SICOM
STATE INSURANCE COMPANY OF MAURITIUS
A member of the SICOM Group

Annual Report

2020

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Corporate Profile

Mission, Shared Values and Objectives

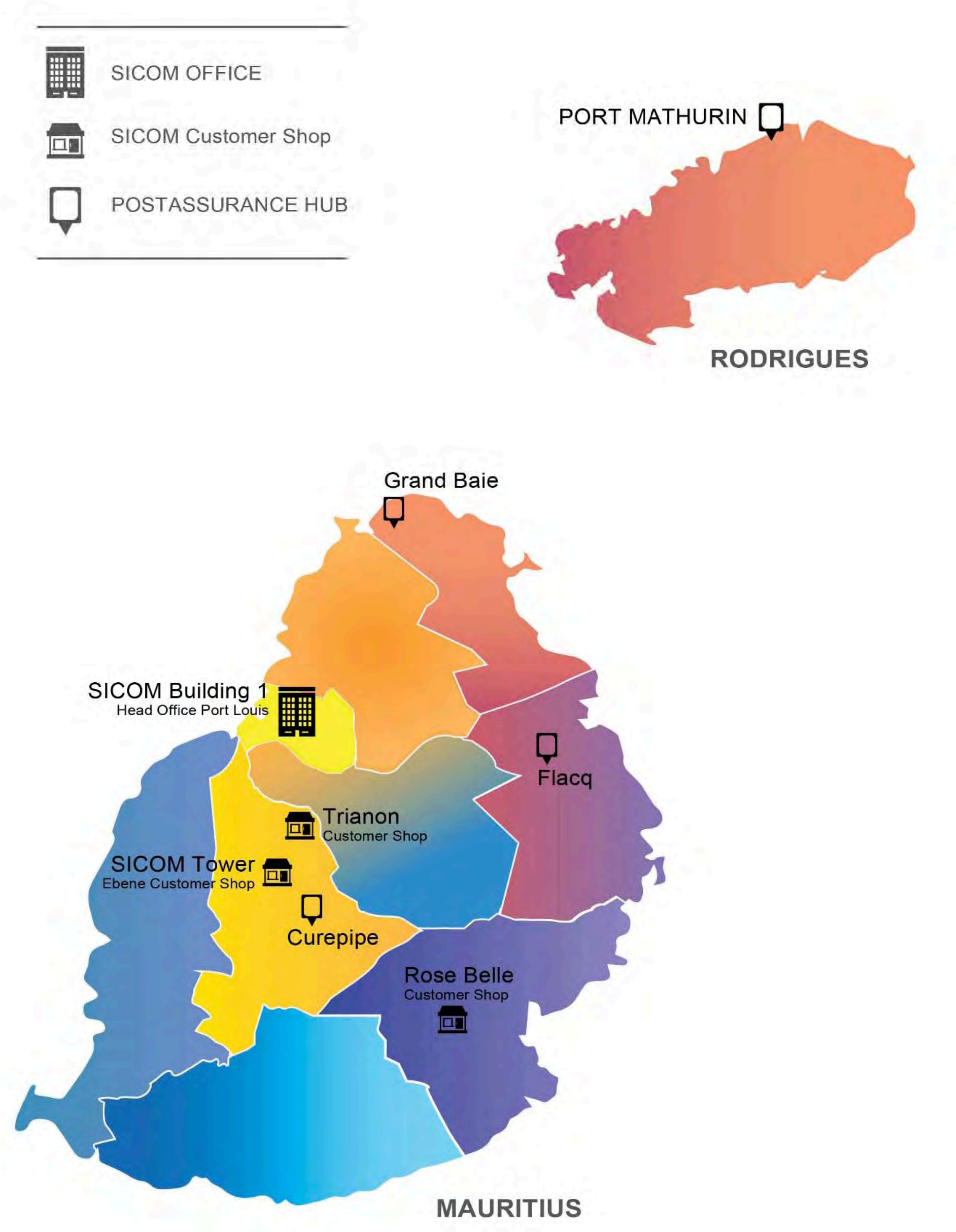
- Dedicated to providing the best in insurance and financial services, with focus on competitive quality products and excellent levels of customer care

- 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



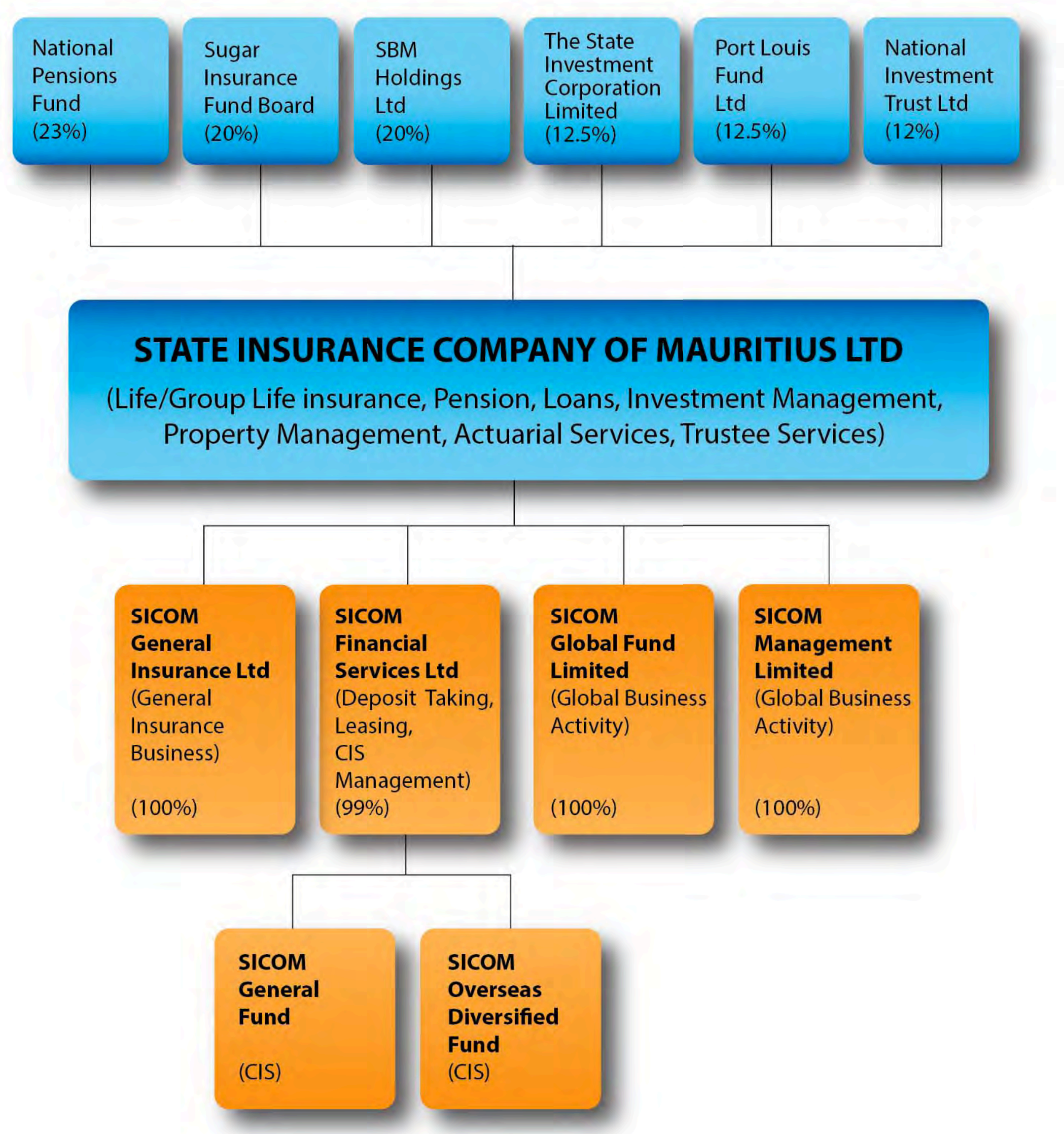
Corporate Profile

Corporate Information

Registered Office	**State Insurance Company of Mauritius Ltd** SICOM Building 1 Sir Célicourt Antelme Street, Port Louis, Mauritius Telephone: (230) 203 8400 Fax: (230) 208 7662 Email Address: email@sicom.mu Website: www.sicom.mu
Auditor	Ernst & Young
Consulting Actuaries	QED Actuaries & Consultants (Pty) Ltd 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

Group Structure & Shareholding



Corporate Profile

SICOM's Products and Services

Group Pensions Administration
Personal Pensions Plans

Investment & Savings
Child Education
Loan Portfolio Protection
Family Protection Scheme
Group Term Assurance
Group Funeral Plan

Motor
Home
Personal Accident
Travel
Medical
Commercial Risks
Engineering
Special Risks

Fund and Investment Management
Deposit Taking
Leasing
Collective Investment Scheme Management
Trustee Services

Housing
Multipurpose
Personal
Educational

Pensions Fund Valuations
Advice on Pensions Issues
Group Product Pricing and Design
Disclosures under IAS 19

Board of Directors

Members	Category
M Y Salemohamed (Chairperson)	Independent Director
A Acharuz	Independent Director
K G Bhoojedhur-Obeegadoo	Non-Executive Director
D Gaoneadry	Independent Director
S B Jhungeer (as from 10 July 2020)	Non-Executive Director
N Ramdewar	Executive Director
J Sonoo, C.S.K	Non-Executive Director
K R Sooknah	Non-Executive Director
R Maunthrooa (up to 13 November 2019)	Independent Director
K Conhye (up to 12 December 2019)	Non- Executive Director
J M C G Chaperon (up to 19 December 2019)	Executive Director
K C Li Kwong Wing, G.O.S.K (up to 02 June 2020)	Non-Executive Director

Committees of the Board

Risk and Audit Committee

Members	Category
A Acharuz (Chairperson)	Independent Director
K G Bhoojedhur-Obeegadoo	Non-Executive Director
D Gaoneadry (as from 03 February 2020)	Independent Director
K R Sooknah	Non-Executive Director
R Maunthrooa (up to 13 November 2019)	Independent Director
K Conhye (up to 12 December 2019)	Non-Executive Director
K C Li Kwong Wing, G.O.S.K (up to 02 June 2020)	Non-Executive Director

Investment and Finance Committee

Members	Category
M Y Salemohamed (Chairperson)	Independent Director
A Acharuz	Independent Director
D Gaoneadry	Independent Director
N Ramdewar (as from 03 February 2020)	Executive Director
J Sonoo, C.S.K	Non-Executive Director
R Maunthrooa (up to 13 November 2019)	Independent Director
J M C G Chaperon (up to 19 December 2019)	Executive Director
K C Li Kwong Wing, G.O.S.K (from 03 February to 02 June 2020)	Non-Executive Director

Committees of the Board

Corporate Governance Committee

Members	Category
M Y Salemohamed (Chairperson)	Independent Director
A Acharuz	Independent Director
K G Bhoojedhur-Obeegadoo	Non-Executive Director
D Gaoneadry (as from 03 February 2020)	Independent Director
N Ramdewar (as from 03 February 2020)	Executive Director
K Conhye (up to 12 December 2019)	Non-Executive Director
J M C G Chaperon (up to 19 December 2019)	Executive Director

Staff Committee

Members	Category
J Sonoo, C.S.K (Chairperson)	Non-Executive Director
M Y Salemohamed (as from 03 February 2020)	Independent Director
A Acharuz	Independent Director
K G Bhoojedhur-Obeegadoo (as from 03 February 2020)	Non-Executive Director
N Ramdewar	Executive Director
R Maunthrooa (up to 13 November 2019)	Independent Director
J M C G Chaperon (up to 19 December 2019)	Executive Director

Chairman's Message

On behalf of the Board of Directors, I am honoured to present to you SICOM Group's Annual Report for the financial year 2019-2020. This has been a challenging year. As I write, the Group remains focused on how to manage the economic consequences of the coronavirus pandemic that is affecting businesses and people all around the world. We are living through unanticipated and unprecedented times, which is marked by socio-economic disruption, financial market volatility, poor visibility regarding the future and the tragic loss of human lives.

The impact of COVID-19 is changing society at large, changing customer habits and paving the way for a global recession unexperienced since World War II.

I am nonetheless confident that, like all previous economic crises, this contraction will come to pass and a fresh wave of business energy will be unleashed.

Committed to achieve (despite COVID-19)

Consumers across the globe have come to embrace, and now fully expect digital interactions. This is the local trend as well, which flourished during the lockdown period and it is nowhere more apparent than in the retail industry where e-commerce is mapping new customer habits. We are pleased that our digital ecosystem ensured business continuity throughout the lockdown, whereby customer requests were addressed, and expectations managed. The digitalisation of our customer touchpoints, the SICOM General Insurance Portal and the Life Online Sales Platform, which are enriched communication gateways for all clients, and the fact that we are now able to conduct online sales with all payment facilities, comfort me in the way our digital transformation is unfolding. We cannot ignore digital opportunities and with the right organisational mindset, SICOM is more digitally focused today.

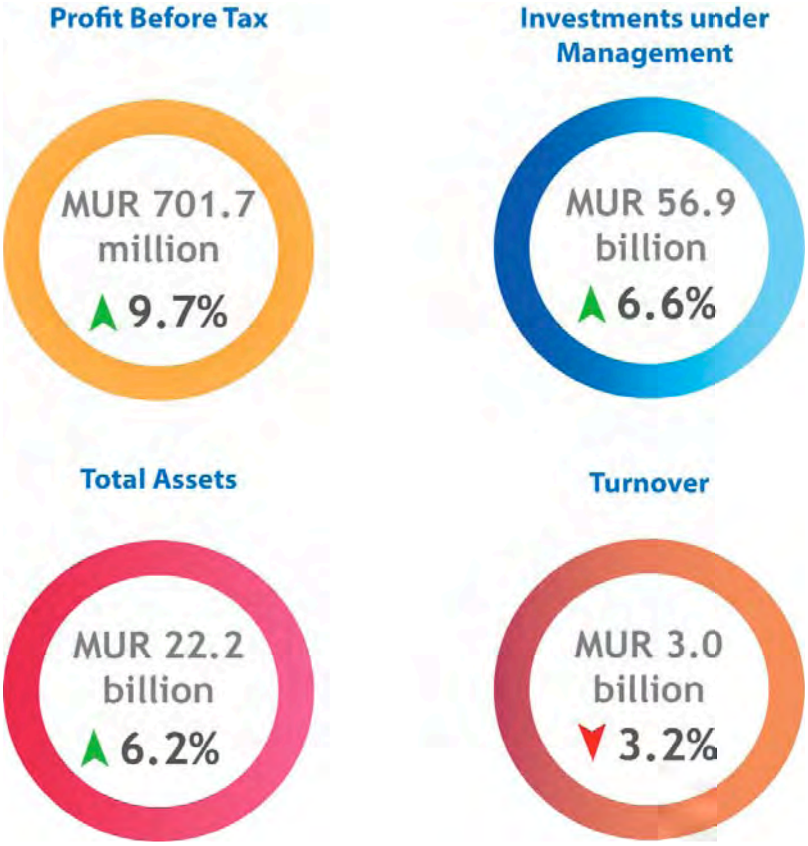
During the year under review, the SICOM Group has also capitalised on every opportunity to get nearer to its client-base, further expanding its network with the aim of being operationally and commercially in line with customer needs. State-of-the-art Customer shops at Trianon, Rose Belle and at our head office in Port-Louis have been launched during the year to improve customer experience. Some distribution channels have also been optimised and should be more impactful from now on. The Customer Experience (CX) strategy, which has been earmarked as a key differentiator for the brand, is being approached from both a customer-facing and internal process perspective so that we holistically deliver on this strategic objective.

Our strategy to expand our property exposure has been maintained and a few property development projects are currently in the pipeline.

Delivering well in 2019-2020

2019-2020 was a year of progress for the Group despite the challenging backdrop of the COVID-19, all-time low interest rates and volatile financial markets. In fact, the SICOM Group posted a strong performance with this year's profit before tax of the Group reaching MUR 701.7 million and that of the Company being MUR 690.0 million both representing increases over last year. Total assets of the Group have increased from MUR 20.9 billion to reach MUR 22.2 billion. Investments under the

Group's management have increased from MUR 53.4 billion to MUR 56.9 billion. Turnover was nearly stable at MUR 3.0 billion compared to MUR 3.1 billion last year. This performance reflects the Group's resilience in the face of adverse conditions, as well as proper risk management systems and its commitment to the sustainability of its business.



Staying resilient for a brighter future

Under the strategies of Business Diversification, People Development, Operational Excellence by rapid adoption of Technology and Expansion of Distribution Networks - all of these being particularly relevant in this challenging context - the SICOM Group remains committed towards staying as a financially strong and resilient organisation that meets stakeholders' expectations and is in phase with customer needs.

This crisis requires us to adapt to a new business environment and adjust our organisational objectives and set of deliverables. It is also about how well we reengineer our talent and resources to continue to deliver spot on. The silver lining, I believe, rests in the fact that we can still, as a truly agile company, sharpen our sense of commitment towards bringing additional value to our varied stakeholders and the Mauritian society at large.

We will leverage on our understanding of the local market to be even more responsive to the requirements of our business. Projects such as regionalisation, business diversification, property investment among others, are being explored. Investing in technology and innovation to enhance the customer journey is already underway and it is understood that a more developed distribution network is vital for future growth and enhanced brand equity.

All of this starts with ensuring that our people have a safe and inspiring place of work that meets the highest health & safety standards and that their development and welfare are well taken care of. This is also a key enabler for our transformation and business sustainability.

Acknowledgements

On behalf of the Board of Directors, I would like to thank our people. They have demonstrated a high level of commitment and passion in their job, especially during the trying lockdown period. I am also grateful to our customers and stakeholders who have placed their trust and confidence in SICOM. I am confident that we will emerge as a stronger Group from the current economic and social crisis and a more valuable partner to all our stakeholders than ever before.

I am thankful to my fellow Board members for their valuable contribution and support during the past year. I would also like to thank the former Acting Group CEO, Mr J M C G Chaperon for his commitment and invaluable contribution to the Group over the past years as well as Messrs R Maunthrooa, K Conhye, K C Li Kwong Wing, G.O.S.K for their contribution to the Board. I welcome Ms S B Jhungeer who has been appointed as a new member on the Board.

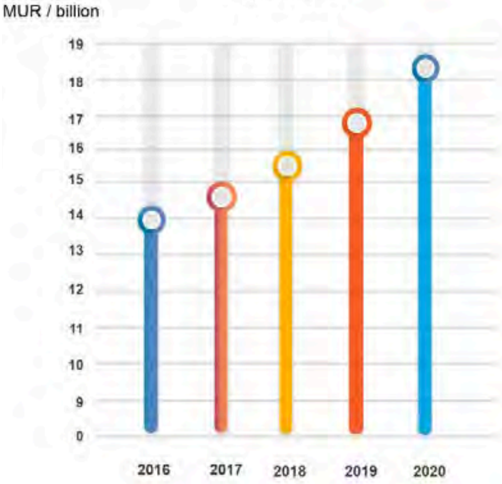
On a final note, I would like to express my gratitude to our shareholders, the Government of Mauritius and other stakeholders for their trust in the SICOM Group.

Muhammad Yoosuf Salemohamed
Chairman

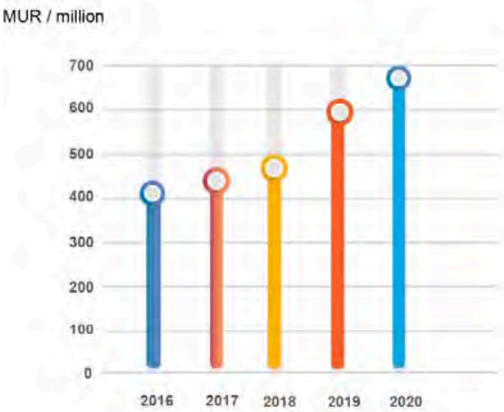
Financial Highlights

Company

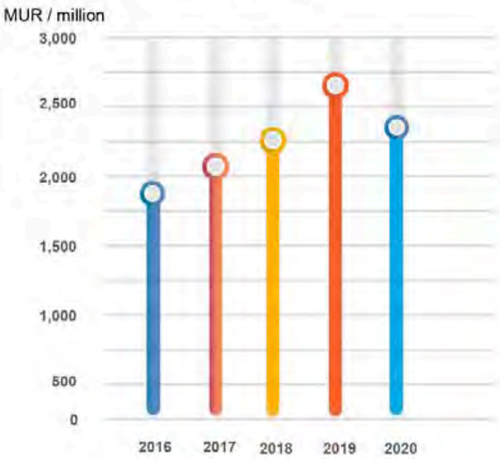
Total Assets



Profit Before Tax

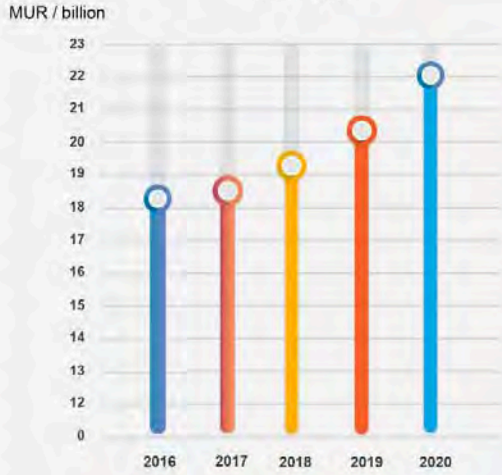


Turnover

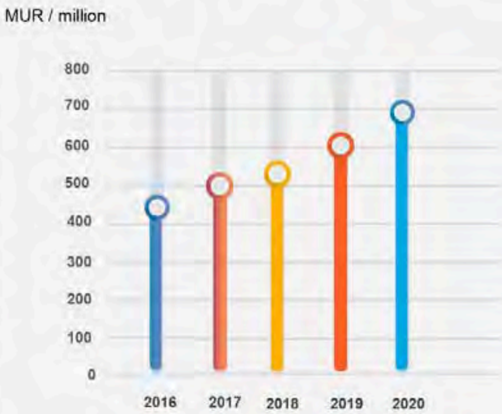


Group

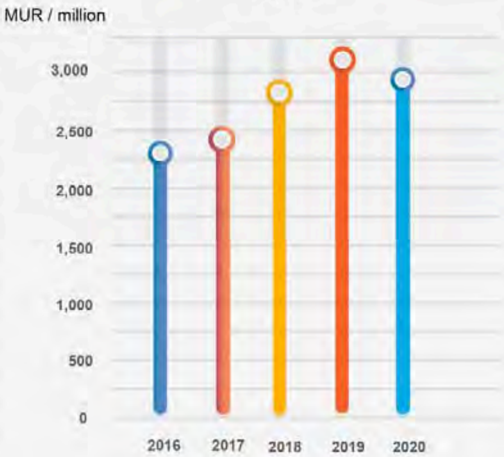
Total Assets



Profit Before Tax



Turnover



Message from the Officer in Charge

2019-2020 challenged us to rise beyond the difficulties of current economic and market conditions and to further look for opportunities beyond COVID-19. While a new normal is slowly seeping in, I am pleased to report that the Group's results for the year under review continued to show an upward trend, with top line growth in our core activities and an increase in profitability despite difficult market conditions and a low interest rate environment. Indeed, for the year ended 30 June 2020, despite almost 3 months hit by the lockdown and its aftermath, the Group navigated this intricate economic environment with agility to deliver an overall good performance.

Economic overview

Statistics Mauritius forecasts real GDP to contract by around 13.0% in 2020 and the impact of the pandemic on the open economy of Mauritius is expected to be severe. The financial and insurance business activities are expected to grow by about only 1.0%, compared to 5.2% in 2019, and this forecast translates the contraction that could be looming for SICOM's operations and profitability in 2020-2021. The drastic drop in interest rates, with the Repo Rate at its historically lowest level, is more than likely to have a negative effect on the income generation capacity of the Group. The local economic downturn would most probably slow the sales of insurance products, which will dampen the overall revenue of the business going forward.

Strategy and People

Our different strategic drivers to re-engineer SICOM's internal processes, review distribution strategy, explore new products and markets and engage the organisation into more innovative initiatives have opened up new prospects of growth, differentiation and diversification. A set of new metrics for measuring the performance across the businesses has also been elaborated in 2019-2020. Additionally, new property projects with the potential of delivering good rental yields and capital appreciation are being considered that could be major building blocks to contribute to the growth of the Group and buffer the impact of low interest rates.

Employees bring value to the organisation and investing in their development and welfare is crucial for strengthening teams and guaranteeing the continued success of the Group. The Group is continuously investing in its human capital so that each and every employee is on top of his game. As an employer of choice, SICOM offers an engaging and inclusive work environment and takes great pride in its merit-based culture which enables the organisation to attract and retain the right talents to support its business growth. In that perspective, during the year, a new salary and benefits package was implemented for our employees. We have put in place a corporate learning programme to accompany and further develop the potential of each talent so that every employee of the Group continues to deliver on the promises that we make.

We invite you to discover more about SICOM's strategy, value creation initiatives as well as the review of operations for the year in the next sections to have a better understanding of the strategies and initiatives being put in place.

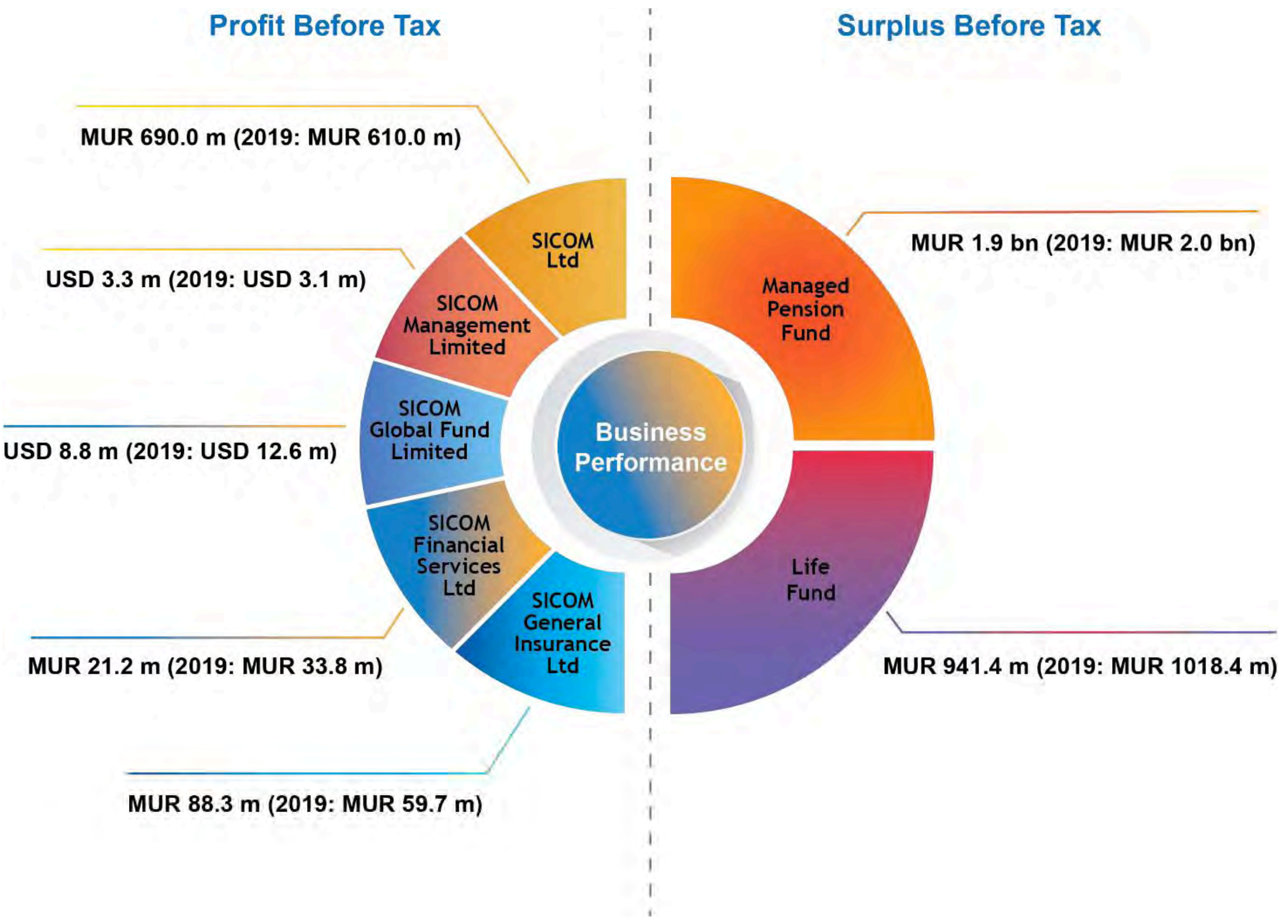
Customer Experience

Pursuing a focused agenda has greatly helped in delivering well on key drivers, targets and initiatives set to make a significant impact in the medium to long term. Last year we acknowledged that there was a need to get closer to our customers and we have, thus, opened two brand new Customer Shops at La City Trianon and Plaisance Shopping Village, and launched a Customer Shop on the ground floor of SICOM Building 1. The Group has pursued its quest to improve further its brand awareness through communication and advertising campaigns. Existing bancassurance arrangements with leading banks have also been revamped. These are key elements in our strategy to offer a customer journey that acts as a significant brand differentiator.

The Digital Transformation of the Group has also been maintained during the year under review and is earmarked as critical in making our business more competitive, customer centric and successful. SICOM has introduced an Online Sales platform whereby its customers can buy Life products online in a seamless and customer friendly process. This facility has been extended to its intermediaries to better serve customers. By leveraging on technology, SICOM is adopting smarter ways of doing business and this has also resulted in cost containment and in the present economic climate, this is more relevant than ever.

Financial Performance

On a consolidated level, the Group's profit before tax reached MUR 701.7 million, representing an increase of 9.7% from last year. The Company's profit before tax reached MUR 690.0 million, showing an increase of 13.1% compared to last year. This performance is the result of agile initiatives taken at all levels to navigate through the intricate economic conditions. I would like to highlight hereunder the performance of our different businesses.



Managing COVID-19

The lockdown period triggered mitigation strategies to adapt our business operations, mainly in order to service our customers as seamlessly as possible. Our Business Continuity Plan provided us with the necessary framework to appropriately respond to an unprecedented situation. The fact that there was an acceleration regarding the adoption of digital channels by most Mauritians also gave the necessary momentum to our client-base to access SICOM's Customer Portal for various services. We have digitally enabled our employees to work safely from home and kept service disruption to a minimum. We also ensured that pensioners of schemes under our administration continued to receive their monthly pensions in a timely manner. At the same time, we established a Rapid Response Team to monitor the evolving COVID-19 crisis. Moreover, a protocol was established for our staff and clients on safety and health measures. Precautionary measures were taken prior to duty resumption, including full sanitisation of office premises, markings for social distancing and posters affixed in all public areas. Rapid COVID-19 tests were also carried out for our staff. SICOM also contributed MUR 10 million to the COVID-19 Solidarity Fund as a strong gesture of solidarity to the country.

Risk and Compliance

On the Risk Management side, the COVID-19 pandemic has brought about emerging risks affecting the global insurance industry. Eventually, the strategic course of managing business will have to be changed. Close collaboration with concerned departments is crucial to ensure that emerging risks, such as innovative cyber-attacks and increase in lapses and arrears, among others, are effectively assessed and managed. These emerging risks will be constantly monitored over the next year to ensure that appropriate actions are promptly taken.

At SICOM, we are also committed as an organisation to the highest ethical standards and ensure compliance with all applicable laws, rules and regulations. We have a robust Anti-Money Laundering/Combating the Financing of Terrorism ('AML/CFT) framework in place. We have adopted a risk based approach to AML/CFT as recommended by our regulators and invested in a software to tackle financial crime using smart technology. We have also embarked in assisting sponsors of pension funds in the implementation of regulatory requirements as a value added exercise.

Our new normal

In order to be resilient in the new normal created by the COVID-19 pandemic, the Group's strategy to drive its different lines of businesses will be built on the strong foundation already put in place over the years and will hinge upon its key strategic pillars. The rolling out of our digital and innovation strategy, which has sensibly improved customer interaction during the lock down period, is successfully underway. The Customer Portal and the Online Sales Platform are but two examples of the digital transformation that happened in 2019-2020 and we intend to accelerate the journey onward in view of attracting new customers, particularly those who increasingly look for insurance related products online. With the help of technology, SICOM looks at adding speed and convenience to the purchasing process.

We will continue to drive revenue and profit growth, essentially through a product mix - old and new - that matches customer expectations and explore fresh prospects for diversification and expansion. A wider market share is possible through renewed collaborations with partners and intermediaries and we firmly believe that SICOM's business lines have the potential to attract additional market share. We will continue to invest in resources, technology and talent to remain an employer of choice and a key financial and insurance service provider. We will also be focusing on the new accounting standard IFRS 17 (Insurance Contracts) during the current financial year. Safety and Health will also continue to be, more than ever, key facets of our new normal so that both our employees and customers feel safe within our corporate environment.

Acknowledgements

I would like to thank our valued Customers for partnering with us. It is their token of confidence that motivates our team. My gratitude goes to the dedicated and committed people of the SICOM family who have often gone above and beyond the call of duty to support the growth and transformation of the Group especially during the lockdown period and upon resumption of work.

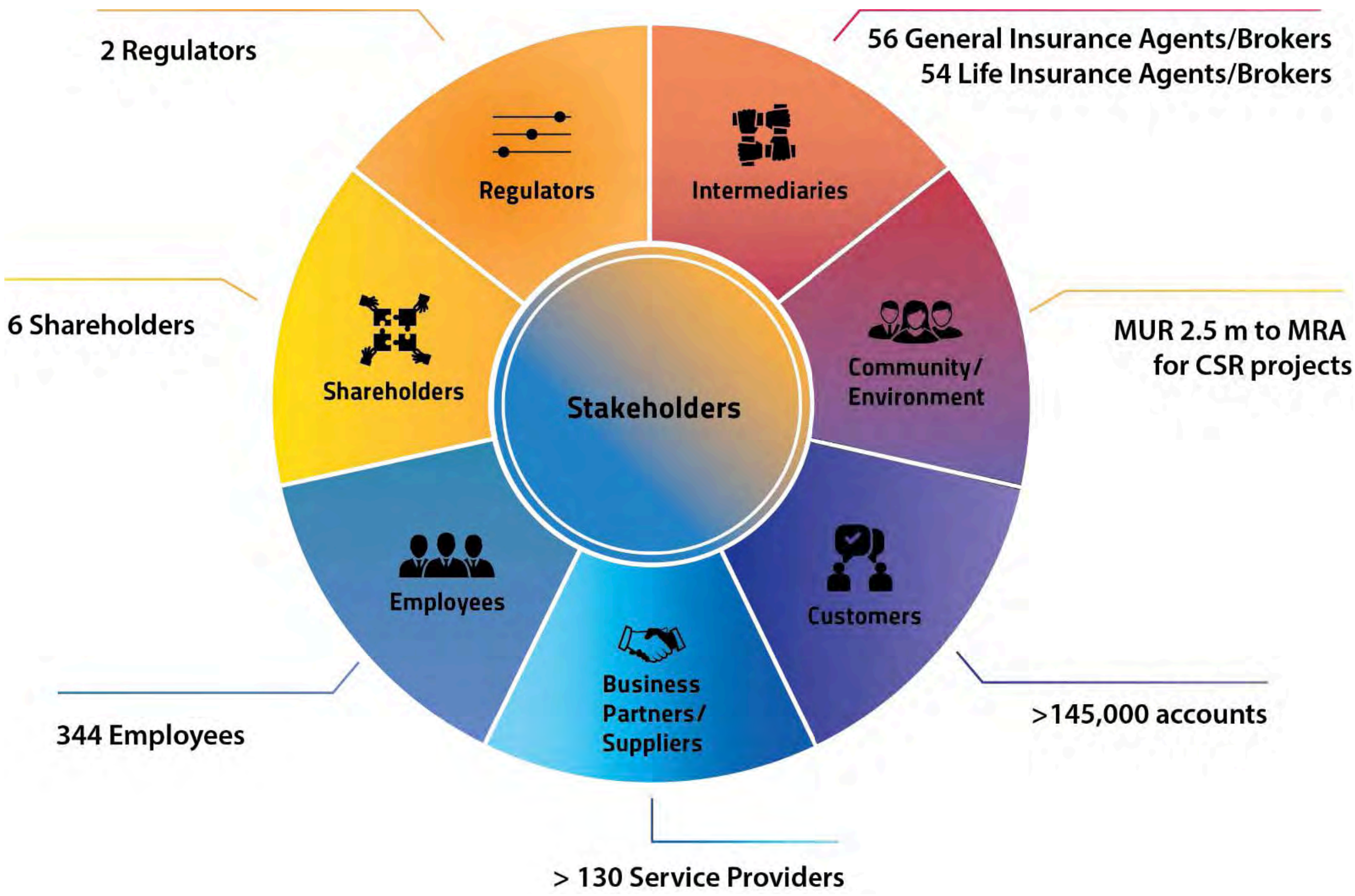
I would like to express my appreciation to the Chairman and members of the various Boards of the Group for their invaluable insight, guidance and unflinching support so as to create long term sustainable value for all our stakeholders. I would also like to thank the Government of Mauritius, the Financial Services Commission, the Bank of Mauritius, Reinsurers, Insurance and Reinsurance Brokers, Investment Managers, Bankers, Insurance Agents, Salespersons and other stakeholders for the support extended to the SICOM Group.

