G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

ANNUAL REPORT – YEAR ENDED

DECEMBER 31, 2020

G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

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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, 2020.

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 28 JUN 2021

Director

Director

STATEMENT OF COMPLIANCE

Section 75(3) of the financial reporting act

Name of PIE: G.F.A. INSURANCE LTD (the 'Company')

Period of reporting: January 01, 2020 to December 31, 2020

Throughout the year ended December 31, 2020, to the best of the Board's knowledge the Company has partially complied with the National Code of Corporate Governance for Mauritius (2016) (the Code). The areas of non-compliance, for which reasons are included in the Corporate Governance Report are as follows:

- Principle 4: Director Duties, Remuneration and Performance
- Principle 5: Risk Governance and Internal Control

Chairman
Me Rashad Daureeawo, SC

Managing Director
Abdool Rahman (Abdel) Ruhomutally

Date: 28 June 2021

G.F.A. INSURANCE LTD ("GFA / The Company") is a public interest entity (PIE), as defined under the Financial Reporting Act 2004, and has applied the principles of the new Code since the last financial year. The Board of Directors (The "Board") is responsible for leading and controlling the Company and is committed to high standards of corporate governance. The Code of Corporate Governance 2016 is based on an "Apply and Explain" methodology and in line with good governance principles and best practices.

The Board of GFA has recognized that, 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, 2020.

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

GOVERNANCE STRUCTURE

The Memorandum & Articles of Association

The Company is governed by its Memorandum and Articles of Association dated September 11, 1996. Together with the below listed codes and charters, they set out the main principles that govern the Company and its Board of Directors. There are no clauses in the Memorandum and Articles of Association which are material enough to be deemed to be disclosed.

Code of Ethics

The Company has adopted a Code of Ethics which is based on corporate values which are essential for the Company 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 by the Company, its Board and its Officers.

Compliance with the Code of Ethics is planned to be regularly monitored and evaluated through a board evaluation exercise and staff appraisal.

The Code of Ethics will be monitored and updated on a regular basis.

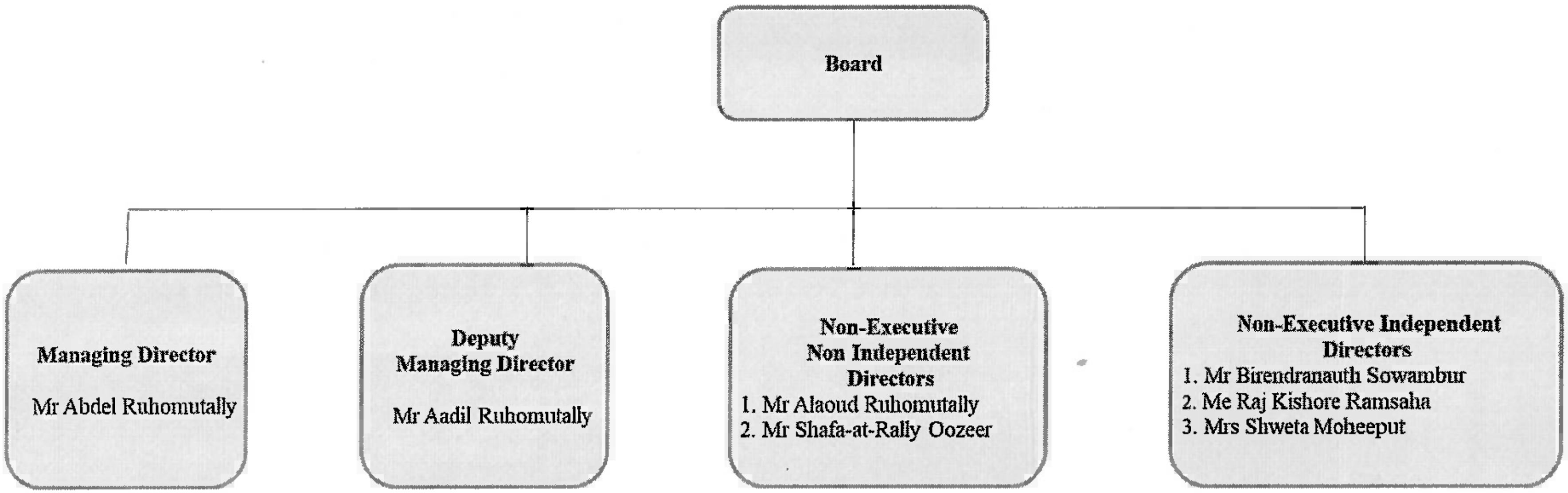
Board Charter

The Board Charter defines, inter alia, the role, function and objectives of the Board, its various Board Committees, Chairperson, Managing Director and Senior Management. It also sets out how they interact to promote efficient, transparent and ethical functioning/decision making processes within the Company.

Board Structure

The Board Structure is as follows, and is also available on the website: www.gfainsurance.mu:

GFA INSURANCE LTD
Board Structure as at 31 December 2020



Chairman of the Board: Me Rashad Daureeawo SC

External Auditor: BDO & Co

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

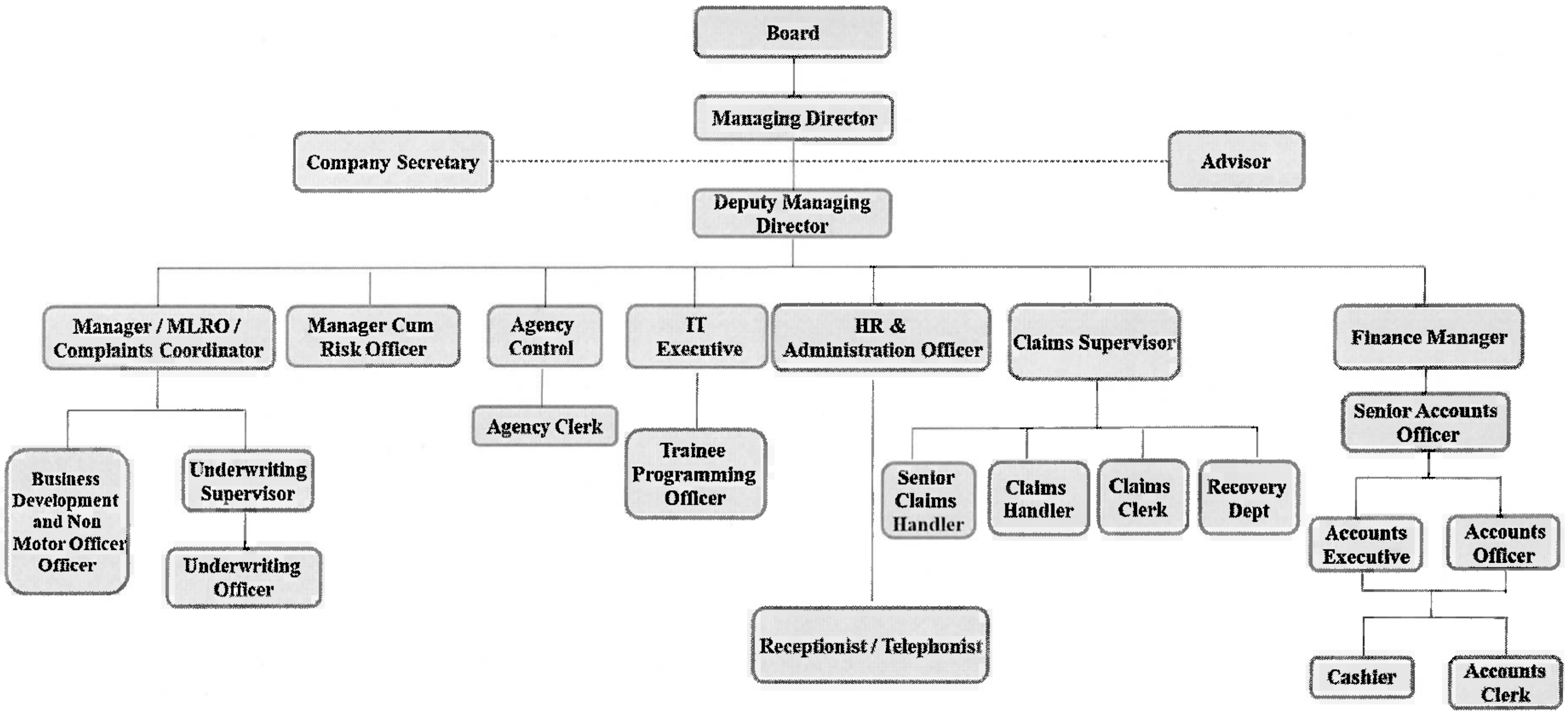
Internal Auditor: Ghansyam Hurry FCCA (As from April 2018)

Company Secretary : SILEO Corporate Services Ltd

Organisation Chart

The Organisational Structure is as follows, and is also available on the GFA Insurance website:

GFA INSURANCE LTD
Organisational Structure



Responsibilities and Accountabilities

The key governance positions vital to the Board performance and for it to achieve a high level of good governance are set out below:

1. **Chairperson of the Board**
    - Provides overall leadership to the Board and to the Company.
    - Ensures smooth functioning of the Board and the Board Meetings' proceedings.
    - Encourages active participation of each director in discussions.
    - Makes sure that the Board is aware of the Company's and Group's affairs, and that it assumes its obligations towards all shareholders and other stakeholders.

2. **Managing Director**
    - Is 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 Executive Directors and Management of the Company.
    - Participate in and chair the Board Committees.

4. **Company Secretary**
    - 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 Memorandum and Articles of Association and the laws and regulations.
    - Provides advice to the Board and the Chairperson on governance and corporate administration matters.
    - Prepares and circulates agendas of Board, Board Committees and Shareholders meetings and any supporting papers, takes minutes of meetings and circulates same to members.

THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

Board of Directors

GFA is led by an effective and highly committed unitary Board. As at December 31, 2020, it consisted of eight directors as set out below:

DIRECTORS	EXECUTIVE / NON-EXECUTIVE/ INDEPENDENT
DAUREEAWO MOHAMMAD RASHAD	Independent Chairperson
MOHEEPUT SHWETA	Independent
OOZEER MOHAMMAD SHAFA-AT RALLY	Non-Executive Non-independent
RAMSAHA RAJ KISHORE	Independent
RUHOMUTALLY AADIL	Executive
RUHOMUTALLY ABDOOL RAHMAN	Executive
RUHOMUTALLY MOHAMMAD ALAOUD	Non-Executive Non-independent
SOWAMBUR BIRENDRANUTH	Non-Executive Non-Independent

Board of Directors (cont'd)

The Board consists of an appropriate combination of executive, non-executive and independent non-executive directors. Each director is independent minded and is appointed according to his/her skills, knowledge and expertise required on the board and 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.

It is noted that all board members are citizens of Mauritius.

Profiles of directors and details of other directorships

Me. MOHAMMAD RASHAD DAUREEAWO, SC - INDEPENDENT DIRECTOR & CHAIRPERSON
Appointed on March 19, 2018

Rashad Daureeawo SC is Head of RD Chambers. He is a Senior Counsel (silk) of Mauritius with over 45 years' experience at the Bar. He has a broad consultancy and litigation practice assisting domestic as well as international clients across a full spectrum of laws. He has regularly acted as Counsel before committees, tribunals, and Courts of Mauritius as well as in arbitration cases and also as Legal advisor to several parastatal and local government bodies. He also served in several boards, inter alia, MBC, Prison, DWC, MHC and Environment. He has served as Chairman of MASA, National Pension Board and MEDCO amongst others.

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

Me. Rashad Daureeawo has recently served as High Commissioner of Mauritius in Pakistan for a period of about three years.

Mr. ABDOOL RAHMAN (ABDEL) RUHOMUTALLY - MANAGING DIRECTOR
Executive Director appointed in June 2005. Deputy Managing Director up to December 13, 2013, Managing Director since 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).

Profiles of directors and details of other directorships (cont'd)

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. MOHAMMAD ALAOUD RUHOMUTALLY - NON-EXECUTIVE DIRECTOR (ADVISOR)
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. SHAFA-AT RALLY MOHAMMAD OOZEER - NON-EXECUTIVE DIRECTOR
Appointed 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 about 5 years managerial experience in sales and marketing. He has been working as Retail/ Branch Manager at Courts Mammouth. He reckons about ten years' experience in the field of Aviation, Travel and Tourisms. 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.

