SICOM GROUP

Disruption

Growth

Resilience

Agility

# ANNUAL REPORT 2021

# Contents

# 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 and Agents: 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 and promoting sustainability

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

# 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**

Deloitte

**Consulting Actuaries**

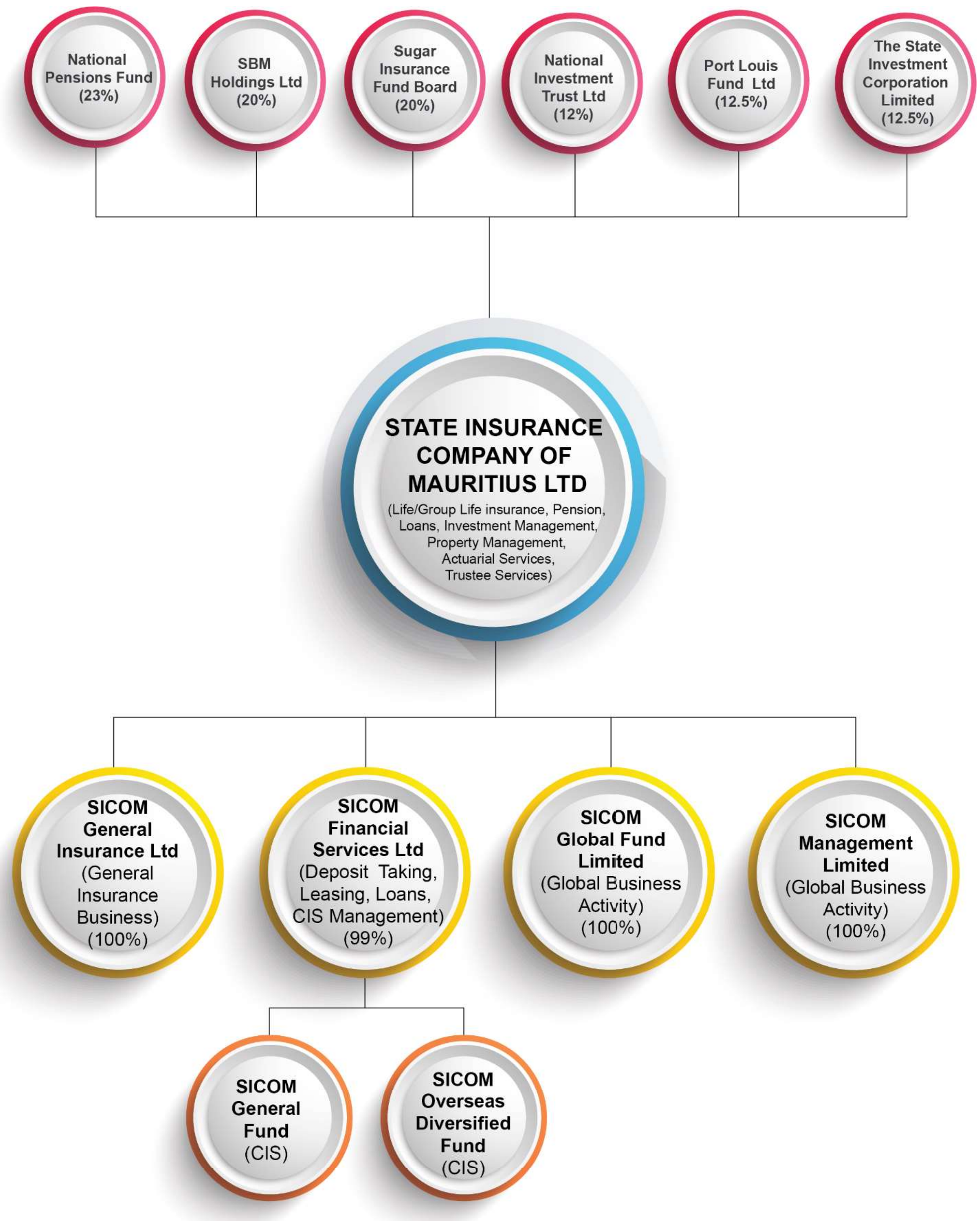
QED Actuaries & Consultants (Pty) Ltd
QED Actuaries & Consultants (Mauritius) Ltd

**Main Bankers**

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

# Corporate Profile

## Shareholding and Group Structure



# Corporate Profile

## SICOM’s Products and Services


**Pensions**

Group Pensions Administration
Personal Pensions Plans
Investment Services

**Life Insurance**

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

**General Insurance**

Motor
Home
Personal Accident
Travel
Medical
Commercial Risks
Engineering
Special Risks
Liability

**Actuarial Services**

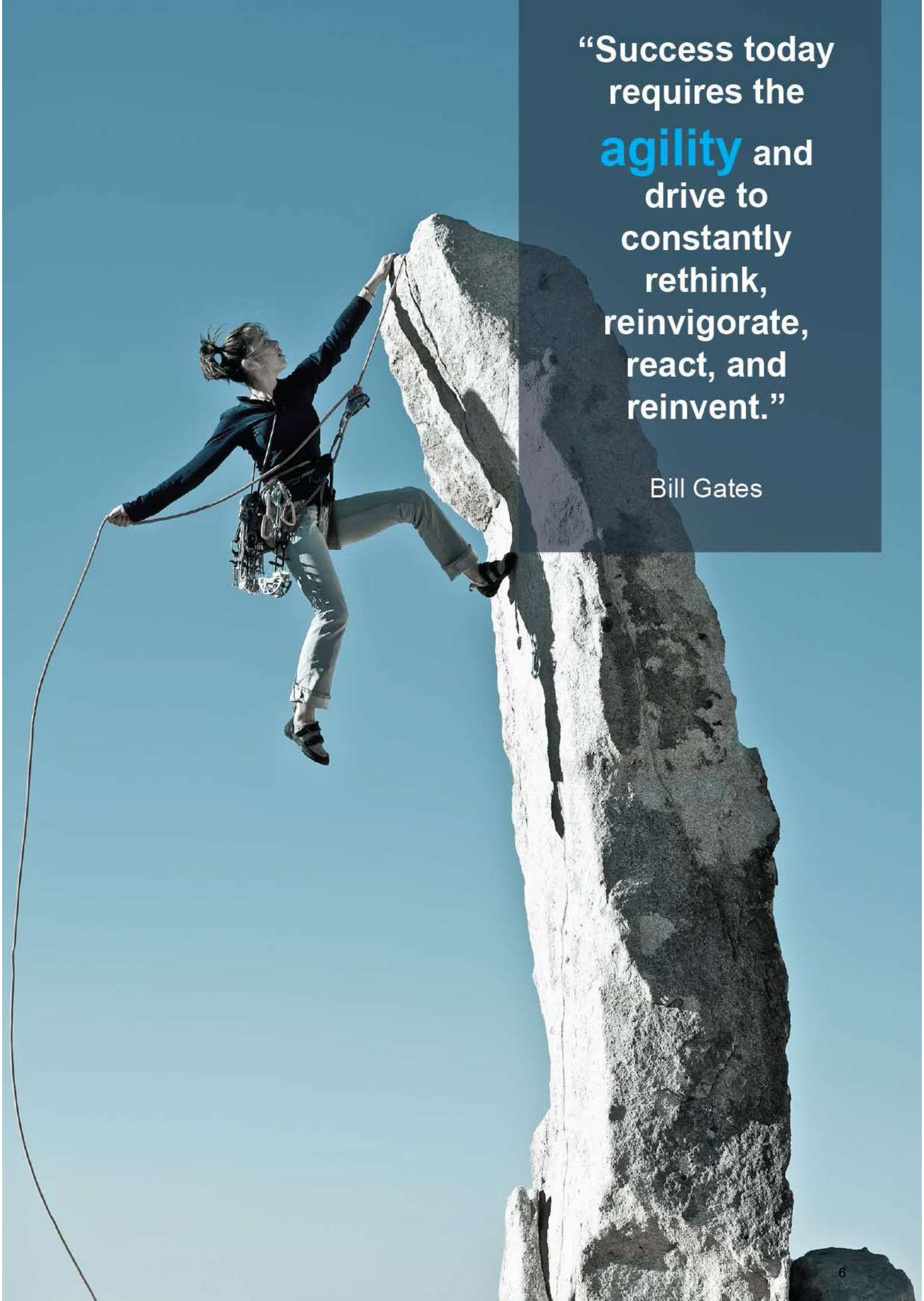
Pensions Fund Valuations
Advice on Pensions Issues
Product Pricing and Design
Disclosures under IAS 19

**Loans**

Housing
Multipurpose
Personal
Educational
Professional

**Financial Services**

Fund Management
Deposit Taking
Leasing
Collective Investment Scheme Management
Trustee Services


"Success today requires the agility and drive to constantly rethink, reinvigorate, react, and reinvent."
Bill Gates

# Chairman's Message

On behalf of my colleagues of the Board of SICOM and in my own name, I am honoured to present the Group's Annual Report for the financial year ended 30 June 2021.

## Economic and Market Review

The year under review has been challenging, with insurers worldwide focusing on how to manage the economic consequences of the coronavirus pandemic. While domestic insurers have been able to weather the impact of the pandemic mostly unscathed, new challenges have emerged in the form of increase in reinsurance costs, rising operating costs and higher provisioning. Certain financial products and insurance services have become less attractive for some customer segments due to lower disposable income, while low interest rates have impacted investment income and the sale of interest rate sensitive products.

## Gearing up for Future Challenges

While COVID-19 still maps our behaviour and changes the local socio-economic landscape, the SICOM Group remains committed to face the prevailing uncertainty by building a more sustainable, responsible and inclusive business model that embraces the digitalisation of its services. With the accelerated e-commerce adoption, customer habits have changed and we are pleased to be well onboard the digital transformation process. This has ensured business continuity throughout the second lockdown period as clients have been able to interact with the Company, expressing their needs and getting feedback through the various electronic platforms that have been put in place. We made sure to accelerate the transition to agile working, encouraging our People to virtually connect and to continue servicing clients safely from home.

## Adapting our Strategy for more Resilience

Building on our decades-long expertise, we have been able to craft products and services that really address our customers' needs which, through time, brought in a high level of commitment from the latter. Innovation is key to our market penetration strategy and is one of the avenues of value creation for the Group. Our investment in ICT (Information and Communication Technology), strategic bancassurance partnerships, enhanced risk management practices, property and our workforce, constitute the settings for a sharper yet more resilient Group.

Sustainability is another paradigm which we need to integrate in our operations, processes and principles of good governance, as evidence of our commitment towards the community and the environment. Our business model drives our value creation process, to direct our inputs and activities towards sustainable positive outcomes for our stakeholders. We plan to deliver on our strategy with Resilience, Agility, Growth and Disruption.

***"We plan to deliver on our strategy with Resilience, Agility, Growth and Disruption"***

## Our Performance

We are proud to announce that the SICOM Group posted a much stronger performance this year and has exceeded the MUR 1 billion profit before tax mark for the first time, reaching MUR 1.05 billion from MUR 688.1 million (restated) over last year, representing an increase of 52.5%. Investments under the Group's management have increased by 11.6% from MUR 56.9 billion to MUR 63.5 billion. Total assets of the Group have increased by 11.1% from MUR 22.5 billion to reach MUR 25.0 billion. Turnover increased by 10.0% from MUR 3.0 billion to MUR 3.3 billion as compared to last year.


## Our Vision and Way forward

We have shown our capacity to adapt to change while moving forward in achieving our goals and this spirit of resilience is important as we address the pressing challenges that the industry faces today. We are increasingly supporting sustainable development and aim to integrate social and environmental paradigms into our operations. Going forward, more efforts will be put towards elevating customer experience, caring for our people, enabling long term prosperity for citizens, exercising care to protect the environment, conducting business with transparency and generating sustained long-term returns for our shareholders.

***"We have shown our capacity to adapt to change while moving forward ..."***

SICOM has made a strategic move by acquiring the property opposite SICOM Building Head Office in Port-Louis during the year under review and purchased floors in a new building under construction in the Ebene region. A portfolio of investment properties in key local geographic locations, forms part of SICOM's diversification strategy. Moreover, as part of the agenda to invest in Africa, different channels including Collective Investment Schemes, Private Equity and direct investments, are being used and considered to access the growth potential in the continent.

## Appointment of new Group CEO

The SICOM Group is a key player in the local financial services industry and requires a strong, experienced and committed leader. The nomination of Mrs Nandita Ramdewar, who has over 30 years of experience at senior management level at SICOM, comes at an opportune time and is what the Group needs in the current challenging times. I am happy to see SICOM's progress in the call for greater gender equality in the leadership role. On behalf of the Board, I would like to extend, once more, my sincere congratulations to her and I am confident, that together with her dedicated team, she will raise the SICOM Group to new heights in the coming years.

## Appreciation and Acknowledgement

The performance of the SICOM Group would not have been possible without the relentless efforts of all employees. On behalf of the Board of Directors, I would hence like to thank our People for their dedication, proactiveness and agility despite all the challenges that arose during the COVID-19 pandemic.

I am also thankful to our Customers for their trust during these difficult times. I am confident that we will move forward and achieve yet greater milestones in the coming years, give back to society even more through our Corporate Social Responsibility and Sustainability agenda as well as contribute positively to the country's economic well-being. SICOM is determined and committed to support social initiatives which focus on helping those who are the most vulnerable in the community.

I would like to thank my fellow Board members for their contribution and support during the past year. I would also like to thank Mr D. Gaoneadry, Mr B. Boyramboli and Mr K.R. Sooknah for their invaluable involvement in the Board during their tenure of office as director and I welcome Mrs Z. B. Lall Mahomed, Mr D. K. Gopy, Dr D. Kawol and Mr C. Jheengun who have been appointed as new members on the Board.

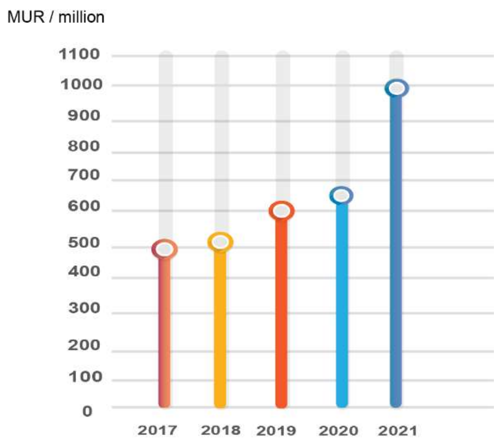
Last but not least, I would like to thank the Government of Mauritius and our stakeholders for their unflinching support and trust in the SICOM Group.

**Muhammad Yoosuf Salemohamed**
**Chairman**

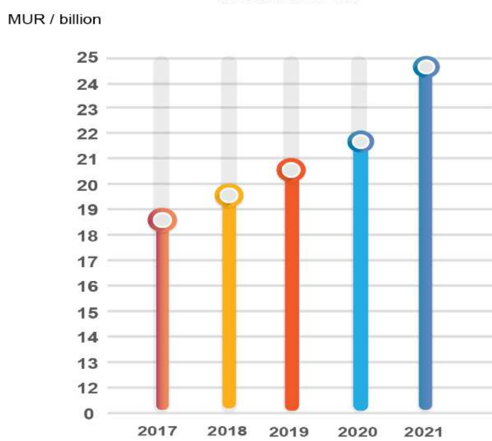
# Financial Highlights

## Group

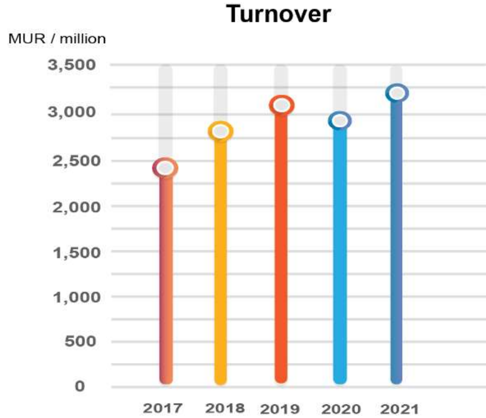
### Profit Before Tax




### Total Assets

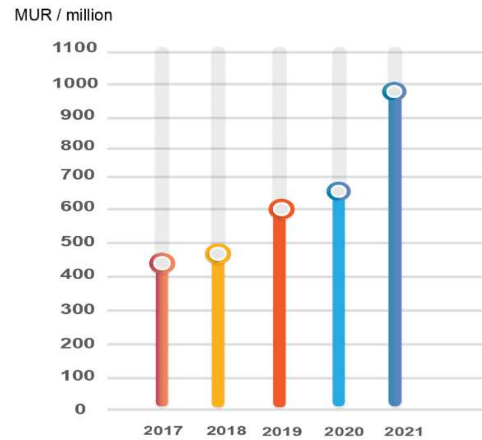



### Turnover



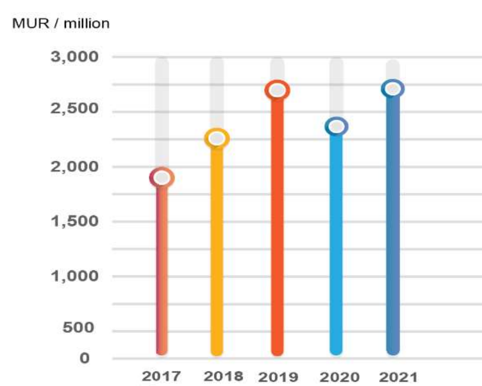

## Company

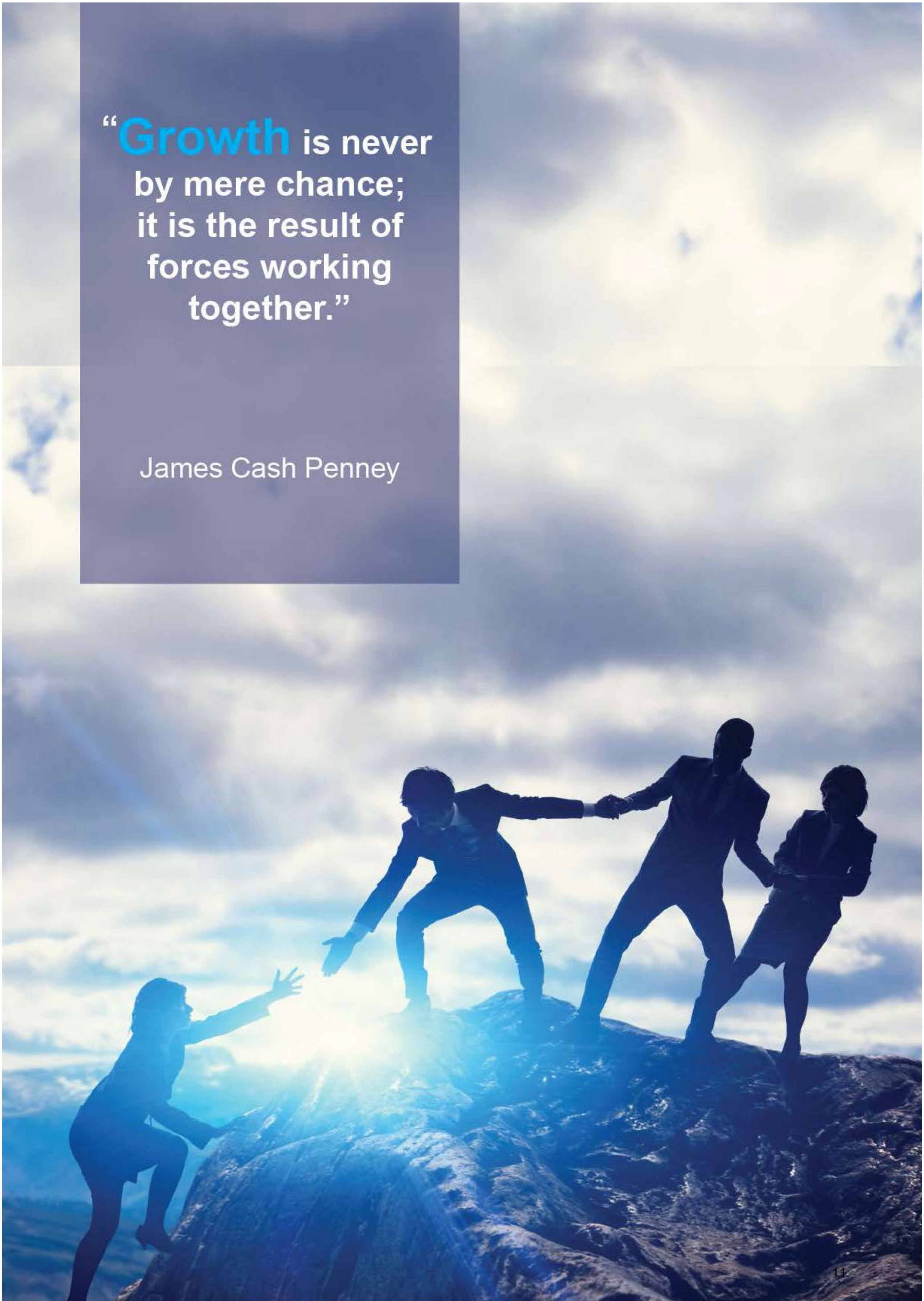
### Profit Before Tax




### Total Assets


### Turnover




"Growth is never by mere chance; it is the result of forces working together."
James Cash Penney

# Group Chief Executive Officer' Message

Dear Stakeholders,

It has been my privilege and honour to lead the SICOM Group for the past months as the Group CEO. This Group is remarkable at many levels, as it continues to act as an industry leader and participates in the lives of the stakeholders it serves in different ways. SICOM is a financial services provider that has a legacy of over 45 years and plans to build upon this wealth of knowledge as it looks confidently ahead.

The past 18 months tested the fundamentals of our business and, to a greater extent also created new opportunities for the Group. The changes brought about by the pandemic will stay, as our lives are being transformed and habits are changing. Making the organisation agile, digital and customer centric will contribute to enhance the customer journey going forward. SICOM is well equipped to rise to the challenges as the industry takes its marks in a technology-led post-COVID-19 Mauritius.

## Economic Review

Due to the impact of the COVID-19 pandemic, Statistics Mauritius has estimated an economic contraction of 14.9% in 2020. All industry groups, except for "Information and Communication" and "Financial and Insurance activities" are expected to have ended 2020 in negative territory. In 2021, the local economy is expected to grow by 5.4%. Both the saving and investment rates are expected to have decreased in 2020 to reach 8.2% (2019: 8.8%) and 17.9% (2019: 19.6%) respectively. The headline inflation rate was 2.2% for the twelve months ended 30 June 2021 compared to 1.8% for the corresponding period last year. The Insurance, Reinsurance and Pension sector is estimated to have grown at a lower rate of 2.4% in 2020 (2019: 5.0%), while contribution to GDP has increased slightly to 2.8% (2019: 2.5%). In 2021, the growth rate of the sector is forecasted to reach 4.0% as the economy recovers.

## Our Strategies

The main areas of focus of SICOM are detailed below with our business model also integrating sustainability (Environmental, Social and Governance) at its core.


SICOM is leveraging on its insurance backbone to further develop new growth areas (new properties, acquisition of stakes in strategic public and other institutions and regional expansion). We have been investing heavily in technology to turn SICOM into a highly technology enabled organization, while at the same time focusing on organisational restructuring to optimise business operations.

## Our achievements

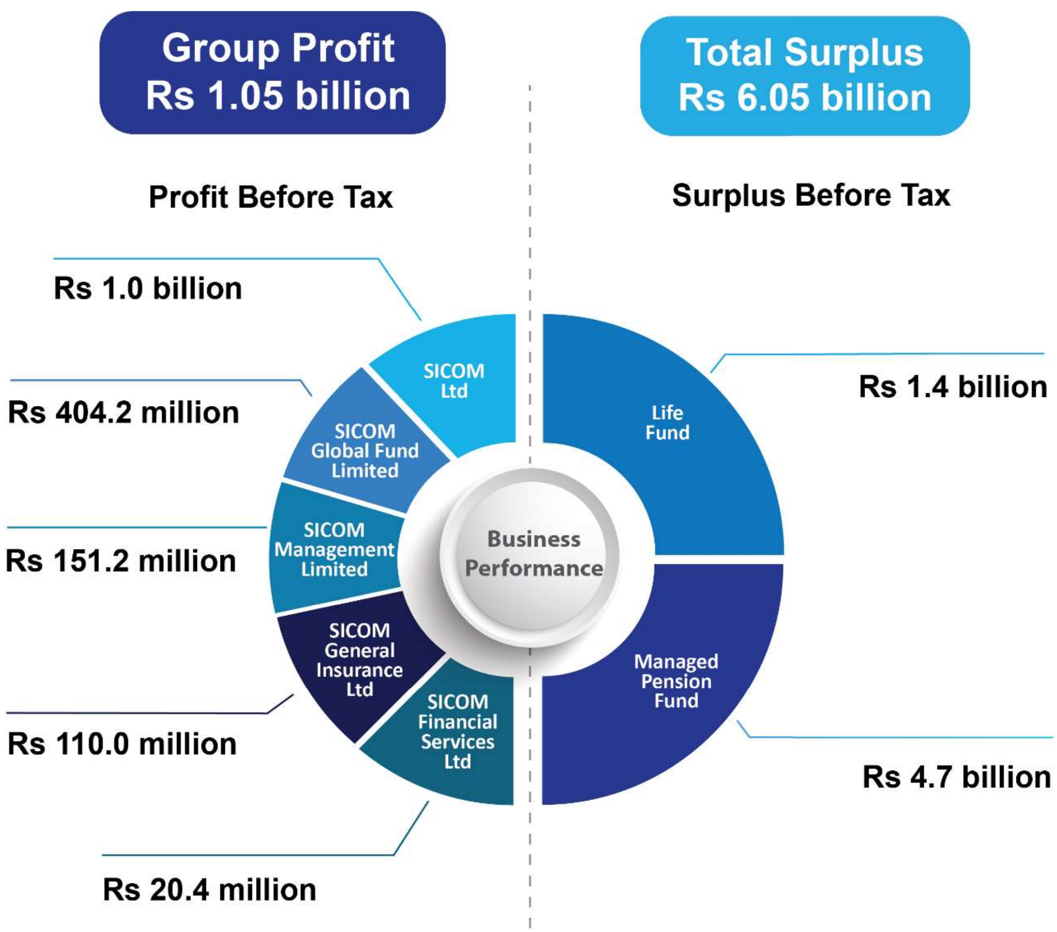
### Profit Before Tax

A milestone has been achieved this year: For the first time in our history, SICOM proudly crossed the MUR 1 billion 'Profit Before Tax' mark. Indeed, the Group's profit before tax reached MUR 1.05 billion, representing an increase of 52.5% from last year. The Company's profit before tax reached MUR 1.0 billion, showing an increase of 47.3% compared to last year. The surplus before tax generated by the Life Fund showed a growth of 57.3% to reach MUR 1.4 billion while the surplus on Pension Fund increased by 161.1% to reach MUR 4.7 billion for the financial year under review.

> ***"For the first time in its history, SICOM proudly crossed the MUR 1 billion 'Profit Before Tax' mark"***

This sustained growth is the result of the relentless, dedicated and determined strategies and efforts put in by the Board of Directors, Management and Employees of the Group, coupled by different initiatives taken to circumnavigate the challenging market conditions due to COVID-19 and the intense competition. This demonstrates the resilience of the Group.

I would like to highlight hereunder our financial and operational performance.



## Digitalisation and Customer Experience

During the financial year, we have boosted our online presence, implemented digital platforms for customer onboarding, including instant quotation, eligibility checks, e-proposals and e-payments for Life Insurance, Motor Insurance and Loans, among others to enhance the customer journey. We have invested in our core systems and robotics to cater for the changing business and customer demands, made operations more efficient and established digital payments facilities by partnering with banks and other service providers. Moreover, we are investing in a new digital platform to add up to our ability to deliver on our promise for a seamless customer experience.

We have augmented our social media presence and widened our direct marketing activities on digital channels to escalate our market traction, especially targeting mobile internet users. Mass-mailing and SMS are also adopted tactics to engage with our customers, while continuous feedback about SICOM's products and services is sought through almost all platforms and channels.

As we continue to increase our use of technology and invest massively in it, the Group feels concerned about the risks that Cyber-attacks pose on our business processes and data. To mitigate such risks, we are investing in automated data leakage tools to safeguard confidentiality, integrity and availability of information and further adapting our IT Security to the operating context.

## Distribution Initiatives

To continue to serve and advise our customers responsibly, we have opened branches with new look-and-feel and customer-friendly atmosphere in strategic areas, while new ones are being planned ahead, as we believe in customer proximity. We have now three new customer branches located at Port-Louis (building in front of SICOM Head Office), Trianon and Rose Belle and a postassurance hub which has recently been opened in Cascavelle. Existing Post-Assurance hubs at Flacq, Grand Baie and Curepipe have been upgraded.


## Our People

Our People remain our greatest asset. We care about our employees' health and monitoring the impact of COVID-19 on our people's safety and wellbeing remains our top priority We have been encouraging 'Work from Home'. We further played our part in encouraging our staff and their families to be vaccinated and also made COVID-19 tests available for employees. During the year, we have organized several welfare initiatives. We have also promoted our committed and hardworking colleagues during that period.

The Group will continue to encourage a healthy lifestyle, which is in line with what it upholds as an insurer. Education and training are the backbone of our success and we shall continue to invest in the appropriate learning platforms and tools and make them available to all departments. We are also looking forward to implementing a recognition programme to reward the accomplishments of our People. To enrich SICOM's talent pool, a Graduate Scheme was launched during the year to develop a group of talented youths and allow them to gain exposure, practical experience and essential industrial knowledge with a mix of on-the-job training and coaching.

## Our Community and Environment

We drew on our continued presence within the communities we serve to express our support when the going gets tough and in response to the unprecedented oil spill, our focus, among others, was on distributing food packs to the fishermen of Grand Sable. Our COVID-19 response brought us this year to contribute to the National COVID-19 Vaccination Programme Fund.

We rely directly and indirectly on natural resources to create value for our business. Renewable and non-renewable environmental resources and processes are essential to conduct our business activities. SICOM has become increasingly engaged on sustainability issues. The Group's success does not solely rely on its financial achievement but also on its ability to protect natural resources by going paperless, implementing green building initiatives while reducing its carbon footprint.

## Risk Management and Compliance

Risk management plays an important part in generating sustainable shareholder value. We continue to maintain a sound system of risk management and internal governance structures to be compliant with legislative requirements. We are currently engaged in implementing IFRS 17 (Insurance Contracts) to conform with International Accounting Standards.

AML/CFT compliance also ranks high on our 2020/2021 agenda. The Compliance team has proactively reinforced the Group's AML/CFT policies and control processes to eliminate money laundering risks through our products and services. Accordingly, stringent measures have been adopted when onboarding customers and more AML/CFT trainings have been imparted to directors, employees and introducers, paving the way for the detection and reporting of suspicious transactions.

## Our Vision

The 'SICOM of Tomorrow' will be a regional player with activities mainly in Insurance, Pensions, Financial Services, Property and Fintech. We are actively pursuing regionalisation opportunities in Africa and will continue to improve our products and services to cater for all market segments, while delivering on the dot when it comes to customer satisfaction. Our strategy of migrating most of our service offerings online, backed-up by a strong in-branch presence, is geared towards really putting our client first and offering a customer journey that is fulfilling and true. Technology and Talent will remain the driving force behind our business transformation and ambitions to expand the business across the region.

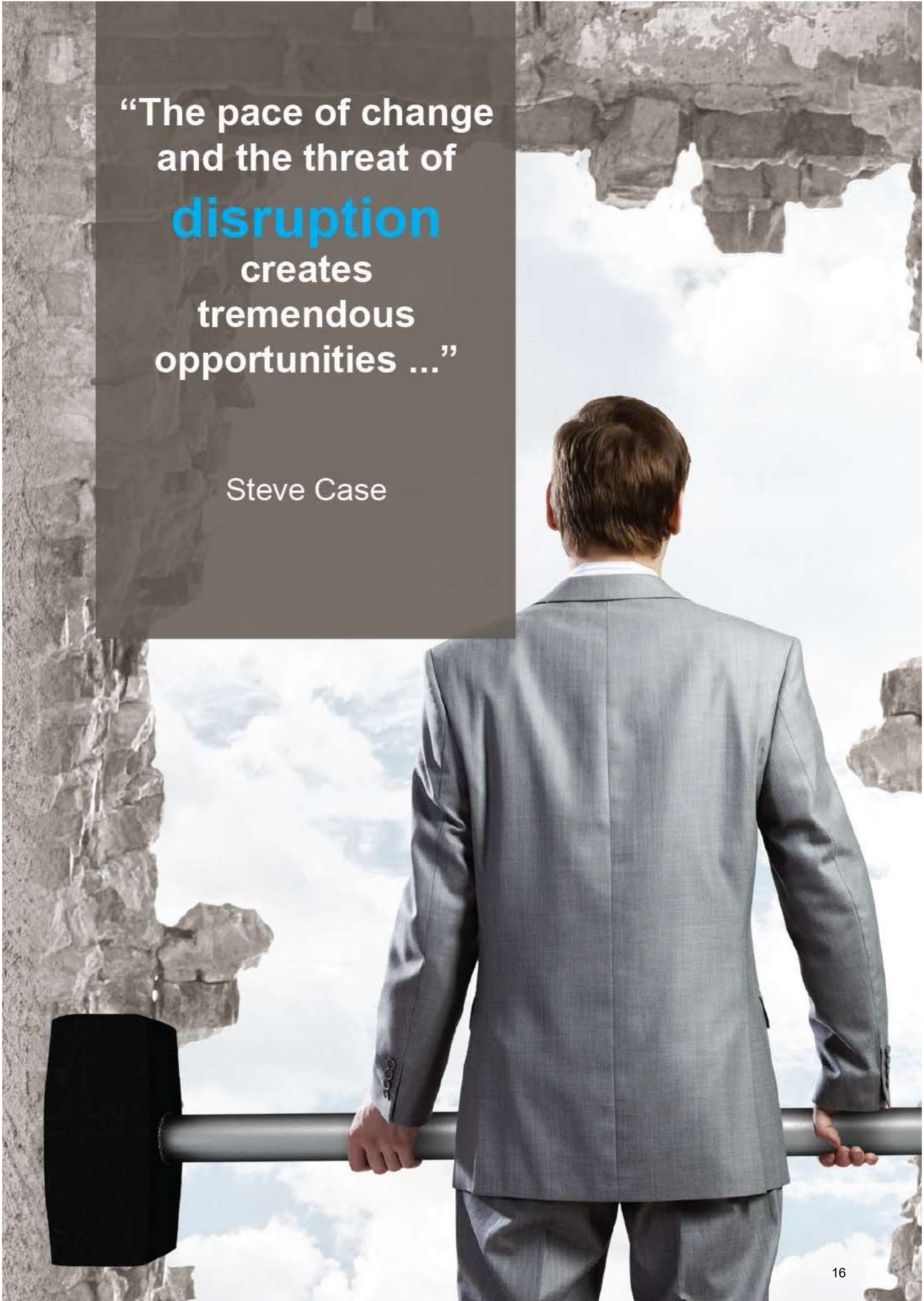
I will ensure that SICOM remains a human centric organisation resolutely focused on fulfilling its role as a caring Group, based on strong governance principles. I am a firm believer in sustainability values and the need to give back to society. As such one of my priorities will be to engage and protect further our community and stakeholders as well as the environment.

## Acknowledgements

I am truly humbled at being appointed as the Group CEO of SICOM and am thankful to the Board for their trust placed in me. I would like to thank the Government of Mauritius, our clients, partners, colleagues and other stakeholders who provide incredible support in making this journey worthwhile and fulfilling. Together, we endeavour to take SICOM to the next level!

Ramdewar

**Nandita Ramdewar**
**Group CEO**


"The pace of change
and the threat of
disruption
creates
tremendous
opportunities ..."
Steve Case

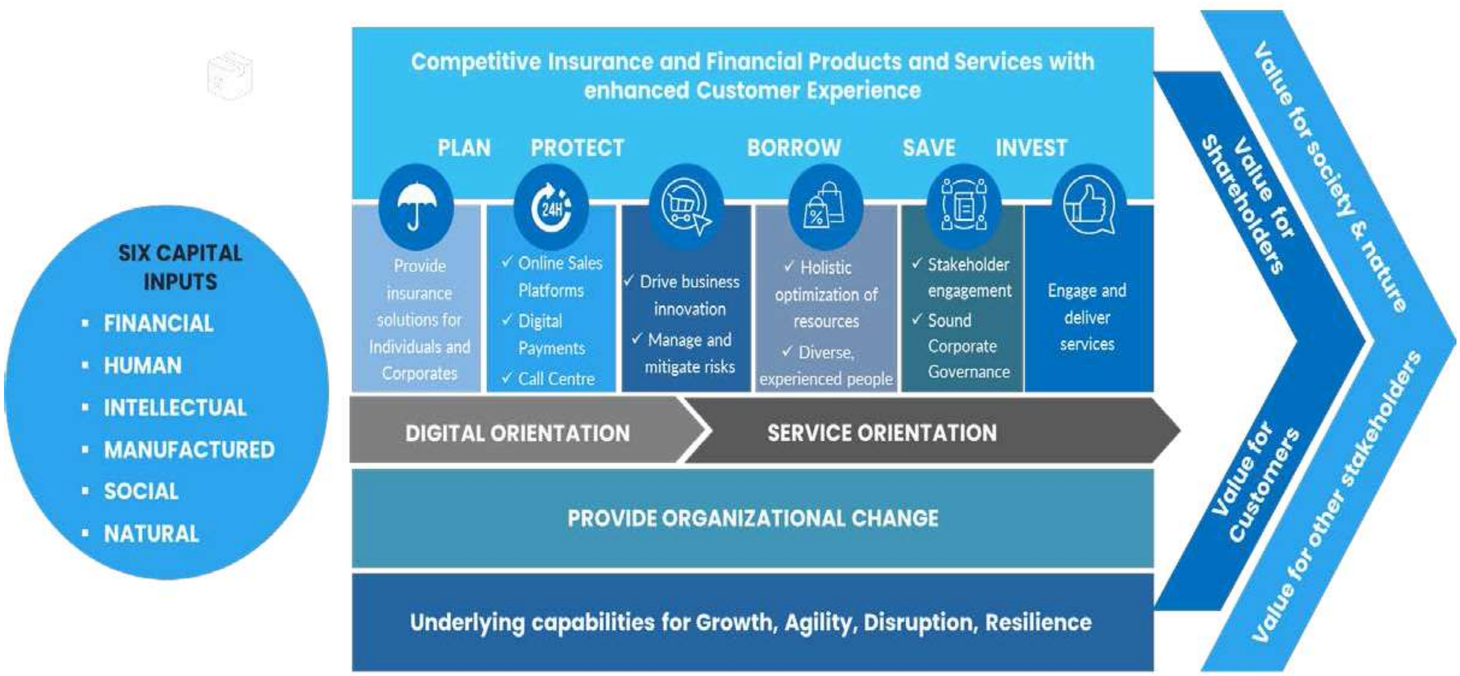
# Value Creation Model

As an insurance company, we play a pivotal role in the economic activity of individuals, businesses and the country. We help to create, grow and protect wealth through sound partnerships which also impact economic development. Our ultimate goal is to deliver shareholder value and have a positive impact on society and it is important that we embrace sustainable value creation.

