# SWAN REINSURANCE PCC

ANNUAL REPORT - YEAR ENDED

DECEMBER 31, 2019

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## DIRECTORATE AND ADMINISTRATION

### DIRECTORS

Mr. J.M. Louis RIVALLAND
Mr. A. Michel THOMAS
Mr. T.K. Philippe LO FAN HIN
Mr. M.D. Pierre Dinan, G.O.S.K.
Mr. Victor C. SEEYAVE
Mr. Peroomal Gopallen MOOROOGEN
Mr. Neelkamal Bipin RAGOO

### REGISTERED OFFICE

C/o Citco (Mauritius) Limited
4th Floor, Tower A,
1 Cybercity
Ebene, Mauritius

### AUDITOR

BDO & CO
Chartered Accountants
10, Frère Félix de Valois Street,
Champs de Mars
Port Louis, Mauritius

### BANKER

Mauritius Commercial Bank Ltd
Maubank Ltd
Afrasia Bank Ltd

### SECRETARY

Citco (Mauritius) Limited
4th Floor, Tower A,
1 Cybercity
Ebene, Mauritius

SWAN REINSURANCE PCC (the 'Company') is a Public Interest Entity as defined by the Financial Reporting Act 2004.

## 1. GOVERNANCE STRUCTURE

The Company is headed by a unitary Board. The Board is ultimately responsible for providing effective leadership and is responsible and accountable for the affairs of the Company. The Board assumes responsibility for, inter alia, setting the strategic direction, overseeing the financial and investment affairs, corporate governance, risk management, internal control and compliance issues. The Board is also the link between the Company and the shareholders.

The Company does not have a board charter as it considers that the legislation is sufficiently clear as to the respective roles, responsibilities and authorities of the Board of directors. The Company has a code of ethics which explains the Company's and group's policies on how we conduct business in Mauritius and beyond. Employees, officers and members of the Board of Directors alike commit to understanding the code and abiding by its principles. The principles support full compliance with applicable laws. They also represent the practical ways that we put our values to work every day. Our corporate values, Passion, People and Performance, serve as the foundation for the code. The Code also contains provisions on whistle blowing and provides, inter alia, for anonymous reporting of unethical conducts.

The day to day operations are entrusted to management under the responsibility of the Group Chief Executive. Members of Senior Management at Group Level have clearly defined job descriptions. Being a global business company, the Company is under legal obligation to appoint a management company ("MC") for all its dealing with the Financial Services Commission. CITCO (Mauritius) Limited is the appointed MC and Company Secretary. The MC also look after certain areas of compliance. Swan Corporate Affairs Ltd has been appointed as the joint Company Secretary.

The code of ethics and constitution have been published on the website of SWAN Group.

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Company is headed by a unitary Board. The Board consists of executive and independent directors. Members of the Board have a diverse set of skills, knowledge and come from different sphere of the business community. There is currently no female gender on the Board, as the Board was constituted before such requirement. Collectively, the Board is well structured and of sufficient size to discharge its duties, having regard to the activities and size of the Company.

There are three independent non-executive directors. The independent directors bring a wide range of experience and skills to the Board. They are free from any business or other relationships which could materially affect their ability to exercise independent judgement, constructively dissent and are critical by-standers. Board considers the current mix of executive and independent directors to be appropriate.

The size and composition of the Board complies fully with the requirements of the Insurance Act 2005. All the directors are ordinarily resident in Mauritius.

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

The Directors of the Company were as follows:

| *Executive* | *Independent Non-executive* |
|---|---|
| Louis Rivalland | Pierre Dinan |
| Philippe Lo Fan Hin | Gopallen Mooroogen |
| Neelkamal Ragoo | Victor Seeyave |
| Michel Thomas | |

**Profiles of the directors**

**Louis Rivalland**

Louis Rivalland, born in 1971, holds a Bachelor's degree in Actuarial Science and Statistics, a Post Graduate Diploma in Strategy and Innovation from SAID Business School, University of Oxford and is a qualified Actuary from the Faculty and Institute of Actuaries.

He was part of the management team of Commercial Union in South Africa from 1994 to January 1997 and conducted several assignments for Commercial Union in Europe. From February 1997 to July 1999 he worked as Actuary and Consultant at Watson Wyatt Worldwide developing the investment function as well as enhancing the healthcare function.

In August 1999, he joined SWAN as Consultant to Group Chief Executive. He was involved in the review and setting up of processes and systems for the pensions, investments and life insurance operations and was responsible for the actuarial and consultancy work for the pension schemes.

From January 2002 to December 2004, he acted as Executive Manager of The Anglo-Mauritius Assurance Society Limited, now Swan Life Ltd. In January 2005 he has been appointed Group Chief Operations Officer responsible for the operations of Swan Insurance Company Limited, now Swan General Ltd and The Anglo-Mauritius Assurance Society Limited, now Swan Life Ltd, and member of the Executive Management Committee of Swan.

He has been the President of the Joint Economic Council, now Business Mauritius and of the Insurers' Association of Mauritius. He has played an active role in the development of risk management, investments, insurance and pensions in Mauritius having chaired or been part of various technical committees in these fields.

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

**Profiles of the directors (cont'd)**

**Louis Rivalland (cont'd)**

List of other directorships:

| Name of Company | Particulars of directorship |
|---|---|
| Aprica Investments Co Ltd | Director |
| Manufacturers Distributing Station Limited | Director |
| New Mauritius Hotels Limited | Director |
| Processure Compagnie Limitee | Director |
| Swan Corporate Affairs Ltd | Director |
| Swan Digital Ltd | Director |
| Swan Financial Solutions Ltd | Director |
| Swan Foundation | Director |
| Swan General Ltd | Director |
| Swan International Co Ltd | Director |
| Swan Life Ltd | Director |
| Swan Pensions Ltd | Director |
| Swan Special Risks Company Limited | Director |
| Swan Wealth International Ltd | Director |
| Swan Wealth Managers Ltd | Director |
| Swan Wealth Structured Product Ltd | Director |

**Michel Thomas**

Born in 1959, he holds a Master of Laws (UK) and is a Fellow of the Chartered Insurance Institute (FCII), (UK) as well as an Associate member of the Chartered Institute of Arbitrators. He is also a Chartered Insurer (UK) and a member of the British Insurance Law Association (BILA).

He joined the Company in 1980 and worked as underwriter in various technical departments until 1988. He headed the Claims department before he was promoted as Senior Manager of the Group Research and Development department in 2001.

He is currently the Chief Operations Officer (COO) of Swan General Ltd responsible for the Short-Term Operations of the Company.

His principal areas of specialisation are insurance and reinsurance contract law including policy drafting. He has extensive experience and skill in the handling of complex claims including liability, specialty and medical negligence/malpractice claims. He has worked with international law firms and barristers on a variety of high value casualty and engineering claims as well as on reinsurance conflict of laws and coverage issues. He has also been specialising in arbitration law and alternative dispute resolution (ADR) procedures.

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

**Profiles of the directors (cont'd)**

**Michel Thomas (cont'd)**

As regards the modernisation of our insurance legislation, he has played an important role in the recognition of claims made clauses under Mauritian law and has collaborated closely with the State Law Office and the Regulator in bringing crucial amendments to the Road Traffic Act and other subsidiary legislation. He has also collaborated with the Law Reform Committee (LRC) regarding the review of our insurance contract law provisions in the Civil Code.

