auditors' report on pages 47 to 51.

SICOM GENERAL INSURANCE LTD
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020	2019
		Rs'000	Rs'000
Profit for the year		**82,843**	49,346
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	20(a)(iii)	**(23,998)**	(46,350)
Income tax relating to components of other comprehensive income	11(a)	**4,080**	7,880
		(19,918)	(38,470)
Net loss on equity investment at fair value through other comprehensive income	9 (a)	**(10,240)**	(3,870)
Other comprehensive income		**(30,158)**	(42,340)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**52,685**	7,006

The notes on pages 57 to 106 form an integral part of these financial statements. Auditors' report on pages 47 to 51.

SICOM GENERAL INSURANCE LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Stated Capital	Retained Earnings	Actuarial Losses	Fair Value Reserve	Subordinated Loan	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at 01 July 2019		25,000	237,085	(91,789)	(1,345)	341,625	510,576
Effect on adoption of IFRS 16		-	-	-	-	-	-
Balance at 01 July 2019 (as restated)		25,000	237,085	(91,789)	(1,345)	341,625	510,576
Profit for the year		-	82,843	-	-	-	82,843
Other comprehensive income		-	-	(19,918)	(10,240)	-	(30,158)
Total comprehensive income for the year		-	82,843	(19,918)	(10,240)	-	52,685
Dividend	17	-	(62,133)	-	-	-	(62,133)
Balance at 30 June 2020		**25,000**	**257,795**	**(111,707)**	**(11,585)**	**341,625**	**501,128**
Balance at 01 July 2018		25,000	225,222	(53,319)	2,640	341,625	541,168
Effect on adoption of IFRS 9			(472)	-	(115)		(587)
Balance at 01 July 2018 (as restated)		25,000	224,750	(53,319)	2,525	341,625	540,581
Profit for the year		-	49,346	-	-	-	49,346
Other comprehensive income		-	-	(38,470)	(3,870)	-	(42,340)
Total comprehensive income for the year		-	49,346	(38,470)	(3,870)	-	7,006
Dividend	17	-	(37,011)	-	-	-	(37,011)
Balance at 30 June 2019		25,000	237,085	(91,789)	(1,345)	341,625	510,576

The notes on pages 57 to 106 form an integral part of these financial statements. Auditors' report on pages 47 to 51.

SICOM GENERAL INSURANCE LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020	2019
		Rs'000	Rs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**88,257**	59,710
Adjustments for:			
Depreciation of property and equipment	6	**883**	962
Depreciation of right of use assets	8(c)	**5,700**	-
Interest expense on lease liabilities	8(c)	**2,846**	-
Amortisation of intangible assets	7	**1,307**	1,094
Pension benefit obligations	20(a)(vi)	**13,668**	10,813
Credit loss expenses	9(c)	**345**	57
Net loss on financial assets at fair value through profit or loss		**-**	8
Investment and other investment income	21	**(42,302)**	(41,644)
Operating cash flows before working capital changes		**70,704**	31,000
Increase in insurance and other receivables and prepayments		**(14,038)**	(147,791)
(Increase)/decrease in reinsurance assets		**(127,762)**	75,563
Increase in deferred acquisition costs receivables		**(3,973)**	(5,860)
Increase/(decrease) in trade and other payables		**22,608**	112,577
Increase in deferred acquisition costs payable		**5,504**	5,734
Increase/(decrease) in insurance liabilities		**169,374**	(48,931)
Net cash flows generated from operations		**122,417**	22,292
Interest received		**39,968**	36,919
Interest expense		**(2,846)**	-
Dividend received		**1,720**	2,228
Income tax paid	15(a)	**(10,342)**	(6,861)
Contribution paid on retirement benefit obligations	20(a)(iii)(v)	**(6,141)**	(5,556)
Net cash flows generated from operating activities		**144,776**	49,022
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(678)**	(888)
Purchase of intangible assets	7(a)	**(289)**	(1,774)
Proceeds on disposal /maturity of financial assets	9(d)	**183,571**	324,976
Purchase of financial assets	9(d)	**(290,800)**	(354,534)
Loans advanced	10	**(2,772)**	(3,889)
Loans repaid	10	**3,257**	3,918
Net cash flows used in investing activities		**(107,711)**	(32,191)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal portion - lease liabilities	8(b)	**(4,464)**	-
Dividend paid	17	**(37,011)**	(25,788)
Net cash used in financing activities		**(41,475)**	(25,788)
Net decrease in cash and cash equivalents		**(4,410)**	(8,957)
CASH AND CASH EQUIVALENTS AT 01 JULY		**60,576**	69,533
CASH AND CASH EQUIVALENTS AT 30 JUNE		**56,166**	60,576
CASH AND CASH EQUIVALENTS			
Bank and cash balances		**56,166**	68,446
Bank overdraft		**-**	(7,870)
		56,166	60,576

The notes on pages 57 to 106 form an integral part of these financial statements.
Auditors' report on pages 47 to 51.

1. GENERAL INFORMATION

SICOM General Insurance Ltd is a Public Limited Company, incorporated in the Republic of Mauritius on 22 April 2010. Its registered office is situated at Sir Celicourt Antelme Street, Port Louis, Mauritius. The principal activity of the Company is to transact General Insurance Business.

The Company has started trading as a separate company as from 01 July 2010, when the transfer of assets and liabilities has been finalised.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of Shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of SICOM General Insurance Ltd comply with the companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the international Accounting Standard Board ('IASB'). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'000), except when otherwise indicated.

The financial statements have been prepared under the historical cost basis except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are stated at their fair value.

2.2 Changes in accounting policies

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below. Several other amendments and interpretations apply for the first time in 2019, but did not have an impact on the financial statements of the Company. The Company has not opted for early adoption of any other standards, interpretations or amendments that have been issued but are not yet effective.

	Effective for accounting period beginning on or after
IFRS 16 – Leases	1 January 2019

IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as having a remaining lease term of less than 12 months from the date of initial application.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies IFRS 15. A lessee can choose to apply the Standard using either a full or modified retrospective approach. The Company has elected to apply the modified retrospective approach where an amount equal to the lease liability adjusted by the amount of any prepaid lease payment relating to that lease is recognised in the statement of financial position on 1 July 2019.

(a) Classification and measurement

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

IFRS 16 Leases (continued)

Nature of the effect of adoption of IFRS 16

The Company has lease contracts for office space. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised, and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Under adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for all leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets relating to Property, plant and equipment for these leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Included the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used existing agreements and clauses therein in determining the lease term where the contract contains options to extend or terminate the lease

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019 as follows:

	Rs
Operating lease commitments as at 30 June 2019	**8,000,000**
Weighted average incremental borrowing rate as at 1 July 2019 (%)	**5.61**
Effect of Discounted operating lease commitments at 1 July 2019	**(425,070)**
Add:	
Adjustment as a result of a different treatment of termination options	**45,815,522**
Lease liabilities as at 1 July 2019	**53,390,452**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

IFRS 16 Leases (continued)

Company as a lessee

Accounting policy applicable before 1 July 2019

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Accounting policy applicable after 1 July 2019

Lessee

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Short-term leases and low value assets

The Company did not have short-term lease (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and the lease of low-value assets on the date of initial application of IFRS 16. Subsequently, lease payments on short-term leases and leases of low-value assets shall be recognised as expense on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting standards and interpretations issued but not yet effective

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Company has not early adopted them and intends to adopt those standards when they become effective.

	Effective for accounting period beginning on or after
New or revised standards	
IFRS 17 Insurance Contracts	1 January 2023
Amendments	
IFRS 3 Business Combinations – Definition of a Business	1 January 2020
IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
Conceptual Framework for Financial Reporting	1 January 2020
IFRS 3 Business Combinations – Reference to the Conceptual Framework	1 January 2022
COVID-19 Related Rent Concessions – Amendment to IFRS 16	1 June 2020

The following new standards are expected to impact the company:

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short - duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e. coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting standards and interpretations issued but not yet effective (Continued)

IFRS 17 Insurance Contracts (continued)

- Amounts that the policy holder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the statement of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense;
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a company of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt the new standard on the required effective date.

The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

The selection of IFRS 17 consultants has been launched and the selected consultants will start the project as soon as when the contract is awarded. As at 30 June 2020, the Company has not made any progress on the implementation of IFRS 17.

2.4 Property and Equipment

Property and Equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated to write off the cost of the assets on a straight-line basis over their estimated useful lives at the following rates: -

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

The assets' residual values, useful lives and depreciation method are reviewed and adjusted prospectively if appropriate at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5 Intangible assets - Computer Software

Computer software that is not considered to form an integral part of any hardware equipment is recorded as intangible assets. The software is capitalised at cost and amortised over its estimated useful lives of 2 - 9 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets - Computer Software (Continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.6 Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing at that date. Profits and losses arising on exchange are included in profit or loss for the year.

2.7 Financial assets

Initial recognition, classification and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Premium receivables are recognized and measured under IFRS 4 Insurance Contracts and are outside the scope of IFRS 9.

In order for a debt instrument to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

Financial assets at fair value through profit or loss (FVTPL)

This category has two sub-categories: 'financial assets held for trading and those designated at fair value through profit or loss at inception'. A financial asset is classified into the 'financial assets at fair value through profit or loss category at inception' if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

Convertible preference shares are classified as at fair value through profit or loss at inception.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are re-measured at fair value. Changes in fair value are recorded in net gain/ (loss) on financial assets at fair value through profit or loss.