Mrs. SHWETA MOHEEPUT - INDEPENDENT DIRECTOR
Appointed on May 16, 2019

Mrs. Shweta Moheeput is an Audit Partner of Moore 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 Advanced Executive Leadership Program at the Harvard Business School (USA), where she has gained new strategic insights, global perspectives, and leadership skills that enable her to lead change, drive innovation, and sustain a competitive advantage.

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 Mauritius as an Audit Senior Manager in 2015, Shweta also had the opportunity to work as Accountant at the

Profiles of directors and details of other directorships (cont'd)

Mrs. SHWETA MOHEEPUT - INDEPENDENT DIRECTOR (cont'd)

IMF Family Association in Washington DC, USA. She possesses extensive experience in the financial audit of companies in various sectors of the economy. She is well versed in International Financial Reporting Standards.

Her wide portfolio of clients includes insurance/re-insurance companies, trading, manufacturing and global business companies, money changers, investment advisors/CIS managers, subsidiaries of foreign companies, public sector and parastatal bodies. She is also involved in several consultancy assignments commissioned by the World Bank, Indian Ocean Commission and the European Union.

Mr. RAJ KISHORE RAMSAHA, BARRISTER - INDEPENDENT DIRECTOR
Appointed on March 13, 2018

Me. Raj Ramsaha holds a 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) and Municipal Council of Beau Bassin/Rose Hill. He is presently the Independent Director of Frontière Réassurance Limitée PCC and a Board member and Legal Adviser of Viva Voce Ltd (Radio one).

Mr. BIRENDRANUTH SOWAMBUR - NON-EXECUTIVE NON-INDEPENDENT DIRECTOR
Appointed on June 1, 2006

Mr Birendranuth Sowambur holds several diplomas, namely in Occupational Health and Safety, Industrial Psychology and Personnel management. He reckons about more than twenty-five 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 was the former Vice President of the Institution of Occupational Safety &Health Management. He was appointed as Deputy Chairperson of the Board of film censor from the Ministry of Art & Culture from 2006 up to 2010. At present, he is the executive committee member of the above institution as well as working as an Occupational Health and Safety Consultant.

List of Directorships in Public or Subsidiaries of Public Companies

Directors	Public or Subsidiaries of Public Companies	Capacity
Daureeawo Rashad		
Moheeput Shweta	-	-
Oozeer Shafa-At Rally	-	-
Ramsaha Raj Kishore		
Ruhomutally Aadil		
Ruhomutally Abdel	-	-
Ruhomutally Alaoud		
Sowambur Birendranuth		

Balance and diversity
The size and the level of diversity of the board is commensurate with the scale of the organisation.

Age of Directors

70 – 79 years old – 1 director
60 - 69 years old – 2 directors
50 - 59 years old – 1 director
40 - 49 years old – 1 director
30 - 39 years old – 3 directors

Length of Tenure

0-3 years old – 4 directors
3-5 years old – 1 director
More than 5 years – 3 directors

Gender Balance of the Board

The Code provides that all organisations should have directors from both genders as members of the Board. As at December 31, 2020, the Company's Board comprised of one female director.

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 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.

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	5 out of 5
Mr Alaoud Ruhomutally	5 out of 5
Mr Abdel Ruhomutally	5 out of 5
Mr Aadil Ruhomutally	5 out of 5
Mr Raj Ramsaha	5 out of 5
Mr Birendranuth Sowambur	5 out of 5
Mr Shafa-at-Rally Oozeer	5 out of 5
Mrs Shweta Moheeput	5 out of 5

Board Committees

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

The Terms of Reference of the above-mentioned Board 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 were approved at a Board meeting held on August 8, 2018.

The Committee fulfils the following main tasks:

1. Make recommendations to the Board on all corporate governance provisions to be adopted so that the Board remains effective in ensuring that the Company complies with prevailing corporate principles and practices.
2. Assist the Board in its ongoing oversight of quality of governance.
3. Ensure that the disclosure requirements with regard to corporate governance, whether in the annual report or other reports on an ongoing basis, are in accordance with the principles of the Code of Corporate Governance.
4. Recommend to the Board enhancements to the Company's governance in the interest of the Company as a whole.
5. Support the Board in maintaining alignment with regulatory expectation as regard governance.
6. Ensure that the Board is up to standard with global and national good governance standards.
7. Ensure that the Board receives regular and ongoing training and development.
8. Develop a Related Party Transaction Policy.
9. Review related party transactions and approve, ratify, revise or reject such transactions in accordance with the Related Party Transaction Policy.
10. Review at least on an annual basis and recommend changes to the Related Party Transaction Policy.
11. Review the independence, both in appearance and in fact and develop and recommend to the Board criteria to assess the independence of Directors.
12. Develop and implement a Board/Director appraisal policy and mechanism.

Composition

Members	**Category**
Mr Raj Kishore Ramsaha	Chairperson
Mr Birendranuth Sowambur	Member *Resigned on July 17, 2020*
Mrs Shweta Moheeput	Member

Corporate Governance Committee (cont'd)

Two meetings of the Corporate Governance Committee were held in 2020: namely on June 23 and October 28, 2020.

Members	**Number of meetings attended**
Mr. Raj Ramsaha	2 out of 2
Mr. Birendranuth Sowambur	1 out of 1
Mrs. Shweta Moheeput	2 out of 2

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 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 Committee focuses on the following:

- Review the appropriateness of the Company's accounting policies;
- Focus on the reliability and accuracy of the financial information provided by Management to the Board and other users of financial information;
- Review the integrity of the financial statements.
- Review and approve the budget, including the budget for capital expenditure;
- Focus on the risk areas of the Company's operations to be covered in the scope of the internal and external audits;
- Focus on the functioning of the Internal Auditor;
- Assess the effectiveness of the internal control processes;
- Focus on any accounting or audit concerns identified as a result of the internal or external audits of the Company's compliance with legal and regulatory requirements with regard to financial matters;
- Focus on the scope and results of the external audit and its cost effectiveness, as well as the independence and objectivity of the external auditors;
- Managing the Company's risk policies;
- Review the Company's risk profile against risk appetite and effectiveness of risk management framework

Composition

Members	**Category**
Mrs. Shweta Moheeput	Chairperson
Mr Raj Ramsaha	Member
Mr. Birendranuth Sowambur	Member *(Resigned on July 17, 2020)*
Mr. Issa Soormally	Member *(Appointed on July 17, and resigned on September 11, 2020)*

Attendance at Audit and Risk Committee meetings on March 16 and August 18, 2020

Members	Number of meetings attended
Mr. Shweta Moheeput	2 out of 2
Mr. Raj Ramsaha	2 out of 2
Mr. Birendranuth Sowambur	1 out of 1
Mr. Issa Soormally	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.

Matters considered in FY 2020

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

- Management letter from the External Auditor
- Management Accounts for the half year ended June 30, 2020.
- 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 confirms that, for the year under review, it has 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 Internal Auditor.

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 Officers and Top Management of the Company.

Members	Category
Mr Abdool Rahman (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 Terms of Reference of the Appointment Committee are to guide and monitor the process for recruitment, appointment, election and re-election process of the executives of the Board and Committee.

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

Investment Committee

The Terms of Reference of the Investment Committee, amongst others, 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 (Resigned December 8, 2020)

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

DIRECTOR APPOINTMENT PROCEDURES

As part of its mandate, the Appointment 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 Appointment Committee follows a rigorous, formal, and transparent procedure to select and appoint new Directors.

Selection Process from list provided by MIOD

↓

Proceed with Interviews of shortlisted candidates

↓

Shortlisting of three best candidates

↓

Make recommendation to the Board

↓

Appointment of new director by the Board of Directors

↓

Approval by The Financial Services Commission

↓

Induction of Newly appointed director

↓

Newly appointed director is subject to election in first year of appointment by the shareholders at the Annual Meeting

Biography of the Company Secretary – SILEO Corporate Services Ltd

The Company has appointed SILEO Corporate Services Ltd ('SILEO') on December 8, 2020, in the place of Mr. Jugdeo Naginlal to act as company secretary.

SILEO is a Company limited by shares incorporated in Mauritius on August 4, 2020, founded to provide company secretarial, consultancy and advisory services and training to companies in Mauritius. SILEO also endeavours to promote corporate governance and help companies willing to grow to greater heights to implement good governance practices. The Company was set up by Nisha Proag-Dookun and Véronique Magny-Antoine, both Associates of the Chartered Institute of Company Secretaries & Administrators and Associate Governance practitioner, having more than 20 years' experience in both the domestic and global business.

NOTE: The profile of the new Company Secretary is available on the website.

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.

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 Appointment 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 Corporate Governance Committee has started working on a Board Evaluation Methodology since October 2020, and will make recommendations to the board, The Board Evaluation will be put in place in the next financial year.

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:

- Board Charter
- Code of Ethics
- The Memorandum & Articles of Association of the Company

REMUNERATION OF DIRECTORS

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

	2020	2019
	Rs.	Rs.
Executives Directors	8,848,343	10,963,920
Non-executive & Independent Directors	3,430,197	2,190,562

The Directors did not receive any remuneration from its subsidiary, GFA Investments Ltd.

The Directors' remuneration is disclosed by category and not individually in view of confidentiality and sensitivity of the information. Financial Statements will have details.

DIRECTORS' SERVICE CONTRACTS

Mr. Abdool Rahman (Abdel) Ruhomutally, Miss Najah Ruhomutally and Mr. Aadil Ruhomutally have contracts of employment with the Company without expiry dates. The other Directors do 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.

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.

Whistle Blowing (cont'd)

The Board of Directors is conscious of the need for the Company to have a policy regarding whistle blowing. This is being worked on by the Corporate Governance Committee and a policy on whistle blowing has been submitted to the Board for approval in 2020.

Remuneration Philosophy

All Board Members other than the executive directors are paid an attendance fee per Board meeting. The chairpersons, of the Board and of the board committees, receive an additional remuneration.

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 non-executive directors have not received any remuneration in the form of share options or bonuses associated with organisational performance.

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

RELATED PARTY TRANSACTIONS

Please refer to Note 30 to the Financial Statements.

INFORMATION, INFORMATION TECHNOLOGY AND INFORMATION SECURITY GOVERNANCE

Information Security 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. It reflects Management intents on information security commitments. The main programs and guidelines covered by the said policies are listed below:

- Antivirus Management Procedures
- Backup Procedures
- Date Destruction Procedures
- Incident Management Procedures
- Information Handling Procedures
- Log Review Procedures
- Patch Management Procedures
- User Account Management Procedures
- Guidelines Server Rooms
- Guidelines User
- Firewall and Security policies

Besides, GFA 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.

INFORMATION, INFORMATION TECHNOLOGY AND INFORMATION SECURITY GOVERNANCE (CONT'D)

GFA monitors and evaluates significant expenditures on information technology. The IT/purchasing officer collects background information. Where necessary, third party makes representations with the IT officer and/or the relevant Head of Department/concerned person. Recommendation is made to Senior Management, and the purchase order is accordingly finalised.

NOTE: Information Technology and Security being highly sensitive information, particular care is taken on any type of disclosure on the website.

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.

Internal audit charter

A formal internal audit charter was established during the year 2021. The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The internal audit activity is established by the Audit and Risk Committee. The internal audit activity's responsibilities are defined by the Audit and Risk Committee as part of their oversight role.

Risk Management

Objectives

GFA Insurance Ltd places particular emphasis on the effective monitoring and management of its undertaken risks with a view of maintaining stability, financial soundness and continuity of operations, as well as achieving its strategic goals as set out in its business and restructuring plans, fully aligned with the budget, capital and liquidity planning and policy.

Risk Management (cont'd)

Objectives (cont'd)

In this context, GFA Insurance Ltd has put in place a Risk Management Framework which constitutes GFA's fundamental attitude towards risk management. A Risk Management Framework aims to foster sound corporate governance principles and risk culture, clear strategy and adequate policies, procedures and methodologies. This framework is supported by infrastructure and resources, in compliance with the regulatory framework and supervisory requirements.

GFA Insurance Ltd and its Board of Directors consider that a full and consistent application of the risk management arrangements in place, would adequately address the risks inherent in the risk profile and strategy of the Company and acknowledge that a robust risk culture should remain a key focus area for continuous improvement.

The Risk Management Framework:

- Links Risk Appetite to strategic business and capital plans;
- Supports a risk-aware culture;
- Sets out accountabilities and governance arrangements for the management of risk within the 'three lines of defence' model;
- Enhances business risk-based decision-making.