List of other directorships:

| Name of Company | Particulars of directorship |
|---|---|
| C-Care (Mauritius) Limited previously known as The Medical and Surgical Centre Limited | Director |
| Swan General Ltd | Director |
| Swan Special Risks Company Limited | Director |

**Gopallen Mooroogen**

Born in 1959, Gopallen Mooroogen is a fellow of the Association of Chartered Certified Accountants (FCCA). He also holds an MBA from the University of Wales/Manchester Business School. He has been a director on the Board of the Stock Exchange of Mauritius (SEM) and the Central Depository Services Ltd (CDS) for a number of years and has been the Chairman of the SEM for a few years. He is currently Head-Finance Transformation at Mauritius Telecom.

List of other directorships:

| Company Name | Position |
|---|---|
| Swan Life Ltd | Director |
| Swan General Ltd | Director |
| Swan Special Risks Company Limited | Director |
| Swan Wealth Managers Ltd | Director |
| Swan Pensions Ltd | Director |

**Victor Seevave**

Born in 1962, he holds a B.A Economics (UK) and an MBA (USA). He is currently the Managing Director of Altima Ltd and previously held several management positions in the food division of the Innodis Group.

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

**Profiles of the directors (cont'd)**

**Victor Seeyave (cont'd)**

List of other directorships:

| Name of Company | Type of Directorship |
|---|---|
| Albacora Ltd | Director |
| Alter Domus (Mauritius) Ltd | Director |
| Alter Domus (Mauritius) Nominees Ltd | Director |
| Altima Ltd | Director |
| Altius Ltd | Director |
| Amplitius Ltd | Director |
| Caxton Consulting Limited | Director |
| Cheh Seeyave Limited | Director |
| Citius Ltd | Director |
| Citius P Ltd | Director |
| Foods Div Ltd | Director |
| Fortius Ltd | Director |
| Hamilton Enterprise Ltd | Director |
| Kenville Investments Limited | Director |
| Promotion Div Ltd | Director |
| Innodis Ltd | Non Executive Chairperson |
| Peninsula Rice Milling Ltd | Director |
| Redbridge Investments Ltd | Director |
| Challenge Hypermarkets Ltd | Director |
| HWFRL Investments Ltd | Director |
| Mocambique Farms, Limitada | Director |
| Poulet Arc - en - Ciel Ltee | Director |
| Supercash Ltd | Director |
| Innodis Poultry Ltd | Director |
| Swan Life Ltd | Director |
| Swan General Ltd | Director |
| Swan Special Risks Company Limited | Director Chairperson |

**Pierre Dinan**

Born in 1937, he holds a BSc. (Econ.) from the London School of Economics and Political Science and is a Fellow of the Institute of Chartered Accountants in England and Wales. He was a Senior Partner at De Chazal du Mée (DCDM) for 20 years until he retired in June 2004. He was also a Director of Multiconsult, a global business management services company for 12 years until 2004. He presently acts as a Company Director for a number of public companies in the manufacturing and financial services sectors respectively. He was the founder Chairperson of the Mauritius Institute of Directors. He is a former independent member of the Monetary Policy Committee set up under the Bank of Mauritius Act.

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

**Profiles of the directors (cont'd)**

**Pierre Dinan (cont'd)**

List of other directorships:

| Name of Company | Type of directorship |
|---|---|
| JPMorgan India Investment Company (Mauritius) Ltd | Director |
| JPMorgan SICAV Investment Company (Mauritius) Limited | Director |
| SBI Resurgent India Opportunities Fund | Director |
| Food Canners Limited | Director |
| Sunkist Investments Limited | Director |
| Delis Foods Limited | Director |
| FCL Industrial Estate Limited | Director |
| Food Canners Marketing Limited | Director |
| Livestock Feed Limited | Director |
| CAM-GTF | Director |
| CAM-GTI | Director |
| Executive International Services Co. Ltd | Director |
| Swan Special Risks Company Limited | Director |
| Les Moulins de la Concorde Limitée | Director |
| SR Global Fund (Mauritius) Limited | Director |
| MC Easy Freight Limited | Director |
| Charles Telfair Co. Ltd | Director |

**Philippe Lo Fan Hin**

Born in 1958, he joined the Company in 1978. He qualified as an Associate of the Chartered Insurance Institute (London) in 1983 (A.C.I.I.) and obtained his Fellowship (F.C.I.I.) in 1991. He is a Chartered Insurer and a member of the Insurance Institute of Mauritius (IIM). He joined the Senior Management team in 2003. He has been working in the Insurance Industry for 42 years. During the past 25 years he has been heading the Reinsurance and Statistics department of the Company. His main responsibility at Swan General Ltd is to ensure that the Company is adequately reinsured with first class security Reinsurers for all the risks emanating from our underwriting activities. He is a member of the Board of Directors of Swan Reinsurance PCC since September 2011 and of Swan Special Risks Company Limited since 2014.

List of other directorships:

| Company Name | Position |
|---|---|
| Swan Special Risks Company Limited | Director |

**Neelkamal Ragoo**

Born in 1975, he started his career with Mauritius Union Assurance Co. Ltd. in 1996, and 4 years later, joined Swan Insurance Company Limited. (now Swan General Ltd.) staying till 2010. Thereafter, Bipin joined Munich Re (Mauritius), where he was the Head of Underwriting. His area of operation, which covered Sub-Saharan Africa, allowed him to hone his knowledge of the underlying intricacies of doing business in this region, as well as to build a solid and reliable network.

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

**Profiles of the directors (cont'd)**

**Neelkamal Ragoo (cont'd)**

He returned to Swan in 2014, heading the Technical Dept., and was appointed Senior Manager in 2016. Currently, Bipin oversees the Technical, Motor and Individual Business Units. He is also responsible for the operations of the Swan Reinsurance PCC, a captive solution provider. Bipin holds a B.Sc. (Hons) in Economics and an MBA and is also a Fellow of the Chartered Insurance Institute.

List of other directorships: None.

The Company Secretary plays a key role in the application of corporate governance. All directors have access to the advice and services of the Company Secretary, who provides guidance to the Directors on their statutory responsibilities, ethics and good governance. The Company Secretary acts as a vital bridge between the board and the executive management and ensures that the management, in a timely manner, provides its board and its committees with all relevant information. The Company Secretary discharged his duties as per the statutory requirements. Mr. Jaiyansing Soobah acts as the Group Company Secretary.

The profile of the Company Secretary is provided below:

Jaiyansing (Shailen) Soobah, born in 1974 and a resident of Mauritius, is a Fellow of the Association of Chartered Certified Accountants and holds a Master in Business Administration. He started his career with De Chazal Du Mée (now BDO) where he spent 10 years in the audit and offshore departments. In 2003, he moved to the Financial Services Commission in the insurance supervision department.

In 2009, he joined CIM Group, and was subsequently appointed as Senior Manager Compliance of the insurance and investment cluster. He joined SWAN with the merger of the insurance businesses of SWAN and CIM in June 2012. He is currently Senior Manager - Group Company Secretary and Group Risk Officer. He also holds directorship positions in the subsidiaries of SWAN Group. He is the Non-Executive Chairman of The Stock Exchange of Mauritius Ltd and a Non-Executive Director of Central Depository & Settlement Co. Ltd.

**Board Committees**

The Company has established its own Audit and Risks Committee and its terms of reference has been published on the SWAN Group's website.

Audit & Risks Committee

**For Internal Audit**

The role and function of the Committee with regards to internal audit matters shall be to:

a) Consider and recommend to the board the appointment or termination of appointment of the internal auditor;
b) Ensure the internal auditor has direct access to the Board Chairperson and to the Committee Chairperson;
c) Review and assess the annual internal audit work plan;
d) Receive any report on the results of the internal auditor's work on a periodic basis;

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

**Board Committees (cont'd)**

Audit & Risks Committee (cont'd)

**For Internal Audit (cont'd)**

e) Review and monitor the Senior Management's responsiveness to the internal auditor's findings and recommendations;
f) If required, meet with the internal auditors at least once a year without the presence of management;
g) Monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system;
h) Direct and supervise investigations into matters within its scope, for example, evaluations of the effectiveness of the company's internal control, cases of employee fraud, misconduct or conflict of interest.