We measure the impact and outcomes of our business and report about them through main Key Performance Indicators linked to the six capitals (Financial, Human, Manufactured, Intellectual, Social and Natural) that support value creation.

Our ability to create value is impacted by a variety of factors, including the operating environment, our responses to the risks and opportunities and our chosen strategy. We constantly strive to find creative ways to deliver our core services innovatively and invest in technologies that will help shape a world that values progress and economic activity to serve the common good. We believe in long-term growth, which benefits our customers, our employees, and our communities.

## Our Value Creating Business Model



# Value Creation Model (Cont'd)

## Social and Relationship Capital (Corporate Citizenship)

Amidst an alarming rise in new coronavirus cases, SICOM has been forced to adapt to a 'new normal', encouraging all staff to seek out new preventative measures to shield themselves from the pandemic. Given the uncertainties over the duration and severity of the pandemic, the Government has been stressing the importance of the COVID-19 vaccine for a return to normalcy. As a socially responsible institution, we have joined the fight against the pandemic by contributing Rs 2.2 million to the National COVID-19 Vaccination Programme Fund, which aims to ensure that every Mauritian have access to free vaccines.

The shipwreck of the Japanese cargo ship, MV Wakashio, back in August 2020, led to one of the worst ecological disasters ever to hit our island. The oil spill affected the livelihoods of local fishermen and the local community, who had already been struggling to stay afloat due to the impact of the COVID-19 pandemic. To join in the national effort to help minimise the socio-economic and environmental impact of the spill, 150 food packs with basic necessities were distributed to the local community who was affected by this ecological and economic disaster.

## Intellectual Capital

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

A software application was developed to manage the Collective Investment Scheme business of SICOM Financial Services Ltd. A comprehensive Pensioners Payroll to manage pensioners from Group and individual pension businesses has been successfully developed and implemented internally. Furthermore, a loan application was designed, developed and implemented within 3 months to manage personal loans (Speedy Loan). During the year SICOM also invested in Robotics, Document Management Systems (DMS) and Workflows to automate repetitive payment processes and digitalise processes which will make operations more efficient. Major software upgrades in the Life and Medical departments are also in the pipeline and will be delivered in the following financial year.

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.

# Value Creation Model (Cont'd)

## Community Engagement



# Value Creation Model (Cont'd)

## Manufactured Capital

Our property investments represent another way for SICOM to further create value. During the past years, diversifying our value creation initiatives from core insurance and pensions to investment in buildings have enabled the company to unlock value. This manufactured capital is part of the initiative to diversify the business, to create poles for resilience and also to help sustain the core business especially following the continued drop in interest rates. The rental yields on these properties have proved to be higher than rates on fixed income instruments. SICOM is envisaging to eventually have a property company to support its property strategy.

SICOM will continue to invest in digital infrastructure, especially new channels of distribution which will increase our visibility on the market and enable customers to connect better through an online business model. These channels are helping to tap into segments seeking convenience and simplified buying processes.

SICOM branch offices have been opened to enhance the customer service and be closer to the customers. This has also boosted the visibility of our brand and the growth of our business in different local regions.

## Human Capital

The pandemic urged the Human Resources (HR) Department to rethink its role as it became a pivotal player in the COVID-19 response by namely keeping the workforce engaged, productive and resilient. Employees had to adjust to social distancing practices and a new work environment. Remote working became the norm and face-to-face collaboration was replaced by videoconferencing. Business operations were being stress-tested in real-time, as well as the Group's Business Continuity Plan (BCP). While HR strategies continue to be part of the Leadership's toolkit to efficiently manage employees, there has been a shift since the beginning of the pandemic that fundamentally changed the HR function, including the manner that it conducts activities such as Hiring, Learning & Development and Performance Management.

### Learning & Development

The Group prides itself to be a committed and engaged employer that promotes sustainable learning, development and growth of its people; further dedicated to the development of a resilient and high performing workforce that stands equipped to cope with the constantly changing and highly competitive business environment. COVID-19 has not only impacted on the group's business operations but also on its talent development. Hence, face-to-face development initiatives such as business-specific technical trainings, leadership development programmes and soft skills trainings were delayed. SICOM has nevertheless ensured that the pandemic does not hinder and weaken its employees' professional development: online training programmes/ webinars and customised training sessions for small group(s) have been considered to ensure the continuous development of its workforce in a safe environment.

# Value Creation Model (Cont'd)

## Our Branches and recent acquisition

Customer Shop
Port Louis
*(Head Office)*



Customer Shop
Rose Belle
*Plaisance Shopping Mall*



Customer Shop
Trianon
*La City Trianon*



Our Latest
Acquisition
(Opposite
SICOM Building 1)


# Value Creation Model (Cont'd)

## Human Capital (Cont'd)

**1499**
participants

Total of **4624**
training hours

For the year under review, the Group teamed up with the Financial Services Institute and local trainers to offer customised soft skills training to employees at different levels as part of its customer engagement to better service its customers and different stakeholders. Several training programmes, ranging from mandatory trainings on AML/CFT with the aim of increasing awareness concerning potential risks of Money Laundering/Terrorism Financing and customer due diligence requirements to highly technical training on IFRS 17 for further upskilling of targeted groups, have been organised.

## Resourcing

SICOM has always been an equal opportunity employer as well as an advocate for gender equality. We believe in the power of women and their abilities to make the company move forward and prosper. As at 30 June 2021, we have 367 employees 151 men and 216 women.

367 **Employees**
151 Male & 216 Female

**9**
Recruitment

**11**
Graduates

**33**
Promotions

During the year, scrutiny and prudence were applied in decisions to hire additional resources with a view to contain costs. Business Heads had to strongly motivate their requests and employees were called upon to take additional responsibilities. Two external hires were made at Senior level among the 9 recruitments, 11 graduates were onboarded and 33 employees promoted.

# Value Creation Model (Cont’d)

## Human Capital (Cont’d)

### Staff Welfare

In spite of the challenges related to the new working ecosystem imposed by COVID-19 (lockdown, social distancing and extensive ‘work from home’), the Group maintained most of its staff welfare initiatives to nurture the sentiment of ‘a great workplace’. Fun activities such as on-line trivia or the group singing of the national anthem to celebrate the Independence of the island and the celebration of the national festivities namely Christmas, Diwali and Chinese New Year not only created a joyful sentiment but fostered a team spirit among employees. Other on-line ad-hoc games such as tributes on Mother’s/Father’s Day, Music Day or the Euro 2021 football games were highly appreciated and maintained a feeling of ‘fun place of work’.

### Performance Culture

An on-line Performance Management System was implemented as part of the Group’s on-going effort and commitment towards further instilling a culture of high-performance. This year’s questionnaire focused on behavioural competencies/ attributes as a transition to next year’s system which will have a mix of both soft and hard deliverables (individual objectives related to the departmental Key Result Areas). Based on the premises that ‘Attitude drives Performance’, employees and Heads of Departments have mutually shared feedback to enhance our performance and development culture.

### Safety and Health

Notwithstanding the statutory requirements for a safe working environment, SICOM has further ramped up its endeavour in promoting a culture of Health & Safety especially in the context of the pandemic. Employees received PCR tests and arrangements were constantly made to facilitate their vaccinations. No efforts were spared in making sure that employees have the safest conditions to work. Work From Home, Social Distancing, and a roster system were implemented and transport arrangements made to protect and keep our employees safe.

# Value Creation Model (Cont'd)

## Staff Engagement

# Value Creation Model (Cont'd)

## Natural Capital (Pathway to Sustainability)

### Steps to Saving Energy

Buildings consume significant amount of energy which contribute to the greenhouse effect. In its endeavour to reduce carbon emissions, several Green building principles have been adopted by SICOM. Our buildings are equipped with air conditioning units with inverter type technology. Also window glazing were replaced to optimise daylight in the offices and reduce artificial lighting, and natural plants have been placed in several areas of the building. Energy efficiency remains the backbone to decrease carbon emission.

At SICOM Building 2, where required, the interior spaces were repainted with ECO label paints. One ducted air conditioning unit has been upgraded using Inverter technology so as to be more efficient. During the year, underground rainwater has been used for cleaning and maintenance of the building. At SICOM Tower, bearings have been replaced for the lifts to not only reduce wear and tear but also to enable efficient traction of the moving parts. A new rope LED, energy efficient lighting system, has been installed on the roof of the building. At both SICOM Building 2 and SICOM Tower, traffic flow in the building is optimised using destination control lifts.

### Our Paperless Mission

As an ongoing part of the Go-Green 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 to 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.

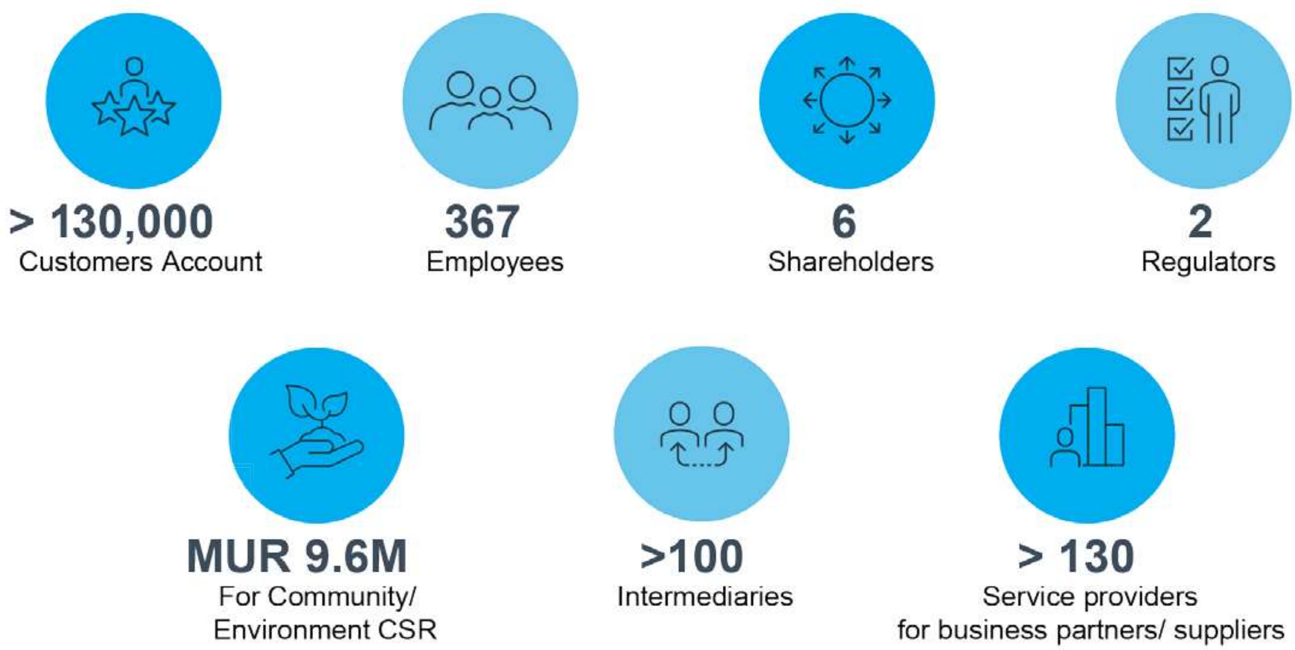
### Eco-conscious Buying

With a view to reducing our carbon footprint, office equipment having ECO-label are procured as far as possible. Moreover, staff have been encouraged to reduce their use of disposable plastic and opt for reusable materials that can also be recycled. Plastic cups for coffee machines have been replaced by paper cups which are more eco-friendly.

# Our stakeholders' needs and expectations

The quality of our relationships with stakeholders impacts our ability to fulfil our purpose. We therefore ensure to maintain great relationships with them through various ways both traditional and digital so that we understand their needs and expectations according to the fast-evolving situation.

The main areas of concern for our stakeholders, but not limited to, are financial and business resilience, operational stability while providing ongoing support to the economy, risk management, safety and wellbeing of our customers, health, wellness and safety of our employees, the protection of the lives and livelihoods of the communities we serve and the environment.



# Our stakeholders' needs and expectations (Cont'd)

| Stakeholders | Expectations | Response to Expectations | Channels of communication | Capital Impacted |
|---|---|---|---|---|
| Customers (including sponsoring employers, scheme members, unions and pensioners) | - Excellent service<br>- Seamless experience across channels<br>- Instant support<br>- Competitive prices<br>- Simplification of buying processes<br>- Partnership and relationship<br>- Customised solutions<br>- Value-Added services | - Soft skills and general skills training to staff<br>- Opening of a new customer lounge, new branches and hubs across the island<br>- Digitalisation of our services<br>- Call centre services for greater availability<br>- Campaigns for new and existing products<br>- Regular campaigns and reminder campaigns for products<br>- Timely communication to our customers<br>- Offer innovative products to better meet customer's needs<br>- Tailor made packages<br>- Integrated solutions are provided to conglomerates, small and medium enterprises across industries<br>- New bancassurance partnerships | - Customer service through frontliners<br>- Implementation of customer satisfaction surveys<br>- Distribution channels such as Hubs, Customer shop<br>- Events such as Open day<br>- Implementation of Online Sales facilities & platforms<br>- Email, Phone call, SMS, Letters, Customer Portal<br>- Website, Social Media, Google Ads, Digital Marketing<br>- Press, TV, radio, billboards and social media<br>- Media Campaigns<br>- Half yearly and yearly statements of fund balances<br>- Monthly contributions lists<br>- Yearly benefits and emoluments statements<br>- Presentations | - Financial<br>- Intellectual<br>- Relationship |
| Shareholders | - Strong governance, ethics and transparency<br>- Higher returns on investment and long term business value<br>- Clear and consistent business strategy | - Policy of dividend distribution of minimum 25% profit after tax<br>- Risk Management and compliance functions to oversee soundness of financial, operation, compliance and strategic risk management<br>- Timely reporting of financial performance to the authorities and the shareholders | - Annual General Meeting<br>- Annual Report<br>- Website | - Financial<br>- Intellectual |

# Our stakeholders' needs and expectations (Cont'd)

| Stakeholders | Expectations | Response to Expectations | Channels of communication | Capital Impacted |
|---|---|---|---|---|
| Employees | - Stimulating and rewarding package<br>- Training and career development opportunities<br>- Work-Life balance<br>- Regular communication<br>- Performance culture<br>- Enabling culture | - Competitive remuneration and employment conditions<br>- Learning culture and continued professional development are encouraged by the way of various schemes that motivate employees to pursue their self-development<br>- Workshops, training and development programmes are organised<br>- Various communication channels<br>- A performance appraisal system has been designed to differentiate and subsequently reward the outperforming employees<br>- Organisation of various activities in line with Staff Welfare | - Townhall communications<br>- Communication via Intranet, Creation of a Learning Zone<br>- At staff events such as family day<br>- Via Departmental head<br>- Involvement in Projects<br>- Staff Club, comité d'entreprises, Other sub-committees<br>- Tea/Coffee with CEO events | - Human<br>- Intellectual<br>- Relationship |
| Intermediaries | - Commissions<br>- Quality of service<br>- Relationship | - We listen to the needs of our intermediaries regularly<br>- Key Performance Indicators to ensure alignment to mutual objectives<br>- Trainings organised on new products<br>- A dedicated salesmen unit to serve intermediaries<br>- Timely processing of commissions<br>- Develop sustainable relationships<br>- Digitalisation of the service between SICOM and Intermediaries for General Insurance | - Face-to-face meetings<br>- Agent Awards Ceremony<br>- Email, Phone call, SMS, Letters<br>- Training | - Financial<br>- Human<br>- Relationship |
| Business partners (Reinsurers, Valuers, Car dealers, Legal advisors, Consultants, Suppliers) | - Fair payment practices<br>- Comply to terms in Service Level Agreements<br>- Fair tender process<br>- Supplier relationship management | - Timely payment to suppliers and other business partners such as consultants<br>- Develop sustainable relationships<br>- Work as a team with a common goal<br>- Timely communication and consultation | - Face-to-face meetings<br>- Email, Phone call, Letters<br>- Regular Visits | - Financial<br>- Relationship<br>- Manufactured |

# Our stakeholders' needs and expectations (Cont'd)

| Stakeholders | Expectations | Response to Expectations | Channels of communication | Capital Impacted |
|---|---|---|---|---|
| Governments and Regulators | - Good governance<br>- Statutory and legal Compliance<br>- Proactively engage with regulators<br>- Responsible development of insurance sector | - Engage constructively on new policies and regulations<br>- Compliance with existing rules<br>- Timely filing of returns and reports<br>- Good governance pratices<br>- Abide to capital adequency ratio and minimum capital requirement<br>- Comply with new laws and create organisation wide awareness<br>- Providing expert services and advice to government bodies and institutions<br>- Renting of our office space to Ministries | - Annual Report<br>- Corporate Governance Report<br>- ORSA Report<br>- Reporting pension funds under SICOM's administration<br>- Returns<br>- Workshops<br>- Meetings<br>- Email, Phone call, Letters<br>- Presentations | - Financial<br>- Intellectual<br>- Relationship<br>- manufactured |
| Community | - Social Welfare activities<br>- Job creation<br>- Poverty alleviation | - Supporting the National Social Inclusion Foundation for CSR projects<br>- Sponsorships and donations to Non-Governmental Organisations and charitable funds<br>- Trainees periodically onboarded for short-term training within the organisation | - Distribution of wheelchairs<br>- Sponsorships | - Social<br>- Relationship |
| Environment | - Care for the environment<br>- Energy-saving initiatives | - Installation of LED bulbs in the buildings<br>- Used paper sent for recycling<br>- Use of rain water harvesting for maintainance purposes<br>- Encourage use of natural ventilation<br>- Introduce indoor plants in new set-ups<br>- Keep premises clean and use of environmental friendly products<br>- Undertake energy audits of buildings<br>- Procurement of energy efficient equipment | - Sustainability projects for the environment being considered<br>- Communication with staff via intranet<br>- Request for proposals from external service providers | - Natural<br>- Relationship |

## Salesmen Awards

## Salesmen Awards (Cont'd)

# Corporate Governance Report

The State Insurance Company of Mauritius Ltd (the 'Company') operates within a clearly defined governance framework which provides a solid basis for transparent decision making and which reflects the importance that it places on honesty, integrity, quality and trust. The Board of Directors of the Company (the 'Board') is collectively accountable for the performance, long-term success, reputation and governance of the Company. The Board also assumes the accountability for the Company meeting all its statutory and regulatory requirements. The Board acknowledges its responsibility for applying and implementing the eight principles set out in the National Code for Corporate Governance of Mauritius (2016) (the 'Code') as explained in appropriate sections of the Report.

## Principle 1: Governance Structure

The Company is led by a committed and unitary Board, which is collectively and ultimately responsible for the oversight, long-term success, reputation and governance of the organisation. Though there is delegation of authority in certain areas and clear lines of responsibility, the Board retains ultimate control over the affairs of the Company.

The Board works towards the achievement of the Company's strategy by providing effective leadership and strategic guidance. Robust risk management and sound internal controls helps to ensure adherence of the Company to relevant legal and regulatory requirements. 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.

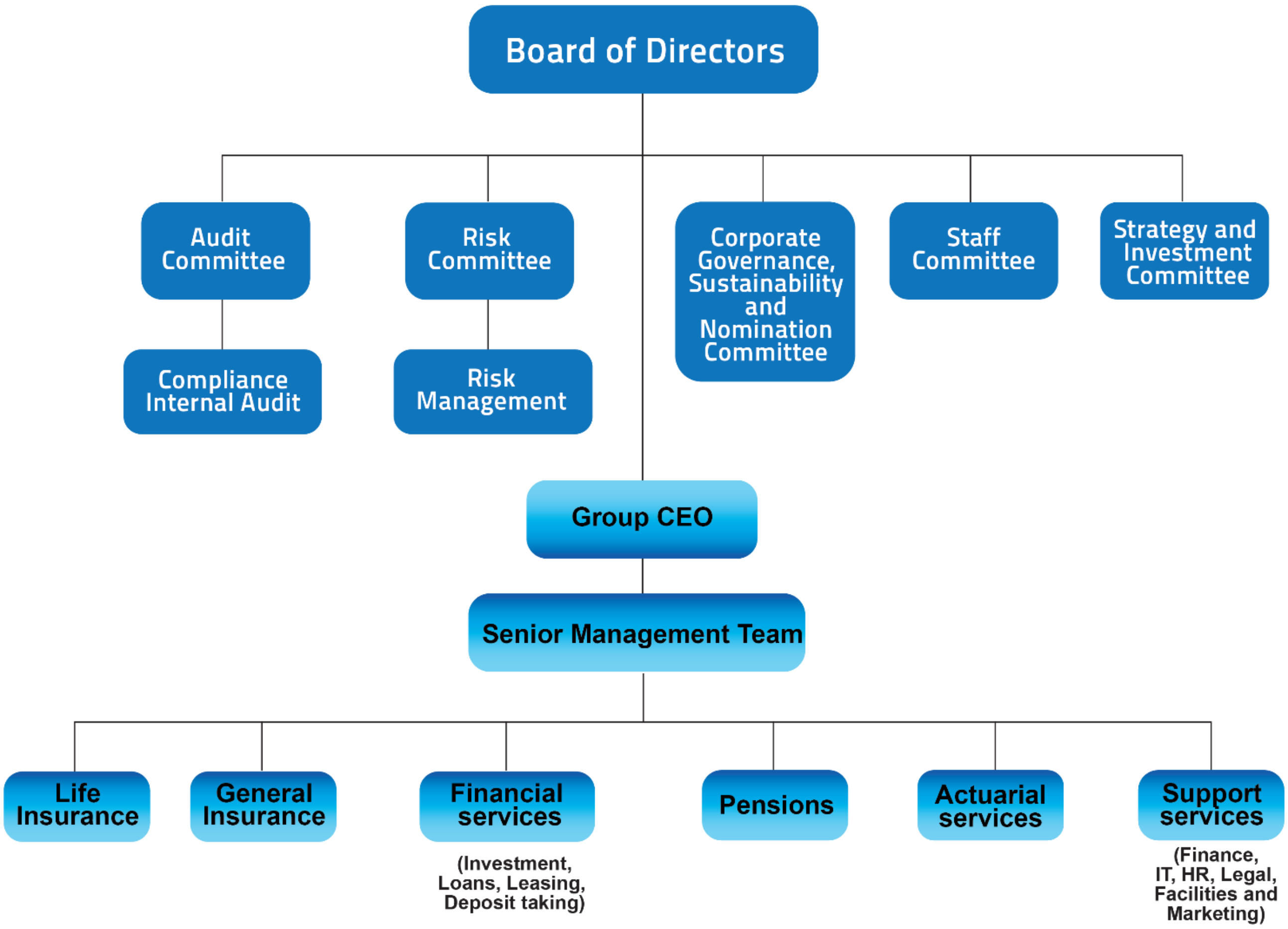
Board Committees assist the Board in the discharge of its duties and responsibilities by providing in-depth focus on specific areas. In fulfilling their role of providing oversight and guidance, Chairpersons of Board Committees escalate all significant matters affecting the affairs and reputation of the Company to the Board. The day-to-day operations are entrusted to management under the responsibility of the Group Chief Executive Officer. Members of senior management have clearly defined job descriptions and report to the Group . The profile of the senior management team/management team is on pages 55 to 61 and on the Company's website.

To apply Principle 1 of the Code, the Company has in the place the following documents:

- Constitution;
- Board's Charter;
- Board Committees' Charters;
- Code of Ethics for Directors and Employees;
- Position Statements of the Chairperson of the Board and the Board Committees, Group CEO and Company Secretary;
- Corporate Governance Policy for the Group;
- Director's Orientation and Induction Process;
- Remuneration Policy for Directors and Senior Executives
- Conflict of Interest and Related Party Transactions Policy;
- Anti-Harassment and Non-Discriminatory Policy; and
- Whistleblowing Policy.

# Corporate Governance Report (Cont'd)

A high-level organisation chart is provided below:




## Principle 2: The Structure of the Board and its Committees

### Board size and composition

The Board of Directors is a unitary Board of ten (10) Directors – six (6) male gender and four (4) female gender. The Board consists of two (2) Executive Directors, five (5) Non-Executive Directors and three (3) Independent Directors, who are all residents of Mauritius. The Board has the right balance of skills, experience and diversity. The Company complies with the statutory number of directors and has a Board Charter which is reviewed by the Board as and when required. Collectively, the Board is well structured and of sufficient size to discharge its duties, having regard to the activities and size of the Company and the Group.

The functions and responsibilities of the Chairperson and Group CEO are separate. The Chairperson is an Independent Director and leads the Board, ensuring that each Director is able to make an effective contribution. The Chairperson discusses and sets the agenda with the Group CEO and the Company Secretary. The Group CEO has the overall responsibility of managing the operations of the Group and implementing the strategies and policies as decided by the Board.

# Corporate Governance Report (Cont'd)

The Independent and the Non-Executive Directors have diverse business backgrounds and bring a wide range of experience and skills to the Board. They do not have any involvement in the operations of the Company, which could materially affect their ability to exercise independent judgment. Moreover, none of the appointed Independent Directors were employed by the Company or its subsidiaries during the past three (3) years. Overall, the Board is of opinion that the current number of Directors with their mix of knowledge, skills and experience is adequate to effectively discharge its duties.

**Directors of the Company are:**

### Independent

M Y Salemohamed (Chairperson), A Acharuz, Z B Lall Mahomed (as from 17 December 2020), D Gaoneadry (up to 19 October 2020)

### Non-Executive

K G Bhoojedhur-Obeegadoo, C Jheengun (as from 21 October 2021), S B Jhungeer (as from 10 July 2020), D Kawol (Dr) (as from 27 August 2021), J Sonoo, C.S.K, B Boyramboli (from 25 February 2021 to 31 July 2021), K R Sooknah (up to 24 September 2021)

### Executive

N Ramdewar (Group CEO), D K Gopy (as from 15 December 2020)

**Directors of subsidiary companies are:**

**SICOM Global Fund Limited:** M Y Salemohamed (Chairman), K G Bhoojedhur-Obeegadoo, N Ramdewar

**SICOM Management Limited:** K G Bhoojedhur-Obeegadoo (Chairperson), D K Gopy (as from 24 December 2020), N Ramdewar, M Y Salemohamed (as from 31 December 2020)

**SICOM General Insurance Ltd:** M Y Salemohamed (Chairman), S Ancharaz (as from 9 July 2021), Y K Aukhojee (Dr) (as from 22 December 2020), R H Ballah (up to 17 November 2020), A Balluck, K G Bhoojedhur-Obeegadoo, B Boodhoo (up to 1 December 2020), A Chummun (as from 22 December 2020), C Dussoye, V K Koonjoo, H Y K Leung Lam Hing (up to 1 June 2021), J Moonien (as from 22 December 2020), N Ramdewar (as from 15 December 2020)

**SICOM Financial Services Ltd:** O S Mahadu (Director as from 23 December 2020 and Chairman as from 4 February 2021), S Sakurdeep (Chairman) (up to 16 November 2020), K G Bhoojedhur-Obeegadoo, I Bonomaully, C Chengabroyan (as from 29 September 2021), D K Gopy, P D Maharahaje (as from 27 August 2021), N Ramdewar, S Reedoy (as from 23 December 2020), S Seeteejory (as from 24 December 2020), M Y Salemohamed (up to 17 November 2020), N Seewoochurn (up to 1 August 2020), S Ubhee (from 23 December 2020 to 25 March 2021)

# Corporate Governance Report (Cont'd)
## Profile of Directors

### Muhammad Yoosuf SALEMOHAMED (Chairman)

Muhammad Yoosuf Salemohamed started his career in one of the leading Audit firms where he trained in Accounting and Auditing. In 1975, he joined a vertically integrated textile manufacturing company as Accountant and climbed the corporate ladder to the post of General Manager.

Since 1992, Yoosuf Salemohamed has been using his wealth of knowledge and expertise, acting in various capacities in the textile and property development sectors. He served as a President of the Mauritius Chamber of Commerce and Industry and of the MEFPA (now Business Mauritius Provident Association), Chairman of the Mauritius College of the Air and of Enterprise Mauritius. He was also a Director on the board of the Development Bank of Mauritius Ltd and an Adviser to the Ministry of Commerce and Industry. He was also the Navigator spearheading the project for the design of the National Export Strategy.

Yoosuf Salemohamed is presently the Managing Director of Aurdally Bros & Co Ltd and Genuine Services Ltd. He is also currently the Director of SICOM General Insurance Ltd, SICOM Management Limited, SICOM Global Fund Limited and Air Mauritius Limited.

### Nandita RAMDEWAR (Group Chief Executive Officer)

*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 is the Group Chief Executive Officer as from 1 May 2021. She 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 was acting as Officer-in-Charge from August 2019 to April 2021.

She currently serves as Director on the Boards of SICOM Financial Services Ltd, SICOM General Insurance 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.

# Corporate Governance Report (Cont'd)

## Profile of Directors (Cont'd)

**Anandsing ACHARUZ**

*MSc in Financial Economics, University of London*

Anandsing Acharuz joined the public service in 1996. He has since assumed different responsibilities and is presently Deputy Financial Secretary at the Ministry of Finance, Economic Planning and Development.

He is responsible for the preparation of the national budget, economic planning and research, monitoring and evaluation of budget measures, and for the formulation of policies to ensure effective public financial management. He engages with different international organisations such as the IMF, the World Bank, the UNDP, Moody's Investors Service and AFRITAC South.

Mr Acharuz also serves as Director on the Board of a number of public bodies and contributes in their effective financial management.

**Karuna G. BHOOJEDHUR-OBEEGADOO**

*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 Audit Committee, Remuneration, Corporate Governance, Ethics and Sustainability Committee and a member of the Board of MCB Equity Fund Ltd.

# Corporate Governance Report (Cont'd)

## Profile of Directors (Cont'd)

### B Boyramboli (from 25 February 2021 to 31 July 2021)

Mr Boyramboli started his career in the Public Service in February 1978. He was appointed as Executive Officer in April 1982, Administrative Officer in September 1987, Principal Assistant Secretary in 1991, Permanent Secretary in March 2005 and finally Senior Chief Executive in September 2018.

He has been Director of the Cargo Handling Corporation and Mauritius Shipping Corporation, past chairman of National Empowerment Foundation, Member of CSR Committee and National Economic Social Council. Mr Boyramboli has also been representing National Pensions Fund/National Savings Fund on Board of Directors of Cyber Properties Investment Ltd, Ascensia Ltd, Omnicane and Mauritius Housing Corporation. Recently he has been Chairman and Director on the Board of Directors at the Mauritius Cane Industry Authority, Rose Belle Sugar Estate Board and State Trading Corporation.

### Dev Kumar GOPY (Appointed on 15 December 2020)

*Diplôme d'Etude Approfondies (DEA) in Finance*
*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 investments of the SICOM Group locally and overseas. He is also responsible for the loans, leasing and collective investment schemes businesses of the Group as well as the operations of SICOM Global Fund Limited and SICOM Management Limited.

He currently serves as Executive Director on the Boards of SICOM Financial Services Ltd and SICOM Management Ltd. He is also a Director of Cyber Properties Investments Ltd and has in the past been a Director of the Stock Exchange of Mauritius Ltd and the Central Depository and Settlement Co. Ltd.

### Chaitanand JHEENGUN (Appointed on 21 October 2021)

*Fellow of the Chartered Governance Institute UK & Ireland (ICSA)*
*Masters in Business Administration - Heriot Watt University, Edinburgh*

Chaitanand (Rishi) JHEENGUN joined the public service in 1982 as Customs & Excise Officer at the Customs & Excise Department, Ministry of Finance. He left in 1990 to join KPMG Peat Marwick and in the same year joined the Stock Exchange of Mauritius as Administrative Officer / Company Secretary. He has been the Group Company Secretary of the Stock Exchange Ltd until 2018. He is presently the Head of the Trading & Market Information department at the Stock Exchange of Mauritius Ltd (SEM) and the Company Secretary of the Central Depository & Settlement Co Ltd. He is also the Compliance Officer and Money Laundering Officer of SEM and a member of the SEM Listing Executive Committee. He was appointed Chairman of the Sugar Insurance Fund Board in February 2021. He is also an executive member of the ICSA - Mauritius Branch.

# Corporate Governance Report (Cont'd)

## Profile of Directors (Cont'd)

### Shakilla Bibi JHUNGEER (Appointed on 10 July 2020)

*Masters in International Law and Criminal Justice from the University of East London*

Shakilla Jhungeer is a Barrister. She holds a Masters in International Law and Criminal Justice from the University of East London. Ms Jhungeer attended the Bar Vocational Course (BVC) at the College of Law, London from 2009 to 2010 and was called to the Bar at Lincoln's Inn in 2010 and to the Mauritius Bar Association on 20 January 2012. Ms Jhungeer has previously served as Board Member of the Independent Commission Against Corruption (ICAC) from February 2015 to October 2019.

She currently serves as Director on the Boards of SBM Holdings Ltd, SBM (Bank) Holdings Ltd, SBM (NBFC) Holdings Ltd and SBM 3S Ltd.

### Dhanandjay Kawol (Dr) (Appointed on 27 August 2021)

*Doctor in Business Administration*
*Associate member of The Chartered Governance Institute*
*Masters in Business Administration*
*Diploma in Management Studies*
*B.Sc (Hons) Crop Science and Production*

Dr Dhanandjay Kawol started his career in the Civil Service in 1991 as a Technical Officer at the Ministry of Agriculture and Natural Resources. Subsequently in 1995, he was appointed as Assistant Secretary in the administrative cadre. He has served in different ministries and has reached the level of Permanent Secretary.

He is presently posted at the Ministry of Social Integration, Social Security and National Solidarity (Social Security and National Solidarity Division) since 19 July 2021. He has also served as Chief Executive at Municipal Councils of Port Louis and Quatre Bornes from July 2006 to July 2008. Dr D Kawol has served several Boards as ex-officio member since his assumption of duty as Assistant Secretary. He is presently also serving the following Boards, namely Employees Welfare Fund, Cybercity Properties Ltd, Mauritius Housing Company Ltd, National Social Integration Foundation, National Empowerment Foundation, Ascencia Ltd, Omnicane Ltd, and the National Pensions Fund/ National Savings Fund Investment Committee.

### Zaheda Begum LALL MAHOMED (Appointed on 17 December 2020)

*Bachelor's (Hons) Degree in Business Studies*

Zaheda Begum Lall Mahomed holds a Bachelor's (Hons) Degree in Business Studies and currently occupies the post of Permanent Secretary at the Ministry of Health and Wellness. She reckons 25 years' experience in Public Administration and Management, including Finance, Budgeting, Procurement, HR Matters, Project Management and Legislation Process.
During her career, she has been posted in various Ministries including Tourism, Local Government, Environment, Education and Financial Services and Good Governance and has served on various Boards and Committees.

# Corporate Governance Report (Cont'd)

## Profile of Directors (Cont'd)

### Jairaj SONOO, C.S.K.

*Masters in Business Administration (MBA), University of Surrey, UK*

Jairaj Sonoo 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 was recently appointed as NHDC Group Chief Executive Officer (Group CEO) and is an Executive Director of New Social Living Development Ltd (NSLD) which has been entrusted by Government the responsibility of constructing 12,000 residential units across Mauritius.

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 (up to 24 September 2021)

*Fellow of the Chartered Institute of Certified Accountants (FCCA)*
*Master in Business Administration - specialisation in Financial Management 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.

# Corporate Governance Report (Cont'd)

## Other directorships held by Members of the Board

**M Y Salemohamed**

- SICOM General Insurance Ltd
- SICOM Global Fund Limited
- SICOM Management Limited
- Aurdally Bros & Co Ltd
- Genuine Services Ltd
- Air Mauritius Ltd

**A Acharuz**

- The State Investment Corporation Limited
- Airport of Rodrigues Ltd
- Airport Terminal Operations Ltd
- Pointe Coton Resort Hotel Co. Ltd

**K G Bhoojedhur-Obeegadoo**

- SICOM Financial Services Ltd
- SICOM General Insurance Ltd
- SICOM Global Fund Limited
- SICOM Management Limited
- MCB Group Limited
- MCB Equity Fund Ltd

**B Boyramboli**

- Mauritius Housing Corporation Ltd
- Ascencia Limited
- Omnicane Ltd

**D K Gopy**

- SICOM Financial Services Ltd
- SICOM Management Limited
- Cyber Properties Investments Ltd

**S B Jhungeer**

- SBM Holdings Ltd
- SBM (Bank Holdings) Ltd
- SBM (NBFC) Holdings Ltd
- SBM (3s) Ltd
- Sparkle Nail Bar Ltd
- Sparkle Nail Bar & Associates Ltd
- Stardust Nail Bar Ltd

**N Ramdewar**

- SICOM Financial Services Ltd
- SICOM General Insurance Ltd
- SICOM Global Fund Limited
- SICOM Management Limited
- National Housing Development Co. Ltd

**J Sonoo**

- The State Investment Corporation Limited
- EREIT Management Ltd
- SIC Management Services Co. Ltd
- Guibies Holdings Ltd
- Guibies Properties Ltd
- Prime Real Estate Ltd
- Companie Mauricienne D'Hippodromes Limitee
- National Real Estate Ltd
- Prime Partners Ltd
- SIC Development Co. Ltd
- Le Val Development Ltd
- SIC Capital Support Ltd
- Investment Support Programme (ISP) Limited
- Mauritius Duty Free Paradise Co. Ltd
- Mauritius-Africa Fund Ltd
- MJTI Properties Ltd
- SBM (Mauritius) Infrastructure Company Ltd

**K R Sooknah**

- Kasteel Co. Ltd

# Corporate Governance Report (Cont'd)

## Board Committees

Several sub-committees have been set up to assist the Board in the effective performance of its duties. 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 published on the website, and which may be reviewed as and when required. The responsibilities of the Chairperson of the Board and the Chairperson of each sub-committee have been clearly defined in their respective position statements.

