

G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

ANNUAL REPORT – YEAR ENDED

DECEMBER 31, 2019

G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

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STATUTORY DISCLOSURES - YEAR ENDED DECEMBER 31, 2019

Dear Shareholders,

The Board of Directors is pleased to present the Annual Report of G.F.A Insurance Ltd and its subsidiary for the year ended December 31, 2019.

All shareholders agree that the Annual Report need not comply with paragraphs (a), and (d) to (i) of Section 221 (1) of the Companies Act 2001.

This report was approved by the Board of Directors on March 16, 2020.



Director
Rashad Daureeawo, SC



Director
Abdoel Rahman (Abdel)
Ruhomutally

DIRECTORS' PROFILE - YEAR ENDED DECEMBER 31, 2019

THE DIRECTORS OF G.F.A. INSURANCE LTD IN OFFICE DURING THE YEAR ENDED DECEMBER 31, 2019 WERE AS FOLLOWS:***Members of the Board of Directors***

Mr. Abdool Rahman (Abdel) Ruhomutally (Managing Director)
Mr. Aadil Ruhomutally (Deputy Managing Director)
Miss Najah Ruhomutally (Executive Director up to February 10, 2020)
Mr. Mohammad Alaoud Ruhomutally (Non-Executive Director – Advisor as from July 27, 2018)
Mr. Birendranuth Sowambur (Non Executive Director)
Mr. Mohammad Shafa-at-Rally Oozeer (Non Executive Director)

Independent Directors

Me. Rashad Daureeawo, Senior Counsel (*Chairperson*)
Me. Raj Kishore Ramsaha
Mr. Mohammad Ehsan Hosenie (up to February 6, 2019)
Mrs. Shweta Moheput (as from May 16, 2019)

Me. MOHAMMAD RASHAD DAUREEAWO, SC – INDEPENDENT DIRECTOR & CHAIRPERSON

Appointed on March 19, 2018 as Independent Director & Chairman

Rashad Daureeawo, SC, is head of RD Chambers. He is a senior counsel of Mauritius with over 40 years' experience at the Bar of Mauritius. He has a broad consultancy and litigation practice assisting domestic as well as international clients across the full spectrum of laws. He has regularly acted as Counsel before committees, tribunals and all Courts of Mauritius as well as in arbitration cases and also as Legal advisor to several parastatal and local government bodies. He has served as Chairman of M.A.S.A, National Pension Board and MEDCO amongst others.

Me. Rashad Daureeawo has contributed greatly to developments and reforms in the legal field. He had previously held the position of Chairman of the Mauritius Bar Council and was member of Law Reform Commission. He is a consultant of the United Nations Association (Mtius). He is also the President of Middle Temple Association (Mauritius).

Me. Rashad Daureeawoo has resumed practice at the Bar after a period of about three years on overseas assignment as High Commissioner of Mauritius in Pakistan.

Mr. ABDOOL RAHMAN (ABDEL) RUHOMUTALLY - MANAGING DIRECTOR

Executive Director appointed in June 2005. Deputy Managing Director up to December 12, 2013, appointed as Managing Director on December 13, 2013

Mr. Abdel Ruhomutally graduated in BA (Hons) Business Studies (Services - Finance) from the University of Westminster, United Kingdom. He also studied insurance at the London Guildhall University. Moreover, he holds Diplomas in Travel and Tourism and IATA Level II respectively. He joined the Company in 2001, after having built significant work experience overseas. He also has a strong background in I.T Infrastructure and Systems. He is an Approved Trainer of the Mauritius Qualifications Authority (MQA). Abdel was appointed as a member of the Motor Vehicle Insurance Arbitration Committee (MVIAC) by the Minister of Land Transport & Public Infrastructure in March 2008. He is also a Fellow of the prestigious Mauritius Institute of Directors since 2011. Abdel was elected a Council Member of the Insurance Institute of Mauritius in March 2013. He is a member of the Rotary Club of Port-Louis Citadelle and is the Chairperson of the Public Relations sub-committee of the same club. On March 08, 2013 Abdel was nominated Honorary President of the NGO Club Sportif Zenfan Vallée Pitot (Naw-N-Sha).

DIRECTORS' PROFILE - YEAR ENDED DECEMBER 31, 2019

Mr. AADIL RUHOMUTALLY – DEPUTY MANAGING DIRECTOR & CLAIMS MANAGER*Appointed Deputy Managing Director as from March 19, 2018*

Mr. Aadil Ruhomutally graduated in Financial Mathematics from University of Kent, United Kingdom. He also holds a BA in Business and Finance from Heriot Watt University, Edinburgh, Scotland. He has a good background of the automotive industry. He joined the Company in 2011 as Assistant Administrative Officer. He has always been very much exposed to claims issues since he joined the Company. He was also the Branch Manager from 2016 to March 2018. He is presently the Deputy Managing Director and Claims Manager of the Company.

Miss NAJAH RUHOMUTALLY*Appointed as Executive Director on July 11, 2017 up to February 10, 2020*

Miss Najah Ruhomutally pursued her tertiary studies at the London Guildhall University, London, UK. She is in the insurance sector since 1996. She is actually the responsible officer of the Quatre-Bornes branch office.

Mr. MOHAMMAD ALAOUD RUHOMUTALLY - NON EXECUTIVE DIRECTOR (ADVISOR)*Executive Director appointed in September 1996. Managing Director up to December 2013*

Mr. M. Alaoud Ruhomutally has been associated with the insurance sector for more than 40 years now. During the period 1976 to 1985, he was the CEO of S. Ruhomutally and Co Ltd, the sole representative of Groupement Français D'Assurances, a French company based in Paris. After the departure of Groupement Français D'Assurances from Mauritius in 1985, he was appointed as the exclusive sales representative of La Prudence, Reunion Island up to August 1996. In September 1996, he founded the G.F.A. Insurance Ltd, a fully Mauritian owned company.

Mr. SHAFAT RALLY MOHAMMAD OOZEER*Appointed as Non Executive Director on September 7, 2018*

Mr. Shafa-at Rally Oozeer is a graduate holding Bsc (Hons) in Management from the University of Technology (Mauritius). He has an international diploma in business from NCC Education Manchester, United Kingdom and has passed the examination of the Association of Chartered Certified Accountants UK (ACCA) level 1. Moreover, he holds a Certificate in the Financial Services from the Economic Development Board. Shafa-at Rally Oozeer possesses managerial experience in sales and marketing. He reckons about ten years' experience in the field of Aviation, Travel and Tourism. He has worked as senior Customer Service Officer with Air Mauritius Ltd at the SSR international Airport for several years. Shafa-at Oozeer attended various International workshops in Aviation and other fields such as: Aviation security, Dangerous Goods Regulation, Ramp Safety, Emotional Intelligence and Up lifting Service Champion. Mr Shafa-at is also a social worker and a member of the Muslim Benevolent & Welfare Society.

DIRECTORS' PROFILE - YEAR ENDED DECEMBER 31, 2019

Mr. BIRENDRANUTH SOWAMBUR - INDEPENDENT DIRECTOR*Director appointed in June 1, 2006*

Mr Birendranuth Sowambur was appointed as an Independent Director of the Company on June 01, 2006. He is holder of several diplomas, namely in Occupational Health and Safety, Industrial Psychology and Personnel management. He reckons about twenty years' experience in the field of Health and Safety. He has served both in public and private organisations. He attended various international conferences on Occupational Health and Safety in Asian countries. He is presently working as an Occupational Health and Safety Consultant.

Mr. MOHAMMAD EHSAN HOSENIE - INDEPENDENT DIRECTOR*Director appointed on February 2, 2010 up to February 6, 2019*

Mr. Ehsan Hosenie is a former Administrator of the Ministry of Education. He reckons more than 40 years' service in the Public Sector. He has worked as a Deputy Returning Officer (General, Municipal and Village elections). He possesses managerial experience as a Deputy Rector and Acting Rector of State Secondary Schools. Mr Hosenie is a graduate and holds a B.A.(Hons) in Mathematics, Post Graduate Certificate in Education (P.G.C.E) from the Mauritius Institute of Education (M.I.E). He also holds certificates in Journalism and Public Relations. He is also a Post Graduate Diploma holder in Computer Studies from Napier University (Scotland) and a Post Graduate Diploma holder in Education from Brighton University (UK) after following the MA (Education) course. Mr Hosenie is a member of the Rameshwar Gujadhur Stable and of the Mauritius Turf Club. He is an executive member of the Flamboyant Club.

Mr. RAJ KISHORE RAMSAHA, BARRISTER – INDEPENDENT DIRECTOR*Director appointed on March 13, 2018*

Me. Raj Ramsaha holds as Masters in Law from the University des Science Sociales- Toulouse, France. He is a member of the Bar since 1992. He is a Law Practioner since 1992 in the field of Criminal, Civil and Commercial matters. He is also a Former Chairperson of the Motor Vehicle Insurance Arbitration Committee (MVIAC) and Former Municipal Councillor of Beau Bassin Rose Hill. Me. Raj Ramsaha has been the Legal advisor of several groups and corporate Bodies namely; Mauritius College of the Air, Mauritius Meat Authority, National Transport Corporation (NTC), Municipal Council of Beau Bassin/Rose Hill, Viva Voce Ltd. He is presently the Independent Director of Frontiere Reassurance Limitee Pcc and a Board member and Legal Adviser of Viva Voce Ltd (Radio one).

Mrs. SHWETA MOHEEPUT - INDEPENDENT DIRECTOR*Director appointed on May 16, 2019*

Mrs. Shweta Moheeput is an Audit Partner of Moore Stephens in Mauritius. She is a qualified Member of the Institute of Chartered Accountants in England and Wales (ICAEW) and also holds a BSc (Hons.) in Accounting and Finance from the London School of Economics and Political Science (UK). She has also completed an Executive Leadership Programme at the Harvard Business School. Shweta has worked as Audit Senior at Moore Stephens LLP (London) in the International Business Group, where she had significant exposure to a diversified portfolio of international clients. Prior to joining Moore Stephens Mauritius as an Audit Manager in 2015, Shweta also had the opportunity to work as an Accountant at the IMF Family Association in Washington DC, USA. She possesses extensive experience in the external audit of companies in various sectors of the economy such as insurance/re-insurance companies, money changers, investment advisors/CIS managers and global business companies. She is also involved in several consultancy assignments commissioned by the World Bank, Indian Ocean Commission and the European Union.

PROFILE OF MANAGEMENT TEAM - YEAR ENDED DECEMBER 31, 2019

The profile of the management team of G.F.A. Insurance Ltd (GFA) is as follows:

Mr. AADIL RUHOMUTALLY**– DEPUTY MANAGING DIRECTOR & CLAIMS MANAGER**

Appointed Deputy Managing Director as from March 19, 2018

Mr Aadil Ruhomutally graduated in Financial Mathematics from University of Kent, United Kingdom. He also holds a BA in Business and Finance from Heriot Watt University, Edinburg, Scotland. He has a good background of the automotive industry. He joined the Company in 2011 as Assistant Administrative Officer. He has always been very much exposed to claims issues since he joined the Company. He was also the Branch Manager from 2016 to March 2018. He is presently the Deputy Managing Director and Claims Manager of the Company.

Mr MOHUNPERSAD JAGDEO, FIAB, AIII**– FINANCE MANAGER, ALTERNATE MONEY LAUNDERING REPORTING OFFICER**

Jagdeo joined GFA in August 2006 and was promoted to the position of Finance Manager in 2009. He has more than 40 years of experience in the insurance industry. Mr Jagdeo is responsible for the day to day operations of the Finance Department. His areas of responsibilities also include liaison with regulatory authorities for financial issues. Besides his insurance and reinsurance accounting background. Jagdeo is an Associate Member of The Insurance Institute of India, by examination. He is the Alternate Money Laundering Reporting Officer (AMLRO) since February 2018 and also a Member of the Chartered Insurance Institute (UK) since April 2019.

Mr RAFFEEK SUFURHALLY, BSc, FIII, MBA**- COMPLAINTS COORDINATOR MONEY LAUNDERING REPORTING OFFICER AND RISK OFFICER.**

Mr Raffeeek Sufurhally reckons more than 30 years of experience as Internal Controller in public/parastatal organisations. He holds a BSc (Hons) in Management and he is a Fellow Member of the Insurance Institute of India. He holds a Master in Business Administration (MBA) since October 2016. Raffeeek joined GFA in 2007. His appointment as Risk Officer of the Company was approved by the Financial Services Commission on February 20, 2017.

Mr JUGDEO NAGINLAL, FCCA**– FINANCIAL CONSULTANT / COMPANY SECRETARY**

Jugdeo Naginlal is a qualified accountant since June 1979. He has worked in the civil service, in industry, and in the profession with one of the big firms. He is working as a freelance since 1992 and has wide experience, inter alia, in the following fields: accounting, auditing, taxation, vat, secretarial. He has been the company secretary of GFA since its incorporation in September 1996. Since September 26, 2019, he is also the Secretary of the Audit and Risk Committee and the Corporate Governance Committee.

PROFILE OF MANAGEMENT TEAM - YEAR ENDED DECEMBER 31, 2019

**Mr AMIT MAHARAJA, BSc, PGDCA
– IT OFFICER**

Amit is originally from India. He joined GFA on 18th March 2011. He holds a Bachelor in Science and a Post Graduate Diploma in Computer Application (P.G.D.C.A). He has 14 years of strong professional experience of IT administration, networking & IT business development. Amit looks after our whole IT infrastructure from hardware to our in-house Insurance software as well as administration of our servers, intranet and website. His regular on-the-spot IT training is highly beneficial to all our staff.

**Ms RASHIDA DUYMUN
– HR AND ADMINISTRATION OFFICER**

She is a senior officer of the Company and reckons more than 15 years of dedicated and loyal service. She is the current HR Officer and is also in charge of the Administration and Secretarial Department.

STATEMENT OF COMPLIANCE

(Pursuant to Section 75(3) of the Financial Reporting Act)

Name of PIE: G.F.A Insurance Ltd (the Company)

Reporting Period: December 31, 2019

We, the Directors of G.F.A Insurance Ltd, confirm that, to the best of our knowledge, the Company has not fully applied the principles of the Code of Corporate Governance, for the reasons stated below:

Areas of non-application of the Code	Explanation for non-application
Principle 4 Disclosure of the remuneration paid to each individual director	The Board is of the opinion that the remuneration of individual Directors is sensitive information and has resolved not to disclose such information in the annual report.
Principle 4 The Board has not conducted an evaluation of its effectiveness and of its individual directors this year.	The Directors forming part of the board of G.F.A Insurance Ltd, especially those who are members of Board committees, have been appointed in the light of their wide range of skills and competence acquired through several years of working experience and professional background.



Rashad Daurecawo, SC
Chairman

Date: March 16, 2020



Abdool Rahman (Abdel) Ruhomutally
Managing Director

Date: March 16, 2020

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

GFA Insurance Ltd which was incorporated on September 13, 1996 qualifies as a public interest entity as defined under the Financial Reporting Act 2004. The Board of Directors is responsible for leading and controlling the company and is committed to high standards of corporate governance. The new code on Corporate Governance is based on an “Apply and Explain” methodology. In line with good governance principles and best practices, GFA Insurance Ltd has decided to embark towards an adoption of the new code, which is based on eight principles. The Board recognizes whilst there is much yet to be achieved, it humbly considers that it has applied most of the principles of the new code throughout year ended December 31, 2019.

This report will be made available on the GFA Insurance website: www.gfainsurance.mu

PRINCIPLE ONE - GOVERNANCE STRUCTURE**Governance**

The Constitution of the Company defines the role, function and objectives of the Board of Directors and of its Chairperson.

The Board of Directors of GFA Insurance Ltd assumes responsibility for leading and controlling the organisation and meeting all legal and regulatory requirements.

Legal Duties

All of the Directors on Board including alternate directors are aware of their fiduciary duties at the time of their appointment.

The Board has approved the following documents:

- Code of Ethics
- Board Charter
- Organisation Chart

Code of Ethics

The Company has a Code of Ethics which is based on Corporate Values which are essential for us to maintain the trust and reliability that have been earned over the years. The Code of Ethics establishes standards for behaviour and provides guidance as to ethical dilemmas and conflicts of interests faced at works.

The Code of Ethics was reviewed after more than ten years and approved by the Board of Directors on January 30, 2019. The revised code reflects the values of the Company. The code will be constantly monitored and updated at regular intervals.