**For External Audit**

The role and function of the Committee with regards to external audit matters shall be to:

a) Consider and make recommendations to the Board, to be put to shareholders for approval at the annual meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
b) Ensure that at least once every seven years the audit services contract is put out to tender;
c) If an auditor resigns, investigate the issues leading to this and decide whether any action is required;
d) Oversee the relationship with the external auditor including (but not limited to):
   i. Recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
   ii. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
   iii. Assessing their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

e) Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.
f) Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present if deemed necessary, to discuss the auditor's remit and any issues arising from the audit.
g) Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
h) Consider whether any significant ventures, investments or operations are not subject to external audit.
i) Obtain assurance from the external auditor(s) that adequate accounting records are being maintained.
j) Review the findings of the audit with the external auditor. This shall include but not be limited to the following:
   1. A discussion of any major issues which arose during the audit;
   2. Key accounting and audit judgements;
   3. Levels of errors identified during the audit; and
   4. The effectiveness of the audit process.

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

**Board Committees (cont'd)**

Audit & Risks Committee (cont'd)

**For External Audit (cont'd)**

k) Review any representation letter(s) requested by the external auditor before they are signed by management.

l) Review the management letter and management's response to the auditor's findings and recommendations.

m) Reviewing progress on implementation of auditors' recommendations.

n) If necessary, develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

**Financial Statements**

a) The Committee will examine and review the quality and integrity of the financial statements of the Company, including its annual reports and any other formal announcement relating to the organization's financial performance.

b) The Committee shall review and report to the Board on significant financial reporting issues and judgements which these financial statements contain having regard to matters communicated to the Committee by the auditor;

c) In particular, the Committee shall review and challenge where necessary;

1. The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
2. Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;
3. The methods used to account for significant or unusual transactions where different approaches are possible;
4. Significant adjustments resulting from the audit; Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the external auditor;
5. The clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
6. All material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and risk management;
7. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board;
8. The basis on which the Company's has been determined a going concern; Capital adequacy and internal controls;
9. Compliance with the financial conditions of any loan covenants; and
10. Reviewing special documents

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

**Board Committees (cont'd)**

Audit & Risks Committee (cont'd)

**Narrative reporting**

Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders and other stakeholders to assess the Company's performance, business model and strategy.

**For internal control and risks governance matters**

The Committee will assist the Board of Directors in fulfilling their corporate governance responsibilities relating to risk management, i.e., in relation to the identification, measurement, monitoring and controlling of the Company's principal business risks. Specifically, the Committee's role is to report to the Board and provide appropriate advice and recommendations on risk issues, in order to facilitate decision-making by the Board and the set-up of the its risk appetite. In so doing, the Committee shall seek to safeguard the interests of the Company by:

a) Ensuring implementation of, and the continuous monitoring of compliance with, the Insurance (Risk Management) Rules 2016 by:
   - defining and, at least annually, reviewing the risk appetite statements and tolerance levels;
   - reviewing the design, completeness and effectiveness of the risk management framework;
   - defining and reviewing the risk management strategy;
   - receiving and reviewing reports/dashboards from Man0agement for risk monitoring; and
   - receiving the auditors' and actuary's report on the compliance and effectiveness of the risk management framework and to recommend necessary actions.

b) Ensuring that the Company's risk exposure is minimised;
c) Ensuring the economy, efficiency and effectiveness of the Company's operations and internal controls and the implementation of established policies and procedures; and
d) Maintaining a close relationship with management.
e) The Committee will discharge these duties by:
   1. Reviewing and assessing the integrity of the risk control systems and ensuring that risk policies and strategies are effectively managed;
   2. Setting out the nature, role, responsibility and authority of the risk management function within the Company and outlining the scope of risk management work;
   3. Keeping abreast of external developments relating to the practice of corporate accountability, i.e. the way those entrusted with the day-to-day management of the Company's affairs are held accountable to shareholders regarding the management of emerging and prospective risks, uncertainties and influences that could impact on the Company's future results;
   4. Reviewing and providing an independent and objective oversight on reports submitted by management on corporate accountability and specifically how associated risks are being mitigated;
   5. Regularly advise the Board on the total process of risk management and risk governance within the Company;
   6. To review the continuous management of risk by Management;

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

**Board Committees (cont'd)**

Audit & Risks Committee (cont'd)

**For internal control and risks governance matters (cont'd)**

7. Keep under review the adequacy and effectiveness of the Company's systems of internal control, including internal financial control and business risk management and maintaining effective internal control systems; and
8. Review and approve the statements to be included in the annual report concerning internal controls and risk management.

**Compliance, Whistleblowing and Fraud**

The Committee shall:

a) Review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
b) Review the Company's procedures for detecting fraud;
c) Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
d) Review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function;
e) Review significant transactions not directly related to the Company's normal business as the Committee might deem appropriate; and
f) Review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company.

The Members of the Audit & Risks Committee consists of three independent non-executive directors including the Chairperson. The Members are:

a) Pierre Dinan (Chairperson)
b) Gopallen Mooroogen
c) Victor Seeyave

Mr. Jaiyansing Soobah, acts as Secretary of the Committee.

The Committee meets at least twice a year. The Group Chief Executive is not a member of the Committee. He is in attendance unless a conflict of interest is likely to arise. Members of the Committee have ample financial awareness. Members of the Senior Management, the external auditors and the internal auditors regularly attend meetings of the Audit & Risks Committee, as are relevant.

During the year, the Committee met twice and the main issues discussed and deliberated on were:

a) Taking cognizance of significant issues from the external auditors' management letter;
b) Approval and recommendation of audited financial statements;
c) Ongoing auditing process.

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

**Board Committees (cont'd)**

Corporate Governance Committee

The Group Corporate Governance Committee's terms of reference, which comprises areas covered by a Nomination and Remuneration Committee, include, inter alia, the following:

a) determining, agreeing and developing the general policy on corporate governance in accordance with the Code of Corporate Governance, legal compliance and ethical policies;
b) assisting the Board on establishing a formal and transparent procedure for developing a remuneration policy for executives and Senior Management;
c) putting in place plans for succession;
d) making recommendations to the Board on all new Board appointments; and
e) determining the level of emoluments of executive, non-executive, independent non-executive directors and Board Committee members.

The Members of the Group Corporate Governance Committee consists of the following Independent non-executive directors:

a) Arif Currimjee
b) Nicolas Maigrot (Chairperson)
c) Gopallen Mooroogen
d) Victor Seeyave

The Group Chief Executive is in attendance. The Company Secretary, Mr. Jaiyansing Soobah, acts as Secretary of the Committee.

The Committee met once during the year. Decisions are also taken by written resolutions. Main issues deliberated by the Committee are remuneration (performance bonus, salary increase), appointment of new directors and corporate governance report.