Equity* instrument *at fair value through OCI

Upon initial recognition, the Company elects to classify irrevocably its investment in equity securities as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case such gains are recorded in OCI. Equity instrument at FVOCI are not subject to impairment.

Derecognition of financial assets

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

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

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

Impairment of financial assets

Overview of the ECL principles

From 1 July 2018, the Company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, in this section all referred to as 'financial instruments. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 5.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process the Company groups its loans and other debt instruments into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1: When exposures are first recognised, the Company recognises an allowance based on 12m ECLs. Stage 1 instruments also include facilities where the credit risk has improved, and the instrument has been reclassified from Stage 2.
- Stage 2: When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 instruments also include facilities, where the credit risk has improved, and the instrument has been reclassified from Stage 3.
- Stage 3: debt instruments considered credit-impaired. The Company records an allowance for the LTECLs.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The ECL on financial assets at amortised cost has been calculated using the PD times the LGD times the EAD. The PD was determined using the provision matrix for converting the credit rating of the country into a PD. The Company has used the Basel rate for the LGD. The portfolio of financial assets at amortised cost comprise of investment grade bonds and deposits issued by reputable financial institutions. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

Impairment of financial assets **(Continued)**

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- EAD The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

- Stage 2: When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Significant accounting estimates

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Wrong estimation of the Probability of Default and Loss Given Default can impact the Company's assessment of ECL. The Company is using reliable sources, such as Standards & Poor and Moody's transitional matrix and Basel to determine the PD and the LGD respectively. The Company will continue to rely on these sources as the portfolio of financial assets at amortised cost comprise mainly of investment grade assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial liabilities

The adoption of IFRS 9 has not materially impacted the initial recognition, classification and measurement of financial liabilities.

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss or at amortised cost. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in case of amortised cost, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts and amount due to holding company.

Subsequent measurement

Financial Liabilities at amortised cost.

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

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

Derecognition of financial liabilities

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

2.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.10 Fair value measurement

The Company measures financial assets at fair value through OCI and FVTPL at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 4.6.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability`

The principal or the most advantageous market must be accessible to by the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Fair value measurement (Continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company’s investment committee determines the policies and procedures for both recurring fair value measurement such as available for sale financial assets.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.11 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholder. Interim dividends are deducted from equity when they are approved.

Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

2.13 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date, in the countries where the Company operates and generates taxable income. The income tax is recognised as a charge in profit or loss.

Deferred income tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable and there is convincing evidence that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Taxation (Continued)

Deferred income tax (Continued)

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Deferred income tax assets and deferred income tax liabilities are offset only where both criteria below are met:

(a) has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In accounting for the deferred tax relating to the lease, the Company considers both the lease asset and liability separately. The Company separately accounts for the deferred taxation on the taxable temporary difference and the deductible temporary difference, which upon initial recognition, are equal and offset to zero. Deferred tax is recognised on subsequent changes to the taxable and temporary differences.

Corporate Social Responsibility

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

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

Alternative Minimum Tax (AMT)

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with maturities less than 3 months from inception date and bank overdraft. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value. Bank overdraft is shown in current liabilities in the statement of financial position. Cash and cash equivalents are measured at amortised cost.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Pension benefit obligations

Defined Contribution plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

Defined Benefit plan

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

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

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

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

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

State plan and Defined Contribution plan

Contributions to the National Pension Scheme and defined contribution pension plan are expensed to profit or loss in the period in which they fall due.

2.16 Revenue recognition

(i) Premiums earned

Premium written is accounted for policies incepting in the financial year. Provision for unearned premium has been made and represents the proportion of premium written in the year, which relates to the unexpired terms of policies in force at the reporting date, calculated on the basis of the 365th method.

(ii) Investment and other income

Investment and income comprise of dividend and interest for the year. Dividend income is accounted when the right for payment is established. Interest income is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (continued)

(iii) Commission income

Commission income is accounted for the earned terms of policies in force during the financial year, calculated on the basis of the 365^{th} method. The portion representing the unexpired terms of policies in force at the reporting date has been accounted as deferred acquisition costs payables in note 16 (e) of the financial statements.

2.17 Insurance contracts

Insurance contracts - classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired.

Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Contracts not considered to be insurance contracts under IFRS are classified as investment contracts. The Company does not issue any investment contracts.

Insurance contracts issued by the Company are short term insurance contracts and are classified under the following classes of business: motor, accident & health, engineering, liability, property, transportation, guarantee and miscellaneous. These contracts provide compensation following damage to or loss of property, goods, equipment, losses and expenses incurred sickness and loss of earnings resulting from the occurrence of the events insured against.

Reinsurance contracts

Reinsurance contracts entered into by the Company are either of proportional or non-proportional type. Under a proportional treaty, the premiums and claims are apportioned between the Company and the reinsurer in agreed proportions.

Proportional reinsurance may be either in the form of a quota share whereby the proportion of each risk reinsured is fixed, or in the form of surplus whereby the Company can retain a part of a risk within a fixed limit, and the reinsurer accepts part of the risk as a multiple of the Company's retention.

Under the non-proportional type of reinsurance, the Company uses the Excess of Loss treaty whereby in consideration for a premium, the reinsurer agrees to pay claims in excess of a specified amount (the retention), up to a specified maximum amount.

The Company reinsures either on a treaty basis, with all risks falling within the treaty terms, conditions and limits being reinsured automatically, or on a facultative basis.

Under facultative reinsurance, risks are offered to the reinsurer on an individual basis and can be accepted or rejected by the reinsurer.

Short-term balances due from reinsurers are classified within accounts receivable and amounts that are dependent on the expected claims and benefits arising under the related reinsurance contracts are classified under reinsurance assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Insurance contracts (Continued)

Reinsurance contracts (Continued)

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Any gains and losses on buying reinsurance contracts are recognised immediately in profit or loss and are not subject to amortisation.

Reinsurance assets are reviewed for impairment. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. If reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in profit or loss.

Claims expenses and outstanding claims provisions

Claims expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to policy holders or third parties.

Outstanding claims provision represents the estimated ultimate cost of settling all claims admitted or intimated but not yet settled at the end of the reporting period, and provisions for claims incurred but not reported (IBNR). The outstanding claim includes related expenses. The Company does not discount its liabilities for unpaid claims.

Significant delays can be expected in the notification and settlement of certain claims, especially in respect of liability class of business, the ultimate cost of which cannot therefore be known with certainty at the end of the reporting period. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure and that the provision is determined using best estimates of claims development patterns, forecast inflation and settlement of claims. Outstanding claims provisions are not discounted and include an allowance for expected future recoveries. Recoveries include non-insurance assets that have been acquired by exercising rights to sell, salvage or subrogate under the terms of the insurance contracts.

Incurred but not reported claims (IBNR)

IBNR calculation is calculated on an actuarial method which consists of the projection of incurred but not reported claims based on the claims reporting delay pattern for the Company over the last ten years.

Salvage and subrogation reimbursements

Salvage is the equitable right of the Company to the residual value of property for which it has paid a total loss. When the Company compensates an insured due to a loss caused by a third party, it is subrogated to the right of the insured to be compensated by that third party.

Estimates of salvage and subrogation are taken into consideration while calculating provisions for outstanding claims. The salvage property and subrogation reimbursements are recognised in other assets when the liabilities are settled. Allowance for salvage is the amount that can reasonably be recovered from the disposal of property whereas the subrogation allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Insurance contracts (Continued)

Deferred acquisition costs

The liability for commissions payable is recognised at the inception date of the insurance contract/endorsement.

Commissions payable and reinsurance commissions receivable relating to unexpired premiums are recognised and released to profit or loss as and when the premiums are earned.

Provision for unearned premiums

The provision for unearned premiums represents the portion of premiums written on insurance contracts relating to periods of insurance risks subsequent to the reporting date. It is calculated on the inception basis of the 365th method. The movement on the provision is taken to profit or loss in order for revenue to be recognised over the period of the risk. The provision is derecognized when the contract expires, is discharged or cancelled.

Liability adequacy test

At the end of each reporting period, the Company reviews its unexpired risk and carries out a liability adequacy test for any overall excess of expected claims over unearned premiums using the current best estimates of future cash flows under its contracts after taking into account the investment returns expected to arise on assets backing such liabilities. Any deficiency is immediately recognised in profit or loss and a provision is established in the statement of financial position (the unexpired risk provision).

3. MANAGEMENT OF INSURANCE RISKS

The Company's activities expose it to a variety of insurance risks. A description of the significant risk factors is given below together with the risk management policies applicable.

3.1 Insurance risk

Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

The main risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This may occur if the frequency or severity of claims and benefits are greater than estimated.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy so as to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, accumulation of risk and type of industry covered.

3. MANAGEMENT OF INSURANCE RISKS

3.1 Insurance risk (Continued)

3.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant claims result from accident, liability claims awarded by the Court, cyclone, flooding, fire and allied perils and their consequences. Inflation is also a significant factor due to the long period typically required to settle some claims.

The Company's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Company has in place underwriting criteria to ensure that risk accepted are as per acceptance guidelines. Management reviews performance of individual insurance policies and the Company reserves the right to review terms and conditions at renewal or not to renew an insurance.