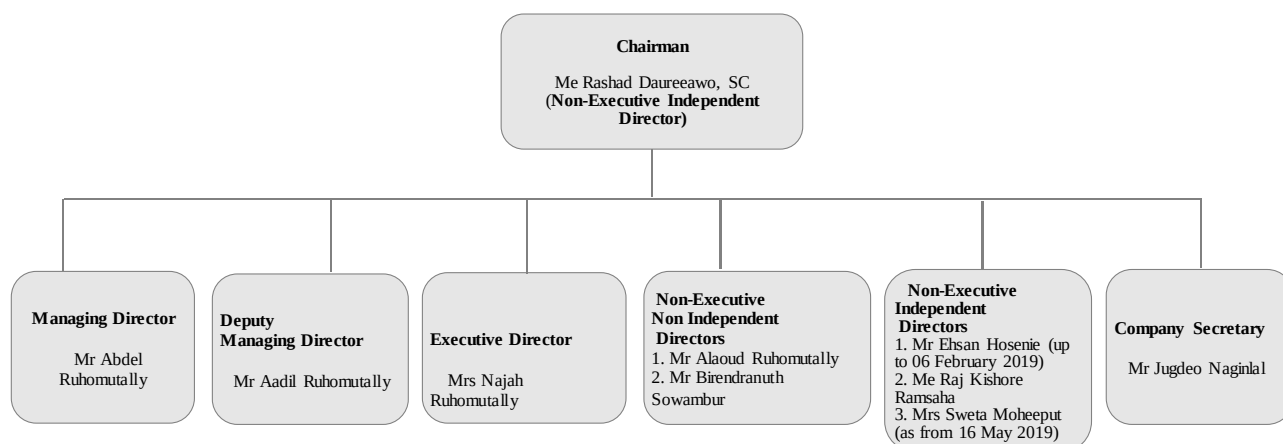
Board Charter

The Board of Directors has approved the Board Charter on January 30, 2019.

The Charter defines, inter alia, the role, function and objectives of the Board of Directors, various board committees, Chairperson, Managing Director and senior management. It also sets out how they interact in order to promote efficient, transparent and ethical functioning/decision making processes within the Company.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

Board Structure



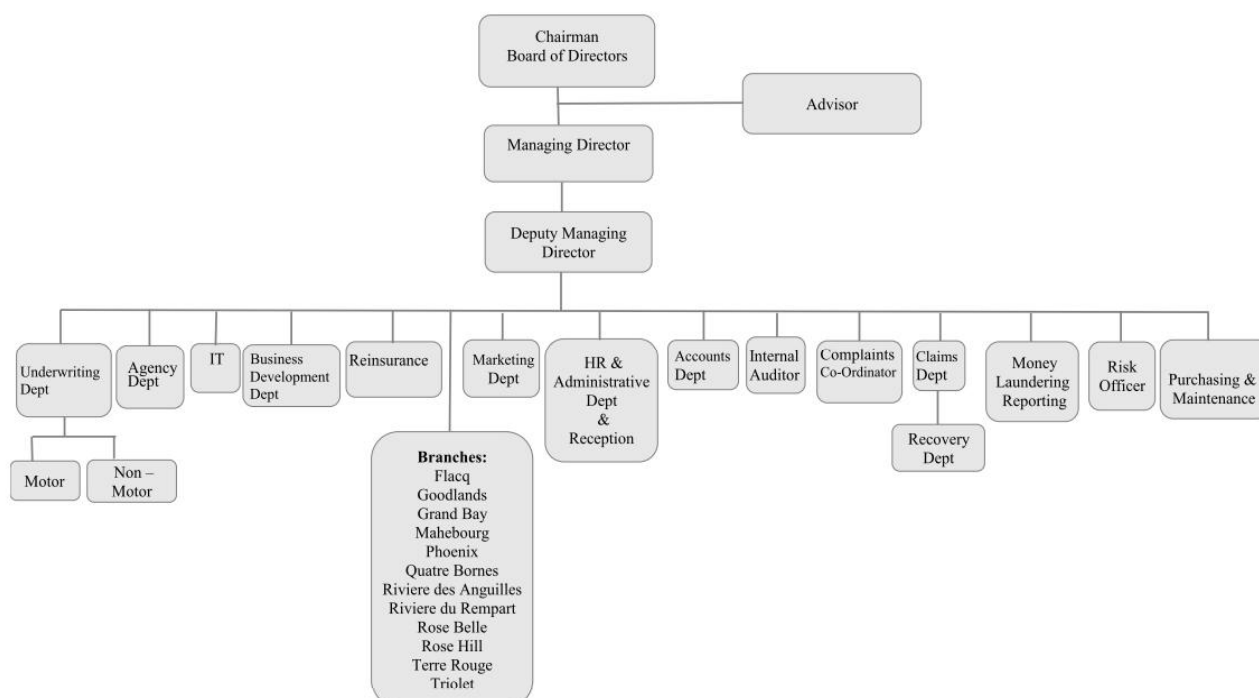
External Auditor: BDO

Actuaries: M/S K.A.PANDIT (Consultants & Actuaries)

Internal Auditor: GHANSYAM HURRY FCCA (As from April 2018)

The Board Structure is available on the GFA Insurance website: www.gfainsurance.mu.

Organisation Chart



The Organisational Structure is available on the GFA Insurance website: www.gfainsurance.mu.

Key Governance Responsibilities and Accountabilities

The Board takes particular note of the following key governance position which are vital to the Board performing against its strategy and achieving a high level of good governance. The Board has approved the following job descriptions for key governance positions at the Organisation

1. Chairperson of the Board

- Provides overall leadership
- Ensures smooth functioning of the Board
- Encouraging active participation of each Director in discussions
- Makes sure the Board is aware of the Company's and Group's affairs and assumes its obligations to all shareholders and other stakeholders.

2. Managing Director

- Responsible for the day to day running of the Company's and Group's operations.
- Leads and directs senior management to implement the strategy and policies set by Board
- Provides insights for short and medium term development of Company's and Group's operations.

3. Non-Executive Directors & Independent Directorships

- Monitor the delivery of the agreed strategy within the risk and control framework set by the Board
- Constructively challenge the Executives Directors and Management of the Company

4. Company Secretary

- Prepare and circulate agendas of Board, Board Committees and Shareholders meetings and any supporting papers, takes minutes of meeting and circulate same to members
- Ensure that the appointment of Directors is properly carried out
- Provides assistance and information on governance and corporate administration matters

Guides the Board on the Directors' statutory duties under the laws, disclosure obligations and corporate governance requirements and effective Board processes and ensures that the Company complies with its Constitution.

PRINCIPLE TWO - THE STRUCTURE OF THE BOARD AND ITS COMMITTEES**Board of Directors**

GFA Insurance Ltd is led by an effective and highly committed unitary Board. At December 31, 2019, it consisted of nine directors, three of whom are independent non-executives, three non-executives and three full time executive directors. Each director is appointed according to his/her skills, knowledge and expertise required on the board and also on the understanding of the amount of time and care that he/she will need to devote to the Board and to the Company for it to prosper.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

Profiles of directors and details of other directorships

The profiles of the directors are disclosed on pages 1 to 1(b) of this report.

All the Directors are citizens and resident of Mauritius.

Balance and diversity

Age	60 – 69 years old	4 directors (1 Resigned on February 6, 2019)
	50 – 59 years old	1 director
	40 – 49 years old	3 directors
	30 – 39 years old	2 directors (1 Appointed on May 16, 2019)
Length of tenure	0 – 3 years old	4 directors (1 Appointed on May 16, 2019)
	3 – 5 years old	1 director
	More than 5 years	5 directors (1 Resigned on February 6, 2019)

Gender Balance of the Board

The Code provides that all organisation should have directors from both genders as members of the Board, for example, one male and one female director. As at December 31, 2019, the Company's Board comprised of two female directors.

Key roles and responsibilities

The Board operates under the direction of the Chairperson, Me Rashad Daureeawo, who is a Senior Counsel. There is a clear division of responsibility between the Chairperson and the Managing Director, Mr. Abdel Ruhomutally. Whilst the Chairperson has overall responsibility that all directors participate fully and constructively in the functioning of the Company and in the decision making process for leading the Board and ensuring effectiveness, the Managing Director is responsible for managing and leading the business of the Company.

The Board plays a key role in determining the Company's direction, monitoring its performance and overseeing risks and is collectively responsible for the long-term success of the Company. The Board of Directors is committed to the highest standards of business integrity, transparency and professionalism so as to ensure the continued prosperity of the Company.

The Board is also responsible for ensuring that the Company's activities are managed ethically and responsibly, in line with relevant laws and regulations, so as to protect and enhance shareholders' value.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019**Key roles and responsibilities (cont'd)**

The following table gives the record of attendance at board meetings for the year under review:

Name of Directors	Number of meetings attended
Me Rashad Daureeawo SC	7 out of 7
Mr Alaoud Ruhomutally	7 out of 7
Mr Abdel Ruhomutally	7 out of 7
Mr Aadil Ruhomutally	7 out of 7
Miss Najah Ruhomutally	2 out of 7
Mr Ehsan Hosenie (up to February 5, 2019)	1 out of 1
Mr Raj Ramsaha	7 out of 7
Mr Birendranuth Sowambur	6 out of 7
Mr Shafa-at-Rally Oozeer	6 out of 7
Mrs Shweta Moheeput (appointed May 16, 2019)	4 out of 4

Board Committees

The Board of Directors, for assistance in its functions is supported by four main sub-committees, namely Corporate Governance Committee, Audit and Risk Committee, Investment Committee, Nomination Committee and Remuneration Committee which make recommendations on matters delegated to them. The various committees are chaired by experienced chairpersons who then report their activities to the Board.

The terms of reference of the above board's committees were duly approved by the Board in 2018. The Board also ensures that, with the Company Secretary's participation, all board members have unhindered access to information so that they may contribute in a meaningful way to board meetings and are able to take informed decisions.

Corporate Governance Committee

The Corporate Governance Committee is appointed by the Board. The terms of reference of the Corporate Governance Committee was approved at a Board meeting held on August 8, 2018.

The Committee fulfils two main tasks:

- It is responsible for implementing The Code of Corporate Governance for Mauritius throughout the Company and for ensuring that the reporting requirements on Corporate Governance are made in accordance with the principles enunciated in The Code.
- It makes recommendations to the Board on the appointment of new executives, non-executive directors and advises on the composition of the Board in general and the balance between executive and non executive directors and on succession planning.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

Composition

Members	Category
Mr Raj Ramsaha	Chairperson
Mr Ehsan Hosenie	Member (up to February 5, 2019)
Mr Birendranuth Sowambur	Member
Mrs Shweta Moheeput	Member (from June 27, 2019)

No meeting was held in 2019. The Minutes of the meeting held on December 14, 2018 was submitted to the Board on March 25, 2019.

Annual effectiveness review

The Corporate Governance Committee confirms that, for the year under review, it has met its key objectives and carried out its responsibilities effectively in accordance with its Terms of reference.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities.

The Committee focuses on:

- Managing the Company's risk policies;
- Review the Company's risk profile against risk appetite and effectiveness of risk management framework;
- Assess the effectiveness of the internal control processes;
- Review and approve the budget, including the budget for capital expenditure;
- Review the integrity of the financial statements;
- Review the effectiveness of the statutory auditors.

Composition

Members	Category
Mrs. Shweta Moheeput	Member as from June 27, 2019 & Chairperson from June 27, 2019
Mr. Raj Ramsaha	Member & Chairperson up to June 27, 2019
Mr. Ehsan Hosenie	Member up to February 5, 2019
Mr. Birendranuth Sowambur	Member

Attendance at Audit and Risk Committee meetings in FY 2019

Members	Number of meetings attended
Mr. Raj Ramsaha	1 out of 1
Mr. Ehsan Hosenie (up to February 5, 2019)	N/A
Mr. Birendranuth Sowambur	1 out of 1
Mrs. Shweta Moheeput	1 out of 1

The meetings are also attended by the Managing Director, Finance Manager and the internal and external auditors as and when required.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019**Matters considered in FY 2019**

During the year under review, the Audit and Risk Committee met once. Matters discussed with respect to the Company included:

- Management letter from the External Auditor
- Management Accounts for the half year ended June 30, 2019.
- Review of the several reports submitted by the internal auditor and the follow up on his recommendations.

Annual effectiveness review

The Audit and Risk Committee of GFA Insurance Ltd confirms that, for the year under review, it has not fully met its key objectives and carried out its responsibilities effectively in accordance with its Terms of Reference and the risk report prepared by the consultant.

Remuneration Committee

The main task of the Remuneration Committee is to determine and to review the basic salary and other benefits attributable to the Senior Management and also that of the Directors of the Company.

Composition

Members	Category
Mr Abdel Ruhomutally	Managing Director (Chairperson)
Mr Aadil Ruhomutally	Deputy Managing Director
Mr Alaoud Ruhomutally	Non-Executive Director

This committee is chaired by Mr Abdel Ruhomutally; it is a clear indication of his commitment to ensure that efforts and hard work of employees, at all levels (Executive Directors to Staff grade) are adequately compensated.

Appointment Committee

The main Term of Reference of the Appointment Committee is to:

- To guide and monitor the process for recruitment, appointment, election and re-election process of the executives of the Board and Committee

Composition

Members	Category
Me Rashad Dawreeawo, SC	Chairperson
Mr Abdel Ruhomutally	Managing Director
Mr Alaoud Ruhomutally	Non-Executive Director

The Committee held two meetings to recommend the appointment of Independent Directors. One appointment was effective in May 2019 and procedures have been initiated for the second appointment.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019**Investment Committee**

The terms of reference of the Investment Committee are:

- To review and approve periodically the investment policies of the Company;
- To monitor the performance of the asset portfolio against the agreed benchmarks and targets;
- To determine an appropriate investment strategy, including asset mix.

Composition

Members	Category
Mr Alaoud Ruhomutally	Non-Executive Director (Chairperson)
Mr Abdel Ruhomutally	Managing Director
Mr Jugdeo Naginlal	Financial Consultant/Company Secretary

NOTE: The Terms of Reference for all Committees are available on the Company's website.

PRINCIPLE THREE - DIRECTORS APPOINTMENT PROCEDURES

Recommendation by the Appointment Committee to the Board of Directors
↓
Appointment of new director by the Board of Directors
↓
Newly appointed director is subject to election in first year of appointment by the shareholders at the Annual Meeting
↓
Once appointed, every year, the Directors stand for re-election at the Company's Annual Meeting

As part of its mandate, the Nomination Committee and the Board carefully consider the needs of the Company in appointing Directors onto the Board. The following factors are carefully considered:

- Skills, knowledge and expertise of the proposed Director;
- Previous experience as a Director;
- Reputation of the proposed Director;
- Independence where required;
- Conflicts of Interests.

To this end, the Board, through the Nomination Committee follows a rigorous, formal and transparent procedure to select and appoint new Directors.

Biography of the Company Secretary - Mr Jugdeo NAGINLAL, FCCA

The profile of Mr. Jugdeo Naginlal is given on Page 2(c).

Board Induction

The Company Secretary assists the Chairperson in ensuring that an induction programme is in place for all new directors to acquire sufficient knowledge and understanding on the nature of business, and the opportunities and challenges facing the industry, to enable them to effectively contribute to strategic discussions. All newly appointed directors receive an induction pack containing documents pertaining to their role, duties and responsibilities. In addition, the Company Secretary and the Chairperson remain available for one-to-one briefings and new directors are invited to meet members of the management of GFA Insurance Ltd.

Professional development and training

Directors are encouraged, as far as possible, to keep themselves up to date, with the latest trends and best professional practices.

Time commitments

Board members are expected to dedicate such time as is necessary for them to effectively discharge their duties. Directors have a duty to act in the best interests of the company and are expected to ensure that their other responsibilities do not impinge on their responsibilities as Directors.

Succession planning

The Board assumes full responsibility for succession planning. The Board of Directors believes that good succession planning contributes further to the delivery of the company's strategy by ensuring the desired mix of skills and experience of current and future board members. The Board is also committed to recognising and nurturing talent within executive and management levels to ensure that the Company creates opportunities to develop current and future leaders.

The Committee shall periodically review probable vacancy in the position of Senior Management Team which may arise due to retirement, resignation, death or incapacity whether temporary or permanent. The Board shall strive to fill such vacancy within internal modes through elevation and in case no suitable candidate is available to fill the position, only then external candidates shall be considered.

The Committee may also resolve to engage the services of such retired executive/member of senior management on a contractual basis subject to his/her willingness to serve the Company in such capacity.

Board Evaluation

No evaluation of the Board or its committees was carried out during the year under review. The Directors forming part of the Board of GFA Insurance Ltd, especially those who are members of Board committees, have been appointed in the light of their wide range of working experience and professional background.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019**PRINCIPLE FOUR -DIRECTORS' DUTIES REMUNERATION AND PERFORMANCE****Director's Duties**

All the Directors on the Board including any alternate Directors are fully aware of their duties. Once appointed on the Board, the Director receives the following documents pertaining to his/her duties and responsibilities:

- Directors' code of Conduct
- Governance Charter
- Code of Ethics
- The Constitution of the Company

REMUNERATION OF DIRECTORS

Remuneration and benefits received by the Directors from the Company during the year were as follows:

	2019 Rs.	2018 Rs.
Executives Directors	10,963,920	8,774,376
Non-executive & Independent Directors	2,190,562	1,405,822

The Directors did not receive any remuneration from its subsidiary.