Attendance of the directors at board meetings and board committees for 2019 were as follows:

At Board Meetings:

| Directors | Board Meeting |
|---|---|
| Number of meetings held | 2 |
| Pierre Dinan | 2 |
| Philippe Lo Fan Hin | 2 |
| Gopallen Mooroogen | 2 |
| Louis Rivalland | 2 |
| Neelkamal Ragoo | 2 |
| Michel Thomas | 2 |
| Victor Seeyave | 2 |

## 2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

**Board Committees (cont'd)**

Corporate Governance Committee (cont'd)

At Committee Meetings

| Committee Members | Audit & Risks Committee | Group Corporate Governance Committee |
|---|---|---|
| Number of meetings held | 2 | 1 |
| Arif Currimjee | N/A | 1 |
| Pierre Dinan | 2 | N/A |
| Nicolas Maigrot | N/A | 1 |
| Gopallen Mooroogen | 2 | 1 |
| Victor Seeyave | 2 | 1 |
| Jaiyansing Soobah (Secretary) (not a member) | 2 | 1 |

## 3. DIRECTOR APPOINTMENT PROCEDURES

Appointment of new directors is subject to a pre-determined process. Potential candidates are identified by the Corporate Governance Committee. The selection is made based on, inter alia, skills, business acumen, industry knowledge, experience and independence (where relevant). The Corporate Governance Committee then makes recommendation to the Board of Directors and/or shareholders (as relevant). Director appointment is also subject to the approval of the Financial Services Commission, under section 24 of the Financial Services Act. The law provides that a director (Officer) must be a fit and proper person.

All new directors are provided with an induction pack, which covers, inter alia, background information on the Company and the group, vison, mission & values, the regulatory and compliance landscape, products and services, governance structure etc. The Group Chief Executive and Group Company Secretary are always available to provide any additional information that may be required by newly appointed directors.

The Constitution of the Company does not provide for annual re-election of directors.

Directors are encouraged to keep themselves updated with industry practices, trends, practices and standards. As and when required or requested, the Company will organize workshops and arrange for training of directors.

Succession planning of key officeholders has been delegated by the Board to the Group Chief Executive. A brief write-up of directors and the Company Secretary, details of the nomination & appointment process and summary of constitution have been published on the website of SWAN Group.

## DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

All directors are aware of their legal duties. Directors' duties emanate mainly from the Companies Act and the Insurance Act.

## 3. DIRECTOR APPOINTMENT PROCEDURES (CONT'D)

### DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)

The Company has a Code of Ethics, which is applicable to employees and Directors. Monitoring day-to-day compliance with the code rests with Senior Management. Important issues, if any, are escalated to the Board. The code explains SWAN Group's policies for how business is conducted in Mauritius and beyond. The principles of the code support full compliance with applicable laws. They also represent the practical ways that SWAN Group put its values to work every day. Our corporate values, Passion, People & Performance, serve as the foundation for this Code. Our values guide our actions in conducting business in a socially responsible and ethical manner. Directors are expected to:

a) act in good faith and in the best interest of the organisation;
b) carry out their duties diligently, in an honest manner and with reasonable competence;
c) observe the highest degree of confidentiality;
d) avoid situations of conflict of interest, and where such situations arise, disclose same and adhere to all procedures for dealing with it;
e) consistently attend board meetings and devote sufficient time to the organisation's business;
f) deal with shares of the company in strict compliance of all relevant laws;
g) abstain from taking improper advantage of their position for personal gain; and
h) abide by all directors' obligations imposed by all laws.

In accordance with the Companies Act 2001, the Company Secretary maintains an interests register. As soon as a Director/Officer becomes aware that he is interested in a transaction, or that his holdings or that of his associates have changed, the interest should be reported to the Company Secretary in writing. The register of Directors' and Officers' Interests is updated with every transaction notified by the Directors/Officers and their associates. All new Directors/Officers are required to notify in writing to the Company Secretary their holdings in the Company's shares. According to the Company's Constitution, a Director is not required to hold shares in the Company. No directors hold shares in the Company for the period under review.

Conflicts of interests are disclosed by directors as soon as they become aware that they are interested in a transaction. All interests, as disclosed by the directors, are recorded. Conflicts of interest and related party transactions have been conducted in strict compliance with applicable legislations and the code of ethics. All related party transactions disclosures, as are legally required to be disclosed, are made in the annual report. The Company does not have any conflict of interest and related party policies as the Board considers that these are adequately covered under current laws.

<u>Information, information technology and information security governance</u>

The Board is responsible for information governance. At Board level, the executive management team and the Group Company Secretary ensure that Directors receive adequate, timely and accurate information to be able to discharge their duties. The Board is under obligations to keep all information confidential. Where necessary in the discharge of their duties, all directors may seek independent professional advice at the Company's expense. The Company has adequate Directors & Officers insurance.

## 3. DIRECTOR APPOINTMENT PROCEDURES (CONT'D)

Information, information technology and information security governance (cont'd)

Day-to-day IT governance and security issues are delegated to Senior Management of SWAN Group. IT expenses are monitored through the budgeting process. SWAN Group has in place a number of IT policies, the purposes of which are to:

a) to clarify the requirements, prohibitions, and procedures applicable to the use of the Company's computing and network resources;
b) provide guidelines to encourage responsible behaviour and good management practice;
c) ensure that IT facilities and services provided by the Company are used legally, securely, effectively and in a spirit of co-operation and trust.

The policies cover a range of aspects, including physical security, users access & passwords, computer viruses, installation & modifications of the IT systems, emails, internet, copyrights & license agreements, smart devices, confidentiality and remote access, SWAN has published a brief of its IT policies on the website of SWAN Group.

No Board evaluation was conducted during the period under review. It has been agreed that the Company will now conduct Board evaluation every 3 years and the Board. The last evaluation was conducted in 2018.

The remuneration policy is considered at Group Level and duties are delegated to the Group Human Resource (HR) management team.

The Remuneration policy has the following aims:

- To support the delivery of the SWAN Group's strategy, whilst ensuring adherence to the SWAN Group's risk appetite;
- To ensure remuneration is competitive for our markets to enable SWAN to attract and retain talent;
- To ensure that pay levels are internally consistent and externally competitive;
- To reward employees according to their market value, performance and contribution;
- To ensure that the remuneration package promotes a high-performance culture and is affordable;
- To ensure fair outcomes for our human resources, shareholders and customers.

Executive directors' remuneration package consists of basic salary, annual performance bonus, pension provision, other benefits and an annual director's fee. The structure of the package is reviewed annually and benchmarked to market norms and practices. The Group's objective is to attract, motivate and retain executive directors of the highest calibre. This is essential for the successful leadership and effective management of the Group.

The remuneration policy for executive directors approaching retirement is determined by the Group Corporate Governance Committee on a case-to-case basis.

## 3. DIRECTOR APPOINTMENT PROCEDURES (CONT'D)

Information, information technology and information security governance (cont'd)

Non-executive directors have not received any remuneration in the form of share options or bonuses associated with the Company's performance. Non-executive directors receive a fixed director fee. The remuneration of the directors for the period under review was as follows:

| Name of Director | Director Fee |
|---|---|
| Victor Seeyave (Chairperson) | USD 550 |
| Pierre Dinan | USD 550 |
| Gopallen Mooroogen | USD 550 |
| Louis Rivalland | - |
| Neelkamal Ragoo | - |
| Philippe Lo Fan Hin | - |
| Michel Thomas | - |

## 4. RISK GOVERNANCE AND INTERNAL CONTROL

The Board has ultimate responsibility for risk management and internal control and remains ultimately responsible for:

a) Setting up a risk management framework;
b) Overseeing the implementation and subsequent monitoring;
c) Determining the risk culture;
d) Providing management with leadership and guidance;
e) Ensuring that any person responsible for risk management has the appropriate skill, knowledge, independence and authority;
f) Defining the roles and responsibilities of management.

The Audit & Risks Committee is mandated by the Board to oversee all risk management and internal control issues. The task of implementing a robust system of risk management has been delegated to Senior Management and the Risk Officer. Internal governance structures include a Risk Management function that complies with legislative requirements as specified by the Insurance (Risk Management) Rules 2016.