Until the end of the financial year 2020/2021, the Board had the following sub-committees, namely:

### a) Risk and Audit Committee

The Risk and Audit Committee assisted the Board 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.

The Risk and Audit Committee consisted of two (2) Independent Directors and two (2) Non-Executive Directors. During the financial year 2020/2021, the Committee met four (4) times.

The members of the Committee were:

| Members | Category |
|---|---|
| A Acharuz (Chairperson) | Independent Director |
| K G Bhoojedhur-Obeegadoo | Non-Executive Director |
| D Gaoneadry (up to 19 October 2020) | Independent Director |
| K R Sooknah (up to 24 September 2021) | Non-Executive Director |

### b) Investment and Finance Committee

The Investment and Finance Committee laid down and reviewed on a regular basis the investment strategy of the different funds managed by the Company. The Committee had the objective of selecting investments to achieve a reasonable rate of return, while taking associated risks into consideration. It additionally took investment decisions and ensured that investments were in all respects reasonable and proper. The Committee also monitored and reviewed the performance of the different funds under management.

The Investment and Finance Committee consisted of three (3) Independent Directors, one (1) Non-Executive Director and one (1) Executive Director. During the financial year 2020/2021, the Committee met five (5) times.

# Corporate Governance Report (Cont'd)

The members of the Committee were:

| Members | Category |
|---|---|
| M Y Salemohamed (Chairperson) | Independent Director |
| A Acharuz | Independent Director |
| D Gaoneadry (up to 19 October 2020) | Independent Director |
| N Ramdewar | Executive Director |
| J Sonoo, C.S.K | Non-Executive Director |

**c) Corporate Governance Committee**

The Corporate Governance Committee advised the Board on all matters related to corporate governance and recommended best practices for the Group.

The Committee also kept under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace.

The Corporate Governance Committee consisted of three (3) Independent Directors, one (1) Non-Executive Director and one (1) Executive Director. During the financial year 2020/2021, the Committee met four (4) times.

The members of the Committee were:

| Members | Category |
|---|---|
| M Y Salemohamed (Chairperson) | Independent Director |
| A Acharuz | Independent Director |
| K G Bhoojedhur-Obeegadoo | Non-Executive Director |
| D Gaoneadry (up to 19 October 2020) | Independent Director |
| N Ramdewar | Executive Director |

**d) Staff Committee**

The primary function of the Staff Committee consisted in assisting the Board in overseeing the establishment of appropriate human resource strategies and policies within the Group. The Committee reviewed the recruitment, selection, remuneration, confirmation and promotion processes.

The Staff Committee consisted of two (2) Independent Directors, two (2) Non-Executive Directors and one (1) Executive Director. During the financial year 2020/2021, the Committee met four (4) times.

# Corporate Governance Report (Cont'd)

The members of the Committee were:

| Members | Category |
|---|---|
| J Sonoo, C.S.K (Chairperson) | Non-Executive Director |
| M Y Salemohamed | Independent Director |
| A Acharuz | Independent Director |
| K G Bhoojedhur-Obeegadoo | Non-Executive Director |
| N Ramdewar | Executive Director |

As from July 2021, the Committees have been reconstituted as follows:

a) Audit Committee;
b) Risk Committee;
c) Corporate Governance, Sustainability and Nomination Committee;
d) Staff Committee; and
e) Strategy and Investment Committee.

### Attendance at Board and Committee meetings

The Directors who served on the Board and on the Board Committees and their attendance at meetings during the financial year 2020/2021 are provided in the following table:

| Directors | Board | Risk and Audit Committee | Investment and Finance Committee | Corporate Governance Committee | Staff Committee |
|---|---|---|---|---|---|
| **Number of meetings held** | 6 | 4 | 5 | 4 | 4 |
| M Y Salemohamed | 6 of 6 | | 5 of 5 | 4 of 4 | 4 of 4 |
| A Acharuz | 6 of 6 | 4 of 4 | 5 of 5 | 4 of 4 | 4 of 4 |
| K G Bhoojedhur-Obeegadoo | 6 of 6 | 4 of 4 | | 4 of 4 | 4 of 4 |
| N Ramdewar | 6 of 6 | | 5 of 5 | 4 of 4 | 4 of 4 |
| J Sonoo, C.S.K | 6 of 6 | | 5 of 5 | | 4 of 4 |
| S B Jhungeer[1] | 6 of 6 | | | | |
| Z B Lall Mahomed[2] | 3 of 3 | | | | |
| D K Gopy[3] | 3 of 3 | | | | |
| D Gaoneadry[4] | 1 of 1 | 1 of 2 | 1 of 2 | 1 of 1 | |
| B Boyramboli[5] | 3 of 3 | | | | |
| K R Sooknah[6] | 2 of 6 | 4 of 4 | | | |

1. Appointed on 10 July 2020
2. Appointed on 17 December 2020
3. Appointed on 15 December 2020
4. Director up to 19 October 2020
5. Director from 25 February 2021 to 31 July 2021
6. Director up to 24 September 2021

# Corporate Governance Report (Cont'd)

## Principle 3: Director Appointment Procedures

As part of its mandate, the Board carefully considers the needs of the organisation and considers the following factors when appointing new Directors:

a) Skills, knowledge and expertise;
b) Previous experience;
c) Balance required on the Board including but not limited to gender and age;
d) Independence (where required); and
e) Any conflict of interest.

The Corporate Governance, Sustainability and Nomination Committee reviews the profile of prospective Directors and makes recommendations to the Board for approval. 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 Constitution of the Company allows Directors to appoint any person as a Director to fill a causal vacancy or the Shareholders can make an addition to the existing Directors subject to the number thereof not being at any time less than seven (7) nor more than eleven (11).

Non-Executive Directors are given a letter of appointment, and all Directors receive appropriate induction and orientation programme, among others. New Directors are given a copy of the Company's Constitution, the Insurance Act 2005, the Financial Services Act 2007 and relevant extracts of the Companies Act 2001 as regards their statutory duties and responsibilities. The Group CEO and the Company Secretary are always available to provide any additional information that may be required by newly appointed Directors.

Directors are encouraged to remain updated with industry practices, trends and standards, and to request for any specific training of interest to them for the fulfilment of their duties as directors. During the financial year 2020/2021, the Directors received training on anti-money laundering and combating the financing of terrorism, global economic and investment outlook as well as on International Financial Reporting Standard ('IFRS') 17.

The Board ensures the orderly succession of appointment to the Board and to Senior Executive positions so as to maintain an appropriate balance of knowledge, skills and experience on the Board and within the Company. The Corporate Governance, Sustainability and Nomination Committee has been delegated the task by the Board to consider succession planning for Directors and other Senior Executives, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed in the future.

As part of the Company's succession plan, the situation at Board and senior management levels is regularly assessed and appropriate action is taken to fill gaps where needed. As such, directors have recently been appointed to replace outgoing ones and Officers at senior management level have been appointed/recruited.

# Corporate Governance Report (Cont'd)

There has also been a recent promotion exercise within certain departments with a view to consolidate their structure and functioning, and it is expected that the consolidation exercise will continue.

## Principle 4: Directors' Duties, Remuneration and Performance

### Legal duties

All Directors, including any alternate Director, are aware of their legal duties and are required to act in good faith and in the best interests of the Company.

### Interest register

In accordance with the Companies Act 2001, an interest register is maintained by the Company Secretary and is updated as and when required. Directors have a duty to disclose any interest that they have, including any related party transaction. At the end of each financial year, Directors are requested to fill in a disclosure of interest form.

The interest register may be made available to the Shareholders of the Company upon request to the Company Secretary.

### Information, information technology and information security governance

The confidentiality, integrity and availability of information are of significant importance to the Company. With a spike in cyber security threats around the world and with COVID-19 new challenges, the Company continues to invest in technology to enhance its operational resilience, and security solutions are continuously sought to keep abreast of new security threats.

The Company's Information Security Policy is a key component of the Group's overall Information Security Management Framework and reflects the commitments of Management to information security. This policy aims to establish and maintain the security and confidentiality of information, information systems, applications and networks owned or held by the Group.

Other policies under information security governance include 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. An internal Cyber Security Committee has been set up to oversee the Group's risk assessment and management processes with regards to cyber risks.

### Assessment and evaluation of Board Members

An evaluation of the effectiveness of the Board and its Committees was conducted 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. The assessment of individual Directors will be carried out during the ensuing financial year.

# Corporate Governance Report (Cont'd)

### Remuneration

The Group has a Board-approved Remuneration Policy. Its underlying remuneration philosophy is to set the appropriate level of remuneration to be able to attract, motivate and retain its Employees, taking into consideration the Group's strategies and its long-term objectives of growth, market positioning, development and innovation.

The remuneration of the Chairman and the non-Executive Directors of SICOM and its subsidiaries is determined every 3 years by an independent Salary Commissioner, who takes into account a benchmarking with market as well as the duties and responsibilities of the Directors for companies of such size and complexity as well as the required time commitment.

The recommended remuneration of the Chairman and non-Executive Directors of the Group is approved by the Shareholders at the Annual Meeting. The remuneration of Employees, including the Executive Directors of the Group, is aimed at attracting, rewarding and retaining talent and is based on a broad set of elements which includes responsibilities, accountability, performance in a commercial and highly competitive environment, remuneration in the financial services sector, qualifications, skills and past experience.

The remuneration of the Group's Employees and Executive Directors is determined through a Review of Salaries and Conditions of service, which is carried out every 3 years by an independent Salary Commissioner. It includes a benchmarking exercise with the market and is approved by the Board of Directors. The remuneration of Employees and Executive Directors comprises of certain benefits such as travelling allowances (as applicable), bonus schemes and refund of leaves, contribution to pension and other schemes, loans and insurance schemes at preferential rates and passage benefits. Details on Directors' remuneration are found on page 188 of the Annual Report under section 221.

## Principle 5: Risk Governance and Internal Control

### Risk management

Managing risk remains integral to generating sustainable shareholder and stakeholder value. The Board has ultimate responsibility for risk management and internal control. The Risk and Audit Committee is mandated by the Board to oversee all risk management and internal control issues. The task of maintaining a sound system of risk management has been delegated to Senior Management and the Risk Officer. Internal governance structures include a Risk Management function that complies with legislative requirements as specified by the Insurance (Risk Management) Rules 2016.

The Risk Officer has a duty to report to the Board. Independent reviews are also conducted by the External Auditor and the Statutory Actuary on compliance and effectiveness of the risk management framework, respectively. The Company has an obligation to report to the Regulator.

The comprehensive Risk Management Report can be found at pages 62 to 68.

# Corporate Governance Report (Cont'd)

## Internal controls

The system of internal controls has been designed to prevent, detect and mitigate significant risks faced by the Company. Such a system provides reasonable assurance against material error, omission, misstatement or loss, and manages risks of failure in operational systems.

The Company maintains proper records to ensure effective operation of its business and compliance with laws and regulations.

Management is responsible for managing all of the Company's activities, including implementation of the strategies and policies adopted by the Board, and the operation of the internal control system.

Internal control covers all material processes of the Company. Key areas of effective internal controls are as follows:

a) A clear organisation structure;
b) The recommendations of the Risk and Audit Committee, reports of the Manager - Internal Audit, Statutory Actuary and the External Auditor are considered when assessing the effectiveness of internal controls;
c) A comprehensive management information and accounting system is in place to provide reliable financial and operational performance data;
d) A Compliance function is in place under the leadership of the Money Laundering Reporting Officer and compliance policies and procedures have been established to ensure compliance with applicable laws, regulations, codes and guidelines; and
e) Management has put in place appropriate financial and operational controls by way of segregation of duties and financial/monetary limits.

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Board, through the Risk and Audit Committee and Senior Management, is regularly apprised of such assessment. Deficiencies, if any, are promptly considered by Management, and remedial actions taken and/or action plans devised to address the deficiencies. Both the Internal and the External Auditors have access to the Risk and Audit Committee.

## Board opinion

The Board is of the opinion that the Company's risk management processes and systems of internal control are effective.

## Principle 6: Reporting with Integrity

In preparing this year's report, the Company is improving further its disclosures on non-financial aspects of the business which is in line with its objective to prepare an integrated report. There is also enhanced section about the Company's value proposition to stakeholders and how it engages with them. The business model and the value creation are set out on pages 17 to 25.

The Annual Report is available in its entirety on the Company's website.

# Corporate Governance Report (Cont'd)

### Donations

The Group and the Company did not make any political donation during the financial year 2020/2021.

## Principle 7: Audit

### Directors' responsibilities

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in compliance with the requirements of the Companies Act 2001, the Insurance Act 2005 and the Financial Reporting Act 2004, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 is headed by the Manager - Internal Audit who reports to the Risk and Audit Committee. It derives its authority from the Board and is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal controls and risk management practices.

The profile of the Manager - Internal Audit is available on the Company's website.

The annual Internal Audit plan, which is approved by the Risk and Audit Committee, is based on the principles of risk management and aims at ensuring that the scope of work is aligned with the degree of risks attributable to the areas to be audited. Ad-hoc internal audit inspections are also conducted for the purpose of identifying areas for process improvement.

During the financial year 2020/2021, the internal audit reviews covered the Administration, Life, General Insurance, Financial Services, Actuarial, Investment, IT and Pensions functions, as per the annual audit plan. Subsequent to the findings of these reviews, appropriate recommendations were made to the Risk and Audit Committee and Management, and their implementations are monitored.

### External audit

The Board had recommended the appointment of Deloitte as the External Auditor of the Group for the financial years 30 June 2021-2025 following a tender exercise.

The roles and responsibilities of the Risk and Audit Committee in the external audit process are set out in the Risk and Audit Committee Charter.

# Corporate Governance Report (Cont'd)

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 Auditor, could not be perceived as impairing their independence on the external audit exercise.

External auditor's fees and fees for other services are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020* | **2021** | 2020* |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Statutory audit | 4,715 | 3,157 | 2,340 | 1,490 |
| Review of tax computation | 364 | 329 | 112 | 101 |
| Other services** | 414 | 690 | 207 | 345 |

* *Figures for 2020 relate to fees paid to Ernst & Young (outgoing external auditor)*

** *Other services for 2020 and 2021 relate to review as per the Insurance (Risk Management) Rules 2016*

## Principle 8: 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 26 to 29.

### Shareholders' diary

| Details | Date |
|---|---|
| Financial year-end | 30 June 2021 |
| Audited Financial Statements (year ended 30 June 2021) | December 2021 |
| Statutory Returns to Financial Services Commission | December 2021 |
| Annual Meeting | By December 2021 |
| Dividend Payment | By December 2021 |

### Shareholders' communication

The Company holds an Annual Meeting of Shareholders with prior notice given to them 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 475.63 per share.

# Corporate Governance Report (Cont'd)

## Statement of Compliance

**[Section 75(3) of the Financial Reporting Act 2004]**

**Name of Public Interest Entity ('PIE'):** State Insurance Company of Mauritius Ltd

**Reporting Period:** Year ended 30 June 2021

On behalf of the Board of Directors of the State Insurance Company of Mauritius Ltd, we confirm that, to the best of our knowledge, the Company has complied with all the obligations and requirements of the National Code of Corporate Governance for Mauritius (2016) (the 'Code') in all material aspects except for the assessment of individual Directors which will be carried out in the course of the next financial year.

M Y SALEMOHAMED
Chairman

A ACHARUZ
Director

Date: 10 November 2021

## Secretary's Certificate

We certify to the best of our knowledge and belief that for the year ended 30 June 2021, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

DTOS Ltd
Company Secretary
State Insurance Company of Mauritius Ltd

Date: 10 November 2021

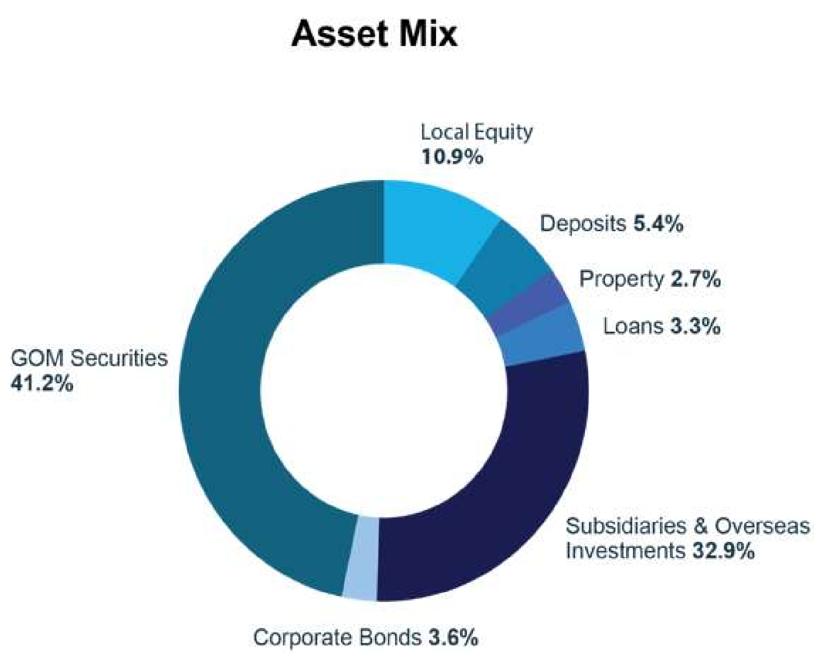
"**Resilience** is the ability to spring back from and successfully adapt to adversity."

Nan Henderson

# Business Review

## Investment

Despite the persistence of the low interest rate environment and the resurgence of market volatility, the different Funds managed by the company posted excellent performances for the financial year under review, with returns up to 14.2%. The total investments under management increased by 11.6% from MUR 56.9 billion as at 30 June 2020 to reach MUR 63.5 billion as at 30 June 2021. Moreover, investment income from instruments measured at fair value of our different funds stood at MUR 6.8 billion for the financial year under review as compared to MUR 2.4 billion for the previous financial year. Compared to the previous year amount of MUR 9.7 billion, new investments made by SICOM reached MUR 10.6 billion for the year ended 30 June 2021, which were mainly in government securities, deposits, equities, corporate bonds and loans. Depending on market conditions, we shall continue to research for attractive investment opportunities for the long-term in identified markets.




## Long Term Insurance

Strategic decisions and initiatives taken regarding the Life Assurance Fund during the year contributed to an increase of 9.1% in premium income. Some of the key initiatives included a simpler client onboarding process to maximise sales, lean processes to ensure continuity of services during lockdown, keep our sales force motivated by ad hoc sales competition, launch of a fully online new business sales platform, products review and relentless efforts by our dedicated staff to provide value-added services.

The Group and Individual life businesses ended with a Gross premium figure of MUR 2.4 billion as at June 2021 (MUR 2.2 billion – 30 June 2020) for a total number of 65,992 in force individual life policies and 333 group life schemes. The surplus before tax for long term insurance has increased from MUR 890.3 million to reach MUR 1.4 billion.

# Business Review (Cont'd)

## Group Pensions

With the low interest rate environment and increase in life expectancy, many of our Defined Benefit pension funds are facing significant challenges to fund their deficits. We are working closely with the sponsoring employers and relevant bodies to try and find the most appropriate solutions in the best interest of all parties.

The net assets of the pension funds increased by 13.1% to reach MUR 40.5 billion as at 30 June 2021 (MUR 35.8 billion - 30 June 2020) based on unaudited accounts. The excess of income over outflows for the year under review was MUR 4.7 billion compared to MUR 1.8 billion last year. SICOM now pays pensions to nearly 12,000 pensioners on a monthly basis.

## SICOM Global Fund Limited ('SGFL')

Markets have experienced a roller-coaster ride during the financial year under review and the current uptrend is expected to continue amidst sustained policy support and record low interest rates. However, starting at a higher base, the upside potential of stock markets will be lower over the coming financial year. Depending on market conditions, the investment portfolio will be consolidated by adding to existing investment holdings boasting a sound performance track record and new investments to further diversify and enhance the return of the fund.

The total assets of SGFL increased from USD 314.7 million (MUR 12.6 bn) last year to reach USD 412.0 million (MUR 17.5 bn) as at 30 June 2021, due to the rise in the value of investments, as well as new share capital (USD 20.1 million) injected during the financial year under review. The Pre-tax profit of SGFL for the year ended 30 June 2021 was USD 78.3 million (MUR 4.1 bn) as compared to USD 8.8 million (MUR 1.5 bn) last year. Boosted by the strong performance of overseas markets, a higher unrealised gain from investments held at FVTPL of USD 71.7 million (MUR 3.8 bn) for the year under review was achieved, as compared to USD 9.8 million (MUR 1.4 bn) last year.

## SICOM General Insurance Ltd ('SGIN')

Despite the challenging economic conditions during the financial year ended 30 June 2021, SGIN has maintained a Gross Written Premium (GWP) of MUR 1.2 billion as compared to last year. The launch of a new inpatient medical cover (WeCare), bundling of insurance and leasing products, campaigns for existing products, review of reinsurance structure to increase retained premium and the new business development initiatives have contributed positively to the Company`s results.

Considering all insurance classes except the aviation portfolio, growth in GWP for the year ended 30 June 2021 has been at 12.0% as compared to last year. Profit before tax for the year is MUR 110.0 million as compared to MUR 80.8 million (restated) achieved in the previous financial year, representing an increase of 36.1%.

# Business Review (Cont'd)

## SICOM Management Limited ('SML')

Given the historical low interest rates on offer, emphasis is being laid on short-term liquidity management by making use of deposit accounts at banks and capital protected structured products with upside potential, as a tactical move until a time when interest rates normalise. The Company's total assets increased from USD 12.1 million (MUR 484.6 million) as at 30 June 2020 to reach USD 12.6 million (MUR 536.6 million) as at 30 June 2021. For the financial year ended 30 June 2021, SICOM Management Limited recorded a profit before tax of USD 3.8 million (MUR 151.2 million), as compared to USD 3.3 million (MUR 122.9 million) for the financial year ended 30 June 2020. This increase in total revenue was due to higher management fees receivable from SGFL.

## SICOM Financial Services Ltd ('SFSL')

In line with its strategy to diversify its sources of revenue and provide a range of products to its clients, a Personal Loan scheme was launched in October 2020, the Speedy Loan. This product, which is geared towards employees of the public sector and parastatal bodies was successfully launched and results for this new line of business have been very positive. Going forward, the strategy of the Company will be focused on boosting the sales of lease and personal loan businesses, continue to digitalise its operations, develop new innovative products and services and further consolidate the arrears management system. The total deposits of the Company stood at MUR 1.7 billion for the financial year ended 30 June 2021 in line with the Company's strategy to improve its interest margin by not mobilizing costly deposits. The value of leases approved amounted to MUR 308.5 million as compared to MUR 289.2 million last year. Profit before tax reached MUR 20.4 million for the financial year under review, as compared to MUR 20.8 million (restated) last year. This is due to an increase in provisioning of MUR 6.0 million as compared to last year with the COVID-19 pandemic impacting on the repayment capacity of certain clients and the additional provisioning recommended by the External Auditors.

## Loans

Our portfolio under all our secured loans for individual clients stood at MUR 2.0 billion as at 30 June 2021 compared to MUR 1.9 billion for the previous financial year. For the financial year under review, a total loan amount of MUR 387.2 million was sanctioned as compared to MUR 236.1 million for the same period last year, whilst the total amount of loans disbursed reached MUR 334.2 million in comparison to MUR 207.9 million for the last financial year.

## Actuarial

During the year under review, 127 statutory valuations have been carried out and the actuarial fees amounted to MUR 7.2 million (June 2020: MUR 6.9 million). On the Pensions side, in addition to the statutory actuarial valuation of pension funds carried out during the year, the team has also insourced the actuarial valuation of the SICOM Pooled Private Pension Fund as at 30 June 2021. This will result in significant savings on the actuarial fees paid to external consultants. The Actuarial Team has gone through an intensive training over the last financial year to take on the new challenges facing the industry. With the implementation of the IFRS17 accounting standard as from 1 July 2023, the internal actuarial team will be more involved in the financial reporting process and has taken on the challenge of insourcing the actuarial valuation of the Life insurance business. The first internal run was successfully carried out as at 31 December 2020 and the team has now embarked on the implementation of the new accounting standard together with our external consultants.

# Business Review (Cont’d)

## Our Executive Team

**Nandita RAMDEWAR**
**Group Chief Executive Officer**

The profile of Nandita Ramdewar can be found on page 35.

**Dev K GOPY**
**Chief Investment Officer**

The profile of Dev K Gopy can be found on page 37.

**Theresa M. LEE SHING PO**
**Chief Support Officer**

Theresa Lee Shing Po, Attorney-at-Law, had her private practice for many years. She then joined an international accounting and auditing firm to acquire knowledge and experience in different fields. She also worked at the Attorney General's Office and joined SICOM in 2000, where she set up 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 Chief Support Officer, heading the Legal, Compliance, HR and Corporate Affairs of the Group. She also previously acted as Company Secretary to the State Insurance Company of Mauritius Ltd, SICOM General Insurance Ltd and SICOM Financial Services Ltd.

**Vanisha PURSUN**
**Chief Actuarial Officer**

Vanisha Pursun joined SICOM in December 2020 and oversees the actuarial functions of the Group. She has a wealth of experience in Pensions and Employee Benefits, Life Insurance and General Insurance as well as Risk Management and Investment. Prior to joining the Company, Vanisha has worked in Retirement Benefits Consulting, Insurance Broking and other large scale insurance companies.

Vanisha is a Fellow of the Institute and Faculty of Actuaries, UK and also holds a BA (Hons) in Mathematics from the University of Delhi, India.

# Business Review (Cont'd)

## Our Executive Team (Cont'd)

**Surendranath (Kiran) ANCHARAZ**
**Senior Executive Officer - General Insurance**

Kiran Ancharaz joined SICOM General Insurance Ltd. in 2019 after gaining more than nineteen years of experience in the Insurance sector. He has a sound knowledge of General Insurance products, Underwriting, Claims and Marketing, among others. Kiran is well acquainted with most forms of distribution for insurance companies, while driving top line growth and profitability.

In his present post, Kiran is responsible for the management of the overall General Insurance Business operations of SICOM General Insurance Ltd.

Kiran holds an Executive MBA from IIELM, India and a degree in Economics from Delhi University, India.

**Pritty APPADOO**
**Senior Executive Officer – Risk**

Pritty Appadoo joined SICOM in January 2002 and, over the years has cumulated several functions within the company. She has a comprehensive overall knowledge of all activities of the Group and was involved in various strategic projects. She is currently in charge of the Risk Management Function for the Group. Prior to joining SICOM, Pritty has worked for another leading insurance group and was also an External Auditor in one of the Big Four Accountancy Firms.

Pritty holds an MBA from the University of Surrey, UK and is a Fellow member of the Association of Certified Accountants, UK.

**Chemanlall BAGUANT**
**Senior Executive Officer- IT**

Chemanlall Baguant joined the Company as Information System Officer in 1998, after having spent 5 years in Software Development and Systems Implementation in both local and overseas firms. He has set up SICOM's IT Department and is the main architect behind its core insurance platforms. Among other key projects, he led the implementation of Life Insurance, General Insurance, Group Pension, Deposit Taking, Leasing and Customer Portal applications. He has also supported Business Continuity Management and improved the resilience of SICOM's technology ecosystem.

Chemanlall proactively keeps SICOM abreast of technological developments that will maintain its competitive edge. Currently he leads key projects on Security, Digitalization and the updating of core insurance systems. Chemanlall holds an MBA in Finance from the University of Mauritius. He holds a degree in Computer and Information Systems from Victoria University of Manchester (UK) and has a diploma in Actuarial Techniques.

# Business Review (Cont'd)

## Our Executive Team (Cont'd)

**Atma BEEHARRY**
**Senior Executive Officer - Customer Experience**

Atma Beeharry joined SICOM in July 2020 after having occupied senior management positions in the Utilities and Financial Services Sectors, both locally and in the region. He possesses a wide experience in various management fields – Technology, Operations, Project and Change as well as Customer Service. His previous experience included leading major projects in Technology Strategy and Business Transformation. Atma is presently focusing on the intersection of Digital, Strategy and Customer Experience and is applying a multi-disciplinary approach to implement business and customer-centric initiatives to enhance client satisfaction. He is also collaborating with other Business Heads to nurture the necessary capabilities to sustain cultural change that will drive positive customer experience.

Atma holds an MBA from the University of Mauritius, a Master of Information Technology from QUT, Australia and a BTech degree from IIT Delhi.

**Mohammad Fayaz BUDALY**
**Senior Executive Officer – Property, Facilities and Procurement**

Mohammad Fayaz Budaly joined SICOM in 2012 and has contributed to the reorganization of the Facilities Department, with focus on innovation and efficiency. He started his career in an engineering company before moving in the public sector as a Registered Electrical Engineer. He is well acquainted with procurement procedures and advises in this field across the Group. In line with the strategy of diversification, he is committed to the development of one important investment cluster of the Group, which is Property Management.

Mohammad Fayaz holds an MBA and a B.Eng (Hons) from the University of Mauritius as well as CDipAF delivered by the Association of Chartered Certified Accountants (ACCA).

**Moorganaden (Ruben) CHADIEN**
**Senior Executive Officer – SICOM Financial Services Ltd**

Ruben Chadien joined SICOM in 1994 and has gathered knowledge and experience working in different departments of the company. He moved to SICOM Financial Services Ltd upon its setting up in 2000 and has, through time, gained a rich experience in Deposit Taking, Leasing, Loans and Collective Investment Scheme administration. He is today responsible for the day-to-day operations of SICOM Financial Services Ltd and manages the Loan portfolio of the Group.

Ruben holds an MBA from the University of Surrey, UK and is a Fellow member of the Association of Chartered Certified Accountants (ACCA).

# Business Review (Cont'd)

## Our Executive Team (Cont'd)

**Lohit K. L. (Bobby) CHEENEEBASH**

**Senior Executive Officer - Life**

Bobby Cheeneebash joined SICOM in 1991 and has shouldered an array of responsibilities in the Life Department. Some of his key areas of specialisation are Business Development, Product Innovation and Distribution Management and he possesses a rich experience, acquired over more than 25 years, in the business of Life Insurance and Personal Pensions.

Bobby is a Chartered Insurer and is an Associate of the Chartered Insurance Institute, UK (ACII). He holds an MBA from the University of Mauritius.

**Chandan (Ashwin) PRAYAG**

**Senior Executive Officer – Investment**

Ashwin Prayag joined SICOM in 2011, pursuant to experience gained in the Investment sector, and as an academic, in Mauritius and South Africa. He assists in the management of the Investment Department and is involved in defining, implementing and monitoring the objectives and strategies of the different Funds managed by the Group, both locally and overseas. Ashwin is currently a director at Ebene Carpark Ltd. and has previously been a director of the National Housing Development Co. Ltd. He has also been a volunteer with the CFA Institute for several years.

Ashwin is a CFA Charterholder and holds a Masters of Business Science in Finance as well as a Bachelors of Business Science (Hons) from the University of Cape Town, South Africa. He is also a member of the Mauritius Institute of Directors.

**Rajkamal (Raj) RUGHOO (up to August 2021)**

**Senior Executive Officer - Group Pensions**

Raj Rughoo joined SICOM in 1988 and worked at different levels within the Group, namely in General Insurance, Actuarial, Loans, Administration and Customer Relations. He oversaw the strategic functions and the overall operations of the Group Pensions Department as well as oversaw the Human Resources Department. Raj had also built up considerable experience in the business of Group Pensions and provides the requested technical support in defining, implementing and strategically reviewing schemes for the Group's stakeholders. He recently retired from his post in August 2021.

Raj holds a B.A (Hons) in Mathematics from the University of Delhi, India.

# Business Review (Cont'd)

## Our Executive Team (Cont'd)

**Vasoodevsing J. (Rajeev) SEEROO**
**Senior Executive Officer - Actuarial & Group Life**

Rajeev Seeroo joined SICOM in 1989 and worked at different levels within the actuarial field – Pension Fund Valuations, Pension Consultancy, Life Fund Valuations, Product Pricing and Corporate Projects, among others. In his present position, Rajeev advises Pension clients and is the signatory for Pension Valuation Reports and IAS 19 disclosures.

Rajeev is a Fellow member of the Institute and Faculty of Actuaries, UK.

**Ackbaree AUMERALLY AREKION**
**Manager – Human Resources**

Ackbaree Aumeeraly - Arekion joined SICOM in 2019 as Human Resources Manager with more than twenty years of experience. She is part of the team that is driving change initiatives related to the People Agenda of the Group.

Ackbaree holds a Master's degree in Human Resources from the University of Mauritius.

**Mahesh DOOKHEE**
**Manager – Life Department**

Mahesh Dookhee joined SICOM in Dec 2020. Prior to that he worked in the field of reinsurance. He has an extensive experience in operational management as well as B2B marketing to service clients based in Africa and the Middle East regions. He also worked for five years as a Pricing Actuary to set pricing bases and develop tools for life insurance pricing. At SICOM, he is currently involved in the daily management of the Group Life business and in the development of new products.

Mahesh is a qualified actuary (FIA and CERA) and holds a BSc Hons degree from the London School of Economics.

**Prith MEWASINGH**
**Manager – Legal**

Prith Mewasingh joined the Company in 2010 as Legal Officer and was promoted Deputy Manager and Manager in 2013 and 2021 respectively. He also acted as the Secretary of SICOM Pooled Private Pension Fund. Prior to joining SICOM, he worked for a well-known Law Firm and an Insurance company and today puts his wealth of knowledge to contribution when dealing with and advising the Group on legal matters.

Prith holds an LLB (Hons) from the University of London and an LLM from the University of Westminster.

# Business Review (Cont'd)

## Our Executive Team (Cont'd)

**Ashley Kumar MOTI**

**Manager – Motor & Personal Lines & Business Development**

During his 39 years dedicated to the SICOM Group, Ashley Moti has occupied several posts at supervisory, technical and managerial positions. He has managed the SICOM Customer Care and Marketing Departments for over 8 years handling Life, Personal Pensions, Property, Motor along with Investment products.

Ashley is currently in charge of the Motor and Personal Lines and also engages in Business Development.

**Anoushka RAMPEEAREE-PASCAL (up to July 2021)**

**Compliance Manager/MLRO**

Anoushka Rampeearee - Pascal joined SICOM in 2019 after six years working in the Legal and Compliance sector. She was responsible of the Group's Compliance Programme and also acted as Data Protection Officer and Money Laundering Reporting Officer. Anoushka has resigned from her position at SICOM in July 2021.

Anoushka holds an LLB (Hons) from the University of Orleans, France and a Certificate of English Law (M1) from the University of Birmingham. She is a Fellow member of the Association of Certified Anti-Money Laundering Specialists (ACAMS).

**Mitradev RAMANAH**

**Manager – Pensions**

Mitradev Ramanah started his career with SICOM in 1989 and has held several positions, including Pension Administration, Accounting, Investments, Deposit Taking, Leasing, Unit Trust Management and Fund Administration. He has a solid track record and over twenty years of experience working at management and supervisory levels within the Group.

Mitradev holds an MBA in Finance and Investment from the University of Technology, Mauritius and is a Fellow member of the Association of Chartered and Certified Accountants, UK.

# Business Review (Cont'd)

## Our Executive Team (Cont'd)

### Keswaree (Sandhya) SEESAHA
**Manager – Finance**

Sandhya Seesaha started her career as an auditor in a leading Audit Firm before joining the SICOM Group in 2003. She possesses a broad knowledge of Finance and Accounting and has, over time, acquired an extensive and rich experience in Insurance operations. Sandhya is responsible of the Finance function, including statutory reporting and compliance with International Financial Reporting Standards.

Sandhya holds a MSc in Finance, Accounting and Management, UK from the University of Bradford and a BSc in Accounting from the University of Mauritius. She is a Fellow member of the Association of Chartered Certified Accountants, UK.

### Ashvin SOOKENRAM
**Manager - Property and Casualty**

With more than 20 years' experience in the Insurance Industry, Ashvin Sookenram started his career as a Reinsurance Broker for a leading South African Firm based in Mauritius before joining SICOM in 2002. He has assumed several responsibilities within General Insurances in SICOM. He currently oversees Property, Engineering, Liability, Transportation and Accident and Medical Insurance classes.

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

### Khoosraj SOYJAUDAH
**Manager – Internal Audit**

Khoosraj Soyjaudah has been with the Group for over twenty-five years and enriched his career working in the General Insurance as well as in the Actuarial and Investment Departments before moving to Internal Auditing. Khoosraj possesses a wide knowledge of SICOM's activities and presently oversees the operations of the Internal Audit Department.

Khoosraj holds an MBA in Finance and Investment and is a Fellow member of the Association of Chartered Certified Accountants, UK.

### Neermul SUNEECHUR
**Manager – Group Pensions (Technical)**

Neermul Suneechur joined SICOM in 1992. He spent a major part of his career in the Actuarial Department, dealing mainly with pension valuations and RBO calculations. He also actively participated in the establishment of the Enterprise Risk Management framework for the Group, as well as worked in close collaboration with Consultants for ORSA processes. In his present position, Neermul heads the Technical Unit of the Group Pensions operations.