The Directors' remuneration is disclosed by category and not individually in view of confidentiality and sensitivity of the information.

DIRECTORS' SERVICE CONTRACTS

Mr. Abdool Rahman (Abdel) Ruhomutally, Mr. Alaoud Ruhomutally, Miss Najah Ruhomutally and Mr. Aadil Ruhomutally have contracts of employment with the Company without expiry dates. The other Directors do not have service contracts with the Company.

Interests Register, Conflict of Interest

As a Public Interest Entity (PIE), the Company makes every effort to ensure that the Directors disclose any interest in writing to the Board. Also, the Directors' Code of Conduct contains provision to prevent any conflict of interest. An Interest Register, which is updated on an annual basis, is maintained by the Company Secretary. Any disclosure of interest is recorded in the interest register, which is available for inspection during normal office hours upon written request to the Company Secretary. In addition, the Directors also disclosed any related party transactions.

The Principle is adhered to.

Whistle Blowing

Whistle Blowing involves the act of reporting wrongdoing (e.g. malpractices, corruption, misconduct, mismanagement) within an organisation to internal and external parties. It is raising a concern about malpractices within an organisation or through an independent structure associated with it.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

Whistle Blowing (cont'd)

The Board of Directors is conscious of the need for a policy regarding whistle blowing. The Board will approve a policy on whistle blowing to 2020.

Remuneration Policy

An attendance fee is paid to directors per Board meeting. The chairperson of the board committees receives a higher remuneration fee.

The remuneration of Directors is determined on the basis of standards in the market and reflects demands to competencies and efforts in the light of the scope of their work.

The Board and Committees fees are submitted to the shareholders of the company for approval at the annual general meeting of shareholders.

RELATED PARTY TRANSACTIONS

Please refer to Note 30 to the Financial Statements.

INFORMATION, INFORMATION TECHNOLOGY AND INFORMATION SECURITY GOVERNANCE

Information Security Policy is a key component of the Company's overall information security management framework. The Board is responsible for the governance information. It is the role of senior executives to manage information technology and ensure information security. Since years back, information policies are applicable at GFA Insurance Ltd. It reflects Management intents on information security commitments. The main programs and guidelines covered by the said policy are listed below:

- Antivirus Management Procedures
- Backup Procedures
- Data Destruction Procedures
- Incident Management Procedures
- Information Handling Procedures
- Log Review Procedures
- Patch Management Procedures
- User Account Management Procedures
- Guidelines Server Rooms
- Guidelines User

Besides, our company is well equipped by Disaster Recovery (DR) to ensure the Company's valuable data, software, server and applications are securely kept.

The aim of this policy is to establish and maintain the security and confidentiality of information, information systems, applications and networks owned or held by the Company. In this respect, security solutions are being deployed to keep abreast of new security threats. The policy applies to all information, information systems, networks, applications, locations, and users of the Company or supplier under contract to it.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019**PRINCIPLE FIVE - RISK GOVERNANCE AND INTERNAL CONTROL**

The Directors are responsible for maintaining an effective system of internal control and risk management. Though these two functions are delegated to the Audit and Risk Committee, the governance of risk, the nature and risk appetite of the Company remain the ultimate responsibility of the Board.

Other responsibilities of the Board also include:

- Ensuring that structures and processes are in place for management of risks
- Identifying the principal risks and uncertainties
- Ensuring that systems and processes are in place for implementing, maintaining, and monitoring internal controls
- Identifying any deficiency in the system of internal control

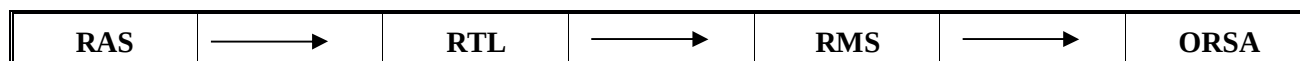
The Board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management. The Board should ensure the maintenance of a sound internal control system.

Risk Management**Regulatory Requirements**

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

- Risk Appetite Statement;
- Risk Management Strategy;
- 3-years Business Plan and Financial Forecast;
- ORSA Framework
- Liquidity Policy;
- Designated Risk Management Function; and
- Defined Responsibilities and Reporting Lines for the Management of material risks.

The existing Enterprise Risk Management (ERM) Program ensures that all requirements of the Rules are being complied with. However, given that the Framework is in a nascent stage of development and implementation GFA Insurance Ltd has developed and maintained the liquidity policy for year 2017 and basically the following:



Moreover, following circular letter from the FSC Ref:CL166417/RAS the FSC issue a list of significant activities whereby all insurers would need to cover in the RAS up to the ORSA.

The Board of Directors is responsible for risk management and for the Company's systems of internal control. The Company's policy on risk management encompasses all significant business risks including physical, operational, business continuity, financial compliance and reputational which could influence the achievement of the Company's objectives.

Regulatory Requirements (cont'd)

The risk management mechanism in place includes:

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

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

While the Board is responsible for the overall risk management and internal control systems, oversight of the Company's risk management process, with the exception of the legal risk, has been delegated to the Audit and Risk Committee.

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

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

The following risk areas have been identified for the Company:

Insurance Risks

The main activity of the Company is the acceptance of risk under an insurance contract where in return for a consideration (the premium), a policyholder is compensated for pecuniary loss suffered as a result of a specified uncertain future event, or of a certain future event where the timing of the occurrence is uncertain.

The main risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. Risks are mainly associated with the Company's underwriting, reinsurance and claims handling activities.

Motor and Liability Insurance

The Company's underwriting strategy attempts to ensure that the underwritten risks are acceptable, well priced and diversified in type. Statistics captured and analysed by computer software are extensively used to assess and review risks and the Company reserves the right not to renew policies and/or to impose deductibles.

The Company determines the extent of risks retainable and transfers, through reinsurance led by top rated reinsurers, risks in excess of its capacity. Thus, through effective proportional, excess of loss and facultative reinsurance covers, the maximum loss for a given risk that the Company may suffer in any one year is predetermined.

Motor and Liability Insurance (cont'd)

Claims handling is closely monitored so as to ensure that the loss reported is covered and properly assessed. Where relevant, the Company may sue third parties for payment of some or all liabilities (subrogation). The Company ensures that claims provisions are determined using the best information available of claims settlement patterns, forecast inflation and settlement of claims. Estimation techniques also involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the best overall estimates.

Financial Risks

The Company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from insurance contracts. The main risks to which the Company is exposed include:

- Credit risk
- Liquidity risk
- Market risk
- Reinsurers' default

Credit Risk

The Company's credit risk is primarily attributable to debtors including agents for insurance premium payable. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment. The Company structures the levels of its credit risk it accepts by placing limits on its exposure to a single counter party. Such risks are subject to frequent review.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet short-term debts. Liquidity risk is considered to be very low.

Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Investment Committee ensures that investments are sufficiently diversified in order to match assets and liabilities and liquidity requirements.

Reinsurer's Default

The Company is exposed to the possibility of default by its Reinsurers for their share of insurance liabilities and refunds in respect of claims already settled by it. Management monitors the financial strength of its Reinsurers and the Company's set procedures ensure that risks are only ceded to top-rated and credit-worthy Reinsurers.

Operational Risks

Operational risks are risks of loss/or opportunity gain foregone resulting from inadequate or failed internal processes, people and systems or from external events. These losses may be caused by one or more of the following:

Human Resources Risk

Human resource risk is the risk that the personnel responsible for managing and controlling different sectors of the organisation or a business process do not possess the requisite knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risks are reduced to an acceptable level.

Compliance Risk

Compliance risk, also referred to as non-conformance risk, results in lower quality, higher costs, lost revenues and unnecessary delays. Non-conformance also gives rise to product/service failure risk because if not detected and corrected before a product or service is delivered to the customer, a product or performance failure could result. A Compliance Department has been set up and a compliance officer has been appointed to monitor these issues.

Business Interruption Risk

The Company's capability to continue critical operations and processes are highly dependent on availability of information technologies, skilled labour and other resources. If people with the requisite experience and skills or other critical resources were unavailable or if critical systems broke down, the Company would experience difficulty in continuing operations. A business interruption plan has been set up involving the duplication of our records and information systems on back up media which are stored. Insurance transactions are backed-up daily in branch offices and same is exported to Head Office by removable media on a weekly basis. (Each office operates independently and is not linked to a single server. Full customer service can be restored within a maximum of two hours).

Product/Service Failure Risk

During insurance operations there may be a risk of customers receiving faulty insurance policies or service. These failures would result in customer complaints, litigated claims, cancelled policies, increased claim frequency or severity. These can significantly affect the Company's reputation, profitability, future business and market share. A Customers' Complaints Handling unit has been implemented.

Health and Safety Risk

Worker health and safety risks are significant if not controlled because they can expose the Company to substantial liability in respect of workers' compensation. Non-compliance with Health and Safety Legislation may result in heavy fines. The Health and Safety Committee ensures that these risks are minimised through control, follow-up and communication procedures. The Human Resources Department ensures compliance with labour laws.

With regards to the operational risks, management is currently rating the risks by applying appropriate methods based on the recurring nature of the risk and the financial and operational impact of the risk.

Under the risk management framework that is currently being established, a priority plan of action aimed at developing and implementing mitigating controls will be prepared. Clear responsibilities and targets will be established and monitored. The overall effort to establish a risk management framework is being undertaken under the close supervision of the Audit and Risk Committee.

The Structure, organisation and qualification of the key member of the internal audit function is available on our website: www.gfainsurance.mu

PRINCIPLE SIX - REPORTING WITH INTEGRITY

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Company law further requires the Directors to prepare financial statements in accordance with International Financial Reporting Standards for each financial year.

The Directors are also responsible for keeping adequate accounting records, explaining the Company's transactions, and disclosing, with reasonable accuracy at any time, the financial position of the Company. Moreover, the Directors have the duty to safeguard the assets of the Company and to take reasonable steps for the prevention and detection of fraud and other irregularities.

The Board should present a fair, balanced and understandable assessment of the organisation's financial, environmental, social and governance position, performance and outlook in its Annual Report and on its website.

This Annual Report will be published in full on our website: www.gfainsurance.mu

Organisational Review

The Company (GFA) is one of the emerging companies in Mauritius and was incorporated on 13 September 1996.

GFA Insurance Ltd has a subsidiary; GFA Investments Ltd. The latter subsidiary owns a five-storey commercial building in Rose Hill for rental purposes.

The Company is committed to offering a quality service to the insuring public.

Our core values include: Teamwork, trust, transparency, professionalism, integrity, honesty, innovation and IT driven operations.

The Company's operations rely on a number of resources and their interactivity. They are categorised into six capitals - which are relevant to the Company's business namely financial, human, intellectual, manufactured, social and natural capitals.

Financial Capital

The Company invests its funds generated from underwriting surpluses in quick income generated instruments like bank deposits. The investment income is used to sustain income and financial returns of the Company. Thus, reinforcing its financial stability and by extension contribute to the growth of the financial services industry.

For the year under review, the Company;

Wrote Premium in 2019: Rs.190,577,381 (2018: Rs.188,664,784)

Paid Claims in 2019: Rs.153,687,364 (2018: Rs.142,167,833).

Its Underwriting Surplus in 2019; Rs.62,016,677 (2018: Rs.65,456,477 for 2018).

Financial Capital (cont'd)

Profit for the year 2019 is Rs.23,483,623 (2018: Rs.31,431,880).

The Total Assets of the Company in 2019: Rs.678,735,147 (2018: Rs.663,449,745)

Human Capital

The Company has always boasted itself that one of its assets is its human capital. Agents are rewarded by special bonus commission if they exceed a growth rate fixed by the Company on an annual basis.

Staffs are rewarded for their effort and loyalty. The Company has a profit sharing scheme for its employees. Regular training is given to employees, so that, they can deliver efficiently and effectively. The ultimate aim of being customer satisfaction.

Intellectual Capital

The Company continuously invests in technology and IT tools. This is the reason why the Company states that one of its assets is its IT-infrastructure.

Manufactured Capital

To repeat the Company depends heavily on its IT-infrastructure to carry out its business activities.

Moreover, the Company has invested more than Rs.20M in its headquarters in Port Louis. Besides, the Company also owns through its subsidiary GFA Building in the centre of Rose Hill to generate more revenue from rental activities and great value for shareholders.

Social Capital

The Company associates with Non-Governmental Organisations (NGO's) on different projects relevant to its CSR objectives.

The Company also support the weak and vulnerable of the society.

Natural Capital

The Company being a Financial Service Provider uses electricity, water and paper forming part of natural capitals. Consequently, the Company's direct impact on environment is negligible.

However, the Company among other initiatives want to go paperless as practicable as possible.

PRINCIPLE SEVEN - AUDIT**Audit and Risk Committee**

The mission of the Audit and Risk Committee is to establish formal and transparent arrangements regarding how to apply financial reporting and internal control principles and to maintain an appropriate relationship with the Company's auditors.

The terms of reference of the Audit and Risk Committee are:

- To review the appropriateness of the Company's accounting policies.
- To assess the effectiveness of the internal control processes.
- To review the annual financial statements before their submission to the Board.
- To discuss the results of the external audit process with the external auditors.
- To direct the Risk Management Function with the support of the internal and external auditors.
- To review and approve the budget, including the budget for capital expenditure.

Internal Audit

Internal Audit is an independent appraisal function which examines and evaluates the activities and the appropriateness of the systems of internal control, risk management and governance.

Mr. Ghanshyam Hurry, FCCA, was appointed as internal auditor in April 2018. He is a Fellow of the Association of Chartered Certified Accountants (ACCA). He has more than fifteen years of experience in both accountancy, audit of domestic and global business companies. He holds an auditor's licence from the Financial Reporting Council (FRC) and is a member of Mauritius Institute of Professional Accountants (MIPA). He also holds an insolvency practitioner licence.

The scope of the Internal Auditor's work encompasses:

- Identifying risk areas and evaluating the level of risk for each risk area.
- Reviewing internal control processes and making appropriate recommendations to the Audit and Risk committee and the Management,
- Monitoring the implementation of the recommendations and reporting on these implementations to the Audit and Risk Committee.

Reporting Lines

The Internal Auditor has a direct reporting line to the Audit and Risk Committee and maintains an open and constructive communication with Management. The Internal Auditor also has direct access to the Chairman of the Board. This structure allows the Internal Auditor to remain independent.

Coverage

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

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019***Restrictions***

The Internal Auditor has unrestricted access to the Company's accounting records, to management and to employees.

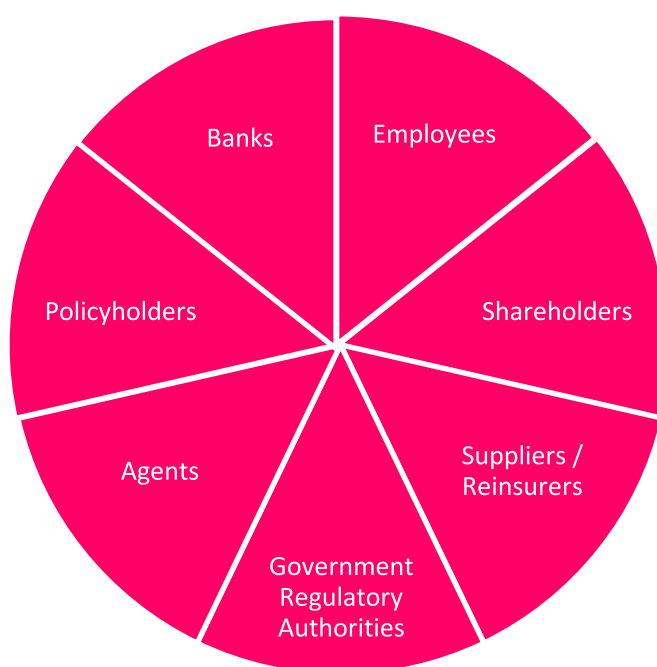
External Audit

The responsibility of the external auditor is to express an opinion on the financial statements based on their audit. They conduct their audit in accordance with International Standards on Auditing which involve ethical requirements. The external auditors of the Company is BDO & Co, who was appointed at the annual meeting of shareholders. The Chairman of the audit committee discusses critical policies and external audit issues with BDO as and when necessary. The Board assesses the effectiveness of the external audit process via feedback received from management team. Areas of improvement are thereafter discussed with the external auditor.

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

Through its values, GFA engages itself towards meeting its different stakeholders' expectations/needs.