The Risk Officer has a duty to report to the Board. Independent reviews are also conducted by the external auditor and the statutory actuary on compliance and effectiveness of the framework, respectively. The Company has an obligation to report to the regulator.

More information on risk is provided in the Risk Management Report.

The system of internal controls has been designed to safeguard assets of the Company from unauthorised use. The Company maintains proper records to ensure effective operation of its business and compliance with laws and regulations. Management is directly responsible for implementing the strategies and policies adopted by the Board, and for managing all of the Company's activities, including the operation of the internal control system. The system of internal controls is designed to provide assurance against material misstatement or loss, and to manage risks of failure in operational systems.

## 4. RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

Key areas of effective internal controls are as follows:

a) A clear organisation structure, including the delegation of appropriate responsibilities to the Board committees, the Group Chief Executive, Senior Management and to the heads of operating units;
b) The effectiveness of internal controls is assessed by considering the recommendations of the Audit & Risks Committee, reports of the internal auditors, statutory actuary and the external auditors;
c) A comprehensive management information and accounting system is in place to provide reliable financial and operational performance data;
d) There is an ongoing effort to review, reassess and document the process and procedures for each operating unit;
e) A compliance function has been put in place under the leadership of the Money Laundering Reporting Officer and clear compliance procedures have been established to ensure compliance with all applicable laws, rules, regulations and codes;
f) Management has put in place appropriate financial and operational controls by way of segregation of duties and financial/monetary limits;

Internal control covers all material functions of the Company. Board, through the Audit & Risks Committee and Senior Management of SWAN Group, is regularly apprised of the assessment of internal control. Deficiencies, if any, are promptly considered by management and action plans devised to address all such deficiencies. Internal and external auditors also have access to the Board.

## 5. REPORTING WITH INTEGRITY

The Board is responsible for the preparation of the annual report and accounts that fairly present the state of affairs of the organisation and the results of its operations and that comply with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the Companies Act. Likewise, the Board has the responsibility for selecting appropriate accounting policies based on reasonable and prudent judgements. The annual report comprises, inter alia, the structure the financial statements and the risk report of the Company. The annual report for the year ended December 31, 2019 will be published on the website of SWAN Group.

The Board considers that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders and other key stakeholders to assess the Company's position, performance and outlook.

For the year ended December 31, 2019, the following directors were common to both the Company and Swan General Ltd:
Gopallen Mooroogen
Louis Rivalland
Victor Seeyave
Michel Thomas

Dividend Policy

The Company does not follow a formal dividend policy. Dividends are declared after taking into account the Company's profitability and the solvency requirements of the Companies Act and the Insurance Act.

## 5. REPORTING WITH INTEGRITY (CONT'D)

Shareholders' Agreement
There were no shareholders' agreement which was executed for the period under review that has an effect on the governance of the Company.

Environmental Issues
The Company has an obligation to protect and preserve the environment. It respects the environment and the business of the Company ensures that there is little impact on the environment. The Company comply with all applicable laws and regulations. We adopt standards, procedures, contingency measures and management systems to ensure that our operations are managed safely, ecologically and in a sustainable way.

Health and Safety
SWAN GROUP has in place well defined procedures and practices with regards to Health and Safety. Wellness programs for employees of the Company are organised regularly.

Social Issues
It is the Company's policy to comply with all applicable laws, rules and regulations. It is the personal responsibility of each Director to adhere to the standards and restrictions imposed by those laws, rules and regulations.

The Company respects each individual's human rights and will not discriminate on the basis of race, color, religion, creed, sex, age, social status, family origin, physical or mental disability or sexual orientation, nor will it commit other violations of human rights.

## 6. AUDIT

Internal Audit
Internal Audit is an objective assurance function reporting to the Audit & Risks Committee and the Board. It derives its authority from the Board through the Audit and Risks Committee. Collectively, Audit Committee members have the necessary financial literacy and expertise. Internal auditors are appointed by the Board, following recommendation from the Audit and Risks Committee. Internal audit of the group is outsourced to Ernst & Young. The Internal Auditors are responsible for providing assurance to the Board, through the Audit & Risk Committee, regarding the implementation, operation and effectiveness of internal control and risks management.

A risk based 3-year road map is prepared. The internal audit plan, which is approved by the Audit and Risks Committee, is based on the principles of risk management to align coverage and effort with the degree of risk attributable to the areas audited. The plan is reviewed yearly.

The Internal Auditors have a direct reporting line to the Audit & Risks Committee and maintain an open and constructive communication with executive management. They also have direct access to the Chairperson of the Committees and of the Board. This reporting structure allows the Internal Auditors to remain independent and report all items of significance to the Board/Audit and Risks Committee. They have unrestricted access to the records, management and employees. They act as a source of constructive advice and best practice, assisting the Audit and Risks Committee in its responsibility to improve the processes by which risks are identified and managed. Internal audit reports are sent to the Audit & Risks Committee.

## 6. AUDIT (CONT'D)

External Audit

Our external auditors are BDO & Co. External auditors are appointed/re-appointed by shareholders. Auditors remuneration is fixed by the Board, following recommendation from the Audit & Risks Committee. External auditors have unrestricted access to the Audit & Risks Committee. The Company is satisfied with the external audit process. The Audit & Risks Committee has not met with external auditor without management present.

During 2019, the following fees apply to BDO & Co:

| | |
|---|---|
| For audit services | USD 6550 |

## 7. RELATIONSHIP WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

The Company and the Board have always maintained an open line of communication with all stakeholders. Key stakeholders of the Company are clients, shareholders, regulators & government authorities, the public and investors, among others. The annual report will be published on the website.

As at December 31, 2019, Swan General Ltd held 100 % of the shareholding of the Company.

The Company normally holds its Annual Meeting in June. The Notice of the meetings of the shareholder are sent before the meetings in accordance with the Companies Act 2001.

**Company Secretary**
**Swan Corporate Affairs Ltd**

Date: 24 August 2020

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors acknowledge their responsibilities for:

(i) the maintenance of adequate accounting records and 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 period and which comply with International Financial Reporting Standards (IFRS);

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

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

The Directors report that:

(i) adequate accounting records and an effective system of internal controls and risk management have been maintained;

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

(iii) International Financial Reporting Standards have been adhered to. Any departure in the interest of fair presentation has been disclosed, explained and quantified;

(iv) The Code of Corporate Governance has been adhered to. Reasons have been provided in the statement of compliance and Corporate Governance Report in case of non compliance with any requirement.

Signed on behalf of the Board of Directors on: 24 August 2020

| | |
|---|---|
| ............................ | ............................ |
| Director | Director |

# RISK MANAGEMENT REPORT – 2019

## Our Risk Environment

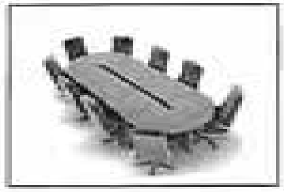
The Company is exposed to a diversity of risks whereby we accept the risks inborn to our core business lines. These risks, however, also create opportunities for innovation and differentiation. We distinguish between strategic and operational risks, which are mitigated through a risk management governance structure.

Risks are managed on a preventive basis as far as possible through various risk management activities. Should risks materialise, SWAN's financial capital is available to absorb the financial impact to ensure we remain solvent to honour our commitments to clients.

## Key components of our Risk Management Framework

Our Risk Management Framework allows the management team, the Audit & Risks Committee and the Board to have a comprehensive view of the risks identified in Swan, hence promoting a combined and integrated risk and assurance function. To ensure the effectiveness of the risk management framework, the Board and Management rely on adequate line functions, including monitoring and assurance.