He is a member of the Institute and Faculty of Actuaries (UK).

# 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 risk tolerance levels. 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.

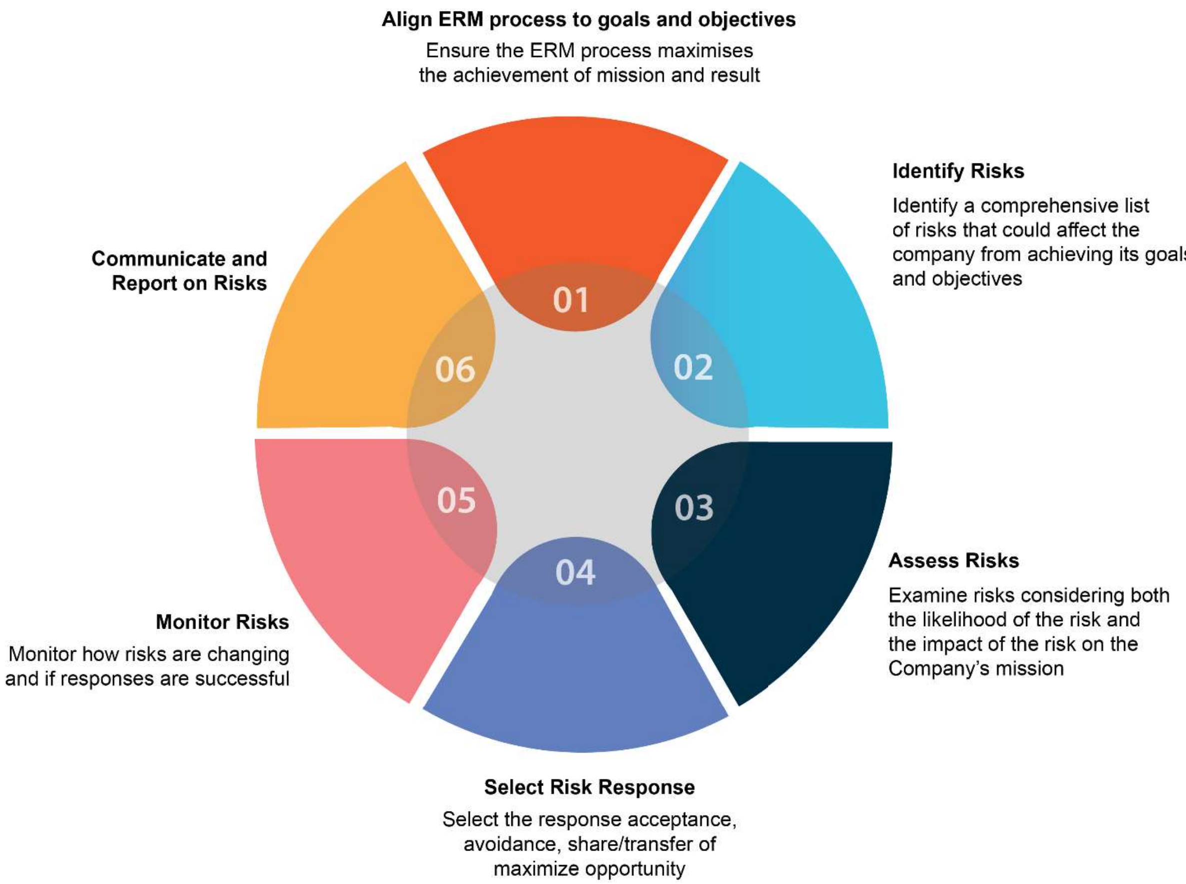
## Regulatory Requirements

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. Insurers need to have in place a number of Board approved elements as part of their ERM Framework:

# Risk Management Report (Cont’d)

## 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 formalized in a risk register. Below is a depiction of the ERM processes embedded within the day-to-day operations of the Company in managing its risk exposure.




The risks are identified and classified in a consistent manner across the organisation with reference to the Company’s Risk Taxonomy. The inherent risks that are identified are then assessed in terms of their probability of occurrence, their financial impact as well as their reputational impact. A corresponding rating is given for the residual risk along with a control description of how each risk identified is being mitigated, together with improvement plans. The monitoring frequency of risks differs and is stipulated in the risk registers.

# Risk Management Report (Cont'd)

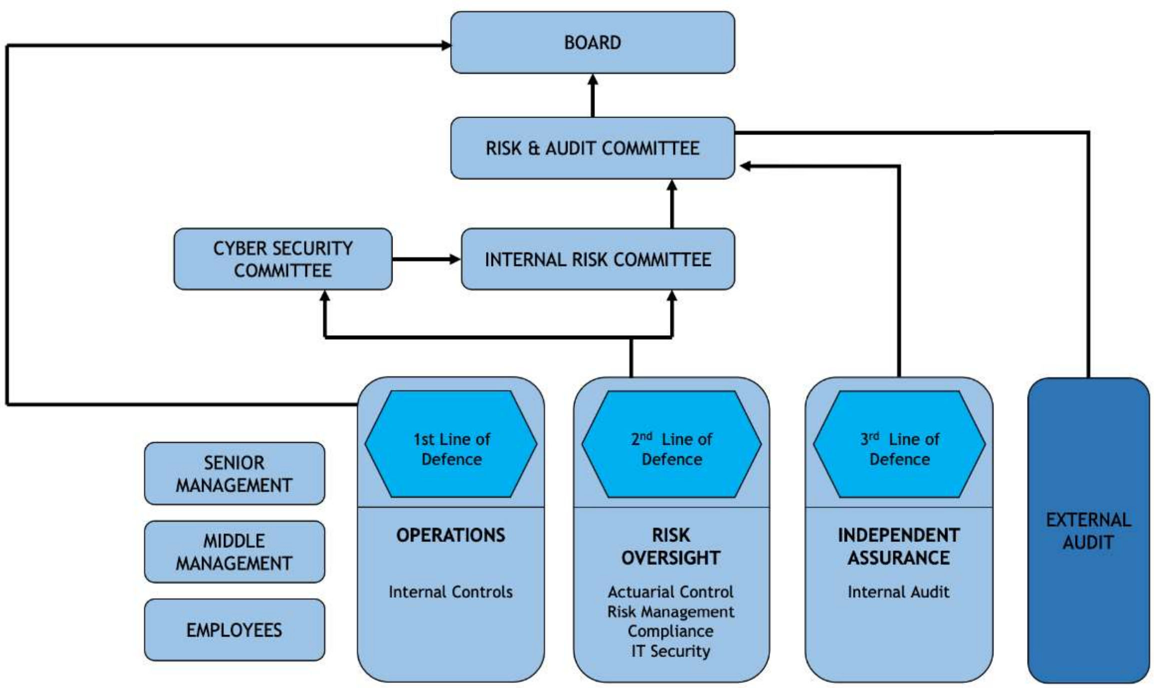
The Company has a list of key risks it is willing to take or tolerate in pursuing its strategic objectives and business plans. The Company regularly measures and quantifies material risks to which it is exposed, using financial and non-financial metrics.

## Risk Management Process

### 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.

**Risk Governance**




### First Line of Defence: Operations

The First Line of Defence comprises all functions that own and manage risks on a day-to-day basis. These functions are responsible for identifying, assessing and managing risks on an ongoing basis. They would also report on any risk-related issues or concerns.

### Second Line of Defence: Oversight

Oversight functions are necessary to avoid potential conflicts of interest and lack of impartiality. This line of defence is comprised of the Actuarial Control, Risk Management, Compliance functions and IT Security, all of which oversee the management of risks by Operations but are not involved in the day-to-day operations of the Company.

# Risk Management Report (Cont'd)

The roles and responsibilities of the Second Line functions are to assist the Company to identify, assess, monitor, manage and report on its key risks in a timely manner by overseeing the ERM Program. The Second Lines Functions also ensure that the Company meets its legal and regulatory obligations and to promote and sustain a culture of compliance within the Company.

### Third Line of Defence: Independent Assurance

The Third Line of Defence, which has the highest level of independence achievable internally, is responsible for independently reviewing the effectiveness of the risk governance system. This line comprises of the Internal Audit function and reports to the Risk and Audit Committee. Internal Auditors provide comprehensive assurance based on utmost independence and objectivity.

## Risk Management Function

The Risk Management Function coordinates and oversees risk management activities, processes, and controls and their implementation across the Company. The function's core responsibility consists in ensuring that the Company has an effective best practice risk governance system, enabling the identification and management of all key risks, current or emerging. This requires the Risk Management Function to monitor the risk management framework and the internal control framework in order to identify any material shortcomings and provide possible solutions. In addition, the function continually reviews the most effective risk management tools, techniques, concepts, and approaches to make sure that the Company has a robust and effective risk governance system.

## Internal Risk Committee

An Internal Risk Committee (IRC) is in place which includes membership from all key business units and subsidiary companies. The primary function of the IRC is to perform centralised oversight of the risks to which the Group is exposed and oversee the Group's risk assessment and management processes. The IRC reports directly to the Risk and Audit Committee of the Board. The IRC meets as frequently as necessary to review the management of current and emerging risks and provide guidance for areas of focus.

## Cyber Security Committee

Technology is becoming increasingly vital in both our professional and personal lives. Work-from-Home is a required way of working to ensure business continuity but comes with its own risks. Indeed, accessing office servers and infrastructure remotely through secure technological means nevertheless exposes the IT infrastructure and internal processes to cyber risk. To manage those risks, a Cyber Security Committee (CSC) has been established, with the primary function of overseeing the Group's risk assessment and management processes with regards to Cyber Risks. The CSC is a sub-committee of the IRC.

# Risk Management Report (Cont'd)

## Risk Radar

The Risk Radar gives a visual representation of our risk profile and main risks. The main risk categories identified at SICOM are plotted in our internal Risk Radar and they are: (i) Market and Investment (ii) Counterparty Default (iii) Life Underwriting (iv) Operational (v) Strategic and Environmental. The highest ranked risks can jeopardise attainment of the business objectives while risks which are medium to low do not prevent SICOM from attaining its objectives but need to be monitored. All the risks situated on the Risk Radar are monitored by Management and the IRC and any emerging risks identified are also assessed.

## Business Planning and Own Risk and Solvency Assessment

### Business Planning

Business Planning is an essential aspect of strategic planning which facilitates the management of risk exposure not only at a particular point in time, but also on a forward-looking basis. Business planning focuses on financial forecasts and the projected solvency position for a span of three years following the assessment of the impact of risk over a longer time horizon, both when considering the financial impact of a material new business venture. These plans are adjusted for any known deviations from the prior detailed business plan or after the occurrence of any material event which could alter the strategic direction and impact on the solvency position of SICOM or any of its legal entities.

### Own Risk and Solvency Assessment

# Risk Management Report (Cont'd)

The Company performs an Own Risk and Solvency Assessment (ORSA) once a year with quarterly reviews. The purpose of the ORSA is for the Company to assess the resilience of its solvency across a range of possible scenarios over its full business planning cycle of three years. The Company carries out this exercise by taking into consideration its regulatory solvency position over this period as well as how its risk profile changes relative to its overall risk appetite measures and detailed risk tolerance limits.

During the ORSA process, the company also assesses the quality of its capital resources and capital planning processes as well as the adequacy of its risk management framework. The ORSA consists of an assessment of the impact of stress testing the business plan, a review of the ERM Framework and a review of the capital management framework.

The Stress Testing is a crucial component of the ORSA where risk assumptions are adjusted in SICOM's capital and balance sheet projection models to determine the impact of key risks and their interactions on SICOM's risk appetite measures. The purpose is to enhance the Board's and management's understanding of the Company's risk exposure, the interactions between these risks and the impact these risks can have on the ability to meet business objectives.

## Business Continuity Plan (BCP) and COVID-19 Positive Case

The Group recognises the risk attached to a pandemic which constitutes a major challenge to ease of doing business. The new normal requires businesses to adopt new models of operations to adapt to the ever-changing environment and meet stakeholders' requirements. In this respect, the existing Business Continuity Plan will be further enhanced with strategies to ensure continuity of services to our clients and other stakeholders.

The two national lockdowns imposed after the surge of the COVID-19 required SICOM to utilise its Business Continuity Plan where the majority of employees shifted to working from home to ensure seamless operations and reduce any risk of contamination. The previous year lockdown was a similar scenario which urged SICOM to incorporate the sudden change of the working environment resulting in less disruption of services than experienced in the previous lockdown.

Following a COVID 19 positive case of an employee, the Group activated its plan to apply all safety measures to minimise the risk of infection. To cope with the crisis situation, the Group prioritised key operational and strategic operation in a pragmatic manner. The safety of our employees and customers was prioritised while laying emphasis on the continuity of our operations. The head office and the ex-Harel Mallac buildings were completely disinfected. All employees were required to undergo a PCR test organised at the SICOM Building 1. Fortunately, there were no further cases detected and operation was able to restart on a gradual basis under the highest safety conditions. A work from home policy was established and put into force with a minimum number of staff coming at office. We implemented health and safety measures such as wearing of mask and hand sanitising for staffs and customers.

# Risk Management Report (Cont'd)

## Challenges of COVID-19 for the Insurance Industry

### Shift to Remote Working

Shifting from a physical location to an online operating system is one of the many challenges that stands out for the insurance industry following the onset of the COVID-19. Essential services which require face to face contact with customers are requiring companies to devise alternate ways of working or to impose strict sanitary precautions to continue operations safely. Agility in finding solutions to challenges which crop up on an almost daily basis is key to maintaining operations and business continuity.

The old ways of working have been overhauled and we now need leaders who communicate clearly, frequently and effectively with their teams to ensure that they are informed of developments and understand priorities. Face to face interactions have been replaced to a large extent with remote connectivity, extensive use of video conferencing facilities or 'virtual coffee' with teams to catch up, maintain team spirit and address any concerns. Monitoring of staff performance remotely also requires a new mindset which needs to focus on deliverables rather than physical presence, especially for team members with young families. At SICOM, more laptops were made available to facilitate employees who did not have adequate equipment to ensure continuity of services. Staff in essential business lines, requiring face to face contact with customers have switched to an alternating teams' patterns to eliminate risks of contamination.

### Digitalisation of Services

With lockdowns, restrictions to movement and a general fear of contamination, SICOM accelerated its projects in digital underwriting and claims processing as well as administration of insurance using digital means without compromising on processing time. These implied additional budget allocation, specific application developments or some areas of the business might even find themselves in a need to redesign their approaches and processes to support the digitalisation of services or a reconfiguration of their internal resources available to process heavy load of information. SICOM had already stepped into the digitalisation era with the launching of an online sales platform for Motor Services where the range of services cover queries and quotation request for new car insurance as well as renewal of current policy. Digitalisation of other services within the Group are also well under way with high-priority upcoming projects in the pipeline.

### Disruption in Business Operations

Having customer satisfaction as main focus, SICOM has been redesigning internal processes to ease the liaison between intermediaries and customers to help business flow. With the help of its Actuarial consulting support unit, SICOM embarked on the repricing of its key to provide customers with the best-suited-to budget products. With digitalisation of our services, we are aiming at further developing easily accessible products for a wide range of customers.

# 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 2020/2021 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: 10 November 2021

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## Independent auditor's report to the shareholders of State Insurance Company of Mauritius Ltd

### Report on the audit of the consolidated and separate financial statements

#### Opinion

We have audited the consolidated and separate financial statements of **State Insurance Company of Mauritius Ltd** (the "Company" and the "Public Interest Entity") and its subsidiaries (the "Group") set out on pages 76 to 186, which comprise the consolidated and separate statements of financial position as at 30 June 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2021, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001, 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 Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standard Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment of loans and advances to customers and investment in finance leases** | |
| As at 30 June 2021, the Group and the Company reported total gross loans and advances of Rs1,641m and Rs 1,384m and expected credit loss (ECL) provisions of Rs 43.8m and Rs 42.0m respectively.<br><br>At 30 June 2021, the Group reported total gross finance lease of Rs 715.8m and Rs 10.2m of expected credit loss provisions.<br><br>Further details of the loans and advances are set out in Note 12 to the financial statements. | Our procedures included the following:<br><br>• We observed the oversight and approval of ECL policies by management.<br>• We evaluated the design and implementation of 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, data accuracy and completeness and credit monitoring. |

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**Independent auditor's report to the shareholders of State Insurance Company of Mauritius Ltd (Continued)**

**Key audit matters (Continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment of loans and advances to customers and investment in finance leases (Continued)** | |
| Estimating ECL includes the following;<br><br>- determination of expected losses (including probability of default (PD), loss given default (LGD) and exposure at default (EAD);<br>- determination of the criteria for significant increase in credit risk (SICR);<br>- 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;<br>- relevance of macro-economic factors;<br>- inputs and assumptions used to estimate the recoverable amount of the loans and leases;<br><br>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. | With the assistance of our internal specialist:<br><br>• We tested the accuracy and completeness of ECL by reperformance.<br>• 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.<br>• We tested the key inputs and assumptions used in the ECL model. This included assessing the probability of default, loss given default and exposure at default.<br>• We assessed the appropriateness of the macro-economic factors used.<br><br>For loans and advances and leases to customers that were individually assessed for impairment (Stage 3):<br><br>• Where impairment indicators existed, we evaluated the reasonableness of management's estimated future recoveries in the valuation of collateral held.<br>• We also compared the actual recoveries against previously estimated amounts of future recoveries. |
| **Valuation of Insurance Contract Liabilities - Long term insurance** | |
| The valuation of insurance contract liabilities has been identified as a key audit matter due to the complexity of the actuarial valuation and the significant judgements and estimates used in the valuation of the liabilities.<br><br>Actuarial assumptions and methodologies involve judgement about future events for which small changes can result in a material impact to the valuation of the insurance contract liabilities. In addition, the valuation of the insurance contract liabilities also depends on the accuracy of the data used in the valuations.<br><br>The focus areas of our audit in respect to the insurance contract liabilities is linked to the following:<br><br>• The appropriateness of the actuarial assumptions methodology and models used in the calculation of the liabilities, and<br>• The underlying data used in the valuation of the liabilities. | Our procedures included the following:<br><br>• We obtained an overall understanding of the respective processes followed and assumptions applied in the valuation of the insurance contract liabilities.<br>• We assessed the design and implementation of controls related to the review of the actuarial valuation process.<br><br>With the assistance of our actuarial specialist, we:<br><br>• Considered that the valuations are performed by management's expert and accordingly we assessed their competence and capabilities. We also obtained an understanding of the work performed by the management expert and evaluated the adequacy of their work.<br>• Assessed the appropriateness of the valuation methodologies applied and the basis used to value the insurance contract liabilities. This has been evaluated against industry practice and the relevant regulations in place. |

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**Independent auditor's report to the shareholders of State Insurance Company of Mauritius Ltd (Continued)**

**Key audit matters (Continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of Insurance Contract Liabilities - Long term insurance (Continued)** | |
| The assumptions we considered as significant are as follows:<br><br>• Mortality<br>• Lapses<br>• Expenses<br>• Interest and inflation | • Challenged the assumptions used in the calculation of the insurance contract liabilities to assess reasonableness thereof.<br>• Considered the solvency position and whether this is in line with the applicable Solvency Rules.<br><br>In evaluating the integrity and completeness and accuracy of the data used in the actuarial valuation, we:<br><br>• Agreed the relevant data extractions made to those provided to the external actuary.<br>• Reconciled the data (number of policies, asset values and premiums) used by the actuary in valuing the actuarial liabilities to records. |
| **Valuation of Insurance Contract Liabilities - General insurance** | |
| The valuation of insurance contract liabilities involves a high degree of subjectivity and complexity. At 30 June 2021, the Group's insurance contract liabilities were Rs 585.5M.<br><br>Among the most significant reserving assumptions for the short term business are the determination of the reserve for claims incurred but not reported ("IBNR") and the ultimate cost of notified claims.<br><br>The methodology and methods used can have a material impact on the valuation of insurance contract liabilities. The valuation of insurance contract liabilities was considered a key audit matter due to the significance of the liabilities to the financial statements and the judgments involved in determining them.<br><br>Further details of the liabilities are set out in Note 16(b) to the financial statements. | We performed, among others, the following procedures:<br><br>• Tested the design and operating effectiveness of the Company's controls over the valuation of insurance contract liabilities.<br>• Tested the accuracy of the data utilised by the Company's actuary in the valuation computations, against information contained in the accounting and administration systems.<br>• Involved actuarial specialist team members to perform a review of the methodology and assumptions used by the Company's actuary to compute the reserve for IBNR. The actuary also compared the valuation methods used against generally accepted actuarial practices.<br>• Compared for a sample of claims, amounts reported in the claims systems to source documents.<br>• Compared the claims IBNR reserve to the reports of the Company's actuary. |

**Emphasis of matter relating to comparative information**

We draw attention to Note 38 to the consolidated and separate financial statements which describes the retrospective adjustments to the comparative information presented in the accompanying consolidated and separate financial statements. Consequently, the comparative information in the accompanying consolidated and separate financial statements has been restated as at 30 June 2020 and 1 July 2019 and for the year ended 30 June 2019. Our opinion is not modified in respect of this matter.

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**Independent auditor's report to the shareholders of State Insurance Company of Mauritius Ltd (Continued)**

**Other matter relating to comparative information**

The consolidated and separate financial statements of the Group and the Company as at and for the year ended 30 June 2020 and 30 June 2019 (from which the consolidated and separate statements of financial position as at 1 July 2019 has been derived), excluding the adjustments described in Note 38 to the consolidated and separate financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 September 2020 and 23 September 2019 respectively.

As part of our audit of the consolidated and separate financial statements as at and for the year then ended 30 June 2020, we also audited the adjustments described in Note 38 that were applied to restate the comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated and separate financial statements for the year ended 30 June 2020 or 30 June 2019 of the Group and the Company, other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 30 June 2020 and 30 June 2019 consolidated and separate financial statements taken as a whole.

**Other information**

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

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

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

*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 directors for the consolidated and separate financial statements**

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Insurance Act 2005 and they are also responsible 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 consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.

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**Independent auditor's report to the shareholders of State Insurance Company of Mauritius Ltd (Continued)**

**Auditor's responsibilities for the audit of the consolidated and separate financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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 consolidated and separate 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/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 to express an opinion on the consolidated 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on other legal and regulatory requirements**

*Mauritius Companies Act 2001*

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

- we have no relationship with, or interest in, the Company and its subsidiaries other than in our capacity as auditor and tax advisor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Deloitte.

7th-8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius



**Independent auditor's report to the shareholders of State Insurance Company of Mauritius Ltd (Continued)**

**Report on other legal and regulatory requirements (Continued)**

*Insurance Act 2005*

The consolidated and separate financial statements have been prepared in the manner and meet the requirements specified in the FSC Rules and Guidelines of the Financial Services Commission.

**Use of this report**

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte

**Deloitte**

**Chartered Accountants**

14 December 2021

**L. Yeung Sik Yuen, ACA**

**Licensed by FRC**

**STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2021**

| | | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|---|
| | | | Restated | Restated | | Restated | Restated |
| | Notes | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| | | **Rs'000** | Rs'000 | Rs'000 | **Rs'000** | Rs'000 | Rs'000 |
| **NON-CURRENT ASSETS** | | | | | | | |
| Property, plant and equipment | 6 | **305,789** | 314,396 | 320,031 | **255,300** | 289,341 | 291,247 |
| Investment properties | 7 | **1,515,779** | 1,460,980 | 1,391,440 | **1,635,048** | 1,473,710 | 1,404,100 |
| Intangible assets | 8 | **37,196** | 39,749 | 30,351 | **30,206** | 32,914 | 21,383 |
| Investments in subsidiaries | 9 | **-** | - | - | **565,628** | 565,628 | 565,628 |
| *Financial investments* | 10 | | | | | | |
| Measured at FVOCI | 10 (a) | **2,083,906** | 1,707,084 | 1,919,262 | **1,983,640** | 1,601,501 | 1,780,848 |
| Measured at FVTPL | 10 (b) | **5,639,336** | 3,702,476 | 3,054,624 | **5,974,374** | 4,284,465 | 3,702,548 |
| Debt instrument at amortised cost | 10 (c) | **6,884,526** | 7,543,778 | 6,909,704 | **5,887,356** | 5,948,181 | 6,053,918 |
| *Loans and advances:* | 12 | | | | | | |
| Net Investment in finance Lease | 12(a) | **539,541** | 488,229 | 426,988 | **-** | - | - |
| Mortgage and other loans | 12(b) | **1,468,447** | 1,261,809 | 1,337,086 | **1,249,888** | 1,251,926 | 1,324,096 |
| Right of use assets | 13(a) | **81,512** | 13,523 | - | **10,246** | 13,523 | - |
| Deferred tax assets | 14 | **28,266** | 59,394 | 50,361 | **-** | 5,130 | 17,149 |
| | | **18,584,298** | 16,591,418 | 15,439,847 | **17,591,686** | 15,466,319 | 15,160,917 |
| **CURRENT ASSETS** | | | | | | | |
| Debt Instrument at amortised cost | 10 (c) | **3,831,854** | 3,666,485 | 3,534,448 | **2,267,575** | 2,245,264 | 1,395,362 |
| *Loans and advances:* | 12 | | | | | | |
| Net Investment in finance Lease | 12(a) | **166,133** | 173,182 | 149,492 | **-** | - | - |
| Mortgage and other loans | 12(b) | **128,434** | 95,624 | 94,920 | **92,156** | 92,677 | 94,332 |
| Insurance and other receivables | 15 | **940,450** | 922,352 | 950,590 | **512,988** | 491,286 | 527,948 |
| Reinsurance assets | 16(a) | **499,775** | 589,838 | 462,076 | **-** | - | - |
| Current tax assets | 19(a) | **24,667** | 26,889 | 224 | **24,273** | 23,978 | - |
| Bank and Cash balances | 10(d) | **796,128** | 445,684 | 474,420 | **457,064** | 230,737 | 185,661 |
| | | **6,387,441** | 5,920,054 | 5,666,170 | **3,354,056** | 3,083,942 | 2,203,303 |
| Assets held for sale | 11 | **7,229** | 9,429 | 11,929 | **7,229** | 9,429 | 11,929 |
| | | **6,394,670** | 5,929,483 | 5,678,099 | **3,361,285** | 3,093,371 | 2,215,232 |
| **CURRENT LIABILITIES** | | | | | | | |
| Insurance contract liabilities | 16(a) | **1,055,247** | 1,100,556 | 900,935 | **-** | - | - |
| Borrowings | 17 | **22,746** | 23,241 | 24,846 | **92,723** | 87,216 | 83,335 |
| Lease liabilities | 13(b) | **6,543** | 5,348 | - | **6,543** | 5,348 | - |
| Trade and other payables | 18 | **882,390** | 725,782 | 649,498 | **579,537** | 403,680 | 350,663 |
| Current tax liabilities | 19(a) | **10,232** | 4,890 | 45,717 | **-** | - | 37,761 |
| Deposits from customers | 20 | **601,240** | 348,163 | 359,248 | **-** | - | - |
| Bank overdraft | | **37,970** | 119,569 | 82,081 | **-** | 119,569 | 74,211 |
| | | **2,616,368** | 2,327,549 | 2,062,325 | **678,803** | 615,813 | 545,970 |
| **NET CURRENT ASSETS** | | **3,778,302** | 3,601,934 | 3,615,774 | **2,682,482** | 2,477,558 | 1,669,262 |
| | | **22,362,600** | 20,193,352 | 19,055,621 | **20,274,168** | 17,943,877 | 16,830,179 |
| **CAPITAL AND RESERVES** | | | | | | | |
| Stated capital | 21 | **70,000** | 70,000 | 70,000 | **70,000** | 70,000 | 70,000 |
| Reserves | 22 | **7,205,678** | 6,214,202 | 5,866,042 | **6,433,939** | 5,502,226 | 5,182,221 |
| **Equity attributable to equity holders of the parent** | | **7,275,678** | 6,284,202 | 5,936,042 | **6,503,939** | 5,572,226 | 5,252,221 |
| Non-controlling interests | | **4,662** | 4,660 | 4,657 | **-** | - | - |
| **TOTAL EQUITY** | | **7,280,340** | 6,288,862 | 5,940,699 | **6,503,939** | 5,572,226 | 5,252,221 |
| **TECHNICAL PROVISIONS** | | | | | | | |
| Life assurance funds | 31 | **12,965,037** | 11,404,450 | 10,729,222 | **12,965,037** | 11,404,450 | 10,729,222 |
| | | **12,965,037** | 11,404,450 | 10,729,222 | **12,965,037** | 11,404,450 | 10,729,222 |
| **NON-CURRENT LIABILITIES** | | | | | | | |
| Borrowings | 17 | **50,586** | 56,099 | 35,317 | **50,586** | 126,077 | 169,270 |
| Lease liabilities | 13(b) | **55,831** | 25,195 | - | **55,831** | 25,195 | - |
| Deposits from customers | 20 | **1,119,061** | 1,358,441 | 1,483,504 | **-** | - | - |
| Deferred tax liabilities | 14 | **9,040** | 19,314 | 4,854 | **9,040** | - | - |
| Employee benefit obligations | 23 | **882,705** | 1,040,991 | 862,025 | **689,735** | 815,929 | 679,466 |
| | | **2,117,223** | 2,500,040 | 2,385,700 | **805,192** | 967,201 | 848,736 |
| | | **22,362,600** | 20,193,352 | 19,055,621 | **20,274,168** | 17,943,877 | 16,830,179 |

These financial statements have been approved for issue by the Board of Directors on 10 November 2021

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SALEMOHAMED M Y
Chairman

..................................................

ACHARUZ A
Director

The notes on pages 84 to 186 form an integral part of these financial statements.
Auditor's report on pages 70 to 75

**STATE INSURANCE COMPANY OF MAURITIUS LTD**
**STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2021**

| | | GROUP | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Shareholders' Fund** | **Life Fund** | **Total** | Shareholders' Fund Restated | Life Fund Restated | Total Restated |
| | Notes | **2021** | **2021** | **2021** | 2020 | 2020 | 2020 |
| | | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 | Rs'000 |
| Gross premiums | 24 & 31 | **1,254,060** | **2,417,102** | **3,671,162** | 1,137,267 | 2,206,757 | 3,344,024 |
| Premiums ceded to reinsurers | 24 & 31 | **(624,824)** | **(189,082)** | **(813,906)** | (570,351) | (189,862) | (760,213) |
| **Net Premium** | | **629,236** | **2,228,020** | **2,857,256** | 566,916 | 2,016,895 | 2,583,811 |
| Revenue from contracts with customers | 25 | **560,793** | **-** | **560,793** | 522,425 | - | 522,425 |
| Interest revenue on financial assets measured at EIR | 26 | **165,434** | **378,660** | **544,094** | 191,415 | 438,685 | 630,100 |
| Interest expenses on financial liabilities measured at EIR | 29 | **(65,875)** | **-** | **(65,875)** | (69,170) | (96) | (69,266) |
| **Net interest income** | | **99,559** | **378,660** | **478,219** | 122,245 | 438,589 | 560,834 |
| Fees and commission income | 24 & 31 | **93,910** | **24,134** | **118,044** | 85,802 | 46,630 | 132,432 |
| **Investment and other income** | | | | | - | | |
| Other operating income | 26 | **244,778** | **101,824** | **346,602** | 191,578 | 59,707 | 251,285 |
| Net gains on financial assets at FVTPL | | **398,191** | **945,995** | **1,344,186** | 123,118 | 364,292 | 487,410 |
| Expected credit loss on financial assets | 30 | **(7,735)** | **(9,029)** | **(16,764)** | (3,734) | (12,515) | (16,249) |
| | | **729,144** | **1,062,924** | **1,792,068** | 396,764 | 458,114 | 854,878 |
| **Total revenue** | | **2,018,732** | **3,669,604** | **5,688,336** | 1,608,350 | 2,913,598 | 4,521,948 |
| Gross benefits and claims paid | | **(596,126)** | **(1,938,480)** | **(2,534,606)** | (575,086) | (1,701,379) | (2,276,465) |
| Claims settled from reinsurers | | **251,296** | **59,184** | **310,480** | 259,978 | 32,688 | 292,666 |
| Gross change in contract liabilities | | **(2,333)** | **-** | **(2,333)** | (119,050) | - | (119,050) |
| Change in contract liabilities ceded to reinsurers | | **(11,328)** | **-** | **(11,328)** | 96,403 | - | 96,403 |
| **Net benefits and claims** | | **(358,491)** | **(1,879,296)** | **(2,237,787)** | (337,755) | (1,668,691) | (2,006,446) |
| Commission and brokerage fees paid | 24 & 31 | **(81,418)** | **(62,379)** | **(143,797)** | (78,961) | (66,315) | (145,276) |
| Other operating and administrative costs | 28 & 31 | **(555,229)** | **(291,718)** | **(846,947)** | (528,028) | (263,805) | (791,833) |
| **Other expenses** | | **(636,647)** | **(354,097)** | **(990,744)** | (606,989) | (330,120) | (937,109) |
| **Total Benefits, claims and other expenses** | | **(995,138)** | **(2,233,393)** | **(3,228,531)** | (944,744) | (1,998,811) | (2,943,555) |
| **Surplus of Shareholders' Fund and Life Assurance Fund** | | **1,023,594** | **1,436,211** | **2,459,805** | 663,606 | 914,787 | 1,578,393 |
| Transfer of surplus from Life Assurance Fund | 27 & 31 | **25,556** | **(25,556)** | **-** | 24,461 | (24,461) | - |
| **PROFIT/SURPLUS BEFORE TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND** | | **1,049,150** | **1,410,655** | **2,459,805** | 688,067 | 890,326 | 1,578,393 |
| Taxation | 19 | **(78,823)** | **(60,473)** | **(139,296)** | (74,341) | 86,781 | 12,440 |
| **PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND** | | **970,327** | **1,350,182** | **2,320,509** | 613,726 | 977,107 | 1,590,833 |
| Less profit attributable to Life Assurance Fund | 31 | | | **(1,350,182)** | | | (977,107) |
| **PROFIT ATTRIBUTABLE TO THE GROUP FOR THE YEAR** | | | | **970,327** | | | 613,726 |
| **Profit for the year attributable to:-** | | | | | | | |
| Equity holders of the parent | | | | **970,161** | | | 613,522 |
| Non-controlling interests | | | | **166** | | | 204 |
| | | | | **970,327** | | | 613,726 |

The notes on pages 84 to 186 form an integral part of these financial statements.
Auditor's report on pages 70 to 75

## STATE INSURANCE COMPANY OF MAURITIUS LTD
## STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2021

| | | COMPANY | | | | | |
|---|---|---|---|---|---|---|---|
| | | Shareholders' Fund | Life Fund | Total | Shareholders' Fund | Life Fund | Total |
| | | | | | Restated | Restated | Restated |
| | Notes | 2021 | 2021 | 2021 | 2020 | 2020 | 2020 |
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Gross premiums | 24 & 31 | - | 2,417,102 | 2,417,102 | - | 2,206,757 | 2,206,757 |
| Premiums ceded to reinsurers | 31 | - | (189,082) | (189,082) | - | (189,862) | (189,862) |
| **Net Premium** | | - | 2,228,020 | 2,228,020 | - | 2,016,895 | 2,016,895 |
| Revenue from contracts with customers | 25 | 445,658 | - | 445,658 | 437,583 | - | 437,583 |
| Interest revenue on financial assets measured at EIR | 26 | 65,820 | 374,347 | 440,167 | 75,997 | 429,019 | 505,016 |
| Interest expenses on financial liabilities measured at EIR | 29 | (15,726) | - | (15,726) | (19,645) | (96) | (19,741) |
| **Net interest income** | | 50,094 | 374,347 | 424,441 | 56,352 | 428,923 | 485,275 |
| Fees and commission income | 24 & 31 | - | 24,134 | 24,134 | - | 46,630 | 46,630 |
| **Investment and other income** | | | | | | | |
| Other operating income | 26 | 382,046 | 26,899 | 408,945 | 325,991 | 45,973 | 371,964 |
| Net gains on financial assets at fair value through profit or loss | | 418,464 | 1,002,413 | 1,420,877 | 147,238 | 384,876 | 532,114 |
| Expected credit loss on financial assets | 30 | (2,187) | (9,229) | (11,416) | (3,609) | (12,590) | (16,199) |
| | | 798,323 | 1,044,217 | 1,842,540 | 469,620 | 464,889 | 934,509 |
| **Total revenue** | | 1,294,075 | 3,646,584 | 4,940,659 | 963,555 | 2,910,707 | 3,874,262 |
| Gross benefits and claims paid | 31 | - | (1,938,480) | (1,938,480) | - | (1,701,379) | (1,701,379) |
| Claims settled from reinsurers | 31 | - | 59,184 | 59,184 | - | 32,688 | 32,688 |
| **Net benefits and claims** | | - | (1,879,296) | (1,879,296) | - | (1,668,691) | (1,668,691) |
| Commission and brokerage fees paid | 31 | - | (62,379) | (62,379) | - | (66,315) | (66,315) |
| Other operating and administrative costs | 28 | (311,647) | (258,774) | (570,421) | (303,821) | (237,462) | (541,283) |
| **Other expenses** | | (311,647) | (321,153) | (632,800) | (303,821) | (303,777) | (607,598) |
| **Total Benefits, claims and other expenses** | | (311,647) | (2,200,449) | (2,512,096) | (303,821) | (1,972,468) | (2,276,289) |
| **Surplus of Shareholders' Fund and Life Assurance Fund** | | 982,428 | 1,446,135 | 2,428,563 | 659,734 | 938,239 | 1,597,973 |
| Transfer of surplus from Life Assurance Fund | 27 & 31 | 25,556 | (25,556) | - | 24,461 | (24,461) | - |
| **PROFIT/SURPLUS BEFORE TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND** | | 1,007,984 | 1,420,579 | 2,428,563 | 684,195 | 913,778 | 1,597,973 |
| Taxation | 19 | (44,743) | (60,473) | (105,216) | (65,445) | 86,781 | 21,336 |
| **PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND** | | 963,241 | 1,360,106 | 2,323,347 | 618,750 | 1,000,559 | 1,619,309 |
| Less profit attributable to Life Assurance Fund | 31 | | | (1,360,106) | | | (1,000,559) |
| **PROFIT ATTRIBUTABLE TO THE COMPANY FOR THE YEAR** | | | | 963,241 | | | 618,750 |

The notes on pages 84 to 186 form an integral part of these financial statements.
Auditor's report on pages 70 to 75

**STATE INSURANCE COMPANY OF MAURITIUS LTD**
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 JUNE 2021**

| | | GROUP | | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | Shareholders' Fund 2021 | Life Fund 2021 | Total 2021 | Shareholders' Fund 2020 | Life Fund 2020 | Total 2020 |
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| | | | | | Restated | Restated | Restated |
| **PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND** | | **970,327** | **1,350,182** | **2,320,509** | 613,726 | 977,107 | 1,590,833 |
| **Other comprehensive income (OCI):** | | | | | | | |
| Exchange differences on translation of foreign operations | 22(e) | **36,210** | **17,224** | **53,434** | 75,167 | 38,150 | 113,317 |
| **Net OCI to be reclassified to profit or loss in subsequent periods** | 22(h) | **36,210** | **17,224** | **53,434** | 75,167 | 38,150 | 113,317 |
| *OCI not to be reclassified to profit or loss in subsequent periods:* | | | | | | | |
| Revaluation gains/(losses) on equity instruments at fair value through OCI | 22(h) | **33,240** | **193,181** | **226,421** | (82,961) | (340,227) | (423,188) |
| Remeasurement of defined benefit obligations | 22(h) | **70,752** | **-** | **70,752** | (106,009) | - | (106,009) |
| **Net OCI not to be reclassified to profit or loss in subsequent periods** | | **103,992** | **193,181** | **297,173** | (188,970) | (340,227) | (529,197) |
| **Other comprehensive income for the year, net of tax** | | **140,202** | **210,405** | **350,607** | (113,803) | (302,077) | (415,880) |
| **TOTAL COMPREHENSIVE INCOME** | | **1,110,529** | **1,560,587** | **2,671,116** | 499,923 | 675,030 | 1,174,953 |
| Less comprehensive income attributable to Life Assurance Fund | | | | **(1,560,587)** | | | (675,030) |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO THE GROUP FOR THE YEAR** | | | | **1,110,529** | | | 499,923 |
| **Total comprehensive income for the year attributable to:-** | | | | | | | |
| Owners of the parent | | | | **1,110,385** | | | 499,747 |
| Non-controlling interests | | | | **144** | | | 176 |
| | | | | **1,110,529** | | | 499,923 |

The notes on pages 84 to 186 form an integral part of these financial statements.
Auditor's report on pages 70 to 75

## STATE INSURANCE COMPANY OF MAURITIUS LTD
## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2021

| | | COMPANY | | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | **Shareholders' Fund 2021** | **Life Fund 2021** | **Total 2021** | Shareholders' Fund 2020 | Life Fund 2020 | Total 2020 |
| | | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 | Rs'000 |
| | | | | | Restated | Restated | Restated |
| **PROFIT/SURPLUS AFTER TAX OF SHAREHOLDERS' FUND AND LIFE ASSURANCE FUND** | | **963,241** | **1,360,106** | **2,323,347** | 618,750 | 1,000,559 | 1,619,309 |
| **Other comprehensive income (OCI):** | | | | | | | |
| *OCI not to be reclassified to profit or loss in subsequent periods:* | | | | | | | |
| Revaluation gains/(losses) on equity instruments at fair value through OCI | 22(h) | **31,331** | **200,481** | **231,812** | (64,319) | (325,529) | (389,848) |
| Remeasurement of defined benefit obligations | 22(h) | **56,050** | **-** | **56,050** | (82,839) | - | (82,839) |
| **Net OCI not to be reclassified to profit or loss in subsequent periods** | | **87,381** | **200,481** | **287,862** | (147,158) | (325,529) | (472,687) |
| **Other comprehensive income for the year, net of tax** | | **87,381** | **200,481** | **287,862** | (147,158) | (325,529) | (472,687) |
| **TOTAL COMPREHENSIVE INCOME** | | **1,050,622** | **1,560,587** | **2,611,209** | 471,592 | 675,030 | 1,146,622 |
| Less comprehensive income attributable to Life Assurance Fund | | | | **(1,560,587)** | | | (675,030) |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY FOR THE YEAR** | | | | **1,050,622** | | | 471,592 |

The notes on pages 84 to 186 form an integral part of these financial statements.