The diagram illustrates the key stakeholders of GFA Insurance:



The Company's relevant stakeholders are kept informed of developments on a regular basis through:

- Annual Meeting of shareholders
- Press releases
- Public communiqués
- Automatic mobile SMS
- Road shows, fairs and exhibitions
- Employees through Human Capital Function

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

Shareholders

All shareholders have the same voting rights.

Letter to Shareholders

A letter from the Company Secretary addressed to the shareholders is annexed with the annual financial statements. The letter provides detailed information on the proceedings for the forthcoming Annual Meeting of shareholders.

Shareholding Profile

The stated capital of the Company is made up of 25,000 ordinary shares.

Substantial Shareholders

A substantial shareholder is defined as a person who holds by him/ herself or his/ her nominee, a share or an interest in a share which entitles him/ her to exercise not less than 5% of the aggregate voting power exercisable at a shareholders' meeting.

The table below highlights the shareholders holding more than 5% ordinary shares.

Substantial shareholders of the Company as at December 31, 2019	
Mr Alaoud Ruhomutally	40.90%
Dr Abdool Raouf Ruhomutally	13.00%
Ayfa Investment Ltd	7.28%
Mrs Ww Beebee Madina Beebeejaun and Mrs Fatmahbee Ruveida Beebeejaun	5.47%

CHARITABLE DONATIONS

	2019 Rs.	2018 Rs.
Charitable Donations	Nil	Nil

CONTRIBUTION TO POLITICAL PARTIES

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

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

AUDITORS FEES

The fees paid to external auditors and other services were:

	2019 Rs.	2018 Rs.
BDO & Co:		
Audit Fees	437,000	437,000
Review of Insurance Return	32,200	32,200
Review of Compliance with Insurance (Risk Management) Rules 2016	32,200	-

The fees paid to internal auditors were:

	2019 Rs.	2018 Rs.
Internal Audit Fees:		
Mr. Ghanshyam Hurry	483,000	283,850

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors acknowledge their responsibilities for:

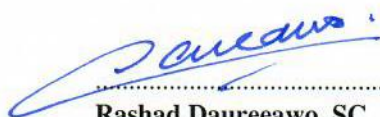
- (i) adequate accounting records and maintenance of effective internal control systems,
- (ii) the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that year and which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

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

The Directors report that:

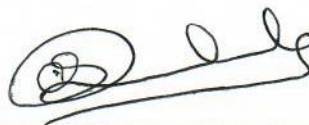
- (i) adequate accounting records and an effective system of internal controls and risk management have been maintained,
- (ii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently,
- (iii) International Financial Reporting Standards have been adhered to.
- (iv) the Code of Corporate Governance has been adhered to. Reasons have been provided in the Corporate Governance Report in case of non-compliance with any requirement.

Approved by the Board of Directors and signed on its behalf by:



Rashad Daureeawo, SC
Chairman

Date: March 16, 2020



Abdool Rahman (Abdel) Ruhomutally
Managing Director

Date: March 16, 2020

SECRETARY'S CERTIFICATE - YEAR ENDED DECEMBER 31, 2019

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



COMPANY SECRETARY

Jugdeo Naginlal, F.C.C.A

Date: March 16, 2020

G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

5

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of G.F.A. Insurance Ltd

Report on the audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of G.F.A. Insurance Ltd and its subsidiary (the Group), and the Company's separate financial statements (the Company) on pages 6 to 60 which comprise the statements of financial position as at December 31, 2019, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 6 to 60 give a true and fair view of the financial position of the Group and of the Company as at December 31, 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Key Audit Matters

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



G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

5(a)

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of G.F.A. Insurance Ltd

Report on the Financial Statements (cont'd)

KEY AUDIT MATTER	AUDIT RESPONSE
1 Receivable from insurers/reinsurers	

At December 31, 2019, the Group's trade and other receivables included an amount of Rs.41,984,688 (2018: Rs.39,180,189) for receivables from insurers/reinsurers. The Group uses historical data in determining the recoverability of its receivables from insurers. Receivables from reinsurers arising from risks ceded requires judgement to reflect the credit risk exposure attached to the assets. The Company assesses the recoverability of these assets and amounts which cannot be recovered are provided for.

We tested the design and implementation and operating effectiveness of key controls over the identification of impaired assets and impairment process. We also reviewed the methodology and judgement used and challenged management's key assumptions used in assessing impairment. In addition, we requested external confirmation of the outstanding amount from counterparties and re-insurers, and where responses were poor, we performed alternative tests to ensure existence and accuracy of those receivables.

Refer to note 4.2 and note 15 of the accompanying financial statements.

KEY AUDIT MATTER	AUDIT RESPONSE
2 Provision for Gross outstanding claims and Incurred but not yet reported (IBNR)	

At December 31, 2019, the Group's outstanding claims provision amounted to Rs.211,629,627 (2018: Rs.215,555,242). Outstanding claims provisions and IBNR are based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on interpretation of circumstances. The approach also includes consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. Thus, significant judgement and estimates are used to determined the provision for outstanding claims.

We reviewed the Group's procedures in providing for outstanding claims and tested a samples of claims files to ensure the accuracy and adequacy of claim provisions made during the year under review and at the end of the reporting period. In addition, we reviewed that data sent to the external actuary to determine the provision for IBNR.

Refer to note 2(iv), note 3.1(c), note 4.1(a), note 18 and note 19 of the accompanying financial statements.



G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

5(b)

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of G.F.A. Insurance Ltd

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 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, complied with the requirements of the Code.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Group 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 the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of G.F.A. Insurance Ltd

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of 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 and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

5(d)

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of G.F.A. Insurance Ltd

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Insurance Act 2005

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

Other Matter

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


BDO & Co
Chartered Accountants

Port Louis,
Mauritius.

Per Georges Chung Ming Kan, F.C.C.A
Licensed by FRC

March 16, 2020

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2019

	Notes	THE GROUP		THE COMPANY	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	5	73,119,585	57,889,989	73,117,911	57,882,367
Right-of-use assets	6	2,887,629	-	2,887,629	-
Investment property	7	81,395,000	81,200,000	24,200,000	24,200,000
Intangible assets	8	835,639	994,244	835,639	994,244
Investment in subsidiary company	9	-	-	25,000,000	25,000,000
Statutory deposits	10	8,000,000	6,000,000	8,000,000	6,000,000
Investment in financial assets	11	161,928,949	85,126,405	161,928,949	85,126,405
Fixed deposits	12	231,500,000	316,000,000	227,000,000	313,500,000
Deferred tax assets	13	3,160,583	2,440,369	-	-
Loans to related parties	14	1,696,723	4,721,726	1,696,723	4,721,726
		<u>564,524,108</u>	<u>554,372,733</u>	<u>524,666,851</u>	<u>517,424,742</u>
Current assets					
Statutory deposits	10	-	2,000,000	-	2,000,000
Trade and other receivables	15	55,129,420	50,265,624	54,930,070	50,056,194
Loans to related parties	14	2,635,300	1,161,880	2,635,300	1,161,880
Short-term deposits	12	73,000,000	74,300,000	73,000,000	73,500,000
Current tax assets	22(a)	1,864,038	-	1,864,038	-
Cash and cash equivalents	28(b)	23,173,063	20,870,876	21,638,888	19,306,929
		<u>155,801,821</u>	<u>148,598,380</u>	<u>154,068,296</u>	<u>146,025,003</u>
Total assets		Rs. 720,325,929	702,971,113	678,735,147	663,449,745
EQUITY AND LIABILITIES					
Capital and Reserves (attributable to owners of the parent company)					
Share capital	16	25,000,000	25,000,000	25,000,000	25,000,000
Other reserves	17	7,497,630	7,172,950	7,497,630	7,172,950
Retained earnings		332,954,287	313,447,418	301,398,758	282,915,135
		<u>365,451,917</u>	<u>345,620,368</u>	<u>333,896,388</u>	<u>315,088,085</u>
Technical provisions					
Gross outstanding claims and IBNR	19(a)	211,629,627	215,555,242	211,629,627	215,555,242
Gross unearned premiums	19(b)	99,363,163	99,094,033	99,363,163	99,094,033
		<u>310,992,790</u>	<u>314,649,275</u>	<u>310,992,790</u>	<u>314,649,275</u>
Non-current liabilities					
Lease liabilities	6(b)	1,603,300	-	1,603,300	-
Retirement benefit obligations	20	13,345,000	12,150,000	13,345,000	12,150,000
Deferred tax liabilities	13	11,025,600	10,520,944	1,406,115	1,822,583
		<u>25,973,900</u>	<u>22,670,944</u>	<u>16,354,415</u>	<u>13,972,583</u>
Current liabilities					
Trade and other payables	21	16,533,766	17,123,211	16,117,998	16,832,487
Current tax liabilities	22(a)	-	2,907,315	-	2,907,315
Lease liabilities	6(b)	1,373,556	-	1,373,556	-
		<u>17,907,322</u>	<u>20,030,526</u>	<u>17,491,554</u>	<u>19,739,802</u>
Total equity and liabilities		Rs. 720,325,929	702,971,113	678,735,147	663,449,745

These financial statements have been approved for issue by the Board of Directors on March 16, 2020.


Signature

Rashad Daureeawo, SC
Name of Director
Rashad Daureeawo, SC


Signature

Abdool Rahman (Abdel)
Name of Director
Rukomutally

The notes on pages 12 to 60 form an integral part of these financial statements.

Auditor's report on pages 5 to 5(d).

STATEMENTS OF PROFIT OR LOSS - YEAR ENDED DECEMBER 31, 2019

	Notes	THE GROUP		THE COMPANY	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
Gross premiums		190,577,381	188,664,784	190,577,381	188,664,784
Premium ceded to reinsurers		(11,681,309)	(13,786,584)	(11,681,309)	(13,786,584)
		178,896,072	174,878,200	178,896,072	174,878,200
Change in unearned premiums	19(b)	(269,130)	974,579	(269,130)	974,579
Net earned premiums		178,626,942	175,852,779	178,626,942	175,852,779
Gross claims paid	19(a)	153,687,364	142,167,833	153,687,364	142,167,833
Claims recovered		(38,995,492)	(29,132,445)	(38,995,492)	(29,132,445)
Movement in claims outstanding and IBNR	19(a)	(3,925,615)	(8,376,525)	(3,925,615)	(8,376,525)
Net claims incurred		110,766,257	104,658,863	110,766,257	104,658,863
Underwriting results		67,860,685	71,193,916	67,860,685	71,193,916
Commission receivable from reinsurers		2,329,156	2,642,887	2,329,156	2,642,887
Commission payable to agents		(8,173,164)	(8,380,326)	(8,173,164)	(8,380,326)
Net commissions payable		(5,844,008)	(5,737,439)	(5,844,008)	(5,737,439)
Underwriting surplus		62,016,677	65,456,477	62,016,677	65,456,477
Investment and interest income	23	22,637,015	29,508,177	21,101,886	27,297,658
Operating profit		84,653,692	94,964,654	83,118,563	92,754,135
Other income	24	5,250,631	6,668,336	5,241,431	6,658,736
		89,904,323	101,632,990	88,359,994	99,412,871
Administrative and other expenses	25(i)	(55,177,911)	(55,492,257)	(54,863,686)	(55,472,004)
Depreciation and amortisation charge	25(ii)	(8,196,777)	(6,516,155)	(8,190,829)	(6,471,127)
Profit from operations		26,529,635	39,624,578	25,305,479	37,469,740
Finance costs	26	(250,062)	-	(250,062)	-
Profit before taxation	25	26,279,573	39,624,578	25,055,417	37,469,740
Taxation	22(b)	(1,772,704)	(7,097,319)	(1,571,794)	(6,037,860)
Profit for the year	Rs.	24,506,869	32,527,259	23,483,623	31,431,880

The notes on pages 12 to 60 form an integral part of these financial statements.

Auditor's report on pages 5 to 5(d).

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED
DECEMBER 31, 2019**

	Notes	THE GROUP		THE COMPANY	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
Profit for the year		24,506,869	32,527,259	23,483,623	31,431,880
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss:</i>					
Gains on revaluation of land and buildings	5	-	3,400,445	-	3,400,445
Income tax relating to components of other comprehensive income	13(b)	-	(51,502)	-	(51,502)
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Change in fair value of available-for-sale financial assets	11(a)	2,655,047	(2,067,900)	2,655,047	(2,067,900)
Reclassification adjustments on disposal of financial assets		(2,330,367)	(596,747)	(2,330,367)	(596,747)
Other comprehensive income, net of income tax		324,680	684,296	324,680	684,296
Total comprehensive income for the year	Rs.	24,831,549	33,211,555	23,808,303	32,116,176

The notes on pages 12 to 60 form an integral part of these financial statements.

Auditor's report on pages 5 to 5(d).

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2019

THE GROUP	Note	Share capital	Revaluation surplus	Available-for-sale fair value reserve	Retained earnings	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Balance at January 1, 2019		25,000,000	7,609,063	(436,113)	313,447,418	345,620,368
Profit for the year		-	-	-	24,506,869	24,506,869
Other comprehensive income for the year		-	-	324,680	-	324,680
Total comprehensive income for the year		-	-	324,680	24,506,869	24,831,549
Dividends - 2019	27	-	-	-	(5,000,000)	(5,000,000)
Balance at December 31, 2019		Rs. 25,000,000	7,609,063	(111,433)	332,954,287	365,451,917
Balance at January 1, 2018		25,000,000	4,260,120	2,228,534	284,920,159	316,408,813
Profit for the year		-	-	-	32,527,259	32,527,259
Other comprehensive income for the year		-	3,348,943	(2,664,647)	-	684,296
Total comprehensive income for the year		-	3,348,943	(2,664,647)	32,527,259	33,211,555
Dividends - 2018	27	-	-	-	(4,000,000)	(4,000,000)
Balance at December 31, 2018		Rs. 25,000,000	7,609,063	(436,113)	313,447,418	345,620,368

The notes on pages 12 to 60 form an integral part of these financial statements.
Auditor's report on pages 5 to 5(d).

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2019

THE COMPANY	Note	Share capital	Revaluation surplus	Available-for-sale fair value reserve	Retained earnings	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Balance at January 1, 2019		25,000,000	7,609,063	(436,113)	282,915,135	315,088,085
Profit for the year		-	-	-	23,483,623	23,483,623
Other comprehensive income for the year		-	-	324,680	-	324,680
Total comprehensive income for the year		-	-	324,680	23,483,623	23,808,303
Dividends - 2019	27	-	-	-	(5,000,000)	(5,000,000)
Balance at December 31, 2019		Rs. 25,000,000	7,609,063	(111,433)	301,398,758	333,896,388
Balance at January 1, 2018		25,000,000	4,260,120	2,228,534	255,483,255	286,971,909
Profit for the year		-	-	-	31,431,880	31,431,880
Other comprehensive income for the year		-	3,348,943	(2,664,647)	-	684,296
Total comprehensive income for the year		-	3,348,943	(2,664,647)	31,431,880	32,116,176
Dividends - 2018	27	-	-	-	(4,000,000)	(4,000,000)
Balance at December 31, 2018		Rs. 25,000,000	7,609,063	(436,113)	282,915,135	315,088,085

The notes on pages 12 to 60 form an integral part of these financial statements.
Auditor's report on pages 5 to 5(d).

STATEMENTS OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2019

	Notes	THE GROUP		THE COMPANY	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
Cash flows from operating activities					
Cash generated from operations	28(a)	5,876,493	23,278,037	4,684,872	22,154,847
Tax paid	22(a)	(6,759,615)	(2,605,370)	(6,759,615)	(2,605,370)
Net cash (absorbed in)/generated from operating activities		(883,122)	20,672,667	(2,074,743)	19,549,477
Cash flows from investing activities					
Purchase of property, plant and equipment		(21,294,853)	(3,145,768)	(21,294,853)	(3,145,768)
Proceeds from sale of property, plant and equipment		-	1,676,000	-	1,676,000
Purchase of investment property		(195,000)	-	-	-
Purchase of intangible assets		(92,750)	(503,930)	(92,750)	(503,930)
Purchase of investment in financial assets	11	(139,134,177)	(51,244,121)	(139,134,177)	(51,244,121)
Proceeds from disposal of financial assets		62,825,996	9,214,923	62,825,996	9,214,923
Dividends received		1,179,373	1,090,752	1,179,373	1,090,752
Proceeds from maturity of deposits		137,300,000	85,500,000	136,500,000	85,500,000
Additions to deposits		(51,500,000)	(84,000,000)	(49,500,000)	(83,000,000)
Interest received		19,586,137	19,451,183	19,412,530	19,301,412
Repayment of loans to related parties	14	1,551,583	1,328,594	1,551,583	1,328,594
Net cash generated from/(used in) investing activities		10,226,309	(20,632,367)	11,447,702	(19,782,138)
Cash flows from financing activities					
Principal paid on lease liabilities		(1,790,938)	-	(1,790,938)	-
Interest paid on lease liabilities		(250,062)	-	(250,062)	-
Dividends paid	27	(5,000,000)	(4,000,000)	(5,000,000)	(4,000,000)
Net cash used in financing activities		(7,041,000)	(4,000,000)	(7,041,000)	(4,000,000)
Increase/(decrease) in cash and cash equivalents	Rs.	2,302,187	(3,959,700)	2,331,959	(4,232,661)
Movement in cash and cash equivalents					
At January 1,		20,870,876	24,830,576	19,306,929	23,539,590
Increase/(decrease)		2,302,187	(3,959,700)	2,331,959	(4,232,661)
At December 31,	28(b)	23,173,063	20,870,876	21,638,888	19,306,929

The notes on pages 12 to 60 form an integral part of these financial statements.