Reinsurance arrangements under treaties and facultative basis mitigate the severity of claims as risk retained is predetermined.

The Company can impose deductibles and has the right to reject the payment of a fraudulent claim.

Where relevant, the Company may pursue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

3.1.2 Concentration of insurance risks

The following table discloses the concentration of outstanding claims by class of business, gross and net of reinsurance.

	2020				
Class of Business	**No of claims**	**Expected run off assumptions**	**Gross**	**Reinsurance of liabilities**	**Net**
			Rs'000	**Rs'000**	**Rs'000**
Motor	5,473	1	10,761	23,864	(13,103)
Property	100	3	37,772	27,046	10,726
Transport	21	2	26,419	26,394	25
Engineering	42	5	40,175	38,331	1,844
Accident & Health	31,926	6	56,599	39,524	17,075
Liability Miscellaneous	743	10	57,617	54,178	3,439
Incurred but not	196	4	5,820	5288	532
Reported (IBNR)	-		144,598	97,425	47,173
	38,501		379,761	312,050	67,711
Incurred but not Reported (IBNR)			144,598	97,425	47,173

3. MANAGEMENT OF INSURANCE RISKS (CONTINUED)

3.1 Insurance risk (Continued)

3.1.2 Concentration of insurance risk (Continued)

	2019				
Class of Business	**No of claims**	**Expected run off assumptions**	**Gross**	**Reinsurance of liabilities**	**Net**
			Rs'000	**Rs'000**	**Rs'000**
Motor	5,881	1	317	27,418	(27,101)
Property	112	4	29,311	22,436	6,875
Transport	33	2	46,464	45,939	525
Engineering	29	6	12,772	12,171	601
Accident & Health	34,390	6	60,011	44,663	15,348
Liability	737	11	54,374	56,116	(1,742)
Miscellaneous	187	5	8,011	6,904	1,107
Incurred but not Reported (IBNR)	-		49,451	-	49,451
	41,369		260,711	215,647	45,064
Incurred but not Reported (IBNR)			174,136	124,685	49,451

On the basis of the Company's claims history, assumptions have been made regarding the number of years for claims to run-off completely. The table above include the run-off assumptions made for each class of business.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The net amounts recoverable represent balances due from third parties and excess of loss reinsurers for which the corresponding claims have already been paid out by the Company.

3.1.3 Sources of uncertainty

Most claims on short term insurance contracts are payable on a claims-occurrence basis. Under claims occurrence basis, the Company is liable for insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims may be settled over a long period of time and a significant element of the claims provision relates to incurred but not reported claims (IBNR).

The estimated costs of claims include direct expenses to be incurred in settling claims, net of subrogation and salvage recoveries. The Company ensures that claims provisions are determined using the best information available of claims settlement patterns, court awards and forecast inflation. However, given the uncertainty in determining claims provisions, it is likely that the final claim settlement will differ from the original liability estimate.

The Company has ensured that liabilities as stated in the statement of financial position are adequate.

Leases – Estimating the incremental borrowing rate.

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Company's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

3. MANAGEMENT OF INSURANCE RISKS (CONTINUED)

3.1 Insurance risk (Continued)

3.1.3 Sources of uncertainty (Continued)

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims.

2020

	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
		Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Average claim cost	10%	**23,516**	**21,463**	**2,054**	**1,705**

2019

	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
		Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost	10%	21,126	21,565	(439)	(364)

3.1.4 Claims development table

The table below illustrates how the estimates of total claims outstanding for each year have changed at successive year-ends and reconciles the cumulative claims to the amount appearing in the statement of financial position.

Financial year of	**Prior**	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**	**Total**
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	**Rs'000**	**Rs'000**
At end of loss year	-	145,249	133,442	120,076	90,867	114,745	126,789	122,660	159,841	183,423	199,785	232,760	263,299	277,571	2,170,507
One year later	-	26,912	31,722	14,906	10,135	6,090	3,600	7,033	18,112	23,856	23,559	30,966	36,855		233,746
Two years later	-	(2,143)	584	211	3,095	535	2,962	(1,626)	(1,835)	(3,938)	(7,470)	(9,873)			(19,498)
Three years later	-	(1,658)	2,287	5,832	439	(2,076)	5,224	1,511	(628)	(2,535)	(4,745)				3,651
Four years later	-	(1,379)	(1,164)	4,809	3,327	1,136	5,828	(656)	(227)	12,041					23,715
Five years later	-	615	2,598	169	2,399	574	1,036	1,114	(1,023)						7,482
Six years later	-	1,573	441	2,362	56	1,838	6,865	(64)							13,071
Seven years later	-	549	2,171	(161)	834	153	(23,266)								(19,720)
Eight years later	-	197	261	(1,306)	269	(6)									(585)
Nine years later	-	(1,158)	3,266	189	1,521										3,818
Ten years later	-	623	114	(121)											616
Eleven years later	-	465	(1,090)												(625)
Twelve years later	-	(98)													(98)
Current claims paid to date	**200,965**	169,747	174,632	146,966	112,942	122,989	129,038	129,972	174,240	212,847	211,129	253,853	300,154	**277,571**	**2,617,045**
IBNR	-	-	-	(293)	(378)	(399)	1,185	(1,733)	243	1	6	2,172	8,514	37,855	47,173
Outstanding reported	1,118	486	(952)	257	1,996	2,121	(5,004)	4,550	459	(13,885)	(2,285)	(1,816)	(1,968)	35,461	20,538
Net liability	**1,118**	486	(952)	(36)	1,618	1,722	(3,819)	2,817	702	(13,884)	(2,279)	356	6,546	**73,316**	**67,711**

3. MANAGEMENT OF INSURANCE RISKS (CONTINUED)

3.1 Insurance risk (Continued)

3.1.5 *Reinsurance strategy*

Reinsurance purchases are reviewed annually to verify that the levels of protection being bought reflect any developments in exposure and risk appetite of the Company. The Company is exposed to risks of default by reinsurers in respect of their share of reinsurance liabilities and there may be disputes in contract wordings, especially on facultative reinsurance placements. To minimise the reinsurance credit exposure, reinsurance is placed with top-rated and/or credit-worthy Reinsurers who meet the Company's counterparty security requirements and the Company regularly monitors its exposure.

4. FINANCIAL RISK

The Company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from insurance contracts. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Company's financial performance.

The main risks to which the Company is exposed are as follows:

- Market risk (which includes foreign exchange risk, interest rate risk and equity price risk);
- Credit and liquidity risks.

4.1 Market risk

4.1.1 Foreign currency risk

The Company's financial assets, which are exposed to foreign currency risks, consist mainly of deposits and trade receivables. Management monitors the Company's currency position on a regular basis. The carrying amount of the Company's foreign currency denominated financial assets at the reporting date is as follows:

Concentration of assets under:

Financial assets	**2020**	2019
	Rs'000	Rs'000
MUR	**1,826,131**	1,517,384
USD	**40,365**	126,768
GBP	**64**	62
EUR	**269**	1,506
AUD	**-**	582
	1,866,829	1,646,302

Financial liabilities	**2020**	2019
	Rs'000	Rs'000
MUR	**287,493**	219,619

4. FINANCIAL RISK (CONTINUED)

4.1 Market risk (Continued)

4.1.1 Foreign currency risk (Continued)

Consequently, the Company is exposed to risks that the exchange rate relative to these currencies may change in a manner, which has an effect on the reported value of that portion of the Company's net assets which is denominated in currencies other than the Mauritian Rupee. The following table details the Company's sensitivity to a 5% increase/ decrease of the USD, GBP, EUR and AUD, against the Mauritian rupee.

		2020		2019	
	Changes in variables	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
		Rs' 000	**Rs' 000**	Rs' 000	Rs' 000
USD	**+5%**	**2,018**	**1,675**	6,338	5,261
	-5%	**(2,018)**	**(1,675)**	(6,338)	(5,261)
GBP	**+5%**	**3**	**2**	3	3
	-5%	**(3)**	**(2)**	(3)	(3)
EUR	**+5%**	**13**	**11**	75	63
	-5%	**(13)**	**(11)**	(75)	(63)
AUD	**+5%**	**-**	**-**	29	24
	-5%	**-**	**-**	(29)	(24)

4.1.2 Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or the future cash flows related to financial instruments will change due to a change in interest rates. The Company is exposed to interest rate fluctuations on the international and domestic markets. The Company monitors closely interest rate trends and related impact on investment income for performance evaluation and better management.

The interest rate risk arises on loan receivables, Mauritius government securities, fixed deposits cash and cash equivalents, bank overdrafts and short term deposits.

The interest rate profile of the Company at 30 June 2020 and 2019 was:

	2020	2019
	% per annum	% per annum
Government bonds	3.25 - 9.25	3.25 - 9.25
Treasury notes	3.18 - 4.15	2.90 - 4.15
Treasury Bills	0.28 - 0.41	3.18 - 3.44
Corporate bonds - Floating	Repo + (0.65 - 1.4)	repo + 1.35
Corporate bonds - Fixed	4.20 - 6.00	6.00
Fixed deposits - Local:		
Non-current	n/a	n/a
Current	0.50 - 0.55	3.60

4. FINANCIAL RISKS (CONTINUED)

4.1 Market risk (Continued)

4.1.2 Interest rate risk (Continued)

	2020	2019
	% per annum	% per annum
Fixed deposits - Foreign - USD	2.45 - 2.75	3.00 - 3.25
Floating deposits - Local		
Non-current	n/a	n/a
Current	n/a	n/a
Foreign currency call deposits:		
USD	0.02	0.00 - 0.10
GBP	0.02	0.10
EUR	0.01	0.01
Local Call Deposits		
MUR	0.00 - 0.55	0.60 - 2.20

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity.