Nandita Ramdewar
Deputy Group CEO (Officer in Charge)

Engaging with stakeholders

SICOM 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 Group 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 on such strong relationships adds to the process of unlocking value for all parties and is a catalyst for the Group in remaining aligned with its objectives and statement of lifetime commitment.

Key Stakeholders of SICOM



Stakeholders	Expectations	Response to Expectations	Channels of Communication	Capital Impacted
Customers (including sponsoring employers, scheme members, unions and pensioners)	- Excellent service - Seamless experience across channels - Instant support - Competitive prices - Simplification of buying processes - Partnership and relationship - Customised solutions - Value- Added services	- Soft skills and general skills training to staff - Opening of a new customer lounge, new branches and hubs across the island - Digitalisation of our services - Call centre services for greater availability - Regular campaigns and reminder campaigns for products - Timely communication to our 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 through frontliners - Distribution channels such as Hubs, Customer shop - Events such as Open day - Email, Phone call, SMS, Letters, Customer Portal - Website - Media Campaigns - Half yearly and yearly statements of fund balances - Monthly contributions lists - Yearly benefits and emoluments statements - Presentations - Information Sheets - Brochures - Actuarial Valuation Reports	- Financial - Intellectual - Relationship
Shareholders	- Strong governance, ethics and transparency - Higher returns on investment and long term business value - Clear and consistent business strategy	- Policy of dividend distribution of minimum 25 % profit after tax - 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

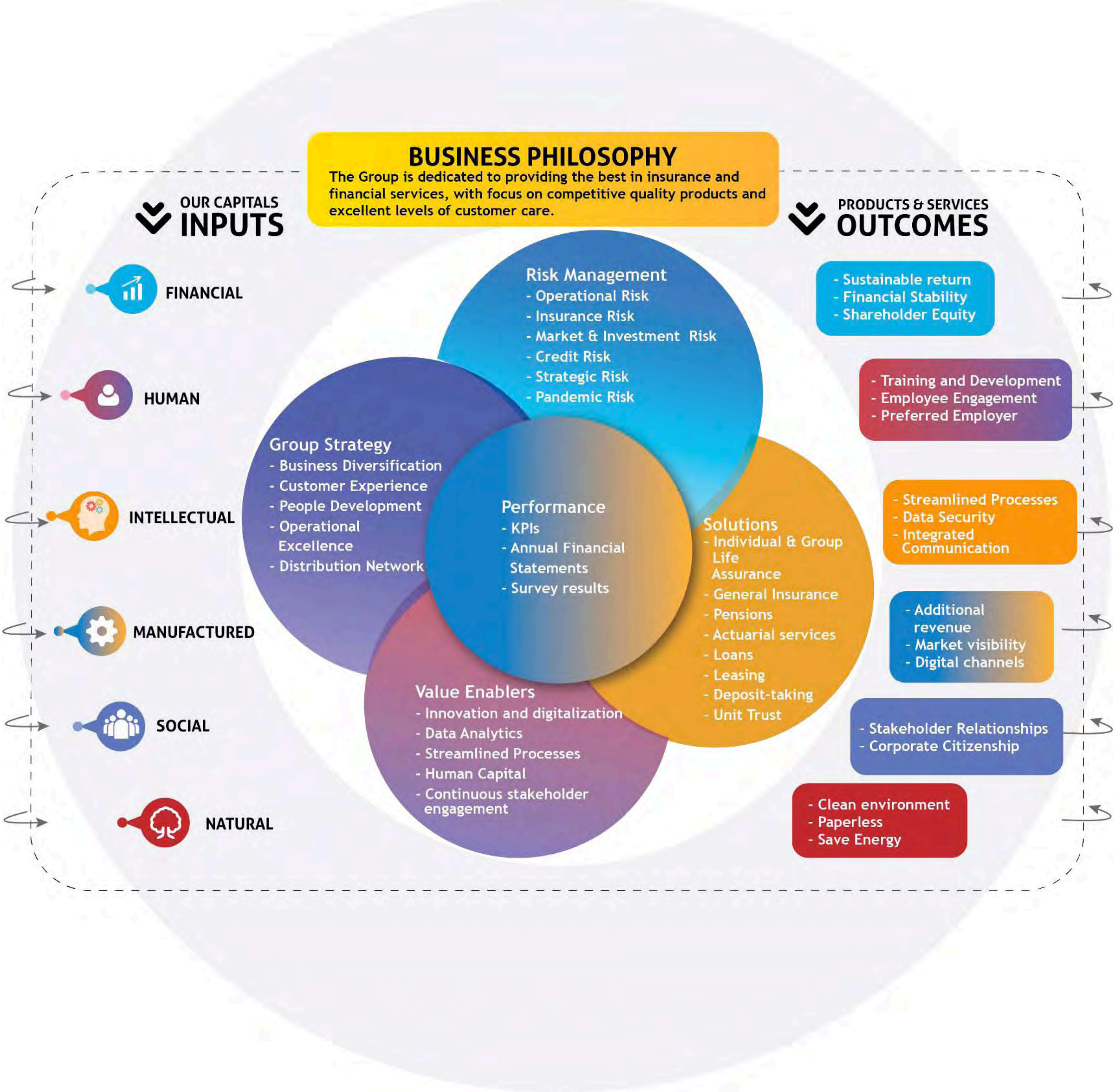
Stakeholders	Expectations	Response to Expectations	Channels of Communication	Capital Impacted
Employees	- Stimulating and rewarding package - Training and career development opportunities - Work-Life balance - Regular communication - Enabling culture	- Competitive remuneration and employment conditions - 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 on 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 - Trainings - Involve them in Project committees - Regular meetings	- 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 between SICOM and Intermediaries for General Insurance	- Interview with Intermediary to understand their concerns - 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)	- 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 - Manufactured

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 - Renting of our office space to Ministries	- Annual Report - Corporate Governance Report - ORSA Report - Reporting pension funds under SICOM's administration - 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 Organisations and charitable funds - Trainees periodically onboarded for short-term training within the organisation	- Sponsorships	- Social - Relationship
Environment	- Care for the environment - Energy saving initiatives	- 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

Unlocking Value

'Purpose' is what drives SICOM in its endeavour to unlock value for each of its stakeholder in the longer term. The array of products and services is designed towards enabling Mauritians to achieve their lifetime financial goals and grow in a world full of challenges. Through a carefully constructed dialogue with all its stakeholders, SICOM seeks to constantly redefine its social role and its impact on the environment.

Business Model



Financial Capital

Financial capital is broadly understood as the pool of funds available, either through financing or generated means of productivity. For example, financial resources may be obtained through debt, equity and grants or resulting from operations or investments. These various fund-raising means help the organisation to unlock value over time.

SICOM supports its insurance business and invests in its strategy from internally generated funds, which are used to sustain income. Financial returns of the Group reinforce its financial stability and on a broader scale, contribute to growth of the financial services industry.

Banking on its strategy and an effective cost management policy, the Group yet expects to strengthen its financial stability in the coming years.

Human Capital

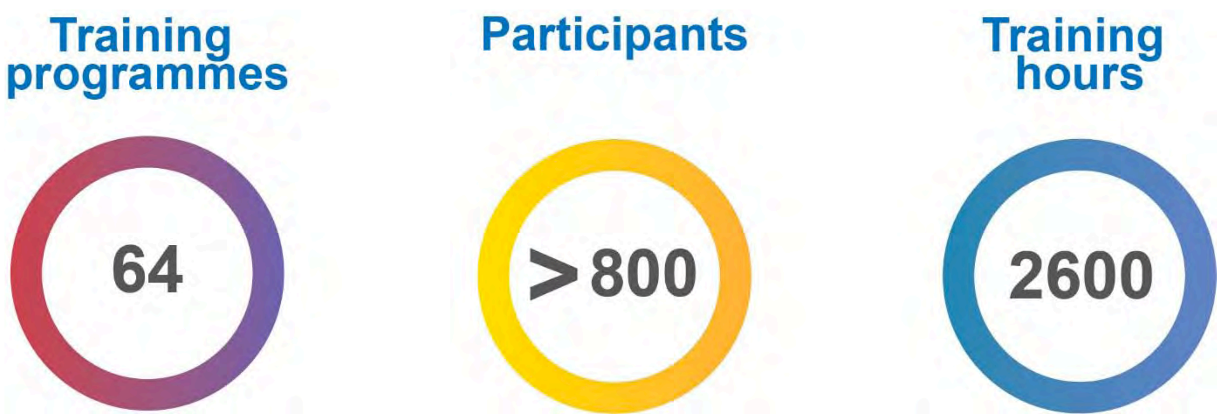
Human capital includes employees' competencies, capabilities and experience, as well as their motivations to innovate. Human capital also refers to people's ability to understand and implement strategy, their leadership attributes as well as their ethical values. People helps the Company unlock value.

The SICOM Group believes that its workforce is its most valuable assets; its set of skills, competences and commitment are the motivators behind its strategy and constant growth.

Learning & Development

Nurturing talents for the optimum growth of the organisation lies at the heart of the Learning & Development programme of the Group and continually expanding Human Resource capabilities (both technical skills and emotional intelligence) is key in the development of a committed, knowledgeable and motivated workforce.

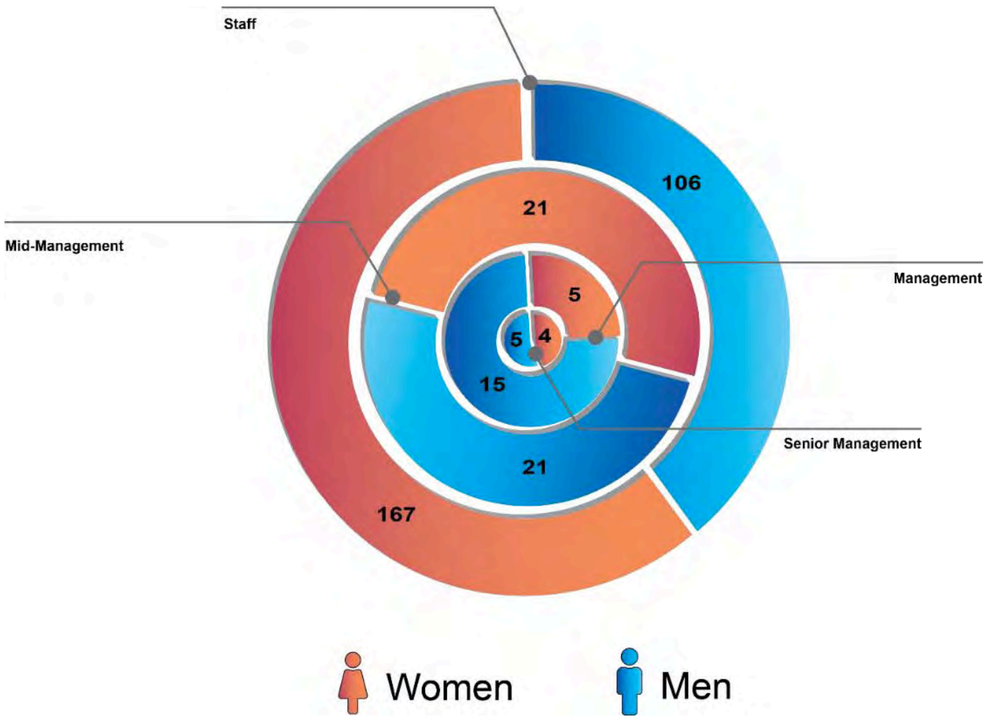
Mandatory training programmes with regards to data protection, anti-money laundering and combating the financing of terrorism, customer service, and IT security have been provided to ensure that everyone is duly informed of the latest updates. During the lockdown, employees were encouraged to upgrade their skills, acquire new competencies in areas relevant to their field of work through online platforms.



We have also put in place various incentives/ schemes to continue their upskilling and development. Our workforce today consists of a variety of professionals with different fields of qualifications.

Recruitment

The Group lays significant emphasis on attracting and recruiting the right talent. During the year under review, positions ranging from entry-level to senior management were advertised both locally and internationally and vacancies were filled accordingly. No less than 20 new colleagues have hence joined the SICOM family to support the growth of the Group.



Staff Welfare

The Group regularly plans various initiatives around the welfare and wellness of its people and advocates for good work-life balance. In order to achieve higher employee engagement concerning their own health, talks on specific medical topics, as well as awareness campaigns and check-ups, including an anti-flu vaccination exercise, have been organised during the year under review. A soccer team and a bowling team were constituted and trained to represent the Group at local corporate tournaments. A Talent Show organised for and by the staff earned much acclaim and an inter-floor Christmas decoration contest showed the artistic potential of everyone involved in this activity.

Performance Culture

An enhanced Performance Management System is in the process of being implemented to reinforce the culture of excellence amongst employees and to provide them with an opportunity to master their performance relative to their job specifications and grow. This is a new talent management tool geared towards maximising the effectiveness, efficiency, and potential of every employee in order to ensure that organizational goals are successfully achieved.

Safety and Health

Notwithstanding the statutory requirements for a safe working environment for its people, SICOM firmly believes that the adherence to a culture of Health & Safety boosts employee morale and impacts on productivity. It is comforting to know that, in the wake of the COVID-19 pandemic, the Group’s policies in its promptness to follow all the protocols set by the Government, including the organization of a 2-days exercise for rapid testing of all employees, have diligently protected the latter, their families and society at large.

Intellectual Capital

Intellectual capital is organisational, knowledge-based intangibles including intellectual property, patents, rights, and organisational capital such as tacit knowledge, systems and protocols. Intellectual resources also account for the intangibles associated with an organisation's brand and reputation, which the business has built up.

At SICOM, intellectual assets are put to contribution to ensure the best possible performance and operational efficiency. The Group continuously invests in technology, to facilitate knowledge acquisition and sharing, improve upon delivery of services to customers and safeguard customer and corporate data.

Business applications have been developed in-house, including leasing & deposit-taking application and reinsurance modules, which have created significant cost savings for the Group. Current applications which are being developed are Unit Linked and Pensioners Payroll whereas a Customer Data Warehouse is being analysed to measure Customer Lifetime Value.

The Risk Management Framework is continuously being improved to ensure that all risks pertaining to the Group are being managed including the identification of any emerging risks. More details on the risk management framework can be found under the Risk Management Report on pages 67 to 72.

These investments provide the Group with a competitive advantage and value over time since they greatly enhance the ease of doing business, and further add to the customer experience that is presently being levelled up.

Manufactured Capital

This resource refers to manufactured physical objects including building and infrastructure or tools and equipment that are available for an organisation to use to unlock value. These manufactured objects may be purchased from other entities or internally generated.

Property investments act as a buffer to the negative consequences of inflation and as an asset class diversification that proves valuable in times of stock market declines or fall in interest rates. It may be noted that our property investments are proving to be valuable assets to mitigate the continued drop in interest rates as the rental yields on these properties are much higher than rates on fixed income instruments.

Major property projects are in the pipeline to further enhance our property strategy.

Additionally, the Group will continue to invest in digital infrastructure for new distribution strategies which will underpin our visibility on the market and enable customers to connect better through an online business model.

Social and Relationship Capital (Corporate Citizenship)

Social and Relationship capital refers to the institutions and relationships within and between organisations, communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective well-being. For SICOM, relationships with various stakeholders are of key importance. Through the selling of products and services, but not necessarily limited to that dimension alone, the organisation nurtures winning partnerships that will further grow the business. Being an actor of change and a corporate citizen, also mean to providing assistance to vulnerable communities as a way of giving back to society.

During COVID-19 crisis, SICOM has shown unprecedented support to its clients, and society at large. It has remained a proactive partner of the Government and contributed MUR 10 million to the COVID-19 Solidarity Fund. Company vehicles were also put at the disposal of the Ministry of Health and Wellness for the flu vaccination campaign and during confinement, pensioners' cheques were home delivered in the spirit of keeping our elders safe.

The distribution of 52 wheelchairs was carried out during the year and this pertained to the previous year's projects funded.

Electric wheelchairs to needy students

Natural Capital (Ecological Footprint)

Natural capital encompasses all renewable and non-renewable environmental resources and processes that are essential to support the functioning of the organisation. SICOM has become increasingly conscious of the natural resources on which it depends and its duty of care towards a rapidly depleting natural capital if nothing is done to protect the environment. The Group's sustainability does not solely rely on its financial success but also on its ability to intelligently lighten its environmental footprint.

Steps to Saving Energy and non-renewable Resources

Even though SICOM Properties have not been initially designed as Green Buildings, several principles based on the Green Building philosophy have been adopted by the organisation. Given that buildings consume significant amount of energy which contribute to the greenhouse effect, energy efficiency remains the backbone to decrease carbon emission. Air conditioning units using inverter type technology have been used in renovated areas to enable energy saving.

At SICOM Building 2, the use of air conditioning and lighting in the lift lobbies have been optimized to the advantage of the tenants, who will bear lower electricity costs. At both SICOM Building 2 and SICOM Tower, traffic flow in the building is optimised using destination control lifts. At SICOM Tower, the corridors and other common areas are controlled by passive Infra-Red sensors which turn the lights on only when human presence is detected. During the year, underground rainwater has been used for cleaning and maintenance of SICOM building 2 and our water usage has gone down.

The possibility to use solar energy to further reduce the Company's carbon footprint will also be investigated.

Our Paperless Mission

As an ongoing part of the GoGreen initiative, paper usage is monitored on a monthly basis. Reports are circulated to all departments and year-on-year comparisons help in closely monitoring consumption. Appropriate corrective measures are taken and this practice has also been extended by the use of toners for printing.

We have also implemented a Document Management System to eliminate physical files and encouraged payments through Internet Banking with a view to reduce printing of cheques. Moreover, Request for Quotations, which usually involve bulky tender documents, are circulated electronically for the ease of the suppliers as well as for the saving in terms of time, resources and costs for the company.

Eco-conscious Buying

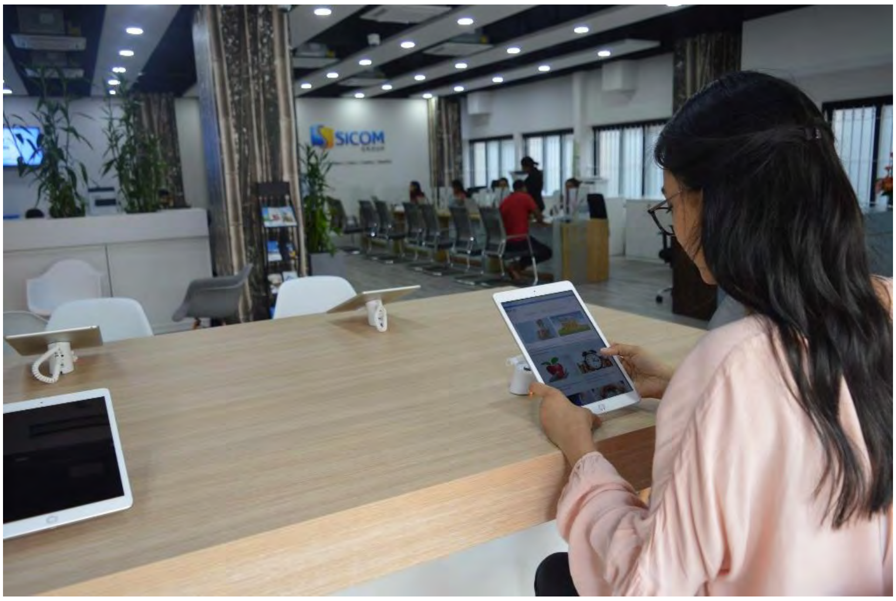
With a view to reducing our carbon footprint, office equipment having ECO-label is procured as far as possible. Moreover, staff have been encouraged to reduce their use of disposable plastic and opt for reusable products that can also be recycled. Personalised tumblers have been gifted to all employees as an end of year gift and reusable SICOM bags have been distributed to encourage an environmental-friendly lifestyle.

SICOM Tower

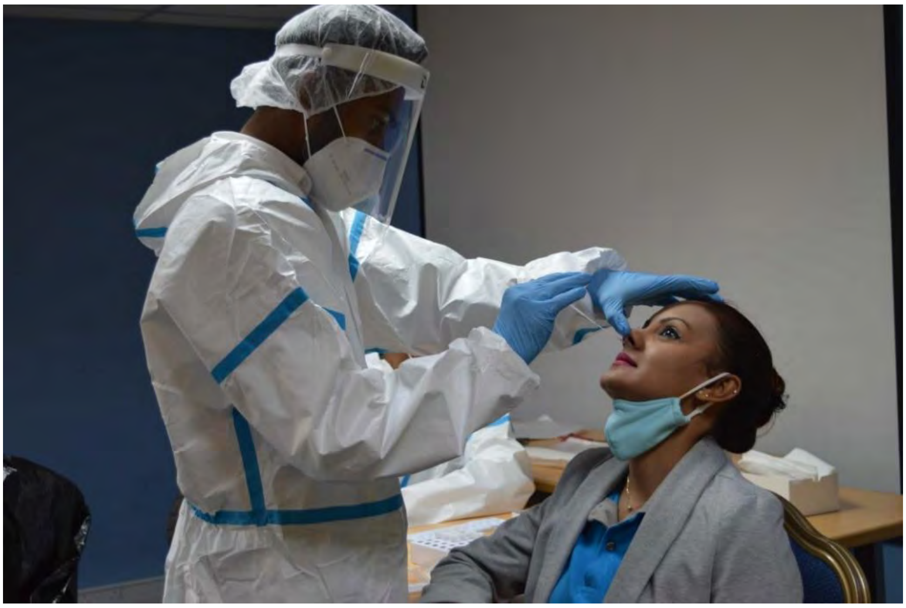
SICOM Building 2

SICOM Building 1

Customer Shop – Port-Louis



Customer Shop – Trianon



Staff Welfare

Staff Training

Talent Show

End of Year Party

Staff Christmas Competition

Best Salesmen Awards

Grand Salon du Seconde Main

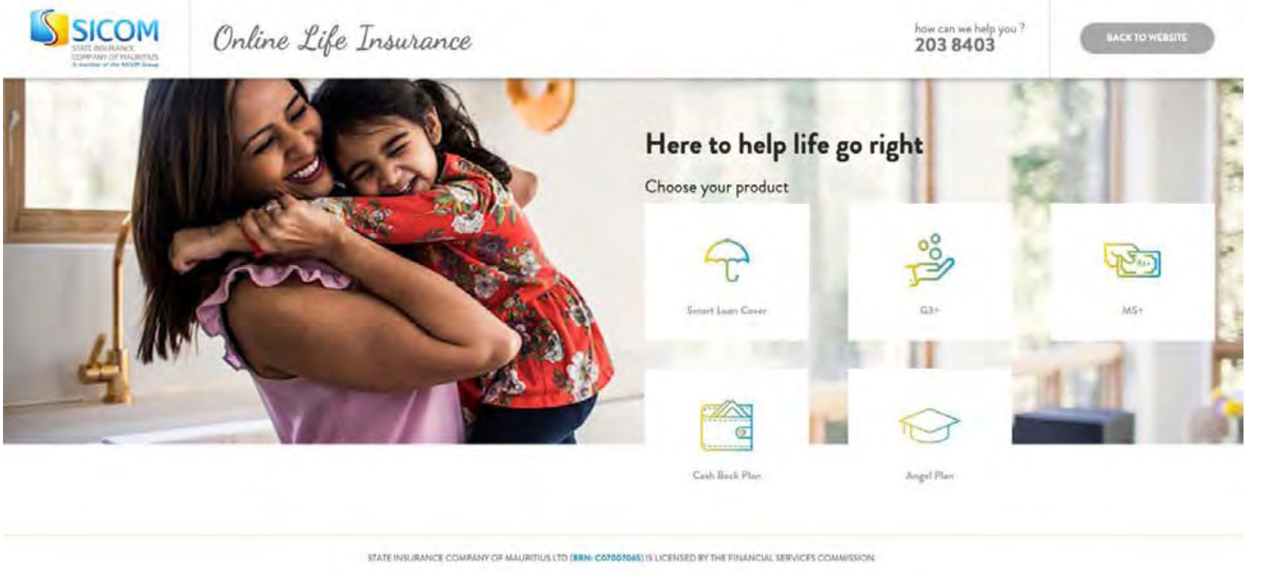
Trianon Open Day

Salon des Véhicules d’Occasion

Kermesse

SSR Airport Trolley

Trianon Billboard



Life Online Sales Platform

Customer Portal

Review of Operations

Group Pensions

The net assets available for benefits stood at MUR 35.8 billion as at 30 June 2020 as compared to MUR 34.0 billion for 30 June 2019. The total contributions excluding funding for past service liability for the year under review was MUR 3.2 billion compared to MUR 3.0 billion for last year. Currently, SICOM has under its administration a portfolio of 188 Pension Funds made up of 64 private and 124 statutory funds including the Public Pensions Defined Contribution Pension Scheme which is a single scheme for officers in the public service, the local authorities, statutory bodies and government owned organisations, and employees of private secondary schools. We also administer 3 private self-administered funds. The actuarial valuation report as at 30 June 2018 for the Public Pensions Defined Contribution Pension Scheme has been prepared by QED and submitted to the Public Pension Advisory Committee.

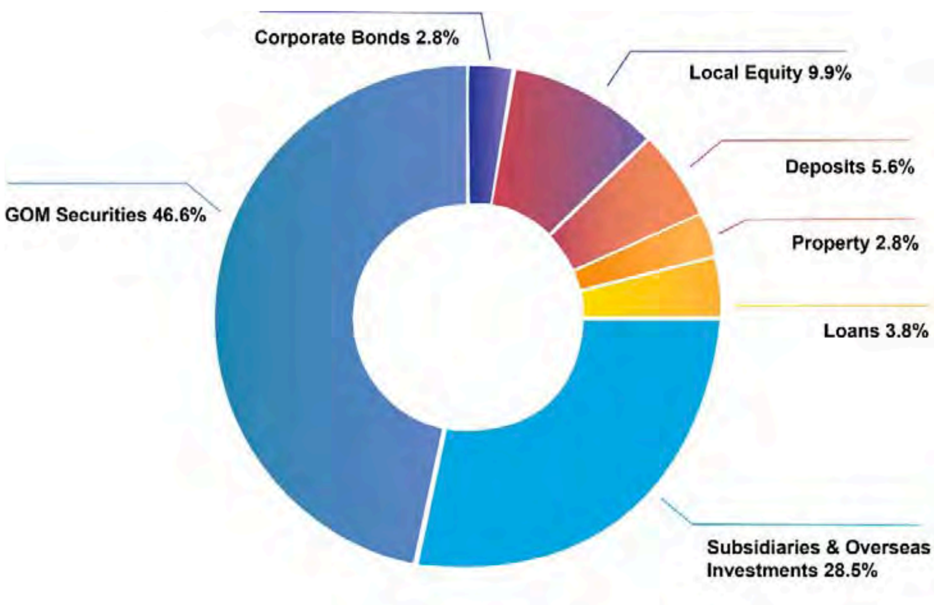
Long Term Insurance

Our long-term business operations, which consist of Group and Individual life businesses, ended with a Gross premium figure of MUR 2.2 billion as at June 2020 (MUR 2.4 billion - June 2019) for a total number of 65,879 in force individual life policies and 341 group life schemes. Total regular gross life premium and personal pension contribution for the year ended 30 June 2020 registered a decrease of 3.2 % since no new business was written from mid-March to May due to COVID-19 outbreak and lockdown. The Group Life Premium, on the other hand, has decreased by 18.7% for the period under review as the total premiums received during the financial year 2018/2019 included exceptional premium arrears of MUR 164 million. If we exclude this amount, Group Life premium for 2019/2020 has increased by 9.4% compared to the regular premium amount of the financial year 2018/2019. The surplus before tax for long term insurance is thus MUR 941.4 million for the year under review as compared to MUR 1,018.4 million last year.

Investment

Against a challenging economic and investment environment, the different Funds managed by the company posted satisfactory performances for the financial year under review. The total investments under management increased from MUR 53.4 billion to MUR 56.9 billion. However, impacted by the low interest rates, the investment income of our different funds stood at MUR 2.1 billion compared to MUR 2.2 billion for the previous financial year. New investments made by SICOM stood at MUR 9.7 billion, which were mainly in government securities, deposits, equities, corporate bonds and loans.

Group Investment Allocation



Loans

Our portfolio under all our secured loans for individual clients was MUR 1.9 billion. For the financial year, a total loan amount of MUR 236.1 million was sanctioned as compared to MUR 220.1 million for the same period last year, whilst the total amount of loans disbursed reached MUR 207.9 million in comparison to MUR 236.7 million for the last financial year.

SICOM Management Limited ('SML')

The total assets of SML increased from USD 12.0 million to USD 12.1 million during this financial year. The interest income fell to USD 299,608 compared to USD 313,856 last year as a result of the lower prevailing market interest rates. Nonetheless, benefitting from higher management fees, the profit before tax increased from USD 3.1 million to USD 3.3 million for the financial year under review.

SICOM Global Fund Limited ('SGFL')

The total assets of SGFL increased from USD 302.4 million to USD 314.7 million. The profit before tax of SGFL for the financial year was USD 8.8 million compared to USD 12.6 million last year during which a one-off gain on disposal of USD 5.0 million was included. The interest income was USD 1.2 million compared to USD 1.0 million in the previous year.

SICOM General Insurance Ltd ('SGIN')

The Company 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 of 17.4% in the Gross Earned Premium with MUR 1.1 billion achieved. The profit before tax for the year is MUR 88.3 million as compared to MUR 59.7 million achieved in the previous financial year.

SICOM Financial Services Ltd ('SFSL')

The total deposits of the Company stood at MUR 1.7 billion for the financial year, compared to MUR 1.8 billion last year, a decrease in line with the Company's strategy to improve its interest margin by not mobilizing costly deposits. Investments in finance lease increased from MUR 581.3 million to MUR 663.6 million. Leases approved amounted to MUR 289.2 million as compared to MUR 285.5 million last year. Net interest income was MUR 49.1 million, as compared to MUR 59.5 million last year given the general drop in interest rates on the market. Profit before tax reached MUR 21.2 million and was lower as compared to MUR 33.8 million last year due to a decrease in the interest income and higher provisioning due to the COVID-19 pandemic.

"Remember 70 percent of buying experiences are based on how the customer feels they are being treated"

Blake Morgan

Corporate Governance Report

The State Insurance Company of Mauritius 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. The Chairperson of the Board is an Independent 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 has approved the following key governance documents which are available on the Company's website:

- Board Charter
- Board Committees' Charters
- Code of Ethics for Directors
- Code of Ethics for Employees
- Position Statement of the Chairperson of the Board, Group CEO and Company Secretary

The Board has also approved the following:

- Position Statement of the Chairperson of the Sub-Committees
- Conflict of Interest and Related Party Transactions Policy
- Anti-Harassment and Non-Discriminatory Policy
- Whistleblowing Policy
- Director's Orientation and Induction Process
- Remuneration Policy for Directors and Senior Executives

The Board is responsible for adopting governance policies and recently the Board has added the Group Corporate Governance Policy to the existing list of governance documents in place.

The Company has in place a Constitution which is in line with the Companies Act 2001.

Board Structure

The State Insurance Company of Mauritius 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.

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.

Corporate Governance Report

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 the 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 its Constitution and 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.

Anandsing ACHARUZ

Reappointed on 19 December 2019

MSc in Financial Economics, University of London

Anandsing Acharuz joined the public service in 1996 and has over time assumed different responsibilities. He is presently a Director in the Ministry of Finance, Economic Planning and Development and oversees the Directorate for Public Financial Management and Budgeting. More specifically, he is responsible for formulating and implementing policies for effective public financial management and for the preparation of the medium-term macro-fiscal framework and the national budget.

In his capacity as Director, he engages with different regional and international organisations such as the IMF and AFRITAC South, the World Bank, UNDP and the Collaborative Africa Budget Reform Initiative. He promotes the sharing of experience and peer-to-peer learning through different organisations in the field of public financial management, procurement legislation, fiscal policy and budgeting.

He has served as Director of a number of state-owned-companies and other public bodies, including the State Trading Corporation Ltd and the Civil Service Family Protection Scheme Board. He is a member of the Board of Directors of the State Investment Corporation Ltd.

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

Dhanunjaye GAONEADRY

Reappointed on 19 December 2019

Dhanunjaye Gaoneadry joined the public service in 1978 as Clerical Officer at the Electoral Commissioner's Office. Subsequently, he has served in various Ministries at different levels, of which more than 26 years at senior management level. He was former Permanent Secretary at the Ministry of Business, Enterprise and Cooperatives and in this capacity was also part of different Boards and Committees. Mr Gaoneadry is currently the Chairperson of the National Property Fund Limited and Permanent Secretary at the Ministry of Financial Services and Good Governance.

Shakilla Bibi JHUNGEER

Appointed on 10 July 2020

Masters in International Law and Criminal Justice, University of East London

Called to the Bar at Lincoln's Inn in 2010

Since having been called to the Mauritian Bar, Shakilla Jhungeer has worked with corporate bodies and has been practising mainly on criminal matters. From February 2015 to October 2019, Ms Jhungeer served as a Board Member of the Independent Commission Against Corruption (ICAC) and is currently an Independent Non-Executive Director of Air Mauritius Limited and SBM Holdings Ltd.

Nandita RAMDEWAR

Deputy Group Chief Executive Officer (Officer in Charge)

Reappointed on 19 December 2019

Fellow of the Association of Chartered Certified Accountants

Masters in Business Administration - specialisation in Finance, Manchester Business School

Fellow of the Mauritius Institute of Directors

Member of the International Fiscal Association (Mauritius)

Nandita Ramdewar joined SICOM as Manager (Finance) in 1992 after working for a leading audit firm. Since then, she has been heading several business units of the Group at senior management level and has also acted as the Company Secretary.

She has acquired along the years a broad experience in insurance, strategy, finance, investments, financial services, corporate matters and other fields. In February 2018, she was appointed Deputy Group Chief Executive Officer, besides acting as Chief Finance Officer. She is acting as Officer-in-Charge since August 2019.

She currently serves as Director on the Boards of SICOM Financial Services Ltd, SICOM Global Fund Limited, SICOM Management Limited and National Housing Development Co Ltd. She has in the past acted as the Chairperson of the Private Secondary Schools Authority and has been a Director of the Stock Exchange of Mauritius Ltd and Central Depository and Settlement Co. Ltd.

Board of Directors

Jairaj SONOO, C.S.K

Reappointed on 19 December 2019

Masters in Business Administration, University of Surrey

Jairaj Sonoo, C.S.K, is the Chairman of the State Investment Corporation Limited (SIC), the investment arm of the Government of Mauritius and holds directorship on various investee companies of SIC, such as SICOM and Mauritius Duty Free Paradise Co Ltd. He is also the Chairman of the Investment Support Programme (ISP) Limited which is involved in the Government action to support economic operators through various schemes implemented under budgetary measures.

Mr Sonoo has spent four decades in the banking sector, at both local and international level, including 38 years at State Bank of Mauritius Ltd, in various positions. He served as the Chief Executive Officer at SBM Bank (Mauritius) Ltd from September 2012 to August 2016 and Acting Group Chief Executive at SBM Holdings from November 2014 to September 2015. He occupied the post of Chief Executive - Overseas Expansion of SBM Holdings Ltd from August 2016 to September 2017. During his tenure of office within the SBM Group, he was responsible for overseeing the development and execution of the Bank’s international strategy through both organic growth and M&A. He also led the acquisition of a Kenyan Bank which marked the milestone for the Group entry into East Africa.