The Board recognises that an effective Risk Management Framework requires the existence of a positive risk culture within the business, with clear ownership and accountability for risk. As a key provider of insurance services in Mauritius, it is essential that GFA Insurance Ltd, employees understand their accountabilities and expected standards of conduct. From its formation, the overarching objective of the risk function has been to focus on promoting a positive risk culture and building the necessary risk infrastructure commensurate with size and market position.

GFA Insurance Ltd risk culture is enforced through the Code of Conduct, the leadership framework, as well as through remuneration policies which look to recognise and reward behaviours that reflect the desired risk culture and have appropriate consequences for undesirable behaviour.

The risk culture is also enhanced through:

- Clarity of roles and accountability;
- Transparent and open dialogue in an environment where people feel safe to raise issues or concerns;
- Ensuring alignment with the desired risk culture when engaging with our people, including recruitment, induction, training, reward and recognition;
- Regularly checking on the health of the risk culture through feedback mechanisms, such as customer surveys, performance appraisals and one-on-one talks.

This Risk Management Framework (RMF) and Risk Management Strategy (RMS) aim to document the:

- Actual risks that have been identified by the Board as material;
- Methods adopted to minimise these risks; and
- Way these risks are monitored on an ongoing basis.

The RMF and RMS do not:

- Address every possible risk to GFA Insurance Ltd; or
- Necessarily set out the full detail of the procedures and processes adopted to manage the risk.

Responsibilities

The Board is responsible for:
- Approves strategic objectives and validates our Risk Appetite,
- Reviews the Company's risks and mitigating measures,
- Reviews the Company's Risk Management and Internal Control Systems,
- Assesses these systems effectiveness through its Audit and Risk Committee

The Senior Management of GFA Insurance Ltd is responsible for:
- Is responsible for the "tone at the top"
- Oversees design and implementation of Risk Management and Internal Control Systems
- Defines and allocates Risk Appetite
- Makes decisions when substantial risk is at stake
- Evaluates the adequacy of risk mitigation plans

The Risk Management Process

GFA Insurance Ltd, aims to conduct its business in compliance with all relevant laws, rules, regulations, industry standards and codes, internal policies and procedures, and having regard to accepted community and ethical standards. It also acts promptly to correct incidents of non-compliance no matter how identified, including determining whether a compliance failure is a breach that is reportable to a regulator.

As part of the RMF, internal controls have been implemented across GFA Insurance Ltd to ensure appropriate risk identification, assessment, control, management, monitoring and reporting. These controls support the proactive management of risk, including the regular maintenance of risk profiles which provide the Board and Management with clear oversight of risk.

In accordance with Financial Services Commission's ("FSC") Prudential Standards, regulated entities must submit a Risk Management declaration to FSC, signed by the Board annually, confirming the adequacy of the regulated entity's Risk Management systems. The Risk Management declarations are based on reports considered and reviews conducted by the Board Risk Committee during the year and on the representations, Management provides to the Board and Managing Director in regard to the adequacy of GFA's Risk Management systems.

Policies and procedures are being developed to ensure open communications with regulators occur in a timely manner including the referral of any material correspondence between EIL and regulators to the Board or relevant Board committee.

The key elements of the Risk Management processes are as follows:

- *Communicate and consult*
  Communicate and consult with internal and external stakeholders as appropriate at each stage of the Risk Management process and concerning the process.

- *Establish the context*
  Establish the external, internal and Risk Management context in which the rest of the process will take place. Criteria against which risk will be evaluated should be established and the structure of the analysis defined.

The Risk Management Process (cont'd)

- *Identify risks*
  Identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of the objectives.

- *Analyse risks*
  Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis considers the range of potential consequences and how these could occur.

- *Evaluate risks*
  Compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.

- *Treat risks*
  Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.

- *Monitor and review*
  Monitor the effectiveness of all steps of the Risk Management process. This is important for continuous improvement. Risks and the effectiveness of treatment measures need to be monitored to ensure changing circumstances do not alter priorities.

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.

The Risk Management Framework shall consider the materiality of the risks described in the Schedule of the Insurance (Risk Management) Rules 2016, mentioned below, in accordance with its nature, scale and complexity.

- Business continuity risk,
- Capital risk,
- Credit risk,
- Group affiliation risk,
- Insurance risk,
- Investment risk,
- Liquidity risk,
- Operational risk,
- Outsourcing risk,
- Reinsurance risk, and
- Other material risk.

Regulatory Requirements (cont'd)

The Risk Management Framework should include the following and shall be approved by the Board:

- Risk Appetite Statement;
- Risk Management Strategy;
- 3-years Business Plan and Financial Forecast;
- Own Risk and Solvency Assessment 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 2020 and basically the following:

Risk Appetite Statement

↓

Risk Tolerance Limit

↓

Risk Management Strategy

↓

Own Risk and Solvency Assessment

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 Risk Appetite Statement up to the Own Risk and Solvency Assessment.

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.

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;
- Review the Company's risk profile against risk appetite and effectiveness of risk management framework;
- 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.

Regulatory Requirements (cont'd)

A Risk Management Framework has been implemented and is being upgraded and properly documented 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, and
- 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 Risk

The Company's underwriting strategy attempts to ensure that the underwriting 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.

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 regard 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

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
- Date Destruction Procedures
- Incident Management Procedures
- Information Handling Procedures
- Log Review Procedures
- Patch Management Procedures

Information Security Governance (cont'd)

- 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.

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 is one of the emerging companies in Mauritius and was incorporated on September 13, 1996.

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

Organisational Review (cont'd)

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 2020: Rs.202,150,659 (2019: Rs.190,577,381)
- Paid Claims in 2020: Rs.135,911,315 (2019: Rs.153,687,364).
- Its Underwriting Surplus in 2020; Rs.82,029,139 (2019: Rs.62,016,677).
- Profit for the year 2020 is Rs. 31,358,870 (2019: Rs.23,483,623).
- The Total Assets of the Company in 2020: Rs.713,358,997 (2019: Rs.678,735,147)

Human Capital

One of the assets of the Company is its human capital. Staffs are rewarded for their effort and loyalty; Agents are rewarded by special bonus commission if they exceed a growth rate fixed by the Company on an annual basis.

The Company has a performance related bonus scheme for its employees. Regular training is given to employees, so that, they can deliver efficiently and effectively; the ultimate aim being customer satisfaction.

Intellectual Capital

The Company continuously invests in technology and IT tools so that it may provide high standards of services to its clients in the most efficient manner.

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 Investments Ltd, a building in the center 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 CSR planning for 2020 has been quite disturbed by the COVID situation, whereby charity events could not be organised.

The Company also supports 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 not substantial.

GFA tries to recycle its IT equipment, by using spare parts of old PCs, and dispose of the remaining parts in a responsible manner, i.e., through a recycling company.

As far as possible, recycled and refilled cartridges are used, based on the recommendation of the IT department.

The Company, among other initiatives, wants to go paperless as practicable as possible.

AUDIT

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.

Internal Audit (cont'd)

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.

Internal audit charter

A formal internal audit charter was established during the year 2021. The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The internal audit activity is established by the Audit and Risk Committee. The internal audit activity's responsibilities are defined by the Audit and Risk Committee as part of their oversight role.

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.

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 are 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.

The last tender exercise was made in 2013, and BDO & Co. has been acting as the auditors of the Company for the past 7 years.

AUDITORS FEES

The fees paid to external auditors and other services were:

	2020	2019
	Rs.	Rs.
BDO & Co:		
Audit Fees	**460,000**	437,000
Review of Insurance Return	**34,500**	32,200
Review of Compliance with Insurance (Risk Management) Rules 2016	**34,500**	-

Non-auditing services, if any, are provided by a team different from the Audit team.

The fees paid to internal auditors were:

	2020	2019
	Rs.	Rs.
Internal Audit Fees:		
Mr. Ghanshyam Hurry	**483,000**	483,000

RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

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

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

Shareholders

The Board keeps its shareholders informed of any material events affecting the Company and encourages the shareholders to attend all shareholders meeting.

Share Capital

The stated capital of the Company is made up of 25,000 ordinary shares and 1 founder share held by Mr. RUHOMUTALLY Mohammad Alaoud. The Company have two class of shares and all shareholders have the same voting rights.

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, 2020

Mr Alaoud Ruhomutally	40.90%
Dr Abdool Raouf Ruhomutally	13.00%
Ayfa Investment Ltd	7.28%
Mrs. Ww Beebee Madina Beebeejaun, Mrs Fatmahbee Ruveida Beebeejaun and Estate Ally Ahmud Beebeejaun	5.47%

Shareholders' meeting

A notice from the Company Secretary addressed to the shareholders is annexed with the annual report and provides detailed information on the forthcoming Annual Meeting of shareholders.

The Chairperson of the Board as well as the board and committee members are all invited to attend the annual meeting and shall make themselves available to answer questions that the shareholders may have on the Company and the management.

The opportunity is also given to the shareholders to re-elect the directors at the annual meeting.

Dividend Policy

A dividend policy is being worked upon.

CHARITABLE DONATIONS

	2020	2019
	Rs.	Rs.
Charitable Donations	**Nil**	Nil

CONTRIBUTION TO POLITICAL PARTIES

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

Calendar of Forthcoming Shareholders Events

2021	Events
July / August	Annual Meeting of shareholders
September	Presentation of Q1 and Q2 figures
December	Presentation of Q3 figures

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.

On March 11, 2020, the World Health Organisation declared the Covid-19 outbreak to be a pandemic. The situation remains uncertain with various cities and countries around the world responding in different ways to address the outbreak. There have been significant direct and indirect impacts on companies across multiple industries and the world. The Group and the Company will continue to monitor the impact Covid-19 has on them and reflect the consequences as appropriate in their accounting and reporting. The directors have made an assessment of the Group's and the Company's ability to continue as going concerns, taking into account all available information about the future including the analysis of the possible impacts in relation to Covid-19, which is at least, but is not limited to, twelve months from the end of the reporting period and from the date of signature of these consolidated and separate financial statements. They have no reason to believe that the businesses will not be going concerns in the year ahead.

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) IFRS, the Companies Act, the Financial reporting Act and the Insurance Act 2005 have been adhered to. Any departure in the interest of fair presentation has been disclosed, explained and quantified; and
(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	**Abdool Rahman (Abdel) Ruhomutally**
Chairman	**Managing Director**
Date: 28 JUN 2021	Date: 28 JUN 2021

SECRETARY'S CERTIFICATE – YEAR ENDED DECEMBER 31, 2020

UNDER SECTION 166 (d) OF THE MAURITIAN COMPANIES ACT 2001

We confirm that, based on records and information made available to us by the directors and shareholders of the Company, the Company has filed with the Registrar of Companies, for the year ended 31 December 2020, all such returns as are required of the Company under the Mauritian Companies Act 2001.

Nisha Proag-Dookun, ACIS
Authorised Representative for
SILEO Corporate Services Ltd

SILEO CORPORATE SERVICES LTD
SECRETARY

Date: 28 June 2021

BDO

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10, Frère Félix de Valois Street
Port Louis, Mauritius
P.O. Box 799

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, 2020, 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, 2020, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

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.

BDO & Co, a firm of Chartered Accountants in Mauritius, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

KEY AUDIT MATTER	AUDIT RESPONSE
1 Receivable from insurers/reinsurers	
At December 31, 2020, the Group's trade and other receivables included an amount of Rs.42,844,009 (2019: Rs.41,984,688) 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. We have also relied on management representation that the provision of doubtful debts at 31.12.20 is reasonable.
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, 2020, the Group's outstanding claims provision amounted to Rs.199,397,696 (2019: Rs.211,629,627). 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 sample 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. We assessed the credentials of the external actuaries. We tested controls over the completeness and accuracy of claims data underlying the actuarial projections used by the external actuaries to set the IBNR provisions. We assessed the assumptions used in the actuarial reports for reasonableness through the use of analytical procedures, an assessment of claims development trends and benchmarking to market data.
Refer to note 2(iv), note 3.1(c), note 4.1(a), note 18 and note 19 of the accompanying financial statements.	

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.

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.

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

BDO & Co
Chartered Accountants

Shabnam Peerbocus, FCA
Licensed by FRC

Port Louis,
Mauritius.