Auditor's report on pages 70 to 75

**STATE INSURANCE COMPANY OF MAURITIUS LTD**
**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021**

| | 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 2020 - as previously stated** | | **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** |
| **Prior year adjustments** | **38** | **-** | **(109,954)** | **-** | **-** | **(4,786)** | **-** | **-** | **-** | **(114,740)** | **-** | **(114,740)** |
| **Balance as at 01 July 2020 - as restated** | | **70,000** | **6,535,454** | **142,381** | **(75,973)** | **(591,674)** | **57,248** | **5,744** | **141,022** | **6,284,202** | **4,660** | **6,288,862** |
| **Profit for the year** | | **-** | **970,161** | **-** | **-** | **-** | **-** | **-** | **-** | **970,161** | **166** | **970,327** |
| **Other comprehensive income for the year** | | **-** | **-** | **-** | **33,240** | **70,774** | **-** | **-** | **36,210** | **140,224** | **(22)** | **140,202** |
| **Total comprehensive income for the year** | | **-** | **970,161** | **-** | **33,240** | **70,774** | **-** | **-** | **36,210** | **1,110,385** | **144** | **1,110,529** |
| **Transfer from/(to) reserve** | **22(f)** | - | (2,498) | - | - | - | 2,498 | - | - | - | - | - |
| **Dividend paid** | **33** | **-** | **(118,909)** | **-** | **-** | **-** | **-** | **-** | **-** | **(118,909)** | **(142)** | **(119,051)** |
| **Balance at 30 June 2021** | | **70,000** | **7,384,208** | **142,381** | **(42,733)** | **(520,900)** | **59,746** | **5,744** | **177,232** | **7,275,678** | **4,662** | **7,280,340** |
| Balance at 1 July 2019 - as previously stated | | 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 |
| Prior year adjustments | 38 | - | (99,162) | - | - | - | - | - | - | (99,162) | - | (99,162) |
| Balance as at 1 July 2019 - as restated | | 70,000 | 6,079,683 | 142,381 | 7,023 | (485,693) | 54,192 | 2,601 | 65,855 | 5,936,042 | 4,657 | 5,940,699 |
| Impact of adopting IFRS 16 | | - | 42,660 | - | | - | - | | - | 42,660 | - | 42,660 |
| Transfer on derecognition of financial assets at FVOCI | | - | 35 | - | (35) | - | - | - | - | - | - | - |
| Profit for the year - Restated | | - | 613,522 | - | - | - | - | - | - | 613,522 | 204 | 613,726 |
| Other comprehensive income for the year | | - | - | - | (82,961) | (105,981) | - | - | 75,167 | (113,775) | (28) | (113,803) |
| Total comprehensive income for the year | | - | 613,557 | - | (82,996) | (105,981) | - | - | 75,167 | 499,747 | 176 | 499,923 |
| Transfer from/(to) reserve | 22(f) | - | (6,199) | - | - | - | 3,056 | 3,143 | - | - | - | - |
| Dividend paid | 33 | - | (194,247) | - | - | - | - | - | - | (194,247) | (173) | (194,420) |
| **Balance at 30 June 2020** | | 70,000 | 6,535,454 | 142,381 | (75,973) | (591,674) | 57,248 | 5,744 | 141,022 | 6,284,202 | 4,660 | 6,288,862 |

The notes on pages 84 to 186 form an integral part of these financial statements.
Auditor's report on pages 70 to 75

**STATE INSURANCE COMPANY OF MAURITIUS LTD**
**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021**

| | 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 2020 - as previously stated** | | **70,000** | **5,701,259** | **141,484** | **190,466** | **(462,777)** | **5,640,432** |
| **Prior year adjusments** | **38** | **-** | **(64,438)** | **-** | **-** | **(3,768)** | **(68,206)** |
| **Balance at 1 July 2020 - As restated** | | **70,000** | **5,636,821** | **141,484** | **190,466** | **(466,545)** | **5,572,226** |
| **Profit for the year** | | **-** | **963,241** | **-** | **-** | **-** | **963,241** |
| **Other comprehensive income for the year** | | **-** | **-** | **-** | **31,331** | **56,050** | **87,381** |
| **Total comprehensive income for the year** | | **-** | **963,241** | **-** | **31,331** | **56,050** | **1,050,622** |
| **Dividend paid** | **33** | **-** | **(118,909)** | **-** | **-** | **-** | **(118,909)** |
| **Balance at 30 June 2021** | | **70,000** | **6,481,153** | **141,484** | **221,797** | **(410,495)** | **6,503,939** |
| Balance at 1 July 2019 - as previously stated | | 70,000 | 5,229,937 | 141,484 | 254,820 | (383,706) | 5,312,535 |
| Prior year adjusments | 38 | - | (60,314) | - | - | - | (60,314) |
| Balance at 1 July 2019 - as restated | | 70,000 | 5,169,623 | 141,484 | 254,820 | (383,706) | 5,252,221 |
| Impact of adopting IFRS 16 | | - | 42,660 | - | - | - | 42,660 |
| Transfer on derecognition of financial assets at FVOCI | | - | 35 | - | (35) | - | - |
| Profit for the year - restated | | - | 618,750 | - | - | - | 618,750 |
| Other comprehensive income for the year - restated | | - | - | - | (64,319) | (82,839) | (147,158) |
| Total comprehensive income for the year | | - | 618,785 | - | (64,354) | (82,839) | 471,592 |
| Dividend paid | 33 | - | (194,247) | - | - | - | (194,247) |
| **Balance at 30 June 2020** | | 70,000 | 5,636,821 | 141,484 | 190,466 | (466,545) | 5,572,226 |

The notes on pages 84 to 186 form an integral part of these financial statements.
Auditor's report on pages 70 to 75

## STATE INSURANCE COMPANY OF MAURITIUS LTD
## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | | Restated | | Restated |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Cash generated from operations (note 34) | **721,172** | 870,577 | **538,318** | 536,118 |
| Interest received | **647,027** | 618,547 | **522,538** | 516,656 |
| Dividend received | **41,357** | 30,608 | **238,405** | 236,376 |
| Interest paid | **(61,688)** | (66,912) | **(12,184)** | (17,390) |
| Income tax paid | **(128,977)** | (32,784) | **(102,821)** | (15,880) |
| Contribution paid | **(135,705)** | (26,861) | **(109,355)** | (19,890) |
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | **1,083,186** | 1,393,175 | **1,074,901** | 1,235,990 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Purchase of intangible assets | **(7,308)** | (19,644) | **(4,349)** | (19,085) |
| Purchase of property, plant and equipment | **(53,242)** | (22,876) | **(18,929)** | (22,018) |
| Addition to Leasehold rights on Land | **(38,000)** | - | **-** | - |
| Proceeds from disposal of property, plant and equipment | **-** | 493 | **-** | - |
| Purchase of financial assets measured at FVOCI, FVTPL and at amortised cost | **(6,250,456)** | (5,094,669) | **(3,710,789)** | (3,146,511) |
| Proceeds from disposal or maturity of financial assets measured at FVOCI, FVTPL and at amortised cost | **6,118,381** | 4,014,376 | **3,279,287** | 2,128,730 |
| Disposal of repossessed leased assets | **1,404** | 411 | **-** | - |
| Proceeds from sale of of assets held under operating lease | **2,884** | - | **-** | - |
| Proceeds from disposal of foreclosed properties | **1,410** | 3,101 | **1,410** | 3,101 |
| Mortgage and other loans granted during the year | **(518,413)** | (201,555) | **(261,607)** | (198,504) |
| Mortgage and other loans repayment received during the year | **264,029** | 261,439 | **251,130** | 257,637 |
| Addition to investment properties | **(2,382)** | (715) | **(69,722)** | (715) |
| Increase in net investment in finance lease | **(51,563)** | (82,881) | **-** | - |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(533,256)** | (1,142,520) | **(533,569)** | (997,365) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Borrowings taken during the year | **19,148** | 46,366 | **19,148** | 46,366 |
| Borrowings repaid during the year | **(25,156)** | (27,189) | **(89,132)** | (85,678) |
| Dividend paid | **(119,051)** | (194,420) | **(118,909)** | (194,247) |
| Deposits from customers - net | **13,715** | (136,288) | **-** | - |
| Payment of principal portion on lease liability | **(2,708)** | (3,325) | **(2,708)** | (3,325) |
| Payment of interest portion on lease liability | **(3,835)** | (2,023) | **(3,835)** | (2,023) |
| **NET CASH USED IN FINANCING ACTIVITIES** | **(117,887)** | (316,879) | **(195,436)** | (238,907) |
| **Net increase/(decrease) in cash and cash equivalents** | **432,043** | (66,224) | **345,896** | (282) |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | **326,115** | 392,339 | **111,168** | 111,450 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | **758,158** | 326,115 | **457,064** | 111,168 |
| **CASH AND CASH EQUIVALENTS** | | | | |
| Bank and cash balances | **796,128** | 445,684 | **457,064** | 230,737 |
| Bank overdraft | **(37,970)** | (119,569) | **-** | (119,569) |
| | **758,158** | 326,115 | **457,064** | 111,168 |

The notes on pages 84 to 186 form an integral part of these financial statements.
Auditor's report on pages 70 to 75

## 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 for the following:

(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 Contracts, the Company has disclosed the results of the Life fund on the face of the statement of profit or loss and other comprehensive income such that it will help the users of the financial statements to understand the amounts disclosed in the financial statements that arises from insurance contracts.

The Group has adopted IFRS 9 to all types of financial instruments except for rights and obligations arising under a contract within the scope of IFRS 17 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 collectively referred to as the "Group". 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 Application of new and revised International Financial Reporting Standards (IFRS)

In the current year, the Group has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 July 2020.

***New and revised IFRSs and IFRICs that are effective for the financial year***

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

| | |
|---|---|
| IAS 1 | Presentation of financial statements - Amendments regarding the definition of material |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material |
| IAS 39 | Financial Instruments : Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform |
| IFRS 7 | Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform |
| IFRS 9 | Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform |
| Conceptual Framework | Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Application of new and revised International Financial Reporting Standards (IFRS) (Continued)

The adoption of the amendments had no impact on the financial performance and financial position of the Group.

### 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 standards and interpretations are expected to have an impact on the financial statements of the Company.

| | New or revised standards and amendments | Effective date |
|---|---|---|
| IAS 1 | Presentation of Financial Statements - Amendments regarding classification of liabilities | 01 January 2023 |
| IAS 1 | Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies | 01 January 2023 |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimate | 01 January 2023 |
| IAS 12 | Income Taxes - Amendments regarding deferred tax on leases and decommissioning obligations | 01 January 2023 |
| IAS 37 | Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous | 01 January 2022 |
| IAS 39 | Financial Instruments: Recognition and Measurement - Amendments regarding replacement issues in the context of the IBOR reform | 01 January 2021 |
| IFRS 7 | Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform | 01 January 2021 |
| IFRS 9 | Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform | 01 January 2021 |
| IFRS 9 | Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018 - 2020 (fees in the '10 per cent' test for de-recognition of financial liabilities) | 01 January 2022 |
| IFRS 16 | Leases - Amendments regarding replacement issues in the context of the IBOR reform | 01 January 2021 |
| IFRS 16 | Leases - Amendments to extend the exemption from assessing whether COVID-19 related rent concession is a lease modification | 01 April 2021 |
| IFRS 17 | Insurance contracts | 01 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 it 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**

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 IFRS 9 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 fair value through other comprehensive income 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 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.

### 2.10 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Insurance contracts (Continued)

***(i) Insurance contracts – classification (Continued)***

*(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% (2020:90%) of the DPF eligible surplus (i.e., all interest and realised gains and losses arising from the assets backing these contracts). The remaining 10% (2020:10%) 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.

### 2.11 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).

### 2.12 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.

## 3. MANAGEMENT OF FINANCIAL AND INSURANCE RISKS (CONTINUED)

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
- 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 2021 and 2020.

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.

## 3. MANAGEMENT OF FINANCIAL AND INSURANCE RISKS (CONTINUED)

**Capital management (Continued)**

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:

an amount of Rs 25 million; or

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 2021 and 30 June 2020, 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 2021 and 30 June 2020, 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

4. **INSURANCE RISKS (CONTINUED)**

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.

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. **INSURANCE RISKS (CONTINUED)**

**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**

| **2021** Class of Business | No of claims | Expected run off assumptions | Gross | Reinsurance of liabilities | Net |
|---|---|---|---|---|---|
| | | | Rs'000 | Rs'000 | Rs'000 |
| Motor | 5,515 | 1 | 231,141 | 6,059 | 225,082 |
| Property | 111 | 2 | 28,044 | 20,275 | 7,769 |
| Transport | 19 | 3 | 75,752 | 75,584 | 168 |
| Engineering | 39 | 3 | 18,003 | 17,636 | 367 |
| Accident & Health | 43,574 | 5 | 61,646 | 42,994 | 18,652 |
| Liability | 741 | 7 | 55,974 | 50,710 | 5,264 |
| Miscellaneous | 57 | 4 | 23,643 | 22,955 | 688 |
| Incurred but not reported (IBNR) | - | | 91,332 | 57,135 | 34,197 |
| | 50,056 | | 585,535 | 293,348 | 292,187 |

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 | 214,202 | 23,864 | 190,338 |
| 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 | | 583,202 | 312,050 | 271,152 |

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 previous table 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.

## 4. INSURANCE RISKS (CONTINUED)

### 4.1.1 Concentration of insurance risk (Continued)

*(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 2021** | **Before Reinsurance** | | **After Reinsurance (Retained)** | |
| **Rs'000** | **Rs'000** | **%** | **Rs'000** | **%** |
| 0 -100 | **627,433** | **3** | **627,433** | **4** |
| 100 - 200 | **2,088,606** | **9** | **2,088,606** | **13** |
| 200 - 300 | **2,161,410** | **9** | **2,161,410** | **14** |
| 300 - 400 | **1,510,945** | **6** | **1,510,945** | **9** |
| 400 + | **17,192,068** | **73** | **9,601,157** | **60** |
| **TOTAL** | **23,580,462** | **100** | **15,989,551** | **100** |

The table below presents the concentration of insured benefits across bands of insured benefits per individual life assured.

| | 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 | 100.0 |

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 2021 and 30 June 2020. 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 2021 | Total annuities payable per annum | |
|---|---|---|
| Rs'000 | Rs'000 | % |
| 0 – 10 | 704 | 0.2 |
| 10 - 20 | 3,392 | 1.0 |
| 20 – 50 | 32,615 | 9.8 |
| 50 - 100 | 74,827 | 22.6 |
| 100 – 150 | 50,588 | 15.3 |
| More than 150 | 169,146 | 51.1 |
| **Total** | **331,272** | **100.00** |

| Annuity payable per annum per life assured as at 30 June 2020 | Total annuities payable per annum | |
|---|---|---|
| Rs'000 | Rs'000 | % |
| 0 - 10 | 605 | 0.2 |
| 10 - 20 | 3,091 | 1.1 |
| 20 - 50 | 29,843 | 10.1 |
| 50 – 100 | 70,016 | 23.8 |
| 100 – 150 | 46,658 | 15.9 |
| More than 150 | 143,461 | 48.9 |
| **Total** | 293,674 | 100.00 |

With regards to Group Assurances the Total Sum Assured is Rs'000 45,986,254 (2020: Rs'000 32,601,695) and the Sum Assured retained is Rs'000 23,609,960 (2020: Rs'000 15,831,400).

**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**

| 2021 | 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% | 49,420 | 23,621 | 25,799 | 21,413 |

| 2020 (Restated) | 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% | 43,860 | 21,463 | 22,398 | 18,590 |

*(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**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Liability** | **Difference** | Liability | Difference |
| **Variables** | **Rs'000** | **%** | Rs'000 | % |
| Actual reserve | **12,408,041** | **-** | 11,365,906 | - |
| Interest rate less 1% | **14,959,110** | **20.6** | 12,326,634 | 8.5 |
| Mortality plus 10% | **12,485,399** | **0.6** | 11,641,068 | 2.4 |
| Lapse plus 10% | **12,458,643** | **0.4** | 11,469,119 | 0.9 |
| Expenses plus 10% | **12,915,582** | **4.1** | 11,436,844 | 0.6 |
| Inflation plus 1% | **13,168,943** | **6.1** | 11,410,994 | 0.4 |

### 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 (Gross basis excluding Group Medical Scheme) (Continued)

| | Financial Year of Loss | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Prior** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **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 | | 192,934 | 313,975 | 103,383 | 137,609 | 146,290 | 130,455 | 179,911 | 205,520 | 231,074 | 278,761 | 359,558 | 429,679 | 450,286 | 3,159,435 |
| One year later | | 84,527 | 100,457 | 64,664 | 29,153 | 25,467 | 21,396 | 47,084 | 35,732 | 37,093 | 66,697 | 81,847 | 64,884 | | 659,001 |
| Two years later | | 5,326 | 17,607 | 7,959 | 4,422 | 26,261 | 13,952 | 1,991 | 13,090 | 131,821 | (6,160) | 2,996 | | | 219,265 |
| Three years later | | 9,222 | 7,409 | 1,542 | (1,139) | 67,624 | 4,852 | 494 | (1,951) | 1,073 | 51,410 | | | | 140,536 |
| Four years later | | 176 | 4,942 | 5,109 | 1,853 | 6,527 | 419 | 40 | 13,007 | (552) | | | | | 31,521 |
| Five years later | | 2,862 | 247 | 2,523 | 1,441 | 1,867 | 1,072 | (1,015) | 2,907 | | | | | | 11,904 |
| Six years later | | 441 | 2,800 | 611 | 1,887 | 7,017 | (59) | (284) | | | | | | | 12,413 |
| Seven years later | | 2,171 | 674 | 835 | (61) | (3,334) | 1,349 | | | | | | | | 1,634 |
| Eight years later | | 620 | (169) | 269 | 861 | 9,972 | | | | | | | | | 11,553 |
| Nine years later | | 3,266 | 189 | 1,520 | 79 | | | | | | | | | | 5,054 |
| Ten years later | | 114 | (121) | 519 | | | | | | | | | | | 512 |
| Eleven years later | | (8,669) | 352 | | | | | | | | | | | | (8,317) |
| Twelve years later | | 14 | | | | | | | | | | | | | 14 |
| **Total claims paid** | **605,283** | **293,004** | **448,362** | **188,933** | **176,105** | **287,691** | **173,436** | **228,221** | **268,305** | **400,509** | **390,708** | **444,401** | **494,563** | **450,286** | **4,849,807** |
| | | | | | | | | | | | | | | | |
| **Undiscounted reserves** | **7,003** | **628** | **421** | **124** | **2,022** | **16,489** | **7,053** | **40,087** | **6,547** | **6,618** | **15,819** | **15,246** | **37,974** | **216,539** | **372,570** |
| Outstanding Reported | 7,003 | 628 | 482 | 22 | 2,542 | 14,854 | 6,220 | 38,926 | 6,053 | 6,519 | 7,469 | 10,565 | 28,757 | 152,894 | **282,934** |
| IBNR Reserve | - | - | (61) | 102 | (520) | 1,635 | 833 | 1,161 | 494 | 99 | 8,350 | 4,681 | 9,217 | 63,645 | **89,636** |

## 4. INSURANCE RISK (CONTINUED)

### 4.1.4 Claims development table (Net basis excluding Group Medical Scheme) (Continued)

Financial year of Loss

| | Prior | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 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 | - | 133,442 | 120,076 | 90,867 | 114,745 | 126,789 | 122,660 | 159,841 | 183,423 | 199,785 | 232,760 | 263,299 | 274,984 | 333,969 | 2,356,640 |
| One year later | - | 31,722 | 14,906 | 10,135 | 6,090 | 3,600 | 7,033 | 18,112 | 23,856 | 23,559 | 30,966 | 37,087 | 28,733 | | 235,799 |
| Two years later | - | 584 | 211 | 3,095 | 535 | 2,962 | (1,626) | (1,835) | (3,938) | (7,470) | (9,929) | (8,752) | | | (26,163) |
| Three years later | - | 2,287 | 5,832 | 439 | (2,076) | 5,224 | 1,511 | (628) | (2,535) | (3,936) | (7,569) | | | | (1,451) |
| Four years later | - | (1,164) | 4,809 | 3,327 | 1,136 | 5,828 | (656) | (227) | 12,032 | (4,468) | | | | | 20,617 |
| Five years later | - | 2,598 | 169 | 2,399 | 574 | 1,036 | 1,114 | (1,023) | (10,326) | | | | | | (3,459) |
| Six years later | - | 441 | 2,362 | 56 | 1,838 | 6,865 | (64) | (284) | | | | | | | 11,214 |
| Seven years later | - | 2,171 | (161) | 834 | 153 | (23,125) | 705 | | | | | | | | (19,423) |
| Eight years later | - | 261 | (1,306) | 269 | (6) | (2,778) | | | | | | | | | (3,560) |
| Nine years later | - | 3,266 | 189 | 1,521 | (41) | | | | | | | | | | 4,934 |
| Ten years later | - | 114 | (121) | (173) | | | | | | | | | | | (180) |
| Eleven years later | - | (1,090) | 334 | | | | | | | | | | | | (756) |
| Twelve years later | - | (1,573) | | | | | | | | | | | | | (1,573) |
| Current claims paid to date | 370,826 | 173,059 | 147,300 | 112,769 | 122,948 | 126,401 | 130,677 | 173,956 | 202,512 | 207,470 | 246,228 | 291,634 | 303,717 | 333,969 | **2,943,466** |
| IBNR | - | - | 739 | 184 | (545) | 750 | 832 | 767 | 113 | - | 498 | 1,138 | 1,288 | 26,731 | 32,495 |
| Outstanding reported | 64 | 433 | (739) | (169) | 1,741 | (256) | 4,746 | 2,897 | (3,691) | 246 | (758) | (931) | 1,815 | 35,326 | 40,724 |
| Net liability | **64** | **433** | **-** | **15** | **1,196** | **494** | **5,578** | **3,664** | **(3,578)** | **246** | **(260)** | **207** | **3,103** | **62,057** | **73,219** |

## 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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 Restated |
| USD | **6,121,671** | 4,490,688 | **5,810,660** | 4,184,411 |
| GBP | **295,363** | 226,085 | **-** | - |
| EUR | **298** | 269 | **-** | - |
| MUR | **15,938,986** | 15,212,111 | **12,549,208** | 11,915,823 |
| | **22,356,318** | 19,929,153 | **18,359,868** | 16,100,234 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| USD | **189,181** | 149,691 | **-** | - |
| MUR | **2,713,993** | 2,541,857 | **722,846** | 726,541 |
| | **2,903,174** | 2,691,548 | **722,846** | 726,541 |

## 5. FINANCIAL RISKS FACTORS (CONTINUED)

### 5.1 Market risks (Continued)

**(i) Foreign currency risk (Continued)**

Net exposure

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| USD | **5,932,490** | 4,340,997 | **5,810,660** | 4,184,411 |
| GBP | **295,363** | 226,085 | **-** | - |
| EUR | **298** | 269 | **-** | - |
| MUR | **13,262,965** | 12,670,254 | **11,826,362** | 11,189,282 |
| | **19,491,116** | 17,237,605 | **17,637,022** | 15,373,693 |

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**

| | Changes in variables | 2021 Impact on profit before tax | 2021 Impact on equity | 2020 Impact on profit before tax | 2020 Impact on equity |
|---|---|---|---|---|---|
| | | **Rs' 000** | **Rs' 000** | Rs' 000 | Rs' 000 |
| USD | **5%** | **296,625** | **296,625** | 217,050 | 217,050 |
| | **-5%** | **(296,625)** | **(296,625)** | (217,050) | (217,050) |
| GBP | **5%** | **14,768** | **14,768** | 11,304 | 11,304 |
| | **-5%** | **(14,768)** | **(14,768)** | (11,304) | (11,304) |
| EUR | **5%** | **15** | **15** | 13 | 13 |
| | **-5%** | **(15)** | **(15)** | (13) | (13) |

**COMPANY**

| | Changes in variables | 2021 Impact on profit before tax | 2021 Impact on equity | 2020 Impact on profit before tax | 2020 Impact on equity |
|---|---|---|---|---|---|
| | | **Rs' 000** | **Rs' 000** | Rs' 000 | Rs' 000 |
| USD | **5%** | **290,533** | **290,533** | 209,221 | 209,221 |
| | **-5%** | **(290,533)** | **(290,533)** | (209,221) | (209,221) |

## 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-21 Interest receivable Rs'000 | Company 30-Jun-21 Interest receivable Rs'000 |
|---|---|---|
| MUR (Floating rate fixed deposits) | **12** | **12** |
| MUR (Call deposits) | **2,751** | **1,303** |
| USD (Call deposits) | **11** | **-** |
| MUR (Floating rate Government Bonds) | **16,385** | **16,385** |
| MUR (Floating rate Corporate Bonds) | **7,207** | **5,239** |
| | **26,366** | **22,939** |

| | 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 |

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 | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| **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 | **1,318** | **1,318** | 1,591 | 1,591 |
| - 50 basis points | **(1,318)** | **(1,318)** | (1,591) | (1,591) |

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

**5.1 Market risks (continued)**

**(ii) Interest rate risk (continued)**

| | COMPANY | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| **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 | **1,147** | **1,147** | 1,034 | 1,034 |
| - 50 basis points | **(1,147)** | **(1,147)** | (1,034) | (1,034) |

The increase or decrease in the interest rate sensitivity is due to fluctuations in the interest rates of foreign and local currency.

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 | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| **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 | **4,202** | **4,202** | 4,471 | 4,471 |
| - 50 basis points | **(4,202)** | **(4,202)** | (4,471) | (4,471) |

**(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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Financial Investments - FVTPL | **5,639,336** | 3,702,476 | **5,974,374** | 4,284,465 |
| Financial Investments - FVOCI | **1,764,965** | 1,412,351 | **1,664,716** | 1,306,782 |
| Total | **7,404,301** | 5,114,827 | **7,639,090** | 5,591,247 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| *Increase/decrease of 5% in prices of securities* | | | | |
| Increase/decrease in other comprehensive income and equity | **88,248** | 70,618 | **83,236** | 65,339 |
| Increase/decrease in profit or loss | **281,967** | 185,124 | **298,719** | 214,223 |

### 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 taking account of the value of 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.

Given the continuous COVID-19 pandemic and the slowdown of the Mauritian economy, the Group has maintained the revised PD from last year and the expected GDP growth rate over the next few years.

**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.

Since last year, the Group had 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. Given the continuous COVID-19 pandemic, the Group has maintained the revised higher PD and lower GDP growth rate from last year.

## 5. FINANCIAL RISKS FACTORS (CONTINUED)

### 5.2 Credit risks (continued)

**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 can 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.

**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(a).

The table below shows the maximum exposure to credit risk.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Financial assets** | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 Restated |
| Measured at FVTPL | **5,639,336** | 3,702,476 | **5,974,374** | 4,284,465 |
| Measured at FVOCI | **2,083,906** | 1,704,084 | **1,983,640** | 1,601,501 |
| Debt instrument at amortised cost | **10,716,380** | 11,210,263 | **8,154,931** | 8,193,445 |
| Finance Lease receivables | **705,674** | 661,411 | **-** | - |
| Mortgage and other Loans | **1,596,881** | 1,357,433 | **1,342,044** | 1,344,603 |
| Insurance and other receivables* | **318,238** | 257,964 | **447,815** | 445,483 |
| Reinsurance assets | **499,775** | 589,838 | **-** | - |
| Cash and bank balance | **796,128** | 445,684 | **457,064** | 230,737 |
| | **22,356,318** | 19,929,153 | **18,359,868** | 16,100,234 |

* 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 FINANCIAL RISKS FACTORS (CONTINUED)

### 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 and financial liabilities.

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

**GROUP**

| At 30 June 2021 | 1 to 3 months Rs'000 | 3 months to 1 year Rs'000 | 1 to 5 years Rs'000 | >5 years Rs'000 | On demand Rs'000 | No stated maturity Rs'000 | Total Rs'000 |
|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | |
| Deposit from Customers | 138,917 | 528,245 | 1,141,405 | - | - | - | 1,808,567 |
| Borrowings | 9,042 | 15,028 | 52,907 | - | - | - | 76,977 |
| Lease Liability | 4,169 | 7,450 | 36,041 | 624,576 | - | - | 672,236 |
| Trade and other payables | 301,038 | 313,282 | 91,680 | - | 176,390 | - | 882,390 |
| Insurance liabilities | - | - | - | - | - | 585,535 | 585,535 |
| Life assurance fund | 886,417 | 826,655 | 2,702,747 | 8,549,218 | - | - | 12,965,037 |
| Other financial liabilities | 37,970 | - | - | - | - | - | 37,970 |
| Total liabilities | 1,377,553 | 1,690,660 | 4,024,780 | 9,173,794 | 176,390 | 585,535 | 17,028,712 |

**COMPANY**

| At 30 June 2021 | 1 to 3 months Rs'000 | 3 months to 1 year Rs'000 | 1 to 5 years Rs'000 | >5 years Rs'000 | On demand Rs'000 | No stated maturity Rs'000 | Total Rs'000 |
|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | |
| Borrowings | 27,401 | 70,105 | 52,907 | - | - | - | 150,413 |
| Lease Liability | 4,169 | 7,450 | 36,041 | 624,576 | - | - | 672,236 |
| Trade and other payables | 278,037 | 209,820 | 91,680 | - | - | - | 579,537 |
| Life assurance fund | 886,417 | 826,655 | 2,702,747 | 8,549,218 | - | - | 12,965,037 |
| Total liabilities | 1,196,024 | 1,114,030 | 2,883,375 | 9,173,794 | - | - | 14,367,223 |

## 5 FINANCIAL RISKS FACTORS (CONTINUED)

### 5.3 Liquidity risk (continued)

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 |
|---|---|---|---|---|---|---|---|
| Financial liabilities | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| 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 | - | - | - | - | - | 583,202 | 583,202 |
| Life assurance fund | 828,733 | 485,181 | 2,684,696 | 7,405,840 | - | - | 11,404,450 |
| Other financial liabilities | 119,569 | - | - | - | - | - | 119,569 |
| Total liabilities | 1,211,665 | 1,170,313 | 4,243,951 | 7,638,112 | 3,233 | 583,202 | 14,850,476 |

COMPANY

| At 30 June 2020 | 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 | 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 | 485,181 | 2,684,696 | 7,405,840 | - | 11,404,450 |
| Other financial liabilities | 119,569 | - | - | - | - | 119,569 |
| Total liabilities | 1,114,180 | 764,255 | 2,893,613 | 7,638,112 | - | 12,410,160 |

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 included in note 7 and note 6 respectively. This note provides information and how the Group determines fair value of various assets and liabilities.