Auditor's report on pages 5 to 5(d).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

1. GENERAL INFORMATION

G.F.A. Insurance Ltd is a private limited company incorporated in Mauritius and is engaged in General (Non-life) Insurance Business. Its registered address is 16, Frère Felix de Valois St, Champs de Mars, Port Louis. Its principal place of business is at its head office at Port Louis. The Company also has branches at Rivière du Rempart, Triolet, Terre Rouge, Goodlands, Quatre-Bornes, Rose-Hill, Flacq, Rivière des Anguilles, Rose Belle, Mahebourg, Grand Bay and Phoenix.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(i) Basis of preparation

The financial statements of G.F.A. Insurance Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements include the consolidated financial statements of the parent company and its subsidiary (the Group) and the separate financial statements of the parent company (the Company). These financial statements are presented in Mauritian rupees.

Where necessary, comparative figures have been amended to conform with change in presentation and disclosure in the current year. The financial statements are prepared under the historical cost convention, except that:

- (a) freehold land and buildings are carried at revalued amounts;
- (b) investment property is stated at fair value.
- (c) available-for-sale financial assets and relevant financial assets and liabilities are stated at their fair values; and
- (d) held-to-maturity investments, loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost.

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

IFRS 16 Leases results in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The Group has adopted IFRS 16 from January 1, 2019, but has not restated comparatives for 2018, as permitted under the specific transition provisions. The reclassifications and adjustments arising from the new leasing rules are recognised in the opening balance sheet on January 1, 2019. The new accounting policies are disclosed in note 2(xv).

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.5%.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(i) Basis of preparation (cont'd)*****Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)***

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

IFRIC 23 Uncertainty over Income Tax Treatments explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. There are no new disclosure requirements but requirement to provide information about judgements and estimates made in preparing the financial statements. The interpretation has no impact on the Group's financial statements.

Prepayment Features with negative compensation (Amendments to IFRS 9) enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. The amendments have no impact on the Group's financial statements.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28. The amendments have no impact on the Group's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

- IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 - clarified that party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 - clarified that income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits
- IAS 23 - clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments have no impact on the Group's financial statements.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) clarify that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
- separately recognise any changes in the asset ceiling through other comprehensive income.

The amendments have no impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(i) Basis of preparation (cont'd)*****Standards, Amendments to published Standards and Interpretations issued but not yet effective***

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2020 or later periods, but which the Company has not early adopted.

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

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

IFRS 17 Insurance Contracts

Definition of a Business (Amendments to IFRS 3)

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

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(ii) Insurance contracts

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 expire. 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. Contracts not considered to be insurance contracts under IFRS are classified as investment contracts. The Group does not issue any investment contracts.

The Group issues short-term insurance contracts as follows:

Short-term insurance contracts are issued in the following classes of business : Motor, Fire and Allied Perils, Marine, Personal Accident, Public Liability, Professional Indemnity and Directors' and Officers' liability and Miscellaneous. These contracts insure the policyholder for damage suffered to property or goods, for value of property and equipment lost or damaged, losses or expenses incurred, sickness and loss of earnings resulting from occurrence of the insured event.

(iii) Reinsurance contracts

The Group assumes and cedes reinsurance in the normal course of business. Premiums and claims on reinsurance assumed (inward facultative reinsurance) are recognised in profit or loss on the same basis as direct business. Reinsurance ceded may be in respect of a single policy, i.e., a facultative arrangement or for multiple policies as in treaties.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(iii) Reinsurance contracts (cont'd)**

Treaties provide either proportional (as in quota share or surplus) or non-proportional coverage (as in excess-of-loss). Proportional treaties provide for sharing of the insurance premiums and the associated losses in designated proportions between the Group and the Reinsurer. Each group of policies so affected is defined by the reinsurance contract.

For non-proportional treaties, premiums are not ceded but instead an excess-of-loss premium is payable to the Reinsurer for protection of losses in excess of the Group's loss retention limit which is the amount of total insured loss that the Group agrees to absorb or bear prior to application of the reinsurance.

Any gains and losses on buying reinsurance are recognised immediately in profit or loss and are not subject to amortisation. Premiums ceded and claims reimbursed are presented on a gross basis in the statements of profit or loss and the statements of financial position as appropriate.

Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. 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 amounts due to Reinsurers for premiums ceded and for excess-of-loss premiums payable.

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

(iv) Short-term insurance (General Business)

- ***Revenue Recognition - Earned Premiums***

General insurance premiums written reflect business incepted during the year. Premiums written are recognised as revenue over the period of the contract, calculated on the basis of the 365th method.

- ***Provision for Unearned Premiums (General Business)***

The provision for unearned premiums represents the portion of premiums written relating to periods of insurance risks subsequent to the end of reporting date computed on same time basis as for earned premiums. The movement on the provision is taken to profit or loss in order that revenue is recognised over the period of the risk.

- ***Claims incurred***

Claims incurred comprise claims and claims handling costs paid in the year and changes in the provision of outstanding claims including provision for claims incurred but not reported (IBNR) and related expenses together with any adjustments to claims of prior years. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct external expenses of the claims department.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(iv) Short-term insurance (General Business) (cont'd)**

- ***Outstanding claims provision (cont'd)***

Outstanding claims provision represents the estimated ultimate cost of settling all claims arising from events which have occurred up to the end of the reporting period, including provision for claims incurred but not reported (IBNR). It includes related expenses and a deduction for the expected value of salvage and subrogation. The Group does not discount its liabilities for unpaid claims.

Significant delays can be expected in the notification and settlement of certain claims, 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.

However, given the uncertainty in establishing claims provision, it is likely that the outcome will prove to be different from the original liability established. Differences between the estimated cost and subsequent settlement of claims are recognised in profit or loss in the year in which they are settled or in which the provisions for claims outstanding are re-estimated.

Salvage and subrogation reimbursements

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

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

(v) Other revenue recognition

Other revenues are recognised as follows:

- Brokerage and commission receivable - as it accrues in accordance with the substance of the relevant agreements.
- Interest income - on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate, and continues unwinding the discount as interest income.
- Dividend income - when the shareholder's right to receive payment is established.

(vi) Liability Adequacy Test

- ***Short-term insurance***

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(vii) Property, plant and equipment**

Land and buildings, are stated at their fair value, based on periodic, every three to five years, by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditures that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in equity; all other decreases are charged to profit or loss.

Properties in the course of construction for production, or administrative purposes or for purposes not yet determined are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended basis.

Depreciation is calculated on the straight-line method to write off the cost or the revalued amounts, of the assets to their residual values over their estimated useful lives as follows:

Freehold Building	2% - 10% p.a.
Improvement to Building	10% p.a.
Motor Vehicles	20% p.a.
Fixtures and Fittings	10% p.a.
Office Equipment	20% p.a.

Land is not depreciated.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss in other income. On disposal of revalued assets, the amounts included in revaluation surplus are transferred to retained earnings.

(viii) Investment property

Investment property, held to earn rentals/or for capital appreciation or both and not occupied by the Group are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, representing open-market value determined by external valuers. Changes in fair values are included in profit or loss as part of other income.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(ix) Intangible assets***Computer software*

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives (5 years).

(x) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(xi) Investment in subsidiaries*Separate financial statements of the investor*

In the separate financial statements of the investor, investment in subsidiary company is carried at cost. The carrying amount is reduced to recognise any impairment in the individual value of the investment.

Consolidated financial statements

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 returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss as a bargain purchase gain.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. The subsidiaries have consistently applied all the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(xi) Investment in subsidiaries (cont'd)***Disposal of subsidiary*

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(xii) Financial instruments**(i) Financial assets***Categories of financial assets*

The Group classifies its financial assets in the following categories : loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised costs using the effective interest method, less any impairment. They are included in current assets when maturity is within twelve months after the end of the reporting period or non-current assets for maturities greater than twelve months.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period.

Initial measurement

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(xii) Financial instruments (cont'd)****(i) Financial assets (cont'd)****(c) Available-for-sale financial assets (cont'd)*****Subsequent measurement***

Available-for-sale financial assets are subsequently carried at their fair values.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity, is removed from and recognised in profit or loss.

If the fair value of a previously impaired debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in profit or loss. Impairment losses for an investment in an equity instrument are not reversed.

(d) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(xii) Financial instruments (cont'd)****(i) Financial assets (cont'd)****(d) Trade receivables (cont'd)**

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in profit or loss.

The carrying amounts of trade receivables are assumed to approximate their fair values.

(e) Trade and other payables

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

(f) Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of 3 months or less. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

(h) Share capital

Ordinary shares are classified as equity.

(xiii) Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(xiii) Current and deferred income tax (cont'd)***Deferred tax (cont'd)*

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the end of the reporting date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which deductible temporary differences and losses can be utilised.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale.

(xiv) Retirement benefit obligations

The net present value of gratuity on retirement payable under the Workers' Right Act 2019 (2018- Employment Rights Act 2008) is calculated and provided for. The obligations arising under this item are not funded.

(xv) Leases

Finance leases were capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment was allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were charged to profit or loss.

Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, all leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Identifying Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset

for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The Group obtains substantially all the economic benefits from use of the asset; and
- (c) The Group has the right to direct use of the asset.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(xv) Leases (cont'd)****Identifying Leases (cont'd)**

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(xv) Leases (cont'd)****Identifying Leases (cont'd)**

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Accounting for leases - where Company is the lessor

Lease income from leases where the group is a lessor is recognised in income on a straight line basis over the lease term. Initial direct costs incurred in obtaining the lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting IFRS 16.

(xvi) Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

The Group's activities expose it to a variety of insurance and financial risks.

The following describes the Group's significant risks factors together with risks management policies applicable.

3.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the claim results. By the very nature of an insurance contract, this risk is fortuitous and therefore unpredictable.

The principal risks that the Group faces under its insurance contracts are that the contracts will be under-priced or under-reserved.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that 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 payable are greater than estimated. 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.

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 to diversify the type of insurance risks accepted to achieve a sufficiently large population of risks to reduce the variability of expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, accumulation of risk and type of industry covered.

(i) Short term insurance**(a) *Insurance liabilities*****General insurance risk arises from:**

- fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
- unexpected claims arising from a single source, inaccurate pricing of risks when underwritten;
- inadequate reinsurance protection or other risk transfer techniques;
- inadequate reserves; and
- inflation due to the long term period typically required to settle some claims.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and industry.

Underwriting measures are in place to enforce appropriate risk selection criteria and performance of individual insurance policies are reviewed by management. The Group has the right not to renew individual policies, impose deductibles and reject fraudulent claims. The Group has underwriting limits by the type of risks and by industry. Claims development and provisioning levels are closely monitored.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.1 Insurance risk (cont'd)

(i) Short term insurance (cont'd)(a) *Insurance liabilities*

Reinsurance arrangements in place include proportional, excess-of-loss and catastrophe coverage. The effect of such reinsurance arrangements is that the Group would not suffer total net insurance losses of more than a predetermined amount in any one year.

(b) *Concentration of insurance risk*

The concentration of insurance risk before and after reinsurance by class of business is summarised below:

THE GROUP AND THE COMPANY						
Outstanding claims						
Class of Business	2019			2018		
	No. of claims	Gross	Net	No. of claims	Gross	Net
		Rs.	Rs.		Rs.	Rs.
Motor	5,639	188,290,767	188,290,767	6,634	193,769,220	193,769,220
Liability	17	8,993,110	8,993,110	17	11,950,500	11,950,500
Guarantee	1	2,993,500	2,993,500	-	-	-
Property	10	5,298,725	5,298,725	10	868,725	868,725
Transportation	2	135,000	135,000	2	135,000	135,000
Accident and health	3	97,200	97,200	3	97,200	97,200
Engineering	3	112,000	112,000	2	62,000	62,000
Miscellaneous	2	75,000	75,000	3	3,068,500	3,068,500
	<u>5,677</u>	<u>205,995,302</u>	<u>205,995,302</u>	<u>6,671</u>	<u>209,951,145</u>	<u>209,951,145</u>
IBNR			<u>5,634,325</u>			<u>5,604,097</u>
			<u>211,629,627</u>			<u>215,555,242</u>

The Group has proper procedures in place to identify, quantify and manage risk exposure by classes of business. There are policies for underwriting, claims handling, reinsurance and reserving that operate within the Group's risk management framework to ensure that accumulated exposures are contained within the limits of the risk appetite of the Group.

(c) *Sources of uncertainty*

Claims are payable either on "claims-occurrence" basis which is the most common form or on a "claims-made" basis, which comprise mainly insurance contracts issued for 'professional indemnity and Directors' and Officers' liability'.

Under the 'claims-made' basis, the Group is liable for losses discovered within a specific underwriting year even if the adverse event happened prior to that year. For the 'claim-occurrence' basis, the Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, claims may be settled over a long period of time and a larger element of the claims provision relates to incurred but not reported (IBNR) claims. Claims can be either long tail or short tail. Short tail claims are settled within a short time and the Group's estimation processes reflect with a higher degree of certainty all factors that may influence amount and timing of future cash outflows. For long tail claims, the estimation process is more uncertain and depends largely on external factors such as judicial decision and legislation, levels of claims, inflation and economic conditions.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)**3.1 Insurance risk (cont'd)****(i) Short term insurance (cont'd)****(c) Sources of uncertainty (cont'd)**

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, forecast inflation and settlement of claims. Estimation techniques also involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the best overall estimates. However, given the uncertainty in claims provisions, it is very probable that estimated costs and subsequent settlement amounts would differ.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.1 Insurance risk (cont'd)

(i) Short term insurance (cont'd)(d) *Claims development table*

The table below shows the development of claims, for the Group and the Company, over the previous ten years to December 31, 2018 on a gross and net of reinsurance basis.

GROSS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of ultimate motor claim costs:	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
- At end of claim year	48,706,723	58,685,162	59,126,503	73,874,681	87,634,329	83,643,779	93,295,283	111,666,153	118,860,482	112,090,572	122,287,615	969,871,282
- one year later	70,314,008	67,080,351	80,489,318	82,284,407	96,718,838	82,937,918	116,311,015	134,311,524	148,862,153	133,847,445	-	1,013,156,977
- two years later	65,058,914	69,939,518	78,030,261	83,047,354	75,431,112	91,174,791	127,488,099	136,995,546	154,943,246	-	-	882,108,841
- three years later	66,793,989	69,856,144	75,942,652	69,504,177	72,477,963	91,251,385	126,705,462	142,909,378	-	-	-	715,441,150
- four years later	62,106,629	64,713,951	59,649,159	63,847,418	82,305,222	94,871,398	123,961,367	-	-	-	-	551,455,144
- five years later	61,831,739	60,746,885	61,357,345	70,093,972	76,394,747	99,588,674	-	-	-	-	-	430,013,362
- six years later	45,928,619	57,090,221	61,020,193	68,940,361	78,579,830	-	-	-	-	-	-	311,559,224
- seven years later	48,509,321	57,763,470	60,334,698	69,072,257	-	-	-	-	-	-	-	235,679,746
- eight years later	46,073,029	56,977,192	59,320,844	-	-	-	-	-	-	-	-	162,371,065
- nine years later	48,806,890	51,949,643	-	-	-	-	-	-	-	-	-	100,756,533
- ten years later	42,638,095	-	-	-	-	-	-	-	-	-	-	42,638,095
Current estimate of cumulative claims	42,638,095	51,949,643	59,320,844	69,072,257	78,579,830	99,588,674	123,961,367	142,909,378	154,943,246	133,847,445	122,287,615	1,079,098,394
Less: Cumulative payments to date	41,326,970	49,295,971	48,631,750	58,457,308	66,059,890	87,224,675	106,352,981	119,476,307	128,807,412	111,466,611	74,349,877	891,449,752
Liability recognised in the statements of financial position	1,311,125	2,653,672	10,689,094	10,614,949	12,519,940	12,363,999	17,608,386	23,433,071	26,135,834	22,380,834	47,937,738	187,648,642
Liability in respect of prior years												642,125
Liability in respect of non-motor claims												17,704,535
Incurred but not reported (IBNR)												5,634,325
											Rs.	211,629,627

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)**3.1 Insurance risk (cont'd)****(ii) Reinsurance strategy**

Reinsurance purchases are reviewed annually to verify that the levels of protection being bought reflect any developments in exposure and risk appetite of the Group. The basis of these purchases is underpinned by extensive financial modelling and actuarial analysis to optimise the cost and risk management benefits. Probabilistic models are used to develop and test scenarios using the Group's data to determine potential losses and appropriate levels of reinsurance protection. Reinsurance is placed with top-rated Reinsurers who meet the Group's counterparty security requirements.