Koosh Raj SOOKNAH

Reappointed on 19 December 2019

Fellow of the Chartered Institute of Certified Accountants (FCCA)

Master in Business Administration - Specialisation in Financial Management (MBA-FM)

Member of the Mauritius Institute of Professional Accountants (MIPA)

Koosh Raj Sooknah has worked in several African countries, United Kingdom and Mauritius. He has worked for more than 25 years in the Construction Industry, gaining experience in the Structural Steel, Mechanical and Electrical, Building and Civil Engineering Companies.

He started his career in 1985 as an audit clerk in an auditing practice in Mauritius and in 1988 moved to Tanzania to work for an Italian construction company. Upon his return to Mauritius in 1995, Mr Sooknah carried on working for the construction industry.

He worked for Grade A Building & Civil Engineering construction companies for more than 18 years, till September 2017, of which the last 10 years has been as Financial Director. From October 2017 to April 2019, he took up a new challenge as Executive Director of an Offshore Management Company, in the Financial Services Industry. Since May 2019, he is the Chief Executive Officer of the Sugar Insurance Fund Board.

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

Nandita RAMDEWAR

Deputy Group Chief Executive Officer (Officer in Charge)

The profile of Nandita Ramdewar can be found on page 47.

Dev K GOPY

Chief Investment Officer

Diplôme d'Etude Approfondies (DEA) in Finance and

Maîtrise in Financial Management from Institut d'Administration des Entreprises (IAE), University of Montpellier II, France

Qualified Stockbroker

Dev Gopy joined SICOM in 2001 after working for a leading local banking institution. He is responsible for managing the different funds of the SICOM Group. He is also the head of all operations of Leasing and Unit Trusts businesses transacted by SICOM Financial Services Ltd and the operations of SICOM Global Fund Limited and SICOM Management Limited. He currently serves as Executive Director on the Board of SICOM Financial Services Ltd and is also a Director of Cyber Properties Investments Ltd.

Suzanne H. Y. K. LEUNG LAM HING

Chief Operating Officer, SICOM General Insurance Ltd

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

Management Team

Pritty APPADOO

Senior Executive Officer – Risk & Support Services

Fellow of the Association of Chartered Certified Accountants (UK)

Masters in Business Administration, University of Surrey (UK)

Pritty Appadoo joined the Company in January 2002 after working for another leading insurance group and as external auditor in one of the leading Accountancy Firm. Over the years she cumulated several functions within SICOM and has a comprehensive overall knowledge of all the activities of the Group, including involvement in strategic corporate projects. She is currently the Senior Executive Officer (Risk & Support Services).

Chemanlall BAGUANT

Senior Executive Officer – IT

Graduate in Computer and Information Systems, Victoria University of Manchester

Masters in Business Administration (Finance), University of Mauritius

Diploma in Actuarial Techniques

Chemanlall Baguant joined SICOM as Information Systems Officer in 1998 after five years of service in the IT sector. He is currently the Senior Executive – IT of the Group and provides strategic and operational leadership that aligns with the corporate strategy. Among other tasks, He manages IT security risks and identifies IT solutions that will enable the Group to keep abreast of technological developments and be operationally efficient.

Atma BEEHARRY

Senior Executive Officer – Customer Experience

Master of Information Technology, Queensland University of Technology, Australia

MBA, University of Mauritius

BTech, Indian Institute of Technology, Delhi, India

Atma Beeharry joined SICOM in July 2020. Earlier he worked in different Utilities and Financial Services industries, locally and in the region. His last assignment was in leading projects in the brand name change of a major bank as country programme manager. He has wide experience in various business management fields - Technology, Operations, Project and Change, and Customer Service. His priority at SICOM is to implement actionable business and customer-centric initiatives using iterative outside-in approach. He is also collaborating with Business Heads to nurture the necessary capabilities to sustain cultural change that will drive positive customer experience.

Corporate Governance Report

Management Team

Lohit K. L. (Bobby) CHEENEEBASH

Senior Executive Officer – Life & Branch Operation

Chartered Insurer

Associate of the Chartered Insurance Institute, UK (ACII)

Masters in Business Administration, University of Mauritius

Bobby Cheeneebash joined SICOM in 1991 and has shouldered an array of responsibilities in the Life Department. Business Development, Product Innovation and Distribution Management are some of his key areas of specialisation and he possesses a rich experience, acquired over more than 25 years, in the businesses of Life Insurance and Personal Pensions. He is presently the Senior Executive Officer - Life and as such is responsible of the Individual Life and Pensions Department. He also oversees Branch Operations (Customer Shops and PostAssurance Hubs).

Theresa M. LEE SHING PO

Senior Executive Officer – Legal & Corporate

The profile of Lee Shing Po Theresa can be found on page 48.

Rajkamal (Raj) RUGHOO

Senior Executive Officer – Group Pensions

B.A (Hons) degree in Mathematics, University of Delhi

Rajkamal Rughoo joined SICOM in 1988 and has since served at different levels within the Group, namely in the General Insurance, Actuarial, Loans, Administration and Customer Relations Departments. He is currently the Senior Executive Officer of the Group Pensions Department and heads its overall operations and strategic functions. He has built up a vast experience in the field of Group Pension business and provides required technical support to stakeholders in defining and implementing schemes and strategic reviews. He is currently also overseeing the Human Resources Department.

Management Team

Vasoodevsing J. (Rajeev) SEEROO

Senior Executive Officer – Actuarial & Group Life

Fellow of Institute and Faculty of Actuaries, UK

Vasoodevsing Seeroo joined SICOM in 1989 and worked at different levels in actuarial areas such as Pensions Fund Valuations, Pensions Consultancy, Life Fund Valuations, Product Pricing and Corporate Projects. He is presently the Senior Executive Officer in charge of the Actuarial Department and the administration of the Group Life assurance business.

Surendranath (Kiran) ANCHARAZ

Ag Senior Executive Officer – General Insurance

Executive Masters in Business Administration, IIELM, India

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 Acting Senior Executive Officer and is responsible for the management of the overall General Insurance Business Operations of the Company.

Ackbaree AUMERALLY AREKION

Manager – Human Resources

Masters degree in Human Resources, University of Mauritius

Ackbaree Aumeerally-Arekion joined SICOM in August 2019 as HR Manager. She has over 20 years of experience in Human Resources and is part of the executing team responsible for change initiatives related to HR and for staff welfare. Besides the day to day management, she is reviewing the various HR policies and procedures with a view to optimising on resources and increase business efficiency through organisational design.

Corporate Governance Report

Management Team

Mohammad Fayaz BUDALY

Manager – Facilities & Procurement

B.Eng. (Hons), University of Mauritius

Masters in Business Administration, University of Mauritius

CDipAF, Association of Chartered Certified Accountants (ACCA)

Mohammad Fayaz Budaly started his career in an engineering firm before joining the public service as a Registered Electrical Engineer. He joined SICOM in 2012 and has contributed in the revamping of the Facilities department with focus on innovation and increased efficiency. He is well-versed with procurement procedures and provides the related functional support across the organisation. He is currently responsible for the Facilities Department.

Moorganaden (Ruben) CHADIEN

Manager – SICOM Financial Services Ltd

Fellow of the Association of Chartered Certified Accountants

Masters in Business Administration, University of Surrey, UK

Moorganaden Chadien joined the State Insurance Company of Mauritius Ltd in 1994, where he gathered experience in different departments before moving to SICOM Financial Services Ltd during its setting-up in 2000. He has over the years achieved a rich experience in deposit taking, leasing and unit trust administration. He is presently the Manager of SICOM Financial Services Ltd where he is responsible for the day-to-day operations of the Company.

Chandan (Ashwin) PRAYAG

Manager – Investment

CFA Charterholder

Masters of Business Science (Finance), the University of Cape Town, South Africa

Bachelor of Business Science (Honours), the University of Cape Town, South Africa

Member of the Mauritius Institute of Directors

Chandan Prayag joined SICOM in 2011 as Investment Analyst, pursuant to experience gained in the investment industry, and as an academic, both in Mauritius and in South Africa. He assists in the proper management of the Investment Department and is actively involved in defining, implementing and monitoring the investment objectives and strategies of the different Funds managed by the SICOM Group locally and overseas. He is currently a Director of Ebene Carpark Ltd. He has also been a volunteer with the CFA Institute for several years.

Corporate Governance Report

Management Team

Mitradev RAMANAH

Manager – Pensions

Fellow member of the Association of Chartered and Certified Accountants, UK

Masters in Business Administration in Finance and Investment, University of Technology Mauritius

Mitradev Ramanah started his career with the SICOM Group in 1989 and has been actively involved in different activities of the Group, including Pensions Administration, Accounting, Investments, Deposit Taking, Leasing, Unit Trust Management and Fund Administration. He has a solid track record and over 20 years of experience at management and supervisory positions within the Group. He manages the Group Pensions Department.

Anoushka RAMPEEAREE-PASCAL

Compliance Manager/MLRO

Fellow member of the Association of Certified Anti-Money Laundering Specialists (ACAMS)

Law with Honours, University of Orleans, France

Certificate of English Law (M1), University of Birmingham, UK

Anoushka Rampeearee-Pascal joined SICOM as Compliance Manager in 2019 after six years of experience in the Legal and Compliance sector. She is currently the Compliance Manager responsible of the Compliance Programme for the Group. She also acts as Data Protection Officer and Money Laundering Reporting Officer for the Group.

Keswaree (Sandhya) SEESAHA

Manager – Finance

Fellow member of the Association of Chartered Certified Accountants UK

Masters in science in Finance, Accounting and Management (UK)

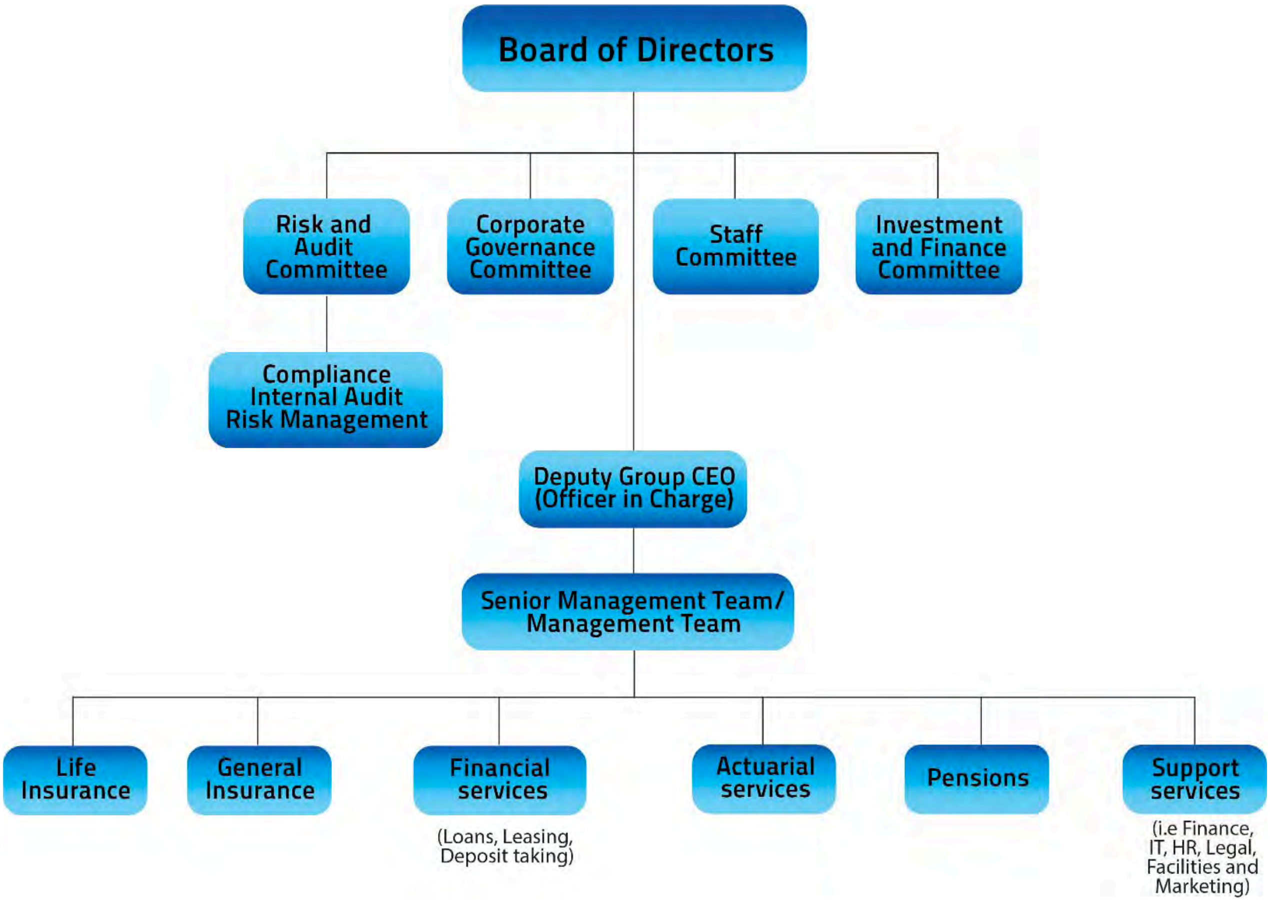
Bachelors in science in Accounting

Keswaree Seesaha has started her career as auditor in a leading audit firm and joined the SICOM Group in 2003. She has a broad expertise in finance and accounting and has over the years acquired an extensive and rich experience in the insurance operations within the insurance industry. She is responsible of the finance function including statutory reporting and compliance with International Financial Reporting standards.

Corporate Governance Report

Organisational Chart

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



The Structure of The Board and its Committees

The Directors' profiles appear on pages 46 to 48.

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 and 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.

Corporate Governance Report

The Independent and the Non-Executive Directors have diverse business backgrounds, such as finance, economics and legal, among others, 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 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 or its subsidiaries 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.

Currently, the Board has four (4) committees, namely:
(i) Risk and Audit Committee
(ii) Investment and Finance Committee
(iii) Corporate Governance Committee
(iv) Staff Committee

Each committee comprises of members with a wealth of knowledge and experience in fields relevant to the operations of the Company, including insurance, pensions, actuarial science, finance, legal and business administration. Each Board committee has its own charter, approved by the Board and which may be reviewed as and when required. The Chairperson of the Board and the Chairperson of each sub-committee is selected for his/her relevant knowledge and experience in these key governance roles. His/her responsibilities have been clearly defined in thei~~r~~ respective position statement~~s~~.

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 female director. The Board currently comprises of five (5) male and three (3) female directors.

Other Directorships held by Members of The Board

M Y Salemohamed – SICOM Financial Services Ltd, SICOM General Insurance Ltd, SICOM Global Fund Limited, Aurdally Bros & Co Ltd and Genuine Services Ltd

A Acharuz – The State Investment Corporation Limited

K G Bhoojedhur-Obeegadoo – SICOM General Insurance Ltd, SICOM Financial Services Ltd, SICOM Management Limited, SICOM Global Fund Limited, MCB Group Limited, MCB Equity Fund Ltd

D Gaoneadry – National Property Fund Ltd

N Ramdewar – SICOM Financial Services Ltd, SICOM Management Limited, SICOM Global Fund Limited, National Housing Development Co. Ltd

J Sonoo, C.S.K – Compagnie Mauricienne D'Hippodrome Limitee, EREIT Management Ltd, Guibies Holdings Ltd, Guibies Properties Ltd, Investment Support Programme (ISP) Limited, Le Val

Development Ltd, Mauritius Africa Fund Ltd, Mauritius Duty Free Paradise Co. Ltd, MJTI Properties Co. Ltd, National Real Estate Ltd, Prime Partners Ltd, Prime Real Estate Limited, SBM (Mauritius) Infrastructure Development Company Ltd, SIC Capital Support Ltd, SIC Development Co. Ltd, SIC Management Services Ltd and The State Investment Corporation Limited.

K R Sooknah – Kasteel Trading Co. Ltd

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	RAC[1]	IFC[2]	CGC[3]	SC[4]
№ of Meetings held		8	4	4	2	4
Directors' attendance during their period of directorship						
M Y Salemohamed	Independent Director	8 of 8	-	4 of 4	2 of 2	1 of 1
A Acharuz	Independent Director	7 of 8	4 of 4	4 of 4	1 of 2	4 of 4
K G Bhoojedhur-Obeegadoo	Non-Executive Director	7 of 8	3 of 4	-	2 of 2	1 of 1
J M C G Chaperon (up to 19 December 2019)	Executive Director	3 of 5	-	0 of 2	1 of 1	1 of 1
K Conhye (up to 12 December 2019)	Non-Executive Director	3 of 4	2 of 2	-	0 of 1	-
D Gaoneadry	Independent Director	5 of 8	1 of 1	3 of 4	0 of 1	-
K C Li Kwong Wing, G.O.S.K (up to 2 June 2020)	Non-Executive Director	3 of 7	2 of 3	0 of 1	-	-
R Maunthrooa (up to 13 November 2019)	Independent Director	2 of 4	1 of 2	1 of 1	-	0 of 1
N Ramdewar	Executive Director	8 of 8	-	2 of 2	1 of 1	4 of 4
J Sonoo, C.S.K	Non-Executive Director	8 of 8	-	3 of 4	-	4 of 4
K R Sooknah	Non-Executive Director	8 of 8	4 of 4	-	-	-

[1] Risk and Audit Committee
[2] Investment and Finance Committee
[3] Corporate Governance Committee
[4] Staff Committee

Corporate Governance Report

Board Committees

Board Committees have been established in order to assist the Board in the efficient discharge of its responsibilities. The following Committees have been established:

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

Risk and Audit Committee

Mandate

The Risk and Audit Committee 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 five (5) Non-Executive Directors appointed by the Board and the majority shall be Independent Non-Executive Directors. The Chairperson shall be an Independent Non-Executive 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.

It is to be noted that Messrs. R. Maunthrooa, K. Conhye and K C Li Kwong Wing, G.O.S.K also formed part of the Committee up to 13 November 2019, 12 December 2019 and 2 June 2020 respectively.

The current composition of the Committee is found on page 8.

Investment and Finance Committee

Mandate

The Investment and Finance Committee lays down and reviews on a regular basis the investment strategy of the different funds managed by the Company. The Committee has the objective of selecting investments to achieve a reasonable rate of return, while taking associated risks into consideration. It may also take investment decisions and ensure that investments are in all respects reasonable and proper. The Committee also monitors and reviews the performance of the different funds under management.

Composition

The Charter of the Investment and Finance Committee provides that it shall comprise at least five (5) members and the majority should be Non-Executive and where possible, Independent Non-Executive Directors. The Chairperson should preferably be an Independent Non-Executive Director. The Committee shall meet as often as necessary. During the financial year 2019/2020, the Committee met four (4) times.

It is to be noted that Messrs. R. Maunthrooa, J. M. C. G. Chaperon and K C Li Kwong Wing, G.O.S.K also formed part of the Committee up to 13 November 2019, 19 December 2019 and 2 June 2020 respectively.

The current composition of the Committee is found on page 8.

Corporate Governance Committee

Mandate

The Corporate Governance Committee advises the Board of Directors of the Company on all matters related to corporate governance and recommends best practices for the Group.

Composition

The Charter of the Corporate Governance Committee provides that it shall comprise at least five (5) members and the majority should be Non-Executive and where possible Independent Directors. The Committee Chairperson should preferably be an Independent Non-Executive Director. The Committee shall meet as often as necessary. During the financial year 2019/2020, the Committee met twice.

It is to be noted that Messrs. K. Conhye and J. M. C. G. Chaperon also formed part of the Committee up to 12 December 2019 and 19 December 2019 respectively.

The current composition of the Committee is found on page 9.

Staff Committee

Mandate

The primary function of the Staff Committee consists in assisting the Board of Directors of the Company in overseeing the establishment of appropriate human resource strategies and policies within the Group.

Composition

The Charter of the Staff Committee provides that it shall comprise at least five (5) members, and the majority should be Non-Executive and where possible Independent Directors. The Committee Chairperson should preferably be an Independent Non-Executive Director. The Committee shall meet as often as necessary. During the financial year 2019/2020, the Committee met four times.

It is to be noted that Messrs. R. Maunthrooa and J M C G Chaperon also formed part of the Committee up to 13 November 2019 and 19 December 2019 respectively.

The current composition of the Committee is found on page 9.

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 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.

Corporate Governance Report

It is to be noted that, in accordance with the Constitution of the Company, Directors may appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Directors. The total number of Directors shall not at any time be less than seven (7) as prescribed by the Insurance Act 2005 nor more than eleven (11) as provided by the Constitution.

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 Constitution, the Financial Services Act 2007, the Insurance Act 2005 and relevant extracts of the Companies Act 2001 regarding their statutory duties and responsibilities.

Remuneration

The Company has a remuneration policy which was approved by the Board on 25 April 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.

Corporate Governance Report

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 the 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.

A process exists for the approval of significant expenditures. This includes the validation with the appropriate business units and Senior Management before submission to the Board.

Assessment and Evaluation of Board Members

An evaluation of the effectiveness of the Board and its Committees 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 Committees. During the financial year, training was organised for the Directors and delivered by an external trainer.

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

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 67 to 72.

Reporting with Integrity

In preparing this report, the Company is laying the foundation for integrated reporting by incorporating enhanced elements on value proposition to stakeholders and how the Company engages with them. The business model and the value creation are set out on pages 22 to 38.

The annual report is available in full on our Group's website.

Corporate Governance 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.

SICOM contributed Rs 10 million to the COVID-19 Solidarity Fund during the peak of the crisis.

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.

Internal Audit

The Internal Audit function has the overall responsibility of providing independent and objective assurance designed to add value and improve the Group's operations. The scope of work of the Internal Audit function is to enable the Group to accomplish its objectives 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 Group. 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.

Corporate Governance Report

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. The Group's main lines of business are Individual and Group Life Assurance, General Insurance, Pensions, Financial Services, Actuarial Services and Loans.

The Internal Audit plan for the financial year ended 30 June 2020 included reviews on the Individual Life Assurance, Loans, Financial Services and General Insurance businesses to ensure adequate coverage of the Group's operational activities.

The Group's support activities, namely General Administration and Human Resources, have been also reviewed so as to obtain assurance on the effectiveness and efficiency of support being provided to the main operating activities in line with the Group's strategic objectives and competitiveness. The auditable areas are identified and selected according to high risks areas and on a rotational basis.

During the year, the Internal Audit function has concurrently performed audit inspections on an ad-hoc basis in various departments for the purpose of identifying opportunities for improvement.

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.

Corporate Governance Report

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 auditors.

- 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 auditors 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 auditors, 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 Group 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.

Auditors' Fees and Fees for other services

	Group		**Company**	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Statutory Audit	**3,157**	3,007	**1,490**	1,419
Review of Tax Computation	**329**	314	**101**	97
Other services	**690**	1,093	**345**	920

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.

Corporate Governance Report

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 18 to 21.

Shareholders' Diary

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

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. During the year under review, the Company paid a dividend of Rs 777.00 (2019: Rs 655.00) per share.

Corporate Governance Report

Statement of Compliance

(Section 75(3) of the Financial Reporting Act)
Name of PIE: State Insurance Company of Mauritius 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

A ACHARUZ
Director

Date: 25 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
State Insurance Company of Mauritius Ltd

Date: 25 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

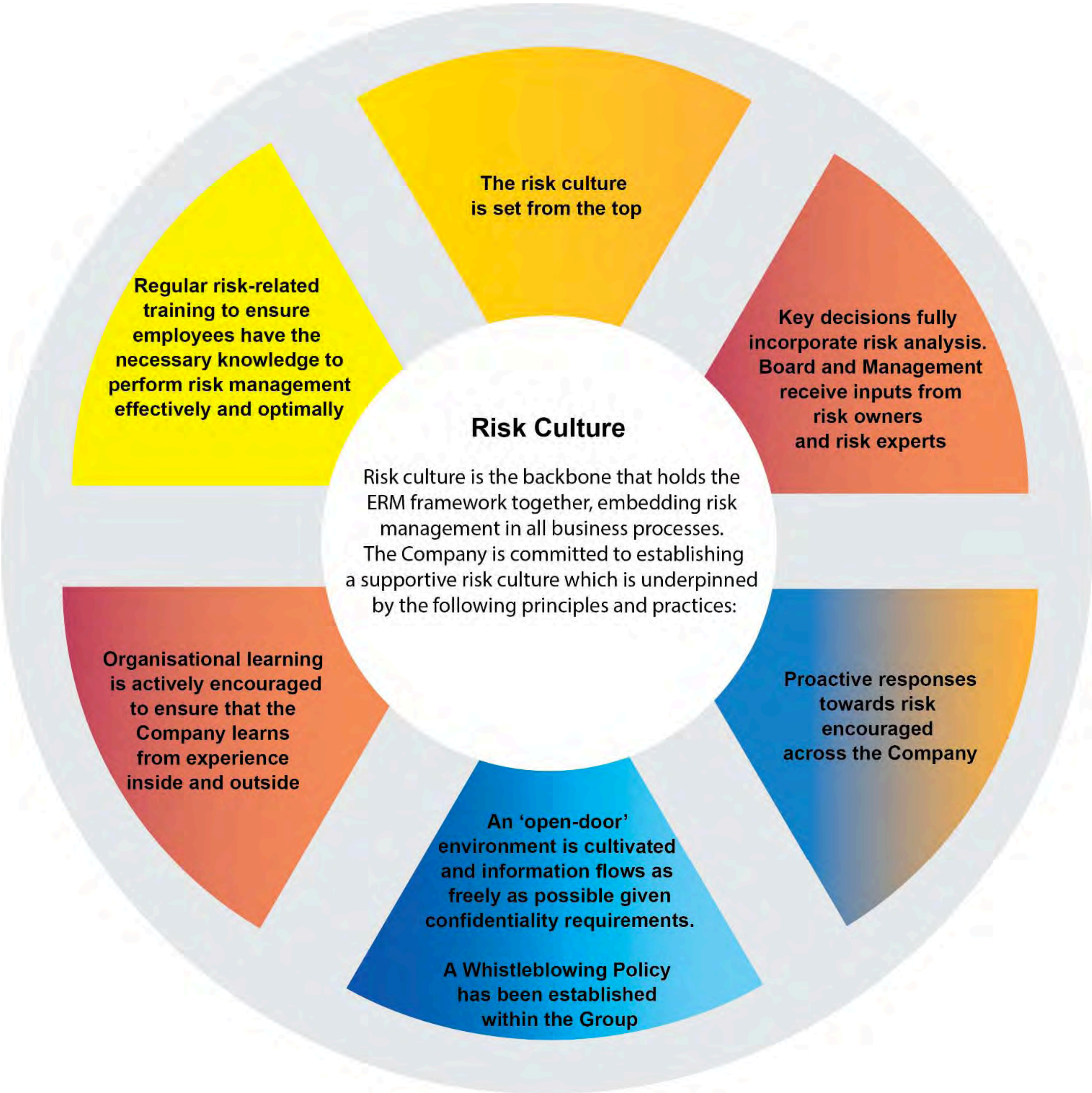
Elements		Our approach
Align ERM process to goals and objectives *Ensure that the ERM process maximises the achievement of our objectives and results*		Strategic objectives are examined by regularly considering how uncertainties, both risks and opportunities, could affect the Group’s ability to achieve its targets.
Identify Risks *Assemble a comprehensive list of risks, threats and opportunities, that could affect the Group from achieving its goals and objectives*		Through this element of ERM, the Group 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 Group 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 Culture

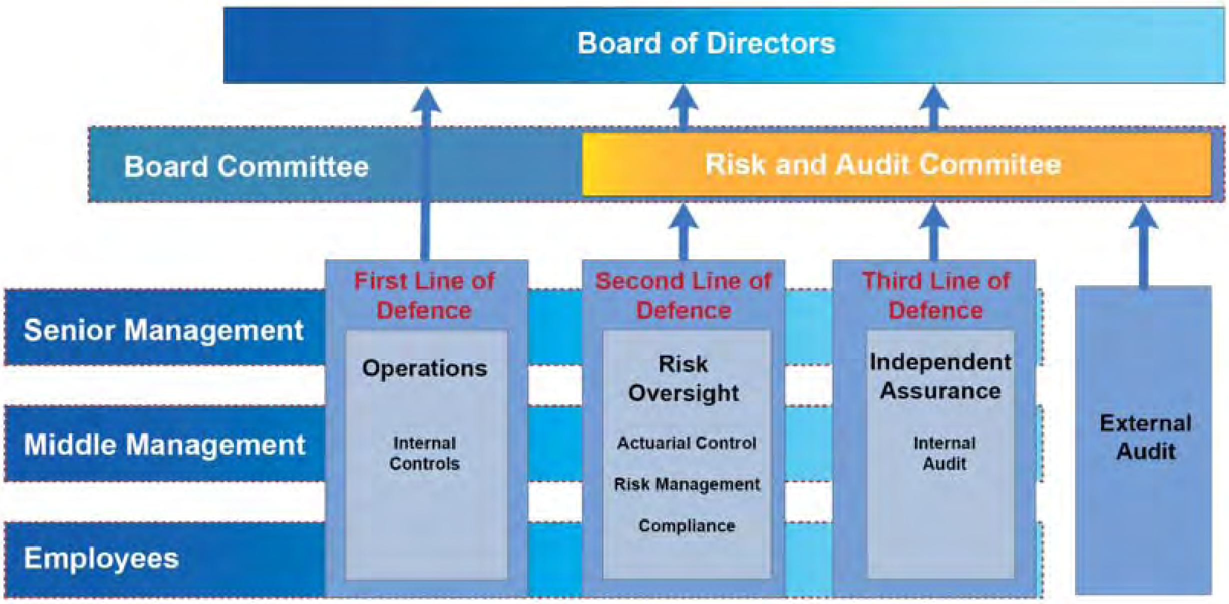


Risk Management Report

Risk Governance

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

Three Lines of Defence Model



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

Management of Key Risks

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 with respect to Own Risk and Solvency Assessment ('ORSA') 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 ORSA.

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.

Signed on behalf of the Board of Directors.

SALEMOHAMED M Y Chairman	ACHARUZ A Director

Date: 25 SEP 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STATE INSURANCE COMPANY OF MAURITIUS LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of State Insurance Company of Mauritius Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 182 which comprise the statements of financial position as at 30 June 2020, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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 Group and Company as at 30 June 2020, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STATE INSURANCE COMPANY OF MAURITIUS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matters	How the matters were addressed in our audit
1. Impairment of loans and advances to customers and investment in finance leases	
As at 30 June 2020, the Group and the Company reported total gross loans and advances to customers of Rs 1,386m (2019: Rs 1,446m) and Rs 1,374m (2019: Rs 1,433m) and expected credit loss (ECL) provisions of Rs 28.9m (2019: Rs 14.3m) and Rs 28.9m (2019: Rs 14.2m) respectively. At 30 June 2020, the Group reported total gross finance lease to customers of Rs 666m (2019: Rs 581m) and Rs 4.9m (2019: Rs 4.8m) of expected credit loss provisions. Estimating ECL include the following main processes: Allocation of assets to performing and non-performing loans and leases using criteria in accordance with the accounting standard; Classification of the loans and advances in stages 1,2 and 3 based on the policy adopted by the Group and aligned with the requirements of IFRS 9; Accounting interpretations and modelling assumptions used to build the model that calculate the ECL; Securing complete and accurate data used to calculate the ECL; Inputs and assumptions used to estimate the recoverable amount of the loans and leases; Measurement of individually assessed provisions; and Ensuring accuracy and adequacy of the financial statement disclosures. We have identified the estimation of ECL on loans and advances and investment in finance leases as a key audit matter due to the materiality of the balances and the associated subjective nature of the management's impairment estimation.	To assess the reasonableness of the ECL on loans and advances to customers and investment in finance leases, our audit procedures (among others) were designed to obtain sufficient and appropriate audit evidences, including the following: • We observed the oversight and approval of ECL policies by the management; • We evaluated the design implementation and operating effectiveness of available controls over management's processes to calculate the ECL for loans and advances and finance leases. This included the definition of credit stages, the allocation of assets into these stages, model governance, data accuracy and completeness, credit monitoring, individual provisions and production of journal entries and disclosures; • We tested the underlying calculations and data used in such calculations of the ECL; • We tested the classification of the loans and advances in stages 1, 2 and 3 and the application of 12 months ECL for stage 1 and lifetime ECL for stage 2 and stage 3; • We tested the assumptions, inputs and formulae used in the ECL model. This included assessing the appropriateness of model design, formulae used, recalculating the probability of default, loss given default and exposure at default. The following key procedures were also performed: For loans and advances and leases to customers that were individually assessed for impairment (Stage 3): • Where impairment indicators existed, we evaluated the reasonableness of management's estimated future recoveries in the valuation of collateral held. We also compared the actual recoveries against previously estimated amounts of future recoveries.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STATE INSURANCE COMPANY OF MAURITIUS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matters	How the matters were addressed in our audit
1. Impairment of loans and advances to customers and investment in finance leases (Continued)	
	For loans and advances that were collectively assessed for impairment (Stages 1 and 2): • We tested the completeness and fairness of the underlying information in loans and advances used in the impairment calculations by agreeing details to the Group's source documents and information in IT systems as well as re-performing the calculation of allowance for impairment. a) We assessed the adequacy of the related financial statement disclosures as set out in Note 12 and reviewed the documentation around outstanding loans and advances and leases.

2. Valuation of Insurance Contract Liabilities -long term insurance	
Actuarial assumptions and methodologies involve judgements about future events, both internal and external to the Group, for which small changes can result in a material impact to the valuation of insurance contract liabilities. Additionally, the valuation of insurance contract liabilities is dependent on the quality, integrity and accuracy of the data used in the valuations. We have therefore identified the following areas of focus in relation to the valuation of insurance contract liabilities: a) Appropriateness of actuarial assumptions, models and methodology; and b) Data processes and controls relevant to the actuarial valuation.	a) *Appropriateness of actuarial assumptions, models and methodology* Our audit of these assumptions, models and methodology applied in the valuation of insurance liabilities, included the following audit procedures that were executed with the assistance of our actuarial experts, across the areas considered material: • We assessed the valuation methodology and assumptions for compliance with the latest actuarial guidance, legislation and approved Company policy. • We assessed the design and operating effectiveness of the key controls of the actuarial valuation process for the setting and updating of actuarial assumptions and the process for model and methodology changes; • We analysed management's key assumptions around mortality, longevity, disability, morbidity and expenses and assessed the results of management's experience analyses;

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STATE INSURANCE COMPANY OF MAURITIUS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matters	How the matters were addressed in our audit
2. Valuation of Insurance Contract Liabilities -long term insurance (Continued)	
Actuarial assumptions and methodologies reflected in policyholder liabilities are subject to a considerable level of judgement. The operational assumptions are informed by actual experience, market experience and practice, and expectations as to future trends. Economic assumptions are typically based on latest market conditions and are set in accordance with relevant guidance and the Group approved policy. Refer to Note 4 to the financial statements. The assumptions that we considered to have the most significant impact on the actuarial valuations are. • Mortality, longevity, disability and morbidity; • Expenses; and • Risk discount rates	• We reviewed the computation of the risk discount rates and have independently validated the economic assumptions used in the computation; • We evaluated, on a sample basis, whether model and methodology changes have been appropriately implemented; • We evaluated the assumptions and methodology against expectations based on our knowledge of the Company, industry practice, and regulatory and reporting requirements. This included an independent evaluation through enquiries with the external actuary and review by specialist within our team; • We evaluated the key sources of profit and loss and assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements; • We considered the level of margins held, management's justification for holding these margins and how these will be released in the future. • We performed procedures over the Minimum Capital Requirements (MCR) calculation by comparing it with the applicable Solvency Rules and stress test guidelines and we evaluated management actions under the prevailing market conditions.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STATE INSURANCE COMPANY OF MAURITIUS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matters	How the matters were addressed in our audit
2. Valuation of Insurance Contract Liabilities -long term insurance (Continued)	
Data is a key input into the valuation process: the calculation of insurance contract liabilities has a number of inputs, which are reliant on various processes and applications for accurate and complete data. A breakdown of the controls around these processes and applications could result in a misstatement of the value of insurance contracts. Given its complexity and significance the valuation of insurance contract liabilities-long term insurance has been considered as a Key Audit Matter.	b) *Data processes and controls relevant to the actuarial valuation:* In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we, inter alia, performed the following audit procedures: • We evaluated the design and tested the operating effectiveness of the key aspects of the control environment over data integrity, including an evaluation of the effectiveness of the IT environment over the policy administration systems, together with the data extraction and conversion processes; • We performed an evaluation of the key controls over management's collection, extraction and data validation processes, which included testing of the reconciliations between the policy administration systems and the data sent to the external actuary for the actuarial valuation; and • We obtained the full data pack from the external actuary and compared with the data which management has sent to the actuary for the valuation to ensure completeness and accuracy of the data.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STATE INSURANCE COMPANY OF MAURITIUS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matters	How the matters were addressed in our audit
3. Valuation of insurance contract liabilities-short term insurance	
The valuation of general insurance loss reserves 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 Group uses a range of actuarial methodologies namely the Cape Cod and Chain-Ladder methods to estimate these provisions. 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, 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 15 to the consolidated financial statements. Given its complexity and significance the valuation of insurance contract liabilities-short term insurance has been considered as a Key Audit Matter.	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. In relation to the particular matters set out above, our substantive testing procedures included the following: c) 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. d) 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; e) 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; f) 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. g) We evaluated management's methodology and assumptions against actuarial practices and industry standards; and h) We evaluated whether the actuary has the relevant expertise and experience in this field.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STATE INSURANCE COMPANY OF MAURITIUS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

The directors are responsible for the other information The other information comprises the Annual Report 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.