Changes in interest rate	**2020** Impact on profit before tax	2019 Impact on profit before tax
	Rs' 000	Rs' 000
+ 250 basis points	**108**	14
- 250 basis points	**(108)**	(14)

The increase or decrease in the interest rate sensitivity is due to fluctuations in the interest rates of local and foreign currency call deposits and local floating corporate bonds at 30 June 2020 as compared to 30 June 2019.

The interest rate sensitivity analysis excludes:-

Government securities, corporate bonds and foreign currency term deposits which have fixed interest rates and thus will not be affected by fluctuations in the level of interest rates

4. FINANCIAL RISKS (CONTINUED)

4.1 Market risk (Continued)

4.1.3 Price risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company's price policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each industry sector and markets.The Company has invested in securities quoted on the Stock Exchange of Mauritius as illustrated below:

	2020	2019
	Rs'000	Rs'000
Bonds	**-**	25,581
Equities	**26,799**	36,771
	26,799	62,352

The following table details the Company's sensitivity 5 % increase/decrease in the prices of the quoted shares.

	2020	2019
Changes in share price	**Impact on equity**	Impact on equity
	Rs' 000	Rs' 000
+5%	**1,340**	3,118
-5%	**(1,340)**	(3,118)

4.2 Credit risk

Credit risks is a risk that a counterparty will be unable to pay an amount in full when due. The Company's credit risk is primarily attributable to its reinsurance assets, loan receivables, insurance and other receivables and investment in debt securities. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment.

The Credit Control department assesses the creditworthiness of brokers, agents and of contract holders based on details of recent payment history, past experience and by taking into account their financial position. The Company is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid. Management monitors the financial strength of its reinsurers and has policies in place to ensure that risks are ceded to top-rated and credit-worthy reinsurers only. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company also has exposure to credit risk on its securities. The Investment Committee assesses the credit quality of the issuers based on past experience the Company had with those issuers. The Investment Committee recommends investment in entities with which the Company had good experience within the past years and with good standing. The financial performance and position of the issuers are assessed in detail prior to approval is obtained for investment by the Company. The table shows the maximum exposure to credit risk for the components of the financial position.

4. FINANCIAL RISKS (CONTINUED)

4.2 Credit risk (Continued)

Financial assets	2020 Rs'000	2019 Rs'000
Financial assets at amortised cost*	**825,547**	718,047
Financial Assets at FVTPL	**-**	66
Loan receivables	**11,688**	12,173
Insurance and other receivables**	**356,792**	348,967
Reinsurance assets	**589,838**	462,076
Cash and bank balances	**56,166**	68,446
	1,840,031	1,609,775

* Excludes equity instruments.

**Excludes sundry deposits and deferred expenses

4.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial assets.

The Company is exposed to daily payments of benefits to clients and to repayment of financial liabilities.

The Company's liquidity position is monitored on a regular basis. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets.

The table below summarises the Company's trading liabilities at amortised cost, categorised by the earlier of contractual re-pricing or maturity dates.

	Not Stated Maturity ***	1 to 3 months	3 months to 1 year	More than 1 year	On demand	Total
At 30 June 2020	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Financial liabilities						
Insurance contract liabilities*	**379,761**	**-**	**-**	**-**	-	**379,761**
Trade and other payables**	**-**	**29,363**	**11,388**	**-**	**185,120**	**225,871**
Lease liabilities****	**-**	**1,827**	**5,482**	**54,312**	**-**	**61,622**
Dividend payable	**-**	**-**	**62,133**	**-**	**-**	**62,133**
Total liabilities	**379,761**	**31,190**	**79,003**	**54,312**	**185,120**	**729,387**
At 30 June 2019						
Financial liabilities						
Insurance contract liabilities***	260,711	-	-	-	-	260,711
Trade and other payables**	-	9,219	25,128	-	185,272	219,619
Bank overdraft	-	7,870	-	-	-	7,870
Dividend payable	-	-	37,011	-	-	37,011
Total liabilities	260,711	17,089	62,139	-	185,272	525,211

* Insurance contract liabilities exclude unearned premium.

** Excludes sundry deposits.

*** Insurance contract liabilities are outstanding claims where Significant delays can be expected in the notification and settlement of these claims and the ultimate cost of which cannot be known with certainty at the end of the reporting period. Given the uncertainty involved in timing of repayment of these liabilities, the entity's normal operating cycle is not clearly identifiable. Consequently, the insurance contract liabilities have been disclosed as current under 'Not Stated' maturity.

**** The lease liabillities payable after 1 year include Rs 7,309,795 payable between 1 and 2 years, Rs 7,309,795 payable betwen 2 and 3 years, Rs 14,619,590 payable betwen 3 and 5 years and Rs 25,072,780 payable after 5 years.

4. FINANCIAL RISKS (CONTINUED)

4.4 Reinsurers' default

The Company is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid. Management monitors the financial strength of its reinsurers.

4.5 Capital risk management

The Company's objectives when managing capital are :

- To comply with the mimimum capital requirements of the Insurance Act 2005 and the Insurance Rules and Regulation 2007;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for its policyholders;
- To provide an adequate return to shareholders by pricing insurance contracts in line with the level of risk and also be solvent.

The Company manages the miminum capital requirement as follows:

Different target levels are set above the statutory requirements, providing a buffer in order to remain solvent at all times and this is monitored on a quarterly basis. Capital planning is done to ensure we minimise the risk of being below the mimimum required and these calculations are done under different stress test scenarios using parameters in different areas of risks such as equity risk, interest rate risk, credit risk, business risk and currency risk. Reinsurance is used to reduce the volatility of our results, thus reducing our capital needs. This risk is further reduced by using rated reinsurers in our panel.

The operation of the Company is also subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g capital adequacy) to minimise the risk of default and insolvency to meet unforeseen liabilities. In reporting financial strength, capital and solvency is measured using the rules prescribed by the Insurance Act.

For the year ended 30 June 2019, the Company has satisfied the minimum capital requirement of 150% which is as per the Insurance (General Insurance Business Solvency) Rules 2007 made by the Financial Services Commission under section 23 and 130 of the Insurance Act 2005.

4.6 Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequently to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

4. FINANCIAL RISKS (CONTINUED)

4.6 Fair value measurements (Continued)

	2020			
Financial assets at FVOCI	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Quoted Equities	26,784	-	-	26,784
Unquoted Equities	-	-	14	14
Quoted Bonds	-	-	-	-
Total	**26,784**	**-**	**14**	**26,798**
Financial assets at FVTPL				
Quoted Equities	-	-	-	-
Unquoted Equities	-	-	-	-
Quoted Bonds	-	-	-	-
Total	**-**	**-**	**-**	**-**

	2019			
Financial assets at FVOCI	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Quoted Equities	36,513	-	-	36,513
Unquoted Equities	-	-	15	15
Quoted Bonds	-	-	-	-
Total	**36,513**	**-**	**15**	**36,528**
Financial assets at FVTPL				
Quoted Equities	66	-	-	66
Unquoted Equities	-	-	-	-
Quoted Bonds	-	-	-	-
Total	**66**	**-**	**-**	**66**

Fair value of the Company's assets that are not measured at fair value on a recurring basis (but fair value disclosures are required):

	Fair value hierarchy - 2019 & 2018	**Valuation approach**	**Observable input**	Carrying amount		Fair Value	
				2020	2019	**2020**	2019
				Rs	Rs	**Rs**	Rs
Loans and receivables:							
Other loans	Level 2	DCF	Floating market rate	11,688	12,173	11,688	12,173
Other financial assets:							
Government and other bonds	Level 2	YTM	Government bond yields	757,152	676,958	847,580	722,435
Term deposits				69,382	41,089	69,382	41,089
Financial assets at amortised cost				838,222	730,220	928,650	775,697

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Valuation of insurance contract liabilities

The uncertainty inherent in the financial statements of the Company arises mainly in respect of insurance liabilities, which include outstanding claims provision (including IBNR). In addition to the inherent uncertainty when estimating liabilities, there is also uncertainty as regards the eventual outcome of claims. As a result, the Company applies estimation techniques to determine the appropriate provisions.

These estimates are described below:

The estimation of ultimate liability arising from the claims made under insurance contracts is one of the Company's most critical accounting estimates. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the significant part of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain –Ladder and Cape Cod. For each class of business, the decision to use a chain ladder and Cape Cod approach was made based on the observed claims development to date. A rule of thumb was applied: for loss years where observed claims development was less than 75% the Cape Cod method was used on the basis that the observed claims are not felt to be credible enough on their own to form the basis of an estimate; for loss years where observed claims development was more than 75% the Chain-Ladder method was used.

Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. General insurance loss reserves require significant judgment relating to factors and assumptions such as inflation, claims development patterns and regulatory changes.

Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, not all catastrophic events can be modeled using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The Company adopts multiple techniques to estimate the required level of provisions, thereby setting a range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and risks involved.