3.2 Financial risk factors

The Group's activities are exposed to financial risks through its financial assets, financial liabilities, insurance and reinsurance asset and liabilities. In particular, the key financial risk is that investment proceeds are not sufficient to fund the obligations arising from insurance contracts.

The main financial risks to which the Group is exposed are:

- Credit risk
- Interest rate risk
- Market risk
- Liquidity risk

Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Group's credit risk is primarily attributable to its receivables, namely:

- reinsurer's share of insurance liabilities;
- amount due from reinsurers in respect of claims already paid;
- amount due from insurance contract holders; and
- amount due from insurance intermediaries.

The amount presented in the statements of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment.

The Group has no significant concentration of credit risk in respect of its insurance business with exposure spread over a large number of clients, agents and brokers.

The Group assesses the credit worthiness of brokers, agents and of contract holders based on details of recent payment history, past experience and by taking into account their financial position.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.2 Financial risk factors (cont'd)

Credit risk (cont'd)**Reinsurance credit exposure**

The Group is however exposed to concentrations of risks with respect of their reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The Group is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid.

Management also monitors the financial strength of its reinsurers and the Group has policies in place to ensure that risks are ceded to top-rated and credit worthy reinsurers only. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of the financial assets.

THE GROUP

	Neither past due nor impaired	Financial assets that are past due				Financial assets that have been impaired	Carrying amount at year end
		1mth-3mth	3mth-6mth	6mth-1yr	>1 yr		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<u>December 31, 2019</u>							
- Trade and other receivables	55,129,420	-	-	-	395,758	(395,758)	55,129,420
- Other financial assets	501,934,035	-	-	-	-	-	501,934,035
<u>December 31, 2018</u>							
- Trade and other receivables	50,265,624	-	-	-	395,758	(395,758)	50,265,624
- Other financial assets	510,180,887	-	-	-	-	-	510,180,887

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.2 Financial risk factors (cont'd)

Credit risk (cont'd)

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of the financial assets.

THE COMPANY

	Neither past due nor impaired	Financial assets that are past due				Financial assets that have been impaired	Carrying amount at year end
		1mth-3mth	3mth-6mth	6mth-1yr	>1 yr		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<u>December 31, 2019</u>							
- Trade and other receivables	54,930,070	-	-	-	395,758	(395,758)	54,930,070
- Other financial assets	495,899,860	-	-	-	-	-	495,899,860
<u>December 31, 2018</u>							
- Trade and other receivables	50,056,194	-	-	-	395,758	(395,758)	50,056,194
- Other financial assets	505,316,940	-	-	-	-	-	505,316,940

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.2 Financial risk factors (cont'd)

Interest rate risk

Interest rate risk arises from the Group's loans and receivables, investments in fixed income securities (Held-to-Maturity Investments), bank balances and deposits which are exposed to fluctuations in interest rates. Exposure to interest rate risk on short term business is monitored by management through a close matching of assets and liabilities. The impact of exposure to sustained low interest rates is also regularly monitored. This risk is closely monitored by management through a well diversified portfolio of fixed income securities and equity investments.

Short term insurance liabilities are not directly sensitive to the level of market interest rates as they are undiscounted and contractually non-interest bearing. However, due to the time value of money and the impact of interest-rates on the level of bodily injury related claims incurred by certain insurance contract holders, a reduction for interest rates would normally produce a higher insurance liability. The Group reviews its estimation in respect of these claims on a regular basis and ensures that adequate cash flow is available at all times.

Sensitivity

The impact on the Group's and Company's results had interest rates varied by plus or minus 1% would have been as follows:

	Impact on results	
	THE GROUP	THE COMPANY
<u>At December 31, 2019</u>	±1%	±1%
- Bank balances and deposits	Rs. 4,596,491	Rs. 4,556,387
<u>At December 31, 2018</u>	Rs.	Rs.
- Bank balances and deposits	4,222,613	4,186,988

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The carrying amount of investments whose shares are traded on the market may be subject to variations. This risk is mitigated as the Group holds a diversified portfolio of investments in Mauritius.

Equity price risk

The Group is subject to price risk due to daily changes in the market values of its equity securities portfolio. Equity price risk is actively managed in order to mitigate anticipated unfavourable market movements. In addition, local insurance regulations set out the capital required for risks associated with type of assets held, investments above a certain concentration limit, policy liabilities risks, catastrophes risks and reinsurance ceded.

The Group does not have material holdings in unquoted equity securities. Management actively monitors equity assets owned directly by the Group as well as concentrations of specific equity holdings. Equity price risk is also mitigated as the Group holds diversified portfolios of local and foreign investments in various sectors of the economy.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.2 Financial risk factors (cont'd)

Equity price risk (cont'd)Sensitivity

The impact on the Group's and Company's shareholders' equity had the equity market values increased/decreased by 10% with other assumptions left unchanged would have been as follows:

	Impact on Shareholders' equity
At December 31, 2019	±10%
- Available-for-sale financial assets	Rs. 4,489,067
At December 31, 2018	
- Available-for-sale financial assets	4,432,854

Liquidity risk

The Group has strong liquidity positions and liquidity risk is considered to be low since the Group maintains an adequate level of cash resources or assets that are readily available on demand. Through the application of the liquidity management policy, the Group seeks to maintain sufficient financial resources to meet its obligations as they fall due.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

THE GROUP

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	Rs.	Rs.	Rs.	Rs.
At December 31, 2019				
Trade and other payables	16,533,766	-	-	16,533,766
Lease liabilities	Rs. 1,373,556	934,940	668,360	2,976,856

At December 31, 2018

Trade and other payables	Rs. 17,123,211	-	-	17,123,211
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THE COMPANY

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	Rs.	Rs.	Rs.	Rs.
At December 31, 2019				
Trade and other payables	16,117,998	-	-	16,117,998
Lease liabilities	Rs. 1,373,556	934,940	668,360	2,976,856

At December 31, 2018

Trade and other payables	Rs. 16,832,487	-	-	16,832,487
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NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)**3.3 Capital risk management**

The main objectives of the Group when managing capital are:

- to comply with the Minimum Capital Requirements of the Insurance Act 2005 and the Insurance Rules and Regulations 2007.

This is a risk based capital method of measuring the minimum amount appropriate for the Group to support its overall business operations on consideration of its size and risk profile. The calculation is based on applying capital factors to amongst others, the Group's assets, outstanding claims, unearned premium liability and assets above a certain concentration limit.

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for its policyholders.
- to provide an adequate return to shareholders by pricing insurance contracts and other services commensurately with the level of risk.

The Insurance Act 2005 specifies the amount of capital that must be held in proportion to the Company's liabilities, i.e. in respect of outstanding claim liability risk, unearned premium liability risk, investment risk, catastrophe risk and reinsurance ceded.

For the year ended December 31, 2019, the Company has satisfied the minimum capital requirement.

3.4 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Insurance Contracts

The estimation of the ultimate liabilities arising under insurance contracts is the Group's most critical accounting estimate. Liabilities include outstanding claims provision (including IBNR), liabilities for unearned premiums and long-term benefits payable. In addition to the inherent uncertainty when estimating liabilities, there is also uncertainty as regard the eventual outcome of claims. As a result, the Group applies estimation techniques to determine appropriate provisions.

(i) Short-term insurance**(a) *Estimates of insurance liabilities***

Outstanding claims provisions are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on interpretation of circumstances. The approach also includes consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions.

Where possible, the Group adopts multiple techniques to estimate the required level of provision which also assists in giving greater understanding of the trends, inherent in the data being projected. The Group's estimates of losses and loss expenses are reached after a number of different bases to determine these provisions. Methods include:

- Development of previously settled claims where payments to date are extrapolated.
- Notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years.
- Expected loss ratios.

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjusters' estimates, or based on management's experience.

Provisions are calculated gross of reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from Reinsurers based upon the gross provisions and having due regard to collectability.

Estimation techniques for the determination of insurance liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**4.1 Insurance Contracts (cont'd)****(i) Short-term insurance (cont'd)****(a) *Estimates of insurance liabilities (cont'd)***

The degree of uncertainty under insurance contracts varies by policy class according to the characteristics of the insured risk. There may be significant reporting lags between the occurrence of the insured event and the reporting date to the Group, there may also be uncertainty as to the magnitude and timing of the settlement of the claim. Factors that contribute to uncertainty include inflation, inconsistent judicial interpretations and court judgements. The establishment of insurance liabilities is an inherently uncertain process and as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from initial estimates, especially for long tail business. The Group seeks to provide appropriate levels of claims provision taking known facts and experience into account. The Group did not change its assumptions used to measure insurance liabilities and assets.

The Group believes that the liability for claims carried at year end is adequate.

(b) *Sensitivity analysis*

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.

4.2 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 their Reinsurers. Allowance will be made in the financial statements for non-recoverability in case of Reinsurer's default.

4.3 Held-to-maturity investments

The Group follows the guidance of International Accounting Standard (IAS) 39, "*Financial Instruments: Recognition and Measurement*" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

4.4 Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**4.5 Limitation of sensitivity analysis**

The sensitivity analysis demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should be noted that these sensitivities are non-linear and larger or smaller impacts should be interpolated or extrapolated from these results.

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

4.6 Revaluation of property, plant and equipment and investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialist to determine fair value on December 31, 2018.

The determined fair value of the investment property is most sensitive to the estimated yield as well as long term vacancy rate. The key assumptions used to determine the fair value of the investment property are further explained in Note 7.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Freehold Land	Improvement to Land	Freehold Building	Improvement to Leasehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Assets in progress	Total
(i) <u>2019</u>	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION									
At January 1, 2019	13,500,000	-	29,000,000	3,526,320	12,627,600	4,972,469	11,744,897	342,528	75,713,814
Additions	19,517,500	476,500	610,921	15,986	1,000	274,610	398,336	-	21,294,853
At December 31, 2019									
- Cost	19,517,500	476,500	610,921	3,542,306	12,628,600	5,247,079	12,143,233	342,528	54,508,667
- Valuation	13,500,000	-	29,000,000	-	-	-	-	-	42,500,000
	33,017,500	476,500	29,610,921	3,542,306	12,628,600	5,247,079	12,143,233	342,528	97,008,667
DEPRECIATION									
At January 1, 2019	-	-	-	1,207,015	4,821,223	3,316,062	8,479,525	-	17,823,825
Charge for the year	-	17,208	1,777,831	354,267	2,525,638	288,713	1,101,600	-	6,065,257
At December 31, 2019	-	17,208	1,777,831	1,561,282	7,346,861	3,604,775	9,581,125	-	23,889,082
NET BOOK VALUE									
At December 31, 2019	Rs. 33,017,500	459,292	27,833,090	1,981,024	5,281,739	1,642,304	2,562,108	342,528	73,119,585

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) THE GROUP

	Freehold Land	Freehold Building	Improvement to Leasehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Assets in progress	Total
(ii) <u>2018</u>	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION								
At January 1, 2018	10,000,000	35,057,316	3,808,527	17,828,301	4,604,651	9,927,634	-	81,226,429
Additions	-	538,198	79,961	-	367,818	1,817,263	342,528	3,145,768
Disposals	-	-	-	(5,200,701)	-	-	-	(5,200,701)
Transfer	-	124,153	(124,153)	-	-	-	-	-
Transfer to investment property (note 7)	-	-	(238,015)	-	-	-	-	(238,015)
Revaluation adjustments	3,500,000	(6,719,667)	-	-	-	-	-	(3,219,667)
At December 31, 2018								
- Cost	-	-	3,526,320	12,627,600	4,972,469	11,744,897	342,528	33,213,814
- Valuation	13,500,000	29,000,000	-	-	-	-	-	42,500,000
	13,500,000	29,000,000	3,526,320	12,627,600	4,972,469	11,744,897	342,528	75,713,814
DEPRECIATION								
At January 1, 2018	-	4,519,841	953,666	7,123,719	3,056,071	7,526,187	-	23,179,484
Charge for the year	-	2,085,703	396,868	2,592,295	271,324	953,338	-	6,299,528
Disposal adjustments	-	-	-	(4,894,791)	-	-	-	(4,894,791)
Transfer	-	14,568	(3,235)	-	(11,333)	-	-	-
Transfer to investment property (note 7)	-	-	(140,284)	-	-	-	-	(140,284)
Revaluation adjustments	-	(6,620,112)	-	-	-	-	-	(6,620,112)
At December 31, 2018	-	-	1,207,015	4,821,223	3,316,062	8,479,525	-	17,823,825
NET BOOK VALUE								
At December 31, 2018	Rs. 13,500,000	29,000,000	2,319,305	7,806,377	1,656,407	3,265,372	342,528	57,889,989

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) THE COMPANY

	Freehold Land	Improvement to Land	Freehold Building	Improvement to Leasehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Assets in progress	Total
(i) <u>2019</u>	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION									
At January 1, 2019	13,500,000	-	29,000,000	3,526,320	12,627,600	4,878,342	11,445,059	342,528	75,319,849
Additions	19,517,500	476,500	610,921	15,986	1,000	274,610	398,336	-	21,294,853
At December 31, 2019									
- Cost	19,517,500	476,500	610,921	3,542,306	12,628,600	5,152,952	11,843,395	342,528	54,114,702
- Valuation	13,500,000	-	29,000,000	-	-	-	-	-	42,500,000
	33,017,500	476,500	29,610,921	3,542,306	12,628,600	5,152,952	11,843,395	342,528	96,614,702
DEPRECIATION									
At January 1, 2019	-	-	-	1,207,015	4,821,223	3,229,557	8,179,687	-	17,437,482
Charge for the year	-	17,208	1,777,831	354,267	2,525,638	282,765	1,101,600	-	6,059,309
At December 31, 2019	-	17,208	1,777,831	1,561,282	7,346,861	3,512,322	9,281,287	-	23,496,791
NET BOOK VALUE									
At December 31, 2019	Rs. 33,017,500	459,292	27,833,090	1,981,024	5,281,739	1,640,630	2,562,108	342,528	73,117,911

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) THE COMPANY

	Freehold Land	Freehold Building	Improvement to Leasehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Assets in progress	Total
(ii) <u>2018</u>	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION								
At January 1, 2018	10,000,000	35,057,316	3,570,512	17,828,301	4,510,524	9,627,796	-	80,594,449
Additions	-	538,198	79,961	-	367,818	1,817,263	342,528	3,145,768
Disposals	-	-	-	(5,200,701)	-	-	-	(5,200,701)
Transfer	-	124,153	(124,153)	-	-	-	-	-
Revaluation adjustments	3,500,000	(6,719,667)	-	-	-	-	-	(3,219,667)
At December 31, 2018								
- Cost	-	-	3,526,320	12,627,600	4,878,342	11,445,059	342,528	32,819,849
- Valuation	13,500,000	29,000,000	-	-	-	-	-	42,500,000
	13,500,000	29,000,000	3,526,320	12,627,600	4,878,342	11,445,059	342,528	75,319,849
DEPRECIATION								
At January 1, 2018	-	4,519,841	861,020	7,123,719	2,966,956	7,226,349	-	22,697,885
Charge for the year	-	2,085,703	360,563	2,592,295	262,601	953,338	-	6,254,500
Disposal adjustments	-	-	-	(4,894,791)	-	-	-	(4,894,791)
Transfer	-	14,568	(14,568)	-	-	-	-	-
Revaluation adjustments	-	(6,620,112)	-	-	-	-	-	(6,620,112)
At December 31, 2018	-	-	1,207,015	4,821,223	3,229,557	8,179,687	-	17,437,482
NET BOOK VALUE								
At December 31, 2018	Rs. 13,500,000	29,000,000	2,319,305	7,806,377	1,648,785	3,265,372	342,528	57,882,367

- (c) Depreciation charge of Rs. 6,065,257 (2018: Rs.6,299,528) for the Group and Rs. 6,059,309 (2018: Rs.6,254,500) for the Company has been charged to statements of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (d) The Group's freehold land and building were revalued on December 31, 2018 by Messrs NP Jeetun Chartered Valuation Surveyor, an independent professionally qualified valuer. The revaluation surplus, net of applicable deferred income taxes, was credited to revaluation surplus in shareholders' equity (note 17).