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 Group and 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 Group and or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STATE INSURANCE COMPANY OF MAURITIUS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STATE INSURANCE COMPANY OF MAURITIUS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Use of our report

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

REPORT ON 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.

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: 25 SEP 2020

STATE INSURANCE COMPANY OF MAURITIUS LTD
STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	GROUP 2020 Rs'000	GROUP 2019 Rs'000	COMPANY 2020 Rs'000	COMPANY 2019 Rs'000
NON-CURRENT ASSETS					
Property, plant and equipment	6	314,396	320,031	289,341	291,247
Investment properties	7	1,460,980	1,391,440	1,473,710	1,404,100
Intangible assets	8	39,749	30,351	32,914	21,383
Investments in subsidiaries	9	-	-	565,628	565,628
Financial investments	10				
Measured at FVOCI	10 (a)	1,707,084	1,919,262	1,601,501	1,780,848
Measured at FVTPL	10 (b)	3,702,476	3,054,624	4,284,465	3,702,548
Debt instrument at amortised cost	10 (c)	7,543,778	6,909,704	5,948,181	6,053,918
Loans and advances:	12				
Net investment in finance Lease	12(a)	488,229	426,988	-	-
Mortgage and other loans	12(b)	1,261,809	1,337,086	1,251,926	1,324,096
Right of use assets	13(a)	13,523	-	13,523	-
Deferred tax assets	14	27,349	22,065	-	-
		16,559,373	15,411,551	15,461,189	15,143,768
CURRENT ASSETS					
Debt instrument at amortised cost	10 (c)	3,666,485	3,534,448	2,245,264	1,395,362
Loans and advances:	12				
Net investment in finance Lease	12(a)	173,182	149,492	-	-
Mortgage and other loans	12(b)	95,624	94,920	92,677	94,332
Insurance and other receivables	15	718,911	777,396	482,547	520,053
Reinsurance assets	16(a)	589,838	462,076	-	-
Current tax assets	19(a)	21,999	224	23,978	-
Cash and cash equivalents		445,684	474,420	230,737	185,661
		5,711,723	5,492,976	3,075,203	2,195,408
Assets held for sale	11	9,429	11,929	9,429	11,929
		5,721,152	5,504,905	3,084,632	2,207,337
CURRENT LIABILITIES					
Insurance contract liabilities	16(a)	897,115	727,741	-	-
Borrowings	17	23,241	24,846	87,216	83,335
Lease liability	13(b)	5,348	-	5,348	-
Trade and other payables	18	725,782	649,498	403,680	350,663
Current tax liabilities	19(a)	-	45,717	-	37,761
Deposits from customers	20	348,163	359,248	-	-
Bank overdraft		119,569	82,081	119,569	74,211
		2,119,218	1,889,131	615,813	545,970
NET CURRENT ASSETS		3,601,934	3,615,774	2,468,819	1,661,367
		20,161,307	19,027,325	17,930,008	16,805,135
CAPITAL AND RESERVES					
Stated capital	21	70,000	70,000	70,000	70,000
Reserves	22	6,328,942	5,965,204	5,570,432	5,242,535
Equity attributable to equity holders of the parent		6,398,942	6,035,204	5,640,432	5,312,535
Non-controlling interests		4,660	4,657	-	-
TOTAL EQUITY		6,403,602	6,039,861	5,640,432	5,312,535
TECHNICAL PROVISIONS					
Life assurance funds	31	11,446,848	10,768,439	11,446,848	10,768,439
		11,446,848	10,768,439	11,446,848	10,768,439
NON-CURRENT LIABILITIES					
Borrowings	17	56,099	35,317	126,077	169,270
Lease liability	13(b)	25,195	-	25,195	-
Deposits from customers	20	1,358,441	1,483,504	-	-
Deferred tax liabilities	14	19,314	4,854	19,314	4,854
Employee benefit obligations	23	851,808	695,350	672,142	550,037
		2,310,857	2,219,025	842,728	724,161
		20,161,307	19,027,325	17,930,008	16,805,135

These financial statements have been approved for issue by the Board of Directors on 25 SEP 2020

SALEMOHAMED M Y
Chairman

ACHARUZ A
Director

The notes on pages 83 to 182 form an integral part of these financial statements.
Auditor's report on pages 74(a) to 74(i)

STATE INSURANCE COMPANY OF MAURITIUS LTD
STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2020

		GROUP					
	Notes	**Shareholders' Fund 2020 Rs'000**	**Life Fund 2020 Rs'000**	**Total 2020 Rs'000**	Shareholders' Fund 2019 Rs'000	Life Fund 2019 Rs'000	Total 2019 Rs'000
Gross premiums	24 & 31	**1,137,267**	**2,206,757**	**3,344,024**	968,637	2,382,165	3,350,802
Premiums ceded to reinsurers	24 & 31	**(570,351)**	**(189,862)**	**(760,213)**	(499,150)	(153,188)	(652,338)
Net Premium		**566,916**	**2,016,895**	**2,583,811**	469,487	2,228,977	2,698,464
Revenue from contracts with customers	25	**522,425**	**-**	**522,425**	496,660	-	496,660
Interest revenue on financial assets measured at EIR	26	**191,415**	**438,685**	**630,100**	217,492	437,801	655,293
Interest expenses on financial liabilities measured at EIR	29	**(69,170)**	**(96)**	**(69,266)**	(81,428)	-	(81,428)
Net interest income		**122,245**	**438,589**	**560,834**	136,064	437,801	573,865
Fees and commission income	24 & 31	**85,802**	**46,630**	**132,432**	63,258	34,065	97,323
Investment and other income					-		
Other operating income	26	**191,578**	**59,707**	**251,285**	229,400	142,020	371,420
Net gains on financial assets at FVTPL		**123,118**	**364,292**	**487,410**	27,467	116,548	144,015
Expected credit loss on financial assets	30	**(3,734)**	**(12,515)**	**(16,249)**	2,218	8,383	10,601
		396,764	**458,114**	**854,878**	322,343	301,016	623,359
Total revenue		**1,608,350**	**2,913,598**	**4,521,948**	1,424,554	2,967,794	4,392,348
Gross benefits and claims paid		**(575,086)**	**(1,701,379)**	**(2,276,465)**	(619,150)	(1,698,016)	(2,317,166)
Claims settled from reinsurers		**259,978**	**32,688**	**292,666**	321,496	55,553	377,049
Gross change in contract liabilities		**(119,050)**	**-**	**(119,050)**	133,648	-	133,648
Change in contract liabilities ceded to reinsurers		**96,403**	**-**	**96,403**	(122,018)	-	(122,018)
Net benefits and claims		**(337,755)**	**(1,668,691)**	**(2,006,446)**	(286,024)	(1,642,463)	(1,928,487)
Commission and brokerage fees paid	24 & 31	**(78,961)**	**(66,315)**	**(145,276)**	(54,824)	(71,773)	(126,597)
Other operating and administrative costs	28 & 31	**(514,438)**	**(260,624)**	**(775,062)**	(487,615)	(243,739)	(731,354)
Other expenses		**(593,399)**	**(326,939)**	**(920,338)**	(542,439)	(315,512)	(857,951)
Total Benefits, claims and other expenses		**(931,154)**	**(1,995,630)**	**(2,926,784)**	(828,463)	(1,957,975)	(2,786,438)
Surplus of Shareholders' Fund and Life Assurance Fund		**677,196**	**917,968**	**1,595,164**	596,091	1,009,819	1,605,910
Transfer of surplus from Life Assurance Fund	27 & 31	**24,461**	**(24,461)**	**-**	43,373	(43,373)	-
PROFIT/SURPLUS BEFORE TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		**701,657**	**893,507**	**1,595,164**	639,464	966,446	1,605,910
Taxation	19	**(77,139)**	**86,781**	**9,642**	(59,503)	(25,595)	(85,098)
PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		**624,518**	**980,288**	**1,604,806**	579,961	940,851	1,520,812
Less profit attributable to Life Assurance Fund	31			**(980,288)**			(940,851)
PROFIT ATTRIBUTABLE TO THE GROUP FOR THE YEAR				**624,518**			579,961
Profit for the year attributable to:-							
Equity holders of the parent				**624,314**			579,677
Non-controlling interests				**204**			284
				624,518			579,961

The notes on pages 83 to 182 form an integral part of these financial statements.
Auditor's report on pages 74(a) to 74(i)

STATE INSURANCE COMPANY OF MAURITIUS LTD
STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2020

		COMPANY					
		Shareholders' Fund	Life Fund	Total	Shareholders' Fund	Life Fund	Total
	Notes	2020	2020	2020	2019	2019	2019
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Gross premiums	24 & 31	-	2,206,757	2,206,757	-	2,382,165	2,382,165
Premiums ceded to reinsurers	31	-	(189,862)	(189,862)	-	(153,188)	(153,188)
Net Premium		-	2,016,895	2,016,895	-	2,228,977	2,228,977
Revenue from contracts with customers	25	437,583	-	437,583	424,939	-	424,939
Interest revenue on financial assets measured at EIR	26	75,997	429,019	505,016	76,184	429,991	506,175
Interest expenses on financial liabilities measured at EIR	29	(19,645)	(96)	(19,741)	(22,575)	-	(22,575)
Net interest income		56,352	428,923	485,275	53,609	429,991	483,600
Fees and commission income	24 & 31	-	46,630	46,630	-	34,065	34,065
Investment and other income							
Other operating income	26	325,991	45,973	371,964	328,640	75,073	403,713
Net gains on financial assets at fair value through profit or loss		147,238	384,876	532,114	51,333	176,764	228,097
Expected credit loss on financial assets	30	(3,609)	(12,590)	(16,199)	504	8,532	9,036
		469,620	464,889	934,509	380,477	294,434	674,911
Total revenue		963,555	2,910,707	3,874,262	859,025	2,953,402	3,812,427
Gross benefits and claims paid	31	-	(1,701,379)	(1,701,379)	-	(1,698,012)	(1,698,012)
Claims settled from reinsurers	31	-	32,688	32,688	-	55,553	55,553
Net benefits and claims		-	(1,668,691)	(1,668,691)	-	(1,642,459)	(1,642,459)
Commission and brokerage fees paid	31	-	(66,315)	(66,315)	-	(71,773)	(71,773)
Other operating and administrative costs	28	(298,028)	(234,281)	(532,309)	(292,370)	(220,741)	(513,111)
Other expenses		(298,028)	(300,596)	(598,624)	(292,370)	(292,514)	(584,884)
Total Benefits, claims and other expenses		(298,028)	(1,969,287)	(2,267,315)	(292,370)	(1,934,973)	(2,227,343)
Surplus of Shareholders' Fund and Life Assurance Fund		665,527	941,420	1,606,947	566,655	1,018,429	1,585,084
Transfer of surplus from Life Assurance Fund	27 & 31	24,461	(24,461)	-	43,373	(43,373)	-
PROFIT/SURPLUS BEFORE TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		689,988	916,959	1,606,947	610,028	975,056	1,585,084
Taxation	19	(67,114)	86,781	19,667	(40,713)	(25,595)	(66,308)
PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		622,874	1,003,740	1,626,614	569,315	949,461	1,518,776
Less profit attributable to Life Assurance Fund	31			(1,003,740)			(949,461)
PROFIT ATTRIBUTABLE TO THE COMPANY FOR THE YEAR				622,874			569,315

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The notes on pages 83 to 182 form an integral part of these financial statements.
Auditor's report on pages 74(a) to 74(i)

STATE INSURANCE COMPANY OF MAURITIUS LTD
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

		GROUP					
	Notes	Shareholders' Fund 2020	Life Fund 2020	Total 2020	Shareholders' Fund 2019	Life Fund 2019	Total 2019
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		624,518	980,288	1,604,806	579,961	940,851	1,520,812
Other comprehensive income (OCI):							
OCI to be reclassified to profit or loss in subsequent periods:							
Exchange differences on translation of foreign operations		75,167	38,150	113,317	10,489	5,546	16,035
Net OCI to be reclassified to profit or loss in subsequent periods	22(h)	75,167	38,150	113,317	10,489	5,546	16,035
OCI not to be reclassified to profit or loss in subsequent periods:							
Revaluation (losses)/gains on equity instruments at fair value through OCI	22(h)	(82,996)	(340,227)	(423,223)	124,448	(45,415)	79,033
Remeasurement of defined benefit obligations	22(h)	(101,195)	-	(101,195)	(155,567)	-	(155,567)
Net OCI not to be reclassified to profit or loss in subsequent periods		(184,191)	(340,227)	(524,418)	(31,119)	(45,415)	(76,534)
Other comprehensive income for the year, net of tax		(109,024)	(302,077)	(411,101)	(20,630)	(39,869)	(60,499)
TOTAL COMPREHENSIVE INCOME		515,494	678,211	1,193,705	559,331	900,982	1,460,313
Less comprehensive income attributable to Life Assurance Fund				(678,211)			(900,982)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE GROUP FOR THE YEAR				515,494			559,331
Total comprehensive income for the year attributable to:-							
Owners of the parent				515,318			559,089
Non-controlling interests				176			241
				515,494			559,330

The notes on pages 83 to 182 form an integral part of these financial statements.
Auditor's report on pages 74(a) to 74(i)

STATE INSURANCE COMPANY OF MAURITIUS LTD
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

		COMPANY					
	Notes	Shareholders' Fund 2020	Life Fund 2020	Total 2020	Shareholders' Fund 2019	Life Fund 2019	Total 2019
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND		**622,874**	**1,003,740**	**1,626,614**	569,315	949,461	1,518,776
Other comprehensive income (OCI):							
OCI to be reclassified to profit or loss in subsequent periods:							
Release of fair value on disposal of available-for-sale investments		-	-	-	-	-	-
Net fair value gains on available-for-sale investments		-	-	-	-	-	-
Net OCI to be reclassified to profit or loss in subsequent periods	22(h)	-	-	-	-	-	-
OCI not to be reclassified to profit or loss in subsequent periods:							
Revaluation (losses)/gains on equity instruments at fair value through OCI	22(h)	**(64,354)**	**(325,529)**	**(389,883)**	126,527	(48,509)	78,018
Remeasurement of defined benefit obligations	22(h)	**(79,071)**	-	**(79,071)**	(113,752)	-	(113,752)
Net OCI not to be reclassified to profit or loss in subsequent periods		**(143,425)**	**(325,529)**	**(468,954)**	12,775	(48,509)	(35,734)
Other comprehensive income for the year, net of tax		**(143,425)**	**(325,529)**	**(468,954)**	12,775	(48,509)	(35,734)
TOTAL COMPREHENSIVE INCOME		**479,449**	**678,211**	**1,157,660**	582,090	900,952	1,483,042
Less comprehensive income attributable to Life Assurance Fund				**(678,211)**			(900,952)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY FOR THE YEAR				**479,449**			582,090

The notes on pages 83 to 182 form an integral part of these financial statements.
Auditor's report on pages 74(a) to 74(i)

STATE INSURANCE COMPANY OF MAURITIUS LTD
STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Stated Capital	Retained Earnings	Properties Revaluation Reserve	Investments Revaluation Reserve	Actuarial Losses	Other Reserve	General Banking Reserve	Translation Reserve	Attributable to Equity Holders Of Parent	Non-Controlling Interests	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
GROUP												
Balance at 1 July 2019		**70,000**	**6,178,845**	**142,381**	**7,023**	**(485,693)**	**54,192**	**2,601**	**65,855**	**6,035,204**	**4,657**	**6,039,861**
Impact of adopting IFRS 16	2.2(b)	-	**42,660**	-	-	-	-	-	-	**42,660**	-	**42,660**
Restated opening balance under IFRS 16		**70,000**	**6,221,505**	**142,381**	**7,023**	**(485,693)**	**54,192**	**2,601**	**65,855**	**6,077,864**	**4,657**	**6,082,521**
Transfer on derecognition of financial assets at FVOCI		-	**35**	-	-	-	-	-	-	**35**	-	**35**
Profit for the year		-	**624,314**	-	-	-	-	-	-	**624,314**	**204**	**624,518**
Other comprehensive income for the year		-	-	-	**(82,996)**	**(101,195)**	-	-	**75,167**	**(109,024)**	**(28)**	**(109,052)**
Total comprehensive income for the year		-	**624,349**	-	**(82,996)**	**(101,195)**	-	-	**75,167**	**515,325**	**176**	**515,501**
Transfer from/(to) reserve	22(g)	-	**(6,199)**	-	-	-	**3,056**	**3,143**	-	-	-	-
Dividend paid	33	-	**(194,247)**	-	-	-	-	-	-	**(194,247)**	**(173)**	**(194,420)**
Balance at 30 June 2020		**70,000**	**6,645,408**	**142,381**	**(75,973)**	**(586,888)**	**57,248**	**5,744**	**141,022**	**6,398,942**	**4,660**	**6,403,602**
Balance at 1 July 2018		70,000	5,395,605	142,381	263,929	(330,169)	49,936	-	55,366	5,647,048	4,657	5,651,705
Impact of adopting IFRS 9, net of impact attributable to the Life Fund		-	371,319	-	(381,354)	-	-	2,601	-	(7,434)	-	(7,434)
Restated opening balance under IFRS 9		70,000	5,766,924	142,381	(117,425)	(330,169)	49,936	2,601	55,366	5,639,614	4,657	5,644,271
Transfer on derecognition of financial assets at FVOCI		-	250	-	-	-	-	-	-	250	-	250
Profit for the year		-	579,677	-	-	-	-	-	-	579,677	284	579,961
Other comprehensive income for the year		-	-	-	124,448	(155,524)	-	-	10,489	(20,587)	(43)	(20,630)
Total comprehensive income for the year		-	579,927	-	124,448	(155,524)	-	-	10,489	559,340	241	559,581
Transfer from/(to) reserve	22(f)	-	(4,256)	-	-	-	4,256	-	-	-	-	-
Dividend paid	33	-	(163,750)	-	-	-	-	-	-	(163,750)	(241)	(163,991)
Balance at 30 June 2019		70,000	6,178,845	142,381	7,023	(485,693)	54,192	2,601	65,855	6,035,204	4,657	6,039,861

The notes on pages 83 to 182 form an integral part of these financial statements.

Auditor's report on pages 74(a) to 74(i)

STATE INSURANCE COMPANY OF MAURITIUS LTD

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Stated Capital	Retained Earnings	Properties Revaluation Reserve	Investments Revaluation Reserve	Actuarial Losses	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COMPANY							
Balance at 1 July 2019		**70,000**	**5,229,937**	**141,484**	**254,820**	**(383,706)**	**5,312,535**
Impact of adopting IFRS 16	2.2(b)	**-**	**42,660**	**-**	**-**	**-**	**42,660**
Restated opening balance under IFRS 16		**70,000**	**5,272,597**	**141,484**	**254,820**	**(383,706)**	**5,355,195**
Transfer on derecognition of financial assets at FVOCI		**-**	**35**	**-**	**-**	**-**	**35**
Profit for the year		**-**	**622,874**	**-**	**-**	**-**	**622,874**
Other comprehensive income for the year		**-**	**-**	**-**	**(64,354)**	**(79,071)**	**(143,425)**
Total comprehensive income for the year		**-**	**622,909**	**-**	**(64,354)**	**(79,071)**	**479,484**
Dividend paid	33	**-**	**(194,247)**	**-**	**-**	**-**	**(194,247)**
Balance at 30 June 2020		**70,000**	**5,701,259**	**141,484**	**190,466**	**(462,777)**	**5,640,432**
Balance at 1 July 2018		70,000	4,577,619	141,484	379,006	(269,954)	4,898,155
Impact of adopting IFRS 9, net of impact attributable to the Life Fund		-	246,503	-	(250,713)	-	(4,210)
Restated opening balance under IFRS 9		70,000	4,824,122	141,484	128,293	(269,954)	4,893,945
Transfer on derecognition of financial assets at FVOCI		-	250	-	-	-	250
Profit for the year		-	569,315	-	-	-	569,315
Other comprehensive income for the year		-	-	-	126,527	(113,752)	12,775
Total comprehensive income for the year		-	569,565	-	126,527	(113,752)	582,340
Dividend paid	33	-	(163,750)	-	-	-	(163,750)
Balance at 30 June 2019		70,000	5,229,937	141,484	254,820	(383,706)	5,312,535

The notes on pages 83 to 182 form an integral part of these financial statements.

Auditor's report on pages 74(a) to 74(i)

STATE INSURANCE COMPANY OF MAURITIUS LTD
STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations (note 34)	**837,751**	731,087	**535,536**	579,383
Interest received	**618,547**	971,775	**516,656**	559,024
Dividend received	**30,608**	90,740	**236,376**	230,688
Interest paid	**(66,912)**	(97,705)	**(17,390)**	(22,576)
Income tax paid	**(32,784)**	(63,467)	**(15,880)**	(49,647)
Contribution paid	**(26,197)**	(23,505)	**(19,309)**	(17,309)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,361,013**	1,608,925	**1,235,989**	1,279,563
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets	**(19,644)**	(4,508)	**(19,085)**	(2,631)
Purchase of property, plant and equipment	**(22,876)**	(30,530)	**(22,018)**	(24,022)
Proceed from disposal of property, plant and equipment	**493**	3,938	**-**	1,240
Purchase of financial assets measured at FVOCI, FVTPL and at amortised cost	**(5,094,669)**	(4,403,978)	**(3,146,511)**	(1,870,184)
Proceeds from disposal or maturity of financial assets measured at FVOCI, FVTPL and at amortised cost	**4,014,376**	3,447,709	**2,128,730**	788,849
Disposal of repossessed leased assets	**411**	-	**-**	-
Proceeds from disposal of foreclosed properties	**3,101**	1,681	**3,101**	771
Mortgage and other loans granted during the year	**(201,555)**	(228,367)	**(198,504)**	(224,278)
Mortgage and other loans repayment received during the year	**261,439**	307,751	**257,637**	303,351
Addition to investment properties	**(715)**	(561)	**(715)**	-
Proceeds from disposal of investment properties	**-**	6,718	**-**	6,157
Increase in net investment in finance lease	**(82,881)**	(120,502)	**-**	-
NET CASH USED IN FROM INVESTING ACTIVITIES	**(1,142,520)**	(1,020,649)	**(997,365)**	(1,020,747)
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings taken during the year	**46,366**	22,157	**46,366**	22,157
Borrowings repaid during the year	**(27,188)**	(25,196)	**(85,678)**	(78,669)
Dividend paid	**(162,260)**	(163,991)	**(194,247)**	(163,750)
Deposits from customers - net	**(136,288)**	(309,808)	**-**	-
Payment of principal and interest on lease liability	**(5,347)**	-	**(5,347)**	-
NET CASH USED IN FINANCING ACTIVITIES	**(284,717)**	(476,838)	**(238,906)**	(220,262)
Net (decrease)/increase in cash and cash equivalents	**(66,224)**	111,438	**(282)**	38,554
CASH AND CASH EQUIVALENTS AT 1 JULY	**392,339**	280,901	**111,450**	72,896
CASH AND CASH EQUIVALENTS AT 30 JUNE	**326,115**	392,339	**111,168**	111,450
CASH AND CASH EQUIVALENTS				
Bank and cash balances	**445,684**	474,420	**230,737**	185,661
Bank overdraft	**(119,569)**	(82,081)	**(119,569)**	(74,211)
	326,115	392,339	**111,168**	111,450

The notes on pages 83 to 182 form an integral part of these financial statements.
Auditor's report on pages 74(a) to 74(i)

1. GENERAL INFORMATION

State Insurance Company of Mauritius Ltd (the "Company") is a public company incorporated in Mauritius. Its registered office is situated at Sir Célicourt Antelme Street, Port-Louis, Mauritius. The Company is mainly engaged in long term insurance business whilst its subsidiaries carry out general insurance business, depository, investment and management activities.

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 have been prepared under the historical cost convention, except :

(i) buildings are measured at fair value;
(ii) investment properties are measured at fair value;
(iii) financial assets at fair value through profit or loss,
(iv) financial assets at fair value through OCI and
(v) non-current assets held-for-sale are measured at the lower of carrying amount and fair value less cost to sell.

The financial statements are presented in Mauritian Rupees (Rs) and all values are rounded to the nearest thousand (Rs'000), except when otherwise indicated.

As required by IAS 1 Presentation of financial statements and IFRS 4 Insurance Contract, the Company has disclosed the results of the life fund on the face of the statement of profit or loss and other comprehensive income that will help the users of the financial statements to understand the amounts disclosed in the financial statements that arises from insurance contracts.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board (IASB) and comply with the Companies Act 2001.

Basis of consolidation

The financial statements comprise the financial statements of the Company and its subsidiaries referred to as the "Group" as at 30 June 2020. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in these financial statements are consistent with those of the previous financial year. There were several standards that were issued and effective for the Company from 1 July 2019 and none of these had an impact of the financial statements of the Company, except as disclosed below.The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases
The Group 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.

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 Group 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 January 2019. Prior payments relating to obtention of leasehold property have been reclassified to Rights-of-Use assets.

(a) Classification and measurement

Instead of performing an impairment review on the Rights-of-Use assets at the date of initial application, the Group 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 and disclosures (continued)

IFRS 16 Leases (continued)

(a) Classification and measurement (Continued)

Nature of the effect of adoption of IFRS 16 (Continued)

The Group has lease contracts for various items of leasehold land, offices and other properties. Before the adoption of IFRS 16, the Group 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 Group; 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 Group 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 Group recognised Rights-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 Rights-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. Rights-of-Use assets relating to investment properties were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments. Rights-of-Use assets relating to investment properties have been fair valued on 1 July 2019 by independent valuers. At transition date, the fair value adjustment to the Rights-of-Use assets is taken to equity by adjusting the opening balances of Retained Earnings at 01 July 2019. 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 Group 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 Rights-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

Additionally, the Group used different discount rates for each lease based on the terms under the lease agreements.

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

	Rs'000
Operating lease commitments as at 30 June 2019	**29,973**
Add:	
Payments in optional extension periods not recognised as at **30 June 2019**	217,294
	247,267
Weighted average incremental borrowing rate as at 1 July 2019	**7.23% - 7.37%**
Effect of Discounted operating lease commitments at 1 July 2019	**(221,227)**
Less:	
Commitments relating to short-term leases	-
Lease liabilities as at 1 July 2019	**26,040**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

IFRS 16 Leases (continued)

(b) Summary of new accounting policies

Group as a lessee

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

Rights-of-Use assets

The Group recognises Rights-of-Use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Rights-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 Rights-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 Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised Rights-of-Use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Rights-of-Use assets are subject to impairment.

Previous intangible asset recognised under IFRS 3 Business Combinations relating to favourable terms of an operating lease acquired as part of a business combination has been derecognised and adjusted for in the carrying amount of the Rights-of-Use asset at the date of initial application.

Short-term leases and low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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 Group 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.

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

The Group 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.

The Group has the option, under some of its leases of Leasehold Land to lease the assets for additional terms of ten to thirty years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

IFRS 16 Leases (continued)

(b) Summary of new accounting policies (continued)

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group 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 Group included the renewal period as part of the lease term for leases of Leasehold Land due to the significance of these assets to its operations. These leases have a long non-cancellable period (i.e., ten to thirty years) and there will be a significant negative effect on the business if a replacement is not readily available.

	Land and Buildings	Investment Property	Lease liabilities
	Rs'000	**Rs'000**	**Rs'000**
Recognition of Rights-of-Use assets and liabilities	16,072	17,795	33,867
Transfer to Rights-of-Use assets from other classes of assets	-	-	-
Gain from fair value adjustment on recognition at 01 July 2019 (Equity movement)	-	42,660	-
Recognition at 01 July 2019	**16,072**	**60,455**	**33,867**
Additions	-	-	
Interest expense	-	-	**2,023**
Payments	(2,549)	-	(5,347)
Depreciation expense		-	
Gain on fair value adjustment	-	208	
As at 30 June 2020	**13,523**	**60,663**	**30,543**

The Group did not have any short-term leases at year ended 30 June 2020.
Total adjustment to equity on 01 July 2019 amounts to Rs 42,660,000

2.3 Accounting Standards and Interpretations issued but not yet effective

There were several standards, amendments to existing standards and interpretations that were issued but not yet effective. None of these standard and interpretations are expected to have an impact on the Company, except as disclosed below.

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on or after 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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting Standards and Interpretations issued but not yet effective (continued)

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
- 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 balance sheet
- 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 if first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

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

The Group 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.

2.4 Investment in subsidiaries

Subsidiaries are all entities (over which the Company has control). The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- **Separate financial statements**

Investment in subsidiaries in the separate financial statements of the Company are carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and carrying amount is recognised in profit or loss.

- **Consolidated financial statements**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investment in subsidiaries (Continued)

- **Consolidated financial statements (Continued)**

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2.5 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each entity are expressed in Mauritian rupees, which is the functional currency of the company, and the presentation currency for the group financial statements. The results of subsidiaries whose functional currency is in a currency other than Mauritian Rupee are retranslated to Mauritian Rupee using the average exchange rates and balances at the reporting date are retranslated using the closing exchange rate.

In preparing the financial statements of the individual entities, 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 the profit or loss for the year. Translation of non-monetary items, such as equities classified as available-for-sale financial assets are included in the investment revaluation reserve in equity. For the purpose of presenting consolidated financial statements, the assets and liabilities of subsidiaries denominated in foreign currencies are translated into Mauritian rupees at closing rate of exchange. Income and expense items are translated at the average rates of exchange for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

2.6 Equity instruments issued by the Group

Classification

Equity instruments are classified as equity in accordance with the substance of the contractual arrangement. 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 Group and Company are recorded at the proceeds received, net of direct issue costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts and short term deposits. 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 overdrafts are shown in current liabilities in the statements of financial position.

2.8 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period. Provisions are reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

2.9 Leases (policy prior to 1 Jul 2019)

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

The Group as lessor

- Finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable.

The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Finance lease income is allocated to the accounting period so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

- Operating lease

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognised on a straight-line basis over the lease term.

2.10 Assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. Foreclosed properties represent seized assets acquired through auction at the Master's Bar as a result of default by client. The loan is derecognised at the value the properties acquired by the Company and the foreclosed properties are initially recognised at the consideration paid. Intention of management is to sell those assets once required conditions relating to the sale have been completed.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. An exception to the one-year requirement is applied in the situation where at the date an entity commits itself to a plan to sell a non-current asset it reasonably expects that others (not a buyer) will impose conditions on the transfer of the asset that will extend the period required to complete the sale, and:

(i) Actions necessary to respond to those conditions cannot be initiated until after a firm purchase commitment is obtained, and
(ii) A firm purchase commitment is highly probable within one year.

The assets are not depreciated or amortised once classified as held for sale.

Assets classified as held for sale are presented separately as current items in the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Insurance contracts

(i) 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 Group 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.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Some insurance contracts contain a Discretionary Participating Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses.

The Group considers that virtually all its short term and long term products are insurance contracts.
Insurance contracts issued by the Group are classified within the following main categories:

(a) Short term insurance contracts

Short term insurance contracts are in respect of 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.

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

These contracts insure events associated with human life (i.e. death or survival) over a long duration. A liability for contractual benefits that are expected to be incurred in future is recorded once the first premium under such a contract has been recognised. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at each valuation date based on an analysis of recent experience modified by expectation of future trends. The best estimate assumptions are adjusted to include a margin for prudence.

(c) Long-term insurance contracts without fixed terms and with DPF

These contracts contain a DPF which entitles the contract holder in supplement to a guaranteed amount, a contractual right to receive additional profit or bonuses. The size of the profit or bonuses as well as the timing of the payments is however at the discretion of the Group. The Group has an obligation to eventually pay to contract holder up to 90% (2019:90%) of the DPF eligible surplus (i.e., all interest and realised gains and losses arising from the assets backing these contracts). The remaining 10% (2019:10%) accrues to the shareholders. Any portion of the DPF eligible surplus that is not declared as a profit or bonus is retained as a liability under the Life Assurance Fund, until declared and credited to contract holders in future periods. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at end of the reporting date are held within insurance contract liabilities.

(d) Unit-linked insurance contracts

These contracts include an embedded derivative which links payments to contract holders to amounts invested in unitised funds. The liability in respect of unit linked contracts is equal to the sum of the current unit values and a reserve calculated as the present value of the expected future claims and expenses less the present value of expected future charges and release of unit reserves. The resultant liability is subject to a minimum of the current surrender value on a per policy basis. Assumptions as to future expenses, investment returns, mortality, morbidity, and persistency are best estimate in nature and are based on the results of recent analyses of the Group’s operating experience.

2.12 Liability adequacy test

Short-term insurance

At the end of each reporting period, the Group reviews its unexpired risks 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 charged to profit or loss and a provision is established for losses arising from liability adequacy test (the unexpired risk provision).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Liability adequacy test

Long-term insurance

The Group's Actuary reviews the adequacy of insurance liabilities for long term contracts on an annual basis and ensures that provisions made by the Group are adequate. Any deficiency is recognised in the Life Assurance Fund.

3. MANAGEMENT OF FINANCIAL AND INSURANCE RISKS

The primary objective of the Company's Enterprise Risk Management Framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has set up an Enterprise Risk Management Framework required under the Insurance (Risk Management) Rules 2016 made by the Financial Services Commission under section 130 of the Insurance Act and section 93 of the Financial Services Act 2007.

The Enterprise Risk Management Framework includes the following components:

a) A Risk Appetite Statement;
b) A Risk Management Strategy;
c) A three-year rolling business plan;
d) An Own Risk Solvency Assessment (ORSA) Framework;
e) The liquidity policy;
f) A designated risk management function; and
g) Description of the responsibilities, roles and reporting lines within the insurer for the management of material risks.

A detailed description of the Enterprise Risk Management Framework is disclosed hereunder and in the Annual Report.

The Group has established a risk management function with clear terms of reference from the board of directors and the Risk and Audit Committee. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors in line with the Three Lines of Defence Model. Lastly, an Enterprise Risk Management Framework and Policy which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place.

The board of directors approves the Company's risk management policies and meets as and when required to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern and also comply with applicable laws and regulations.

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Group thereby providing a degree of security to policyholders

- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders

- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets

3. MANAGEMENT OF FINANCIAL AND INSURANCE RISKS (CONTINUED)

Capital management (Continued)

- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders

- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 30 June 2020 and 2019.

The operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. 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 on the part of the insurance companies to meet unforeseen liabilities as these arise.

Under the Insurance (General Insurance Business Solvency) Rules 2007, the minimum capital requirement for general business is the sum of capital required for the statement of financial position as per Rule 6, capital required for investment above concentration limit as per Rule 7, capital required for policy liabilities as per Rule 8, capital required for catastrophes as per Rule 9 and capital required for reinsurance ceded under Rule 10. Under the Insurance (Long-Term Insurance Business Solvency) Rules 2007, the minimum capital requirement for long-term business is determined by the actuary, which is the higher of:

(a) a stress test requirement determined in accordance with guidelines issued by the Financial Services Commission to ensure that the company remains solvent; or

(b) the higher of:

(c) an amount of Rs 25 million; or

 (i) an amount representing 13 weeks' operating financial services, with operating expenses as defined and reported in the annual statutory return submitted to the Financial Services Commission.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the Financial Services Commission (FSC). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The Group's capital management policy for its insurance is to hold sufficient capital to cover the statutory requirements based on the FSC directives, including any additional amounts required by the regulator.