28 JUN 2021

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2020

		THE GROUP		THE COMPANY	
	Notes	**2020**	2019	**2020**	2019
ASSETS		**Rs.**	Rs.	**Rs.**	Rs.
Non-current assets					
Property, plant and equipment	5	**86,027,051**	73,119,585	**86,026,938**	73,117,911
Right-of-use assets	6A	**5,267,671**	2,887,629	**5,267,671**	2,887,629
Investment properties	7	**84,900,000**	81,395,000	**26,000,000**	24,200,000
Intangible assets	8	**723,379**	835,639	**723,379**	835,639
Investment in subsidiary company	9	-	-	**25,000,000**	25,000,000
Statutory deposits	10	**3,000,000**	8,000,000	**3,000,000**	8,000,000
Investment in financial assets	11	**144,693,121**	161,928,949	**144,693,121**	161,928,949
Fixed deposits	12	**203,000,000**	231,500,000	**198,500,000**	227,000,000
Loans to related parties	14	**865,457**	1,696,723	**865,457**	1,696,723
		528,476,679	561,363,525	**490,076,566**	524,666,851
Current assets					
Statutory deposits	10	**5,000,000**	-	**5,000,000**	-
Trade and other receivables	15	**56,840,262**	55,129,420	**56,677,800**	54,930,070
Loans to related parties	14	**831,266**	2,635,300	**831,266**	2,635,300
Short-term deposits	12	**120,500,000**	73,000,000	**120,500,000**	73,000,000
Current tax assets	22(a)	-	1,864,038	-	1,864,038
Cash and cash equivalents	28(b)	**41,955,797**	23,173,063	**40,273,365**	21,638,888
		225,127,325	155,801,821	**223,282,431**	154,068,296
Total assets	Rs.	**753,604,004**	717,165,346	**713,358,997**	678,735,147
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	**6,733,148**	7,497,630	**6,733,148**	7,497,630
Retained earnings		**353,670,241**	332,954,287	**321,007,628**	301,398,758
		385,403,389	365,451,917	**352,740,776**	333,896,388
Non-current liabilities					
Lease liabilities	6B	**3,729,826**	1,603,300	**3,729,826**	1,603,300
Retirement benefit obligations	20	**14,691,500**	13,345,000	**14,691,500**	13,345,000
Deferred tax liabilities	13	**9,703,522**	7,865,017	**3,009,197**	1,406,115
		28,124,848	22,813,317	**21,430,523**	16,354,415
Current liabilities					
Insurance liabilities	19(a)	**199,397,696**	211,629,627	**199,397,696**	211,629,627
Unearned premiums	19(b)	**106,848,963**	99,363,163	**106,848,963**	99,363,163
Trade and other payables	21	**26,813,056**	16,533,766	**25,924,987**	16,117,998
Current tax liabilities	22(a)	**5,268,101**	-	**5,268,101**	-
Lease liabilities	6B	**1,747,951**	1,373,556	**1,747,951**	1,373,556
		340,075,767	328,900,112	**339,187,698**	328,484,344
Total equity and liabilities	Rs.	**753,604,004**	717,165,346	**713,358,997**	678,735,147

These financial statements have been approved for issue by the Board of Directors on 28 JUN 2021

Signature — ABDOOL RAHMAN RUHOMUTALLY, **Name of Director**

Signature — SHWETA MOHEEPUT, **Name of Director**

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, 2020

	Notes	THE GROUP 2020	THE GROUP 2019	THE COMPANY 2020	THE COMPANY 2019
		Rs.	Rs.	Rs.	Rs.
Gross premiums		**202,150,659**	190,577,381	**202,150,659**	190,577,381
Premium ceded to reinsurers		**(15,589,723)**	(11,681,309)	**(15,589,723)**	(11,681,309)
		186,560,936	178,896,072	**186,560,936**	178,896,072
Change in unearned premiums	19(b)	**(7,485,800)**	(269,130)	**(7,485,800)**	(269,130)
Net earned premiums		**179,075,136**	178,626,942	**179,075,136**	178,626,942
Gross claims paid	19(a)	**135,911,315**	153,687,364	**135,911,315**	153,687,364
Claims recovered		**(32,710,265)**	(38,995,492)	**(32,710,265)**	(38,995,492)
Movement in claims outstanding and IBNR	19(a)	**(12,231,931)**	(3,925,615)	**(12,231,931)**	(3,925,615)
Net claims incurred		**90,969,119**	110,766,257	**90,969,119**	110,766,257
Underwriting results		**88,106,017**	67,860,685	**88,106,017**	67,860,685
Commission receivable from reinsurers		**2,695,311**	2,329,156	**2,695,311**	2,329,156
Commission payable to agents		**(8,772,189)**	(8,173,164)	**(8,772,189)**	(8,173,164)
Net commissions payable		**(6,076,878)**	(5,844,008)	**(6,076,878)**	(5,844,008)
Underwriting surplus		**82,029,139**	62,016,677	**82,029,139**	62,016,677
Investment and interest income	23	**20,260,056**	22,637,015	**18,752,323**	21,101,886
Operating profit		**102,289,195**	84,653,692	**100,781,462**	83,118,563
Other income	24	**9,216,277**	5,250,631	**9,201,277**	5,241,431
		111,505,472	89,904,323	**109,982,739**	88,359,994
Administrative and other expenses	25(i)	**(62,012,122)**	(55,177,911)	**(61,833,457)**	(54,863,686)
Depreciation and amortisation charge	25(ii)	**(8,650,554)**	(8,196,777)	**(8,648,993)**	(8,190,829)
Profit from operations		**40,842,796**	26,529,635	**39,500,289**	25,305,479
Finance costs	26	**(374,031)**	(250,062)	**(374,031)**	(250,062)
Profit before taxation	25	**40,468,765**	26,279,573	**39,126,258**	25,055,417
Taxation	22(b)	**(8,002,811)**	(1,772,704)	**(7,767,388)**	(1,571,794)
Profit for the year	Rs.	**32,465,954**	24,506,869	**31,358,870**	23,483,623

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, 2020

		THE GROUP		THE COMPANY	
	Notes	**2020**	2019	**2020**	2019
		Rs.	Rs.	**Rs.**	Rs.
Profit for the year		**32,465,954**	24,506,869	**31,358,870**	23,483,623
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on revaluation of land and buildings	5	**9,902,751**	-	**9,902,751**	-
Income tax relating to components of other comprehensive income	13(b)	**(1,683,468)**	-	**(1,683,468)**	-
Items that may be reclassified subsequently to profit or loss:					
Change in fair value of available-for-sale financial assets	11(a)	**(8,887,521)**	2,655,047	**(8,887,521)**	2,655,047
Reclassification adjustments on disposal of financial assets		(96,244)	(2,330,367)	**(96,244)**	(2,330,367)
Other comprehensive income, net of income tax		**(764,482)**	324,680	**(764,482)**	324,680
Total comprehensive income for the year	Rs.	**31,701,472**	24,831,549	**30,594,388**	23,808,303

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, 2020

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, 2020			25,000,000	7,609,063	(111,433)	332,954,287	365,451,917
Profit for the year			-	-	-	32,465,954	32,465,954
Other comprehensive income for the year			-	8,219,283	(8,983,765)	-	(764,482)
Total comprehensive income for the year			-	8,219,283	(8,983,765)	32,465,954	31,701,472
Dividends - 2020	27		-	-	-	(11,750,000)	(11,750,000)
Balance at December 31, 2020		Rs.	**25,000,000**	**15,828,346**	**(9,095,198)**	**353,670,241**	**385,403,389**
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**

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, 2020

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, 2020			25,000,000	7,609,063	(111,433)	301,398,758	333,896,388
Profit for the year			-	-	-	31,358,870	31,358,870
Other comprehensive income for the year			-	8,219,283	(8,983,765)	-	(764,482)
Total comprehensive income for the year			-	8,219,283	(8,983,765)	31,358,870	30,594,388
Dividends - 2020	27		-	-	-	(11,750,000)	(11,750,000)
Balance at December 31, 2020		Rs.	**25,000,000**	**15,828,346**	**(9,095,198)**	**321,007,628**	**352,740,776**
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**

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, 2020

		THE GROUP		THE COMPANY	
	Notes	**2020**	2019	**2020**	2019
		Rs.	Rs.	**Rs.**	Rs.
Cash flows from operating activities					
Cash generated from operations	28(a)	**35,371,612**	5,853,362	**33,572,980**	4,684,872
Interest paid		**(318)**	-	**(318)**	-
Tax paid	22(a)	**(715,635)**	(6,759,615)	**(715,635)**	(6,759,615)
Net cash from/ (used in) operating activities		**34,655,659**	(906,253)	**32,857,027**	(2,074,743)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(9,335,354)**	(21,294,853)	**(9,335,354)**	(21,294,853)
Proceeds from sale of property, plant and equipment		**1,000,000**	-	**1,000,000**	-
Purchase of investment property		**(1,845,843)**	(195,000)	**-**	-
Purchase of intangible assets		**(458,275)**	(92,750)	**(458,275)**	(92,750)
Purchase of investment in financial assets	11	**(19,341,669)**	(139,134,177)	**(19,341,669)**	(139,134,177)
Proceeds from disposal of financial assets		**27,587,651**	62,825,996	**27,587,651**	62,825,996
Dividends received		**341,612**	1,179,373	**341,612**	1,179,373
Proceeds from maturity of deposits		**68,000,000**	137,300,000	**68,000,000**	136,500,000
Additions to deposits		**(87,000,000)**	(51,500,000)	**(87,000,000)**	(49,500,000)
Interest received		**16,567,080**	19,609,268	**16,371,612**	19,412,530
Repayment of loans to related parties	14	**2,635,300**	1,551,583	**2,635,300**	1,551,583
Net cash used in from investing activities		**(1,849,498)**	10,249,440	**(199,123)**	11,447,702
Cash flows from financing activities					
Principal paid on lease liabilities		**(1,930,935)**	(1,790,938)	**(1,930,935)**	(1,790,938)
Effect of modification to lease terms - net		**2,873**	-	**2,873**	-
Interest paid on lease liabilities		**(345,365)**	(250,062)	**(345,365)**	(250,062)
Dividends paid	27	**(11,750,000)**	(5,000,000)	**(11,750,000)**	(5,000,000)
Net cash used in financing activities		**(14,023,427)**	(7,041,000)	**(14,023,427)**	(7,041,000)
Increase in cash and cash equivalents	Rs.	**18,782,734**	2,302,187	**18,634,477**	2,331,959
Movement in cash and cash equivalents					
At January 1,		**23,173,063**	20,870,876	**21,638,888**	19,306,929
Increase		**18,782,734**	2,302,187	**18,634,477**	2,331,959
At December 31,	28(b)	**41,955,797**	23,173,063	**40,273,365**	21,638,888

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

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

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.

Amendments to published Standards effective in the reporting period

Definition of a Business (Amendments to IFRS 3) clarifies the definition of a business to help determine whether a transaction should be accounted for as a business combination or an asset acquisition and permits, in certain circumstances, a simplified assessment that an acquired set of activities and assets is not a business. The amendments have no impact on the Group's financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8) clarifies the definition of material and aligns the definitions used across IFRSs and other IASB publications. The amendments have no impact on the Group's financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) provides relief from certain hedge accounting requirements in order to avoid unnecessary discontinuation of existing hedge relationships during the period before the replacement of an existing interest rate benchmark with an alternative interest rate. The amendments have no impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Basis of preparation (cont'd)

Amendments to published Standards effective in the reporting period (cont'd)

Amendments to References to the Conceptual Framework in IFRS Standards relate to minor amendments to various standards to reflect the revised Conceptual Framework for Financial Reporting. The amendments have no impact on the Group's financial statements.

Covid-19-Related Rent Concessions (Amendment to IFRS 16) provides an option to apply a simplified accounting treatment to some lease modifications in the accounts of the lessee. The amendment has no impact on the Group's financial statements.

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) extends the temporary exemption to accounting periods beginning before January 1, 2023. The amendments have no impact on the Group's financial statements.

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, 2021 or later periods, but which the Group 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
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
Annual Improvements 2018-2020
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
Reference to the Conceptual Framework (Amendments to IFRS 3)
Amendments to IFRS 17
IFRS 9 Financial instruments
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

IFRS 17 will be effective for annual periods beginning on or after January 1, 2023. The aim of IFRS 17 is to standardise insurance accounting globally to improve comparability and increase transparency, and to provide users of accounts with the information they need to meaningfully understand the insurer's financial position, performance and risk exposure. The Group plans to apply IFRS 17 as from January 1, 2023. IFRS 9 will then be applied.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 and other beneficiaries if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder. Insurance contracts are derecognised when all rights and obligations are extinguished or expired. 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

Contracts entered into by the Group with reinsurers under which the Group is indemnified for losses on one or more contracts issued by the Group are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. The indemnity to which the Group is entitled under their reinsurance contracts held is recognised as reinsurance assets. These assets consist of short-term balances due from Reinsurers that are dependent on the expected claims and indemnity arising under the related reinsured insurance 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.