**GROUP**

| | 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| **FVTPL** | | | | |
| Quoted Investment in Exchange Traded Funds/Preference shares | **10,644** | **-** | **-** | **10,644** |
| Unquoted Investment in CIS/Mutual Funds | **-** | **5,628,692** | **-** | **5,628,692** |
| **Total** | **10,644** | **5,628,692** | **-** | **5,639,336** |

| | 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| **FVOCI** | | | | |
| Quoted Equities | **1,764,965** | **-** | **-** | **1,764,965** |
| Unquoted Equities | **-** | **-** | **318,941** | **318,941** |
| **Total** | **1,764,965** | **-** | **318,941** | **2,083,906** |

**COMPANY**

| | 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| **FVTPL** | | | | |
| Quoted Investment in Exchange Traded Funds/Preference shares | **10,644** | **-** | **-** | **10,644** |
| Unquoted Investment in CIS/Mutual Funds | **-** | **5,963,730** | **-** | **5,963,730** |
| **Total** | **10,644** | **5,963,730** | **-** | **5,974,374** |

## 5. FINANCIAL RISKS FACTORS (CONTINUED)

### 5.4 Fair value measurements recognised in the statements of financial position

COMPANY

| | 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| **FVOCI** | | | | |
| Quoted Equities | **1,664,716** | **-** | **-** | **1,664,716** |
| Unquoted Equities | **-** | **-** | **318,924** | **318,924** |
| **Total** | **1,664,716** | **-** | **318,924** | **1,983,640** |

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

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 |

| | 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 |

## 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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Unquoted Equities** | Unquoted Equities | **Unquoted Equities** | Unquoted Equities |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Opening Balance | **294,733** | 306,174 | **294,719** | 306,159 |
| Issues | **-** | 2,476 | **-** | 2,476 |
| Settlements | **-** | - | **-** | - |
| Fair Value adjustments | **24,208** | (13,917) | **24,205** | (13,916) |
| Closing Balance | **318,941** | 294,733 | **318,924** | 294,719 |

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 2021<br>Rs,000 | Valuation approach | Key observable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Financial Services | 245,362 | Comparable price multiples | Discount due to lack of marketability and due to smaller size compared with peers | 20% - 65% | A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 29.0 million in fair value |
| Real estate and others | 73,562 | Net asset value | Discount due to lack of marketability | 30% - 70% | A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 5.5 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 3.7 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 2020 | Valuation approach | Key observable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| | Rs,000 | | | | |
| Financial Services | 234,740 | 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% decrease/increase in discount factor will lead to an increase/decrease of Rs 0.02 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 - 2021 & 2020 | Valuation approach | Observable input | Carrying amount | | Fair Value | |
|---|---|---|---|---|---|---|---|
| | | | | 2021 | 2020 | 2021 | 2020 |
| **Loans and receivables:** | | | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Mortgage Loans and other loans | Level 2 | DCF | Floating market rate | **1,596,881** | 1,357,433 | **1,761,316** | 1,767,953 |
| **Other financial assets:** | | | | | | | |
| Government and other bonds | Level 2 | YTM | Government bond yields | **8,378,510** | 8,549,635 | **8,789,872** | 10,025,308 |
| Fixed deposits | | | | **2,337,870** | 2,660,628 | **2,273,260** | 3,480,565 |
| **Financial assets at amortised cost** | | | | **12,313,261** | 12,567,696 | **12,824,448** | 15,273,826 |

**COMPANY**

| | Fair value hierarchy - 2021 & 2020 | Valuation approach | Observable input | Carrying amount | | Fair Value | |
|---|---|---|---|---|---|---|---|
| | | | | 2021 | 2020 | 2021 | 2020 |
| **Loans and receivables:** | | | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Mortgage Loans and other loans | Level 2 | DCF | Floating market rate | **1,342,044** | 1,344,603 | **1,745,134** | 1,755,145 |
| **Other financial assets:** | | | | | | | |
| Government and other bonds | Level 2 | YTM | Government bond yields | **7,359,885** | 7,509,854 | **7,778,319** | 8,648,435 |
| Fixed deposits | | | | **795,046** | 683,591 | **793,316** | 683,789 |
| **Financial assets at amortised cost** | | | | **9,496,975** | 9,538,048 | **10,316,769** | 11,087,369 |

## 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% - 50% |
| Furniture and fittings | - 7% - 50% |
| Office equipment | - 10% - 50% |
| Computer equipment | - 14% - 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. The Group engaged an independent professional valuer to determine the fair value. These estimates have been derived using the market comparison and income approaches. 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 | 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** |
| 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 |
| At 1 July 2020 | 11,186 | 292,369 | 56,606 | 45,292 | 62,393 | 26,152 | 493,998 |
| Additions | - | 34,553 | 2,877 | 594 | 15,218 | - | 53,242 |
| Transfer to Investment property (Note 7) | - | (32,259) | - | - | - | - | (32,259) |
| Disposals/scrapped | - | - | - | - | (15,027) | - | (15,027) |
| **At 30 June 2021** | **11,186** | **294,663** | **59,483** | **45,886** | **62,584** | **26,152** | **499,954** |
| **DEPRECIATION** | | | | | | | |
| 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 |
| At 1 July 2020 | 336 | 38,807 | 51,741 | 38,328 | 37,678 | 12,712 | 179,602 |
| Charge for the year | | | | | | | |
| Life Fund | - | - | 556 | 414 | 2,267 | 49 | 3,286 |
| Shareholders' Fund | 112 | 12,693 | 1,769 | 1,228 | 7,135 | 159 | 23,096 |
| Rented under operating lease | - | - | - | - | - | 1,989 | 1,989 |
| Transfer to Investment property (Note 7) | | (1,620) | | | | | (1,620) |
| Disposals/scrapped | - | - | - | - | (12,188) | | (12,188) |
| **At 30 June 2021** | **448** | **49,880** | **54,066** | **39,970** | **34,892** | **14,909** | **194,165** |
| **CARRYING AMOUNT** | | | | | | | |
| **At 30 June 2021** | **10,738** | **244,783** | **5,417** | **5,916** | **27,692** | **11,243** | **305,789** |
| At 30 June 2020 | 10,850 | 253,562 | 4,865 | 6,964 | 24,715 | 13,440 | 314,396 |

## 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 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 |
| At 1 July 2020 | 292,369 | 55,032 | 44,672 | 53,674 | 4,308 | 450,055 |
| Additions | 5,215 | 708 | 533 | 12,473 | - | 18,929 |
| Transfer to Investment property (Note 7) | (32,259) | - | - | - | - | (32,259) |
| Scrapped | - | - | - | (5,235) | - | (5,235) |
| **At 30 June 2021** | **265,325** | **55,740** | **45,205** | **60,912** | **4,308** | **431,490** |
| **DEPRECIATION** | | | | | | |
| 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 |
| Scrapped | - | - | - | (8,010) | - | (8,010) |
| At 30 June 2020 | 38,807 | 50,777 | 38,042 | 31,433 | 1,655 | 160,714 |
| At 1 July 2020 | 38,807 | 50,777 | 38,042 | 31,433 | 1,655 | 160,714 |
| Charge for the year | | | | | | |
| Life Fund | - | 556 | 414 | 2,267 | 49 | 3,286 |
| Shareholders' Fund | 10,854 | 859 | 1,179 | 5,994 | 159 | 19,045 |
| Transfer to Investment property (Note 7) | (1,620) | - | - | - | - | (1,620) |
| Scrapped | - | - | - | (5,235) | - | (5,235) |
| **At 30 June 2021** | **48,041** | **52,192** | **39,635** | **34,459** | **1,863** | **176,190** |
| **CARRYING AMOUNT** | | | | | | |
| **At 30 June 2021** | **217,284** | **3,548** | **5,570** | **26,453** | **2,445** | **255,300** |
| At 30 June 2020 | 253,562 | 4,255 | 6,630 | 22,241 | 2,653 | 289,341 |

Out of the depreciation charge of Rs'000 19,045 (2020: Rs'000 20,978) on the Shareholders' Fund for the year, an amount of Rs'000 3,008 (2020: Rs'000 3,693) 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 2020: 7.5% - 8.0%) on an ongoing basis. The motor vehicles held have committed lessees up to three years.

At the end of the reporting date, the Group has contracted with lessees the following future income (excluding buy-back options):

| | Operating lease Motor Vehicles | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Within one year | **1,896** | 2,603 |
| In the second to the seventh year | **2,248** | 4,195 |
| | **4,144** | 6,798 |

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'000 120,853 (2020 : Rs'000 155,316).

Details of the Group's buildings measured at fair value and information about the fair value hierarchy as at 30 June 2021 and 30 June 2020 are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| | **Level 3** | Level 3 | **Level 3** | Level 3 |
| Building on leasehold land | **244,783** | 253,562 | **217,284** | 253,562 |
| Freehold building | **10,738** | 10,850 | - | - |
| | **255,521** | 264,412 | **217,284** | 253,562 |

Buildings amounting to Rs 255.5 million (2020: Rs 264.4 million) for the Group and Rs 217.3 million (2020: Rs 253.6 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 note 6(b) 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 (2020: Rs 40,000 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 | 2021 | 2020 | Relationship of unobservable inputs to fair value | |
|---|---|---|---|---|---|---|
| | | | Rs'000 | Rs'000 | 2021 | 2020 |
| Office properties | Comparative method | Estimate sales price per square metre | **Rs40** | Rs40 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 9,900,000 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 9,900,000 |

**COMPANY**

| | Valuation technique | Significant unobservable inputs | 2021 | 2020 | Relationship of unobservable inputs to fair value | |
|---|---|---|---|---|---|---|
| | | | Rs'000 | Rs'000 | 2021 | 2020 |
| Office properties | Comparative method | Estimate sales price per square metre | **Rs40** | Rs40 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 9,900,000 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 9,900,000 |

## 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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 July | **1,460,980** | 1,391,440 | **1,473,710** | 1,404,100 |
| Effect of adopting IFRS 16 | **-** | 60,455 | **-** | 60,455 |
| Additions | **2,382** | 715 | **104,097** | 715 |
| Transfer from Property, plant and equipment (Note 6) | **30,639** | - | **30,639** | - |
| Fair value gain (note 26) | **21,778** | 8,370 | **26,602** | 8,440 |
| **At 30 June** | **1,515,779** | 1,460,980 | **1,635,048** | 1,473,710 |

Rental income generated amounting to Rs 88,142,206 (2020: Rs 85,358,928) for the Group and Rs 89,787,917 (2020: Rs 86,264,667) for the Company. The direct operating expenses incurred during the year for the Group and the Company amounted to Rs 16,540,376 (2020: Rs 12,742,744).

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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **Level 3** | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Right of use of leasehold land | **61,220** | 60,663 | **133,595** | 60,663 |
| Land | **48,654** | 48,030 | **48,654** | 48,030 |
| Buildings | **1,405,905** | 1,352,287 | **1,452,799** | 1,365,017 |
| | **1,515,779** | 1,460,980 | **1,635,048** | 1,473,710 |

## 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 market comparison and income approaches. 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 for these properties. For the investment property for which the income approach was used, the net annual rent has been capitalised to reflect the higher risk of the property investment.

The Group & Company rent Leasehold land on which it has office buildings. One of the leases has a remaining lease term of 18 years with an extension period of 60 years. The other lease has a remaining period of 49 years.

The fair value of the buildings was determined using prices in the range of Rs 49,000 per square metre to Rs 69,000 per square metre (2020: Rs 51,000 - Rs 67,000); and ranges from Rs 55,000 to Rs 89,000 per square metre for land (2020: Rs 88,000).

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

**GROUP**

| | Valuation technique | Significant unobservable inputs | 2021 | 2020 | Relationship of unobservable inputs to fair value | |
|---|---|---|---|---|---|---|
| | | | **Rs'000** | Rs'000 | **2021** | 2020 |
| Office properties | Sales comparative method | Estimate sales price per square metre | **Rs 51 - Rs 69** | Rs 51 - Rs 67 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 68,828,000 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 67,614,000 |
| Land | Sales comparative method | Estimate sales price per square metre | **Rs 89** | Rs 88 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 2,433,000 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 2,402,000 |
| Right of use of assets | Sales comparative method and investment method | Estimate sales price per square metre | **Rs 7** | Rs 7 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 3,061,000 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 3,033,000 |

## 7. INVESTMENT PROPERTIES (CONTINUED)

**COMPANY**

| | Valuation technique | Significant unobservable inputs | 2021 | 2020 | Relationship of unobservable inputs to fair value | |
|---|---|---|---|---|---|---|
| | | | Rs'000 | Rs'000 | 2021 | 2020 |
| Office properties | Comparative and investment method | Estimate sales price per square metre | **Rs 49 - Rs 69** | Rs 51 - Rs 67 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 72,640,000 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 68,251,000 |
| Land | Comparative and investment method | Estimate sales price per square metre | **Rs 55 - Rs 89** | Rs 88 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 4,333,000 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 2,402,000 |
| Right of use of assets | Comparative and investment method | Estimate sales price per square metre | **Rs 7 - Rs 105** | Rs 7 | An increase/ decrease of 5% in the unobservable input would lead to an increase/decrease in FV of Rs 6,680,000 | 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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **COST** | | | | |
| At 1 July | **107,779** | 91,330 | **69,429** | 52,985 |
| Additions | **7,308** | 19,644 | **4,349** | 19,085 |
| Disposals/scrapped | **(5,569)** | (3,195) | **(5,569)** | (2,641) |
| **At 30 June** | **109,518** | 107,779 | **68,209** | 69,429 |
| **AMORTISATION** | | | | |
| At 1 July | **68,030** | 60,979 | **36,515** | 31,602 |
| Charge for the year | | | | |
| Life Fund | **1,585** | 1,540 | **1,585** | 1,540 |
| Shareholders' Fund | **8,265** | 8,706 | **5,472** | 6,014 |
| Disposals/scrapped | **(5,558)** | (3,195) | **(5,569)** | (2,641) |
| **At 30 June** | **72,322** | 68,030 | **38,003** | 36,515 |
| **CARRYING AMOUNT** | **37,196** | 39,749 | **30,206** | 32,914 |

Out of the Company depreciation charge of Rs'000 5,472 (2020: Rs'000 6,014) on the Shareholders' Fund for the year, an amount of Rs'000 801 (2020: Rs'000 1,383) 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **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.

Details of investments:

| **Name of subsidiaries** | **Principal activity** | **Classes of Shares** | **Country of incorporation & operation** | **% Holding 2021** | % Holding 2020 |
|---|---|---|---|---|---|
| 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 entity, 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, SICOM General Insurance Ltd (SGIN), on 1 July 2010. The accumulated reserves were converted into share capital and as subordinated loan, which is unsecured and interest free. The subordinated loan is considered as a quasi-equity investment in SGIN.

**(d) Dividend from subsidiaires**

During the year ended 30 June 2021, the Company received dividends of Rs'000 223,797 (2020: Rs'000 198,563) from its equity instruments which was recorded in the statement of profit or loss 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. Premiums receivable 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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| <u>Equity Securities</u> | | | | |
| Quoted | **1,764,965** | 1,412,351 | **1,664,716** | 1,306,782 |
| Unquoted | **318,941** | 294,733 | **318,924** | 294,719 |
| | **2,083,906** | 1,707,084 | **1,983,640** | 1,601,501 |

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 trading.

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.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 July | **1,707,084** | 1,919,262 | **1,601,501** | 1,780,848 |
| Additions | **150,401** | 214,639 | **150,327** | 214,127 |
| Disposals | **-** | (3,629) | **-** | (3,626) |
| Fair value adjustments | **226,421** | (423,188) | **231,812** | (389,848) |
| **At 30 June** | **2,083,906** | 1,707,084 | **1,983,640** | 1,601,501 |

**10. FINANCIAL INVESTMENTS (CONTINUED)**

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Investment in mutual funds/collective investment schemes | **5,628,692** | 3,697,611 | **5,963,730** | 4,279,600 |
| Quoted Investment in Exchange Traded Funds/Preference shares | **10,644** | 4,865 | **10,644** | 4,865 |
| | **5,639,336** | 3,702,476 | **5,974,374** | 4,284,465 |
| Analysed as: | | | | |
| Quoted | **10,644** | 4,865 | **10,644** | 4,865 |
| Unquoted | **5,628,692** | 3,697,611 | **5,963,730** | 4,279,600 |
| | **5,639,336** | 3,702,476 | **5,974,374** | 4,284,465 |

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.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 July | **3,702,476** | 3,054,624 | **4,284,465** | 3,702,548 |
| Additions | **1,511,439** | 238,858 | **269,032** | 50,403 |
| Disposals | **(918,765)** | (78,416) | **-** | (600) |
| Fair value adjustments | **1,344,186** | 487,410 | **1,420,877** | 532,114 |
| **At 30 June** | **5,639,336** | 3,702,476 | **5,974,374** | 4,284,465 |

**(c) Debt instrument at amortised cost**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Government bonds | **6,305,411** | 6,749,392 | **5,498,943** | 5,959,876 |
| Treasury bills and treasury notes | **1,306,770** | 965,697 | **1,191,485** | 833,360 |
| Corporate bonds | **761,349** | 529,565 | **664,734** | 411,894 |
| Preference shares | **4,980** | 304,981 | **4,723** | 304,724 |
| Term deposits | **2,337,870** | 2,660,628 | **795,046** | 683,591 |
| | **10,716,380** | 11,210,263 | **8,154,931** | 8,193,445 |
| Analysed between: | | | | |
| Current | **3,831,854** | 3,666,485 | **2,267,575** | 2,245,264 |
| Non-Current | **6,884,526** | 7,543,778 | **5,887,356** | 5,948,181 |
| | **10,716,380** | 11,210,263 | **8,154,931** | 8,193,445 |

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 0.4% - 10.50% (2020: 0.50% - 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 15,267 (2020: Rs'000 15,042) for the Group and Rs'000 7,205 (2020: Rs'000 7,100) for the Company. These represent investments in Government Securities and earn interest at 7.0% - 7.8% (2020: 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 | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 Individual | Total |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Performing high grade | **10,726,545** | **-** | **-** | **10,726,545** |

| | COMPANY | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 Individual | Total |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Performing high grade | **8,160,379** | **-** | **-** | **8,160,379** |

| | 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 |

| | 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 |

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

| | GROUP | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 Individual | Total |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Gross carrying amount at 1 July 2020 | **11,224,056** | **-** | **-** | **11,224,056** |
| New assets purchased | **4,593,265** | **-** | **-** | **4,593,265** |
| Assets derecognised or matured | **(5,098,207)** | **-** | **-** | **(5,098,207)** |
| Adjustments | **988** | | | **988** |
| Amortisation adjustments | **6,443** | **-** | **-** | **6,443** |
| **At 30 June 2021** | **10,726,545** | **-** | **-** | **10,726,545** |

## 10. FINANCIAL INVESTMENTS (CONTINUED)

### (c) Debt instrument at amortised cost (Continued)

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

| | Stage 1 Individual | Stage 2 Individual | Stage 3 Individual | Total |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| ECL allowance at 1 July 2020 | **13,793** | - | - | **13,793** |
| New assets purchased | **4,649** | - | - | **4,649** |
| Assets derecognised or matured | **(4,228)** | - | - | **(4,228)** |
| Amortisation adjustments | **(4,049)** | - | - | **(4,049)** |
| **At 30 June 2021** | **10,165** | - | - | **10,165** |

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

| | COMPANY | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 Individual | Total |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Gross carrying amount at 1 July 2020 | **8,200,907** | - | - | **8,200,907** |
| New assets purchased | **3,293,609** | - | - | **3,293,609** |
| Assets derecognised or matured | **(3,281,176)** | - | - | **(3,281,176)** |
| Amortisation adjustments | **(52,961)** | - | - | **(52,961)** |
| **At 30 June 2021** | **8,160,379** | - | - | **8,160,379** |

| | Stage 1 Individual | Stage 2 Individual | Stage 3 Individual | Total |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| ECL allowance at 1 July 2020 | **7,462** | - | - | **7,462** |
| New assets purchased | **2,179** | - | - | **2,179** |
| Assets derecognised or matured | **(1,889)** | - | - | **(1,889)** |
| Amortisation adjustments | **(2,304)** | - | - | **(2,304)** |
| **At 30 June 2021** | **5,448** | - | - | **5,448** |

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

| | 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 |

**10. FINANCIAL INVESTMENTS (CONTINUED)**

**(c) Debt instrument at amortised cost (Continued)**

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

| | Stage 1 Individual | Stage 2 Individual | Stage 3 Individual | Total |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| ECL allowance at 1 July 2019 | 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.

**(d) Bank and Cash balances**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Bank and Cash balances | **546,523** | 445,684 | **207,459** | 230,737 |
| Short Term deposits | **250,000** | - | **250,000** | - |
| Less Expected Credit Losses on Short Term deposits | **(395)** | - | **(395)** | - |
| | **796,128** | 445,684 | **457,064** | 230,737 |

Bank and Cash balances are maintained with reputable financial institutions. The credit risk has been assessed to be very low and the resulting ECL considered not material.

## 11. ASSETS HELD FOR SALE

| Foreclosed properties | GROUP & COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| At 1 July | **9,429** | 11,929 |
| Disposals | **(2,200)** | (1,850) |
| Impairment | **-** | (650) |
| **At 30 June** | **7,229** | 9,429 |

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 forward looking information as economic input which is GDP growth.

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 | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| **(i)** Movement during the year:- | | |
| At 1 July | **663,594** | 581,319 |
| Leases granted during the year | **261,667** | 271,934 |
| Capital repayment during the year | **(212,638)** | (189,660) |
| **At 30 June** | **712,623** | 663,593 |
| Interest receivable | **3,219** | 2,753 |
| Allowance for credit impairment | **(10,168)** | (4,935) |
| Net investment in finance lease | **705,674** | 661,411 |
| Analysed as:- | | |
| - Non-current finance lease receivables | **539,541** | 488,229 |
| - Current finance lease receivables | **166,133** | 173,182 |
| | **705,674** | 661,411 |

| **(ii) Gross and net investment in finance leases** | GROUP | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Gross investment in finance leases | | |
| - within one year | **210,842** | 198,100 |
| - in the second to fifth years inclusive | **552,321** | 503,756 |
| - more than five years | **51,995** | 59,166 |
| | **815,158** | 761,022 |
| Less: Unearned finance income | **(117,291)** | (110,073) |
| | **697,867** | 650,949 |
| Installments due | **17,975** | 15,397 |
| Less: Allowance for credit impairment | **(10,168)** | (4,935) |
| Present value of minimum lease payments receivable | **705,674** | 661,411 |
| Analysed as:- | | |
| - Current finance lease receivables | **164,398** | 159,207 |
| - Non-current finance lease receivables | **533,469** | 491,742 |
| | **697,867** | 650,949 |
| Installments due | **17,975** | 15,397 |
| Less: Allowance for credit impairment | **(10,168)** | (4,935) |
| | **705,674** | 661,411 |

## 12. LOANS AND ADVANCES (CONTINUED)

### a. Net investment in finance lease (Continued)

#### (iii) Remaining term to maturity

| | GROUP | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| **Corporate customers** | | |
| Up to 3 months | **9,434** | 11,391 |
| Over 3 months and up to 6 months | **15,267** | 10,827 |
| Over 6 months and up to 12 months | **27,373** | 20,909 |
| Over 1 year and up to 5 years | **128,841** | 104,694 |
| Over 5 years | **11,391** | 13,449 |
| | **192,306** | 161,270 |
| **Other customers** | | |
| Up to 3 months | **13,361** | 30,459 |
| Over 3 months and up to 6 months | **37,187** | 28,836 |
| Over 6 months and up to 12 months | **61,777** | 56,784 |
| Over 1 year and up to 5 years | **335,657** | 330,360 |
| Over 5 years | **57,579** | 43,240 |
| | **505,561** | 489,679 |
| Installment due | **17,975** | 15,397 |
| Allowance for credit impairment | **(10,168)** | (4,935) |
| **TOTAL** | **705,674** | 661,411 |

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 | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Manufacturing | **7,713** | 7,547 |
| Transport | **33,327** | 40,437 |
| Construction | **13,484** | 15,177 |
| Personal | **567,662** | 516,313 |
| Financial and business services | **10,551** | 6,407 |
| Global Business Licence Holders | **16,033** | 9,615 |
| Education | **6,772** | 1,392 |
| Tourism | **12,017** | 9,957 |
| Information, Communication and Technology | **3,815** | 3,666 |
| Others | **34,300** | 50,900 |
| | **705,674** | 661,411 |

#### (v) Allowance for credit impairment

| | GROUP | | |
|---|---|---|---|
| | **2021 Non performing leases** | **2021 Performing leases** | **2021 Total** |
| | **Rs'000** | **Rs'000** | **Rs'000** |
| At 1 July | **4,210** | **725** | **4,935** |
| Provision charged for the year | **5,156** | **77** | **5,233** |
| At 30 June | **9,366** | **802** | **10,168** |

**12. LOANS AND ADVANCES (CONTINUED)**

**a. Net investment in finance lease (Continued)**

**(v) Allowance for credit impairment (Continued)**

| | 2020 | 2020 | 2020 |
|---|---|---|---|
| | Non performing | Performing leases | Total |
| | Rs'000 | Rs'000 | Rs'000 |
| At 1 July | 4,311 | 528 | 4,839 |
| Provision (released)/charged for the year | (101) | 197 | 96 |
| At 30 June | 4,210 | 725 | 4,935 |

The allowance for credit impairment is analysed as follows:

| | **2021** | 2020 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Manufacturing | **12** | 7 |
| Transport | **1,204** | 707 |
| Construction | **59** | 55 |
| Personal | **8,308** | 3,905 |
| Financial and Business services | **58** | - |
| Global Business Licence Holders | **9** | 38 |
| Education | **2** | 2 |
| Tourism | **474** | - |
| Information, Communication and Technology | **28** | 197 |
| Others | **14** | 24 |
| Total | **10,168** | 4,935 |

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

**(vi) Ageing of past due debt which is impaired**

| | **GROUP** | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| 1-90 days | **1,135** | 1,415 |
| 91-180 days | **6,073** | 7,433 |
| 181-360 days | **28,258** | 4,134 |
| More than 360 days | **5,678** | 7,936 |
| | **41,144** | 20,918 |

Leases are classified as 'past-due and impaired', when contractual payments are in arrears for more than 90 days. Leases which are with arrears of 1-89 days are classified as past due but not impaired.

## 12. LOANS AND ADVANCES (CONTINUED)

### a. Net investment in finance lease (Continued)

### (vii) Collateral

For finance leases, the ownership of leases assets remain with the Group until full settlement of the lease when it is then transferred to the lessee. Collaterals for impaired leases are reviewed by the Group in line with the regulatory provisions and the Group's internal polciies. The fair value of the collaterals are obtained by independent surveyors and factors in the ECL computations for the non-performing book, after taking into account the cost to sell and a haircut based on expected loss on repossession.

As a last resort, the Group would repossess leased assets for impaired exposures, after all other means of remediation and recoveries have been exhausted. Financial assets which are credit impaired and related collaterals held in order to mitigate potential losses are shown below:

| Credit impaired lease at 30 June | Gross exposure | Impairment allowance | Fair value of collateral held |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| **2021** | **41,144** | **9,366** | **51,602** |
| 2020 | 20,918 | 4,211 | 30,840 |

**Repossessed leases**

The fair value of assets repossessed during the year is shown below:

| | 2021 | 2020 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Vehicles | **1,815** | **650** |

These repossessed collaterals are sold to third parties to recover the investments in the leases.

**Covid-19 moratoriums**

There were 15 new moratoriums granted to eligible customers impacted by Covid-19 during the year ended 30 June 2021. The carrying amount of such moratoriums granted during the year amounted to Rs 22,810,978 (2020: Rs 14,409,836).

### (viii) 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 6.72% (2020:6.97%) per annum with interest rate ranging from 5.00% to 12.5% (2020: ranging between 5.75% to 12.50%) per annum.

Unguaranteed residual values of assets leased under finance leases at end of reporting date are estimated at Rs 16,713,166 (2020: Rs.16,209,414).

**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 2021** | **Current** | **1-89 days** | **90 -180 days** | **180- 360 days** | **>360 days** | **Total** |
| Expected credit loss rate | **0.13%** | **0.10%** | **30.30%** | **68.82%** | **7.62%** | **1.42%** |
| Estimated total gross carrying amount at default | **444,693** | **230,005** | **1,422** | **9,653** | **30,069** | **715,842** |
| Expected credit loss | **563** | **240** | **431** | **6,643** | **2,291** | **10,168** |

| **30 June 2021** | **Neither past due nor impaired Rs'000** | **Past due but not impaired Rs'000** | **Impaired Rs'000** | **Net Investment in finance lease before impairment Rs'000** | **Allowance for credit impairment Rs'000** | **Net Investment in finance lease Rs'000** |
|---|---|---|---|---|---|---|
| **Leases** | **444,693** | **230,005** | **41,144** | **715,842** | **(10,168)** | **705,674** |

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | Net investment in finance leases | | | | | |
| Rs'000 | Days past due | | | | | |
| 30 June 2020 | **Current** | **1-89 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 Rs'000** | **Past due but not impaired Rs'000** | **Impaired Rs'000** | **Net Investment in finance lease before impairment Rs'000** | **Allowance for credit impairment Rs'000** | **Net Investment in finance lease Rs'000** |
|---|---|---|---|---|---|---|
| Leases | 415,115 | 230,313 | 20,918 | 666,346 | (4,935) | 661,411 |

**12. LOANS AND ADVANCES (CONTINUED)**

**b. Mortgage and other loans**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Loan and advances | **1,640,757** | 1,386,373 | **1,383,998** | 1,373,521 |
| Less: Allowances for ECL/impairment losses | **(43,876)** | (28,940) | **(41,954)** | (28,918) |
| | **1,596,881** | 1,357,433 | **1,342,044** | 1,344,603 |
| Analysed as:- | | | | |
| Non-current | **1,468,447** | 1,261,809 | **1,249,888** | 1,251,926 |
| Current | **128,434** | 95,624 | **92,156** | 92,677 |
| | **1,596,881** | 1,357,433 | **1,342,044** | 1,344,603 |

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 | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Performing** | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| High Grade | **1,401,595** | **-** | **-** | **1,401,595** |
| Standard Grade | **-** | **83,884** | **-** | **83,884** |
| **Non-performing** | | | | |
| Individually impaired | **-** | **-** | **155,278** | **155,278** |
| | **1,401,595** | **83,884** | **155,278** | **1,640,757** |

| | COMPANY | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Performing** | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| High Grade | **1,144,836** | **-** | **-** | **1,144,836** |
| Standard Grade | **-** | **83,884** | **-** | **83,884** |
| **Non-performing** | | | | |
| Individually impaired | **-** | **-** | **155,278** | **155,278** |
| | **1,144,836** | **83,884** | **155,278** | **1,383,998** |

| | 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 |

## 12. LOANS AND ADVANCES (CONTINUED)

### b. Mortgage and other loans (Continued)

| | 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 |

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 | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| **Gross carrying amount as at 01 July 2020** | **1,093,640** | **149,725** | **143,008** | **1,386,373** |
| New loan granted | **518,413** | **-** | **-** | **518,413** |
| Loans matured or derecognised (excluding write-offs) | **(231,150)** | **(15,064)** | **(17,815)** | **(264,029)** |
| Transfer from Stage 1 | **(46,528)** | **31,649** | **14,879** | **-** |
| Transfer from Stage 2 | **55,062** | **(91,233)** | **36,171** | **-** |
| Transfer from Stage 3 | **12,157** | **8,807** | **(20,964)** | **-** |
| **At 30 June 2021** | **1,401,594** | **83,884** | **155,279** | **1,640,757** |

| | COMPANY | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| **Gross carrying amount as at 01 July 2020** | **1,080,788** | **149,725** | **143,008** | **1,373,521** |
| New loans granted | **261,607** | **-** | **-** | **261,607** |
| Loans matured or derecognised (excluding write-offs) | **(218,251)** | **(15,064)** | **(17,815)** | **(251,130)** |
| Transfer from Stage 1 | **(46,528)** | **31,649** | **14,879** | **-** |
| Transfer from Stage 2 | **55,062** | **(91,233)** | **36,171** | **-** |
| Transfer from Stage 3 | **12,157** | **8,807** | **(20,964)** | **-** |
| **At 30 June 2021** | **1,144,835** | **83,884** | **155,279** | **1,383,998** |

| | GROUP | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| **ECL allowance as at 01 July 2020** | **7,379** | **7,134** | **14,427** | **28,940** |
| New loans granted | **9,878** | **-** | **-** | **9,878** |
| Loans matured or derecognised (excluding write-offs) | **(1,558)** | **(518)** | **(634)** | **(2,710)** |
| Transfer from Stage 1 | **(4,405)** | **1,351** | **3,054** | **-** |
| Transfer from Stage 2 | **414** | **(8,764)** | **8,350** | **-** |
| Transfer from Stage 3 | **57** | **450** | **(507)** | **-** |
| Remeasurement of loss allowance | **(814)** | **6,144** | **2,438** | **7,768** |
| **At 30 June 2021** | **10,951** | **5,797** | **27,128** | **43,876** |

**12. LOANS AND ADVANCES (CONTINUED)**

**b. Mortgage and other loans (Continued)**

| | COMPANY | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| **ECL allowance as at 01 July 2020** | **7,357** | **7,134** | **14,427** | **28,918** |
| New loans granted | **9,875** | **-** | **-** | **9,875** |
| Loans matured or derecognised (excluding write-offs) | **(1,555)** | **(518)** | **(634)** | **(2,707)** |
| Transfer from Stage 1 | **(4,405)** | **1,351** | **3,054** | **-** |
| Transfer from Stage 2 | **414** | **(8,764)** | **8,350** | **-** |
| Transfer from Stage 3 | **57** | **450** | **(507)** | **-** |
| Remeasurement of loss allowance | **(2,714)** | **6,144** | **2,438** | **5,868** |
| **At 30 June 2021** | **9,029** | **5,797** | **27,128** | **41,954** |

| | 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) | - |
| Change in PD, LGD and EAD | 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) | - |
| Change in PD, LGD and EAD | 10,590 | 4,426 | (1,288) | 13,728 |
| At 30 June 2020 | 7,357 | 7,134 | 14,427 | 28,918 |

The loans are secured and bear interest at rates varying between 2% - 14% (2020: 2% - 14%) per annum and have repayment terms varying between one year to thirty years.

The Group and the Company have granted unsecured loans.
The fair value of the collateral of loans amounting to Rs'000 3,202,845 (2020: Rs'000 3,402,319) 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 41,643 (2020: Rs'000 20,342).

**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.

**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:

## 13. LEASES (CONTINUED)

**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.

**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.

**(a) Right-of use assets**

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

| | Group | | | | Company | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | **2021** | 2020 |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| | **Office buiiding** | **Leasehold rights on land** | **Total** | Office buiiding | Office buiiding | |
| At 01 July | **13,523** | **-** | **13,523** | 16,072 | **13,523** | 16,072 |
| Additions | **-** | **72,375** | **72,375** | - | **-** | - |
| Adjustments | **136** | **-** | **136** | - | **136** | |
| Depreciation | **(3,413)** | **(1,109)** | **(4,522)** | (2,549) | **(3,413)** | (2,549) |
| **At 30 June** | **10,246** | **71,266** | **81,512** | 13,523 | **10,246** | 13,523 |

**(b) Lease liabilities**

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

| | Group and Company | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| At 01 July | 30,543 | 33,869 |
| Additions | 34,375 | - |
| Repayment | (6,543) | (5,348) |
| Accretion of interest | 3,835 | 2,022 |
| Adjustments | 164 | - |
| **At 30 June** | **62,374** | 30,543 |
| | | |
| Current | **6,543** | 5,348 |
| Non-current | **55,831** | 25,195 |
| | **62,374** | 30,543 |

| Disclosure required by IFRS 16 | Group and Company | |
|---|---|---|
| | **2021** | 2020 |
| Maturity analysis | **Rs'000** | Rs'000 |
| Year 1 | 11,619 | 6,467 |
| Year 2 | 10,179 | 6,359 |
| Year 3 | 9,627 | 5,302 |
| Year 4 | 8,910 | 4,787 |
| Year 5 | 7,324 | 4,071 |
| Onwards | 624,576 | 444,005 |
| | **672,235** | 470,991 |

The Group and the Company do not face a significant liquidity risk with regard to its lease liabilities.

**13. LEASES (CONTINUED)**

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Depreciation expense of right-of-use assets | **4,522** | 2,549 | **3,413** | 2,549 |
| Interest expense on lease liabilities | **3,835** | 2,023 | **3,835** | 2,023 |
| **Total amount recognised in statement of profit or loss** | **8,357** | **4,572** | **7,248** | 4,572 |

The total cash outflow for the Group and the Company for leases in year ended 30 June 2021 was Rs'000 6,543 (2020: Rs'000 5,348) which includes principal portion of Rs'000 2,708 (2020: Rs'000 3,325) and interest portion of Rs'000 3,835 (2020: Rs'000 2,023).

**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 2021 are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Within 1 year | **19,869** | 18,639 | **22,528** | 19,962 |
| Within 2 years | **19,869** | 18,639 | **22,528** | 19,962 |
| Within 3 years | **19,869** | 18,639 | **22,528** | 19,962 |
| Within 4 years | **19,869** | 18,639 | **22,528** | 19,962 |
| Within 5 years | **19,869** | 18,639 | **22,528** | 19,962 |
| More than 5 years | **28,164** | 27,489 | **37,218** | 42,890 |
| | **127,509** | **120,684** | **149,858** | **142,700** |

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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| | | Restated | | Restated |
| Deferred tax assets | **28,266** | 59,394 | **-** | 5,130 |
| Deferred tax liabilities | **(9,040)** | (19,314) | **(9,040)** | - |
| Net deferred tax assets/(liabilities) | **19,226** | 40,080 | **(9,040)** | 5,130 |

At the end of the reporting period, the Group had nil tax losses (2020: nil).

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| | | Restated | | Restated |
| At 01 July - as previously stated | **8,035** | 17,211 | **(19,314)** | (4,854) |
| Prior year adjustments (Note 38) | **32,045** | 28,296 | **24,444** | 22,003 |
| At 01 July as restated | **40,080** | 45,507 | **5,130** | 17,149 |
| Charged to profit or loss (note 19(b)(i) & (ii)) | **(2,749)** | (22,268) | **(2,690)** | (24,523) |
| (Charged)/Credited to other comprehensive income | **(18,105)** | 16,841 | **(11,480)** | 12,504 |
| **At 30 June** | **19,226** | 40,080 | **(9,040)** | 5,130 |

**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 01 July 2020 - As previously stated | **4,794** | **807** | **434** | **115,623** | **121,658** |
| Prior year adjustments (Note 38) | **-** | **-** | **-** | **32,045** | **32,045** |
| At 01 July as restated | **4,794** | **807** | **434** | **147,668** | **153,703** |
| Credited to profit or loss | **3,417** | **(1,018)** | **(212)** | **18,555** | **20,742** |
| Charged to other comprehensive income | **-** | **-** | **-** | **(18,105)** | **(18,105)** |
| | **8,211** | **(211)** | **222** | **148,118** | **156,340** |
| Offset by deferred tax liabilities within same jurisdiction | | | | | **(128,074)** |
| **At 30 June 2021** | | | | | **28,266** |
| At 01 July 2019 - As previously stated | 3,526 | 797 | - | 116,833 | 121,156 |
| Prior year adjustments (Note 38) | - | - | - | 28,296 | 28,296 |
| At 01 July as restated | 3,526 | 797 | - | 145,129 | 149,452 |
| Charged to profit or loss | 1,268 | 10 | 434 | (14,302) | (12,590) |
| Credited to other comprehensive income | - | - | - | 16,841 | 16,841 |
| | 4,794 | 807 | 434 | 147,668 | 153,703 |
| Offset by deferred tax liabilities within same jurisdiction | | | | | (94,309) |
| **At 30 June 2020** | | | | | 59,394 |

* 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 2020 | **8,583** | **7,431** | **330** | **97,279** | **113,623** |
| Charged to profit or loss | **1,570** | **-** | **255** | **21,666** | **23,491** |
| | **10,153** | **7,431** | **585** | **118,945** | **137,114** |
| Offset by deferred tax assets within same jurisdiction | | | | | **(128,074)** |
| **At 30 June 2021** | | | | | **9,040** |
| At 1 July 2019 | 10,408 | 7,431 | - | 86,106 | 103,945 |
| Charged to profit or loss | (1,825) | - | 330 | 11,173 | 9,678 |
| | 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 |

* The increase in deferred tax on investment property is due to the recognition of the fair value of right of use asset of Rs 34 million on initial recognition.