For the years ended 30 June 2020 and 30 June 2019, the Group and Company have satisfied the minimum capital requirements.

The capital structure of the subsidiary (SICOM Financial Services Ltd) consists of stated capital, reserves and retained earnings. The subsidiary has to comply with the Banking Act 2004 in respect of both its stated capital and reserves. As at 30 June 2020 and 30 June 2019, the legislative requirement has been met for both stated capital and reserves. The subsidiary manages its capital with an aim to maximise return to its shareholders.

Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

4. INSURANCE RISKS

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 Group 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 Group 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. Also, the Group makes use of reinsurance arrangements to reduce exposure to risk.

The Group purchases reinsurance as part of its risk mitigation programme, Reinsurance ceded is placed on both a treaty and facultative basis. Amount recoverable from reinsurers are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligation to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group’s placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

A key risk for the Group is that the proceeds from its assets will not be sufficient to fund the obligations arising from its insurance. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

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.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (i.e., subrogation).

(a) *Short-term insurance*

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 Group’s underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Group has in place underwriting criteria to ensure that the risks accepted are as per acceptance guidelines. Where relevant, the Group may pursue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

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

(b) *Long-term insurance*

For long-term insurance contracts, where the insured event is death, the most significant factors that could impact on insurance claims are diseases like heart problems, diabetes, high blood pressures or changes in lifestyle, resulting in higher and earlier claims being submitted to the Group. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. The liabilities in terms of insurance contracts are based on recommendations of the Group’s Actuary.

4. INSURANCE RISK (CONTINUED)

(b) Long-term insurance (Continued)

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

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

The Group manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, the Group balances death risk and survival risk across its portfolio. Medical selection is also included in the Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants.

The Group has defined retention limits on all lives insured and reinsures the excess of the insured benefit over its retention limit.

4.1.1 Concentration of insurance risk

(a) Short-term insurance

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

GROUP

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	743	10	57,617	54,178	3,439
Miscellaneous	196	4	5,820	5,288	532
Incurred but not reported (IBNR)	-		144,598	97,425	47,173
	38,501		379,761	312,050	67,711

GROUP

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

4. INSURANCE RISK (CONTINUED)

4.1.1 Concentration of insurance risk (Continued)

(a) *Short-term insurance (Continued)*

On the basis of the Group'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 Group manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

(b) *Long-term Insurance*

The table below presents the concentration of insured benefits across bands of insured benefits per individual life assured. Management have assessed that the sum assured is an appropriate measure of concentration of insurance risk as the Company is exposed to an obligation representing the sum assured should an insured event occurs.

	GROUP AND COMPANY			
	Total Benefits Insured			
Benefits assured per life assured as at 30 June 2020	**Before Reinsurance**		**After Reinsurance (Retained)**	
Rs'000	**Rs'000**	**%**	**Rs'000**	**%**
0 -100	**653,048**	**3**	**653,048**	**4.3**
100 – 200	**2,164,551**	**10**	**2,164,551**	**14.2**
200 – 300	**2,182,643**	**10**	**2,182,643**	**14.3**
300 – 400	**1,493,353**	**7**	**1,493,353**	**9.8**
400 +	**15,643,736**	**70**	**8,781,377**	**57.4**
TOTAL	**22,137,331**	**100**	**15,274,972**	**100**

	GROUP AND COMPANY			
	Total Benefits Insured			
Benefits assured per life assured as at 30 June 2019	**Before Reinsurance**		**After Reinsurance (Retained)**	
Rs'000	**Rs'000**	**%**	**Rs'000**	**%**
0 -100	659,431	3	659,431	4.4
100 – 200	2,185,626	10	2,185,626	14.7
200 – 300	2,206,974	10	2,206,974	14.9
300 – 400	1,504,592	7	1,504,592	10.1
400 +	14,505,080	70	8,304,611	55.9
TOTAL	21,061,703	100	14,861,234	100.0

The following table for annuity insurance contracts illustrates the concentration of risk based on bands that group these contracts in relation to the amount payable per annum as if the annuity were in payment as at financial years ended 30 June 2020 and 30 June 2019. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

4. INSURANCE RISK (CONTINUED)

4.1.1 Concentration of insurance risk (Continued)

(b) Long-term Insurance (Continued)

GROUP AND COMPANY

Annuity payable per annum per life assured as at 30 June 2020	Total annuities payable per annum	
Rs'000	Rs'000	%
0 – 10	**605**	**0.21**
10 – 20	**3,091**	**1.05**
20 – 50	**29,843**	**10.16**
50 – 100	**70,016**	**23.84**
100 – 150	**46,658**	**15.89**
More than 150	**143,461**	**48.85**
Total	**293,674**	**100.00**

Annuity payable per annum per life assured as at 30 June 2019	Total annuities payable per annum	
Rs'000	Rs'000	%
0 – 10	640	0.22
10 – 20	3,241	1.12
20 – 50	30,584	10.56
50 – 100	68,243	23.56
100 – 150	46,255	15.97
More than 150	140,755	48.57
Total	289,718	100

With regards to Group Assurances the Total Sum Assured is Rs'000 32,601,695 (2019: Rs'000 34,279,400) and the Sum Assured retained is Rs'000 15,831,400 (2019: Rs'000 18,351,684).

4.1.2 Sources of uncertainty

(a) Short-term insurance

Most claims on short term insurance contracts are payable on a claims-occurrence basis. Under claims occurrence basis, the Group 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 Group 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 provision, it is likely that the final claim settlement will differ from the original liability estimate.

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

4. INSURANCE RISK (CONTINUED)

4.1.2 Sources of uncertainty (Continued)

(a) Short-term insurance (Continued)

GROUP

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)

(b) Long-term insurance

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holders' behaviour.

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

The Group manages long term insurance risks through its underwriting strategy and reinsurance arrangements. Management ensures that risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is included in the Group's underwriting procedures, with premiums, varied to reflect the health condition and family medical history of the applicant. Insurance risk may also be affected by the contract holder's behaviour whereby he/she may decide to amend terms or terminate the contract or exercise a guaranteed annuity option.

The Group has a predetermined retention limit on any single life insured and the Group reinsures the excess of the insured benefit above the retention limit.

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

Mortality and morbidity rates

Assumptions are based on standard industry and mortality tables adjusted for the Mauritius context, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

4. INSURANCE RISK (CONTINUED)

4.1.2 Sources of uncertainty (Continued)

(b) Long-term insurance (Continued)

Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in longevity rates will lead to an increase in the number of annuity payments to be made, which will increase the expenditure and reduce profits for the shareholders.

Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

Sensitivity analysis

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross figures. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

The following table presents the sensitivity of the value of insurance liabilities disclosed to movements in assumptions used in the estimation of insurance liabilities.

The table below indicated the level of the respective variables that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration of the variable.

4. INSURANCE RISK (CONTINUED)

4.1.2 Sources of uncertainty (Continued)

(b) Long-term insurance (Continued)

Sensitivity analysis (Continued)

GROUP AND COMPANY

Life –GPV Sensitivities test

	2020		2019	
	Liability	**Difference**	Liability	Difference
Variables	**Rs'000**	**%**	Rs'000	%
Actual reserve	**11,365,906**	**-**	10,529,674	-
Interest rate less 1%	**12,326,634**	**8.5**	11,323,572	7.5
Mortality plus 10%	**11,641,068**	**2.4**	10,634,260	1.0
Lapse plus 10%	**11,469,119**	**0.9**	10,467,603	-0.6
Expenses plus 10%	**11,436,844**	**0.6**	10,566,984	0.4
Inflation plus 1%	**11,410,994**	**0.4**	10,560,106	0.3

4.1.3 Reinsurance strategy

Reinsurance purchases are reviewed annually to verify that the levels of protection being bought reflect any development in exposure and risk appetite of the Group. The Group is exposed to risks of default by reinsurers in respect of their share of reinsurance liabilities and there may be disputes in contract workings, 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 Group's counterparty security requirements and the Group regularly monitors its exposure.

4.1.4 Claims development table

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

4. INSURANCE RISK (CONTINUED)

4.1.4 Claims development table (Continued)

	Financial year of Loss														
	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**

5. FINANCIAL RISKS FACTORS

The Group 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 most important components of this financial risk are market risks (including foreign currency risk, interest rate risk, equity price risk), credit risk and liquidity risk.

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

5.1 Market risks

Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are foreign currency risk, interest rate risk and equity price risk.

The Group manages these positions within an asset liability management framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts.

The principal technique of the Group's assets and liabilities management is to match assets to liabilities arising from insurance by reference to the type of benefits payable to policyholders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

(i) Foreign currency risk

The Group's financial instruments which are exposed to foreign currency risks consist mainly of deposits, insurance and other receivables and overseas investment. Management monitors the Group's currency position on a regular basis. The carrying amounts of the Group's financial assets and liabilities at the reporting date are as follows:

Other financial assets, Fixed Deposits & Cash Deposits (Short-term & Long Term)

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
USD	**4,490,688**	3,862,022	**4,184,411**	3,604,268
GBP	**226,085**	207,782	**-**	-
EUR	**269**	573	**-**	-
MUR	**15,244,181**	14,631,250	**11,907,085**	11,351,408
	19,961,223	18,701,627	**16,091,496**	14,955,676

Short-term and long-term financial liabilities including payables, loans and borrowings

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
USD	**149,691**	438	**-**	-
MUR	**2,541,857**	2,634,111	**726,541**	677,478
	2,691,548	2,634,549	**726,541**	677,478

5.1 Market risks (Continued)

(i) Foreign currency risk (Continued)

Net exposure

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
USD	**4,340,997**	3,861,584	**4,184,411**	3,604,268
GBP	**226,085**	207,782	**-**	-
EUR	**269**	573	**-**	-
MUR	**12,702,324**	11,997,139	**11,180,544**	10,673,930
	17,269,675	16,067,078	**15,364,955**	14,278,198

Consequently, the Group 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 group's assets which is denominated in currencies other than the Mauritian Rupee. The following table details the sensitivity to a 5% increase or decrease of the USD, GBP and EUR against the Rupee.

GROUP

		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%**	**217,050**	**217,050**	193,079	193,079
	-5%	**(217,050)**	**(217,050)**	(193,079)	(193,079)
GBP	**+5%**	**11,304**	**11,304**	10,389	10,389
	-5%	**(11,304)**	**(11,304)**	(10,389)	(10,389)
EUR	**+5%**	**13**	**13**	29	29
	-5%	**(13)**	**(13)**	(29)	(29)

COMPANY

		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%**	**209,221**	**209,221**	180,213	180,213
	-5%	**(209,221)**	**(209,221)**	(180,213)	(180,213)

5. FINANCIAL RISKS FACTORS (CONTINUED)

5.1 Market risks (Continued)

(ii) 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 rate. The risk is also that there will be insufficient funds to fund the guaranteed payable amount especially under long term life assurance contracts. Under short-term insurance contracts liabilities are not directly sensitive to the level of market interest rates as they are contractually non- interest bearing; except in the case of bodily injury claims which are settled over long periods. Fluctuations in interest rates however impact on returns on financial instruments. This is closely monitored by management through a well-diversified portfolio of fixed income securities and equity securities.

The Group is exposed to interest rate fluctuations on the international and domestic markets. The Group monitors closely interest rate trends and related impact on investment income for performance evaluation and better management.

	Group 30-Jun-20 Interest receivable Rs'000	**Company 30-Jun-20 Interest receivable Rs'000**
MUR (Floating rate fixed deposits)	**69**	**69**
MUR (Call deposits)	**12,700**	**8,333**
USD (Call deposits)	**105**	**3**
MUR (Floating rate Government Bonds)	**7,489**	**7,489**
MUR (Floating rate Corporate Bonds)	**11,453**	**4,794**
	31,816	**20,688**

	Group 30-Jun-19 Interest receivable Rs'000	**Company 30-Jun-19 Interest receivable Rs'000**
MUR (Floating rate fixed deposits)	8,337	81
MUR (Call deposits)	7,331	5,704
USD (Call deposits)	32	1
MUR (Floating rate Government Bonds)	19,960	19,960
MUR (Floating rate Corporate Bonds)	4,153	4,153
	39,813	29,899

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

	GROUP			
	2020		2019	
Changes in interest rate	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
	Rs' 000	**Rs' 000**	Rs' 000	Rs' 000
+ 50 basis points	**1,591**	**1,591**	1,991	1,991
- 50 basis points	**(1,591)**	**(1,591)**	(1,991)	(1,991)

5. FINANCIAL RISKS FACTORS (CONTINUED)

5.1 Market risks (continued)

(ii) Interest rate risk (continued)

	COMPANY			
	2020		2019	
Changes in interest rate	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
	Rs' 000	**Rs' 000**	Rs' 000	Rs' 000
+ 50 basis points	**1,034**	**1,034**	1,495	1,495
- 50 basis points	**(1,034)**	**(1,034)**	(1,495)	(1,495)

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

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

The following table details the Group's and Company's sensitivity to a 50 basis points increase/decrease of the rate of interest on mortgage loans which are subject to floating rate of interest.

	GROUP AND COMPANY			
	2020		2019	
Changes in interest rate	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
	Rs' 000	**Rs' 000**	Rs' 000	Rs' 000
+ 50 basis points	**4,471**	**4,471**	4,716	4,716
- 50 basis points	**(4,471)**	**(4,471)**	(4,716)	(4,716)

(iii) Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of change in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded on the market. The Group'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 price risk arises on the financial instruments held at fair value through other comprehensive income and at fair value through profit or loss.

The maximum risk resulting from securities investments is determined by the fair value of the financial instruments. The Group's overall market positions are monitored on a regular basis.

5. FINANCIAL RISKS FACTORS (CONTINUED)

5.1 Market risks(continued)

(iii) Price risk (continued)

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Financial Investments - FVTPL	**3,702,476**	3,054,624	**4,284,465**	3,702,548
Financial Investments - FVOCI	**1,707,084**	1,919,262	**1,601,501**	1,780,848
Total	**5,409,560**	4,973,886	**5,885,966**	5,483,396

The following table details the Group's and Company's sensitivity to a 5% increase/decrease in the prices of securities investments.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Increase/decrease of 5% in prices of securities				
Increase/decrease in other comprehensive income and equity	**85,354**	97,656	**80,075**	89,042
Increase/decrease in profit or loss	**185,124**	151,037	**214,223**	185,127

5.2 Credit risks

Credit risk is a risk that a counterparty will be unable to pay an amount in full when due. The Group's credit risk is primarily attributable to its reinsurance assets, mortgage and other loans, finance lease receivables, insurance and other receivables, fixed deposits, cash and short term deposits and investment in debt securities. The amounts presented in the statement of financial position are net of allowances for credit losses, estimated by management based on prior experience and the current economic environment.

The Group provides secured advances to clients and there is credit risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group's policy is to deal with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Appraisals are systematically carried out for any application and we also have a credit committee which continuously monitors and controls the Group's exposure to credit risk.

The carrying amount of mortgage loans recorded in the financial statements, which is net of expected credit losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

When financial assets are impaired by credit losses, the Group records the impairment in a separate account rather than directly reducing the carrying amount of the assets.

Probability of Default – PD estimation process

The PD estimation depends on the type of instruments the Group has in its portfolio. These are discussed below:

- **Government Bonds, corporate bonds, Treasury Bills, Short and Long-Term Deposits**

The Group's government bonds, corporate bonds, treasury bills and short & long-term deposits comprise of instruments issued by the Bank of Mauritius, financial and non-financial institutions. For these relationships, the Group's credit risk/investment department analyses publicly available information such as financial information and other external data, e.g., the rating of Moody's and S&P. The PD is derived using a transition matrix to convert the ratings into PDs.

5. FINANCIAL RISKS FACTORS (CONTINUED)

5.2 Credit risks (continued)

Probability of Default – PD estimation process (Continued)

- **Mortgage and Other Loans**

For mortgage and other loans, the borrowers are assessed by specialised credit risk employees of the Group. The PD estimation on the Group's mortgage and other loans are based using a transition matrix in assessing the Group exposure to default from customers based on the age profile of its customer base.

Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's model.

Loss Given Default

For corporate financial instruments, LGD values are assessed at least every year by accounts managers and reviewed and approved by the Group's specialised credit risk/investment department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

Further recent data and forward looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial statements. The forward looking information has not provided any correlation with the Group's situation and thus not taken into account. However, the Group intends to build a refined model for the forward looking information and will incorporate in the current models.

Significant increase in credit risk

The Group 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 Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group 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 Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

At the end of the year, the Group has reassessed the key economic factors used in its ECL model, the PD was revised upward to reflect the current customer behaviour post the lockdown period due to COVID-19 Pandemic, the expected GDP growth rate over the next few years has been revised downward given the slowdown of the Mauritian economy. Unemployment rate is expected to increase, and this has been factored in as well. Overall the change due to reassessment has resulted in an increase in ECL provision as compared to the prior year.

Grouping financial assets measured on an individual or collective basis

The Group measures the ECL on an individual assets basis for all its financial assets subject to ECL.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are for mortgage, other loans and leases. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the Group does not physically repossess properties or other assets in its portfolio, but undertakes to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

5. FINANCIAL RISKS FACTORS (CONTINUED)

5.2 Credit Risk (continued)

Net investment in finance leases

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e by sectors). The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward looking information. For instance, if forecast economic conditions (e.g gross domestic product, inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in any particular sector, the historical observed default rates are updated and changes in the forward looking estimates are analysed, the assessment of correlation between historical observed default rates, forecast economic conditions. The Group's historical loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. For all finance leases, the Group retains ownership of the leased assets. The concentration of its lease portfolio is as disclosed in note 12.

The table below shows the maximum exposure to credit risk.

	GROUP		COMPANY	
Financial assets	**2020**	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Measured at FVTPL	**3,702,476**	3,054,624	**4,284,465**	3,702,548
Debt instrument at amortised cost	**11,210,263**	10,444,152	**8,193,445**	7,449,280
Finance Lease receivables	**661,411**	576,480	**-**	-
Mortgage and other Loans	**1,357,433**	1,432,006	**1,344,603**	1,418,428
Insurance and other receivables*	**287,034**	338,607	**436,745**	418,911
Reinsurance assets	**589,838**	462,076	**-**	-
Cash and bank balance	**445,684**	474,420	**230,737**	185,661
	18,254,139	16,782,365	**14,489,995**	13,174,828

* Excludes sundry deposits, deferred expenses and prepayments.

The fair value of the collateral of loans has been disclosed in Note 12(b) of the Financial Statements.

5.3 Liquidity risk

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

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

The Group's liquidity position is monitored on a regular basis. The Group 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 Group has reclassified the short term insurance contract liabilities from Technical provision to current liabilities and represented the statement of financial position to reflect the actual liquidity profile of the liabilities.

5. **FINANCIAL RISKS FACTORS (CONTINUED)**

5.3 Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

GROUP

At 30 June 2020	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	On demand	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial liabilities							
Deposit from Customers	37,781	366,130	1,423,774	-	-	-	1,827,685
Borrowings	8,638	16,912	59,038	-	-	-	84,588
Lease Liability	612	4,140	13,977	232,272	-	-	251,001
Trade and other payables	216,332	297,950	62,466	-	3,233	-	579,981
Insurance liabilities	-	-	-	-	-	379,761	379,761
Life assurance fund	828,733	527,579	2,684,696	7,405,840	-	-	11,446,848
Other financial liabilities	119,569	-	-	-	-	-	119,569
Total liabilities	1,211,665	1,212,711	4,243,951	7,638,112	3,233	379,761	14,689,433

COMPANY

At 30 June 2020	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	On demand	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial liabilities							
Borrowings	26,997	71,989	132,474	-	-	-	231,460
Lease Liability	612	4,140	13,977	232,272	-	-	251,001
Trade and other payables	138,269	202,945	62,466	-	-	-	403,680
Life assurance fund	828,733	527,579	2,684,696	7,405,840	-	-	11,446,848
Other financial liabilities	119,569	-	-	-	-	-	119,569
Total liabilities	1,114,180	806,653	2,893,613	7,638,112	-	-	12,452,558

5 FINANCIAL RISKS FACTORS (CONTINUED)

5.3 Liquidity risk (continued)

GROUP

At 30 June 2019	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	On demand	No stated maturity	Total
Financial liabilities	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Deposit from Customers	139,153	292,152	1,537,211	-	-	-	1,968,516
Borrowings	5,542	22,173	36,108	-	-	-	63,823
Trade and other payables	105,380	489,518	54,748	-	-	-	649,646
Insurance liabilities	-	-	-	-	-	260,711	260,711
Life assurance fund	1,238	922,086	4,981,713	4,863,402	-	-	10,768,439
Other financial liabilities	436,135	300,206	1,744,072	-	-	-	2,480,413
Total liabilities	687,448	2,026,135	8,353,852	4,863,402	-	260,711	16,191,548

COMPANY

At 30 June 2019	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial liabilities						
Borrowings	23,936	77,263	183,003	-	-	284,202
Trade and other payables	105,243	190,534	54,748	-	-	350,525
Life assurance fund	1,238	922,086	4,981,713	4,863,402	-	10,768,439
Other financial liabilities	74,211	-	-	-	-	74,211
Total liabilities	204,628	1,189,883	5,219,464	4,863,402	-	11,477,377

Note (a) Insurance contract liabilities at Group level 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 Group's normal operation cycle is not clearly identifiable. Consequently, the insurance contract liabilities have been disclosed as current under 'Not Stated' maturity. The estimated run off period of the claims outstanding by class of business is as disclosed in note 4.1.1 (a).

5. FINANCIAL RISKS FACTORS (CONTINUED)

5.4 Fair value measurements recognised in the statements of financial position

The carrying amounts of financial assets at FVTPL and FVOCI, investment properties, statutory deposits, receivables, short term bank deposits, cash at bank and in hand, insurance contract liabilities, amount payable to reinsurers, trade and other payables approximate their fair values either because they are measured at fair value or because of the short term nature. Financial assets and liabilities, which are accounted for at amortised cost, are carried at values which may differ materially from their fair values. These are other financial assets and loans receivables that are carried at amortised cost less impairment and whose fair values have been calculated and compared with the carrying amount.

The following table provides an analysis of financial instruments that are measured subsequent 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 or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets measured at fair values on a recurring basis. The fair value disclosure for investment properties and property, plant and equipment are disclosed in note 7 and note 6 respectively. This note provides information and how the Group determines fair value of various assets and liabilities.

	GROUP 2020			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVTPL				
Quoted Investment in CIS	4,865	-	-	4,865
Unquoted Investment in CIS	-	3,697,611	-	3,697,611
Total	4,865	3,697,611	-	3,702,476

	2020			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVOCI				
Quoted Equities	1,412,351	-	-	1,412,351
Unquoted Equities	-	-	294,733	294,733
Total	1,412,351	-	294,733	1,707,084

	COMPANY 2020			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVTPL				
Quoted Investment in CIS	4,865	-	-	4,865
Unquoted Investment in CIS	-	4,279,600	-	4,279,600
Total	4,865	4,279,600	-	4,284,465

5. FINANCIAL RISKS FACTORS (CONTINUED)

5.4 Fair value measurements recognised in the statements of financial position

COMPANY

	2020			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVOCI				
Quoted Equities	**1,306,782**	**-**	**-**	**1,306,782**
Unquoted Equities	**-**	**-**	**294,719**	**294,719**
Total	**1,306,782**	**-**	**294,719**	**1,601,501**

The valuation approach and the observable input for the the level 2 investments is the Net Asset Value per share.

GROUP

	2019			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVTPL				
Quoted Investment in CIS	2,163	-	-	2,163
Unquoted Investment in CIS	-	3,052,461	-	3,052,461
Total	2,163	3,052,461	-	3,054,624

	2019			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVOCI				
Quoted Equities	1,613,088	-	-	1,613,088
Unquoted Equities	-	-	306,174	306,174
Total	1,613,088	-	306,174	1,919,262

COMPANY

	2019			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVTPL				
Quoted Investment in CIS	2,097	-	-	2,097
Unquoted Investment in CIS	-	3,700,451	-	3,700,451
Total	2,097	3,700,451	-	3,702,548

	2019			
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
FVOCI				
Quoted Equities	1,474,689	-	-	1,474,689
Unquoted Equities	-	-	306,159	306,159
Total	1,474,689	-	306,159	1,780,848

5. FINANCIAL RISKS FACTORS (CONTINUED)

5.4 Fair value measurements recognised in the statements of financial position (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Group		Company	
	2020	2019	**2020**	2019
	Unquoted Equities	Unquoted Equities	**Unquoted Equities**	Unquoted Equities
	Rs'000	Rs'000	**Rs'000**	Rs'000
Opening Balance	**306,174**	50,167	**306,159**	50,167
Issues	**2,476**	6,922	**2,476**	6,922
Settlements	**-**	(100)	**-**	(100)
Fair Value adjustments	**(13,917)**	249,185	**(13,916)**	249,170
Closing Balance	**294,733**	306,174	**294,719**	306,159

The following table shows the valuation techniques used in the determination of fair values in level 3 of the hierarchy as well as key unobservable inputs in the valuation model.

Type	Fair value as at 30 June 2020 Rs,000	Valuation approach	Key observable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Financial Services	234,741	Comparable price multiples	Discount due to lack of marketability	0% - 20%	A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 14.7 million in fair value
Real estate and others	59,572	Net asset value	Discount due to lack of marketability	30% - 80%	A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 3.8 million in fair value
			Fluctuation in net asset value	0% - 0%	A 5% increase/decrease in Net asset value will lead to an increase/decrease of Rs 2.5 million in fair value
Leisure	407	DDM	Discount due to lack of marketability	0% - 0%	A 5% increase/decrease in discount factor will lead to an increase/decrease of Rs 0.02 million in fair value

5. FINANCIAL RISKS FACTORS (CONTINUED)

5.4 Fair value measurements recognised in the statements of financial position (Continued)

The following table shows the valuation techniques used in the determination of fair values in level 3 of the hierarchy as well as key unobservable inputs in the valuation model.

Type	Fair value as at 30 June 2019 Rs,000	Valuation approach	Key observable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Financial Services	242,137	Comparable price multiples	Discount due to lack of marketability	0% - 20%	A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 15.0 million in fair value
Real estate and others	64,022	Net asset value	Discount due to lack of marketability	0% - 30%	A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 3.9 million in fair value
			Fluctuation in net asset value	0% - 0%	A 5% increase/decrease in Net asset value will lead to an increase/decrease of Rs 2.6 million in fair value

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. All financial assets measured on a fair value basis have been classified as level 1 or level 2 in the fair value hierarchy.

5. FINANCIAL RISKS FACTORS (CONTINUED)

5.4 Fair value measurements recognised in the statements of financial position (Continued)

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

GROUP

	Fair value hierarchy - 2020 & 2019	Valuation approach	Observable input	Carrying amount		Fair Value	
				2020	2019	2020	2019
Loans and receivables:				Rs'000	Rs'000	Rs'000	Rs'000
Mortgage Loans and other loans	Level 2	DCF	Floating market rate	**1,357,433**	1,432,006	**1,767,953**	1,946,599
Other financial assets:							
Government and other bonds	Level 2	YTM	Government bond yields	**8,549,635**	8,067,292	**10,025,308**	8,693,553
Fixed deposits				**2,660,628**	2,376,860	**3,480,565**	2,381,282
Financial assets at amortised cost				**12,567,696**	11,876,158	**15,273,826**	13,021,434

COMPANY

	Fair value hierarchy - 2020 & 2019	Valuation approach	Observable input	Carrying amount		Fair Value	
				2020	2019	2020	2019
Loans and receivables:				Rs'000	Rs'000	Rs'000	Rs'000
Mortgage Loans and other loans	Level 2	DCF	Floating market rate	**1,344,603**	1,418,428	**1,755,145**	1,946,599
Other financial assets:							
Government and other bonds	Level 2	YTM	Government bond yields	**7,509,854**	7,110,913	**8,648,435**	7,682,293
Fixed deposits				**683,591**	338,367	**683,789**	339,227
Financial assets at amortised cost				**9,538,048**	8,867,708	**11,087,369**	9,968,119

6. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment are stated at cost (except for buildings) less accumulated depreciation and any cumulative impairment loss. Buildings are stated at revalued amounts less accumulated depreciation and any impairment loss.

It is the Group's policy to revalue its buildings at least every five years by independent valuers. Any revaluation surplus is credited to the property revaluation reserve, net of tax. Any revaluation decrease is first charged directly against the property revaluation reserve held in respect of the respective asset, and then to the Statement of profit or loss.

Work in progress is carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other tangible fixed assets, commences when the assets are ready for their intended use.

Depreciation is calculated to write off the cost or revalued amounts of property, plant and equipments over their estimated useful lives on a straight-line basis.

Depreciation is calculated from the month the asset is capitalised.

Depreciation is calculated to write off the cost or revalued amount of the assets on a straight line basis over their estimated useful lives as follows: -

Building on leasehold land	- 1% - 43%
Furniture and fittings	- 10% - 50%
Office equipment	- 13% - 50%
Computer equipment	- 8% - 50%
Motor vehicles - owned	- 20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. These are included within Other operating income in the Statement of profit or loss.

Impairment of non-financial assets

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised as an expense immediately, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Significant accounting estimates and judgements

Revaluation of building on leasehold land and investment properties

The Group measures its building on leasehold land at revalued amounts with changes in fair value being recognised in other comprehensive Income. For investment properties, the changes in fair value is being recognized in profit or loss. The Group engaged an independent professional valuer to determine the fair value. These estimates have been based on recent transaction prices for similar properties. The actual amount of the building on lesehold land and investment properties could therefore differ significantly from the estimates in the future.

The determined fair values of the building on leasehold land and investment properties are most sensitive to the price per square metre. The key assumptions used to determine the fair value of the building and investment properties, are further explained in Note 7.

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) GROUP

	Freehold building	Building on leasehold land	Improvement to building on leasehold land	Furniture & fittings	Office equipment	Computer equipment	Motor vehicles	Total
COST OR VALUATION	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
At 1 July 2018	11,186	269,588	3,612	53,585	42,512	52,256	28,001	460,740
Additions	-	11,112	-	759	2,047	11,106	-	25,024
Additions under operating lease	-	-	-	-	-	-	5,506	5,506
Disposals/scrapped	-	-	(3,612)	-	-	(120)	(6,247)	(9,979)
At 30 June 2019	11,186	280,700	-	54,344	44,559	63,242	27,260	481,291
At 1 July 2019	11,186	280,700	-	54,344	44,559	63,242	27,260	481,291
Additions	-	11,669	-	2,262	733	8,212	-	22,876
Disposals/scrapped	-	-	-	-	-	(9,061)	(1,108)	(10,169)
At 30 June 2020	**11,186**	**292,369**	**-**	**56,606**	**45,292**	**62,393**	**26,152**	**493,998**
DEPRECIATION								
At 1 July 2018	112	14,812	2,436	48,606	35,292	29,281	12,571	143,110
Charge for the year								
Life Fund	-	-	-	416	333	941	22	1,712
Shareholders' Fund	112	11,184	91	1,129	1,044	7,737	75	21,372
Rented under operating lease	-	-	-	-	-	-	2,417	2,417
Disposals/scrapped	-	-	(2,527)	-	-	(27)	(4,797)	(7,351)
At 30 June 2019	224	25,996	-	50,151	36,669	37,932	10,288	161,260
At 1 July 2019	224	25,996	-	50,151	36,669	37,932	10,288	161,260
Charge for the year								
Life Fund	-	-	-	528	394	1,985	39	2,946
Shareholders' Fund	112	12,811	-	1,062	1,265	6,822	119	22,191
Rented under operating lease	-	-	-	-	-	-	2,910	2,910
Disposals/scrapped	-	-	-	-	-	(9,061)	(644)	(9,705)
At 30 June 2020	**336**	**38,807**	**-**	**51,741**	**38,328**	**37,678**	**12,712**	**179,602**
CARRYING AMOUNT								
At 30 June 2020	**10,850**	**253,562**	**-**	**4,865**	**6,964**	**24,715**	**13,440**	**314,396**
At 30 June 2019	10,962	254,704	-	4,193	7,890	25,310	16,972	320,031

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) COMPANY

	Building on leasehold land	Furniture & fittings	Office equipment	Computer equipment	Motor vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION						
At 1 July 2018	269,588	52,327	42,019	43,783	9,114	416,831
Additions	11,112	602	1,934	10,374	-	24,022
Scrapped	-	-	-	-	(4,806)	(4,806)
At 30 June 2019	280,700	52,929	43,953	54,157	4,308	436,047
At 1 July 2019	280,700	52,929	43,953	54,157	4,308	436,047
Additions	11,669	2,103	719	7,527	-	22,018
Scrapped	-	-	-	(8,010)	-	(8,010)
At 30 June 2020	**292,369**	**55,032**	**44,672**	**53,674**	**4,308**	**450,055**
DEPRECIATION						
At 1 July 2018	14,812	48,004	35,099	23,760	5,107	126,782
Charge for the year						
Life Fund	-	416	333	941	22	1,712
Shareholders' Fund	11,184	946	995	6,813	75	20,013
Disposals/scrapped	-	-	-	-	(3,707)	(3,707)
At 30 June 2019	25,996	49,366	36,427	31,514	1,497	144,800
At 1 July 2019	25,996	49,366	36,427	31,514	1,497	144,800
Charge for the year						
Life Fund	-	528	394	1,985	39	2,946
Shareholders' Fund	12,811	883	1,221	5,944	119	20,978
Disposals/scrapped	-	-	-	(8,010)	-	(8,010)
At 30 June 2020	**38,807**	**50,777**	**38,042**	**31,433**	**1,655**	**160,714**
CARRYING AMOUNT						
At 30 June 2020	**253,562**	**4,255**	**6,630**	**22,241**	**2,653**	**289,341**
At 30 June 2019	254,704	3,563	7,526	22,643	2,811	291,247

Out of the depreciation charge of Rs'000 20,978 (2019: Rs'000 20,013) on the Shareholders' Fund for the year, an amount of Rs'000 3,693 (2019: Rs'000 2,017) has been recharged as support cost to SICOM General Insurance Ltd.

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) The Group's property, plant and equipment include motor vehicles under operating lease to third parties that are expected to generate a yield of 7.5% to 8.0% (30 June 2019: 7.5% - 8.0%) on an ongoing basis. The motor vehicles held have committed lessees up to the next seven years.

At the end of the reporting date, the Group has contracted with lessees the following future rentals:

	Operating lease Motor Vehicles	
	2020	2019
	Rs'000	Rs'000
Within one year	**2,603**	4,084
In the second to the seventh year	**4,195**	6,798
	6,798	10,882

Operating lease contracts contain market review clauses. The lease terms are for a period from 3 upto 7 years.

(d) The building on leasehold land and freehold building were last revalued in June 2017 by Mr N Jeetun MSc, MRICS, PMAPI, MMIS, Chartered Valuation Surveyor. The surplus on revaluation has been credited to property revaluation reserve and adjusted for deferred taxation. During the year the Directors have made an assessment of the value of this property and have estimated that there was no significant movement in fair value and this assessment was based on transactions that occured in the vicinity of the subject property and on the movements in the property market for office properties as a whole in that region.

Had the buildings been accounted at historical cost less accumulated depreciation, the carrying amount would have been Rs'000 155,316 (2019 : Rs'000 153,874).

Details of the Group's buildings measured at fair value and information about the fair value hierarchy as at 30 June 2020 and 30 June 2019 are as follows:

	GROUP		**COMPANY**	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
	Level 3	Level 3	**Level 3**	Level 3
Building on leasehold land	**253,562**	254,704	**253,562**	254,704
Freehold building	**10,850**	10,962	-	-
	264,412	265,666	**253,562**	254,704

Buildings amounting to Rs 264.4 million (2019: Rs 265.7 million) for the Group and Rs 253.6 million (2019: Rs 254.7 million) for the Company are classified as level 3 in the fair value hierarchy. The movement for the building on leasehold land and Freehold building is given in the Property,plant and equipment note for the Group and Company.