Recoverable amount on insurance and other receivables

In preparing those financial statements, the Directors have made estimates of the recoverable amounts of insurance and other receivables and impaired those receivables where the carrying amounts exceeded recoverable amounts. The estimation of recoverable amounts involve an assessment of the financial condition of the debtors concerned and estimate of the timing and the extent of cash flows likely to be received by the Company.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Limitation of sensitivity analysis

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

Sensitivity analysis does not take into consideration that the Company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty.

Reinsurance

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

Pension benefits

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

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

In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 20.

Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year. When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Significant judgement in determining the lease term of contracts with renewal options

The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company recognised rent expense of Rs 8.0 million for the year ended 30 June 2019. There was no adjustment to opening retained earnings on 01 July 2019 as a result of initial application of IFRS 16.

Leases – Estimating the incremental borrowing rate.

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Company's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

6. PROPERTY AND EQUIPMENT

		Furniture & Fittings	Office Equipment	Computer Equipment	Total
(a)	**COST**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
	At 01 July 2018	1,063	291	4,669	6,023
	Additions	111	113	664	888
	Scrapped	-	-	(120)	(120)
	At 30 June 2019	1,174	404	5,213	6,791
	Additions	99	13	566	678
	Disposal	-	-	(1,052)	(1,052)
	At 30 June 2020	**1,273**	**417**	**4,727**	**6,417**
	DEPRECIATION				
	At 01 July 2018	412	157	2,282	2,851
	Charge for the year	134	49	779	962
	Scrapped	-	-	(27)	(27)
	At 30 June 2019	546	206	3,034	3,786
	Charge for the year	110	44	729	883
	Disposal	-	-	(1,052)	(1,052)
	At 30 June 2020	**656**	**250**	**2,711**	**3,617**
	NET BOOK VALUE				
	At 30 June 2020	**617**	**167**	**2,016**	**2,800**
	At 30 June 2019	628	198	2,179	3,005

(b) Depreciation charge of Rs 883,000 (2019: Rs. 962,000) has been included in administrative and other expenses.

7. INTANGIBLE ASSETS

		Computer Software	
		2020	2019
(a)	**COST**	**Rs'000**	Rs'000
	At 01 July	**13,499**	11,725
	Additions	**289**	1,774
	Disposal	**(554)**	-
	At 30 June	**13,234**	13,499
	AMORTISATION		
	At 01 July	**8,279**	7,185
	Charge for the year	**1,307**	1,094
	Disposal	**(554)**	-
	At 30 June	**9,032**	8,279
	NET BOOK VALUE		
	At 30 June	**4,202**	5,220

(b) Amortisation charge of Rs. 1,307,000 (2019: Rs. 1,094,000) has been included in administrative and other expenses.

8 LEASES

(a) Right of use asset

Set out below are the carrying amounts of right-of-use assets recognised and movement during the year:

	2020
	Building
	Rs'000
At 01 July 2019	53,390
Depreciation	(5,700)
At 30 June 2020	47,690

(b) Lease liabilities

Set out below are the carrying amounts of the lease liabilities and the movements during the year:

	2020
	Total
	Rs'000
At 01 July 2019	53,390
Repayment	(7,310)
Accretion of interest	2,846
At 30 June 2020	**48,926**
Analysed as:	
Non-current	41,616
Current	7,310
	48,926

The maturity analysis of lease liabilities are disclosed in note 4.3.

(c) Amounts recognised in the statement of profit or loss

The following are the amounts recognised in the statement of profit or loss:

	2020
	Total
	Rs'000
Depreciation expense of right-of-use assets	5,700
Interest expense on lease liabilities	2,846
Total amount recognised in profit or loss	**8,546**

The total cash outflow for leases in year ended 30 June 2020 was Rs 7,309,795 which includes principal portion of Rs 4,464,188 and interest portion of Rs 2,845,607.

(d) The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity.

	2020	
Changes in interest rate	**Impact on profit before tax**	**Impact on equity**
	Rs'000	**Rs'000**
+100 basis points	(139)	(115)
-100 basis points	159	132

A 100 basis points increase in interest rate would increase our interest expense and depreciation charge, which is a decrease in profits and vice versa.

9. FINANCIAL ASSETS

(a) Financial assets at fair value through other comprehensive income (FVOCI)

	2020	2019
	Rs'000	Rs'000
Equity securities:		
Quoted	**26,784**	36,513
Unquoted	**14**	15
	26,798	36,528

The Company has classified its equity investments at FVOCI on the basis that they are not held for trading.

During the current financial year, the Company purchased Rs.510,000 (2019: Rs.3,447,000) worth of financial assets through FVOCI and did not disposed any (2019: Rs.2,422,000). The net fair value losses amounted to Rs 10,240,000. (2019: Rs.3,870,000) and are disclosed in the statement of comprehensive income for the year.

In 2020, the Company received dividends of Rs 1,273,359 (2019 : Rs 2,278,000) from its equity investments which was recorded in the income statement as investment income.

(b) Financial assets at fair value through profit or loss (FVTPL)

	2020	2019
	Rs'000	Rs'000
Investment in convertible debt securities (Quoted)	**-**	66
	-	66

The Company classified its investment in convertible preference shares as FVTPL.

The Company disposed Rs 66,281 (2019: Rs.45,000) worth of financial assets through FVTPL with a net fair value loss (2019: Rs.8,000) disclosed in the statement of profit or loss for the year.

(c) Financial assets at amortised cost

	2020	2019
	Rs'000	Rs'000
Government bonds	**538,811**	513,073
Treasury bills and treasury notes	**132,336**	138,077
Corporate bonds and notes	**85,748**	25,808
Term deposits	**68,652**	41,089
	825,547	718,047
Analysed between:		
Current	**148,808**	141,684
Non-current	**676,739**	576,363
	825,547	718,047

9. OTHER FINANCIAL ASSETS (CONTINUED)

The Company has investments in Government bonds, treasury bills and Treasury notes, corporate bonds and term deposits and are classified as financial assets at amortised cost as these are kept under the business model with the objective to hold these instruments in order to collect contractual cash flows and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. Interest rates on these instruments vary from 2.90% - 12.00% p.a. with maturities varying from 2019 to 2023.

An amount of Rs 8,000,000 (2019: Rs 8,000,000) included in debt instrument at amortised cost represents statutory deposit and pledged with the Financial Services Commission in compliance with the Insurance Act 2005. Statutory deposits represent investments in Mauritius Government Securities earning interest at the rate of 7.00% per annum and maturing on 16 November 2022

The table below shows the credit quality and maximum exposure to credit risk. The amounts presented are gross of impairment allowances.

At 30 June 2020

	Stage 1 Individual	**Stage 2 Individual**	**Stage 3 Individual**	**Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Performing high grade	826,439	-	-	826,439
Past due but not impaired	-	-	-	-
Non-performing	-	-	-	-
	826,439	-	-	826,439

An analysis of changes in gross carrying amount and corresponding ECL is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying value at 1 July 2019	718,594	-	-	718,594
New assets purchased	290,290	-	-	290,290
Asset derecognised or matured	(183,505)	-	-	(183,505)
Amortisation adjustments	1,060	-	-	1,060
At 30 June 2020	826,439	-	-	826,439

Amortisation adjustments include amortisation of interest income and discounts.

There was no transfer of assets between stages during the year.

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance at 1 July 2019	547	-	-	547
New assets purchased	171	-	-	171
Assets derecognised on maturity	(99)	-	-	(99)
Amortisation adjustment	273	-	-	273
ECL allowance at 30 June 2020	892	-	-	892

9. OTHER FINANCIAL ASSETS (CONTINUED)

At 30 June 2019

	Stage 1 Individual	**Stage 2 Individual**	**Stage 3 Individual**	**Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Performing high grade	718,594	-	-	718,594
Past due but not impaired	-	-	-	-
Non-performing	-	-	-	-
	718,594	-	-	718,594

An analysis of changes in gross carrying amount and corresponding ECL is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying value at 1 July 2018	687,570	-	-	687,570
New assets purchased	351,087	-	-	351,087
Asset derecognised or matured	(322,512)	-	-	(322,512)
Amortisation adjustments	2,449	-	-	2,449
At 30 June 2019	718,594	-	-	718,594

Amortisation adjustments include amortisation of interest income and discounts.

There were no transfer of assets between stages during the year.

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance at 1 July 2018	490	-	-	490
New assets purchased	241	-	-	241
Assets derecognised on maturity	(244)	-	-	(244)
Amortisation adjustment	60	-	-	60
ECL allowance at 30 June 2019	547	-	-	547

d) The Company purchased financial assets worth Rs 290,800,000 (2019: Rs.354,534,000) during the year. Conversely, the Company also received proceeds of Rs 182,570,000 (2019: Rs.324,976,000) on maturity of financial assets during the year.

10. LOANS AND ADVANCES

	Total
	Rs'000
At 01 July 2018	**12,213**
Additions	3,889
Repayments	(3,918)
ECL Provision	(11)
At 30 June 2019	**12,173**
Additions	2,772
Repayments	(3,257)
ECL Provision	-
At 30 June 2020	**11,688**

10. LOANS AND ADVANCES (CONTINUED)

Analysed as follows:

	Total
	Rs'000
2020	
Non-current	**9,276**
Current	**2,412**
	11,688
2019	
Non-current	12,040
Current	133
	12,173

Below is a reconciliation of the ECL allowance between the opening and closing balance:

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance at 1 July 2019	11	-	-	11
New assets purchased	3	-	-	3
Assets derecognised on maturity	(3)	-	-	(3)
ECL allowance at 30 June 2020	11	-	-	11

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance at 1 July 2018	11	-	-	11
New assets purchased	4	-	-	4
Assets derecognised on maturity	(4)	-	-	(4)
ECL allowance at 30 June 2019	11	-	-	11

11. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method at the rate of 17% (2019: 17%).