**14. DEFERRED TAXATION (CONTINUED)**

(iii) Deferred tax assets

| | COMPANY | | | |
|---|---|---|---|---|
| | Retirement benefit obligations | Lease Liability | Expected Credit Loss | Total |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 1 July 2020 | **86,843** | 434 | **4,700** | **91,977** |
| Prior year adjustments (Note 38) | **24,444** | - | **-** | **24,444** |
| Restated balance | **111,287** | **434** | **4,700** | **116,421** |
| Credited to profit or loss | **17,451** | **(212)** | **3,425** | **20,664** |
| Credited to other comprehensive income | **(11,480)** | - | **-** | **(11,480)** |
| **At 30 June 2021** | **117,258** | **222** | **8,125** | **125,605** |
| At 01 July 2019 - As previously stated | 93,506 | - | 3,431 | 96,937 |
| Prior year adjustments (Note 38) | 22,003 | - | - | 22,003 |
| At 01 July as restated | 115,509 | - | 3,431 | 118,940 |
| Credited to profit or loss | (16,726) | 434 | 1,269 | (15,023) |
| Credited to other comprehensive income | 12,504 | - | - | 12,504 |
| **At 30 June 2020** | 111,287 | 434 | 4,700 | 116,421 |

(iv) 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 2020 | **6,249** | **7,431** | **330** | **97,281** | **111,291** |
| Charged to profit or loss | **1,429** | **-** | **255** | **21,670** | **23,354** |
| **At 30 June 2021** | **7,678** | **7,431** | **585** | **118,951** | **134,645** |
| 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 |

**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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| | | Restated | | Restated |
| Premium | **284,786** | 356,127 | **-** | - |
| Provision for impairment losses | **(4,307)** | (1,878) | **-** | - |
| | **280,479** | 354,249 | **-** | - |
| Other premium | **33,085** | 29,351 | **33,170** | 29,532 |
| Amounts due from reinsurers | **225,736** | 160,242 | **149,133** | 159,527 |
| Other receivables from Third Party Reinsurers | **210,817** | 203,441 | **-** | - |
| Prepayments | **68,660** | 48,984 | **31,343** | 16,142 |
| Debtors | **73,032** | 67,177 | **42,998** | 42,735 |
| Deposits | **29,433** | 28,644 | **921** | 408 |
| Investment income | **19,208** | 30,264 | **242,207** | 226,727 |
| Other Receivable | **-** | - | **13,216** | 16,215 |
| | **940,450** | 922,352 | **512,988** | 491,286 |

As of 30 June 2021, premiums of Rs'000 4,307 (2020: Rs'000 1,878) 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Balance at beginning | **1,878** | 1,521 |
| Charge for the year | **3,470** | 1,878 |
| Reversal | **(1,041)** | (419) |
| Write off | **-** | (1,102) |
| Balance at end | **4,307** | 1,878 |

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

| | GROUP | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Current | **388,226** | 422,412 |
| Up to 2 months | **5,984** | 66,931 |
| >2 months < 3 months | **12,959** | 15,422 |
| > 3 months < 6 months | **36,292** | 37,922 |
| > 6 months < 1 year | **20,296** | 12,864 |
| > 1 year | **27,539** | 2,014 |
| | **491,296** | 557,565 |

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

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

Provision for credit impairment is normally determined by the 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 premium from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, it is believed that there is no further credit provision required in excess of the allowance for doubtful debts.

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 4,676,000 (2020: Rs. 7,874,406). 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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| <u>Other premium</u> | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| <1 year | **32,973** | 29,241 | **33,058** | 29,422 |
| >1 year | **112** | 110 | **112** | 110 |
| | **33,085** | 29,351 | **33,170** | 29,532 |

**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 | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Gross | | |
| Claims reported | **494,203** | 438,604 |
| Claims incurred but not reported (IBNR) | **91,332** | 144,598 |
| Outstanding claims | **585,535** | 583,202 |
| Unearned premiums | **469,712** | 517,354 |
| **Total gross insurance liabilities** | **1,055,247** | 1,100,556 |

**16. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)**

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

| | GROUP | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Reinsurance assets | | |
| Claims reported | **236,212** | 214,625 |
| Claims incurred but not reported | **57,136** | 97,425 |
| Unearned premiums | **206,427** | 277,788 |
| **Total reinsurers' share of insurance liabilities** | **499,775** | 589,838 |
| Net | | |
| Claims reported | **257,991** | 223,979 |
| Claims incurred but not reported (IBNR) | **34,196** | 47,173 |
| | **292,187** | 271,152 |
| Unearned premiums | **263,285** | 239,566 |
| **Total net insurance liabilities** | **555,472** | 510,718 |

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

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| | **Gross** | **Reinsurance** | **Net** | Gross | Reinsurance | Net |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 | Rs'000 |
| At 1 July | | | | | | |
| Notified claims | **583,202** | **(304,676)** | **278,526** | 464,152 | (215,647) | 248,505 |
| Increase/(decrease) in liabilities | **507,127** | **(182,832)** | **324,295** | 549,538 | (258,956) | 290,582 |
| Cash paid for claims settled in the year | **(596,126)** | **251,296** | **(344,830)** | (575,086) | 259,978 | (315,108) |
| | **494,203** | **(236,212)** | **257,991** | 438,604 | (214,625) | 223,979 |
| Claims incurred but not reported (IBNR) | **91,332** | **(57,136)** | **34,196** | 144,598 | (97,425) | 47,173 |
| **At 30 June** | **585,535** | **(293,348)** | **292,187** | 583,202 | (312,050) | 271,152 |
| Movement in claims outstanding and IBNR | **2,333** | **11,328** | **13,661** | 119,050 | (96,403) | 22,647 |
| Claims incurred but not reported (IBNR) | **91,332** | **(57,136)** | **34,196** | 144,598 | (97,425) | 47,173 |

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

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| | **Gross** | **Reinsurance** | **Net** | Gross | Reinsurance | Net |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 | Rs'000 |
| At 1 July | **517,354** | **(277,788)** | **239,566** | 467,030 | (246,429) | 220,601 |
| (Decrease)/Increase during the year | **(47,642)** | **71,361** | **23,719** | 50,324 | (31,359) | 18,965 |
| **At 30 June** | **469,712** | **(206,427)** | **263,285** | 517,354 | (277,788) | 239,566 |

**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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **3.50% - 4.65% (2020: 3.50% - 4.65%) unsecured loan** | | | | |
| Repayable by instalments | | | | |
| - within one year | **22,746** | 23,241 | **22,746** | 23,241 |
| - in the second year | **21,782** | 18,916 | **21,782** | 18,916 |
| - in the third year | **16,129** | 17,954 | **16,129** | 17,954 |
| - in the fourth year | **10,760** | 12,299 | **10,760** | 12,299 |
| - in the fifth year | **1,915** | 6,930 | **1,915** | 6,930 |
| Sub Total | **73,332** | 79,340 | **73,332** | 79,340 |
| **9.00% (2019: 9.00%) unsecured loan (Subsidiary)** | | | | |
| Repayable by instalments | | | | |
| - within one year | - | - | **69,977** | 63,976 |
| - in the second year | - | - | **-** | 69,977 |
| Sub Total | - | - | **69,977** | 133,953 |
| Total | **73,332** | **79,340** | **143,309** | **213,293** |
| Analysed as follows: | | | | |
| Current | **22,746** | 23,241 | **92,723** | 87,216 |
| Non-current | **50,586** | 56,099 | **50,586** | 126,077 |
| | **73,332** | 79,340 | **143,309** | 213,293 |

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:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 July | **79,340** | 60,163 | **213,293** | 252,605 |
| Additions | **19,148** | 46,366 | **19,148** | 46,366 |
| Repayments | **(25,156)** | (27,189) | **(89,132)** | (85,678) |
| At 30 June | **73,332** | 79,340 | **143,309** | 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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Amount due to reinsurers | **371,993** | 382,263 | **203,048** | 197,142 |
| Other payables and accruals | **510,397** | 343,519 | **376,489** | 206,538 |
| | **882,390** | 725,782 | **579,537** | 403,680 |

Other payables and accruals at Company level comprise mainly of accrued expenses of Rs 26,649,915 (2020: Rs 21,115,340), creditors of Rs 82,526,663 (2020: Rs 61,477,500), claims due amounting to Rs 192,997,244 (2020: Rs 66,880,306) and provisions of Rs 31,531,973 (2020: Rs 23,072,056).

Other payables and accruals at Group level comprise mainly of accrued expenses of Rs 34,716,419 (2020: Rs 35,814,327), creditors of Rs 225,595,379 (2020: Rs 177,850,157) and claims due amounting to Rs 192,997,244 (2020: Rs 66,880,306).

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% (2020 :15%). An additional charge of 2% (2020 :2%) is applicable in respect of Corporate Social Responsibility

**Income Tax**

Income tax is calculated at the rate of 17% (2020 - 17%) on the profit for the year as adjusted for income tax purposes.

**(a) Statements of financial position**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| - Shareholders' Fund | **24,010** | 27,949 | **14,172** | 25,970 |
| - Life Fund | **(18,928)** | (47,114) | **(18,928)** | (47,114) |
| - Insured Pension Fund | **(7,173)** | 3,753 | **(7,173)** | 3,753 |
| - Personal Pension Plan | **(12,350)** | (6,574) | **(12,350)** | (6,574) |
| - Medisave | **6** | (13) | **6** | (13) |
| | **(14,435)** | (21,999) | **(24,273)** | (23,978) |

**19. TAXATION (CONTINUED)**

**Income Tax (Continued)**

**(a) Statements of financial position**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Analysed as follows: | | | | |
| Current tax assets | **(24,667)** | (26,889) | **(24,273)** | (23,978) |
| Current tax liabilities | **10,232** | 4,890 | **-** | - |
| | **(14,435)** | (21,999) | **(24,273)** | (23,978) |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| (i) Shareholders' Fund | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| | | Restated | | Restated |
| - Current tax expense | **74,815** | 55,302 | **45,878** | 40,849 |
| - Under/(Over) provision in respect of previous year | **3,303** | (6,879) | **(1,781)** | (3,577) |
| | **78,118** | 48,423 | **44,097** | 37,272 |
| - Deferred tax charge (note 14(b)) | **705** | 25,918 | **646** | 28,173 |
| | **78,823** | 74,341 | **44,743** | 65,445 |

| (ii) Life Fund | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| - Current tax (credit)/expense | **(6,807)** | (34,077) | **(6,807)** | (34,077) |
| - Under/(Over) provision in respect of previous year | **79,280** | (27,565) | **79,280** | (27,565) |
| | **72,473** | (61,642) | **72,473** | (61,642) |
| - Deferred tax charge (note 14(b)) | **2,044** | (3,650) | **2,044** | (3,650) |
| | **74,517** | (65,292) | **74,517** | (65,292) |

| (iii) Insured Pension Fund | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| - Current tax expense | **(5,440)** | 2,040 | **(5,440)** | 2,040 |
| - Over provision in respect of previous year | **(1,922)** | (1,640) | **(1,922)** | (1,640) |
| | **(7,362)** | 400 | **(7,362)** | 400 |

| (iv) Personal Pension Plan | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| - Current tax (credit)/expense | **(15,436)** | (6,124) | **(15,436)** | (6,124) |
| - Under/(Over) provision in respect of previous year | **8,747** | (15,753) | **8,747** | (15,753) |
| | **(6,689)** | (21,877) | **(6,689)** | (21,877) |

| (v) Medisave | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| - Current tax credit | **1** | (12) | **1** | (12) |
| - Under provision in respect of previous year | **6** | - | **6** | - |
| | **7** | (12) | **7** | (12) |
| Total Long Term Insurance Funds (Note 31) | **60,473** | (86,781) | **60,473** | (86,781) |

## 19. TAXATION (CONTINUED)

### (b) Statements of profit or loss (Continued)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **Tax receivable** | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 July | **(21,999)** | 45,493 | **(23,978)** | 37,761 |
| Tax charge/(credit) for the year | **136,541** | (34,708) | **102,526** | (45,859) |
| Tax paid during the year | **(128,977)** | (32,784) | **(102,821)** | (15,880) |
| **At 30 June** | **(14,435)** | (21,999) | **(24,273)** | (23,978) |

### (c) Tax Reconciliation

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000<br>Restated | **Rs'000** | Rs'000<br>Restated |
| Profit before taxation | **1,049,150** | 688,067 | **1,007,984** | 684,195 |
| Applicable Tax Rate (%) | **17.00** | 17.00 | **17.00** | 17.00 |
| *Tax effect of* : | | | | |
| - Exempt income and other relief | **(18.79)** | (17.61) | **(12.15)** | (11.22) |
| - Expenses not deductible for tax purposes | **0.50** | 6.79 | **-** | 4.73 |
| - Expenses entitled to 200% deduction | **(0.02)** | (0.05) | **(0.02)** | (0.05) |
| - Rental of leased assets | **(0.11)** | (0.07) | **(0.11)** | (0.07) |
| - Assets not eligible for capital allowances | **0.04** | 0.09 | **0.04** | 0.09 |
| - Over-provision in previous year | **0.31** | (0.98) | **(0.18)** | (0.52) |
| - Over-provision in deferred tax | **(0.04)** | (0.07) | **(0.04)** | (0.32) |
| - Life Fund's tax liability | **7.10** | (9.31) | **7.39** | (9.46) |
| - Insured Pension Fund | **(0.70)** | 0.06 | **(0.73)** | 0.06 |
| - Personal Pension Plan | **(0.64)** | (3.12) | **(0.66)** | (3.17) |
| - CSR Expense | **0.09** | 0.01 | **-** | - |
| - Support Costs SGIN | **(0.10)** | (0.18) | **(0.10)** | (0.19) |
| - Foreign tax credit | **(1.90)** | (2.19) | **-** | - |
| - Exchange difference | **10.45** | 8.29 | **-** | - |
| - Utilisation of previously unrecognised tax losses | **0.08** | (0.06) | **-** | - |
| Effective Tax Rate | **13.27** | (1.40) | **10.44** | (3.12) |

## 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Term deposits with remaining terms to maturity: | | |
| - Within one year | **601,240** | 348,163 |
| - In the second to fifth years inclusive | **1,119,061** | 1,358,441 |
| | **1,720,301** | 1,706,604 |

The deposits bear interest ranging from 0.5% to 4.50% (2020: 1.00% to 4.50%) 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Share capital | 25,000 | 25,000 |
| Share premium | 45,000 | 45,000 |
| | **70,000** | 70,000 |

| The share capital comprises of: - 250,000 ordinary shares of Rs 100 each | **Number of shares** | **Share capital** | **Share premium** |
|---|---|---|---|
| | **000** | **Rs'000** | **Rs'000** |
| **At 30 June 2021** | 250 | 25,000 | 45,000 |

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

The total authorised number of ordinary share is 300,000 (2020: 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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| | | Restated | | Restated |
| Retained earnings | **7,384,208** | 6,535,454 | **6,481,153** | 5,636,821 |
| Properties revaluation reserve | **142,381** | 142,381 | **141,484** | 141,484 |
| Investments revaluation reserve | **(42,733)** | (75,973) | **221,797** | 190,466 |
| Actuarial losses | **(520,900)** | (591,674) | **(410,495)** | (466,545) |
| Translation reserve | **177,232** | 141,022 | **-** | - |
| General banking reserve | **5,744** | 5,744 | **-** | - |
| Other reserve | **59,746** | 57,248 | **-** | - |
| | **7,205,678** | 6,214,202 | **6,433,939** | 5,502,226 |

### (a) Retained earnings

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| | | Restated | | Restated |
| At 01 July - As previously stated | **6,645,408** | 6,178,845 | **5,701,259** | 5,229,937 |
| Prior year adjustments (Note 38) | **(109,954)** | (99,162) | **(64,438)** | (60,314) |
| At 1 July as restated | **6,535,454** | **6,079,683** | **5,636,821** | **5,169,623** |
| Effect of adoption of IFRS 16 | **-** | 42,660 | **-** | 42,660 |
| Transfer on derecognition of financial assets at FVOCI | **-** | 35 | **-** | 35 |
| Profit attributable to equity holders of the parent | **970,161** | 613,522 | **963,241** | 618,750 |
| Payments of dividends | **(118,909)** | (194,247) | **(118,909)** | (194,247) |
| Transfer to other reserve | **(2,498)** | (6,199) | **-** | - |
| **At 30 June** | **7,384,208** | 6,535,454 | **6,481,153** | 5,636,821 |

## 22. RESERVES (CONTINUED)

### (b) Properties revaluation reserve

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 July | **142,381** | 142,381 | **141,484** | 141,484 |
| **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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 July | **(75,973)** | 7,023 | **190,466** | 254,820 |
| Transfer on derecognition of financial assets at FVOCI | **-** | (35) | **-** | (35) |
| Revaluation gains/(losses) on equity | **33,240** | (82,961) | **31,331** | (64,319) |
| **At 30 June** | **(42,733)** | (75,973) | **221,797** | 190,466 |

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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| | **Restated** | Restated | **Restated** | Restated |
| At 1 July - as previously stated | **(586,888)** | (485,693) | **(462,777)** | (383,706) |
| Prior year adjustments (Note 38) | **(4,786)** | - | **(3,768)** | - |
| At 1 July as restated | **(591,674)** | (485,693) | **(466,545)** | (383,706) |
| Other comprehensive income attributable to equity holders of the parent, net of tax | **70,774** | (105,981) | **56,050** | (82,839) |
| **At 30 June** | **(520,900)** | (591,674) | **(410,495)** | (466,545) |

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

### (e) Translation reserve

| | GROUP | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| At 1 July | **141,022** | 65,855 |
| Movement during the year | **36,210** | 75,167 |
| **At 30 June** | **177,232** | 141,022 |

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 in respect of impairment in the lease portfolio, in addition to impairment allowances computed under IFRS 9.

### (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. This reserves is not distributable.

**22. RESERVES (CONTINUED)**

**(h) Income tax effects relating to other comprehensive income**

| SHAREHOLDERS' FUND | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| | **Before tax amount** | **Tax (expense) benefit (Note 14)** | **Net of tax Amount** | Before tax amount | Tax (expense) benefit (Note 14) | Net of tax Amount Restated |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 | Rs'000 |
| Exhange differences on translation of foreign operations | **36,210** | **-** | **36,210** | 75,167 | - | 75,167 |
| Remeasurement gains on defined benefit plan | **88,857** | **(18,105)** | **70,752** | (122,850) | 16,841 | (106,009) |
| Fair value through OCI | **33,240** | **-** | **33,240** | (82,961) | - | (82,961) |
| | **158,307** | **(18,105)** | **140,202** | (130,644) | 16,841 | (113,803) |

| LIFE FUND | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| | **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 operations | **17,224** | **-** | **17,224** | 38,150 | - | 38,150 |
| Fair Value through OCI | **193,181** | **-** | **193,181** | (340,227) | - | (340,227) |
| | **210,405** | **-** | **210,405** | (302,077) | - | (302,077) |

| SHAREHOLDERS' FUND | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| | **Before tax amount** | **Tax (expense) benefit (Note 14)** | **Net of tax Amount** | Before tax amount | Tax (expense) benefit (Note 14) | Net of tax Amount Restated |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 | Rs'000 |
| Fair Value through OCI | **31,331** | **-** | **31,331** | (64,319) | - | (64,319) |
| Remeasurement gains on defined benefit plan | **67,530** | **(11,480)** | **56,050** | (95,343) | 12,504 | (82,839) |
| | **98,861** | **(11,480)** | **87,381** | (159,662) | 12,504 | (147,158) |

| LIFE FUND | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| | **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 | **200,481** | **-** | **200,481** | (325,529) | - | (325,529) |
| | **200,481** | **-** | **200,481** | (325,529) | - | (325,529) |

## 23 EMPLOYEE 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) Unfunded benefits**

In addition to the Defined Benefit Plan SICOM also provides benefits outside the pension funds to members of the DB funds.

The liability recognised in the statement of financial position in respect of unfunded benefits is the present value of the unfunded obligation at the end of the reporting period. The unfunded obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net unfunded liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, 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 interest expense on the unfunded liability for the period by applying the discount rate used to measure the unfunded obligation at the beginning of the annual period to the unfunded liability, taking into account any changes in the unfunded liability during the period as a result of benefit payments. Interest expense 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.

**(iv) State plan**

Contributions to the National Pension Scheme 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. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

### (a) Pension benefits

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| | **Rs'000** | Rs'000 | Rs'000 | **Rs'000** | Rs'000 | Rs'000 |
| | | Restated | Restated | | Restated | Restated |
| Amount recognised in the statements of financial position as non-current liabilities: | | | | | | |
| - Funded pension benefits (note 23(b)(ii)) | **795,111** | 851,808 | 695,350 | **624,149** | 672,142 | 550,037 |
| - Unfunded pension benefits (note 23(d)(ii)) | **87,594** | 189,183 | 166,675 | **65,586** | 143,787 | 129,429 |
| | **882,705** | 1,040,991 | 862,025 | **689,735** | 815,929 | 679,466 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Amount charged to profit or loss: | | | | Restated |
| - Funded Pension benefits (note 28(a)) | **60,528** | 65,542 | **46,281** | 50,611 |
| - Unfunded Pension benefits (note 28(a)) | **5,749** | 17,435 | **4,410** | 10,398 |
| | **66,277** | 82,977 | **50,691** | 61,009 |
| Amount charged to other comprehensive income: | | | | |
| - Funded Pension benefits (note 23(b)(vii)) | **17,492** | 117,113 | **14,381** | 90,803 |
| - Unfunded Pension benefits (note 23(e)(v)) | **(106,350)** | 5,737 | **(81,911)** | 4,540 |
| | **(88,858)** | 122,850 | **(67,530)** | 95,343 |

### (b) Funded 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 2021 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 | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| | **Rs'000** | Rs'000 | Rs'000 | **Rs'000** | Rs'000 | Rs'000 |
| Present value of funded obligations | **1,537,363** | 1,441,559 | 1,249,736 | **1,169,042** | 1,088,716 | 948,389 |
| Fair value of plan assets | **(742,252)** | (589,751) | (554,386) | **(544,893)** | (416,574) | (398,352) |
| Liabilities in the statements of financial position | **795,111** | 851,808 | 695,350 | **624,149** | 672,142 | 550,037 |

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

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| | **Rs'000** | Rs'000 | Rs'000 | **Rs'000** | Rs'000 | Rs'000 |
| At 1 July | **851,808** | 695,350 | 477,974 | **672,142** | 550,037 | 388,166 |
| Profit or loss charge | **60,528** | 65,542 | 53,945 | **46,281** | 50,611 | 42,129 |
| Other comprehensive income charge | **17,492** | 117,113 | 186,936 | **14,381** | 90,803 | 137,051 |
| Contributions paid | **(134,717)** | (26,197) | (23,505) | **(108,655)** | (19,309) | (17,309) |
| **At 30 June** | **795,111** | 851,808 | 695,350 | **624,149** | 672,142 | 550,037 |

**23. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)**

**(b) Funded Pension benefits (Continued)**

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 July | **1,441,559** | 1,249,736 | **1,088,716** | 948,389 |
| Current service cost | **28,609** | 23,578 | **21,201** | 17,457 |
| Interest expense | **56,949** | 74,433 | **43,136** | 56,291 |
| Employee contributions | **12,643** | 12,379 | **9,481** | 9,307 |
| Liability experience loss | **(15,119)** | 82,429 | **(8,880)** | 64,258 |
| Liability loss due to change in in demographic assumptions | **134,872** | - | **100,632** | - |
| Liability Loss/(gain) due to change in financial assumption | **(78,894)** | 45,720 | **(59,889)** | 34,045 |
| Benefits paid | **(43,256)** | (46,716) | **(25,355)** | (41,031) |
| **At 30 June** | **1,537,363** | 1,441,559 | **1,169,042** | 1,088,716 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 July | **589,751** | 554,386 | **416,574** | 398,352 |
| Interest income | **25,030** | 32,469 | **18,056** | 23,137 |
| Employer contributions | **134,717** | 26,197 | **108,656** | 19,309 |
| Employee contributions | **12,643** | 12,379 | **9,481** | 9,307 |
| Benefits paid | **(43,256)** | (46,716) | **(25,355)** | (41,031) |
| Return on plan assets excluding interest income | **23,367** | 11,036 | **17,481** | 7,500 |
| **At 30 June** | **742,252** | 589,751 | **544,893** | 416,574 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Current service cost | **28,609** | 23,578 | **21,201** | 17,457 |
| Net interest on net defined benefit liabilities | **31,919** | 41,964 | **25,080** | 33,154 |
| **Total cost (note 28a)** | **60,528** | 65,542 | **46,281** | 50,611 |
| Allocation of support costs: | | | | |
| Life Fund | **15,394** | 15,910 | **15,394** | 15,910 |
| SICOM General Insurance Ltd | **16,715** | 17,699 | **3,764** | 4,033 |
| Shareholders' Fund | **28,419** | 31,933 | **27,123** | 30,668 |
| | **60,528** | 65,542 | **46,281** | 50,611 |
| Actual return in plan assets | **48,397** | 43,505 | **35,537** | 30,637 |

**23. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)**

**(b) Funded Pension benefits (Continued)**

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Return on plan assets(above)/ below interest income | **(23,368)** | (11,036) | **(17,482)** | (7,500) |
| Liability experience loss | **(15,119)** | 82,429 | **(8,880)** | 64,258 |
| Liability Loss/(gain) due to change in financial assumptions | **(78,893)** | 45,720 | **(59,889)** | 34,045 |
| Liability loss due to change in in demographic assumptions | **134,872** | - | **100,632** | - |
| | **17,492** | 117,113 | **14,381** | 90,803 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Equity - local quoted | **76,452** | 48,949 | **56,124** | 34,576 |
| Equity - local unquoted | **7,423** | 5,308 | **5,449** | 3,749 |
| Debt - local quoted | **8,907** | 6,487 | **6,539** | 4,582 |
| Debt - local unquoted | **377,065** | 352,081 | **276,806** | 248,695 |
| Investment funds | **214,511** | 131,514 | **157,474** | 92,896 |
| Property | **3,711** | 2,949 | **2,724** | 2,083 |
| Cash and others | **54,183** | 42,463 | **39,777** | 29,993 |
| | **742,252** | 589,751 | **544,893** | 416,574 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Discount rate | **5.35%** | 3.9% | **5.35%** | 3.9% |
| Future salary increases | **3.5%** | 2.4% | **3.5%** | 2.4% |
| Future pension increases | **2.5%** | 1.4% | **2.5%** | 1.4% |
| 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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Discount rate (1% movement) | | | | |
| Increase | **215,052** | 221,227 | **151,638** | 164,396 |
| Decrease | **257,343** | 272,341 | **179,816** | 201,148 |
| Salary increase (1% movement) | | | | |
| Increase | **125,427** | 125,354 | **93,027** | 91,538 |
| Decrease | **112,692** | 110,675 | **83,845** | 81,536 |
| Pension increase (1% movement) | | | | |
| Increase | **177,032** | 138,191 | **133,108** | 102,764 |
| Decrease | **155,983** | 126,113 | **117,506** | 94,746 |

**23. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)**

**(b) Funded 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 2022 are Rs 135.8 million for the Group and Rs 109.4 million for the Company.

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

| **(d) Unfunded Defined Benefit Plan** | **GROUP** | | | **COMPANY** | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| | **Rs'000** | Rs'000 | 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)) | **87,594** | 189,183 | 166,675 | **65,586** | 143,787 | 129,429 |
| Amount charged to profit or loss: | | | | | | |
| - Pension benefits (note 28(a)) | **5,749** | 17,435 | | **4,410** | 10,398 | |
| Amount charged to other comprehensive income: | | | | | | |
| - Pension benefits (note 23(d)(vii)) | **(106,350)** | 5,737 | | **(81,911)** | 4,540 | |

**23. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)**

**(e) Unfunded Pension benefits**

(i) Amounts recognised in the statements of financial position

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| | **Rs'000** | Rs'000 | Rs'000 | **Rs'000** | Rs'000 | Rs'000 |
| Present value of unfunded obligations | **87,594** | 189,183 | 166,675 | **65,586** | 143,787 | 129,429 |
| Liabilities in the statements of financial position | **87,594** | 189,183 | 166,675 | **65,586** | 143,787 | 129,429 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 July | **189,183** | 166,675 | **143,787** | 129,429 |
| Profit or loss charge | **5,749** | 17,435 | **4,410** | 10,398 |
| Other comprehensive income charge | **(106,350)** | 5,737 | **(81,911)** | 4,541 |
| Contributions paid | **(988)** | (664) | **(700)** | (581) |
| **At 30 June** | **87,594** | 189,183 | **65,586** | 143,787 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 July | **189,183** | 166,675 | **143,787** | 129,429 |
| Current service cost | **2,484** | 10,536 | **1,866** | 5,160 |
| Interest expense | **3,265** | 6,898 | **2,544** | 5,238 |
| Liability experience gain | **(2,247)** | - | **(4,360)** | - |
| Liability loss due to change in in demographic assumptions | **(107,457)** | - | **(80,082)** | - |
| Liability Loss due to change in financial assumptions | **3,355** | 5,727 | **2,531** | 4,541 |
| Benefits paid | **(989)** | (653) | **(700)** | (581) |
| **At 30 June** | **87,594** | 189,183 | **65,586** | 143,787 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Current service cost | **2,484** | 10,536 | **1,866** | 5,160 |
| Net interest on net defined benefit liabilities | **3,265** | 6,899 | **2,544** | 5,238 |
| **Total cost (note 28a)** | **5,749** | 17,435 | **4,410** | 10,398 |
| Allocation of support costs: | | | | |
| Life Fund | **1,794** | 3,739 | **1,794** | 3,739 |
| SICOM General Insurance Ltd | **1,553** | 7,498 | **339** | 848 |
| Shareholders' Fund | **2,402** | 6,198 | **2,277** | 5,811 |
| | **5,749** | 17,435 | **4,410** | 10,398 |

**23. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)**

**(e) Unfunded Pension benefits (Continued)**

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Liability experience gain | **(2,248)** | - | **(4,360)** | - |
| Liability gain due to change in demographic assumptions | **(107,457)** | - | **(80,082)** | - |
| Liability Loss due to change in financial assumptions | **3,355** | 5,737 | **2,531** | 4,540 |
| | **(106,350)** | 5,737 | **(81,911)** | 4,540 |

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

| | GROUP | COMPANY |
|---|---|---|
| | **2021** | **2021** |
| | **Rs'000** | **Rs'000** |
| Discount rate (1% movement) | | |
| Increase | **13,481** | **9,920** |
| Decrease | **16,263** | **11,927** |
| Salary increase (1% movement) | | |
| Increase | **9,064** | **6,753** |
| Decrease | **8,168** | **6,085** |
| Pension increase (1% movement) | | |
| Increase | **8,267** | **6,028** |
| Decrease | **7,495** | **5,476** |

**(c) Funded Defined Contribution Plan**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| National pension scheme contributions charges for employees on a contractual basis | **102** | 115 | **7** | 19 |
| Contributions to defined contribution plan administered by State Insurance Company of Mauritius Ltd | **5,202** | 4,250 | **3,768** | 3,015 |

## 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.

| | **GROUP** | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Gross insurance premiums | **1,254,060** | 1,137,267 |
| Premium ceded to reinsurers | **(624,824)** | (570,351) |
| Net earned premiums | **629,236** | 566,916 |
| Gross claims paid | **596,126** | 575,086 |
| Claims settled from reinsurers | **(251,296)** | (259,978) |
| Movement in outstanding claims | **13,661** | 22,647 |
| Net claims incurred | **358,491** | 337,755 |
| Commissions receivable from reinsurers | **93,910** | 85,802 |
| Commissions paid to agents and brokerage fees | **(81,418)** | (78,961) |
| | **12,492** | 6,841 |
| **Underwriting surplus** | **283,237** | 236,002 |

## 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 2021 Rs'000 | COMPANY 2021 Rs'000 | GROUP 2020 Rs'000 | COMPANY 2020 Rs'000 |
|---|---|---|---|---|
| **Breakdown of revenue from contracts with customers** | | | | |
| Actuarial fees | **7,177** | **7,177** | 6,939 | 6,939 |
| Management fees | **341,667** | **350,207** | 342,348 | 350,313 |
| Administration fees | **211,949** | **88,274** | 173,138 | 80,331 |
| Total revenue | **560,793** | **445,658** | 522,425 | 437,583 |

| | GROUP 2021 Rs'000 | COMPANY 2021 Rs'000 | GROUP 2020 Rs'000 | COMPANY 2020 Rs'000 |
|---|---|---|---|---|
| **Timing of revenue recognition** | | | | |
| Services transferred at a point in time | **7,177** | **7,177** | **6,939** | **6,939** |
| Services transferred over-time | **553,616** | **438,481** | **515,486** | **430,644** |
| Total revenue contract with customers | **560,793** | **445,658** | 522,425 | 437,583 |

## 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 | | |
|---|---|---|---|---|---|---|
| | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 |
| | 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 | 19,908 | 26,722 | 46,630 | 17,978 | 26,722 | 44,700 |
| Dividend from subsidiaries | - | - | - | 223,797 | - | 223,797 |
| Gain on revaluation of investment properties (note 7) | 21,778 | - | 21,778 | 26,602 | - | 26,602 |
| Gain on sale of investments | 34,084 | 71,553 | 105,637 | - | | - |
| Rental income | 92,195 | - | 92,195 | 101,263 | - | 101,263 |
| Finance lease income | 44,820 | - | 44,820 | - | - | - |
| Others | 31,993 | 3,549 | 35,542 | 12,406 | 177 | 12,583 |
| | 244,778 | 101,824 | 346,602 | 382,046 | 26,899 | 408,945 |
| **Interest Income/Expenses at EIR** | | | | | | |
| Mortgage and other loans | 14,243 | 57,809 | 72,052 | 9,900 | 57,809 | 67,709 |
| Loans and advances | 8,623 | 9,727 | 18,350 | 5,130 | 9,727 | 14,857 |
| Debt instrument at amortised cost | 94,623 | 298,080 | 392,703 | 46,288 | 297,126 | 343,414 |
| Deposits | 47,945 | 13,044 | 60,989 | 4,502 | 9,685 | 14,187 |
| | 165,434 | 378,660 | 544,094 | 65,820 | 374,347 | 440,167 |
| Interest Expenses (note 29) | (65,875) | - | (65,875) | (15,726) | - | (15,726) |
| Net Interest income | 99,559 | 378,660 | 478,219 | 50,094 | 374,347 | 424,441 |

| | 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 advances | 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 |

## 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 2021, a surplus of Rs'000 25,556 (2020: Rs'000 24,461) has been transferred to the Shareholders' Fund during the year for the Group and the Company.