The fair values of the building on leasehold land and freehold building were derived using the sales comparative method of valuation. The Comparative method is based on comparison of prices paid for similar properties within close vicinity of the site and adjusted to reflect the characteristics of the subject property, at the relevant date. The most significant input into this valuation approach is the market value of similar sites within close vicinity of the subject property. The fair value of the building was determined using the price range of Rs 40,000 per square metre to Rs 73,000 per square metre.

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Description of the valuation technique used and key inputs to the valuation of office properties:

GROUP

	Valuation technique	Significant unobservable inputs	2020	2019	Relationship of unobservable inputs to fair value	
			Rs'000	Rs'000	2020	2019
Office properties	Comparative and investment method	Estimate sales price per square metre	Rs 40 - Rs 73	Rs 40 - Rs 72	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 13,357,000	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 13,328,000

COMPANY

	Valuation technique	Significant unobservable inputs	2020	2019	Relationship of unobservable inputs to fair value	
			Rs'000	Rs'000	2020	2019
Office properties	Comparative and investment method	Estimate sales price per square metre	Rs 40 - Rs 73	Rs 40 - Rs 72	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 12,720,000	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 12,695,000

7. INVESTMENT PROPERTIES

Accounting policy

Properties held to earn rentals or capital appreciation or both and not occupied by the Group are classified as investment properties. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss under Investment and other income (Note 26). Fair values are determined based on the valuation performed by an accredited external, independent valuer.

Investment properties are derecognized when either these have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss under Investment and other income (Note 26) in the year of retirement or disposal.

Transfers made to or from investment properties are only made when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

7. INVESTMENT PROPERTIES (CONTINUED)

Significant accounting estimates and judgements

Revaluation of building on leasehold land and investment properties

Refer to note (6)

Deferred tax on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties, the directors reviewed the Group's investment property portfolio and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised deferred taxes on investment properties.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**1,391,440**	1,367,700	**1,404,100**	1,380,100
Effect of recognition of Right of use of assets	**60,455**	-	**60,455**	-
At 1 July, as restated	**1,451,895**	1,367,700	**1,464,555**	1,380,100
Additions	**715**	561	**715**	561
Disposal	**-**	(6,718)	**-**	(6,718)
Fair value gain (note 26)	**8,370**	29,897	**8,440**	30,157
At 30 June	**1,460,980**	1,391,440	**1,473,710**	1,404,100

The investment properties have generated rental income of Rs 86,264,667 for the year (2019: Rs 85,834,306). The direct operating expenses incurred during the year amounted to Rs 12,742,744 (2019: Rs 14,408,655).

There is no restriction on realisability of investment properties or the remittance of income and proceeds of sale.

Details of the Group's and the company's land and buildings measured at fair value and information about the fair value hierarchy are as follows:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
Level 3	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Right of use of leasehold land	**60,663**	-	**60,663**	-
Land	**48,030**	47,560	**48,030**	47,560
Buildings	**1,352,287**	1,343,880	**1,365,017**	1,356,540
	1,460,980	1,391,440	**1,473,710**	1,404,100

7. INVESTMENT PROPERTIES (CONTINUED)

The fair value of land and buildings has been arrived on the basis of valuations carried during the year by Mr N Jeetun MSc, MRICS, PMAPI, MMIS, Chartered Valuation Surveyor, using the sales comparative method of valuation. The comparative method is based on comparison of prices paid for similar properties within close vicinity of the site and adjusted to reflect the characteristics of the subject property, at the relevant date. The most significant input into this valuation approach is the market value of similar sites within close vicinity of the subject property. There has been no change in valuation technique during the year.

The Group & Company rents Leasehold land on which it has constructed an office building. The lease is for a remaining period of 6 years, with an extension period of 60 years.

The fair value of the buildings was determined using prices in the range of Rs 51,000 per square metre to Rs 67,000 per square metre (2019: Rs 51,000 - Rs 67,000); and price of Rs 88,000 per square metre for land (2019: Rs 87,000).

Description of the valuation technique used and key inputs to the valuation of office properties:

GROUP

	Valuation technique	Significant unobservable inputs	2020	2019	Relationship of unobservable inputs to fair value	
			Rs'000	Rs'000	**2020**	2019
Office properties	Sales comparative method	Estimate sales price per square metre	**Rs 51 - Rs 67**	Rs 51 - Rs 67	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 67,614,000	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 67,194,000
Land	Sales comparative method	Estimate sales price per square metre	**Rs 88**	Rs 87	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 2,402,000	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 2,378,000
Right of use of assets	Sales comparative method	Estimate sales price per square metre	**Rs 7**	-	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 3,033,000	

The Group has determined that the highest and best use of the property used for office space is its current use.

7. INVESTMENT PROPERTIES (CONTINUED)

COMPANY

	Valuation technique	Significant unobservable inputs	2020	2019	Relationship of unobservable inputs to fair value	
			Rs'000	Rs'000	**2020**	2019
Office properties	Comparative and investment method	Estimate sales price per square metre	**Rs 51 - Rs 67**	Rs 51 - Rs 67	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 68,251,000	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 67,827,000
Land	Comparative and investment method	Estimate sales price per square metre	**Rs 88**	Rs 87	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 2,402,000	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 2,378,000
Right of use of assets	Comparative and investment method	Estimate sales price per square metre	**Rs 7**	-	An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 3,033,000	

8. INTANGIBLE ASSETS - COMPUTER SOFTWARE

Accounting Policy

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognized.

Computer software

Computer software is initially recorded at cost and amortized using the straight-line method over the estimated useful life of 3 to 11 years.

8. INTANGIBLE ASSETS - COMPUTER SOFTWARE (CONTINUED)

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
COST				
At 1 July	**91,330**	86,823	**52,985**	50,354
Additions	**19,644**	4,507	**19,085**	2,631
Scrapped	**(3,195)**	-	**(2,641)**	-
At 30 June	**107,779**	91,330	**69,429**	52,985
AMORTISATION				
At 1 July	**60,979**	52,078	**31,602**	25,203
Charge for the year				
Life Fund	**1,540**	1,110	**1,540**	1,110
Shareholders' Fund	**8,706**	7,791	**6,014**	5,289
Disposals/scrapped	**(3,195)**	-	**(2,641)**	-
At 30 June	**68,030**	60,979	**36,515**	31,602
CARRYING AMOUNT	**39,749**	30,351	**32,914**	21,383

Out of the Company depreciation charge of Rs'000 6,014 (2019: Rs'000 5,289) on the Shareholders' Fund for the year, an amount of Rs'000 1,383 (2019: Rs'000 724) has been recharged as support cost to SICOM General Insurance Ltd.

9. INVESTMENTS IN SUBSIDIARIES

Accounting policy

Financial statements of the Company

Investment in subsidiary companies are carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer. Acquisition-related costs are generally recognised in profit or loss as incurred. The carrying amount is reduced to recognise any impairment in the value of individual investments. The impairment loss is taken to Statement of profit or loss.

Consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Business combinations are accounted for using the purchase method of accounting.

Significant accounting estimates and judgements

Impairment of investment in subsidiaries

An impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset.

9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Significant accounting estimates and judgements (Continued)

Impairment of investment in subsidiaries (Continued)

The recoverable amount of a CGU is determined based on the value in use calculations. These calculations use cash flow projections based on financial budgets approved by management. Cash flows are extrapolated using the estimated growth rates. Management does not expect the growth rate to exceed the long term average growth rate in which the CGU operates. Management believe that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. Management have reviewed the carrying amount of the investment in subsidiaries at the end of the reporting period.

(a) Unquoted investment at cost

	COMPANY	
	2020	2019
	Rs'000	Rs'000
Investment in equity of subsidiaries	**224,003**	224,003
Interest in subsidiaries - subordinated loan (note (c))	**341,625**	341,625
At 30 June	**565,628**	565,628

Management have made their annual assessment for impairment on the Company's investments in subsidiaries and based on their assessment they have determined that there were no indications of impairment. The investments in subsidiaries were stated at their carrying amount.

(b) The financial statements of the following subsidiaries have been included in the consolidated financial statements. The subsidiaries have the same reporting date as the holding company and operate on the local market.

Details of investments:

Name of subsidiaries	Principal activity	Classes of Shares	Country of incorporation & operation	% Holding 2020	% Holding 2019
SICOM Financial Services Ltd	Depository, investment business and leasing activities	Ordinary	Mauritius	**99**	99
SICOM Management Limited	Investment and management	Ordinary	Mauritius	**100**	100
SICOM Global Fund Limited	Investment in overseas securities	Management	Mauritius	**100**	100
SICOM General Insurance Ltd	General insurance business	Ordinary	Mauritius	**100**	100

The 1% held by non controlling interests in SICOM Financial Services Ltd was determined as not material and consequently no additional disclosures were given in these financial statements.

(c) Subordinated loan

Pursuant to the Insurance Act 2005 which provides that an insurance company cannot transact both Long Term and General Insurance Businesses, State Insurance Company of Mauritius Ltd has incorporated a new Company, SICOM General Insurance Ltd, to transact General Insurance Business only as from 1 July 2010.

All the assets and liabilities of the General Insurance Business were transferred to the new company on 1 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 a quasi-equity investment in the subsidiary and the Company does not expect recovery of the amount.

(d) Dividend from subsidiaires

During the year ended 30 June 2020, the Company received dividends of Rs'000 198,563 (2019: Rs'000 166,334) from its equity instruments which was recorded in the income statement as other operating income.

10. FINANCIAL INVESTMENTS

Accounting Policy

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in the Statement of profit or loss.

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 Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group 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 recognised and measured under IFRS 4 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 Group'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)
- Debt instruments at fair value through OCI with recycling
- Equity instruments at fair value through OCI with no recycling
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group 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.

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

This category has two sub-categories: 'financial assets held for trading and those that are mandatorily classified and measured at fair value through profit or loss'. 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.

Financial assets measured as at fair value through profit or loss at inception are those that are:

- Held in internal funds to match insurance liabilities that are linked to the changes in fair value of these assets. The classification of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and

10. FINANCIAL INVESTMENTS (CONTINUED)

Accounting Policy (Continued)

Initial recognition, classification and measurement (Continued)

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

- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. The Group's investment strategy is to invest in mutual funds and collective investment schemes and to evaluate them with reference to their fair values. Assets that are part of these portfolios are classified upon initial recognition at fair value through profit or loss.

- This category includes those financial instruments which are classified as FVTPL because they do not meet SPPI tests.

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 (FVOCI)

Upon initial recognition, the Group 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 Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case such gains are recorded in OCI.Dividend distribution in kind would fall in that category. Equity instrument at FVOCI are not subject to impairment.

(a) Financial assets at fair value through other Comprehensive Income (FVOCI)

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Equity Securities				
Quoted	**1,412,351**	1,613,088	**1,306,782**	1,474,689
Unquoted	**294,733**	306,174	**294,719**	306,159
	1,707,084	1,919,262	**1,601,501**	1,780,848

More information regarding the valuation methodologies can be found in note 5.

The Group has elected to classify its equity investments at FVOCI on the basis that these are not held for

The Group has classified all of its quoted debt securities as debt instrument at amortised cost in Note 10(c) on the basis that they are now held to collect cash flows till maturity.

The Company has disposed its investment in one of its equity security for Rs'000 3,824 and realised a gain of Rs'000 233. The gain realised was accounted in retained earnings, as a transfer on derecognition of equity investment at FVOCI.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**1,919,262**	1,704,513	**1,780,848**	1,586,423
Additions	**214,639**	163,754	**214,127**	142,028
Disposals	**(3,591)**	(28,038)	**(3,591)**	(25,619)
Fair value adjustments	**(423,226)**	79,033	**(389,883)**	78,016
At 30 June	**1,707,084**	1,919,262	**1,601,501**	1,780,848

10. FINANCIAL INVESTMENTS (CONTINUED)

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Investment in mutual funds/collective investment schemes	**3,697,611**	3,052,461	**4,279,600**	3,700,451
Investment in debt securities	**-**	666	**-**	600
Investment in exchange trade funds	**4,865**	1,497	**4,865**	1,497
	3,702,476	3,054,624	**4,284,465**	3,702,548
Analysed as:				
Quoted	**4,865**	2,163	**4,865**	2,097
Unquoted	**3,697,611**	3,052,461	**4,279,600**	3,700,451
	3,702,476	3,054,624	**4,284,465**	3,702,548

The fair value of quoted securities is based on the Stock Exchange and brokers' statement prices at close of business at reporting date. Unquoted investment funds securities are fair valued using the NAV per share at close of business at the reporting date.

The Group has classified its investment in mutual funds, collective investment schemes, exchange traded funds and convertible preference shares, as financial assets at fair value through profit or loss. Those investments are not held for trading.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**3,054,624**	2,897,502	**3,702,548**	3,464,719
Additions	**238,858**	242,927	**50,403**	10,138
Disposals	**(78,416)**	(229,822)	**(600)**	(406)
Fair value adjustments	**487,410**	144,017	**532,114**	228,097
At 30 June	**3,702,476**	3,054,624	**4,284,465**	3,702,548

(c) Debt instrument at amortised cost

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Government bonds	**6,749,392**	5,998,130	**5,959,876**	5,234,061
Treasury bills and treasury notes	**965,697**	1,334,240	**833,360**	1,196,163
Corporate bonds	**529,565**	347,134	**411,894**	292,899
Mauritius Development Loan Stock	**-**	83,064	**-**	83,064
Preference shares	**304,981**	304,726	**304,724**	304,726
Term deposits	**2,660,628**	2,376,858	**683,591**	338,367
	11,210,263	10,444,152	**8,193,445**	7,449,280
Analysed between:				
Current	**3,666,485**	3,534,448	**2,245,264**	1,395,362
Non-Current	**7,543,778**	6,909,704	**5,948,181**	6,053,918
	11,210,263	10,444,152	**8,193,445**	7,449,280

The Group's investments in Government bonds, Treasury bills and notes, Corporate bonds and term deposits 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 amount outstanding.

10. FINANCIAL INVESTMENTS (CONTINUED)

(c) Debt instrument at amortised cost (Continued)

Term deposits

The deposits earn interest at rates varying between 0.50% - 10.50% (2019: 3.30% - 10.50%) for the Group and Company per annum. The balance due within 1 year include fixed deposits and overseas call deposits.

Statutory deposits

In compliance with the Insurance Act 2005, included in non-current debt instrument at amortised cost are statutory deposits amounting to Rs'000 15,042 (2019: Rs'000 14,995) for the Group and Rs'000 7,100 (2019: Rs'000 7,004) for the Company. These represent investments in Government Securities and earn interest at 7.0% - 7.8% (2019: 7.0% - 7.8%) per annum and have maturity dates varying between 2022 - 2029.

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

	GROUP			
	2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Performing high grade	**11,224,056**	**-**	**-**	**11,224,056**
Past due but not impaired	**-**	**-**	**-**	**-**
Non-performing	**-**	**-**	**-**	**-**
	11,224,056	**-**	**-**	**11,224,056**

	COMPANY			
	2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Performing high grade	**8,200,907**	**-**	**-**	**8,200,907**
Past due but not impaired	**-**	**-**	**-**	**-**
Non-performing	**-**	**-**	**-**	**-**
	8,200,907	**-**	**-**	**8,200,907**

	GROUP			
	2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Performing high grade	10,456,085	-	-	10,456,085
Past due but not impaired	-	-	-	-
Non-performing	-	-	-	-
	10,456,085	-	-	10,456,085

	COMPANY			
	2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Performing high grade	7,455,236	-	-	7,455,236
Past due but not impaired	-	-	-	-
Non-performing	-	-	-	-
	7,455,236	-	-	7,455,236

10. FINANCIAL INVESTMENTS (CONTINUED)

(c) Debt instrument at amortised costs (Continued)

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

	GROUP			
	2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount at 1 July 2019	10,456,085	-	-	10,456,085
New assets purchased	4,641,172	-	-	4,641,172
Assets derecognised or matured	(3,924,800)	-	-	(3,924,800)
Amortisation adjustments	51,599	-	-	51,599
At 30 June 2020	11,224,056	-	-	11,224,056

There is 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	11,933	-	-	11,933
New assets purchased	4,619	-	-	4,619
Assets derecognised or matured	(3,282)	-	-	(3,282)
Amortisation adjustments	523	-	-	523
At 30 June 2020	13,793	-	-	13,793

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

	COMPANY			
	2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount at 1 July 2019	7,455,236	-	-	7,455,236
New assets purchased	2,881,981	-	-	2,881,981
Assets derecognised or matured	(2,124,670)	-	-	(2,124,670)
Amortisation adjustments	(11,640)	-	-	(11,640)
At 30 June 2020	8,200,907	-	-	8,200,907

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance at 1 July 2019	5,956	-	-	5,956
New assets purchased	2,496	-	-	2,496
Assets derecognised or matured	(1,228)	-	-	(1,228)
Amortisation adjustments	238	-	-	238
At 30 June 2020	7,462	-	-	7,462

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

10. FINANCIAL INVESTMENTS (CONTINUED)

(c) Debt instrument at amortised costs (Continued)

	GROUP			
	2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount at 1 July 2018	9,894,215	-	-	9,894,215
New assets purchased	3,426,255	-	-	3,426,255
Assets derecognised or matured	(2,856,946)	-	-	(2,856,946)
Amortisation adjustments	(7,439)	-	-	(7,439)
At 30 June 2019	10,456,085	-	-	10,456,085

There is 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	10,152	-	-	10,152
New assets purchased	3,509	-	-	3,509
Assets derecognised or matured	(2,772)	-	-	(2,772)
Amortisation adjustments	1,044	-	-	1,044
At 30 June 2019	**11,933**	**-**	**-**	**11,933**

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

	COMPANY			
	2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount at 1 July 2018	6,515,188	-	-	6,515,188
New assets purchased	1,718,023	-	-	1,718,023
Assets derecognised or matured	(762,824)	-	-	(762,824)
Amortisation adjustments	(15,151)	-	-	(15,151)
At 30 June 2019	**7,455,236**	**-**	**-**	**7,455,236**

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance at 1 July 2018	4,097	-	-	4,097
New assets purchased	1,253	-	-	1,253
Assets derecognised or matured	(377)	-	-	(377)
Amortisation adjustments	983	-	-	983
At 30 June 2019	**5,956**	**-**	**-**	**5,956**

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

11. ASSETS HELD FOR SALE

Foreclosed properties	**GROUP & COMPANY**	
	2020	2019
	Rs'000	Rs'000
At 1 July	**11,929**	13,627
Disposals	**(1,850)**	(1,014)
Impairment	**(650)**	(684)
At 30 June	**9,429**	11,929

Foreclosed properties are stated at the lower of their carrying amount and fair value less cost to sell. The foreclosed properties represent seized assets acquired through auction at the Master's Bar as a result of default by clients. The Company has firm commitment to sell those assets once the required conditions relating to the sale have been completed.

12. LOANS AND ADVANCES

Accounting Policy

The Group only measures loans and advances to customers 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 (SPPI) on the principal amount outstanding.

The Group 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 Group groups its loans and other debt instruments into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1:When debt instruments are first recognised, the Group 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. The loans characterised as high grade investment are classified in stage 1.
- Stage 2:When an instrument has shown a significant increase in credit risk since origination, the Group 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. The loans characterised as standard grade investment are classified in stage 2.
- Stage 3:debt instruments considered credit-impaired and non performing. The Group records an allowance for the LTECLs

For financial assets for which the Group 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 Group calculates ECLs based on the expected cash shortfalls, discounted at an approximation to the EIR. 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.

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, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

12. LOANS AND ADVANCES (CONTINUED)

The mechanics of the ECL method are summarised below:

•Stage 1: The 12m ECL 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 Group calculates the 12m ECL 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. This calculation is made for each of the four scenarios, as explained above.

•Stage 2: When an instrument has shown a significant increase in credit risk since origination, the Group 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 Group 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%.

Overview of the ECL principles

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group’s statement of financial position. However, the fair value of collateral affects the calculation of ECLs.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties Valuers.

The Group applied a simplified approach in calculating ECLs on its investments in finance leases. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience.

Significant accounting estimates

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values 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.

The Group’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group’s internal credit grading model, which assigns PDs to the individual grades;
- The Group’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Refer to Note 5.2 Credit risks for reassessment of key economic fators used by the Group in the ECL model

In relation to credit impaired facilities, the Group determines expected credit losses by estimating the shortfall between the present value of expected cash flows and the present value of contractual cash flows. The estimation of expected cash flows is inherently judgemental and involves an estimation of proceeds from liquidation of the borrowers and proceeds from realisation of collaterals.

12. LOANS AND ADVANCES (CONTINUED)

a. Net investment in finance lease

Accounting policy

Amounts due from lessees under finance leases are recorded as investment in finance lease at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience. ECL on leases which are identified as non-performing are assessed individually and those identifies as performing are collectively assessed. The Group has created a General Banking Reserve where the difference between the IFRS 9 result and the 1% regulatory requirement has been accounted in there.

	GROUP	
	2020	2019
	Rs'000	Rs'000
(i) Movement during the year:-		
At 1 July	**581,319**	460,840
Leases granted during the year	**271,934**	263,672
Capital repayment during the year	**(189,660)**	(143,193)
At 30 June	**663,593**	581,319
Interest receivable	**2,753**	-
Allowance for credit impairment	**(4,935)**	(4,839)
Net investment in finance lease	**661,411**	576,480
Analysed as:-		
- Non-current finance lease receivables	**488,229**	426,988
- Current finance lease receivables	**173,182**	149,492
	661,411	576,480

Before granting lease to clients, the Group has an appraisal process to assess the potential client's credit quality and reliability. Upon satisfactory appraisal and submission of all necessary documents, the lease is granted.

The Group enters into finance lease arrangements for inter-alia motor vehicles and equipments for an average term of 3 to 7 years. Finance leases are secured by the assets under lease.

(ii) Gross and net investment in finance leases	GROUP	
	2020	2019
	Rs'000	Rs'000
Gross investment in finance leases		
- within one year	**198,100**	186,721
- in the second to fifth years inclusive	**503,756**	438,553
- more than five years	**59,166**	49,560
	761,022	674,834
Less: Unearned finance income	**(110,073)**	(93,515)
	650,949	581,319
Installments due	**15,397**	-
Less: Allowance for credit impairment	**(4,935)**	(4,839)
Present value of minimum lease payments receivable	**661,411**	576,480
Analysed as:-		
- Current finance lease receivables	**159,207**	152,064
- Non-current finance lease receivables	**491,742**	429,255
	650,949	581,319
Installments due	**15,397**	-
Less: Allowance for credit impairment	**(4,935)**	(4,839)
	661,411	576,480

12. LOANS AND ADVANCES (CONTINUED)

a. Net investment in finance lease (Continued)

(iii) Remaining term to maturity

	GROUP	
	2020	2019
	Rs'000	Rs'000
Corporate customers		
Up to 3 months	**11,391**	13,631
Over 3 months and up to 6 months	**10,827**	9,072
Over 6 months and up to 12 months	**20,909**	18,263
Over 1 year and up to 5 years	**104,694**	88,444
Over 5 years	**13,449**	6,566
	161,270	135,976
Other customers		
Up to 3 months	**30,459**	36,348
Over 3 months and up to 6 months	**28,836**	25,174
Over 6 months and up to 12 months	**56,784**	49,577
Over 1 year and up to 5 years	**330,360**	293,683
Over 5 years	**43,240**	40,561
	489,679	445,343
Installment due	**15,397**	-
Allowance for credit impairment	**(4,935)**	(4,839)
TOTAL	**661,411**	576,480

The maximum exposure to credit risk of finance lease receivables for the current and prior years is the carrying amount net of allowance for credit losses.

(iv) Credit concentration of risk by industry sectors

	GROUP	
	2020	2019
	Rs'000	Rs'000
Manufacturing	**7,547**	7,987
Transport	**40,437**	43,219
Construction	**15,177**	15,936
Personal	**516,313**	441,888
Financial and business services	**6,407**	5,580
Global Business Licence Holders	**9,615**	7,243
Education	**1,392**	691
Tourism	**9,957**	2,770
Information, Communication and Technology	**3,666**	5,384
Others	**50,900**	45,782
	661,411	576,480

(v) Allowance for credit impairment

	GROUP		
	2020	**2020**	**2020**
	Individual	**Collectively**	**Total**
	Rs'000	**Rs'000**	**Rs'000**
At 1 July	**4,311**	**528**	**4,839**
Provision (released)/charge for the year	**(101)**	**197**	**96**
At 30 June	**4,210**	**725**	**4,935**
Allowance for credit impairment for the year	**(101)**	**197**	**96**

12. LOANS AND ADVANCES (CONTINUED)

a. Net investment in finance lease (Continued)

(v) Allowance for credit impairment

	2019 Individual	2019 Collectively	2019 Total
	Rs'000	Rs'000	Rs'000
At 1 July	4,462	4,495	8,957
Effect of new accounting standard IFRS9	-	(2,600)	(2,600)
	4,462	1,895	6,357
Provision released for the year	(151)	(1,367)	(1,518)
At 30 June	4,311	528	4,839
Allowance for credit impairment for the year	(151)	(1,367)	(1,518)

(i) The specific provision is made in respect of non-performing leases.
(ii) The allowance for credit impairment is analysed as follows:

	2020	2019
	Rs'000	Rs'000
Manufacturing	**7**	4
Transport	**707**	815
Construction	**55**	9
Personal	**3,905**	3,457
Financial and Business services	**-**	-
Global Business Licence Holders	**38**	-
Education	**2**	-
Information, Communication and Technology	**197**	547
Others	**24**	7
Total	**4,935**	4,839

The above allowance for credit impairment includes impaired finance lease, which are past due at the end of the reporting

(vi) Ageing of past due debt which is impaired (specific provision)

	GROUP	
	2020	2019
	Rs'000	Rs'000
1-90 days	**1,415**	582
91-180 days	**7,433**	6,648
181-360 days	**4,134**	2,956
More than 360 days	**7,936**	3,914
	20,918	14,100

Leases are classified as 'past-due and impaired', when contractual payments are in arrears for more than 90 days.

(vii) Interest rate profile

The interest rate inherent in the finance lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is 6.97% (2019:7.24%) per annum with interest rate ranging from 5.75% to 12.50% (2019: ranging between 5.75% to 12.50%).

Unguaranteed residual values of assets leased under finance leases at end of reporting date are estimated at Rs.16,209,414 (2019: Rs.14,051,000).

12. LOANS AND ADVANCES (CONTINUED)

a. Net investment in finance lease (Continued)

(viii) For purpose of the Group's disclosure regarding credit quality, its finance leases have been analysed as follows:

	GROUP					
	Net investment in finance leases					
Rs'000		Days past due				
30 June 2020	**Current**	**0-90 days**	**90 -180 days**	**180- 360 days**	**>360 days**	**Total**
Expected credit loss rate	**0.07%**	**0.18%**	**11.54%**	**8.20%**	**37.94%**	**0.74%**
Estimated total gross carrying amount at default	**415,115**	**231,728**	**7,433**	**4,134**	**7,936**	**666,346**
Expected credit loss	**311**	**417**	**857**	**339**	**3,011**	**4,935**

30 June 2020	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Net Investment in finance lease before impairment**	**Allowance for credit impairment**	**Net Investment in finance lease**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Leases	**415,115**	**230,313**	**20,918**	**666,346**	**(4,935)**	**661,411**

	GROUP					
	Net investment in finance leases					
Rs'000		Days past due				
30 June 2019	**Current**	**0-90 days**	**90 -180 days**	**180- 360 days**	**>360 days**	**Total**
Expected credit loss rate	**0.05%**	**0.16%**	**7.40%**	**22.85%**	**58.23%**	**0.83%**
Estimated total gross carrying amount at default	196,969	362,386	14,653	3,397	3,914	581,319
Expected credit loss	99	596	1,089	776	2,279	4,839

30 June 2019	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Net Investment in finance lease before impairment**	**Allowance for credit impairment**	**Net Investment in finance lease**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Leases	558,773	8,446	14,100	581,319	(4,839)	576,480

	2020	2019
	Rs'000	Rs'000
Performing	**645,428**	567,219
Non Performing	**20,918**	14,100
	666,346	581,319

12. LOANS AND ADVANCES (CONTINUED)

b. Mortgage and other loans

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Loan and advances	**1,386,373**	1,446,257	**1,373,521**	1,432,654
Less: Allowances for ECL/impairment losses	**(28,940)**	(14,251)	**(28,918)**	(14,226)
	1,357,433	1,432,006	**1,344,603**	1,418,428
Analysed as:-				
Non-current	**1,261,809**	1,337,086	**1,251,926**	1,324,096
Current	**95,624**	94,920	**92,677**	94,332
	1,357,433	1,432,006	**1,344,603**	1,418,428

The table below shows the credit quality and maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	GROUP			
	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Performing	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
High Grade	**1,093,640**	**-**	**-**	**1,093,640**
Standard Grade	**-**	**149,725**	**-**	**149,725**
Non-performing				
Individually impaired	**-**	**-**	**143,008**	**143,008**
	1,093,640	**149,725**	**143,008**	**1,386,373**

	COMPANY			
	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Performing	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
High Grade	**1,080,788**	**-**	**-**	**1,080,788**
Standard Grade	**-**	**149,725**	**-**	**149,725**
Non-performing				
Individually impaired	**-**	**-**	**143,008**	**143,008**
	1,080,788	**149,725**	**143,008**	**1,373,521**

	GROUP			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Performing	Rs'000	Rs'000	Rs'000	Rs'000
High Grade	1,205,320	-	-	1,205,320
Standard Grade	-	111,560	-	111,560
Non-performing				
Individually impaired	-	-	129,377	129,377
	1,205,320	111,560	129,377	1,446,257

12. LOANS AND ADVANCES (CONTINUED)

b. Mortgage and other loans (Continued)

	COMPANY			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Performing	Rs'000	Rs'000	Rs'000	Rs'000
High Grade	1,191,717	-	-	1,191,717
Standard Grade	-	111,560	-	111,560
Non-performing				
Individually impaired	-	-	129,377	129,377
	1,191,717	111,560	129,377	1,432,654

An analysis of changes in the gross carrying amount and the corresponding ECLs allowances in relation to mortgage and other loans is as follows:

	GROUP			
	2020			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount as at 01 July 2019	1,205,320	111,560	129,377	1,446,257
New loan granted	201,555	-	-	201,555
Loans matured or derecognised (excluding write-offs)	(224,136)	(14,245)	(23,058)	(261,439)
Transfer from Stage 1	(115,868)	98,526	17,342	-
Transfer from Stage 2	22,440	(54,654)	32,214	-
Transfer from Stage 3	4,329	8,538	(12,867)	-
At 30 June 2020	1,093,640	149,725	143,008	1,386,373

	COMPANY			
	2020			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount as at 01 July 2019	1,191,717	111,560	129,377	1,432,654
New loans granted	198,504	-	-	198,504
Loans matured or derecognised (excluding write-offs)	(220,334)	(14,245)	(23,058)	(257,637)
Transfer from Stage 1	(115,868)	98,526	17,342	-
Transfer from Stage 2	22,440	(54,654)	32,214	-
Transfer from Stage 3	4,329	8,538	(12,867)	-
At 30 June 2020	1,080,788	149,725	143,008	1,373,521

	GROUP			
	2020			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance as at 01 July 2019	239	144	13,868	14,251
New loans granted	4,085	-	-	4,085
Loans matured or derecognised (excluding write-offs)	(557)	(5)	(2,562)	(3,124)
Transfer from Stage 1	(7,124)	4,478	2,646	-
Transfer from Stage 2	116	(2,330)	2,214	-
Transfer from Stage 3	30	421	(451)	-
Impact of change in ECL model	10,590	4,426	(1,288)	13,728
At 30 June 2020	7,379	7,134	14,427	28,940

12. LOANS AND ADVANCES (CONTINUED)

b. Mortgage and other loans (Continued)

	COMPANY			
	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
ECL allowance as at 01 July 2019	**214**	**144**	**13,868**	**14,226**
New loans granted	**4,083**	**-**	**-**	**4,083**
Loans matured or derecognised (excluding write-offs)	**(552)**	**(5)**	**(2,562)**	**(3,119)**
Transfer from Stage 1	**(7,124)**	**4,478**	**2,646**	**-**
Transfer from Stage 2	**116**	**(2,330)**	**2,214**	**-**
Transfer from Stage 3	**30**	**421**	**(451)**	**-**
Impact of change in ECL model	**10,590**	**4,426**	**(1,288)**	**13,728**
At 30 June 2020	**7,357**	**7,134**	**14,427**	**28,918**

	GROUP			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount as at 01 July 2018	1,342,125	45,922	137,594	1,525,641
New loan granted	228,367	-	-	228,367
Loans matured or derecognised (excluding write-offs)	(279,295)	(6,827)	(21,629)	(307,751)
Transfer from Stage 1	(111,047)	85,031	26,016	-
Transfer from Stage 2	16,469	(26,247)	9,778	-
Transfer from Stage 3	8,701	13,681	(22,382)	-
At 30 June 2019	1,205,320	111,560	129,377	1,446,257

	COMPANY			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount as at 01 July 2018	1,328,211	45,922	137,594	1,511,727
New loans granted	224,278	-	-	224,278
Loans matured or derecognised (excluding write-offs)	(274,895)	(6,827)	(21,629)	(303,351)
Transfer from Stage 1	(111,047)	85,031	26,016	-
Transfer from Stage 2	16,469	(26,247)	9,778	-
Transfer from Stage 3	8,701	13,681	(22,382)	-
At 30 June 2019	1,191,717	111,560	129,377	1,432,654

	GROUP			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance as at 01 July 2018	501	47	24,585	25,133
New loans granted	2,928	264	-	3,192
Loans matured or derecognised (excluding write-offs)	(307)	(27)	(13,740)	(14,074)
Transfer from Stage 1	(2,885)	119	2,766	-
Transfer from Stage 2	2	(267)	265	-
Transfer from Stage 3	-	8	(8)	-
At 30 June 2019	239	144	13,868	14,251

12. LOANS AND ADVANCES (CONTINUED)

b. Mortgage and other loans (Continued)

	COMPANY			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance as at 01 July 2018	489	47	24,585	25,121
New loans granted	2,912	264	-	3,176
Loans matured or derecognised (excluding write-offs)	(304)	(27)	(13,740)	(14,071)
Transfer from Stage 1	(2,885)	119	2,766	-
Transfer from Stage 2	2	(267)	265	-
Transfer from Stage 3	-	8	(8)	-
At 30 June 2019	214	144	13,868	14,226

The loans are secured and bear interest at rates varying between 2% - 14% (2019: 2% - 14%) per annum and have repayment terms varying between one year to thirty years.

The Group and the Company have not disbursed any unsecured loans.

The fair value of the collateral of loans amounts to Rs'000 3,402,319 (2019: Rs'000 3,550,590) are considered greater than the carrying value of the loans.

Undrawn commitments in respect of mortgage loans for the year under review amounts to Rs'000 20,342(2019: Rs'000 12,920).

13. LEASES

Group and Company as Lessee

The Group's leasing activities and how these are accounted for are described below:

The Group leases office premises and leasehold rights on land and the rental contract is for fixed periods of 5 years and 30 years respectively, but may have renewal option as described below. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

However, for leases of office premises for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Under IFRS 16, assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the Company under residual value guarantees

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the lease for the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

13. LEASES (CONTINUED)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Extension and termination options

The lease is not renewed tacitly and the lease is renegociated at the end of the lease term. For the termination of the lease each of the lessor or lessee has to give 3 months written notice and given that there has been no history of termination the lease term has been considered to end on 31 December 2023.

(a) Right-of use assets

Set out below are the carrying amounts of right-of-use assets recognised and movement during the year:	**2020** **Group & Company** **Rs'000**
At 01 July 2019	16,072
Additions	-
Depreciation	(2,549)
At 30 June 2020	13,523

(b) Lease liabilities

Set out below are the carrying amounts of the lease liabilities and the movements during the year:	**2020** **Group & Company** **Rs'000**
At 01 July 2019	33,869
Repayment	(5,348)
Accretion of interest	2,022
At 30 June 2020	**30,543**
Analysed as:	
Current	5,348
Non-current	25,195
	30,543

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

The following are the amounts recognised in the statement of profit or loss:	**2020** **Group & Company** **Rs'000**
Depreciation expense of right-of-use assets	2,549
Interest expense on lease liabilities	2,023
Total amount recognised in profit or loss	**4,572**

The total cash outflow for leases in year ended 30 June 2020 was Rs'000 5,348 which includes principal portion of Rs'000 3,325 and interest portion of Rs'000 2,023.