As per the Insurance (Risk Management) Rules 2016 ('FSC Rules'), our framework complies with the following requirements:

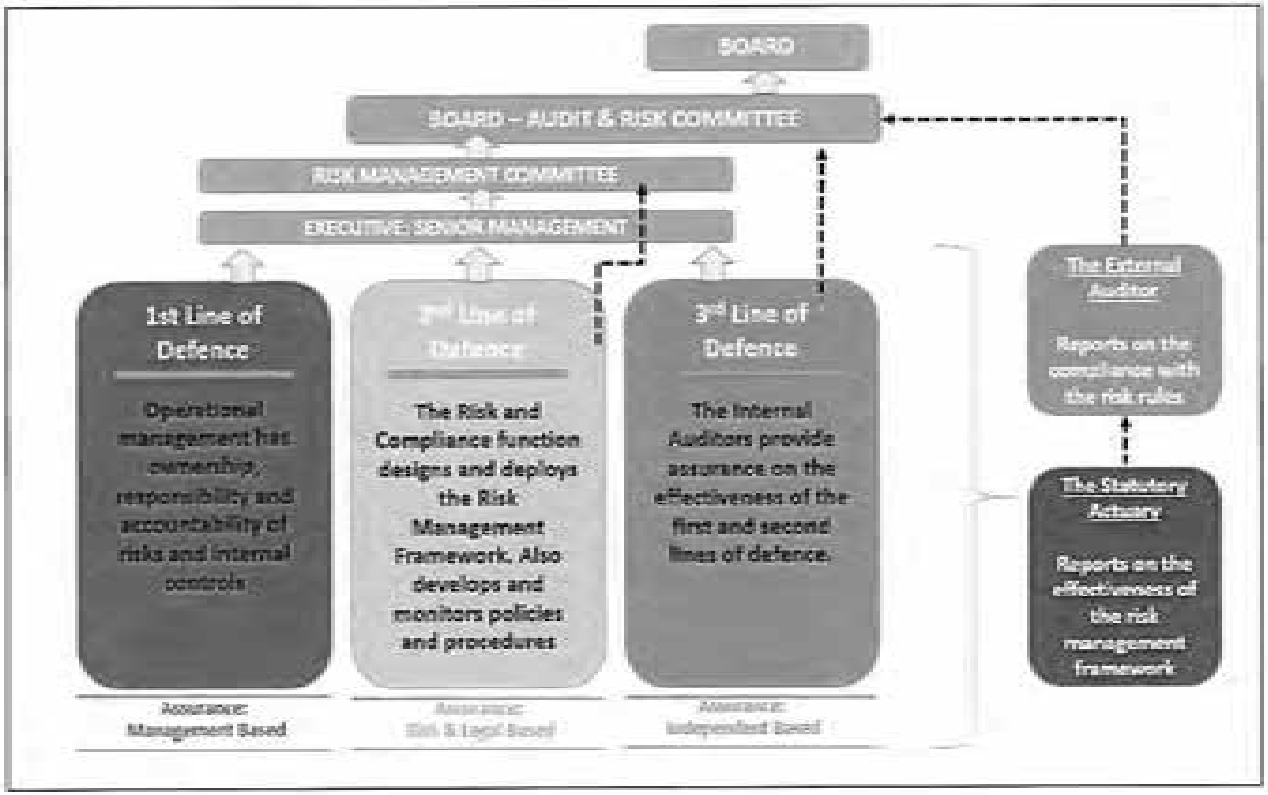


## Responsibility of the Board

The Board of Directors have ultimate responsibility for risk management. The Board is assisted in this task by the Audit & Risk Committee, the Risk Officer and Management.

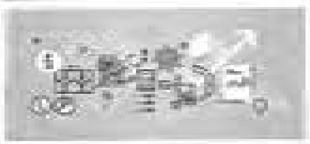
## Our Risk Management Function

Swan has adopted the 'three-lines-of-defence' model where ownership for risk is taken at all levels within Swan. This model is widely adopted by financial services companies globally. It clearly sets out the risk management responsibilities across the business and is consistent with the current regulatory climate encompassing corporate governance, systems and controls.



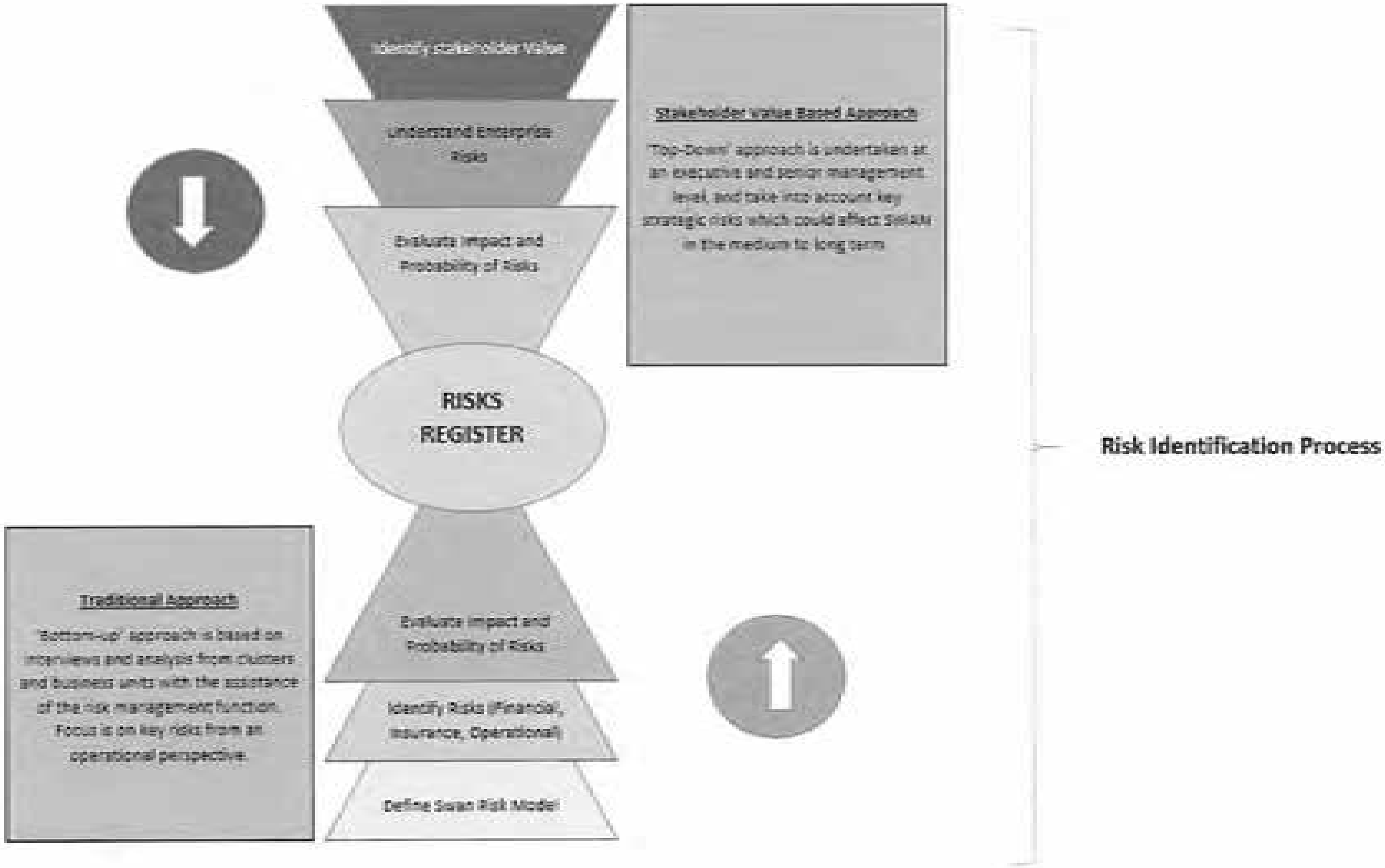
A risk management committee is in place to assist in the implementation of SWAN's risk management framework and internal control system. Among other responsibilities, the committee has the duty to

- Assist the Board/Audit & Risk Committee in its review of the adequacy and effectiveness of the system of internal controls in operation across the Group.
- Manage, review and implement any risk policies for consistency with the risk appetite and to approve any material changes to these policies.
- To ensure that the Company has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate appropriate risk management strategies to manage these risks if any.
- To decide and review the Company's appetite or tolerance for risk.
- Ensure that the effectiveness and the compliance of the Group's risk management framework with the Insurance (Risk Management) Rules 2016 are satisfactory.
- To ensure that a risk awareness culture is promoted throughout the organization.