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.

Excess-of-loss reinsurance assets are assessed for impairment on a regular basis. If there is objective evidence that the assets are impaired, the accruing amount of the reinsurance assets is reduced to its recoverable amount and impairment is recognised in the profit or loss. By virtue of their nature, risks of impairment for treaty reinsurance assets are remote.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iii) Reinsurance contracts (cont'd)

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***
  Revenue represents premiums receivable net of reinsurances and adjusted for unearned premiums. Short term insurance premiums written reflect business incepted during the year. Unearned premiums are those proprtions of the premiums written in a year that relate to periods of risk after the end of the reporting period. Unearned premiums are computed on a daily pro rata basis (365th method).

- ***Provision for Unearned Premiums (General Business)***
  The provision for unearned premiums represents the proportion of written premiums relating to periods of insurance risks subsequent to the end of the reporting period calculated on a daily pro-rata basis (365th method). The movement on the provision is taken to profit or loss in order that revenue is recognised over the period of the risk.

- ***Claims expenses and outstanding claims provisions - short-term insurance business***
  Claim expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties.

  Outstanding claims provisions are made up of:
  (a) provisions for claims incurred but not reported (IBNR); and
  (b) the net estimated costs of claims admitted or intimated but not yet settled at the end of reporting period.

  Some delays may occassionally be experienced in the modification and settlement of certain types of claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the end of the reporting period. The Company does not discount its liabilities for unpaid claims. Any estimate represents a determination within a range of possible outcomes.

  Outstanding claims provisions are estimated based on known facts at the date of estimation. Estimates are generally set by the Group's claims technicians, applying their experience and knowledge to the circumstances of individual claims. The main underlying assumption is that the Group's past experience can be used to project future claims development and hence ultimate claims costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iv) Short-term insurance (General Business) (cont'd)

- ***Claims expenses and outstanding claims provisions - short-term insurance business (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).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ix) Intangible assets

Computer software

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

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Group and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

(x) Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xi) Investment in subsidiaries (cont'd)

Consolidated financial statements (cont'd)
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.

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 are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

The Company's loans and receivables comprise cash and cash equivalents, and trade and other receivables.

(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.

The Company's held-to-maturity investments comprise of government and corporate bonds.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xii) Financial instruments (cont'd)

(i) Financial assets (cont'd)

Categories of financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xii) Financial instruments (cont'd)

(i) Financial assets (cont'd)

Categories of financial assets (cont'd)

(d) Trade receivables

Premiums receivable and recoveries from third parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of premium receivables was established when there was objective evidence that the Group would not be able to collect all amounts due according to the original terms of receivables.

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

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 and other payables are initially measured 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xiii) Current and deferred income tax (cont'd)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xv) Leases (cont'd)

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.

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.

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 of 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.

<u>Accounting for leases - where Company is the lessor</u>

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.

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) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

(ii) 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.

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

3.1 Insurance risk (cont'd)

(ii) Short term insurance (cont'd)

(a) ***Insurance liabilities (cont'd)***

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.

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 Group is subject to concentration risk in a variety of forms, including:

Product concentration risk

The Group's business is heavily concentrated in the Motor general insurance market. However, the Group offers a diversified portfolio of products and sold through different distribution channels to its customers.

Reinsurance concentration risk

Reinsurance is purchased from a number of providers to ensure that a diverse range of counterparties is contracted with, within the desired credit rating range.

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

	THE GROUP AND THE COMPANY					
	Outstanding claims					
	2020			2019		
Class of Business	No. of claims	Gross	Net	No. of claims	Gross	Net
		Rs.	Rs.		Rs.	Rs.
Motor	4,603	182,420,973	182,420,973	5,639	188,290,767	188,290,767
Liability	19	6,455,610	6,455,610	17	8,993,110	8,993,110
Guarantee	1	2,993,500	2,993,500	1	2,993,500	2,993,500
Property	7	218,725	218,725	10	5,298,725	5,298,725
Transportation	2	135,000	135,000	2	135,000	135,000
Accident and health	3	114,763	114,763	3	97,200	97,200
Engineering	3	112,000	112,000	3	112,000	112,000
Miscellaneous	2	75,000	75,000	2	75,000	75,000
	4,640	192,525,571	192,525,571	5,677	205,995,302	205,995,302
IBNR			6,872,125			5,634,325
			199,397,696			211,629,627

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

3.1 Insurance risk (cont'd)

(ii) Short term insurance (cont'd)

(b) *Concentration of insurance risk (cont'd)*

Reinsurance concentration risk (cont'd)
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.

The Group takes all reasonable steps to ensure that they have appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liabililty for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid at the reporting date. The Group has ensured that the liabilities on the statement of financial position at the reporting date for existing claims whether reported or not are adequate. The Group ensures that claims provisions are determined using the best information available on, for example, claims settlement patterns, forecast inflation and Court awards.

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures but however, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

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.

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 over the ten year period 2010 to 2020. The table illustrates how the estimates of total claims outstanding for each year have changed at successive year ends and the table reconciles the cumulative claims to the amount appearing in the statement of financial position as at December 31, 2020.

GROSS	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**	**Total**
Estimate of ultimate motor claim	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	**Rs.**	**Rs.**
costs:												
- At end of claim year	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	99,448,027	**1,020,612,586**
- one year later	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	153,009,361	-	**1,095,852,330**
- two years later	69,939,518	78,030,261	83,047,354	75,431,112	91,174,791	127,488,099	136,995,546	154,943,246	140,788,210	-	-	**957,838,137**
- three years later	69,856,144	75,942,652	69,504,177	72,477,963	91,251,385	126,705,462	142,909,378	154,909,864	-	-	-	**803,557,025**
- four years later	64,713,951	59,649,159	63,847,418	82,305,222	94,871,398	123,961,367	145,193,326	-	-	-	-	**634,541,841**
- five years later	60,746,885	61,357,345	70,093,972	76,394,747	99,588,674	120,552,234	-	-	-	-	-	**488,733,857**
- six years later	57,090,221	61,020,193	68,940,361	78,579,830	96,702,310	-	-	-	-	-	-	**362,332,915**
- seven years later	57,763,470	60,334,698	69,072,257	71,556,040	-	-	-	-	-	-	-	**258,726,465**
- eight years later	56,977,192	59,320,844	63,130,042	-	-	-	-	-	-	-	-	**179,428,078**
- nine years later	51,949,643	62,579,699	-	-	-	-	-	-	-	-	-	**114,529,342**
- ten years later	50,932,265	-	-	-	-	-	-	-	-	-	-	**50,932,265**
Current estimate of cumulative claims	50,932,265	62,579,699	63,130,042	71,556,040	96,702,310	120,552,234	145,193,326	154,909,864	140,788,210	153,009,361	99,448,027	**1,158,801,378**
Less: Cumulative payments to date	49,581,805	49,430,802	58,662,310	66,617,465	88,176,832	109,570,358	122,188,356	134,555,860	120,830,465	124,035,525	53,925,704	**977,575,482**
Liability recognised in the statements of financial position	1,350,460	13,148,897	4,467,732	4,938,575	8,525,478	10,981,876	23,004,970	20,354,004	19,957,745	28,973,836	45,522,323	**181,225,896**
Liability in respect of prior years												**1,195,077**
Liability in respect of non-motor claims												**10,104,598**
Incurred but not reported (IBNR)												**6,872,125**
											Rs.	**199,397,696**

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

3.1 Insurance risk (cont'd)

(iii) 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.

(iv) Unearned premium

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

(v) Pricing and underwriting risks

The risk of economic loss arising from business being inappropriately accepted (i.e. outside underwriting rules/terms and conditions) and/or incorrectly priced.

Underwriting risk is defined as the risk of insured losses in our general insurance business being higher than our expectations. This may arise from the type of products, the inaccurate pricing of risks when underwritten or when assumptions made in product design differ from the actual experience. To mitigate such risks, underwriting guidelines are reviewed regularly.

(vi) Claims risks

General insurance risk arises from: fluctuations in the timing, frequency, severity of claims and claim settlements relative to expectations, unexpected claims arising from a single source, and inadequate reinsurance protection or other risk transfer techniques.

(vii) Catastrophe risk

The risk of loss, or of adverse change, in the value of the insurance liabilities resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

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

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

3.2 Financial risk factors (cont'd)

(i) **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet all or part of its contractual obligations. The Group's credit risk is primarily attributable to insurance receivables (i.e. insurance contract holders and insurance intermediaries) rece, reinsurer's share of insurance liabilities and amounts due from reinsurers in respect of claims already paid. The amounts presented in the statement of financial position are net of allowances for estimated irrecoverable amounts receivable, based on management's prior experience and the current economic environment.

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.

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.

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

3.2 Financial risk factors (cont'd)

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

	Neither past due nor impaired	Financial assets that are past due			Financial assets that have been impaired	Carrying amount at year end
		3mth-6mth	6mth-1yr	>1 yr		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
December 31, 2020						
- Trade and other receivables	**7,746,513**	**3,371,192**	**6,284,882**	**42,110,998**	**(2,673,323)**	**56,840,262**
- Other financial assets	**519,844,300**	-	-	-	-	**519,844,300**
December 31, 2019						
- Trade and other receivables	55,129,420	-	-	395,758	(395,758)	55,129,420
- Other financial assets	501,934,035	-	-			501,934,035

THE COMPANY

	Neither past due nor impaired	Financial assets that are past due			Financial assets that have been impaired	Carrying amount at year end
		3mth-6mth	6mth-1yr	>1 yr		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
December 31, 2020						
- Trade and other receivables	**7,584,051**	**3,371,192**	**6,284,882**	**42,110,998**	**(2,673,323)**	**56,677,800**
- Other financial assets	**513,661,868**	-	-	-	-	**513,661,868**
December 31, 2019						
- Trade and other receivables	54,930,070	-	-	395,758	(395,758)	54,930,070
- Other financial assets	495,899,860	-	-	-	-	495,899,860

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

3.2 Financial risk factors (cont'd)

(ii) **Interest rate risk**

Interest rate risk arises from the Group's investment in fixed income securities (held-to-maturity investments). Exposure to interest rate risk is closely monitored by management.

Short term insurance liabilities are not discounted and therefore 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, a reduction of interest rates would normally produce higher insurance liability. the class of insurance to which bodily injury related claims are as follows: accident & health and motor.

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
	±1%	±1%
	Rs.	Rs.
At December 31, 2020		
- Bank balances and deposits	**3,734,558**	**3,672,734**
At December 31, 2019	Rs.	Rs.
- Bank balances and deposits	4,596,491	4,556,387

(iii) **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.

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
	±10%
	Rs.
At December 31, 2020	
- Available-for-sale financial assets	**3,860,278**
At December 31, 2019	
- Available-for-sale financial assets	4,489,067

(iv) **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, 2020					
Trade and other payables		**26,813,056**	**-**	**-**	**26,813,056**
Lease liabilities	Rs.	**1,747,951**	**1,394,414**	**2,335,412**	**5,477,777**
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

THE COMPANY		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
		Rs.	Rs.	Rs.	Rs.
At December 31, 2020					
Trade and other payables		**25,924,987**	**-**	**-**	**25,924,987**
Lease liabilities	Rs.	**1,747,951**	**1,394,414**	**2,335,412**	**5,477,777**
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

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, 2020 and 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.

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.

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.

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.