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

	2020	2019
	Rs'000	Rs'000
At 01 July	**21,866**	12,820
Credited to profit or loss (note 15(b)	**1,561**	1,166
Credited to other comprehensive income	**4,080**	7,880
At 30 June	**27,507**	21,866

11. DEFERRED TAXATION (CONTINUED)

(b)

	2020	2019
	Rs'000	Rs'000
Deferred tax liabilities	**(1,790)**	(1,103)
Deferred tax assets	**29,297**	22,969
	27,507	21,866

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

(c) Deferred tax assets and liabilities are attributable to the following:

	2020	2019
Deferred tax liabilities	**Rs'000**	Rs'000
Accelerated tax depreciation	**(1,031)**	(1,103)
Interest expense on lease liability	**(759)**	-
	(1,790)	(1,103)

	2020	2019
	Rs'000	Rs'000
Deferred tax assets		
Pension benefit obligations	**27,975**	22,616
Depreciation of rights of use asset	**969**	-
Provision for expected credit loss	**95**	95
Provision for impairment of insurance receivables	**258**	258
	29,297	22,969

12. INSURANCE AND OTHER RECEIVABLES

	2020	2019
	Rs'000	Rs'000
Insurance receivables	**356,002**	334,990
Provision for credit impairment (Note 12(a))	**(1,878)**	(1,521)
	354,124	333,469
Deposit Debtors	**26,518**	22,032
Amounts due from reinsurers (Note 12(b))	**714**	14,139
Dividend and interest receivables	**1,039**	498
Other receivables	**2,987**	1,511
	385,382	371,649

The carrying amounts of insurance and other receivables approximate their fair values. Deposit debtors relate to receivables for insurance contracts which have not yet incepted for which payments are still outstanding.

12. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

(a) Movement in provision for credit impairment:

	2020	2019
	Rs'000	Rs'000
At 01 July	**1,521**	849
Charge for the year	**776**	891
Reversal	**(419)**	(219)
At 30 June	**1,878**	1,521

The individually impaired premiums mainly relate to policyholders who are in unexpectedly difficult economic situations.

The credit period on premium receivable is determined with regards to the status of clients and amount of premium involved monthly.

Provision for credit impairment is normally determined by the Company as premium due for more than one year. No interest is charged on the premium. The provision is written off against the receivable when there is objective evidence of default.

Before accepting any new customer, the technical department assesses the credit quality of the customer and defines the terms and credit limits accordingly.

Analysis of the age of insurance receivables is as follows

	2020	2019
	Rs'000	Rs'000
Current	**218,971**	146,487
Up to 2 mths	**66,931**	114,569
> 2months < 3 months	**15,422**	8,667
> 3months < 6 months	**37,922**	58,275
> 6 months < 1 year	**12,864**	5,471
> 1 year	**2,014**	-
	354,124	333,469

In determining the recoverability of a premium, the Company considers any change in the credit quality of the premium from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, it is believed that there is no further credit provision required in excess of the allowance for doubtful debts.

The carrying amounts of premium and other receivables are denominated in the following currencies:

	2020	2019
	Rs'000	Rs'000
MUR	**347,646**	260,612
USD	**37,556**	109,522
EURO	**180**	933
AUD	**-**	582
	385,382	371,649

(b) Amounts due from reinsurers:

	2020	2019
	Rs'000	Rs'000
Amounts due from reinsurers	**8,588**	23,658
Provision for credit impairment (Note 12(b)(i))	**(7,874)**	(9,519)
	714	14,139

12. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

(b) i) Movement in provision for credit impairment:

	2020	2019
	Rs'000	Rs'000
At 01 July	**9,519**	5,085
Charge for the year	-	4,434
Reversal	**(1,645)**	-
At 30 June	**7,874**	9,519

The other classes within insurance and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

13. NET EARNED PREMIUMS

		2020	2019
		Rs'000	Rs'000
(a)	Gross premiums written	**1,187,591**	1,053,354
	Change in unearned premium provision	**(50,324)**	(84,717)
		1,137,267	968,637
(b)	Premium ceded to reinsurers	**(601,710)**	(545,605)
	Change in unearned premium provision - reinsurance part	**31,359**	46,455
		(570,351)	(499,150)
	Net earned premium	**566,916**	469,487

14. INSURANCE LIABILITIES AND REINSURANCE ASSETS

		2020	2019
		Rs'000	Rs'000
(a)	Gross		
	Claims reported	**235,163**	211,260
	Claims incurred but not reported (IBNR)	**144,598**	49,451
	Outstanding claims (note 14(b))	**379,761**	260,711
	Unearned premiums (note 14 (c))	**517,354**	467,030
	Total gross insurance liabilities	**897,115**	727,741
	Recoverable from reinsurers		
	Claims reported	**214,625**	215,647
	Claims incurred but not reported (IBNR)	**97,425**	-
	Unearned premiums	**277,788**	246,429
	Total reinsurers' share of insurance liabilities	**589,838**	462,076
	Net		
	Claims reported	**20,538**	(4,387)
	Claims incurred but not reported (IBNR)	**47,173**	49,451
	Unearned premiums	**67,711**	45,064
		239,566	220,601
	Total net insurance liabilities	**307,277**	265,665

14. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

(b) The movement in insurance liabilities and reinsurance assets is as follows:

	2020			2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
At 01 July						
Notified claims	**260,711**	**(215,647)**	**45,064**	394,359	(337,665)	56,694
Increase/(decrease) in liabilities	**549,538**	**(258,956)**	**290,582**	436,051	(199,478)	236,573
Cash paid for claims settled in the year (Note 16(b)(i))	**(575,086)**	**259,978**	**(315,108)**	(619,150)	321,496	(297,654)
	235,163	**(214,625)**	**20,538**	211,260	(215,647)	(4,387)
Claims incurred but not reported (IBNR)	**144,598**	**(97,425)**	**47,173**	49,451	-	49,451
At 30 June	**379,761**	**(312,050)**	**67,711**	260,711	(215,647)	45,064
Movement in claims outstanding and IBNR	**119,050**	**(96,403)**	**22,647**	(133,648)	122,018	(11,630)
Claims incurred but not reported (IBNR)	**144,598**	**(97,425)**	**47,173**	174,136	(124,685)	49,451

(b) (i) The gross claims paid of Rs 575,086,000 (2019: Rs.619,150,000) is shown net of third party recoveries of Rs.142,321,000 (2019: Rs.130,479,000).

(c) The movement in unearned premiums is as follows:

	2020			2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
At 01 July	**467,030**	**(246,429)**	**220,601**	382,313	(199,974)	182,339
Increase/(decrease) during the year	**50,324**	**(31,359)**	**18,965**	84,717	(46,455)	38,262
At 30 June	**517,354**	**(277,788)**	**239,566**	467,030	(246,429)	220,601

14. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

(d) Deferred acquisition costs receivables

	2020	2019
	Rs'000	Rs'000
At 01 July	**22,264**	16,404
Movement	**3,973**	5,860
At 30 June	**26,237**	22,264

(e) Deferred acquisition costs payables

	2020	2019
	Rs'000	Rs'000
At 01 July	**31,898**	26,164
Movement	**5,504**	5,734
At 30 June	**37,402**	31,898

(f) Commission receivable from reinsurers

	2020	2019
	Rs'000	Rs'000
Gross commission income	**87,333**	68,992
Change in deferred acquisition costs payables	**(5,504)**	(5,734)
	81,829	63,258

(g) Commission paid to agents and brokerage fees

	2020	2019
	Rs'000	Rs'000
Gross commission expense	**78,961**	60,684
Change in deferred acquisition costs receivables	**(3,973)**	(5,860)
	74,988	54,824

15. TAXATION

Income tax

Income tax is calculated at the rate of 17% (2019: 17%) on the profit for the year as adjusted for income tax purposes.

(a) **Statement of financial position**

	2020	2019
	Rs'000	Rs'000
At 01 July	**7,090**	2,421
Income tax charge for the year (note 15(b))	**10,307**	11,313
CSR(note 15 (b))	**-**	26
Under/(over) provision of income tax	**(3,332)**	191
Tax paid during the year	**(10,342)**	(6,861)
At 30 June	**3,723**	7,090
Analysed as follows:		
Current tax assets	**-**	-
Current tax liabilities	**3,723**	7,090
	3,723	7,090

(b) **Statement of profit or loss**

	2020	2019
	Rs'000	Rs'000
Current tax expense	**10,307**	11,313
CSR	**-**	26
Under/(over) provision of income tax	**(3,332)**	191
Deferred tax (note 11(a))	**(1,561)**	(1,166)
	5,414	10,364

15. TAXATION (CONTINUED)

(c) Tax reconciliation

	2020	2019
	Rs'000	Rs'000
Profit before taxation	**88,257**	59,710
Tax calculated at 17% (2018: 17%)	**15,004**	10,151
CSR	**-**	26
Income not subject to tax	**(6,422)**	(762)
Expenses not deductible for tax purposes	**164**	758
Under/(over) provision in previous year	**(3,332)**	191
Tax charge	**5,414**	10,364

Following a change in Income Tax Regulations 2019 in second half of 2019, all Companies resident in Mauritius are entitled to a 80% partial exemption on its interest income, under the Partial Exemption Regime. Consequently, the Company is taxable at an effective rate of 3% on its interest income. This has resulted in the Company having a tax credit given the proportion of interest income over total taxable income.