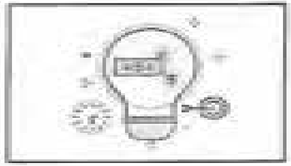
## Risk Appetite Statement & Risk Management Strategy

In order to formulate our risk appetite statements and risk tolerance levels, SWAN has to undergo through a risk identification process and build its risk register to recognize its strategic and operational risks. Risk registers are reviewed and updated in conjunction with Swan's business strategy. The risks that have been identified have been logged, owners have been allocated and progress to mitigate each risk has been recorded.


Identify stakeholder Value
Understand Enterprise Risks
Evaluate Impact and Probability of Risks
Stakeholder Value Based Approach
'Top-Down' approach is undertaken at an executive and senior management level, and take into account key strategic risks which could affect SWAN in the medium to long term
RISKS REGISTER
Risk Identification Process
Traditional Approach
'Bottom-up' approach is based on interviews and analysis from clusters and business units with the assistance of the risk management function. Focus is on key risks from an operational perspective.
Evaluate Impact and Probability of Risks
Identify Risks (Financial, Insurance, Operational)
Define Swan Risk Model

Defining SWAN's risk appetite statements is a vital process whereby limits and benchmarks are set for different risk classes. Below are a few inherent risks which have been identified. For each risk the appropriate Risk Management Strategy (Mitigating measures) is devised and for some of them we have also formulated risk appetite statements. For the year ending 2019, the Board has determined and approved 24 risk appetite statements and we have also performed a half-yearly assessment of our previous RAS whereby there were no breaches of our risk tolerance levels. The table below illustrates a few risk areas which we have formulated Risk Appetite Statements (RAS) and their Risk Mitigation Strategies (RMS):

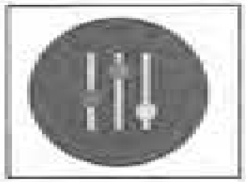
| | |
|---|---|
| Capital Risks<br>• Assess the solvency of the cells<br>• Enforce subscription agreements<br>• Inject capital | Investment Risks<br>• Review investment guidelines<br>• Review asset mix and allocation |
| Insurance Risks<br>• Monitoring of loss ratios<br>• Assess premium adequacy<br>• Review of limits and covers<br>• ORSA | Reinsurance Risks<br>• Use of retrocession<br>• Monitoring of reinsurers' rating |
| Group Risks<br>• Crisis Committee<br>• Ensure communication lines | Outsourcing Risks<br>• Enforce SLA conditions<br>• Proper due diligence on suppliers |
| Operational Risks<br>• Review of processes<br>• Implement system validations<br>• Provide on-going training | Compliance Risks<br>• Engage more resources<br>• Close monitoring<br>• Compliance audit |



### 3-year Rolling Business Plan

Every year a financial forecast is carried out for the next 3 years and the same is validated by the board, executives and operations.

Discussions are made within the group from senior levels to the technical team about strategic objectives such a new ventures and growth.



Assumptions are established: Experience analysis
Technical Reserves
Emerging Risks

The Profit & Loss and Balance sheets are projected over the next three years with our future solvency positons.


Scenarios based on our risk profile are defined and our solvency position is stress tested.

All the assumptions, emerging risks and strategic objectives are documented.

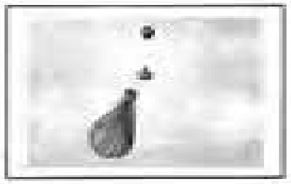
## Liquidity Policy

We have devised a policy since the group has significant cash flow obligations that need to be managed and needs sufficient liquidity to operate efficiently and maintain SWAN's reputation in the markets.


## ORSA

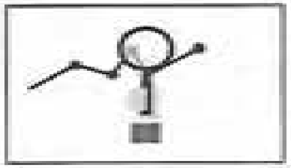
The main objective of Own Risk Solvency Assessment (ORSA) is to allow Board and management and the regulator to more easily and clearly assess the state of enterprise risk management (ERM) in an organization. The ORSA also provides an assessment of the overall financial resources necessary for managing the business based on our risk tolerance levels and business plan.


The Board who has the ultimate responsibility of the ORSA, assesses different risks faced by the organization and determine the risk capital necessary to be maintained against those risks.



## Business Continuity Management

Business Continuity sets out to enhance the strategic and tactical capability of the organisation to plan for and respond to incidents and business disruptions in order to continue business operations at an acceptable pre-defined level. With the rising concern that remote risks such as natural catastrophes, pandemics, fire or technology can potentially represent major threats to Swan, management has implemented business continuity management group-wide. In 2019, we have conducted a business impact analysis (BIA), which is an exercise whereby we have identified potential risk of disruptions and gathered information needed to develop recovery strategies. The BIA has also identified the critical business processes and resources needed for the business to continue to function at different levels.



## Independent Review

Our external auditor and statutory actuary have the duty to review our Risk Management Framework. The external auditor reviews the compliance of our framework with the Insurance (Risk Management) Rules 2016 while the statutory actuary reviews the effectiveness of the framework. Our statutory actuary also makes recommendations on improvements that can be brought to the framework.

**SECRETARY'S CERTIFICATE - YEAR ENDED DECEMBER 31, 2019**

We certify, to the best of our knowledge and belief, that the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001, for the financial year ended December 31, 2019.

CITCO
Citco (Mauritius) Limited

**Citco (Mauritius) Limited**
**Company secretary**

**4th Floor, Tower A**
**1 Cybercity, Ebene**
**Mauritius**

**Date:**

## STATEMENT OF COMPLIANCE
## SECTION 75(3) OF THE FINANCIAL REPORTING ACT

**Name of PIE: SWAN REINSURANCE PCC (the 'Company')**

**Reporting Period: Year ended December 31, 2019**

Throughout the year ended 31st December 2019, to the best of the Board's knowledge the Company has complied with the National Code of Corporate Governance for Mauritius (2016) (the Code). The Company has applied all of the principles set out in the Code and explained how these principles have been applied.

**SIGNED BY:**

Names: ..................................
**CHAIRPERSON**

..................................
**DIRECTOR**

**DATE:** 24 August 2020

**DATE:** 24 August 2020

BDO

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Fax: +230 202 9993
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10, Frère Félix de Valois Street
Port Louis, Mauritius
P.O. Box 799

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SWAN REINSURANCE PCC



## Report on the audit of the Financial Statements

### Opinion

We have audited the financial statements of Swan Reinsurance PCC (the "Company"), on pages 7 to 39 which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement 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 7 to 39 give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements 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.