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

	Level 2	
	2019	2018
	Rs.	Rs.
Freehold land	33,017,500	13,500,000
Buildings	27,833,090	29,000,000
Total	Rs. 60,850,590	42,500,000

The properties were valued using the comparative method and the investment method. The fair value of the freehold land and building was derived using the sales comparison approach. Sales prices of comparable land and building in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

Significant unobservable valuation input:**Range (Rs.)**

Price per square metre:

Freehold land	24,500 - 50,000
Building	20,000 - 83,000

Significant increases/(decreases) in estimated price per square metre in isolation would result in a significantly higher/(lower) fair value.

The revalued amount of freehold land and buildings using significant unobservable inputs are as follows:

	THE GROUP AND THE COMPANY	
	Freehold Land and Buildings	
	2019	2018
	Rs.	Rs.
At January 1,	42,500,000	40,537,475
Addition	20,128,421	538,198
Transfer	-	109,585
Depreciation charge for the year	(1,777,831)	(2,085,703)
Revaluation surplus	-	3,400,445
At December 31,	Rs. 60,850,590	42,500,000

- (e) If the land and building were stated on a historical cost basis, the amounts would be as follows:

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs.	Rs.
Cost	61,684,935	41,556,514
Accumulated depreciation	(11,876,239)	(9,768,317)
Net book value	Rs. 49,808,696	31,788,197

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

6. RIGHT-OF-USE ASSETS

THE GROUP AND THE COMPANY

	Buildings
	Rs.
(a) At January 1, 2019	
- as previously stated	-
- effect of adopting IFRS 16 (note 31)	4,441,519
- as restated	4,441,519
Additions	326,275
Amortisation	(1,880,165)
At December 31, 2019	Rs. 2,887,629

(b) Lease liabilities

THE GROUP AND THE COMPANY

	Buildings
	Rs.
At January 1, 2019	
- as previously stated	-
- effect of adopting IFRS 16 (note 31)	4,441,519
- as restated	4,441,519
Additions	326,275
Interest expense	250,062
Lease payments	(2,041,000)
At December 31, 2019	Rs. 2,976,856
Non-current	1,603,300
Current	1,373,556
	Rs. 2,976,856

(i) Nature of leasing activities (in the capacity as lessee)

The Company operates a number of branches across the country for which it leases buildings as office space. The periodic rent is fixed over the lease term.

(ii) Variable lease payments

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

December 31, 2019	Lease Contracts Number	Fixed payments %	Variable payments %	Sensitivity Rs.
Property leases with fixed payments	10	100	-	-

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

6. RIGHT-OF-USE ASSETS (CONT'D)

(iii) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. There are no residual value guarantee in relation to leased properties.

(iv) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in building leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

As at December 31, 2019, potential future cash outflows of Rs.7,368,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there was no financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets.

7. INVESTMENT PROPERTY

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
<i>Fair value model</i>				
At January 1,	81,200,000	74,250,000	24,200,000	18,250,000
Additions	195,000	-	-	-
Transfer from property, plant and equipment (note 5)	-	97,731	-	-
Change in fair value	-	6,852,269	-	5,950,000
At December 31,	81,395,000	81,200,000	24,200,000	24,200,000

The investment properties were valued on December 31, 2018 at fair value by Messrs NP Jeetun Chartered Valuation Surveyors, an independent professionally qualified valuer. The properties were valued using the comparative method and the investment method. The comparative method is based on comparison of prices paid for similar properties within close vicinity and adjusted to reflect the characteristics of the subject property at the relevant date. The directors consider the carrying amount to be not materially different from the valuation carried out on December 31, 2018.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

7. INVESTMENT PROPERTY (CONT'D)

The most significant input into this valuation report approach is price per square metre.

Significant unobservable valuation input:**Rs.**

Price per square metre:

Land	26,000
Buildings	9,300 and 22,000

Significant increases/(decreases) in estimated price per square metre in isolation would result in a significantly higher/(lower) fair value.

Details of the Group's and the Company's investment properties and information about the fair value hierarchy as at December 31, 2019 and December 31, 2018 are as follows:

	Level 2	
	THE GROUP	THE COMPANY
	Rs.	Rs.
Land	23,800,000	23,800,000
Building	57,595,000	400,000
Total	Rs. 81,395,000	24,200,000

The following amounts have been recognised in profit or loss:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Rental income	1,701,822	1,443,779	340,300	285,300
Direct operating expenses arising from investment properties that generate rental income	Rs. 257,658	187,232	-	-

8. INTANGIBLE ASSETS

THE GROUP AND THE COMPANY	Computer software	Asset-in-progress	Total
	Rs.	Rs.	Rs.
(a) 2019			
COST			
At January 1,	1,909,999	205,000	2,114,999
Addition	-	92,750	92,750
Transfer	297,750	(297,750)	-
At December 31,	2,207,749	-	2,207,749
AMORTISATION			
At January 1,	1,120,755	-	1,120,755
Amortisation charge	251,355	-	251,355
At December 31,	1,372,110	-	1,372,110
NET BOOK VALUES			
At DECEMBER 31,	Rs. 835,639	-	835,639

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

8. INTANGIBLE ASSETS (CONT'D)

	Computer software	Asset-in- progress	Total
	Rs.	Rs.	Rs.
(b) <u>2018</u>			
COST			
At January 1,	1,611,069	-	1,611,069
Addition	298,930	205,000	503,930
At December 31,	1,909,999	205,000	2,114,999
AMORTISATION			
At January 1,	904,128	-	904,128
Amortisation charge	216,627	-	216,627
At December 31,	1,120,755	-	1,120,755
NET BOOK VALUES			
At DECEMBER 31,	Rs. 789,244	205,000	994,244

- (c) Amortisation expense of Rs.251,355 (2018: Rs.216,627) for the Group and the Company has been charged to statements of profit and loss.

9. INVESTMENT IN SUBSIDIARY COMPANY

	THE COMPANY	
	2019	2018
	Rs.	Rs.
(a) <u>Cost</u>		
At January 1, and December 31,	Rs. 25,000,000	25,000,000

- (b) The list of the Company's subsidiary is as follows:

Name	Country of incorporation and operation	Class of shares held	Year end	Stated capital Rs.	% holding Direct	Main business
2019						
GFA Investments Ltd	Mauritius	Ordinary	December 31, 2019	25,000,000	100%	Rental of building
2018						
GFA Investments Ltd	Mauritius	Ordinary	December 31, 2018	25,000,000	100%	Rental of building

10. STATUTORY DEPOSITS

Statutory deposits of Rs.8,000,000 (2018: Rs.8,000,000) are pledged in favour of the Financial Services Commission as required by the Insurance Act 1987. The amount maintained as statutory deposit is in line with the requirements of the draft Insurance (Deposit) Rules 2017, though not yet effective.

The deposits carries interest rates varying from 3.25% to 4.00% (2018: 3.25% to 4.65%) p.a and have maturity dates varying between December 2021 and October 2022 (2018: March 2019 and October 2022).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

11. INVESTMENT IN FINANCIAL ASSETS	2019			2018
	Available-for-sale	Held-to-maturity	Total	Available-for-sale
(a) THE GROUP AND THE COMPANY	Rs.	Rs.	Rs.	Rs.
At January 1,	44,328,542	40,797,863	85,126,405	45,091,660
Additions	2,277,970	136,856,207	139,134,177	51,244,121
Matured/disposals	(4,401,751)	(60,608,060)	(65,009,811)	(9,178,685)
Change in fair value (note 17)	2,685,909	(30,862)	2,655,047	(2,067,900)
Gain receivable adjustment	-	23,131	23,131	37,209
At December 31,	Rs. 44,890,670	117,038,279	161,928,949	85,126,405

(b) Available-for-sale financial assets	THE GROUP AND THE COMPANY	
	2019	2018
	Rs.	Rs.
Equity securities at fair value:		
- Listed	24,232,950	23,880,722
- DEM quoted	3,999,087	4,234,102
- Unquoted	588,221	572,159
Debt securities at fair value:		
- Listed	15,660,360	15,227,300
- DEM quoted	410,052	414,259
	Rs. 44,890,670	44,328,542

(c) THE GROUP AND THE COMPANY			
	Level 1	Level 3	Total
	Rs.	Rs.	Rs.
At December 31, 2019			
Available-for-sale financial assets	Rs. 44,302,449	588,221	44,890,670
At December 31, 2018			
Available-for-sale financial assets	Rs. 43,756,383	572,159	44,328,542

(d) Available-for-sale financial assets are denominated in Rupees.

(e) Available-for-sale financial assets comprise principally of listed, Development Enterprise Market (DEM) quoted and unquoted equity securities. The fair value of these financial assets is based on the Stock Exchange or DEM quoted prices at the close of business at the end of each reporting period. In assessing the fair value of unquoted available-for-sale financial assets, the Company uses the latest transaction price as a reference and makes assumptions that are based on market conditions existing at the end of each reporting period. The directors are of the opinion that the cost of unquoted securities approximate its fair value.

(f) The maximum exposure to credit risk at the reporting date is the fair value of securities classified as available-for-sale.

(g) None of the financial assets are either past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

12. FIXED DEPOSITS

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
<i>Held-to-maturity investments</i>				
Maturing:				
up to 3 months	23,000,000	26,500,000	23,000,000	26,500,000
3 to 6 months	25,000,000	40,000,000	25,000,000	40,000,000
6 to 12 months	25,000,000	7,800,000	25,000,000	7,000,000
1 to 5 years	231,500,000	316,000,000	227,000,000	313,500,000
Rs.	<u>304,500,000</u>	<u>390,300,000</u>	<u>300,000,000</u>	<u>387,000,000</u>
Analysed as follows:				
Non-current assets	231,500,000	316,000,000	227,000,000	313,500,000
Current assets	73,000,000	74,300,000	73,000,000	73,500,000
Rs.	<u>304,500,000</u>	<u>390,300,000</u>	<u>300,000,000</u>	<u>387,000,000</u>

- (a) The deposits earn interest at rates varying between 2.40% - 6.15% (2018: 2.40% - 6.15%) p.a.
(b) The fixed deposits are denominated in Rupees.
(c) None of the financial assets are either past due or impaired (2018: Nil).

13. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method at the rate of 17% (2018: 17%).

- (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.

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Deferred tax assets	3,160,583	2,440,369	-	-
Deferred tax liabilities	(11,025,600)	(10,520,944)	(1,406,115)	(1,822,583)
Rs.	<u>(7,865,017)</u>	<u>(8,080,575)</u>	<u>(1,406,115)</u>	<u>(1,822,583)</u>

At the end of the reporting period, the Group had unused tax losses of Rs.2,269,819 (2018: Rs.2,205,118) available-for-offset against future profits. A deferred tax asset has been recognised in respect of such losses. The tax losses expire on a rolling basis over 5 years.

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

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
At January 1, 2019				
- as previously stated	(8,080,575)	(6,404,697)	(1,822,583)	(1,206,164)
- effect of adopting IFRS 16 (note 31)	-	-	-	-
- as restated	(8,080,575)	(6,404,697)	(1,822,583)	(1,206,164)
Profit or loss credit/(charge) (note 22(b))	215,558	(1,624,376)	416,468	(564,917)
Other comprehensive income charge	-	(51,502)	-	(51,502)
At December 31,	<u>(7,865,017)</u>	<u>(8,080,575)</u>	<u>(1,406,115)</u>	<u>(1,822,583)</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

13. DEFERRED TAXATION (CONT'D)

- (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) <u>THE GROUP</u>	Accelerated tax depreciation	Revaluation of building	Investment property	Right-of- use assets	Total
<u>Deferred tax liabilities</u>	Rs.	Rs.	Rs.	Rs.	Rs.
At January 1, 2018	1,186,552	513,198	6,547,374	-	8,247,124
Profit or loss (credit)/charge	(50,625)	-	2,272,943	-	2,222,318
Other comprehensive income charge	-	51,502	-	-	51,502
At December 31, 2018	1,135,927	564,700	8,820,317	-	10,520,944
Effect of adopting IFRS 16 (note 31)	-	-	-	755,058	755,058
At January 1, 2019 (Restated)	1,135,927	564,700	8,820,317	755,058	11,276,002
Profit or loss charge/(credit)	13,759	-	-	(264,161)	(250,402)
At December 31, 2019 Rs.	1,149,686	564,700	8,820,317	490,897	11,025,600

	Retirement benefit obligations	Tax losses	Lease liabilities	Total
<u>Deferred tax assets</u>	Rs.	Rs.	Rs.	Rs.
At January 1, 2018	1,514,684	327,743	-	1,842,427
Profit or loss credit	550,815	47,127	-	597,942
At December 31, 2018	2,065,499	374,870	-	2,440,369
Effect of adopting IFRS 16 (note 31)	-	-	755,058	755,058
At January 1, 2019 (Restated)	2,065,499	374,870	755,058	3,195,427
Profit or loss credit/(charge)	203,150	10,999	(248,993)	(34,844)
At December 31, 2019 Rs.	2,268,649	385,869	506,065	3,160,583

	THE GROUP	
	2019	2018
<u>Net deferred tax liabilities</u>	Rs.	Rs.
Deferred tax liabilities	(11,025,600)	(10,520,944)
Deferred tax assets	3,160,583	2,440,369
	Rs. (7,865,017)	(8,080,575)

(ii) <u>THE COMPANY</u>	Accelerated tax depreciation	Revaluation of building	Investment property	Right-of- use assets	Total
<u>Deferred tax liabilities</u>	Rs.	Rs.	Rs.	Rs.	Rs.
At January 1, 2018	1,168,900	513,198	1,038,750	-	2,720,848
Profit or loss (credit)/charge	(34,268)	-	1,150,000	-	1,115,732
Other comprehensive income charge	-	51,502	-	-	51,502
At December 31, 2018	1,134,632	564,700	2,188,750	-	3,888,082
Effect of adopting IFRS 16 (note 31)	-	-	-	755,058	755,058
At January 1, 2019 (Restated)	1,134,632	564,700	2,188,750	755,058	4,643,140
Profit or loss credit	(198,150)	-	-	(264,161)	(462,311)
At December 31, 2019 Rs.	936,482	564,700	2,188,750	490,897	4,180,829

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

13. DEFERRED TAXATION (CONT'D)

(ii) THE COMPANY

	Retirement benefit obligations	Lease liabilities	Total
	Rs.	Rs.	Rs.
<u>Deferred tax assets</u>			
At January 1, 2018	1,514,684	-	1,514,684
Profit or loss credit	550,815	-	550,815
At December 31, 2018	2,065,499	-	2,065,499
Effect of adopting IFRS 16 (note 31)	-	755,058	755,058
At January 1, 2019 (Restated)	2,065,499	755,058	2,820,557
Profit or loss credit/(charged)	203,150	(248,993)	(45,843)
At December 31, 2019	Rs. 2,268,649	506,065	2,774,714

	THE COMPANY	
	2019	2018
	Rs.	Rs.
<u>Net deferred tax liabilities</u>		
Deferred tax liabilities	(4,180,829)	(3,888,082)
Deferred tax assets	2,774,714	2,065,499
	Rs. (1,406,115)	(1,822,583)

14. LOANS TO RELATED PARTIES

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs.	Rs.
Loans to directors:		
At January 1,	5,883,606	7,212,200
Repayments	(1,551,583)	(1,328,594)
At December 31,	Rs. 4,332,023	5,883,606
The above loans to related parties are classified as follows:		
Non-current assets	1,696,723	4,721,726
Current assets	2,635,300	1,161,880
	Rs. 4,332,023	5,883,606

The loans to directors bear interest at the rate of 4% (2018: 4%) p.a.

15. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Trade receivables:				
- premium and agents balances	10,333,778	8,651,996	10,333,778	8,651,996
Less: provision for impairment	(395,758)	(395,758)	(395,758)	(395,758)
	9,938,020	8,256,238	9,938,020	8,256,238
Receivable from insurers/reinsurers	41,984,688	39,180,189	41,984,688	39,180,189
Other receivables	3,206,712	2,829,197	3,007,362	2,619,767
Rs.	55,129,420	50,265,624	54,930,070	50,056,194

(a) The carrying amount of trade and other receivables approximately their fair value.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

15. TRADE AND OTHER RECEIVABLES (CONT'D)

- (b) As of December 31, 2019, trade receivables of Rs.395,758 (2018: Rs.395,758) were impaired for the Group and the Company. The amount of the provision as of December 31, 2019 was Rs.395,758 (2018: Rs.395,758) for the Group and the Company. The individually impaired receivables mainly relate to policyholders who are in unexpectedly difficult economic situations.