16. TRADE AND OTHER PAYABLES

	2020	2019
	Rs’000	Rs’000
Amounts due to reinsurers	**185,120**	185,273
Other payables and accruals	**97,481**	78,218
Amount due to holding company	**7,199**	3,701
	289,800	267,192

The above amounts payable are interest free, unsecured and repayable at their stated maturities (note 4.3). The carrying amounts of trade and other payables approximate their fair values.

17. DIVIDEND

A dividend of 75% (2019: 75%) on profit after tax, amounting to Rs. 62,132,648 (Rs. 248.53 per share) in respect of current year was declared and not paid as at June 30, 2020. (2019: Rs. 37,010,891 (Rs. 148.04 per share).

18. STATED CAPITAL

	2020	2019
	Rs'000	Rs'000
Issued and fully paid		
250,000 ordinary shares at No par value each	**25,000**	25,000

Pursuant to section 8 "Restriction on Composite Insurance Business" of the Insurance Act 2005, the Shareholders of State Insurance Company of Mauritius Ltd, by a resolution dated 13th of April 2010, resolved to incorporate a wholly-owned subsidiary company, SICOM General Insurance Ltd, to transact Short Term Business only. The Company has one class of ordinary no par value shares, which carries a right to vote and a right to dividend.

19. SUBORDINATED LOAN

All the assets and liabilities of the General Insurance Business of State Insurance Company of Mauritius Ltd, the holding company, were transferred to SICOM General Insurance Ltd on 01 July 2010. The accumulated reserves were converted into share capital and the remaining as subordinated loan which is unsecured and interest free.The loan is considered as quasi-equity. The loan does not carry any obligation to repay cash or another financial asset to the holder.

20. PENSION BENEFIT OBLIGATIONS

(a) Defined benefit plan

(i) The Company operates a defined benefit pension plan. The plan is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The assets of the fund are held independently and administered by the State Insurance Company of Mauritius Ltd.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out at 30 June 2020 by QED Actuaries and Consultants (Actuarial Valuer). The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

	2020	2019
	Rs'000	Rs'000
Present value of funded obligations	**324,221**	277,226
Fair value of plan assets	**(159,660)**	(144,190)
Liability recognised in the statement of financial position	**164,561**	133,036

(iii) The movements in the statement of financial position are as follows:

	2020	2019
	Rs'000	Rs'000
At 01 July	**133,036**	81,429
Profit or loss charge	**13,668**	10,813
Other comprehensive income charge	**23,998**	46,350
Contributions paid	**(6,141)**	(5,556)
At 30 June	**164,561**	133,036

(iv) The movement in the defined benefit obligations over the year is as follows:

	2020	2019
	Rs'000	Rs'000
At 01 July	**277,226**	223,848
Current service cost	**5,600**	5,153
Administration Expenses	**(177)**	-
Risk Premiums	**(164)**	-
Employee contributions	**2,698**	2,390
Interest expense	**16,682**	15,887
Benefits paid	**(4,879)**	(12,669)
Liability experience loss	**16,668**	8,437
Liability loss due to change in financial assumption	**10,567**	34,180
At 30 June	**324,221**	277,226

20. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(a) **Defined benefit plan (Continued)**

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

	2020	2019
	Rs'000	Rs'000
At 01 July	**144,190**	142,419
Interest income	**8,614**	10,227
Administration expenses	**(177)**	-
Risk premium	**(164)**	-
Employer contributions	**6,141**	5,556
Employee contributions	**2,698**	2,390
Benefits paid	**(4,879)**	(12,669)
Return on plan assets excluding interest income	**3,237**	(3,733)
At 30 June	**159,660**	144,190

(vi) The amounts recognised in profit or loss are as follows:

	2020	2019
	Rs'000	Rs'000
Current service cost	**5,600**	5,153
Net interest on net defined benefit liabilities	**8,068**	5,660
Total included in "employee benefit expense" (note 23(a))	**13,668**	10,813
Actual return on plan assets	11,851	4,381

(vii) The amounts recognised in other comprehensive income are as follows:

	2020	2019
	Rs'000	Rs'000
Return on plan assets below interest income	**(3,237)**	3,733
Liability experience loss	**16,668**	8,437
Liability loss due to change in financial assumptions	**10,567**	34,180
	23,998	46,350

(viii) The fair value of the plan assets at the end of the reporting period for each category are as follows:

	2020	2019
	Rs'000	Rs'000
Equity - local quoted	**17,563**	15,861
Equity - local unquoted	**1,597**	1,442
Debt - local quoted	**1,597**	1,442
Debt - local unquoted	**94,199**	85,072
Investment Funds	**33,529**	30,280
Property - local	**1,597**	1,442
Cash and others	**9,580**	8,651
Total	**159,660**	144,190

20. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(a) **Defined benefit plan (Continued)**

(ix) Principal actuarial assumptions at end of period:

	2020	2019
	%	%
Discount rate	**3.90**	5.90
Future long term salary increases	**2.40**	4.20
Future pension increases	**1.40**	3.20
Average retirement age (ARA)	**65**	65
Average life expectancy for:		
-Male at ARA	**16.9**	16.9
-Female at ARA	**19.9**	19.9

(x) Sensitivity analysis on defined benefit obligations at end of the reporting date:

	2020		2019	
	Increase	**Decrease**	Increase	Decrease
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Discount rate (1% movement)	**51,430**	**64,248**	53,172	41,666
Salaries assumptions (1% movement)	**29,677**	**25,658**	24,176	20,791
Pension assumptions (1% movement)	**32,910**	**29,032**	28,743	24,399

The sensitivity above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(xi) The defined benefit pension plan exposes the Company to actuarial risks such as investment risk, interest risk, longevity and salary risk.

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

20. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(a) **Defined benefit plan (Continued)**

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

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

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

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

(xiii) The Company expects to pay Rs 14,795,000 in contributions to its post-employment benefit plans for the year ending 30 June 2021 (30 June 2020: Rs. 5,850,000).

(xiv) The weighted average duration of the defined benefit obligation is 16 years at the end of the reporting period (2019: 17 years).

(b) **Defined contribution plan**

	2020	2019
	Rs'000	Rs'000
Contribution for the year	**972**	665

21. INVESTMENT INCOME

	2020	2019
	Rs'000	Rs'000
Interest income using effective interest rate	**41,029**	39,366
Dividend income	**1,273**	2,278
	42,302	41,644

22. OTHER INCOME

	2020	2019
	Rs'000	Rs'000
Policy fees	**4,949**	4,560
Exchange gains	**7,156**	1,193
Others	**322**	220
	12,427	5,973

The exchange gains arise mainly on deposits, insurance and other receivables. The others relate mainly to stale cheques credited back and miscellaneous receipts.

22 (a) **REVENUE FROM CONTRACT WITH CUSTOMERS**

	2020	2019
Breakdown of revenue from contract with customers	**Rs'000**	Rs'000
Management fee income	**386**	409

Revenue from management services are recognised over time.

Management fees are received from Managed Medical Fund for Managing the assets backing this Fund

23. ADMINISTRATIVE AND OTHER EXPENSES

	2020	2019
	Rs'000	Rs'000
Employees benefit expense (note 23(a))	**99,992**	94,149
Support service cost (note 23(b))	**49,248**	31,949
Administration fees(note 23 (c))	**19,714**	15,039
Management fees (note 23 (d))	**7,973**	8,430
Rental charges	**817**	8,000
Bank charges	**2,038**	2,115
Amortisation (note 7)	**1,307**	1,095
Advertising	**2,658**	1,717
Depreciation (note 6)	**883**	962
Depreciation on right-of-use assets (note 8)	**5,700**	-
Provision for impairment of insurance receivables	**357**	672
Provision for impairment of reinsurance receivables (note 12(b)(i))	**(1,645)**	4,434
Audit fees	**729**	694
Directors' and Secretary's Fee	**2,925**	2,659
Consultancy and professional fees	**2,712**	1,999
Maintenance- IT Support	**1,502**	3,618
Others	**2,759**	2,615
	199,669	180,148

The others relate mainly to repairs and maintenance, professional charges, Directors' fees and stationery.

(a) Employees benefit expense

	2020	2019
	Rs'000	Rs'000
Wages and salaries, including termination benefits	**84,858**	82,222
Social security costs	**494**	449
Pension cost - defined benefit plan (note 20(a))	**13,668**	10,813
Pension cost - defined contribution plan (note 20(b))	**972**	665
	99,992	94,149

(b) Support service cost

As regards to services required by SICOM General Insurance Ltd in respect of Information Technology, Finance and Investment, Legal and Compliance, Actuarial and General Administration, these are provided by State Insurance Company of Mauritius Ltd and the costs involved are allocated to SICOM General Insurance Ltd.

(c) Administration fees

Administration fees are paid to third-party administrators for the handling of medical insurance claims. It is calculated as 7.5% to 11% of medical gross premiums.