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

(i) **2020**	Freehold Land Rs.	Improvement to Land Rs.	Freehold Building Rs.	Improvement to Leasehold Building Rs.	Motor Vehicles Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Assets in progress Rs.	Total Rs.
COST OR VALUATION									
At January 1, 2020	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
Additions	-	70,000	106,767	17,948	7,914,700	529,668	696,271	-	9,335,354
Disposal	-	-	-	-	(4,184,400)	-	-	-	(4,184,400)
Revaluation surplus	4,903,192	-	1,382,312	-	-	-	-	-	6,285,504
At December 31, 2020									
- Cost	-	**546,500**	-	**3,560,254**	**16,358,900**	**5,776,747**	**12,839,504**	**342,528**	**39,424,433**
- Valuation	**37,920,692**	-	**31,100,000**	-	-	-	-	-	**69,020,692**
	37,920,692	**546,500**	**31,100,000**	**3,560,254**	**16,358,900**	**5,776,747**	**12,839,504**	**342,528**	**108,445,125**
DEPRECIATION									
At January 1, 2020	-	17,208	1,777,831	1,561,282	7,346,861	3,604,775	9,581,125	-	23,889,082
Charge for the year	-	49,984	1,839,416	355,692	2,719,803	302,648	993,356	-	6,260,899
Disposal	-	-	-	-	(4,114,660)	-	-	-	(4,114,660)
Revaluation adjustments	-	-	(3,617,247)	-	-	-	-	-	(3,617,247)
At December 31, 2020	-	**67,192**	-	**1,916,974**	**5,952,004**	**3,907,423**	**10,574,481**	-	**22,418,074**
NET BOOK VALUE									
At December 31, 2020	**Rs. 37,920,692**	**479,308**	**31,100,000**	**1,643,280**	**10,406,896**	**1,869,324**	**2,265,023**	**342,528**	**86,027,051**

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

(a) THE GROUP

(ii) **2019**	Freehold Land	Improvement to Land	Freehold Building	Improvement to Leasehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Assets in progress	Total
	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**

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

(b) THE COMPANY

(i) **2020**	Freehold Land	Improvement to Land	Freehold Building	Improvement to Leasehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Assets in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION									
At January 1, 2020	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
Additions	-	70,000	106,767	17,948	7,914,700	529,668	696,271	-	9,335,354
Disposals	-	-	-	-	(4,184,400)	-	-	-	(4,184,400)
Revaluation surplus	4,903,192	-	1,382,312	-	-	-	-	-	6,285,504
At December 31, 2020									
- Cost	-	**546,500**	-	**3,560,254**	**16,358,900**	**5,682,620**	**12,539,666**	**342,528**	**39,030,468**
- Valuation	**37,920,692**	-	31,100,000	-	-	-	-	-	**69,020,692**
	37,920,692	**546,500**	**31,100,000**	**3,560,254**	**16,358,900**	**5,682,620**	**12,539,666**	**342,528**	**108,051,160**
DEPRECIATION									
At January 1, 2020	-	17,208	1,777,831	1,561,282	7,346,861	3,512,322	9,281,287	-	23,496,791
Charge for the year	-	49,984	1,839,416	355,692	2,719,803	301,087	993,356	-	6,259,338
Disposal	-	-	-	-	(4,114,660)	-	-	-	(4,114,660)
Revaluation adjustments	-	-	(3,617,247)	-	-	-	-	-	(3,617,247)
At December 31, 2020	-	**67,192**	-	**1,916,974**	**5,952,004**	**3,813,409**	**10,274,643**	-	**22,024,222**
NET BOOK VALUE									
At December 31, 2020	**Rs. 37,920,692**	**479,308**	**31,100,000**	**1,643,280**	**10,406,896**	**1,869,211**	**2,265,023**	**342,528**	**86,026,938**

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

(b) THE COMPANY

(ii) **2019**		Freehold Land	Improvement to Land	Freehold Building	Improvement to Leasehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Assets in progress	Total
		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**

(c) Depreciation charge of Rs.6,260,899 (2019: Rs.6,065,257) for the Group and Rs. 6,259,338 (2019: Rs.6,059,309) for the Company has been charged to statements of profit or loss.

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

(d) The Group's freehold land and building were revalued on December 31, 2020 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	
		2020	2019
		Rs.	Rs.
Freehold land		**37,920,692**	33,017,500
Buildings		**31,100,000**	27,833,090
Total	Rs.	**69,020,692**	60,850,590

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	10,459 - 47,314
Building	1,248-12,244

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	
		2020	2019
		Rs.	Rs.
At January 1,		**60,850,590**	42,500,000
Addition		**173,959**	20,128,421
Depreciation charge for the year		**(1,839,416)**	(1,777,831)
Revaluation surplus		**9,835,559**	-
At December 31,	Rs.	69,020,692	60,850,590

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

		THE GROUP AND THE COMPANY	
		2020	2019
		Rs.	Rs.
Cost		**24,323,994**	24,147,227
Accumulated depreciation		**(93,065)**	(82,135)
Net book value	Rs.	**24,230,929**	24,065,092

6A. RIGHT-OF-USE ASSETS

THE GROUP AND THE COMPANY

		2020	2019
BUILDINGS		**Rs.**	Rs.
At January 1,		**2,887,629**	4,441,519
Effect of modification to lease terms		**(97,021)**	-
Additions		**4,526,004**	326,275
Amortisation		**(2,048,941)**	(1,880,165)
At December 31,	Rs.	**5,267,671**	2,887,629

6B. LEASE LIABILITES

THE GROUP AND THE COMPANY

		2020	2019
		Rs.	Rs.
BUILDINGS			
At January 1,		**2,976,856**	4,441,519
Effect of modification to lease terms		**(94,148)**	-
Additions		**4,526,004**	326,275
Interest expense		**345,365**	250,062
Lease payments		**(2,276,300)**	(2,041,000)
At December 31,	Rs.	**5,477,777**	2,976,856
Non-current		**3,729,826**	1,603,300
Current		**1,747,951**	1,373,556
	Rs.	**5,477,777**	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.

	Lease Contracts Number	*Fixed payments %*	*Variable payments %*	*Sensitivity Rs.*
December 31, 2020				
Property leases with fixed payments	**15**	**100**	**-**	**-**
December 31, 2019				
Property leases with fixed payments	10	100	-	-

(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.

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

(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.nil (2019: 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 PROPERTIES

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
		Rs.	Rs.	**Rs.**	Rs.
Fair value model					
At January 1,		**81,395,000**	81,200,000	**24,200,000**	24,200,000
Additions		**1,845,843**	195,000	**-**	-
Fair value adjustments		**1,659,157**	-	**1,800,000**	-
At December 31,	Rs.	**84,900,000**	81,395,000	**26,000,000**	24,200,000

The investment properties were valued on December 31, 2020 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, 2020.

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

Significant unobservable valuation input:	***Rs.***
Price per square metre:	
Land	40,167-57,971
Buildings	21,634

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

7. INVESTMENT PROPERTY (CONT'D)

Details of the Group's and the Company's investment properties and information about the fair value hierarchy as are as follows:

		Level 2	
December 31, 2020		**THE GROUP**	**THE COMPANY**
		Rs.	**Rs.**
Land		**16,100,000**	**16,100,000**
Buildings		**68,800,000**	**9,900,000**
Total	Rs.	**84,900,000**	**26,000,000**

		Level 2	
December 31, 2019		THE GROUP	THE COMPANY
		Rs.	Rs.
Land		15,000,000	15,000,000
Buildings		66,395,000	9,200,000
Total	Rs.	81,395,000	24,200,000

The following amounts have been recognised in profit or loss:

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
		Rs.	Rs.	**Rs.**	Rs.
Rental income		**1,698,287**	1,701,822	**245,180**	340,300
Direct operating expenses arising from investment properties that generate rental income	Rs.	**378,955**	257,658	-	-

8. INTANGIBLE ASSETS

THE GROUP AND THE COMPANY		Computer software
		Rs.
(a) 2020		
COST		
At January 1,		**2,207,749**
Addition		**458,275**
Scrap adjustments		**(297,750)**
At December 31,		**2,368,274**
AMORTISATION		
At January 1,		**1,372,110**
Amortisation charge		**340,714**
Scrap adjustments		**(67,929)**
At December 31,		**1,644,895**
NET BOOK VALUES		
At DECEMBER 31,	Rs.	**723,379**

8. INTANGIBLE ASSETS (CONT'D)

(b) 2019

		Computer software	Asset-in-progress	Total
		Rs.	Rs.	Rs.
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**

(c) Amortisation expense of Rs. 340,714 (2019: Rs.251,355) for the Group and the Company has been charged to statements of profit and loss.

9. INVESTMENT IN SUBSIDIARY COMPANY

		THE COMPANY	
		2020	2019
		Rs.	Rs.
(a) Cost			
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	% holding Direct	Main business
				Rs.		
2020						
GFA Investments Ltd	**Mauritius**	**Ordinary**	**December 31, 2020**	**25,000,000**	**100%**	**Rental of building**
2019						
GFA Investments Ltd	Mauritius	Ordinary	December 31, 2019	25,000,000	100%	Rental of building

10. STATUTORY DEPOSITS

Statutory deposits of Rs.8,000,000 (2019: 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% (2019: 3.25% to 4.00%) p.a and have maturity dates varying between December 2021 and October 2022 (2019: December 2021 and October 2022).

11. INVESTMENT IN FINANCIAL ASSETS

(a) THE GROUP AND THE COMPANY

		2020			2019
		Available-for-sale	**Held-to-maturity**	**Total**	Available-for-sale
		Rs.	**Rs.**	**Rs.**	Rs.
At January 1,		**44,890,670**	**117,038,279**	**161,928,949**	85,126,405
Additions		**8,314,294**	**11,027,375**	**19,341,669**	139,134,177
Matured/disposals		**(5,692,037)**	**(21,997,939)**	**(27,689,976)**	(65,009,811)
Transfer to held-to-maturity		**(9,618,710)**	**9,618,710**	**-**	-
Change in fair value (note 17)		**(8,908,803)**	**21,282**	**(8,887,521)**	2,655,047
Gain receivable adjustment		**-**	**-**	**-**	23,131
At December 31,	Rs.	**28,985,414**	**115,707,707**	**144,693,121**	161,928,949

(b) **Available-for-sale financial assets**

		THE GROUP AND THE COMPANY	
		2020	2019
Equity securities at fair value:		**Rs.**	Rs.
- Quoted		**28,424,995**	28,232,037
- Unquoted		**560,419**	588,221
Debt securities at fair value:			
- Listed		**-**	15,660,360
- DEM quoted		**-**	410,052
	Rs.	**28,985,414**	44,890,670

(c) THE GROUP AND THE COMPANY

		Level 1	**Level 3**	**Total**
		Rs.	**Rs.**	**Rs.**
At December 31, 2020				
Available-for-sale financial assets	Rs.	**28,424,995**	**560,419**	**28,985,414**
At December 31, 2019				
Available-for-sale financial assets	Rs.	44,302,449	588,221	44,890,670

(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 costs of unquoted securities approximate their 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.

12. FIXED DEPOSITS

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
Held-to-maturity investments		**Rs.**	Rs.	**Rs.**	Rs.
Maturing:					
up to 3 months		**62,000,000**	23,000,000	**62,000,000**	23,000,000
3 to 6 months		**15,500,000**	25,000,000	**15,500,000**	25,000,000
6 to 12 months		**43,000,000**	25,000,000	**43,000,000**	25,000,000
1 to 5 years		**203,000,000**	231,500,000	**198,500,000**	227,000,000
	Rs.	**323,500,000**	304,500,000	**319,000,000**	300,000,000
Analysed as follows:					
Non-current assets		**203,000,000**	231,500,000	**198,500,000**	227,000,000
Current assets		**120,500,000**	73,000,000	**120,500,000**	73,000,000
	Rs.	**323,500,000**	304,500,000	**319,000,000**	300,000,000

(a) The deposits earn interest at rates varying between 0.75% - 5.40% (2019: 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 (2019: Nil).

13. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method at the rate of 17% (2019: 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	
	2020	2019	**2020**	2019
	Rs.	Rs.	**Rs.**	Rs.
Deferred tax liabilities	**(9,703,522)**	(7,865,017)	**(3,009,197)**	(1,406,115)

At the end of the reporting period, the Group had unused tax losses of Rs.2,172,077 (2019: Rs.2,269,819) 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	
		2020	2019	**2020**	2019
		Rs.	Rs.	**Rs.**	Rs.
At January 1,		**(7,865,017)**	(8,080,575)	**(1,406,115)**	(1,822,583)
Profit or loss credit/(charge) (note 22(b))		**(155,037)**	215,558	**80,386**	416,468
Other comprehensive income charge		**(1,683,468)**	-	**(1,683,468)**	-
At December 31,	Rs.	**(9,703,522)**	(7,865,017)	**(3,009,197)**	(1,406,115)

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) THE GROUP

Deferred tax liabilities		Accelerated tax depreciation	Revaluation of building	Investment property	Right-of-use assets	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
At January 1, 2019		1,135,927	564,700	8,820,317	755,058	11,276,002
Profit or loss (credit)/charge		13,759	-	-	- 264,161	(250,402)
At December 31, 2019		1,149,686	564,700	8,820,317	490,897	11,025,600
Profit or loss charge/(credit)		(44,115)	-	431,980	404,607	792,472
Other comprehensive income		-	1,683,468	-		1,683,468
At December 31, 2020	Rs.	**1,105,571**	**2,248,168**	**9,252,297**	**895,504**	**13,501,540**

Deferred tax assets		Retirement benefit obligations	Tax losses	Lease liabilities	Total
		Rs.	Rs.	Rs.	Rs.
At January 1, 2019		2,065,499	374,870	755,058	3,195,427
Profit or loss credit		203,150	10,999	(248,993)	(34,844)
At December 31, 2019		2,268,649	385,869	506,065	3,160,583
Profit or loss credit/(charge)		228,906	(16,628)	425,157	637,435
At December 31, 2020	Rs.	**2,497,555**	**369,241**	**931,222**	**3,798,018**

		THE GROUP	
		2020	2019
Net deferred tax liabilities		**Rs.**	Rs.
Deferred tax liabilities		**(13,501,540)**	(11,025,600)
Deferred tax assets		**3,798,018**	3,160,583
	Rs.	**(9,703,522)**	(7,865,017)

(ii) THE COMPANY

Deferred tax liabilities		Accelerated tax depreciation	Revaluation of building	Investment property	Right-of-use assets	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
At January 1, 2019		1,134,632	564,700	2,188,750	755,058	4,643,140
Profit or loss (credit)/charge		(198,150)	-	-	(264,161)	(462,311)
At December 31, 2019		936,482	564,700	2,188,750	490,897	4,180,829
Profit or loss credit		169,070	-	-	404,607	573,677
Other comprehensive income		-	1,683,468	-	-	1,683,468
At December 31, 2020	Rs.	**1,105,552**	**2,248,168**	**2,188,750**	**895,504**	**6,437,974**

(ii) THE COMPANY

Deferred tax assets		Retirement benefit obligations	Lease liabilities	Total
		Rs.	Rs.	Rs.
At January 1, 2019		2,065,499	755,058	2,820,557
Profit or loss credit		203,150	(248,993)	(45,843)
At December 31, 2019		2,268,649	506,065	2,774,714
Profit or loss credit/(charged)		228,906	425,157	654,063
At December 31, 2020	Rs.	**2,497,555**	**931,222**	**3,428,777**

13. DEFERRED TAXATION (CONT'D)

		THE COMPANY	
		2020	2019
Net deferred tax liabilities		**Rs.**	Rs.
Deferred tax liabilities		**(6,437,974)**	(4,180,829)
Deferred tax assets		**3,428,777**	2,774,714
	Rs.	**(3,009,197)**	(1,406,115)

14. LOANS TO RELATED PARTIES

		THE GROUP AND THE COMPANY	
		2020	2019
Loans to directors:		**Rs.**	Rs.
At January 1,		**4,332,023**	5,883,606
Repayments		**(2,635,300)**	(1,551,583)
At December 31,	Rs.	**1,696,723**	4,332,023

The above loans to related parties are classified as follows:

Non-current assets		**865,457**	1,696,723
Current assets		**831,266**	2,635,300
	Rs.	**1,696,723**	4,332,023

The loans to directors bear interest at the rate of 4% (2019: 4%) p.a.

15. TRADE AND OTHER RECEIVABLES

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
Trade receivables:		**Rs.**	Rs.	**Rs.**	Rs.
- premium and agents balances		**11,372,260**	10,333,778	**11,372,260**	10,333,778
Less: provision for impairment		**(848,632)**	(395,758)	**(848,632)**	(395,758)
		10,523,628	9,938,020	**10,523,628**	9,938,020
Receivable from insurers/reinsurers		**42,844,009**	41,984,688	**42,844,009**	41,984,688
Other receivables		**3,472,625**	3,206,712	**3,310,163**	3,007,362
	Rs.	**56,840,262**	55,129,420	**56,677,800**	54,930,070

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

(b) As of December 31, 2020, trade receivables of Rs. 848,632 (2019: Rs.395,758) were impaired for the Group and the Company. The amount of the provision as of December 31, 2020 was Rs. 848,632 (2019: 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	
		2020	2019
		Rs.	Rs.
Over 3 months	Rs.	**848,632**	395,758

15. TRADE AND OTHER RECEIVABLES (CONT'D)

As of December 31, 2020, trade receivables of Rs.4,423,617 (2019: Rs.3,414,819) 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	
		2020	2019
		Rs.	Rs.
Over 3 months	Rs.	**4,423,617**	3,414,819

(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	
		2020	2019
		Rs.	Rs.
At January 1, and December 31,	Rs.	**848,632**	395,758

Except for an amount of Rs.1,824,691 included in receivable for reinsurers (2019: Rs.1,896,092), the other classes within trade and other receivables do not include impaired assets (2019: 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	
		2020	2019
		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 (2019: 25,000) with a par value of Rs.1,000 per share (2019: Rs.1,000 per share). All issued shares are fully paid.

(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 surplus	Available-for-sale fair value reserve	Total
			Rs.	Rs.	Rs.
(i)	At January 1, 2020		7,609,063	(111,433)	7,497,630
	Gains on revaluation of land and buildings, net of tax		8,219,283	-	8,219,283
	Change in fair value of financial assets (note 11(a))		-	(8,887,521)	(8,887,521)
	Reclassification adjustments on disposal of financial assets		-	(96,244)	(96,244)
	At December 31, 2020	Rs.	**15,828,346**	**(9,095,198)**	**6,733,148**
(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

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	
		2020	2019
Gross		**Rs.**	Rs.
- Claims reported and loss adjustment expenses (note 19(a))		**192,957,471**	205,995,302
- Claims incurred but not reported (IBNR) (note 19(a))		**6,872,125**	5,634,325
- Unearned premiums (note 19(b))		**106,848,963**	99,363,163
Total gross insurance liabilities	Rs.	**306,678,559**	310,992,790
Net			
- Claims reported and loss adjustment expenses (note 19(a))		**192,525,571**	205,995,302
- Claims incurred but not reported (IBNR) (note 19(a))		**6,872,125**	5,634,325
- Unearned premiums (note 19(b))		**106,848,963**	99,363,163
Total net insurance liabilities	Rs.	**306,246,659**	310,992,790

19. MOVEMENT IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

			THE GROUP AND THE COMPANY			
			2020		2019	
	Short term insurance		**Gross**	**Net**	Gross	Net
(a)	**Claims**		**Rs.**	**Rs.**	Rs.	Rs.
	At January 1,					
	Notified claims		**205,995,302**	**205,995,302**	215,555,242	215,555,242
	Increase in liabilities		**122,441,584**	**122,441,584**	144,127,424	144,127,424
	Cash paid for claims settled in the year		**(135,911,315)**	**(135,911,315)**	(153,687,364)	(153,687,364)
			192,525,571	**192,525,571**	205,995,302	205,995,302
	Incurred but not reported (IBNR)		**6,872,125**	**6,872,125**	5,634,325	5,634,325
	At December 31,	Rs.	**199,397,696**	**199,397,696**	211,629,627	211,629,627
	Movement in claims outstanding and IBNR			**(12,231,931)**		(3,925,615)

19. MOVEMENT IN INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONT'D)

(b) Provision for unearned premiums

		THE GROUP AND THE COMPANY			
		2020		2019	
		Gross	**Net**	Gross	Net
		Rs.	**Rs.**	Rs.	Rs.
At January 1,		**99,363,163**	**99,363,163**	99,094,033	99,094,033
Increase/(decrease) during the year		**7,485,800**	**7,485,800**	269,130	269,130
At December 31,	Rs.	**106,848,963**	**106,848,963**	99,363,163	99,363,163

20. RETIREMENT BENEFIT OBLIGATIONS

		THE GROUP AND THE COMPANY	
		2020	2019
		Rs.	Rs.
Amount recognised in the statements of financial position as non-current liabilities:			
- Other post retirement benefits (note 20(a))	Rs.	**14,691,500**	13,345,000
Amount charged to profit or loss:			
- Other post retirement benefits (note 20(a))	Rs.	**2,408,729**	1,195,000

(a) Other post retirement benefits

Other post retirement benefits comprise mainly of gratuity on retirement payable under the Workers' Right Act 2019 and other benefits.

		THE GROUP AND THE COMPANY	
		2020	2019
		Rs.	Rs.
At January 1,		**13,345,000**	12,150,000
Payments		**(1,062,229)**	-
Total expense charged in profit or loss		**2,408,729**	1,195,000
At December 31,	Rs.	**14,691,500**	13,345,000

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	
		2020	2019	**2020**	2019
Trade payables:		**Rs.**	Rs.	**Rs.**	Rs.
- amounts due to reinsurers		**6,303,151**	3,097,789	**6,303,151**	3,097,789
Accrued expenses		**7,572,883**	4,970,967	**7,572,883**	4,970,967
Other payables		**12,937,022**	8,465,010	**12,048,953**	8,049,242
	Rs.	**26,813,056**	16,533,766	**25,924,987**	16,117,998

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

22. INCOME TAX

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
		Rs.	Rs.	**Rs.**	Rs.
(a) Statements of financial position					
At January 1,		**(1,864,038)**	2,907,315	**(1,864,038)**	2,907,315
Overprovision		**1,710,187**		**1,710,187**	-
Income tax charge for the year at 15% (2019: 15%)		**5,992,672**	1,754,349	**5,992,672**	1,754,349
Net tax paid during the year		**(715,635)**	(6,759,615)	**(715,635)**	(6,759,615)
Corporate social responsibility		**144,915**	233,913	**144,915**	233,913
At December 31,	Rs.	**5,268,101**	(1,864,038)	**5,268,101**	(1,864,038)
Analysed as follows:					
Current tax liabilities		**5,268,101**	-	**5,268,101**	-
Current tax assets		**-**	(1,864,038)	**-**	(1,864,038)
Net current tax assets	Rs.	**5,268,101**	(1,864,038)	**5,268,101**	(1,864,038)
(b) Statements of profit or loss					
Income tax charge on the adjusted profit for the year at 15% (2019:15%)		**5,992,672**	1,754,349	**5,992,672**	1,754,349
Corporate social responsibility		**144,915**	233,913	**144,915**	233,913
Overprovision		**1,710,187**	-	**1,710,187**	-
		7,847,774	1,988,262	**7,847,774**	1,988,262
Deferred tax (note 13(b))		**155,037**	(215,558)	**(80,386)**	(416,468)
Net charge for the year	Rs.	**8,002,811**	1,772,704	**7,767,388**	1,571,794

(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	
		2020	2019	**2020**	2019
		Rs.	Rs.	**Rs.**	Rs.
Profit before taxation		**40,468,765**	26,279,573	**39,126,258**	25,055,417
Tax calculated at 15% (2019: 15%)		**6,070,315**	3,941,936	**5,868,939**	3,758,313
Expenses not deductible for tax purposes		**3,507,603**	1,453,233	**3,732,922**	1,452,341
Income not subject to tax		**(1,875,059)**	(3,650,526)	**(1,899,002)**	(3,456,305)
Tax losses		**-**	9,706	**-**	-
Corporate social responsibility		**144,915**	233,913	**144,915**	233,913
Deferred tax		**155,037**	(215,558)	**(80,386)**	(416,468)
Tax charge	Rs.	**8,002,811**	1,772,704	**7,767,388**	1,571,794

23. INVESTMENT AND INTEREST INCOME

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
		Rs.	Rs.	**Rs.**	Rs.
Interest income		**16,567,080**	19,609,268	**16,371,612**	19,435,661
Dividend income		**341,612**	1,179,373	**341,612**	1,179,373
(Loss)/gain on disposal of financial assets		**(6,081)**	146,552	**(6,081)**	146,552
Gain on revaluation on investment property (note 6)		**1,659,158**	-	**1,800,000**	-
Rental income		**1,698,287**	1,701,822	**245,180**	340,300
	Rs.	**20,260,056**	22,637,015	**18,752,323**	21,101,886

24. OTHER INCOME

	THE GROUP		THE COMPANY	
	2020	2019	**2020**	2019
	Rs.	Rs.	**Rs.**	Rs.
Policy fees	**5,022,900**	4,875,700	**5,022,900**	4,875,700
Profit on disposal of property, plant and equipment	**700,439**	-	**700,439**	-
Others	**3,492,938**	374,931	**3,477,938**	365,731
Rs.	**9,216,277**	5,250,631	**9,201,277**	5,241,431