The ageing analysis of these trade receivables is as follows:

		THE GROUP AND THE COMPANY	
		2019	2018
		Rs.	Rs.
Over 3 months	Rs.	395,758	395,758

As of December 31, 2019, trade receivables of Rs.3,414,819 (2018: Rs.2,239,044) for the Group and the Company were past due but not impaired. These relate to a number of policyholders for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

		THE GROUP AND THE COMPANY	
		2019	2018
		Rs.	Rs.
Over 3 months	Rs.	3,414,819	2,239,044

- (c) The carrying amounts of the Groups' and the Company's trade and other receivables are denominated in Rupees.
- (d) Movements on the provision for impairment of trade receivables are as follows:

		THE GROUP AND THE COMPANY	
		2019	2018
		Rs.	Rs.
At January 1, and December 31,	Rs.	395,758	395,758

Except for an amount of Rs.1,896,092 included in receivable for reinsurers (2018: Rs.3,650,164), the other classes within trade and other receivables do not include impaired assets (2018: Nil).

- (e) 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 as security.

16. SHARE CAPITAL

		Authorised, Issued and fully paid	
		2019	2018
		Rs.	Rs.
1 Founder share of Rs.1,000 each		1,000	1,000
24,999 Ordinary shares of Rs.1,000 each		24,999,000	24,999,000
	Rs.	25,000,000	25,000,000

- (a) The total authorised number of Ordinary shares is 25,000 (2018 : 25,000) with a par value of Rs.1,000 per share (2018 : Rs.1,000 per share). All issued shares are fully paid.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

16. SHARE CAPITAL (CONT'D)

- (b) The Founder share confer to its holder the following unalterable rights except with the express consent in writing of its holder:
- the right to sit permanently on the Board of Directors of the Company or to appoint representative to sit on the Board.
 - the right to be permanently the Executive Managing Director of the Company.

The Founder's share ranks pari pasu with the ordinary shares of the Company.

- (c) Fully paid Ordinary shares carry one vote per share and carry a right to dividends.

17. OTHER RESERVES

THE GROUP AND THE COMPANY	Revaluation	Available-for-sale fair value	Total
	surplus	reserve	
	Rs.	Rs.	Rs.
(i) At January 1, 2019	7,609,063	(436,113)	7,172,950
Change in fair value of financial assets (note 11(a))	-	2,655,047	2,655,047
Reclassification adjustments on disposal of financial assets	-	(2,330,367)	(2,330,367)
At December 31, 2019	Rs. 7,609,063	(111,433)	7,497,630
(ii) At January 1, 2018	4,260,120	2,228,534	6,488,654
Gains on revaluation of land and buildings (note 5)	3,400,445	-	3,400,445
Income tax relating to components of other comprehensive income (note 13(b))	(51,502)	-	(51,502)
Change in fair value of financial assets (note 11(a))	-	(2,067,900)	(2,067,900)
Reclassification adjustments on disposal of financial assets	-	(596,747)	(596,747)
At December 31, 2018	Rs. 7,609,063	(436,113)	7,172,950

Revaluation surplus

The revaluation surplus arises on the revaluation of land and buildings.

Available-for-sale fair value reserve

Available-for-sale fair value reserve comprises of the cumulative net change in the fair value of available-for-sale financial assets that has been recognised in other comprehensive income until the investments are derecognised or impaired.

18. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	THE GROUP AND THE COMPANY	
	2019	2018
Gross	Rs.	Rs.
- Claims reported and loss adjustment expenses (note 19(a))	205,995,302	209,951,145
- Claims incurred but not reported (IBNR) (note 19(a))	5,634,325	5,604,097
- Unearned premiums (note 19(b))	99,363,163	99,094,033
Total gross insurance liabilities	Rs. 310,992,790	314,649,275

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

18. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONT'D)

	THE GROUP AND THE COMPANY	
	2019	2018
Net	Rs.	Rs.
- Claims reported and loss adjustment expenses (note 19(a))	205,995,302	209,951,145
- Claims incurred but not reported (IBNR) (note 19(a))	5,634,325	5,604,097
- Unearned premiums (note 19(b))	99,363,163	99,094,033
Total net insurance liabilities	Rs. 310,992,790	314,649,275

19. MOVEMENT IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

	THE GROUP AND THE COMPANY			
	2019		2018	
	Gross	Net	Gross	Net
	Rs.	Rs.	Rs.	Rs.
Short term insurance				
(a) Claims				
At January 1,				
Notified claims	215,555,242	215,555,242	223,931,767	223,931,767
Increase in liabilities	144,127,424	144,127,424	128,187,211	128,187,211
Cash paid for claims settled in the year	(153,687,364)	(153,687,364)	(142,167,833)	(142,167,833)
	205,995,302	205,995,302	209,951,145	209,951,145
Incurred but not reported (IBNR)	5,634,325	5,634,325	5,604,097	5,604,097
At December 31,	Rs. 211,629,627	211,629,627	215,555,242	215,555,242
Movement in claims outstanding and IBNR		(3,925,615)		(8,376,525)

(b) Provision for unearned premiums

	THE GROUP AND THE COMPANY			
	2019		2018	
	Gross	Net	Gross	Net
	Rs.	Rs.	Rs.	Rs.
At January 1,	99,094,033	99,094,033	100,068,612	100,068,612
Increase/(decrease) during the year	269,130	269,130	(974,579)	(974,579)
At December 31,	Rs. 99,363,163	99,363,163	99,094,033	99,094,033

20. RETIREMENT BENEFIT OBLIGATIONS

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs.	Rs.
Amount recognised in the statements of financial position as non-current liabilities:		
- Other post retirement benefits (note 20(a))	Rs. 13,345,000	12,150,000
Amount charged to profit or loss:		
- Other post retirement benefits (note 20(a))	Rs. 1,195,000	2,052,100

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

20. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Other post retirement benefits

Other post retirement benefits comprise mainly of gratuity on retirement payable under the Workers' Right Act 2019 (2018-Employment Rights Act 2008) and other benefits.

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs.	Rs.
At January 1,	12,150,000	10,097,900
Total expense charged in profit or loss	1,195,000	2,052,100
At December 31,	Rs. 13,345,000	12,150,000

It has been assumed that the rate of future salary increases will be equal to the discount rate.

21. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Trade payables:				
- amounts due to reinsurers	3,097,789	3,275,372	3,097,789	3,275,372
Accrued expenses	4,970,967	5,556,988	4,970,967	5,556,988
Other payables	8,465,010	8,290,851	8,049,242	8,000,127
Rs.	16,533,766	17,123,211	16,117,998	16,832,487

The carrying amount of trade and other payables approximate their fair value.

22. INCOME TAX

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
(a) <u>Statements of financial position</u>				
At January 1,	2,907,315	(361,229)	2,907,315	(361,229)
Income tax charge for the year	1,754,349	4,829,067	1,754,349	4,829,067
Payment during the year	(6,759,615)	(2,605,370)	(6,759,615)	(2,605,370)
Transfer from trade and other payables	-	400,971	-	400,971
Corporate social responsibility	233,913	643,876	233,913	643,876
At December 31,	Rs. (1,864,038)	2,907,315	(1,864,038)	2,907,315

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
<u>Analysed as follows:</u>				
Current tax liabilities	-	2,907,315	-	2,907,315
Current tax assets	(1,864,038)	-	(1,864,038)	-
Net current tax assets	Rs. (1,864,038)	2,907,315	(1,864,038)	2,907,315

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

22. INCOME TAX (CONT'D)

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
(b) <u>Statements of profit or loss</u>				
Income tax charge on the adjusted profit for the year at 15% (2018:15%)	1,754,349	4,829,067	1,754,349	4,829,067
Corporate social responsibility	233,913	643,876	233,913	643,876
	1,988,262	5,472,943	1,988,262	5,472,943
Deferred tax (note 13(b))	(215,558)	1,624,376	(416,468)	564,917
Net charge for the year	Rs. 1,772,704	7,097,319	1,571,794	6,037,860

- (c) The tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate is as follows:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Profit before taxation	26,279,573	39,624,578	25,055,417	37,469,740
Tax calculated at 15% (2018: 15%)	3,941,936	5,943,687	3,758,313	5,620,461
Expenses not deductible for tax purposes	1,453,233	1,327,439	1,452,341	1,320,385
Income not subject to tax	(3,650,526)	(2,445,084)	(3,456,305)	(2,111,779)
Tax losses	9,706	3,025	-	-
Corporate social responsibility	233,913	643,876	233,913	643,876
Deferred tax	(215,558)	1,624,376	(416,468)	564,917
Tax charge	Rs. 1,772,704	7,097,319	1,571,794	6,037,860

23. INVESTMENT AND INTEREST INCOME

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Interest income	19,609,268	19,488,392	19,435,661	19,338,621
Dividend income	1,179,373	1,090,752	1,179,373	1,090,752
Gain on disposal of financial assets	146,552	632,985	146,552	632,985
Gain on revaluation on investment property (note 6)	-	6,852,269	-	5,950,000
Rental income	1,701,822	1,443,779	340,300	285,300
	Rs. 22,637,015	29,508,177	21,101,886	27,297,658

24. OTHER INCOME

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Policy fees	4,875,700	5,043,340	4,875,700	5,043,340
Profit on disposal of property, plant and equipment	-	1,370,090	-	1,370,090
Others	374,931	254,906	365,731	245,306
	Rs. 5,250,631	6,668,336	5,241,431	6,658,736

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

25. PROFIT BEFORE TAXATION

Profit before taxation for the year is arrived at after charging:

(i) Administrative and other expenses	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Employee benefit expense (see note (iii) below)	36,264,266	34,533,787	36,228,197	34,488,287
Marketing expenses	1,014,165	1,204,129	1,012,539	1,198,911
Utilities	3,681,550	2,956,636	3,667,966	2,942,882
Printing and stationery	817,363	850,506	817,363	850,506
Repairs and maintenance	1,457,523	1,329,887	1,398,413	1,276,162
Rent and rates	241,174	2,123,733	139,937	2,259,887
Licence and FSC fees	4,573,432	4,726,698	4,554,175	4,707,652
IT expense	478,617	970,592	478,617	970,592
Professional expenses	1,323,063	2,074,134	1,240,063	2,056,134
Bank charges	680,114	386,057	679,773	384,893
Towing and other related services	2,157,325	1,984,612	2,157,325	1,984,612
Other expenses	2,489,319	2,351,486	2,489,318	2,351,486
Rs.	55,177,911	55,492,257	54,863,686	55,472,004

Other expenses consist of expenses incurred in the day to day operation of the Group and of the Company.

(ii) Depreciation and amortisation charge	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Property, plant and equipment (note 5)	6,065,257	6,299,528	6,059,309	6,254,500
Right-of-use assets (note 6)	1,880,165	-	1,880,165	-
Intangible assets (note 8)	251,355	216,627	251,355	216,627
Rs.	8,196,777	6,516,155	8,190,829	6,471,127

(iii) Employee benefit expense	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Wages and salaries, including termination benefits	33,699,210	31,188,017	33,663,141	31,142,517
Social security costs	1,370,056	1,293,670	1,370,056	1,293,670
Other post-retirement benefits (note 20(a))	1,195,000	2,052,100	1,195,000	2,052,100
Rs.	36,264,266	34,533,787	36,228,197	34,488,287

26. FINANCE COSTS

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs.	Rs.
Interest expense:		
Leases	Rs. 250,062	-

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

27. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs.	Rs.
Amount recognised as distributions to equity holders in the year:		
Dividend for the year ended December 31, 2019 of Rs.200		
(2018: Rs.160) per share	Rs. 5,000,000	4,000,000

28. NOTES TO THE STATEMENTS OF CASH FLOWS

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
(a) Cash generated from operations				
Profit before taxation	26,279,573	39,624,578	25,055,417	37,469,740
Adjustments for :				
Depreciation on property, plant and equipment (note 5)	6,065,257	6,299,528	6,059,309	6,254,500
Amortisation on intangible assets (note 8)	251,355	216,627	251,355	216,627
Amortisation on right-of-use assets (note 6)	1,880,165	-	1,880,165	-
Gain on revaluation of investment property	-	(6,852,269)	-	(5,950,000)
Increase in retirement benefit obligations	1,195,000	2,052,100	1,195,000	2,052,100
Interest expense	250,062	-	250,062	-
Profit on sale of property, plant and equipment	-	(1,370,090)	-	(1,370,090)
Gain on disposal of financial assets	(146,552)	(632,985)	(146,552)	(632,985)
Interest income	(19,609,268)	(19,488,392)	(19,435,661)	(19,338,621)
Dividend income	(1,179,373)	(1,090,752)	(1,179,373)	(1,090,752)
Change in gross outstanding claims and IBNR	(3,925,615)	(8,376,525)	(3,925,615)	(8,376,525)
Change in gross unearned premiums	269,130	(974,579)	269,130	(974,579)
	11,329,734	9,407,241	10,273,237	8,259,415
Changes in working capital :				
-trade and other receivables	(4,863,796)	12,431,555	(4,873,876)	12,365,056
-trade and other payables	(589,445)	1,439,241	(714,489)	1,530,376
Cash generated from operations	Rs. 5,876,493	23,278,037	4,684,872	22,154,847
(b) Cash and cash equivalents				
	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Cash in hand and at bank	Rs. 23,173,063	20,870,876	21,638,888	19,306,929

Cash and cash equivalents and bank overdraft include the following for the purpose of the statements of cash flow:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	Rs. 23,173,063	20,870,876	21,638,888	19,306,929

29. CONTINGENT LIABILITIES

Insurance claims

The Group and Company is possibly exposed to contingent liabilities amounting to Rs.205,995,302 (2018: Rs.209,951,145) representing various potential litigations. These contingent liabilities have already been provided for in note 19(a).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

30. RELATED PARTY TRANSACTIONS

Details of related parties	Relationship	Type of transaction	THE GROUP		THE COMPANY	
			2019	2018	2019	2018
			Rs.	Rs.	Rs.	Rs.
<u>Sale of services:</u>						
Directors	Shareholder	Insurance premium	216,825	61,550	216,825	61,550
Agents	Shareholder	Insurance premium	16,567,934	15,877,952	16,567,934	15,877,952
Enterprise that has shareholder in common	Shareholder	Insurance premium	72,100	94,700	72,100	94,700
Interest income	Executive Directors	Interest income	201,762	259,680	201,762	259,680
<u>Expenses:</u>						
GFA Investments Ltd	Subsidiary	Rental expense	-	-	276,000	237,391
Enterprise that has shareholder in common	Shareholder	Rental expense	906,900	1,067,450	906,900	1,067,450
<u>Amount owed by:</u>						
Agents	Shareholder	Insurance receivables	582,394	582,394	582,394	582,394
	Shareholder/					
Executive Directors	Executive Directors	Loan receivable	4,332,023	5,883,606	4,332,023	5,883,606
Executive Directors	Executive Directors	Insurance receivables	162,972	70,600	162,972	70,600
Enterprise that has shareholder in common	Shareholder	Insurance receivables	35,900	56,400	35,900	56,400

- (a) For the year ended December 31, 2019, the Group and the Company have not recorded any impairment of receivables relating to amounts owed by related parties (2018: Rs.Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

(b) Key Management Personnel Compensation

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs.	Rs.
Salaries and short-term employee benefits	18,363,671	17,592,439
Post-employment benefits	536,226	1,235,957
	Rs. 18,899,897	18,828,396

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

31. CHANGES IN ACCOUNTING POLICIES

The Group adopted IFRS 16 with a transition date of January 1, 2019. The Group has chosen not to restate comparatives on adoption of the standard, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. January 1, 2019) and recognised in the opening equity balances.

Effective January 1, 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (January 1 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- (a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases

where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;

- (c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- (d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

31. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(a) Impact on the financial statements (cont'd)

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities as follows:

Classification under IAS 17	Right-of-use assets	Lease liabilities
All other operating leases	Office space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. All other: the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.	Measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at January 1, 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 6.5%.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at January 1, 2019:

<u>THE GROUP</u>		December 31, 2018		
		As originally Presented	IFRS 16	January 1, 2019
<u>Assets</u>	Adjustments	Rs.	Rs.	Rs.
Right-of-use assets	(a)	-	4,441,519	4,441,519
Deferred tax assets	(b)	2,440,369	755,058	3,195,427
<u>Liabilities</u>				
Lease liabilities		-	4,441,519	4,441,519
Deferred tax liabilities	(b)	10,520,944	755,058	11,276,002
<u>THE COMPANY</u>				
<u>Assets</u>				
Right-of-use assets	(a)	-	4,441,519	4,441,519
Deferred tax assets	(b)	2,065,500	755,058	2,820,558
<u>Liabilities</u>				
Lease liabilities		-	4,441,519	4,441,519
Deferred tax liabilities	(b)	3,888,083	755,058	4,643,141

(a) The adjustment to right-of-use assets is as follows:

	Rs.
Operating type leases	4,441,519
Right-of-use assets	Rs. 4,441,519

(b) Deferred tax assets and liabilities were adjusted to reflect the tax effect of the other adjustments recorded.