(d) Management fees

Management fees are paid to the holding company for the management of the entity's investment portfolio. It is calculated as 1% of the prevailing market value at the end of each quarter.

24. MANAGED MEDICAL FUND

The Company accounts exclude the net assets of the Managed Medical Fund amounting to Rs. 2,434,890 (2019: Rs. 1,744,098) as the assets backing this fund do not belong to the Company.

25. CAPITAL COMMITMENTS

Capital expenditure contracted for at reporting date, but not yet incurred is as follows:

	2020	2019
	Rs'000	Rs'000
Computer Software	**1,883**	138

26. HOLDING COMPANY

The Directors regard the State Insurance Company of Mauritius Ltd, a Company incorporated in Mauritius, as the Holding Company.

27. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

(i) Holding Company

	2020	2019
	Rs'000	Rs'000
Pension contribution payable	**7,113**	6,220
Rent payable	**8,546**	7,310
Other contributions payable	**1,035**	993
Management fees payable	**7,973**	8,430
Support charges payable	**49,248**	31,949
Dividend payable	**62,133**	37,011
Premium and contribution receivable	**11,268**	7,802

(ii) Key management personnel (including Directors) of the Company

	2020	2019
	Rs'000	Rs'000
Premium receivable	**182**	171
Loans	**-**	(159)
Salaries and other short term benefits	**13,775**	14,124
Post-employment benefits	**1,423**	1,112

(iii) Key management personnel (including Directors) of the Holding Company

	2020	2019
	Rs'000	Rs'000
Premium receivable	**752**	775
Loans	**-**	(159)

27. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Outstanding balances with related parties

		2020	2019
		Rs'000	Rs'000
(i)	**Holding company**		
	Rent due to holding company	**(48,626)**	(522)
	Management fees due to holding company	**(721)**	(727)
	Amount due (to)/from holding company	**(7,199)**	(2,187)
	Capital expenditure and other expenses due to holding company	**(20)**	(265)
	Dividend payable	**(62,133)**	(37,011)
	Premium receivable	**655**	318
(ii)	**Key management personnel (including Directors) of the Company**		
	Premium receivable	**6**	77
(iii)	**Key management personnel (including Directors) of the Holding Company**		
	Premium receivable	**107**	203

Terms and conditions of transactions with the related parties

The transactions from related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free except for loan granted to key management personnel (including Directors) and settlement occur in cash. There have been no guarantees provided or received for any related party receivables and payables. At each financial year, an assessment of provision for impairment is undertaken through examining the financial position of the related party and the market in which the related party operates.

28. CONTINGENCIES

In common practice with insurance industry in general, the Company is subject to litigations arising in the normal course of insurance business.The Directors are of the opinion that these litigations will not have a material effect on the financial position or results of the Company as the insurance contract liabilities take into account the claims related to these litigations.

29. EVENTS AFTER THE REPORTING DATE

Covid-19 outbreak

As the global outbreak of the novel coronavirus (Covid-19) in early 2020 is causing major disruptions to both social and economic activities across the world, Mauritius has not been spared of its impact. As the first cases of corona virus were detected in the country, the government announced a lockdown for an initial period of two weeks, which was further extended. These drastic social distancing measures, considered essential to avoid a surge in the spread of the virus and save a maximum of human lives, are however having a significant toll on the economy and the business community at large. At this stage it is difficult to evaluate how long the effects of the pandemic will last and when activities will restart and eventually return to normal, if at all. The longer it takes, the more business enterprises are likely to fail and enter bankruptcy. Moreover, certain sectors such as aviation and tourism, are likely to continue experiencing the impact even after the pandemic is finally controlled.

In order to limit the impact on the livelihood of the population and the destruction of businesses through bankruptcies, the Government of Mauritius has taken a series of accompanying measures. Some of these key measures are described below:

(i) Wage assistance scheme: partially funding salary of employees earning Rs 50,000 per month or less during the lockdown period;
(ii) Assistance scheme for self-employed; financial support of Rs 5,100;
(iii) Setting up of a solidarity fund to assist persons affected by the pandemic;
(iv) For Micro, Small and Medium Enterprises (MSMEs) with turnover of up to Rs 50 million, a moratorium of 6 months on capital and interest payments with respect to their existing loans with commercial banks;
(v) Under the Special Relief Amount of Rs 5 billion earmarked by the Bank of Mauritius through its Support Programme, MSMEs are eligible for a moratorium of 6 months on both capital and interest payments in respect of new loans with commercial banks;
(vi) Special line of credit of USD 300 million targeting operators having foreign currency earnings; and
(vii) Support to households: moratorium of six months on capital and interest repayments on all loans from commercial banks to households with combined basic salary not exceeding Rs 50,000.

Management has considered the following to be the most likely impacts of Covid-19 on the business:

- A decrease in new business given the expected decline in economic activities.
- Cut-throat competition in the new business segment with some insurers undercutting premium rates.
- Renewal retention could be challenging given some clients would implement cost cutting measures and may consider reviewing their insurance portfolio and shop around for lower premium.
- An increase in bad debts due to clients facing financial difficulties and not settling premium as per agreed dates.

In addition, Management has considered the impact on the statement of financial position of the Company due to the impact of Covid-19. This is described below.

Investment Income

The investment climate during the forthcoming financial year will be challenging, especially following the outbreak of the Covid-19 pandemic, which resulted in more difficult economic and financial conditions. The already low market interest rates have fallen further attaining new all-time lows, while equity markets have been in turmoil.

29. EVENTS AFTER THE REPORTING DATE (CONTINUED)

Going concern

In the light of the anticipated economic impact of COVID-19, Management has made an assessment of the Company's ability to continue as a going concern.

Liquidity risks

The liquidity position of the Company has remained strong and as of 30 June 2020, the Company had cash resources of Rs 125.5 million, comprising of cash and cash equivalent of Rs 56.2 million and short term deposits of Rs 69.3 million. The Company also hold a USD call account which stood at USD 632,000 at end of June 2020. Nevertheless, caution is a must as we may face recovery issues for premium collection and a rise in claims costs following further depreciation of the MUR during the next financial year.

Capital risks

The Company's Capital Available as a % of Minimum Capital Required for the financial year 2020 stood at 266% and is well above the regulatory requirement of 150%.

Management strongly believes that there is sufficient buffer and headroom to ensure the Company is adequately capitalised and withstand the impact of COVID-19.

The following measures are in progress to mitigate the impact of COVID 19 on the Company:

1) A more prudent approach adopted by the underwriting department before approving any new business and the inherent risk attached to it;
2) New arrears recovery procedures to adapt to the COVID 19 situation, as it is believed that some households will be affected by cashflow issues;
3) A close monitoring of all regulatory and governance guidelines;
4) Regular assessment of the cash flow of the Company and an active campaign to retain business or obtain new good business,
5) A tight control on administrative expenses while also being on the lookout for less costly ways of doing business.

On that basis and taking into consideration the series of measures taken to mitigate the downside risks caused by the outbreak, management is satisfied that there is no material uncertainty around the going concern assumption.

However, it should be noted that the full magnitude of the economic and financial impact of COVID-19 are yet to be known and will depend on a number of factors as described below:

- The duration and severity of the spread of the virus across the globe;
- The duration and extent of the preventive measures such as closure of our borders by government;
- The duration and extent of government continuing support and measures to stimulate the economy; and
- The degree to which stakeholders will act rationally in the face of an unprecedented crisis.

Given that the COVID 19 situation is extremely fluid and conditions change on a daily basis, management considers that it is not possible to predict any outcome relating to the above factors.

STATUTORY DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

(Pursuant to Section 221 of the Companies Act 2001)

Principal Activities

The Company is mainly engaged in General Insurance business.

Directors

The Directors of SICOM General Insurance Ltd during the financial year 2019-2020 were as follows:

- Salemohamed M Y
- Ballah R
- Balluck A
- Bhoojedhur-Obeegadoo K G (Mrs)
- Boodhoo B
- Chaperon J M C G (up to 19 December 2019)
- Dussoye C
- Koonjoo V K
- Leung Lam Hing H Y K (Mrs)

Directors' Service Contracts

One of the Executive Directors has a service contract with the Company without expiry date.

Directors' Emoluments

During the year, the Non-Executive Directors of the Company received Board fees of Rs 1,019,819 (2019 – Rs 859,542) and Board Committee fees of Rs 13,400 (2019 – Rs 9,600) respectively. The independent Directors of the Company received Board fees of Rs 1,565,368 (2019 – Rs 1,472,235) and Board Committee fees of Rs 51,900 (2019 – Rs 40,500) respectively. The Executive Directors of the Company received emoluments of Rs 7,928,085 (2019 – Rs 7,123,607). The remuneration and benefits paid to the Directors have not been disclosed on an individual basis due to the sensitive nature of the information that may result in our organisation losing its competitive advantage in the market.

Audit fees

The fees payable to the auditors, for audit and other services were:

	2020	2019
	Rs'000	Rs'000
Audit fees payable to:		
- Ernst &Young	729	694
Fees payable for Tax services:		
- Ernst &Young	101	97
Fees payable for other services:		
- Ernst &Young	345	-

For and on behalf of the Board of Directors

M Y SALEMOHAMED
Chairman

H Y K LEUNG LAM HING
Director

Date: 24 SEP 2020

SICOM
GENERAL INSURANCE
A member of the SICOM Group

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