13. LEASES (CONTINUED)

Group and Company as Lessor

The Group and the Company have entered into operating lease agreements for the rental of office spaces. The leases have an average life of between five and nine years. Extension and termination options are negotiated by the Group and the Company.

Future minimum rentals receivable under the operating leases as at 30 June 2020 are as follows:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Within 1 year	**8,552**	8,552	**9,293**	9,293
Within 2 years	**8,552**	8,552	**9,293**	9,293
Within 3 years	**8,552**	8,552	**9,293**	9,293
Within 4 years	**8,552**	8,552	**9,293**	9,293
Within 5 years	**8,552**	8,552	**9,293**	9,293
More than 5 years	**32,468**	41,020	**35,084**	44,377
	75,228	**83,780**	**81,549**	**90,842**

Details for future minimum rentals receivables under finance lease is given in note 12(a) iii.

14. DEFERRED TAXATION

Accounting Policy

Deferred tax is provided 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 and associates, 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 tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred 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 and associates, deferred 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 utilised.

The carrying amount of deferred 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 tax asset to be utilised.

Unrecognised deferred 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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.

14. DEFERRED TAXATION(CONTINUED)

Accounting Policy (Continued)

Current and deferred tax relating to items recognised outside profit or loss are 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 tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

In accounting for the deferred tax relating to the lease, the Group considers both the lease asset and liability separately. The Group 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.

Deferred income taxes are calculated on all temporary differences under the liability method.

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Deferred tax assets	**27,349**	22,065	**-**	-
Deferred tax liabilities	**(19,314)**	(4,854)	**(19,314)**	(4,854)
Net deferred tax assets/ (liabilities)	**8,035**	17,211	**(19,314)**	(4,854)

At the end of the reporting period, the Group had nil tax losses (2019: nil). No deferred tax asset has been recognised in respect of such losses due to unpredictability of future profit streams (2019: nil). The tax losses expire on a rolling basis over 5 years.

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**17,211**	(15,292)	**(4,854)**	(29,920)
Charged to profit or loss (note 19(b)(i))	**(25,066)**	2,738	**(26,192)**	1,767
Credited/(charged) to other comprehensive income	**15,890**	31,382	**11,732**	23,299
Underprovision of deferred tax				
- Effect to other comprehensive income	**-**	(1,617)	**-**	-
At 30 June	**8,035**	17,211	**(19,314)**	(4,854)

14. DEFERRED TAXATION (CONTINUED)

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

(i) Deferred tax assets

	GROUP				
	Expected credit loss	Impairment of assets *	Lease Liability	Retirement benefit obligations	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2019	**3,526**	**797**	**-**	**116,833**	**121,156**
Credited to profit or loss	**1,268**	**10**	**434**	**(17,100)**	**(15,388)**
Credited to other comprehensive income	**-**	**-**	**-**	**15,890**	**15,890**
	4,794	**807**	**434**	**115,623**	**121,658**
Offset by deferred tax liabilities within same jurisdiction					**(94,309)**
At 30 June 2020					**27,349**
At 1 July 2018	-	1,883	-	81,254	83,137
Credited to profit or loss	3,526	(1,086)	-	4,197	6,637
Credited to other comprehensive income	-	-		31,382	31,382
	3,526	797	-	116,833	121,156
Offset by deferred tax liabilities within same jurisdiction					(99,091)
At 30 June 2019					22,065

* The deferred tax relating to impairment of assets arises on premium receivables.

(ii) Deferred tax liabilities

	GROUP				
	Accelerated tax depreciation	Revaluation of buildings	Right of Use Asset	Investment properties *	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2019	**10,408**	**7,431**	**-**	**86,106**	**103,945**
Charged to profit or loss	**(1,825)**	**-**	**330**	**11,173**	**9,678**
Charged to other comprehensive income	**-**	**-**	**-**	**-**	**-**
	8,583	**7,431**	**330**	**97,279**	**113,623**
Offset by deferred tax assets within same jurisdiction					**(94,309)**
At 30 June 2020					**19,314**
At 1 July 2018	10,284	7,431	-	80,714	98,429
Charged to profit or loss	124	-	-	5,392	5,516
Charged to other comprehensive income	-	-	-	-	-
	10,408	7,431	-	86,106	103,945
Offset by deferred tax assets within same jurisdiction					(99,091)
At 30 June 2019					4,854

* The increase in deferred tax on investment property is due to the recognition of the fair value of right of use of Rs 42.6m at initial recognition.

	COMPANY	
	2020	2019
	Rs'000	Rs'000
Deferred tax assets	**91,977**	96,937
Deferred tax liabilities	**(111,291)**	(101,791)
Net deferred tax liabilities	**(19,314)**	(4,854)

14. DEFERRED TAXATION (CONTINUED)

(i) Deferred tax assets

	COMPANY			
	Retirement benefit obligations	**Lease Liability**	**Expected Credit Loss**	**Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
At 1 July 2019	**93,506**	-	**3,431**	**96,937**
Credited to profit or loss	**(18,395)**	**434**	**1,269**	**(16,692)**
Credited to other comprehensive income	**11,732**	-	**-**	**11,732**
At 30 June 2020	**86,843**	**434**	**4,700**	**91,977**
At 1 July 2018	65,988	-	-	65,988
Credited to profit or loss	4,219	-	3,431	7,650
Credited to other comprehensive income	23,299	-	-	23,299
At 30 June 2019	93,506	-	3,431	96,937

(ii) Deferred tax liabilities

	COMPANY				
	Accelerated tax depreciation	**Revaluation of buildings**	**Right of Use Asset**	**Investment properties**	**Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
At 1 July 2019	**8,252**	**7,431**	**-**	**86,108**	**101,791**
Charged to profit or loss	**(2,003)**	**-**	**330**	**11,173**	**9,500**
At 30 June 2020	**6,249**	**7,431**	**330**	**97,281**	**111,291**
At 1 July 2018	7,763	7,431	-	80,714	95,908
Charged to profit or loss	489	-	-	5,394	5,883
At 30 June 2019	8,252	7,431	-	86,108	101,791

15. INSURANCE AND OTHER RECEIVABLES

Accounting Policy

Other assets and other receivables are those that have fixed or determinable payments and that are not quoted in an active market and classified as financial assets at amortised cost. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Before accepting any new customer, the technical department assesses the credit quality of the customer and defines the terms and credit limits accordingly and the premium receivable balance is considered impaired if the balance is due more than 1 year and/or there are evidence that the credit worthiness has deteriorated.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Premium	**356,127**	334,990	**-**	-
Provision for impairment losses	**(1,878)**	(1,521)	**-**	-
	354,249	333,469	**-**	-
Other premium	**29,351**	25,030	**29,532**	25,125
Amounts due from reinsurers	**160,242**	153,380	**159,527**	139,240
Prepayments	**48,984**	106,296	**16,142**	76,246
Debtors	**67,177**	62,620	**42,732**	39,948
Deposits	**28,644**	50,070	**408**	27,962
Investment income	**30,264**	46,532	**226,727**	208,822
Other Receivable	**-**	-	**7,479**	2,710
	718,911	777,397	**482,547**	520,053

As of 30 June 2020, premiums of Rs'000 1,878 (2019: Rs'000 1,521) were impaired for the Group. The individually impaired receivables mainly relate to policyholders who are in unexpectedly difficult economic situations.

15. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

Reconciliation of changes in the impairment account resulting from unpaid premium during the year is as follows:

	GROUP	
	2020	2019
	Rs'000	Rs'000
Balance at beginning	**1,521**	849
Charge for the year	**1,878**	891
Reversal	**(419)**	(219)
Write off	**(1,102)**	-
Balance at end	**1,878**	1,521

Analysis of the age of premiums receivable (net of impairment) is as follows:

	GROUP	
	2020	2019
	Rs'000	Rs'000
Current	**219,096**	146,487
Up to 2 months	**66,931**	114,569
>2 months < 3 months	**15,422**	8,667
> 3 months < 6 months	**37,922**	58,275
> 6 months < 1 year	**12,864**	5,471
> 1 year	**2,014**	-
	354,249	333,469

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

Allowance for doubtful debts is normally determined by the Group 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.

Premiums disclosed above include amounts that are past due at the reporting date for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

In determining the recoverability of a premium, the Group considers any change in the credit quality of the policyholder 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.

Amount due from reinsurers include impaired assets of Rs.7,874,406 (2019: Rs. 9,519,581). 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.

The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The carrying amount of insurance and other receivables approximate their fair values.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
Other premium	**Rs'000**	Rs'000	**Rs'000**	Rs'000
<1 year	**29,241**	24,892	**29,422**	24,987
>1 year	**110**	138	**110**	138
	29,351	25,030	**29,532**	25,125

16. INSURANCE LIABILITIES AND REINSURANCE ASSETS

Accounting Policy

Insurance contracts issued by the Group that are short term insurance contracts 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 for the Group's short term insurance business

Reinsurance contracts entered into by the Group for its short term insurance businesss are either of proportional or non-proportional type. Under a proportional treaty, the premiums and claims are apportioned between the Group 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 Group can retain a part of a risk within a fixed limit, and the reinsurer accepts part of the risk as a multiple of the Group's retention.

Under the non-proportional type of reinsurance, the Group 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 Group 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.

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 Group 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 Group will receive from the reinsurer. If reinsurance asset is impaired, the Group 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 claims includes related expenses. The Group 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 Group 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 Group over the last ten years.

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.

16. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

Accounting Policy (Continued)

Significant accounting estimates and judgements

Valuation of insurance contract liabilities

The uncertainty inherent in the financial statements of the Group 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 Group 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 Group's most critical accounting estimates. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group 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 Group 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 Group 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 Group.

Reinsurance

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

(a) Short term insurance

	GROUP	
Insurance contract liabilities	**2020**	2019
	Rs'000	Rs'000
Gross		
Claims reported	**235,163**	211,260
Claims incurred but not reported (IBNR)	**144,598**	49,451
Outstanding claims	**379,761**	260,711
Unearned premiums	**517,354**	467,030
Total gross insurance liabilities	**897,115**	727,741

16. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

(a) Short term insurance (Continued)

	GROUP	
	2020	2019
	Rs'000	Rs'000
Reinsurance assets		
Claims reported	**214,625**	215,647
Claims incurred but not reported	**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
	67,711	45,064
Unearned premiums	**239,566**	220,601
Total net insurance liabilities	**307,277**	265,665

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

	GROUP					
	2020			2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
At 1 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	**(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

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

	GROUP					
	2020			2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
At 1 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

17. BORROWINGS

Accounting Policy

Initial recognition and measurement

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

17. BORROWINGS (CONTINUED)

Accounting Policy (Continued)

Initial recognition and measurement (Continued)

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

The Group's financial liabilities include borrowings, trade and other payables, deposits from customers and bank overdrafts.

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.

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.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
3.50% - 4.65% (2019: 3.50% - 4.65%) unsecured loan				
Repayable by instalments				
- within one year	**23,241**	24,846	**23,241**	24,846
- in the second year	**18,916**	13,967	**18,916**	13,967
- in the third year	**17,954**	9,643	**17,954**	9,643
- in the fourth year	**12,299**	8,681	**12,299**	8,681
- in the fifth year	**6,930**	3,026	**6,930**	3,026
Total	**79,340**	60,163	**79,340**	60,163
9.00% (2019: 9.00%) unsecured loan (Subsidiary)				
Repayable by instalments				
- within one year	-	-	**63,976**	58,489
- in the second year	-	-	**69,977**	63,976
- in the third year	-	-	**-**	69,977
Total	-	-	**133,953**	192,442
Analysed as follows:				
Current	**23,241**	24,846	**87,216**	83,335
Non-current	**56,099**	35,317	**126,077**	169,270
	79,340	60,163	**213,293**	252,605

The carrying amounts of the Group's and the Company's borrowings are denominated in Mauritian rupees and are not materially different from the fair value.

The table below shows the movement of borrowings:-

	2020	
	GROUP	**COMPANY**
At 1 July	**Rs'000**	**Rs'000**
Additions	**60,163**	**252,605**
Repayments	**46,366**	**46,366**
At 30 June	**(27,189)**	**(85,678)**
	79,340	**213,293**

18. TRADE AND OTHER PAYABLES

Accounting Policy

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation, which has arisen as a result of past events and for which a reliable estimate can be made. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Amount due to reinsurers	**382,263**	359,743	**197,142**	174,470
Other payables and accruals	**343,519**	289,755	**206,538**	176,193
	725,782	649,498	**403,680**	350,663

Other payables and accruals at Company level comprise mainly of accrued expenses of Rs 21,115,340 (2019: Rs 15,266,027), creditors of Rs 61,477,500 (2019: Rs 46,343,176), claims due amounting to Rs 66,880,306 (2019: Rs 63,290,258) and provisions of Rs 23,072,056 (2019: Rs 35,925,922).

Other payables and accruals at Group level comprise mainly of accrued expenses of Rs 35,814,327 (2019: Rs 24,412,734), creditors of Rs 177,850,157 (2019: Rs 138,671,213) and claims due amounting to Rs 66,880,306 (2019: Rs 63,290,258).

The above amounts are interest free and unsecured and repayable at their stated maturities. The carrying amounts of trade and other payables approximate their fair values.

19. TAXATION

Accounting Policy

Income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years but it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Corporate social responsibility (CSR)

Corporate social responsibility (CSR) was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Group is required for all its companies domiciled in Mauritius to allocate 2% of its chargeable income of the preceding financial year to government approved CSR NGOs. As from July 2017, following amendments to the Finance Act 2017, the Group will now be required as from 01 January 2017 to 31 December 2018 to remit to the Director General at least 50% of the CSR contribution. After 01 January 2019, the Group will be required to remit to the Director General at least 75% of the CSR contribution. This is recorded as part of income tax expense.

The applicable income tax rate in Mauritius is 15% (2019 :15%). An additional charge of 2% (2019 :2%) is applicable in respect of Corporate Social Responsibility

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) Statements of financial position

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
- Shareholders' Fund	**27,949**	25,416	**25,970**	17,684
- Life Fund	**(47,114)**	8,748	**(47,114)**	8,748
- Insured Pension Fund	**3,753**	4,254	**3,753**	4,254
- Personal Pension Plan	**(6,574)**	7,078	**(6,574)**	7,078
- Medisave	**(13)**	(3)	**(13)**	(3)
	(21,999)	45,493	**(23,978)**	37,761

19. TAXATION (CONTINUED)

Income Tax (Continued)

(a) Statements of financial position

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Analysed as follows:				
Current tax assets	**(21,999)**	(224)	**(23,978)**	-
Current tax liabilities	**-**	45,717	**-**	37,761
	(21,999)	45,493	**(23,978)**	37,761

(b) Statements of profit or loss

	GROUP		COMPANY	
	2020	2019	**2020**	2019
(i) Shareholders' Fund	**Rs'000**	Rs'000	**Rs'000**	Rs'000
- Current tax expense	**55,302**	62,968	**40,849**	43,325
- Overprovision in respect of previous year	**(6,879)**	(727)	**(3,577)**	(845)
	48,423	62,241	**37,272**	42,480
- Deferred tax charge (note 14(b))	**28,716**	(2,738)	**29,842**	(1,767)
	77,139	59,503	**67,114**	40,713

(ii) Life Fund	GROUP		COMPANY	
- Current tax (credit)/expense	**(34,077)**	19,629	**(34,077)**	19,629
- Overprovision in respect of previous year	**(27,565)**	(1,127)	**(27,565)**	(1,127)
	(61,642)	18,502	**(61,642)**	18,502
- Deferred tax charge (note 14(b))	**(3,650)**	-	**(3,650)**	-
	(65,292)	18,502	**(65,292)**	18,502

(iii) Insured Pension Fund	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
- Current tax expense	**2,040**	2,877	**2,040**	2,877
- (Over)/under provision in respect of previous year	**(1,640)**	4	**(1,640)**	4
	400	2,881	**400**	2,881

(iv) Personal Pension Plan	GROUP		COMPANY	
- Current tax (credit)/expense	**(6,124)**	4,454	**(6,124)**	4,454
- Over provision in respect of previous year	**(15,753)**	(241)	**(15,753)**	(241)
	(21,877)	4,213	**(21,877)**	4,213

(v) Medisave	GROUP		COMPANY	
- Current tax credit	**(12)**	(1)	**(12)**	(1)
Total Long Term Insurance Funds (Note 31)	**(86,781)**	25,595	**(86,781)**	25,595

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 on the Life Fund given the proportion of interest income over total taxable income.

19. TAXATION (CONTINUED)

(b) Statements of profit or loss (Continued)

	GROUP		COMPANY	
	2020	2019	**2020**	2019
Tax payable	**Rs'000**	Rs'000	**Rs'000**	Rs'000
At 1 July	**45,493**	24,839	**37,761**	22,289
Tax charge for the year	**(34,708)**	84,345	**(45,859)**	65,119
Tax paid during the year	**(32,784)**	(63,691)	**(15,880)**	(49,647)
At 30 June	**(21,999)**	45,493	**(23,978)**	37,761

(c) Tax Reconciliation

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Profit before taxation	**701,657**	639,464	**689,988**	610,028
Applicable Tax Rate (%)	**17.00**	17.00	**17.00**	17.00
Tax effect of :				
- Exempt income and other relief	**(17.61)**	(11.64)	**(11.22)**	(8.90)
- Expenses not deductible for tax purposes	**6.79**	0.27	**4.73**	(1.13)
- Expenses entitled to 200% deduction	**(0.05)**	(0.03)	**(0.05)**	(0.04)
- Rental of leased assets	**(0.07)**	-	**(0.07)**	-
- Assets not eligible for capital allowances	**0.09**	0.20	**0.09**	0.21
- Over-provision in previous year	**(0.98)**	(0.10)	**(0.52)**	(0.14)
- Over-provision in deferred tax	**(0.04)**	0.20	**(0.05)**	-
- Life Fund's tax liability	**(9.31)**	2.89	**(9.46)**	3.03
- Insured Pension Fund	**0.06**	0.45	**0.06**	0.47
- Personal Pension Plan	**(3.12)**	0.66	**(3.17)**	0.69
- CSR Expense	**0.01**	0.07	**-**	-
- Support Costs SGIN	**(0.18)**	(0.32)	**(0.19)**	(0.33)
- Foreign tax credit	**(2.19)**	(1.81)	**-**	-
- Exchange difference	**8.29**	5.48	**-**	-
- Utilisation of previously unrecognised tax losses	**(0.06)**	(0.01)	**-**	-
Effective Tax Rate	**(1.37)**	13.31	**(2.85)**	10.86

20. DEPOSITS FROM CUSTOMERS

Accounting Policy

Deposits from customers are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Group's obligations are discharged, cancelled or expired.

	GROUP	
	2020	2019
	Rs'000	Rs'000
Term deposits with remaining terms to maturity:		
- Within one year	**348,163**	359,248
- In the second to fifth years inclusive	**1,358,441**	1,483,504
	1,706,604	1,842,752

The deposits bear interest ranging from 1.00% to 5.50% (2019: 2.00% to 6.50%) per annum.

21. STATED CAPITAL

Accounting Policy

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 Group and Company are recorded at the proceeds received, net of direct issue costs.

	GROUP AND COMPANY	
	2020	2019
	Rs'000	Rs'000
Share capital	**25,000**	25,000
Share premium	**45,000**	45,000
	70,000	70,000

	Number of shares	Share capital	Share premium
The share capital comprises of: -			
250,000 ordinary shares of Rs 100 each	**000**	**Rs'000**	**Rs'000**
At 30 June 2020	**250**	**25,000**	**45,000**

	Number of shares	Share capital	Share premium
The share capital comprises of: -			
250,000 ordinary shares of Rs 100 each	000	Rs'000	Rs'000
At 30 June 2019	250	25,000	45,000

The total authorised number of ordinary share is 300,000 (2019: 300,000) with a par value of Rs.100 each. All issued shares are fully paid. The Company has one class of ordinary share capital of Rs 100 each which carries a right to vote and a right to dividend.

22. RESERVES

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Retained earnings	**6,645,408**	6,178,845	**5,701,259**	5,229,937
Properties revaluation reserve	**142,381**	142,381	**141,484**	141,484
Investments revaluation reserve	**(75,973)**	7,023	**190,466**	254,820
Actuarial losses	**(586,888)**	(485,693)	**(462,777)**	(383,706)
Translation reserve	**141,022**	65,855	**-**	-
General banking reserve	**5,744**	2,601	**-**	-
Other reserve	**57,248**	54,192	**-**	-
	6,328,942	5,965,204	**5,570,432**	5,242,535

(a) Retained earnings

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**6,178,845**	5,395,605	**5,229,937**	4,577,619
Effect of adoption of IFRS 9	**-**	371,319	**-**	246,503
Effect of adoption of IFRS 16	**42,660**	-	**42,660**	-
At 1 July (as restated)	**6,221,505**	5,766,924	**5,272,597**	4,824,122
Transfer on dereognition of financial assets at FVOCI	**35**	250	**35**	250
Other OCI	**-**	-	**-**	-
Profit attributable to equity holders of the parent	**624,314**	579,677	**622,874**	569,315
Payments of dividends	**(194,247)**	(163,750)	**(194,247)**	(163,750)
Transfer to other reserve	**(6,199)**	(4,256)	**-**	-
At 30 June	**6,645,408**	6,178,845	**5,701,259**	5,229,937

22. RESERVES (CONTINUED)

(b) Properties revaluation reserve

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**142,381**	142,381	**141,484**	141,484
Gain on revaluation of buildings, net of tax	**-**	-	**-**	-
At 30 June	**142,381**	142,381	**141,484**	141,484

The properties revaluation reserve arises on the revaluation of buildings (Note 6).

(c) Investments revaluation reserve

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**7,023**	263,929	**254,820**	379,006
Effect of adoption of IFRS 9	**-**	(381,354)	**-**	(250,713)
	7,023	(117,425)	**254,820**	128,293
Transfer of gains on disposal of equity instrument at Fair value through OCI	**-**	-	**-**	-
Revaluation gains/(losses) on equity instruments at Fair value through OCI	**(82,996)**	124,448	**(64,354)**	126,527
At 30 June	**(75,973)**	7,023	**190,466**	254,820

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of financial assets at FVOCI that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of.

(d) Actuarial losses

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**(485,693)**	(330,169)	**(383,706)**	(269,954)
Other comprehensive income, net of tax	**(101,195)**	(155,524)	**(79,071)**	(113,752)
At 30 June	**(586,888)**	(485,693)	**(462,777)**	(383,706)

The actuarial losses reserve represents the cumulative remeasurement of defined benefit obligations recognised.

(e) Translation reserve

	GROUP	
	2020	2019
	Rs'000	Rs'000
At 1 July	**65,855**	55,366
Movement during the year	**75,167**	10,489
At 30 June	**141,022**	65,855

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies (USD) to the Group's presentation currency (MUR) are recognised directly in other comprehensive income and accumulated in the foreign translation reserve.

(f) General banking reserve

General banking reserve relates to amount set aside for future losses and other unforseen risks on the finance lease portfolio.

(g) Other reserve

Other reserve consists of a transfer from the net profit after tax of SICOM Financial Services Ltd as per Section 21 of the Banking Act 2004.

22. RESERVES (CONTINUED)

(h) Income tax effects relating to other comprehensive income

SHAREHOLDERS' FUND	GROUP					
	2020			2019		
	Before tax amount	Tax (expense) benefit (Note 19)	Net of tax Amount	Before tax amount	Tax (expense) benefit (Note 19)	Net of tax Amount
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Exhange differences on translation of foreign	75,167	-	75,167	10,489	-	10,489
Remeasurement gains on defined benefit plan	(117,085)	15,890	(101,195)	(186,949)	31,382	(155,567)
Fair value through OCI	(82,996)	-	(82,996)	124,448	-	124,448
	(124,914)	15,890	(109,024)	(52,012)	31,382	(20,630)

LIFE FUND	GROUP					
	2020			2019		
	Before tax amount	Tax (expense) benefit (Note 19)	Net of tax Amount	Before tax amount	Tax (expense) benefit (Note 19)	Net of tax Amount
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Exhange differences on translation of foreign	38,150	-	38,150	5,546	-	5,546
Fair Value through OCI	(340,227)	-	(340,227)	(45,415)	-	(45,415)
	(302,077)	-	(302,077)	(39,869)	-	(39,869)

SHAREHOLDERS' FUND	COMPANY					
	2020			2019		
	Before tax amount	Tax (expense) benefit (Note 19)	Net of tax Amount	Before tax amount	Tax (expense) benefit (Note 19)	Net of tax Amount
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Fair Value through OCI	(64,354)	-	(64,354)	126,527	-	126,527
Remeasurement gains on defined benefit plan	(90,803)	11,732	(79,071)	(137,051)	23,299	(113,752)
	(155,157)	11,732	(143,425)	(10,524)	23,299	12,775

LIFE FUND	COMPANY					
	2020			2019		
	Before tax amount	Tax (expense) benefit (Note 19)	Net of tax Amount	Before tax amount	Tax (expense) benefit (Note 19)	Net of tax Amount
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Fair Value through OCI	(325,529)	-	(325,529)	(48,509)	-	(48,509)
	(325,529)	-	(325,529)	(48,509)	-	(48,509)

23 RETIREMENT BENEFIT OBLIGATIONS

Accounting Policy

(i) Defined Contribution Plan

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

(ii) 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 Group 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.

(iii) *State plan and Defined Contribution Plan*

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

Significant accounting estimates and judgements

Valuation of employee benefit obligations

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

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

23. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Defined Benefit Plan

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Amount recognised in the statements of financial position as non-current liabilities:				
- Pension benefits (note 23(b)(ii))	**851,808**	695,350	**672,142**	550,037
Amount charged to profit or loss:				
- Pension benefits (note 28(a))	**65,542**	53,945	**50,611**	42,129
Amount charged to other comprehensive income:				
- Pension benefits (note 23(b)(vii))	**117,113**	186,936	**90,803**	137,051

(b) Pension benefits

(i) The Group operates a defined benefit pension. The plan is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final year leading up to retirement.

The assets of the fund are held independently and administered by State Insurance Company of Mauritius Ltd.

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

(ii) Amounts recognised in the statements of financial position

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Present value of funded obligations	**1,441,559**	1,249,736	**1,088,716**	948,389
Fair value of plan assets	**(589,751)**	(554,386)	**(416,574)**	(398,352)
Liabilities in the statements of financial position	**851,808**	695,350	**672,142**	550,037

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**695,350**	477,974	**550,037**	388,166
Profit or loss charge	**65,542**	53,945	**50,611**	42,129
Other comprehensive income charge	**117,113**	186,936	**90,803**	137,051
Contributions paid	**(26,197)**	(23,505)	**(19,309)**	(17,309)
At 30 June	**851,808**	695,350	**672,142**	550,037

23. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Pension benefits (Continued)

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**1,249,736**	1,014,796	**948,389**	771,767
Current service cost	**23,578**	21,354	**17,457**	15,759
Interest expense	**74,433**	71,500	**56,291**	54,246
Employee contributions	**12,379**	11,058	**9,307**	8,348
Liability experience loss	**82,429**	19,716	**64,258**	11,291
Liability Loss/(gain) due to change in financial assumption	**45,720**	153,647	**34,045**	116,161
Benefits paid	**(46,716)**	(42,335)	**(41,031)**	(29,183)
At 30 June	**1,441,559**	1,249,736	**1,088,716**	948,389

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**554,386**	536,822	**398,352**	383,601
Interest income	**32,469**	38,909	**23,137**	27,876
Employer contributions	**26,197**	23,505	**19,309**	17,309
Employee contributions	**12,379**	11,058	**9,307**	8,348
Benefits paid	**(46,716)**	(42,335)	**(41,031)**	(29,183)
Return on plan assets excluding interest income	**11,036**	(13,573)	**7,500**	(9,599)
At 30 June	**589,751**	554,386	**416,574**	398,352

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Current service cost	**23,578**	21,354	**17,457**	15,759
Net interest on net defined benefit liabilities	**41,964**	32,591	**33,154**	26,370
Total cost (note 28a)	**65,542**	53,945	**50,611**	42,129
Allocation of support costs:				
Life Fund	**15,910**	12,965	**15,910**	12,965
SICOM General Insurance Ltd	**17,699**	13,292	**4,033**	2,480
Shareholders' Fund	**31,933**	27,688	**30,668**	26,684
	65,542	53,945	**50,611**	42,129
Actual return in plan assets	**43,505**	25,336	**30,637**	18,277

23. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Pension benefits (Continued)

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Return on plan assets(above)/ below interest income	**(11,036)**	13,573	**(7,500)**	9,599
Liability experience loss	**82,429**	19,716	**64,258**	11,291
Liability Loss/(gain) due to change in financial assumptions	**45,720**	153,647	**34,045**	116,161
	117,113	186,936	**90,803**	137,051

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Equity - local quoted	**48,949**	60,982	**34,576**	43,819
Equity - local unquoted	**5,308**	5,544	**3,749**	3,984
Debt - local quoted	**6,487**	5,544	**4,582**	3,984
Debt - local unquoted	**352,081**	327,088	**248,695**	235,027
Investment funds	**131,514**	116,421	**92,896**	83,654
Property	**2,949**	5,544	**2,083**	3,984
Cash and others	**42,463**	33,263	**29,993**	23,900
	589,751	554,386	**416,574**	398,352

(ix) Principal actuarial assumptions at end of the reporting date:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
Discount rate	**3.9%**	5.9%	**3.9%**	5.9%
Future salary increases	**2.4%**	4.2%	**2.4%**	4.2%
Future pension increases	**1.4%**	3.2%	**1.4%**	3.2%
Average Retirement Age (ARA)	**65**	65	**65**	65
Average life expectancy for:				
- Male at ARA	**16.9**	16.9	**16.9**	16.9
- Female at ARA	**19.9**	19.9	**19.9**	19.9

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Discount rate (1% movement)				
Increase	**221,227**	237,008	**164,396**	177,819
Decrease	**272,341**	186,152	**201,148**	139,930
Salary increase (1% movement)				
Increase	**125,354**	107,034	**91,538**	79,521
Decrease	**110,675**	91,885	**81,536**	68,326
Pension increase (1% movement)				
Increase	**138,191**	128,513	**102,764**	97,203
Decrease	**126,113**	109,463	**94,746**	82,891

23. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Pension benefits (Continued)

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

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 values 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.

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

Investment risk

The plan liability is calculated using a discount rate determined by reference to government bonds 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.

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 mortality of plan participants of both during and after their employment. An increase in the life expectancy of 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 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) Expected contributions to post employment benefit plan for the year ending 30 June 2021 are Rs 26.8 million for the Group and Rs 19.8 million for the Company.

(xiv) The weighted average duration of the defined benefit obligation is 18 years at the end of the reporting period.

(c) Defined Contribution Plan

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
National pension scheme contributions charges for employees on a contractual basis	**115**	87	**19**	10
Contributions to defined contribution plan administered by State Insurance Company of Mauritius Ltd	**4,250**	3,393	**3,015**	2,582

24. GROSS REVENUE

Accounting Policy

(i) *Revenue recognition*

Long term insurance

Gross recurring premiums on life are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Gross reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Short term insurance

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.

Reinsurance Premiums

Gross outward reinsurance premiums on life contracts are recognised as an expense on the earlier of the date when premiums are payable or policy becomes effective.

Gross general reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts. Premiums include any adjsutments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occuring contracts.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

Investment and other income

Investment income comprises 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.

Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods. Commission income is accounted for the earned terms of policies in force during the financial year, calculated on the basis of the 365th method. The portion representing the unexpired terms of policies in force at the reporting date has been accounted as deferred acquisition costs payables.

Other income

Rental income and commission are accounted on accrual basis.

24. GROSS REVENUE (CONTINUED)

	GROUP		COMPANY	
	2020	2019	**2020**	2019
Short Term Business	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Gross premiums earned	**1,187,591**	1,053,354	**-**	-
Change in unearned premiums	**(50,324)**	(84,717)	**-**	-
	1,137,267	968,637	**-**	-
Net commission income	**6,841**	8,434	**-**	-
Management fees	**513,667**	485,147	**428,832**	413,426
Other operating income and interest income	**248,635**	283,132	**286,837**	271,054
	1,906,410	1,745,350	**715,669**	684,480
Long Term Business				
Gross insurance premiums/contributions	**2,206,757**	2,382,165	**2,206,757**	2,382,165
Gross commission income	**46,630**	34,065	**46,630**	34,065
Other operating income and interest income	**498,296**	579,821	**474,896**	505,064
	2,751,683	2,996,051	**2,728,283**	2,921,294
Total Gross Revenue	**4,658,093**	4,741,401	**3,443,952**	3,605,774

The above disclosure illustrates the income generated from the Short Term and Long Term Business. The figures disclosed in here might not referenced to the other notes disclosed in these financial statements.

GENERAL BUSINESS REVENUE ACCOUNT

Accounting Policy

Refer to note 24(i) for accounting policies on revenue, fees and commission income and other income. Refer to note 16 for accounting policies on claims expenses and movement in outstanding claims reserves and movement in unearned premium reserves.

	GROUP	
	2020	2019
	Rs'000	Rs'000
Gross insurance premiums	**1,137,267**	968,637
Premium ceded to reinsurers	**(570,351)**	(499,150)
Net earned premiums	**566,916**	469,487
Gross claims paid	**575,086**	619,150
Claims settled from reinsurers	**(259,978)**	(321,496)
Movement in outstanding claims	**22,647**	(11,630)
Net claims incurred	**337,755**	286,024
Commissions receivable from reinsurers	**85,802**	63,258
Commissions paid to agents and brokerage fees	**(78,961)**	(54,824)
	6,841	8,434
Underwriting surplus	**236,002**	191,897

25. REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting Policy

The Company provides actuarial services, management services, administration and investment management services to entities within the group and pension funds under administration. Revenue from contract with customers is recognised when control of the services are transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

Services transferred over time

The Company recognises revenue from these services over-time because customer simultaneously receives and consumes the benefits provided by the Group.

Services transferred at a point in time

Revenue from such services are recognised at a point in time, generally upon delivery of the service.

Judgement and estimates

Judgement:

The Group applied the following judgements that significantly affect the determination for the amount and timing of revenue from contracts with customers:

Identifying performance obligations and determining the timing of satisfaction for investment management and administration services.

The Group concluded that revenue is to be recognised over time when the performance obligation occurs over a period of time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform those services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the company performance as it performs. Management has assessed that efforts or inputs are expended evenly throughout the performance period. Therefore, it is appropriate for the Group to recognise revenue on a straight line basis.

Principal versus agent considerations

The Group determined that it is a principal in the contracts since it is primarily responsible for fulfilling the promise to provide the specified service.

	GROUP	COMPANY	GROUP	COMPANY
	2020	2020	2019	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Breakdown of revenue from contracts with customers				
Actuarial fees	**6,939**	**6,939**	9,990	9,990
Management fees	**342,348**	**350,313**	328,570	336,999
Administration fees	**173,138**	**80,331**	158,100	77,950
Total revenue	**522,425**	**437,583**	496,660	424,939

	GROUP	COMPANY	GROUP	COMPANY
	2020	2020	2019	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Timing of revenue recognition				
Services transferred over-time	**522,425**	**437,583**	496,660	424,939
Total revenue contract with customers	**522,425**	**437,583**	496,660	424,939

26. INVESTMENT AND OTHER INCOME

Accounting Policy

Refer to note 24 for accounting policies on management fee income, rental income, realised gains and losses, interest income and other income.