## 28. OTHER OPERATING AND ADMINISTRATIVE COSTS

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | **2021** | **2021** | 2020 | 2020 | 2020 |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 | Rs'000 |
| | | | | Restated | Restated | Restated |
| | **Shareholders' Fund** | **Life Fund** | **Total** | Shareholders' Fund | Life Fund | Total |
| Employee benefit expense (note 28(a) below) | **382,036** | **130,461** | **512,497** | 361,589 | 113,013 | 474,602 |
| Depreciation | **23,097** | **3,285** | **26,382** | 22,191 | 2,946 | 25,137 |
| Depreciation on right use assets (Note 13) | **3,896** | **-** | **3,896** | 1,823 | 726 | 2,549 |
| Loss on disposal of property, plant and equipment | **1,149** | **-** | **1,149** | 173 | - | 173 |
| Amortisation of intangible assets (Note 8) | **8,265** | **1,585** | **9,850** | 8,706 | 1,540 | 10,246 |
| Repairs, maintenance and IT related costs | **45,354** | **5,708** | **51,062** | 30,169 | 4,224 | 34,393 |
| Printing, stationery and postage | **5,341** | **2,396** | **7,737** | 6,439 | 1,805 | 8,244 |
| Rent, rates, utilities, licences, Insurance and security services | **23,335** | **17,702** | **41,037** | 20,078 | 15,570 | 35,648 |
| Advertising | **6,170** | **2,262** | **8,432** | 8,863 | 2,043 | 10,906 |
| Professional fees | **13,612** | **9,685** | **23,297** | 18,924 | 5,975 | 24,899 |
| Others | **42,974** | **118,634** | **161,608** | 49,073 | 115,963 | 165,036 |
| | **555,229** | **291,718** | **846,947** | 528,028 | 263,805 | 791,833 |

## 28. OTHER OPERATING AND ADMINISTRATIVE COSTS (CONTINUED)

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | **2021** | **2021** | 2020 | 2020 | 2020 |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 Restated | Rs'000 Restated | Rs'000 Restated |
| | **Shareholders' Fund** | **Life Fund** | **Total** | Shareholders' Fund | Life Fund | Total |
| Employee benefit expense (note(a) below) | **217,358** | **130,461** | **347,819** | 211,018 | 113,013 | 324,031 |
| Depreciation (Note 6) | **16,038** | **3,285** | **19,323** | 17,285 | 2,946 | 20,231 |
| Depreciation on right of use assets | **2,139** | **-** | **2,139** | 1,823 | 726 | 2,549 |
| Amortisation of intangible assets (Note 8) | **4,671** | **1,585** | **6,256** | 4,631 | 1,540 | 6,171 |
| Repairs, maintenance and IT related costs | **34,385** | **5,708** | **40,093** | 22,122 | 4,224 | 26,346 |
| Printing, stationery and postage | **3,738** | **2,396** | **6,134** | 4,319 | 1,805 | 6,124 |
| Rent, rates, utilities, licences, insurance and security services | **13,699** | **17,702** | **31,401** | 11,222 | 15,570 | 26,792 |
| Advertising | **3,146** | **2,262** | **5,408** | 3,625 | 2,043 | 5,668 |
| Professional fees | **6,952** | **9,685** | **16,637** | 13,164 | 5,975 | 19,139 |
| Others | **9,521** | **85,690** | **95,211** | 14,612 | 89,620 | 104,232 |
| | **311,647** | **258,774** | **570,421** | 303,821 | 237,462 | 541,283 |

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

### (a) Employee benefit expense

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | **2021** | **2021** | 2020 | 2020 | 2020 |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 | Rs'000 |
| | **Shareholders' Fund** | **Life Fund** | **Total** | Shareholders' Fund Restated | Life Fund Restated | Total Restated |
| Wages and salaries, including termination benefits | **327,625** | **111,158** | **438,783** | 294,816 | 91,840 | 386,656 |
| Social security costs | **1,601** | **634** | **2,235** | 1,437 | 516 | 1,953 |
| Funded pension benefits (note 23(b)(vi)) | **45,134** | **15,394** | **60,528** | 49,632 | 15,910 | 65,542 |
| Unfunded pension benefits (note 23(e)(iv)) | **3,955** | **1,794** | **5,749** | 13,696 | 3,739 | 17,435 |
| Pension cost – defined contribution plan | **3,721** | **1,481** | **5,202** | 2,008 | 1,008 | 3,016 |
| | **382,036** | **130,461** | **512,497** | 361,589 | 113,013 | 474,602 |

## 28. OTHER OPERATING AND ADMINISTRATIVE COSTS (CONTINUED)

### (a) Employee benefit expense (Continued)

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | **2021** | **2021** | 2020 | 2020 | 2020 |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 | Rs'000 |
| | **Shareholders' Fund** | **Life Fund** | **Total** | Shareholders' Fund Restated | Life Fund Restated | Total Restated |
| Wages and salaries, including termination benefits | **184,817** | **111,158** | **295,975** | 171,775 | 91,840 | 263,615 |
| Social security costs | **854** | **634** | **1,488** | 756 | 516 | 1,272 |
| Funded pension benefits (note 23(b)(vi)) | **27,123** | **15,394** | **42,517** | 30,668 | 15,910 | 46,578 |
| Unfunded pension benefits (note 23(e)(iv)) | **2,277** | **1,794** | **4,071** | 5,811 | 3,739 | 9,550 |
| Pension cost – defined contribution plan | **2,287** | **1,481** | **3,768** | 2,008 | 1,008 | 3,016 |
| | **217,358** | **130,461** | **347,819** | 211,018 | 113,013 | 324,031 |

## 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 | | | |
|---|---|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | **2021** | | | 2020 |
| | **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 | **-** | - | **-** | - | **9,460** | **-** | **9,460** | 14,946 |
| Interest payable to depositors | **59,547** | - | **59,547** | 64,471 | **-** | **-** | **-** | - |
| Interest payable on other loans | **2,554** | - | **2,554** | 2,772 | **2,554** | **-** | **2,554** | 2,772 |
| Interest on Leases | **3,774** | **-** | **3,774** | 2,023 | **3,712** | **-** | **3,712** | 2,023 |
| | **65,875** | **-** | **65,875** | 69,266 | **15,726** | **-** | **15,726** | 19,741 |

## 30. CREDIT LOSS EXPENSES

The table below shows the ECL on financial instruments recorded in the income statement.

| | GROUP | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | Individual | Individual | Individual | |
| **Shareholders' Fund** | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Debt instruments | (455) | | | (455) |
| Loans and advances | 1,783 | 95 | 2,271 | 4,149 |
| Deposits | (1,221) | - | - | (1,221) |
| Finance leases | 5,233 | - | - | 5,233 |
| Other Liabilities | 29 | - | - | 29 |
| **Charge for the year** | 5,369 | 95 | 2,271 | 7,735 |

| | GROUP | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Life Fund** | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Debt instruments | (1,940) | - | - | (1,940) |
| Loans and advances | 1,788 | (1,433) | 10,432 | 10,787 |
| Deposits | 182 | - | - | 182 |
| **Charge for the year** | 30 | (1,433) | 10,432 | 9,029 |

| | COMPANY | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Shareholders' Fund** | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Debt instruments | (217) | - | - | (217) |
| Loans and advances | (117) | 95 | 2,271 | 2,249 |
| Deposits | 155 | - | - | 155 |
| **Charge for the year** | (179) | 95 | 2,271 | 2,187 |

| | COMPANY | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Life Fund** | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Debt instruments | (1,939) | - | - | (1,939) |
| Loans and advances | 1,788 | (1,433) | 10,432 | 10,787 |
| Deposits | 381 | - | - | 381 |
| **Charge for the year** | 230 | (1,433) | 10,432 | 9,229 |

## 30. CREDIT LOSS EXPENSES (CONTINUED)

| | 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) |
| Other Liabilities | (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 |

## 31. LIFE ASSURANCE FUNDS

**Accounting Policy**

(i) *Life assurance funds*

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 AND COMPANY** | | |
|---|---|---|---|
| | **2021** | 2020 | 2019 |
| | **Rs'000** | Rs'000 | Rs'000 |
| | | Restated | Restated |
| Long Term Insurance Funds | **12,965,037** | 11,404,450 | 10,729,222 |

## 31. LIFE ASSURANCE FUNDS (CONTINUED)

| GROUP | Note | Non-Linked 2021 Rs'000 | Linked 2021 Rs'000 | Total 2021 Rs'000 | Non-Linked 2020 Rs'000 Restated | Linked 2020 Rs'000 | Total 2020 Rs'000 Restated |
|---|---|---|---|---|---|---|---|
| **INCOME** | | | | | | | |
| Gross premium | | **2,310,723** | **106,379** | **2,417,102** | 2,104,893 | 101,864 | 2,206,757 |
| Less: Reinsurances | | **(187,911)** | **(1,171)** | **(189,082)** | (188,564) | (1,298) | (189,862) |
| Net premium | | **2,122,812** | **105,208** | **2,228,020** | 1,916,329 | 100,566 | 2,016,895 |
| Commission receivable for reinsurance | | **24,134** | **-** | **24,134** | 46,630 | | 46,630 |
| Investment and other income | | **362,532** | **46,399** | **408,931** | 441,013 | 51,418 | 492,431 |
| Expected Credit Losses | | **(9,272)** | **243** | **(9,029)** | (12,412) | (103) | (12,515) |
| Revaluation FVTPL | | **855,766** | **90,229** | **945,995** | 335,457 | 28,835 | 364,292 |
| Gain on sale of investments | | **62,777** | **8,776** | **71,553** | 5,482 | 479 | 5,961 |
| | | **3,418,749** | **250,855** | **3,669,604** | 2,732,499 | 181,195 | 2,913,694 |
| **EXPENDITURE** | | | | | | | |
| Bonus | | **381,118** | **-** | **381,118** | 444,907 | - | 444,907 |
| Commission payable to agents and brokers | | **60,087** | **2,292** | **62,379** | 64,166 | 2,149 | 66,315 |
| Cash and withdrawal benefits | | **34,862** | **2,252** | **37,114** | 23,627 | 2,713 | 26,340 |
| Family income benefits | | **1,027** | **-** | **1,027** | 900 | - | 900 |
| Maturity claims | | **806,567** | **35,223** | **841,790** | 635,652 | 13,294 | 648,946 |
| Medical expenses | | **1,952** | **-** | **1,952** | 1,900 | - | 1,900 |
| Surrenders | | **50,131** | **13,367** | **63,498** | 30,530 | 14,029 | 44,559 |
| Survival benefits | | **383,981** | **-** | **383,981** | 366,095 | - | 366,095 |
| Other costs | | **28,342** | **17,316** | **45,658** | 24,463 | 9,718 | 34,181 |
| Gross death and disablement claims | | **176,308** | **6,034** | **182,342** | 127,250 | 6,301 | 133,551 |
| Claims recovered from reinsurers | | **(57,927)** | **(1,257)** | **(59,184)** | (31,608) | (1,080) | (32,688) |
| Net claims | | **118,381** | **4,777** | **123,158** | 95,642 | 5,221 | 100,863 |
| Finance cost | | **-** | **-** | **-** | 96 | - | 96 |
| Management and other expenses | | **276,328** | **15,390** | **291,718** | 249,510 | 14,295 | 263,805 |
| | | **2,142,776** | **90,617** | **2,233,393** | 1,937,488 | 61,419 | 1,998,907 |
| **SURPLUS BEFORE TAXATION** | | **1,275,973** | **160,238** | **1,436,211** | 795,011 | 119,776 | 914,787 |
| **SHARE OF SURPLUS TO SHAREHOLDERS FUND** | | **(25,556)** | **-** | **(25,556)** | (19,961) | (4,500) | (24,461) |
| | | **1,250,417** | **160,238** | **1,410,655** | 775,050 | 115,276 | 890,326 |
| **TAXATION** | 19 | **(61,583)** | **1,110** | **(60,473)** | 79,695 | 7,086 | 86,781 |
| **SURPLUS AFTER TAXATION** | | **1,188,834** | **161,348** | **1,350,182** | 854,745 | 122,362 | 977,107 |
| **FUND AT 1 JULY** | | **10,199,172** | **1,205,278** | **11,404,450** | 9,660,681 | 1,107,758 | 10,768,439 |
| **PRIOR YEAR ADJUSTMENTS (NOTE 38)** | | **-** | **-** | **-** | (39,217) | - | (39,217) |
| **INCREASE IN FAIR VALUE OF FVOCI** | | **178,844** | **14,337** | **193,181** | (311,540) | (28,687) | (340,227) |
| **TRANSFER ON DISPOSAL OF FVOCI** | 10 (a) | **-** | **-** | **-** | 177 | 21 | 198 |
| **TRANSLATION RESERVE** | | **15,205** | **2,019** | **17,224** | 34,326 | 3,824 | 38,150 |
| **FUND AT 30 JUNE** | | **11,582,055** | **1,382,982** | **12,965,037** | 10,199,172 | 1,205,278 | 11,404,450 |

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 2021 Rs'000 | Linked 2021 Rs'000 | Total 2021 Rs'000 | Non-Linked 2020 Rs'000 Restated | Linked 2020 Rs'000 | Total 2020 Rs'000 Restated |
|---|---|---|---|---|---|---|---|
| **INCOME** | | | | | | | |
| Gross premium | | **2,310,723** | **106,379** | **2,417,102** | 2,104,893 | 101,864 | 2,206,757 |
| Less: Reinsurances | | **(187,911)** | **(1,171)** | **(189,082)** | (188,564) | (1,298) | (189,862) |
| Net premium | | **2,122,812** | **105,208** | **2,228,020** | 1,916,329 | 100,566 | 2,016,895 |
| Commission | | **24,134** | **-** | **24,134** | 46,630 | | 46,630 |
| Investment and other income | | **355,705** | **45,542** | **401,247** | 425,290 | 49,818 | 475,108 |
| Expected Credit Losses | | **(9,451)** | **221** | **(9,230)** | (12,488) | (102) | (12,590) |
| Revaluation FVTPL | | **902,931** | **99,482** | **1,002,413** | 352,791 | 32,085 | 384,876 |
| Gain on sale of investments | | **-** | **-** | **-** | (102) | (14) | (116) |
| | | **3,396,131** | **250,453** | **3,646,584** | 2,728,450 | 182,353 | 2,910,803 |
| **EXPENDITURE** | | | | | | | |
| Bonus | | **381,118** | **-** | **381,118** | 444,907 | - | 444,907 |
| Commission | | **60,087** | **2,292** | **62,379** | 64,166 | 2,149 | 66,315 |
| Cash and withdrawal benefits | | **34,862** | **2,252** | **37,114** | 23,627 | 2,713 | 26,340 |
| Family income benefits | | **1,027** | **-** | **1,027** | 900 | - | 900 |
| Maturity claims | | **806,567** | **35,223** | **841,790** | 635,652 | 13,294 | 648,946 |
| Medical expenses | | **1,952** | **-** | **1,952** | 1,900 | - | 1,900 |
| Surrenders | | **50,131** | **13,367** | **63,498** | 30,530 | 14,029 | 44,559 |
| Survival Benefits | | **383,981** | **-** | **383,981** | 366,095 | - | 366,095 |
| Other costs | | **28,342** | **17,316** | **45,658** | 24,465 | 9,716 | 34,181 |
| Gross death and disablement claims | | **176,306** | **6,034** | **182,340** | 127,250 | 6,301 | 133,551 |
| Claims recovered from reinsurers | | **(57,925)** | **(1,257)** | **(59,182)** | (31,608) | (1,080) | (32,688) |
| Net claims | | **118,381** | **4,777** | **123,158** | 95,642 | 5,221 | 100,863 |
| Finance cost | | **-** | **-** | **-** | 96 | - | 96 |
| Management and other expenses | | **245,051** | **13,723** | **258,774** | 224,337 | 13,125 | 237,462 |
| | | **2,111,499** | **88,950** | **2,200,449** | 1,912,317 | 60,247 | 1,972,564 |
| **SURPLUS BEFORE TAXATION** | | **1,284,632** | **161,503** | **1,446,135** | 816,133 | 122,106 | 938,239 |
| **SHARE OF SURPLUS TO SHAREHOLDERS FUND** | | **(25,556)** | **-** | **(25,556)** | (19,961) | (4,500) | (24,461) |
| | | **1,259,076** | **161,503** | **1,420,579** | 796,172 | 117,606 | 913,778 |
| **TAXATION** | 19 | **(61,583)** | **1,110** | **(60,473)** | 79,695 | 7,086 | 86,781 |
| **SURPLUS AFTER TAXATION** | | **1,197,493** | **162,613** | **1,360,106** | 875,867 | 124,692 | 1,000,559 |
| **FUND AT 1 JULY** | | **10,199,172** | **1,205,278** | **11,404,450** | 9,660,681 | 1,107,758 | 10,768,439 |
| **PRIOR YEAR ADJUSTMENTS (NOTE 38)** | | **-** | **-** | **-** | (39,217) | - | (39,217) |
| **INCREASE IN FAIR VALUE OF FVOCI** | | **185,390** | **15,091** | **200,481** | (298,336) | (27,193) | (325,529) |
| **TRANSFER ON DISPOSAL OF FVOCI** | 10 (a) | **-** | **-** | **-** | 177 | 21 | 198 |
| **FUND AT 30 JUNE** | | **11,582,055** | **1,382,982** | **12,965,037** | 10,199,172 | 1,205,278 | 11,404,450 |

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**

| The assets of the Life Assurance Funds are analysed as follows: | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **NON-CURRENT ASSETS** | | Restated | | Restated |
| Statutory deposits | **7,205** | 7,100 | **7,205** | 7,100 |
| Other financial assets | **10,418,348** | 8,984,875 | **10,575,479** | 9,251,839 |
| Right of Use of Assets (IFRS 16) | **-** | 3,875 | **-** | 3,875 |
| Mortgage and other loans | **854,998** | 875,047 | **854,998** | 875,047 |
| Deferred Tax | **1,601** | 3,650 | **1,601** | 3,650 |
| | **11,282,152** | 9,874,547 | **11,439,283** | 10,141,511 |
| **CURRENT ASSETS** | | | | |
| Other financial assets | **1,636,127** | 1,661,316 | **1,473,987** | 1,391,961 |
| Mortgage and other loans | **75,606** | 73,354 | **75,606** | 73,354 |
| Trade and other receivables | **241,345** | 154,095 | **241,037** | 151,900 |
| Bank and Cash balances | **310,392** | 105,445 | **306,298** | 103,109 |
| Current tax asset | **38,445** | 49,860 | **38,445** | 49,860 |
| Assets held for sale | **3,585** | 3,585 | **3,585** | 3,585 |
| | **2,305,500** | 2,047,655 | **2,138,958** | 1,773,769 |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | **622,615** | 394,291 | **613,204** | 387,369 |
| Lease Liability (IFRS 16) | **-** | 3,892 | **-** | 3,892 |
| Bank Overdraft | **-** | 119,569 | **-** | 119,569 |
| | **622,615** | 517,752 | **613,204** | 510,830 |
| **NET CURRENT ASSETS** | **1,682,885** | 1,529,903 | **1,525,754** | 1,262,939 |
| | **12,965,037** | 11,404,450 | **12,965,037** | 11,404,450 |
| **TECHNICAL PROVISIONS** | | | | |
| Long term insurance funds | **12,965,037** | 11,404,450 | **12,965,037** | 11,404,450 |

**32. MANAGED FUNDS**

The Group & Company accounts exclude the net assets of the Managed Pension Fund and Managed Medical fund 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.

| | COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Final ordinary dividend | **118,909** | 194,247 |

The Board of Directors of the Company has, by resolution, recommended and authorised payment of a dividend of Rs 476 per share (2020: Rs 777 per share).

**34 (a) NOTES TO THE STATEMENTS OF CASH FLOWS**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | Restated | | Restated |
| Profit before taxation | **1,049,150** | 688,067 | **1,007,984** | 684,195 |
| *Adjustments for non cash items* : | | | | |
| Depreciation on property, plant and equipment | **28,371** | 28,047 | **22,331** | 23,924 |
| Depreciation on right of use asset | **4,522** | 2,548 | **3,413** | 2,548 |
| Amortisation of intangible assets | **9,850** | 10,246 | **7,057** | 7,554 |
| Fair value adjustments on investment property | **(21,778)** | (8,370) | **(26,602)** | (8,440) |
| (Gain)/Loss on sale of investment | **(105,637)** | (8,308) | **-** | 130 |
| Retirement benefit expense | **66,277** | 82,977 | **50,691** | 50,691 |
| Impairment of investment on foreclosed property | **-** | 650 | **-** | 650 |
| Provision for credit losses | **16,764** | 16,249 | **11,416** | 16,198 |
| Loss/(Gain) on disposal of foreclosed property | **790** | (1,251) | **790** | (1,251) |
| Loss on disposal of repossessed leased assets | **1,130** | 202 | **-** | - |
| Profit on disposal of property, plant and equipment | **(32)** | (29) | **-** | - |
| Interest income | **(588,914)** | (673,457) | **(440,167)** | (505,016) |
| Dividend income | **(46,630)** | (58,513) | **(268,497)** | (254,886) |
| Interest expense | **65,936** | 69,266 | **15,849** | 19,741 |
| Transfer on derecognition of financial assets at FVOCI | **-** | 233 | **-** | 233 |
| Net gains on financial asset at fair value to profit or loss | **(1,344,186)** | (487,410) | **(1,420,877)** | (532,114) |
| Exchange difference | **(5,911)** | 113,590 | **-** | - |
| Net surplus on long term insurance funds | **1,410,655** | 980,288 | **1,420,579** | 1,003,740 |
| **OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES** | **540,357** | 755,025 | **383,967** | 507,897 |
| (Increase)/Decrease in trade and other receivables | **(67,064)** | 275,638 | **(30,414)** | 71,738 |
| Increase/(Decrease) in trade and other payables | **203,126** | (201,698) | **184,765** | (43,517) |
| (Increase)/decrease in reinsurance assets | **90,061** | (127,762) | **-** | - |
| (Increase)/decrease in insurance liabilities | **(45,308)** | 169,374 | **-** | - |
| **CASH GENERATED FROM OPERATIONS** | **721,172** | 870,577 | **538,318** | 536,118 |

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 FINANCING ACTIVITIES**

GROUP

| | **2020** | **Cash Flows** | **New loans** | **2021** |
|---|---|---|---|---|
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| Loans | **79,340** | **(25,156)** | **19,148** | **73,332** |
| | **79,340** | **(25,156)** | **19,148** | **73,332** |

| | 2019 | Cash Flows | New loans | 2020 |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Loans | 60,163 | (27,189) | 46,366 | 79,340 |
| | 60,163 | (27,189) | 46,366 | 79,340 |

COMPANY

| | **2020** | **Cash Flows** | **New loans** | **2021** |
|---|---|---|---|---|
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| Loans | **213,293** | **(89,132)** | **19,148** | **143,309** |
| | **213,293** | **(89,132)** | **19,148** | **143,309** |

| | 2019 | Cash Flows | New loans | 2020 |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Loans | 252,605 | (85,678) | 46,366 | 213,293 |
| | 252,605 | (85,678) | 46,366 | 213,293 |

**34.(b) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)**

| GROUP AND COMPANY | At July 01,2020 | Addition | Cash Flows | Non-cash movemnet | At June 30,2021 |
|---|---|---|---|---|---|
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **Lease liabilities** | **30,543** | **34,375** | **(6,543)** | **3,999** | **62,374** |
| | **30,543** | **34,375** | **(6,543)** | **3,999** | **62,374** |

| GROUP AND COMPANY | Adoption of IFRS 16 | Addition | Cash Flows | Non-cash movemnet | At June 30,2020 |
|---|---|---|---|---|---|
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Lease liabilities | 33,869 | - | (5,348) | 2,022 | 30,543 |
| | 33,869 | - | (5,348) | 2,022 | 30,543 |

**35. COMMITMENTS**

**Capital Commitments**

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | **Rs'000** | **Rs'000** | Rs'000 |
| Property, plant and equipment | **4,979** | 3,578 | **4,565** | 1,694 |
| Future finance leases | **46,806** | 17,272 | **-** | - |
| | **51,785** | 20,850 | **4,565** | 1,694 |

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 | |
|---|---|---|
| | **2021** | 2020 |
| | **Rs'000** | Rs'000 |
| Repairs and maintenance | **12,039** | 14,695 |

## 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 2021 and 30 June 2020. Details of the related party transactions and balances are given in the table below:

### (a) Transactions with related parties

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **(i) Shareholders** | | | | |
| (a) Sales of services | **38,259** | 28,522 | **3,344** | 3,590 |
| (b) New investments | **27,115** | 14,139 | **1,054** | 14,139 |
| (c) Matured Securities | **9,326** | - | **-** | - |
| (d) Interest/dividend receivable | **8,807** | 20,609 | **7,505** | 19,386 |
| **(ii) Subsidiaries** | | | | |
| (a) Loans refunded to subsidiary | **-** | - | **63,976** | 58,489 |
| (b) Interest paid | **-** | - | **9,460** | 14,946 |
| (c) Sales of services | **-** | - | **77,437** | 76,446 |
| (d) Dividend receivable from subsidiaries | **-** | - | **223,797** | 198,563 |
| (e) Premium payable to subsidiary | **-** | - | **12,624** | 11,268 |
| **(iii) Key management personnel (including directors)** | | | | |
| (a) Loans disbursed | **18,098** | 16,133 | **13,620** | 16,133 |
| (b) Loans refunded | **4,327** | 7,663 | **3,560** | 7,364 |
| (c) Interest receivable | **1,061** | 861 | **907** | 803 |
| (d) Premium receivable | **23,448** | 11,976 | **21,772** | 11,586 |
| (e) Compensation: | | | | |
| -Salaries and other short term benefits | **121,379** | 107,371 | **92,116** | 85,585 |
| -Post-employment benefits | **12,633** | 12,528 | **10,838** | 10,820 |

### (b) Outstanding balances with related parties

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **(i) Shareholders** | | | | |
| (a) Bank balances | **110,194** | (9,787) | **120,067** | (33,288) |
| (b) Equity and bonds | **463,556** | 423,007 | **436,553** | 395,496 |
| (c) Securities | **378,166** | 9,341 | **350,500** | - |
| (d) Interest/dividend | **873** | 640 | **459** | 367 |
| (e) Premium and others | **5,906** | 5,208 | **551** | 1,275 |

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 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **(ii) Subsidiaries** | | | | |
| Loans from subsidiary | **-** | - | **69,977** | 133,953 |
| Subordinated loan to subsidiary | **-** | - | **341,625** | 341,625 |
| Amount due from subsidiaries | **-** | - | **235,089** | 205,671 |

The unsecured loans bear interest at rates of 9% per annum with monthly capital repayments.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **(iii) Key management personnel (including Directors)** | | | | |
| Loans | **45,145** | 30,506 | **38,167** | 28,108 |
| Premium due | **319** | 144 | **208** | 107 |

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 staff 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 2021.

**38. PRIOR YEARS ADJUSTMENTS**

The Salary Report commissioned by State Insurance Company of Mauritius Ltd previously introduced a guaranteed pension of 12.5 years in case of death of employees in service or after retirement and additional pensions for employees leaving on Voluntary Retirement Scheme.

As per the requirement of the IAS 19 (Employee Benefits), the liability in respect of these benefit improvements are being recognised in the Financial Statements. Prior year adjustments have been made to reflect the additional liability in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

| | **30 JUNE 2019** | | | | | |
|---|---|---|---|---|---|---|
| | **GROUP** | | | **COMPANY** | | |
| **Impact as at 30 June** | **As previously reported** | **Adjustments** | **As restated** | **As previously reported** | **Adjustments** | **As restated** |
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| **Non-Current Assets:** | | | | | | |
| Deferred Tax assets/(Deferred Tax liabilities) | 22,065 | 28,296 | 50,361 | (4,854) | 22,003 | 17,149 |
| **Current Assets:** | | | | | | |
| Insurance and other receivables | - | - | - | 520,053 | 7,895 | 527,948 |
| **Non- Current Liabilities:** | | | | | | |
| Employee benefit obligations | 695,350 | 166,675 | 862,025 | 550,037 | 129,429 | 679,466 |
| **Shareholder's equity:** | | | | | | |
| Reserves | 5,965,204 | (99,162) | 5,866,042 | 5,242,535 | (60,314) | 5,182,221 |
| Life assurance funds | 10,768,439 | (39,217) | 10,729,222 | 10,768,439 | (39,217) | 10,729,222 |

**38. PRIOR YEARS ADJUSTMENTS (CONTINUED)**

| | 30 JUNE 2020 | | | | | |
|---|---|---|---|---|---|---|
| | GROUP | | | COMPANY | | |
| **Impact as at 30 June** | **As previously reported Rs'000** | **Adjustments Rs'000** | **As restated Rs'000** | **As previously reported Rs'000** | **Adjustments Rs'000** | **As restated Rs'000** |
| **Non-Current Assets:** | | | | | | |
| Deferred Tax assets/(Deferred Tax liabilities) | 27,349 | 32,045 | 59,394 | (19,314) | 24,444 | 5,130 |
| **Current Assets:** | | | | | | |
| Insurance and other receivables | - | - | - | 482,547 | 8,739 | 491,286 |
| **Non- Current Liabilities:** | | | | | | |
| Employee benefit obligations | 851,808 | 189,183 | 1,040,991 | 672,142 | 143,787 | 815,929 |
| **Shareholder's equity:** | | | | | | |
| Reserves | 6,328,942 | (114,740) | 6,214,202 | 5,570,432 | (68,206) | 5,502,226 |
| Life assurance funds | 11,446,848 | (42,398) | 11,404,450 | 11,446,848 | (42,398) | 11,404,450 |

| | 30 JUNE 2020 | | | | | |
|---|---|---|---|---|---|---|
| | GROUP | | | COMPANY | | |
| **Statements of Profit or Loss and other comprehensive income** | **As previously reported Rs'000** | **Adjustments Rs'000** | **As restated Rs'000** | **As previously reported Rs'000** | **Adjustments Rs'000** | **As restated Rs'000** |
| Other operating and administrative costs: | | | | | | |
| Shareholders Fund | 514,438 | 13,590 | 528,028 | 298,028 | 5,793 | 303,821 |
| Life Fund | 260,624 | 3,181 | 263,805 | 234,281 | 3,181 | 237,462 |
| | 775,062 | 16,771 | 791,833 | 532,309 | 8,974 | 541,283 |
| Taxation | 77,139 | (2,798) | 74,341 | 67,114 | (1,669) | 65,445 |
| Remeasurement of defined benefit obligations | 101,223 | 4,786 | 106,009 | 79,071 | 3,768 | 82,839 |

**39. COVID-19 OUTBREAK**

Mauritius witnessed its first outbreak of COVID-19 in March 2020, affecting its economic, trading and travel conditions. The Government imposed strict controls and restrictions such as travel bans, quarantines and other emergency public safety measures in an attempt to contain the contagion. Mauritius mirrored the same global disruptions faced by several countries who were experiencing several waves of the COVID-19 outbreak during the year.

The country has been subject to a second national lockdown in March 2021, after new local cases have been detected. The continued spread of the coronavirus presents immense challenges in credit and financial market locally and internationally. All industries and sectors of the economy worldwide is being impacted by the COVID-19 outbreak. Some industries like tourism, including SMEs linked to the hospitality sector, airlines, construction and real estate are heavily impacted as these sectors will not only depend on the success of the local outbreak containment but on the global situation and recovery.

## 39. COVID-19 OUTBREAK (CONTINUED)

Management has considered the following to be the most likely impacts of COVID-19 on the Group and Company businesses:

• The decline in economic activities to impact on new business growth.
• Renewal retention could be challenging with certain clients implementing cost cutting measures and considering the review of their insurance portfolios.
• Cut-throat competition in the new business segment impacting on rates.
• A decrease in interest rates impacting on interest income.
• The level of provisioning to be adversely affected with more clients facing financial difficulties for the repayment of their premiums, loans and leases.

In addition, Management has considered the impact of the pandemic on the statement of financial position of the Group and Company as detailed 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), investment properties and loans. The disruptive effects of the COVID-19 pandemic on the domestic economy are still prevalent despite the surfacing of measured optimism following the gradual re-opening from the second lockdown of many activities following successful vaccine rollouts and full-opening of national border without quarantine restriction. The recently heighted level of credit, reinvestment, interest rate and price risks related to our investments is expected to prevail in the near-term. Even though a few of the listed companies are resuming dividend payments, albeit at lower than pre-covid level, investment income is expected to remain under pressure as a result of interest rates failing to pick up given the excess liquidity prevailing in the system. The strong performance of domestic and overseas equity markets that was experienced during the financial year ended 30 June 2021 may not recur in the coming year as markets have generally started at a much higher valuation level and the higher earnings expected from the economic recovery may have already been priced in certain equity markets. The rental income and value of our investment properties are not expected to be impacted going forward given the long-term lease agreements, quality of tenants and the strategic locations of our properties, amongst others. Management has taken proactive measures to ensure that there is close monitoring of the performance of existing investments. Moreover, cash management is actively pursued and diversification across issuers, asset classes and within each asset class is maintained.

<u>Loan and advances</u>

The expected credit losses (ECL) on loan for the Group and Company increased by MUR 14.9 million and Rs 13.0 million respectively and is mainly due to the impact of COVID-19.

Since last year, the Group had 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. Given the continuous COVID-19 pandemic, the Group has maintained the revised higher PD and lower GDP growth rate from last year.

<u>Investment in finance leases</u>
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 requests for moratoriums up to three to six months. At the end of the moratoriums, no default in payment has been observed.

## 39. COVID-19 OUTBREAK (CONTINUED)

Investment Income

Despite higher inflation expectation, a low interest rate environment is prevailing for the time being given the excess liquidity in the system. Even though a few of the listed companies are resuming dividend payments, albeit at lower than pre-covid level, investment income is expected to remain under pressure.

Deposits from Customers

Early encashment of fixed deposits has not been significant during the pandemic.

The following is an analysis of the possible impact of COVID-19 on various other aspects of the businesses:

Going concern

In the light of the 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 2021. Based on the projected business operations, interest income, dividend income and maturing investments over the next one year, Management does not expect any liquidity concerns in the foreseeable future.

Capital risks

**Holding Company**
The Company's Capital Available as a % of Minimum Capital Required for the financial year 2021 is well above the regulatory requirement of 100%. Management strongly believes that there is sufficient buffer and headroom to ensure the Company is adequately capitalised to withstand the impact of COVID-19.

**SICOM Financial Services Ltd**
The Risk Weighted Capital Adequacy Ratio of SICOM Financial Services Ltd (SFSL) is above the regulatory minimum requirement of 10%. Management strongly believes that there is sufficient buffer and headroom to ensure the Company is adequately capitalised to withstand the impact of COVID-19.

**SICOM General Insurance Ltd**
The Company's Capital Available as a % of Minimum Capital Required for the financial year 2021 is well above the regulatory requirement of 150%.

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

Emerging risks

The insurance industry has been faced with risks ranging from economic uncertainty to changes in consumer demand for products, impacted business channels, new hybrid working patterns to technological risks such as cyber-attacks. However, the Group remained resilient and relied on its ability and resources to effectively navigate through these crucial circumstances by maximising on technology, innovation, and its marketing skills. On top of implementing COVID-19 protocols, the Group has gone one step ahead by reviewing its workspace organisation to facilitate social distancing and switching to its business continuity plan to ensure seamless operations.

## 39. COVID-19 OUTBREAK (CONTINUED)

Emerging risks (Continued)

Many businesses suffered directly and indirectly from measures such as border closure and COVID-19 restrictions on services that were introduced during the first and second waves of the pandemic. The Group acknowledges the fact that the COVID-19 has changed the definition of normal operations. Customers are the disruptive force in the insurance industry, where loyalty is no longer a given, where it must extend beyond its core products and services if it is to retain its customer base.

The following measures have been implemented to mitigate the impact of COVID 19 on the Group and Company

1) A more prudent approach adopted before approving any new business;
2) New arrears recovery procedures to adapt to the COVID 19 situation, as some households have been affected by cashflow issues;
3) A tight control on administrative expenses while also being on the lookout for less costly ways of doing business;
4) Regular assessment of the cash flow of the Group and Company and proactive campaigns to retain business or obtain new business;
5) Encouraging vaccination to promote a culture of safety and well-being for our internal and external stakeholders and to limit propagation of the pandemic;
6) Reinforcing cyber security awareness and measures to contain cyber threats arising with working from home;
7) A close monitoring of all regulatory and governance guidelines.

A recovery of the general situation and a boost to the economy are expected with the ongoing vaccination campaign and the reopening of our borders on 01 October 2021. However the full magnitude of the economic and financial impact of COVID-19 remain unknown. As events continue to unfold, predicting the outcome of the COVID-19 remains a challenge for most organisations given that the situation is continuously evolving. 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.

(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 2021 are as follows:

**State Insurance Company of Mauritius Ltd**

Salemohamed M Y (Chairman)
Acharuz A
Bhoojedhur-Obeegadoo K G (Mrs)
Boyramboli B (from 25 February 2021 to 31 July 2021)
Gopy D K (as from 15 December 2020)
Jheengun C (Appointed on 21 October 2021)
Jhungeer S B (Ms) (Appointed on 10 July 2020)
Gaoneadry D (up to 19 October 2020)
Kawol D (Dr) (as from 27 August 2021)
Lall Mahomed Z B (Appointed on 17 December 2020)
Ramdewar N (Mrs)
Sonoo J. C.S.K
Sooknah K R (up to 24 September 2021)

**SICOM Global Fund Limited**

Salemohamed M Y (Chairman)
Bhoojedhur-Obeegadoo K G (Mrs)
Ramdewar N (Mrs)

**SICOM General Insurance Ltd**

Salemohamed M Y (Chairman)
Ancharaz S (Appointed on 9 July 2021)
Aukhojee Y K (Dr) (as from 22 December 2020)
Ballah R H (up to 17 November 2020)
Balluck A
Bhoojedhur-Obeegadoo K G (Mrs)
Boodhoo B (up to 1 December 2020)
Chummun A (Appointed on 22 December 2020)
Dussoye C
Koonjoo V K
Leung Lam Hing H Y K (Mrs) (up to 1 June 2021)
Moonien J (Appointed on 22 December 2020)
Ramdewar N (Mrs) (Appointed on 15 December 2020)

**SICOM Management Limited**

Bhoojedhur-Obeegadoo K G (Mrs) (Chairperson)
Gopy D K (Appointed on 24 December 2020)
Ramdewar N (Mrs)
Salemohamed M Y (Appointed on 31 December 2020)

**SICOM Financial Services Ltd**

Mahadu O S (Appointed as Director on 23 December 2020 and Chairman on 4 February 2021)
Sakurdeep S (Chairman) (up to 16 November 2020)
Bhoojedhur-Obeegadoo K G (Mrs)
Bonomaully Ishwarlall
Chengabroyan C (Appointed on 29 September 2021)
Gopy D K
Maharahaje P D (Appointed on 27 August 2021)
Ramdewar N
Reedoy S (Appointed on 23 December 2020)
Seeteejory S (Appointed on 24 December 2020)
Salemohamed M Y (up to 17 November 2020)
Seewoochurn N (up to 1 August 2020)
Ubhee S (from 23 December 2020 to 25 March 2021)

**Directors' Service Contracts**

The Executive Directors of the Group have a service contract without expiry date.

**Directors' Remuneration**

The remuneration for the Directors was as follows:

| | Non-Executive | | Executive | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Company | 5,053 | 5,483 | 16,683 | 19,645 |
| Subsidiaries | 5,279 | 4,481 | 10,189 | 7,928 |

The remuneration as mentioned above, received by the Directors during the financial year and for the period they held office were as follows: M Y Salemohamed (Chairman, Rs 1,623,000 from the Company and Rs 759,000 from Subsidiaries), A Acharuz (Independent Director, Rs 586,000), K G Bhoojedhur-Obeegadoo (Non-Executive Director, Rs 571,000 from the Company and Rs 919,000 from Subsidiaries), B Boyramboli (Non-Executive Director, from 25 February 2021 to 31 July 2021, Rs 183,000), D Gaoneadry (Independent Director up to 19 October 2020, Rs 187,000), D K Gopy (Executive Director as from 15 December 2020, Rs 4,163,000 as emoluments and Rs 769,000 as pension related contributions made by the Company and other benefits), S B Jhungeer (Non-Executive Director as from 10 July 2020, Rs 516,000), Z B Lall Mahomed (Independent Director as from 17 December 2020, Rs 286,000), N Ramdewar (Executive Director, Rs 9,286,000 as emoluments and Rs 2,465,000 as pension related contributions made by the Company and other benefits), J Sonoo, C.S.K (Non-Executive Director, Rs 558,000) and K R Sooknah (Non-Executive Director, Rs 543,000). The Executive Directors of the Group have a service contract without expiry date and do not receive directors' fees.

**Audit Fees**

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

| | The Company | | Subsidiaries | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Audit fees payable to: | | | | |
| - Deloitte | **2,340** | | **2,375** | |
| - Ernst & Young | | 1,490 | | 1,667 |
| Fees payable for tax services: | | | | |
| - Deloitte | **112** | | **252** | |
| - Ernst & Young | | 101 | | 228 |
| Fees payable for other services: | | | | |
| - Deloitte | **207** | | **207** | |
| - Ernst & Young | | 345 | | 345 |

| | The Company | | Subsidiaries | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Donations | - | 10,000 | - | - |

For and on behalf of the Board of Directors

Chairman ......................................

Director ......................................

Date: 10 November 2021

ANNUAL REPORT 2021

Disruption

Growth

Resilience

Agility

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