25. PROFIT BEFORE TAXATION

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

(i) Administrative and other expenses

	THE GROUP		THE COMPANY	
	2020	2019	**2020**	2019
	Rs.	Rs.	**Rs.**	Rs.
Employee benefit expense (see note 25(iii) below	**40,158,018**	36,264,266	**40,149,218**	36,228,197
Marketing expenses	**902,008**	1,014,165	**902,008**	1,012,539
Utilities	**3,610,841**	3,681,550	**3,575,722**	3,667,966
Printing and stationery	**1,125,132**	817,363	**1,125,132**	817,363
Repairs and maintenance	**1,490,625**	1,457,523	**1,383,506**	1,398,413
Rent and rates	**114,824**	241,174	**13,587**	139,937
Licence and FSC fees	**5,111,110**	4,573,432	**5,092,361**	4,554,175
IT expense	**340,940**	478,617	**340,940**	478,617
Professional expenses	**2,098,321**	1,323,063	**1,961,560**	1,240,063
Bank charges	**899,021**	680,114	**898,174**	679,773
Towing and other related services	**2,414,075**	2,157,325	**2,414,075**	2,157,325
Other expenses	**3,747,207**	2,489,319	**3,977,174**	2,489,318
Rs.	**62,012,122**	55,177,911	**61,833,457**	54,863,686

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	
	2020	2019	**2020**	2019
	Rs.	Rs.	**Rs.**	Rs.
Property, plant and equipment (note 5)	**6,260,899**	6,065,257	**6,259,338**	6,059,309
Right-of-use assets (note 6)	**2,048,941**	1,880,165	**2,048,941**	1,880,165
Intangible assets (note 8)	**340,714**	251,355	**340,714**	251,355
Rs.	**8,650,554**	8,196,777	**8,648,993**	8,190,829

(iii) Employee benefit expense

	THE GROUP		THE COMPANY	
	2020	2019	**2020**	2019
	Rs.	Rs.	**Rs.**	Rs.
Wages and salaries, including termination benefits	**36,172,862**	33,699,210	**36,164,062**	33,663,141
Social security costs	**1,576,427**	1,370,056	**1,576,427**	1,370,056
Other post-retirement benefits (note 20(a))	**2,408,729**	1,195,000	**2,408,729**	1,195,000
Rs.	**40,158,018**	36,264,266	**40,149,218**	36,228,197

26. FINANCE COSTS

		THE GROUP AND THE COMPANY	
		2020	2019
		Rs.	Rs.
Foregin exchange loss		**30,133**	-
Interest expense:			
Leases		**345,365**	250,062
Gain on modification of leases		**(1,785)**	-
Bank overdraft		**318**	-
	Rs.	**374,031**	250,062

27. DIVIDENDS

		THE GROUP AND THE COMPANY	
		2020	2019
		Rs.	Rs.
Amount recognised as distributions to equity holders in the year:			
Dividend for the year ended December 31, 2020 of Rs.470 (2019: Rs.200) per share	Rs.	**11,750,000**	5,000,000

28. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) **Cash generated from operations**		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
		Rs.	Rs.	**Rs.**	Rs.
Profit before taxation		**40,468,765**	26,279,573	**39,126,258**	25,055,417
***Adjustments for*:**					
Depreciation on property, plant and equipment (note 5)		**6,260,899**	6,065,257	**6,259,338**	6,059,309
Amortisation on intangible assets (note 8)		**340,714**	251,355	**340,714**	251,355
Amortisation on right-of-use assets (note 6)		**2,048,941**	1,880,165	**2,048,941**	1,880,165
Gain on revaluation of investment property		**(1,659,158)**	-	**(1,800,000)**	-
Increase in retirement benefit obligations		**1,346,500**	1,195,000	**1,346,500**	1,195,000
Scrapping of intangible assets		**229,821**	-	**229,821**	-
Profit on sale of property, plant and equipment		**(930,260)**	-	**(930,260)**	-
Gain on disposal of financial assets		**6,081**	(146,552)	**6,081**	(146,552)
Interest income		**(16,567,080)**	(19,609,268)	**(16,371,612)**	(19,435,661)
Interest expense		**345,683**	250,062	**345,683**	250,062
Dividend income		**(341,612)**	(1,179,373)	**(341,612)**	(1,179,373)
Change in gross outstanding claims and IBNR		**(12,231,931)**	(3,925,615)	**(12,231,931)**	(3,925,615)
Change in gross unearned premiums		**7,485,800**	269,130	**7,485,800**	269,130
		26,803,163	11,329,734	**25,513,721**	10,273,237
***Changes in working capital*:**					
-trade and other receivables		**(1,710,842)**	(4,863,796)	**(1,747,730)**	(4,873,876)
-trade and other payables		**10,279,291**	(612,576)	**9,806,989**	(714,489)
Cash generated from operations	Rs.	**35,371,612**	5,853,362	**33,572,980**	4,684,872

(b) **Cash and cash equivalents**		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
		Rs.	Rs.	**Rs.**	Rs.
Cash in hand and at bank	Rs.	**41,955,797**	23,173,063	**40,273,365**	21,638,888

28. NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

(b) Cash and cash equivalents (cont'd)

The Bank of Mauritius appointed Mr Mushtaq Oosman as Conservator of Banyan Tree Bank Ltd (BTB) on April 1, 2020. Based on the subsequent updates received from Mr Oosman about potential investor for the acquisition and recapitalisation of BTB, there has been no indication of any potential loss of funds. The directors are of the opinion that all the amounts on Fixed deposits and on the current account will be fully recovered. Therefore, no provision for impairment has been booked in the financial statements as at December 31, 2020.

(b) Reconciliation of liabilities arising from financing activities

	At January 1,	Effect of modification in lease terms	Payments net of interest	Addition	At December 31,
	Rs.	Rs.	Rs.	Rs.	Rs.
2020					
Lease liabilities	**2,976,856**	**(94,148)**	**(1,930,935)**	**4,526,004**	**5,477,777**
2019					
Lease liabilities	4,441,519	-	(1,790,938)	326,275	2,976,856

29. CONTINGENT LIABILITIES

Insurance claims

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

30. EVENTS AFTER REPORTING PERIOD

No material events or circumstances have arisen between the accounting date and the date of this report that would require adjustments to the financial statements.

31. RELATED PARTY TRANSACTIONS

Details of related parties	Relationship	Type of transaction	THE GROUP 2020	THE GROUP 2019	THE COMPANY 2020	THE COMPANY 2019
			Rs.	Rs.	**Rs.**	Rs.
Sale of services:						
Directors	Shareholder	Insurance premium	**172,800**	216,825	**172,800**	216,825
Agents	Shareholder	Insurance premium	**17,290,656**	16,567,934	**17,290,656**	16,567,934
Enterprise that has shareholder in common	Shareholder	Insurance premium	**68,300**	72,100	**68,300**	72,100
Interest income	Executive Directors	Interest income	**91,389**	201,762	**91,389**	201,762
Expenses:						
GFA Investments Ltd	Subsidiary	Rental expense	**-**	-	**276,000**	276,000
Enterprise that has shareholder in common	Shareholder	Rental expense	**618,950**	906,900	**618,950**	906,900
Amount owed by:						
Agents	Shareholder	Insurance receivables	**1,101,473**	816,714	**1,101,473**	816,714
Executive Directors	Shareholder/ Executive Directors	Loan receivable	**1,696,723**	4,332,023	**1,696,723**	4,332,023
Executive Directors	Executive Directors	Insurance receivables	**39,472**	162,972	**39,472**	162,972
Enterprise that has shareholder in common	Shareholder	Insurance receivables	**46,249**	35,900	**46,249**	35,900

(a) For the year ended December 31, 2020, the Group and the Company have not recorded any impairment of receivables relating to amounts owed by related parties (2019: 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 2020	THE GROUP AND THE COMPANY 2019
		Rs.	Rs.
Salaries and short-term employee benefits		**21,965,167**	18,363,671
Post-employment benefits		**426,851**	536,226
	Rs.	**22,392,018**	18,899,897

32. IMPACT OF COVID-19

Impact on premium income

Mauritius was not spared by the COVID-19 pandemic, resulting in a total lockdown of the country from the 20th March 2020. The subsequent curfew order on the 23rd March resulted in an austere slowdown of the general economic activity.

There was a generalised contraction of the economic output during that unprecedented period with the overall rate of business growth of GFA Insurance Ltd experiencing a slowdown for the month of March and April.

An overall growth -17.5% was experienced as compared to same period in 2019. During for the first 4-months of the year, the new Business premium-income registered dropped by 27.5% despite that all our branches were opened on specific days.

The gradual staged return of most business activities of key retail and service sectors as from 15th May 2020 coupled with the lifting of the curfew order on the 1st June was part of a governmental long-term plan for the resumption of the island's economic activity.

The COVID-19 lockdown impacted the business performance of the first 6-months for year 2020 - with the mixed effect of the contraction in new business activity for the period of March to Mid-May coupled with an accelerated recovery in business activity for the last two months of the first semester.

The cumulative growth of 4.4% in the Company's Gross Premium Income for the 1st semester 2020 compared to -6.4% for the same period of 2019, is the direct result of our resilience and how we acted swiftly to recover after the post Covid-19 lockdown period.

Based on the growth pattern from the overall general situation depicted above, the projected growth for the year 2020 was revised to 6% in order to reflect the new business opportunities although some lines of business were adversely affected:

- Motor Insurance: Mainly from sales of New Car channel
- Engineering Insurance-Contractors' All Risks on New Private-Sector Funded projects
- Travel Insurance
- Non-Motor Commercial Insurance-Tourism and Leisure Sector
- Marine Insurance: Export Processing Sector

Growth was maintained during the 2nd semester 2020 to reach a year-on-year growth of 6% representing a Gross Premium Income of Mur 202M.

	2016	2017	2018	2019	2020
Growth year-on-year 1	-	4.8%	-2.0%	1.0%	6.1%
Total GWP (MUR)	183,769,832	192,588,058	188,664,784	190,577,381	202,150,659

With economic uncertainties still the prevailing, the Company has targeted a Gross Premium Income for 2021 of Mur. 206M.

The management will pursue with its growth strategy whilst applying a prudent approach in risk selection criteria. The cumulative growth for the first quarter of 2021 stands at -3% compared to last year.

32. IMPACT OF COVID-19 (CONT'D)

Recoverability of debts from 3rd parties

Various industries within the Mauritian economy have been impacted by the Covid-19 pandemic and during the post lockdown period till now, due consideration was given to this situation, particularly with regards to the renewal of policies or onboarding of new clients from 'at-risk' sectors. A cluster of industries have been earmarked by Management as being at risk and a cautionary note has been issued to GFA's Underwriting team about the clients falling under those categories. Those industries that have mostly been impacted by the pandemic are as

1. Tourism sector (Hotels, tour operators and other operators within this sector such as car rental companies)
2. Aviation sector
3. Restauration industry
4. Retails, artisanal and souvenir shops

During the year under review, management has assessed debtors that are under unexpected financial difficulties following COVID-19 and repayment plans have been devised with the various counterparties. Where the debtors have defaulted on their repayment terms, a provision for impairment has been raised accordingly.

As at December 31, 2020, the provision for impairment on trade debtors stood at Rs. 848,632 (2019: Rs.395,758).

Management assessment of going concern

Management does not foresee any going concern problems as a result of the pandemic for the following reasons:

1. Overall growth of 6% in GWP during FY 2020 as compared to the prior year.
2. Increase in underwriting surplus from Rs.62,016,677 in 2019 to Rs.82,029,139 in 2020.
3. A decrease in number of motor accident resulting in a reduction in claims incurred from Rs.110,766,257 in 2019 to Rs.91,401,019 in 2020.

Impairment of assets

The net book value of property, plant and equipment (PPE) and Intangible assets stood at Rs. 86,026,933 and Rs. 723,379 respectively. PPE consists of land and buildings, computer equipment, furniture and fittings and motor vehicles, while intangibles mostly consists of computer software and website costs. The effect of COVID-19 on the future economic benefits derived from the use of these assets is not expected to be material, hence will not have an impact on valuation of fixed assets at December 31, 2020.

Liquidity risk that the Company might be facing

Despite the effect of COVID-19 on overall liquidity on the market, the Company has managed to curb the negative effects:

(i) As at December 31, 2020, the net current assets position has improved to Rs.223.3M (2019: Rs.154.1M)
(ii) Minimum capital requirement (MCR) at December 31, 2020 has improved to 425% (2019: 422%).

- Management is consistently monitoring the liquidity position of the Company, ie the cash inflows and outflows in a view to sustain the operations of the Company. The monthly cash burnout rate in the 4 months post year end increased to Rs.72.1M (year ended December 31, 2020 - Rs.26.6M).

Impact on employee costs

Management is following closely on the operation and management expenses since the COVID-19 lockdown period of March 2020 and our employee costs are expected to remain at the same level budgeted in 2020.