	GROUP			COMPANY		
	2020	2020	2020	2020	2020	2020
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Shareholders' Fund	Life Fund	Total	Shareholders' Fund	Life Fund	Total
Other Operating Income						
Dividend from investment securities	13,863	44,650	58,513	11,673	44,650	56,323
Dividend from subsidiaries	-	-	-	198,563	-	198,563
Gain on revaluation of investment properties (note 7)	8,370	-	8,370	8,440	-	8,440
Gain on sale of investments	2,348	5,960	8,308	(14)	(116)	(130)
Rental income	89,705	-	89,705	98,460	-	98,460
Finance lease income	43,357	-	43,357	-	-	-
Others	33,935	9,097	43,032	8,869	1,439	10,308
	191,578	59,707	251,285	325,991	45,973	371,964
Interest Income/Expenses at EIR						
Mortgage and other loans	12,226	65,369	77,595	11,783	65,369	77,152
Loans and receivables	13,047	17,599	30,646	9,062	17,599	26,661
Debt instrument at amortised cost	95,938	329,412	425,350	47,349	329,411	376,760
Deposits	70,204	26,305	96,509	7,803	16,640	24,443
	191,415	438,685	630,100	75,997	429,019	505,016
Interest Expenses (note 29)	(69,170)	(96)	(69,266)	(19,645)	(96)	(19,741)
Net Interest income	122,245	438,589	560,834	56,352	428,923	485,275

	GROUP			COMPANY		
	2019	2019	2019	2019	2019	2019
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Shareholders' Fund	Life Fund	Total	Shareholders' Fund	Life Fund	Total
Other Operating Income						
Dividend from investment securities	32,271	73,685	105,956	28,536	73,685	102,221
Dividend from subsidiaries	-	-	-	166,334	-	166,334
Gain on revaluation of investment properties (note 7)	29,897	-	29,897	30,157	-	30,157
Gain on sale of investments	18,927	58,001	76,928	22	156	178
Rental income	89,711	-	89,711	98,518	-	98,518
Finance lease income	33,369	-	33,369	-	-	-
Others	25,225	10,334	35,559	5,073	1,232	6,305
	229,400	142,020	371,420	328,640	75,073	403,713
Interest Income/Expenses at EIR						
Mortgage and other loans	13,823	72,147	85,970	13,345	72,147	85,492
Loans and receivables	14,603	15,413	30,016	10,248	15,410	25,658
Debt instrument at amortised cost	93,878	326,118	419,996	48,178	326,117	374,295
Deposits	95,188	24,123	119,311	4,413	16,317	20,730
	217,492	437,801	655,293	76,184	429,991	506,175
Interest Expenses (note 29)	(81,428)	-	(81,428)	(22,575)	-	(22,575)
Net Interest income	136,064	437,801	573,865	53,609	429,991	483,600

27. SHARE OF SURPLUS TRANSFERRED FROM LIFE ASSURANCE FUND

Following an actuarial valuation of the Life Assurance Fund carried out by QED Actuaries & Consultants (Pty) Ltd as at 30 June 2020, a surplus of Rs'(000) 24,461 (2019: Rs'(000) 43,373) has been transferred to the Shareholders' Fund during the year.

28. OTHER OPERATING AND ADMINISTRATIVE COSTS

	GROUP					
	2020	**2020**	**2020**	2019	2019	2019
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
	Shareholders' Fund	**Life Fund**	**Total**	Shareholders' Fund	Life Fund	Total
Employee benefit expense (note(a) below)	**347,999**	**109,832**	**457,831**	319,860	108,372	428,232
Depreciation	**22,191**	**2,946**	**25,137**	21,344	1,712	23,056
Depreciation on right use assets(Note 13)	**1,823**	**726**	**2,549**			
Loss on disposal of property, plant and equipment	**173**	**-**	**173**	881	-	881
Amortisation of intangible assets (Note 8)	**8,706**	**1,540**	**10,246**	7,791	1,110	8,901
Repairs and maintenance	**30,169**	**4,224**	**34,393**	33,981	2,901	36,882
Printing, stationery and postage	**6,439**	**1,805**	**8,244**	8,403	1,929	10,332
Rent, rates, utilities, licences,			**-**			
insurance and security services	**20,078**	**15,570**	**35,648**	23,605	15,772	39,377
Advertising	**8,863**	**2,043**	**10,906**	7,228	1,300	8,528
Professional fees	**18,924**	**5,975**	**24,899**	22,528	5,409	27,937
Others	**49,073**	**115,963**	**165,036**	41,994	105,234	147,228
	514,438	**260,624**	**775,062**	487,615	243,739	731,354

28. OTHER OPERATING AND ADMINISTRATIVE COSTS (CONTINUED)

	COMPANY					
	2020	**2020**	**2020**	2019	2019	2019
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
	Shareholders' Fund	**Life Fund**	**Total**	Shareholders' Fund	Life Fund	Total
Employee benefit expense (note(a) below)	**205,225**	**109,832**	**315,057**	195,409	108,372	303,781
Depreciation	**17,285**	**2,946**	**20,231**	17,996	1,712	19,708
Depreciation on right of use assets	**1,823**	**726**	**2,549**	-	-	-
Amortisation of intangible assets (Note 8)	**4,631**	**1,540**	**6,171**	4,564	1,110	5,674
Repairs and maintenance	**22,122**	**4,224**	**26,346**	24,329	2,901	27,230
Printing, stationery and postage	**4,319**	**1,805**	**6,124**	6,128	1,929	8,057
Rent, rates, utilities, licences, insurance and security services	**11,222**	**15,570**	**26,792**	14,756	15,772	30,528
Advertising	**3,625**	**2,043**	**5,668**	3,770	1,300	5,070
Professional fees	**13,164**	**5,975**	**19,139**	17,122	5,409	22,531
Others	**14,612**	**89,620**	**104,232**	8,296	82,236	90,532
	298,028	**234,281**	**532,309**	292,370	220,741	513,111

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

(a) Employee benefit expense

	GROUP					
	2020	**2020**	**2020**	2019	2019	2019
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
	Shareholders' Fund	**Life Fund**	**Total**	Shareholders' Fund	Life Fund	Total
Wages and salaries, including termination benefits	**294,922**	**92,398**	**387,320**	275,111	94,034	369,145
Social security costs	**1,437**	**516**	**1,953**	1,301	448	1,749
Pension cost – defined benefit plan (note 23(a)	**49,632**	**15,910**	**65,542**	40,980	12,965	53,945
Pension cost – defined contribution plan	**2,008**	**1,008**	**3,016**	2,468	925	3,393
	347,999	**109,832**	**457,831**	319,860	108,372	428,232

28. OTHER OPERATING AND ADMINISTRATIVE COSTS (CONTINUED)

(a) Employee benefit expense (Continued)

	COMPANY					
	2020	**2020**	**2020**	2019	2019	2019
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
	Shareholders' Fund	**Life Fund**	**Total**	Shareholders' Fund	Life Fund	Total
Wages and salaries, including termination benefits	**171,793**	**92,398**	**264,191**	166,353	94,034	260,387
Social security costs	**756**	**516**	**1,272**	715	448	1,163
Pension cost - defined benefit plan (note 23(b)(vi))	**30,668**	**15,910**	**46,578**	26,684	12,965	39,649
Pension cost - defined contribution plan	**2,008**	**1,008**	**3,016**	1,657	925	2,582
	205,225	**109,832**	**315,057**	195,409	108,372	303,781

29. INTEREST EXPENSES ON FINANCIAL LIABILITIES NOT MEASURED AT FVTPL

Accounting Policy

Finance costs represent interests on borrowings and are accrued using the EIR method.

	GROUP				COMPANY			
	2020			2019	**2020**			2019
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	Rs'000
	Shareholders Fund	**Life Fund**	**Total**	Total	**Shareholders' Fund**	**Life Fund**	**Total**	Total
Interest payable on loans from subsidiary	**-**	-	**-**	-	**14,946**	**-**	**14,946**	19,962
Interest payable to depositors	**64,471**	-	**64,471**	78,815	**-**	**-**	**-**	-
Interest payable on other loans	**2,772**	-	**2,772**	2,613	**2,772**	**-**	**2,772**	2,613
Interest on Leases	**1,927**	**96**	**2,023**	-	**1,927**	**96**	**2,023**	-
	69,170	**96**	**69,266**	81,428	**19,645**	**96**	**19,741**	22,575

30. CREDIT LOSS EXPENSES

The table below shows the ECL on financial instruments recorded in the income statement.

	GROUP			
	2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
Shareholders' Fund	Rs'000	Rs'000	Rs'000	Rs'000
Debt instruments	489	-	-	489
Loans and advances	2,122	237	875	3,234
Deposits	311	-	-	311
Finance leases	96	-	-	96
Insurance and other receivables	(385)	-	-	(385)
Trade and other payables	(11)	-	-	(11)
Charge for the year	2,622	237	875	3,734

	GROUP			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Life Fund	Rs'000	Rs'000	Rs'000	Rs'000
Debt instruments	679	-	-	679
Loans and advances	5,019	6,752	(316)	11,455
Deposits	381	-	-	381
Charge for the year	6,079	6,752	(316)	12,515

	COMPANY			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Shareholders' Fund	Rs'000	Rs'000	Rs'000	Rs'000
Debt instruments	143	-	-	143
Loans and advances	2,125	237	875	3,237
Deposits	229	-	-	229
Charge for the year	2,497	237	875	3,609

	COMPANY			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Life Fund	Rs'000	Rs'000	Rs'000	Rs'000
Debt instruments	756	-	-	756
Loans and advances	5,019	6,752	(316)	11,455
Deposits	379	-	-	379
Charge for the year	6,154	6,752	(316)	12,590

30. CREDIT LOSS EXPENSES (CONTINUED)

	GROUP			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual	Individual	
Shareholders' Fund	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Debt instruments	366	-	-	366
Loans and advances	(90)	35	(895)	(950)
Deposits	(169)	-	-	(169)
Finance leases	(1,518)	-	-	(1,518)
Insurance and other receivables	53	-	-	53
Charge for the year	(1,358)	35	(895)	(2,218)

	GROUP			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Life Fund	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Debt instruments	1,459	-	-	1,459
Loans and advances	(178)	62	(9,821)	(9,937)
Deposits	95	-	-	95
Charge for the year	1,376	62	(9,821)	(8,383)

	COMPANY			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Shareholders' Fund	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Debt instruments	321	-	-	321
Loans and advances	(98)	35	(895)	(958)
Deposits	133	-	-	133
Charge for the year	356	35	(895)	(504)

	COMPANY			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Life Fund	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Debt instruments	1,454	-	-	1,454
Loans and advances	(178)	62	(9,821)	(9,937)
Deposits	(49)	-	-	(49)
Charge for the year	1,227	62	(9,821)	(8,532)

31. LIFE ASSURANCE FUNDS

Accounting Policy

(i) *Life assurance funds*

At the end of every year the amount of the liabilities of the Life assurance fund is established. A portion of the surplus between the value of the assets and the value of the liabilities is transferred to profit or loss. The adequacy of the fund is determined annually by actuarial valuation.

At each reporting date the amount of the liabilities of the Life assurance fund is established. A portion of the surplus or deficit between the value of the assets and the value of the liabilities is transferred to profit or loss. Assumptions used in the valuation basis are reviewed periodically and any changes in estimates are reflected in profit or loss as they occur.

The valuation bases used for the major classes of contract liabilities are as follows:

For individual and Company market-related life business, the liability is taken as the market value of the underlying assets plus a provision for risk benefits of one year's risk premiums.

For conventional endowment business, and non-profit annuities, the liability is taken as the difference between the discounted value of future benefit payments and the discounted value of future premium receipts.

For pure life risk business, a risk provision of one year's risk premium is held.

Provision is made in the policyholders' liabilities under insurance contracts for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date. Outstanding claims and benefit payments are stated gross of reinsurance.

On adoption of IFRS 9, the transition adjustments which impact the assets and liabilities attributable to the life fund are reconginsed directly against the life fund.

The results and balances of SICOM Global Fund Ltd is consolidated in the Life Fund for the investment made by the Life Fund in SICOM Global Fund Ltd

Significant accounting estimates and judgements

Valuation of insurance contract liabilities

The liability for life insurance contracts with DPF is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on the Ultimate Table (UK) which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
Long Term Insurance Funds	**11,446,848**	10,768,439	**11,446,848**	10,768,439

31. LIFE ASSURANCE FUNDS (CONTINUED)

GROUP	Note	Non-Linked 2020 Rs'000	Linked 2020 Rs'000	Total 2020 Rs'000	Non-Linked 2019 Rs'000	Linked 2019 Rs'000	Total 2019 Rs'000
INCOME							
Gross premium		2,104,893	101,864	2,206,757	2,274,738	107,427	2,382,165
Less: Reinsurances		(188,564)	(1,298)	(189,862)	(151,687)	(1,501)	(153,188)
Net premium		1,916,329	100,566	2,016,895	2,123,051	105,926	2,228,977
Commission receivable for reinsurance		46,630		46,630	34,065	-	34,065
Investment and other income		441,013	51,418	492,431	467,425	54,395	521,820
Expected Credit Losses		(12,412)	(103)	(12,515)	8,520	(137)	8,383
Revaluation FVTPL		335,457	28,835	364,292	106,492	10,056	116,548
Gain on sale of investments		5,482	479	5,961	56,673	1,328	58,001
		2,732,499	181,195	2,913,694	2,796,226	171,568	2,967,794
EXPENDITURE							
Bonus		444,907	-	444,907	431,699	664	432,363
Commission payable to agents and brokers		64,166	2,149	66,315	69,421	2,352	71,773
Cash and withdrawal benefits		23,627	2,713	26,340	40,261	1,546	41,807
Family income benefits		900	-	900	586	-	586
Maturity claims		635,652	13,294	648,946	632,986	17,531	650,517
Medical expenses		1,900	-	1,900	2,282	-	2,282
Surrenders		30,530	14,029	44,559	33,625	4,879	38,504
Survival benefits		366,095	-	366,095	357,607	-	357,607
Other costs		24,463	9,718	34,181	23,071	32,681	55,752
Gross death and disablement claims		127,250	6,301	133,551	109,664	9,415	119,079
Claims recovered from reinsurers		(31,608)	(1,080)	(32,688)	(54,820)	(733)	(55,553)
Net claims		95,642	5,221	100,863	54,844	8,682	63,526
Finance cost		96	-	96	-	-	-
Management and other expenses		246,329	14,295	260,624	229,734	13,524	243,258
		1,934,307	61,419	1,995,726	1,876,116	81,859	1,957,975
SURPLUS BEFORE TAXATION		798,192	119,776	917,968	920,110	89,709	1,009,819
SHARE OF SURPLUS TO SHAREHOLDERS FUND		(19,961)	(4,500)	(24,461)	(43,373)	-	(43,373)
		778,231	115,276	893,507	876,737	89,709	966,446
TAXATION	19	79,695	7,086	86,781	(23,231)	(2,364)	(25,595)
SURPLUS AFTER TAXATION		857,926	122,362	980,288	853,506	87,345	940,851
FUND AT 1 JULY		9,660,681	1,107,758	10,768,439	8,864,313	1,025,403	9,889,716
EFFECT OF ADOPTION OF IFRS9 RECOGNISED IN EQUITY (SHAREHOLDER'S FUND) NOTE 2.2		-	-	-	(21,579)	(680)	(22,259)
		9,660,681	1,107,758	10,768,439	8,842,734	1,024,723	9,867,457
INCREASE IN FAIR VALUE OF FVOCI		(311,540)	(28,687)	(340,227)	(40,538)	(4,877)	(45,415)
TRANSFER ON DISPOSAL OF FVOCI	10 (a)	177	21	198	-	-	-
TRANSLATION RESERVE		34,326	3,824	38,150	4,979	567	5,546
FUND AT 30 JUNE		10,241,570	1,205,278	11,446,848	9,660,681	1,107,758	10,768,439

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Linked long term insurance business is the business of effecting and carrying out contracts of insurance under which the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description, or by reference to fluctuations in, or in an index of, the value of property of any description.

Non linked business is the business of undertaking liability under contracts upon human life or contracts to pay annuities on human life and also includes permanent health insurance business.

31. LIFE ASSURANCE FUNDS (CONTINUED)

COMPANY	Note	Non-Linked 2020 Rs'000	Linked 2020 Rs'000	Total 2020 Rs'000	Non-Linked 2019 Rs'000	Linked 2019 Rs'000	Total 2019 Rs'000
INCOME							
Gross premium		2,104,893	101,864	2,206,757	2,274,738	107,427	2,382,165
Less: Reinsurances		(188,564)	(1,298)	(189,862)	(151,687)	(1,501)	(153,188)
Net premium		1,916,329	100,566	2,016,895	2,123,051	105,926	2,228,977
Commission		46,630		46,630	34,065	-	34,065
Investment and other income		425,290	49,818	475,108	452,000	52,909	504,909
Expected Credit Losses		(12,488)	(102)	(12,590)	8,651	(119)	8,532
Revaluation FVTPL		352,791	32,085	384,876	163,977	12,787	176,764
Gain on sale of investments		(102)	(14)	(116)	134	21	155
		2,728,450	182,353	2,910,803	2,781,878	171,524	2,953,402
EXPENDITURE							
Bonus		444,907	-	444,907	431,699	664	432,363
Commission		64,166	2,149	66,315	69,421	2,352	71,773
Cash and withdrawal benefits		23,627	2,713	26,340	40,261	1,546	41,807
Family income benefits		900	-	900	586	-	586
Maturity claims		635,652	13,294	648,946	632,986	17,531	650,517
Medical expenses		1,900	-	1,900	2,282	-	2,282
Surrenders		30,530	14,029	44,559	33,625	4,879	38,504
Survival Benefits		366,095	-	366,095	357,607	-	357,607
Other costs		24,465	9,716	34,181	23,071	32,681	55,752
Gross death and disablement claims		127,250	6,301	133,551	109,664	9,415	119,079
Claims recovered from reinsurers		(31,608)	(1,080)	(32,688)	(54,820)	(733)	(55,553)
Net claims		95,642	5,221	100,863	54,844	8,682	63,526
Finance cost		96	-	96	-	-	-
Management and other expenses		221,156	13,125	234,281	207,698	12,558	220,256
		1,909,136	60,247	1,969,383	1,854,080	80,893	1,934,973
SURPLUS BEFORE TAXATION		819,314	122,106	941,420	927,798	90,631	1,018,429
SHARE OF SURPLUS TO SHAREHOLDERS FUND		(19,961)	(4,500)	(24,461)	(43,373)	-	(43,373)
		799,353	117,606	916,959	884,425	90,631	975,056
TAXATION	19	79,695	7,086	86,781	(23,231)	(2,364)	(25,595)
SURPLUS AFTER TAXATION		879,048	124,692	1,003,740	861,194	88,267	949,461
FUND AT 1 JULY		9,660,681	1,107,758	10,768,439	8,864,313	1,025,403	9,889,716
EFFECT OF ADOPTION OF IFRS9 RECOGNISED IN EQUITY (SHAREHOLDER'S FUND) NOTE 2.2		-	-	-	(21,522)	(707)	(22,229)
		9,660,681	1,107,758	10,768,439	8,842,791	1,024,696	9,867,487
INCREASE IN FAIR VALUE OF FVOCI		(298,336)	(27,193)	(325,529)	(43,304)	(5,205)	(48,509)
TRANSFER ON DISPOSAL OF FVOCI	10 (a)	177	21	198	-	-	-
FUND AT 30 JUNE		10,241,570	1,205,278	11,446,848	9,660,681	1,107,758	10,768,439

Linked long term insurance business is the business of effecting and carrying out contracts of insurance under which the benefits are wholly or partly to be determined of by reference to the value of, or the income from, property of any description, or by reference to fluctuations in, or in an index of, the value of property of any description.

Non linked business is the business of undertaking liability under contracts upon human life or contracts to pay annuities on human life and also includes permanent health insurance business.

31 (ii) LIFE ASSURANCE FUNDS

	GROUP AND COMPANY	
The assets of the Life Assurance Funds are analysed as follows:	**2020**	2019
	Rs'000	Rs'000
NON-CURRENT ASSETS		
Statutory deposits	**7,100**	7,004
Other financial assets	**9,251,839**	8,869,987
Right of Use of Assets(IFRS 16)	**3,875**	-
Mortgage and other loans	**875,047**	959,592
Deferred Tax	**3,650**	-
	10,141,511	9,836,583
CURRENT ASSETS		
Other financial assets	**1,391,961**	929,703
Mortgage and other loans	**73,354**	76,952
Trade and other receivables	**194,298**	213,744
Cash and cash equivalents	**103,109**	110,050
Current tax asset	**49,860**	-
Assets held for sale	**3,585**	5,435
	1,816,167	1,335,884
CURRENT LIABILITIES		
Trade and other payables	**387,369**	309,739
Current tax liabilities	**-**	20,078
Lease Liability (IFRS 16)	**3,892**	-
Bank overdraft	**119,569**	74,211
	510,830	404,028
NET CURRENT ASSETS	**1,305,337**	931,856
	11,446,848	10,768,439
TECHNICAL PROVISIONS		
Long term insurance funds	**11,446,848**	10,768,439

32. MANAGED FUNDS

The Group & Company accounts exclude the net assets of the Managed Pension Fund amounting to Rs 35.7 billion (June 2019 - Rs 34.0 billion) and Managed Medical fund amounting to Rs 2.4 million (June 2019 - Rs 1.7 million) as these assets backing these funds do not belong to the Group and the Company.

33. DIVIDEND PAID

Accounting Policy

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared. The liability is extinguished when actual payments are made to the shareholders.

	GROUP AND COMPANY	
	2020	2019
	Rs'000	Rs'000
Final ordinary dividend	**194,247**	163,750

The Board of Directors of the Company has, by resolution, recommended and authorised payment of a dividend of Rs 777 per share (2019: Rs 655 per share).

34 (a) NOTES TO THE STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**701,657**	639,464	**689,988**	610,028
Adjustments for non cash items :				
Depreciation on property, plant and equipment	**28,047**	25,501	**23,924**	21,725
Depreciation on right of use asset	**2,548**	-	**2,548**	-
Amortisation of intangible assets	**10,246**	8,901	**7,554**	6,399
Fair value adjustments on investment property	**(8,370)**	(29,897)	**(8,440)**	(30,157)
(Gain)/Loss on sale of investment	**(8,308)**	-	**130**	-
Retirement benefit expense	**65,542**	53,945	**50,611**	42,129
Impairment of investment on foreclosed property	**650**	-	**650**	685
Provision for credit losses	**16,249**	(11,120)	**16,198**	(9,036)
Loss/(Gain) on disposal of foreclosed property	**(1,251)**	17	**(1,251)**	242
Loss/(Gain) on disposal of repossessed leased assets	**202**	(1,404)	**-**	(140)
(Profit) on disposal of property, plant and equipment	**(29)**	-	**-**	-
Interest income	**(670,664)**	(688,662)	**(505,016)**	(506,175)
Dividend income	**(58,513)**	(105,956)	**(254,886)**	(268,555)
Interest expense	**69,266**	81,428	**19,741**	22,575
Transfer on derecognition of financial assets at FVOCI	**233**	250	**233**	250
Net gains on financial asset at fair value to profit or loss	**(487,410)**	(144,015)	**(532,114)**	(228,097)
Exchange difference	**113,590**	15,822	**-**	-
Transfer to capital conservation reserve	**-**	3,162	**-**	-
Adjustment in fair value of SBM Bonds	**-**	480	**-**	-
Net surplus on long term insurance funds	**980,288**	940,852	**1,003,740**	949,461
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	**753,973**	788,768	**513,610**	611,334
Decrease/(increase) in trade and other receivables	**243,863**	(395,230)	**65,443**	(42,307)
(Decrease)/increase in trade and other payables	**(201,697)**	310,917	**(43,517)**	10,356
(Increase)/decrease in reinsurance assets	**(127,762)**	75,563	**-**	-
Increase/(decrease) in insurance liabilities	**169,374**	(48,931)	**-**	-
CASH GENERATED FROM OPERATIONS	**837,751**	731,087	**535,536**	579,383

Some items and amounts pertaining to prior year in the cash flow statements have been re-arranged and reclassified to bring more clarity and fair presentation of those items and amounts on the cash flow statements.

34.(b) RECONCILIATION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

GROUP

	2019	**Cash Flows**	**New loans**	**2020**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Loans	**60,162**	**(27,188)**	**46,366**	**79,340**
	60,162	**(27,188)**	**46,366**	**79,340**

	2018	Cash Flows	New loans	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Loans	63,201	(25,196)	22,157	60,162
	63,201	(25,196)	22,157	60,162

COMPANY

	2019	**Cash Flows**	**New loans**	**2020**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Loans	**252,604**	**(85,678)**	**46,366**	**213,292**
	252,604	**(85,678)**	**46,366**	**213,292**

	2018	Cash Flows	New loans	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Loans	309,116	(78,669)	22,157	252,604
	309,116	(78,669)	22,157	252,604

35. COMMITMENTS

(a) Capital Commitments

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	**Rs'000**	**Rs'000**	Rs'000
Property, plant and equipment	**3,578**	3,077	**1,694**	2,939
Future finance leases	**17,272**	21,800	**-**	-
	20,850	24,877	**1,694**	2,939

Details of the Group's contractual obligations to purchase or construct or develop investment property or for repairs, maintenance, or enhancements are as follows:

	GROUP AND COMPANY	
	2020	2019
	Rs'000	Rs'000
Repairs and maintenance	**14,695**	10,150

36. RELATED PARTY DISCLOSURES

Accounting Policy

Parties are considered to be related if one party has control, joint control or exercise significant influence over the other party or is a member of the key management personnel of the other party.

The Group has transacted with related parties during the years ended 30 June 2020 and 30 June 2019. Details of the related party transactions and balances are given in the table below:

(a) Transactions with related parties

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
(i) Shareholders				
(a) Sales of services	**28,522**	27,084	**3,590**	3,147
(b) New investments	**14,139**	10,377	**14,139**	10,377
(d) Interest/dividend receivable	**20,609**	26,672	**19,386**	25,145
(ii) Subsidiaries				
(a) Loans refunded to fellow subsidiary	**-**	-	**58,489**	53,473
(b) Interest paid	**-**	-	**14,946**	19,962
(c) Sales of services	**-**	-	**76,446**	59,585
(d) Dividend receivable from subsidiaries	**-**	-	**198,563**	166,334
(e) Receivables from SICOM Unit trusts	**7,536**	8,189	**2,782**	3,083
(f) Premium payable to fellow subsidiary	**-**	-	**11,268**	7,802
(iii) Key management personnel (including directors)				
(a) Loans disbursed	**16,133**	4,200	**16,133**	4,200
(b) Loans refunded	**7,663**	7,571	**7,364**	6,708
(c) Interest receivable	**861**	909	**803**	819
(d) Premium receivable	**11,976**	8,620	**11,586**	8,355
(e) Compensation:				
-Salaries and other short term benefits	**107,371**	98,636	**85,585**	77,072
-Post-employment benefits	**12,528**	10,801	**10,820**	9,462

(b) Outstanding balances with related parties

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
(i) Shareholders				
(a) Bank balances	**(9,787)**	229,815	**(33,288)**	5,058
(b) Equity and bonds	**423,007**	488,079	**395,496**	460,524
(c) Interest/dividend due	**640**	861	**367**	486
(d) Premium due	**5,208**	2,576	**1,275**	1,205

Bank balances are in respect of current and call deposits earning no interest.

36. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Outstanding balances with related parties (Continued)

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
(ii) Subsidiaries				
Loans from subsidiary	**-**	-	**133,953**	192,442
Subordinated loan to subsidiary	**-**	-	**341,625**	341,625
Amount due from subsidiaries	**-**	-	**205,671**	170,136
Equity in SICOM Unit trusts	**111,620**	104,187	**75,289**	70,376
Amount due from Unit Trusts	**1,264**	1,394	**-**	-

The unsecured loans bear interest at rates of 9% per annum with monthly capital repayments.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs'000	Rs'000	**Rs'000**	Rs'000
(iii) Key management personnel (including Directors)				
Loans	**30,506**	26,123	**28,108**	23,426
Premium due	**144**	239	**107**	203

The housing loans granted to key management personnel (including Directors) are secured by way of a fixed charge or a mortgage on an immovable property with rates of interest ranging from staffs preferential rate of 2% to the client's variable rate of 6.75% per annum.

37. EVENTS AFTER THE REPORTING PERIOD

There are no events after the end of reporting period which the directors consider may materially affect the financial statements for the year ended 30 June 2020.

38. 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 curfew 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
(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 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 Rs5 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.

38. COVID-19 OUTBREAK (CONTINUED)

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

• A decrease in new business given the expected decline in economic activities.

• 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.

• Cut-throat competition in the new business segment with some insurers undercutting premium rates.

• A decrease in its finance lease interest income and operating lease rentals on new leases due to a decrease interest rates for leases and a decline in economic activities;

• A decrease in new lease disbursements due to a reduction in economic activities;

• An increase in credit losses as compared to last financial year due to more clients facing financial difficulties for the repayment of loans and lease

• A decrease in the sales of new life policies, more arrears on premiums on life assurance and cancellation of life policies. For group life business, demand for insurance products will reduce significantly as employers' priority will be to restore their business profitability.

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

<u>Financial investments</u>

Investment securities comprise of debt instruments at amortised cost (Government/ Bank of Mauritius Bills, Notes, Bonds, Term Deposits, Corporate Bonds and Preference Shares), financial instruments at FVOCI and FVTPL (shares quoted on the Stock Exchange of Mauritius, shares issued by unquoted companies, units in investment funds and preference shares in SICOM Global Fund Ltd) and investment properties. Considering the disruptive effects of COVID-19 and its ensuing implications on the economy and market, we expect the credit, reinvestment, interest rate and price risks related to our investments to increase in the foreseeable future. Investment income is projected to decrease on the back of lower interest income and dividend income coupled with potentially higher provision for credit losses. The heightened volatility that markets have experienced in H1 2020 is expected to prevail in the coming months as the market continues to digest post COVID-19 business results and country reports, as well as keep an eye on the evolution on the pandemic and accompanying support measures provided by Governments. While the domestic equity market did not pick up after the Financial Year end, the overseas equity markets have continued to recover following the easing of global lockdown restrictions and extensive monetary easing. However, there is a risk of a correction given how fast global equity markets have recovered amidst an environment still clouded with uncertainties. The rental income and value of our investment properties are not expected to be impacted by much going forward given the long-term contract, quality of tenants and their locations, amongst others. With limited visibility on the progression of the pandemic in the world, the level of financial, economic, and business uncertainty is higher at the current juncture. Management has taken proactive measures to ensure that there is close monitoring of the existing investments and their issuers, cash management is actively pursued and diversification across issuers, asset classes and within each asset class is maintained.

<u>Loan and advances</u>

Loan and advances are granted to clients and staff. The expected credit losses (ECL) on loan for the Group and Company increased by MUR 14.7 million mainly due to the impact of Covid-19 on business operations and reassessment of the PD Model to incorporate the current customer behaviour. The staff settled their debts as and when they fall due through their monthly payroll.

<u>Net investment in finance leases</u>

The COVID 19 pandemic may impact on the carrying value of net investment in finance lease receivables to customers by increasing the expected credit losses (ECL) on those financial assets. During the lockdown period, lease in arrears increased from clients particularly from the vulnerable sectors such as tourism, textile and aviation including self-employed. Consequently, there were a few number of requests for moratorium up to three to six months. Subsequent to year end, at the end of the moratorium, those customers have not default in payment.

The ECL will increase as a result of more leases experiencing difficulties to settle their debts. Management expects certain sectors such as tourism to be more affected than others. In its worst-case scenario, the Company considered a 100% default on its tourism section. Under such scenario, the Company would have an increase in ECL. The actual Capital Adequacy Ratio of the Company is 54.6%. Even with an increase in the ECL figure, the Capital Adequacy Ratio would fall but would still be above the 10% required by the Bank of Mauritius.

38. COVID-19 OUTBREAK (CONTINUED)

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.

Deposits from Customers

The Deposits from Customers comprise of deposits from individuals and corporates. The maturity varies between 3 months to 7 years. As Covid-19 affects the economies across the globe, more companies will find themselves in financial difficulties. The risk associated with them is the capacity of the Company to respect its engagement towards its clients. This can lead to a loss of confidence in the company's ability to safeguard customers deposits, and customers therefore removing their funds, with the net impact reducing the liquidity, raising the cost of funds, and reducing the profits and net equity of the Company. Post year end, there has been no significant renewal or early withdrawal of fixed deposits with the Company.

The following is an analysis of the possible impact of COVID-19 on various other aspects of the business.

Going concern

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

Liquidity risks

The liquidity position of the Group and Company has remained strong as at 30 June 2020. Based on the projected business operations, interest income, dividend income, maturing investments over the next one year, Management does not expect any liquidity concerns in the foreseeable future.

Capital risks

Holding Company

After the onset of Covid-19, yields on Government T-Bills and long-term Government Bonds have fallen drastically, thus entailing lower discount rates assumed in 2020 Life Valuation exercise. The MCR ratio is well above the Company's targeted ratio.

SICOM Financial Services Ltd

The Risk Weighted Capital Adequacy Ratio of SICOM Financial Services Ltd (SFSL) stands at 54.6% compared to the regulatory minimum requirement of 10%. Management strongly believes that there is sufficient buffer and headroom to ensure the Group is adequately capitalised and withstand the impact of COVID-19.

SICOM General Insurance

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

Management strongly believes that there is sufficient buffer and headroom to ensure the Group 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.

38. COVID-19 OUTBREAK (CONTINUED)

Emerging risks

The Group 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. 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.

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

1) A more conservative approach adopted by the credit team before approving any new finance and operating leases and loans;
2) A close monitoring of all regulatory and governance guideline;
3) Regular meeting to assess the cash flow of the Group and Company and an active campaign to obtain new 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.

(Pursuant to Section 221 of the Companies Act 2001)

Principal Activities

The Company is mainly engaged in long term insurance business and pensions whilst its subsidiaries carry out general insurance, depository, investment and management activities.

Directors

The Directors of State Insurance Company of Mauritius Ltd and its subsidiaries as at 30th June 2020 are as follows:

State Insurance Company of Mauritius Ltd

Salemohamed M Y (Chairman)
Acharuz A
Bhoojedhur-Obeegadoo K G (Mrs)
Chaperon J M C G (up to 19 December 2019)
Conhye K (up to 12 December 2019))
Jhungeer S B (Miss) (Appointed on 10 July 2020)
Gaoneadry D
Li Kwong Wing K C, G.O.S.K (up to 2 June 2020)
Maunthrooa R (up to 13 November 2019)
Ramdewar N (Mrs)
Sonoo J. C.S.K
Sooknah K R

SICOM Global Fund Limited

Salemohamed M Y (Chairman)
Bhoojedhur-Obeegadoo K G (Mrs)
Chaperon J M C G (up to 01 January 2020)
Maunthrooa R (up to 13 November 2019)
Ramdewar N (Mrs)

SICOM General Insurance Ltd

Salemohamed M Y (Chairman)
Ballah R H
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)

SICOM Management Limited

Bhoojedhur-Obeegadoo K G (Mrs) (Chairperson)
Chaperon J M C G (up to 01 January 2020)
Maunthrooa R (up to 13 November 2019)
Ramdewar N (Mrs)

SICOM Financial Services Ltd

Sakurdeep S (Chairman)
Bhoojedhur-Obeegadoo K G (Mrs)
Bonomaully Ishwarlall (Appointed on 5 February 2020)
Chaperon J M C G (up to 19 December 2019)
Gopy D K
Ramdewar N
Late Ramdhonee B I R (up to 21 July 2019)
Salemohamed M Y (Appointed on 5 February 2020)
Seewoochurn N

Directors' Service Contracts

The Executive Directors of State Insurance Company of Mauritius Ltd have a service contract with the Company without expiry date.

One of the Executive Directors of SICOM General Insurance Company Ltd has a service contract with the subsidiary Company without expiry date.

Directors' Emoluments

During the year, the five Non-Executive Directors of the Company received Board fees of Rs 2,254,965 (2019: Rs 2,210,476) and Board Committee fees of Rs 98,000 (2019: Rs 44,800) respectively. The four independent Directors of the Company received Board fees of Rs 3,022,699 (2019: Rs 2,242,025) and Board Committee fees of Rs 107,100 (2019: Rs 63,900) respectively. The two Executive Directors of the Company received emoluments of Rs 19,644,997 (2019: Rs 19,325,885). The thirteen Directors of the subsidiaries received Board emoluments of Rs 12,236,793 (2019: Rs 11,459,623) and Board Committee fees of Rs 172,200 (2019: Rs 122,400). 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:

	The Company		Subsidiaries	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Audit fees payable to:				
- Ernst & Young	1,490	1,419	1,667	1,588
Fees payable for tax services:				
- Ernst & Young	101	97	228	217
Fees payable for other services:				
- Ernst & Young	345	920	345	173

Donations	The Company		Subsidiaries	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Contribution to the COVID-19 Solidarity Fund	10,000	-	-	-

For and on behalf of the Board of Directors

Chairman .... Director ....

Date: 25 SEP 2020

State Insurance Company of Mauritius Ltd
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