### Carrying value of Financial Assets

### Key Audit Matter

The Company hold investments in financial assets at fair value through other comprehensive income with a carrying amount of USD 6.1m at reporting date. Financial assets has been identified as a Key Audit Matter because of its significance on the statement of financial position. In assessing the fair value of financial assets, the Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Many of the inputs required can be obtained from readily available liquid market prices and rates. Where observable market data is not available, estimates must be developed based on the most appropriate source data and are subject to significant judgement.

### Related Disclosures

Refer to note 5, note 2.2 (accounting policies), note 3.2 (financial risk) and notes 4.3 (critical accounting estimates) of the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SWAN REINSURANCE PCC



**Report on the audit of the Financial Statements**

**Audit Response**

- We performed audit procedures over the valuation and accounting of financial assets held by the Company. We ensured the financial assets are being recognised, measured and disclosed in line with the respective IFRS.
- We tested the design and implementation and operating effectiveness of the key controls over the investment valuation process. We tested, on a sample basis, their valuation at the year end and we ascertained that the valuation techniques used are appropriate and consistently applied.
- We requested independent confirmation on the quantity and the corresponding price of the foreign and the local securities at the reporting date.
- For unquoted financial assets classified as level 3, we tested that the valuation techniques adopted reflect the best appropriate basis for valuation of the investments. We checked the reasonableness of inputs to the valuation techniques used.
- We reviewed and discussed with management and those charged with governance the Company's assessment of whether there is objective evidence that a financial asset is impaired and the completeness of impaired assets.
- We carried out impairment tests. Impairment tests include review of performance and the factors affecting the investee company, ability to pay dividend, analysis of market price trend, the reasonableness of significant judgements made and the business outlook.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report and risk management 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 financial statements 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 financial statements, the public interest entity has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SWAN REINSURANCE PCC



**Report on the audit of the Financial Statements**

**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 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 Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SWAN REINSURANCE PCC**



**Report on the audit of the Financial Statements**

**Responsibilities of Directors and Those Charged with Governance for the Financial Statements (cont'd)**

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

*Companies Act 2001*
We have no relationship with, or interests in, the Company, other than in our capacity as auditor 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 shareholder of Swan Reinsurance PCC (the "Company"), 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 shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

BDO & Co

**BDO & Co**
*Chartered Accountants*

**Ameenah Ramdin, FCCA, ACA**
Licensed by FRC

Port Louis,
Mauritius.

August 24, 2020

## STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2019

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | USD | USD |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Financial assets at fair value through other comprehensive income | 5 | 6,152,021 | 5,854,990 |
| Financial assets at amortised cost | 6 | 622,970 | 833,057 |
| | | 6,774,991 | 6,688,047 |
| **Current assets** | | | |
| Financial assets at amortised cost | 6 | 165,132 | - |
| Insurance receivables | 7 | 510,441 | 286,935 |
| Other assets | 8 | 11,535 | 7,808 |
| Cash and cash equivalents | 16 | 813,602 | 531,836 |
| | | 1,500,710 | 826,579 |
| **Total assets** | | 8,275,701 | 7,514,626 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 9 | 8,224,640 | 8,224,640 |
| Revenue deficit | | (819,703) | (1,018,627) |
| Other reserves | | 663,705 | 250,764 |
| Total equity | | 8,068,642 | 7,456,777 |
| **Technical provisions** | | | |
| Outstanding claims and IBNR | 17 | 3,861 | - |
| Unearned Premium Reserve and Additional Unexpired Risk Reserve | 17 | 6,054 | - |
| | | 9,915 | - |
| **Current liability** | | | |
| Insurance payables | 10 | 197,144 | 57,849 |
| | | 197,144 | 57,849 |
| **Total equity and liabilities** | | 8,275,701 | 7,514,626 |

These financial statements have been approved for issue by the Board of Directors on: 24 August 202

*Director* *Director*

The notes on pages 12 to 39 form an integral part of these financial statements.

Auditor's report on pages 7 to 7(c).

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2019

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | USD | USD |
| **Earned Premiums** | | 53,771 | - |
| Change in unearned premiums | 17 | (2,286) | - |
| **Earned Premiums** | | 51,485 | - |
| **Claims paid** | | | |
| Gross claims outstanding and IBNR | 17 | (3,861) | - |
| **Claims incurred** | | (3,861) | - |
| **Additional Unexpired Risk Reserve** | 17 | (3,768) | - |
| Commissions received | | 37,791 | 12,985 |
| **Net commissions** | | 37,791 | 12,985 |
| **Underwriting surplus** | | 81,647 | 12,985 |
| Investment income | 11 | 122,814 | 164,259 |
| **Operating profit** | | 204,461 | 177,244 |
| Other income | 12 | 207,708 | 225,688 |
| Foreign exchange loss | 13 | (56,963) | (107,521) |
| Marketing and administrative expenses | 14 | (170,266) | (170,130) |
| **Profit before interest and tax** | | 184,940 | 125,281 |
| Finance costs | | - | (274) |
| **Profit before taxation** | | 184,940 | 125,007 |
| Income tax expense | 15 | - | - |
| **Profit for the year** | | 184,940 | 125,007 |
| **Other comprehensive income:** | | | |
| ***Items that will not be reclassified to profit or loss:*** | | | |
| Changes in fair value of equity instruments at fair value through other comprehensive income | | 426,925 | (499,497) |
| **Other comprehensive income for the year** | | 426,925 | (499,497) |
| **Total comprehensive income for the year** | | 611,865 | (374,490) |

The notes on pages 12 to 39 form an integral part of these financial statements.
Auditor's report on pages 7 to 7(c).

**STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2019**

| | Share Capital | Revenue Deficit | Financial Assets at Fair Value through OCI reserve | Available-for-sale fair value reserve | Total Equity |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| Balance at January 1, 2019 | 8,224,640 | (1,018,627) | 250,764 | - | 7,456,777 |
| Profit for the year | - | 184,940 | - | - | 184,940 |
| Other comprehensive income for the year | - | - | 426,925 | - | 426,925 |
| Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings | - | 13,984 | (13,984) | - | - |
| **Balance at December 31, 2019** | 8,224,640 | (819,703) | 663,705 | - | 8,068,642 |
| Balance at January 1, 2018 | | | | | |
| As previously stated | 8,224,640 | (1,162,660) | - | 769,287 | 7,831,267 |
| Effect of changes in acounting policy | - | - | 769,287 | (769,287) | - |
| As restated | 8,224,640 | (1,162,660) | 769,287 | - | 7,831,267 |
| Profit for the year | - | 125,007 | - | | 125,007 |
| Other comprehensive income for the year | - | - | (499,497) | - | (499,497) |
| Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings | - | 19,026 | (19,026) | - | - |
| **Balance at December 31, 2018** | 8,224,640 | (1,018,627) | 250,764 | - | 7,456,777 |

The notes on pages 12 to 39 form an integral part of these financial statements.

Auditor's report on pages 7 to 7(c).

## STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2019

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | USD | USD |
| **Cash used in operations** | | | |
| Profit before taxation | | 184,940 | 125,007 |
| Interest income | | (40,727) | (45,587) |
| Dividend income | | (82,087) | (118,672) |
| Foreign exchange differences | | 45,523 | 32,561 |
| Profit on disposal of financial assets | | (42,322) | |
| Adjustments for: | | | |
| Changes in working capital: | | | |
| - Insurance receivables | | (223,506) | (46,224) |
| - Insurance payables | | 139,295 | (46,830) |
| - Outstanding claims and IBNR | | 3,861 | - |
| - Unearned Premium Reserve and Additional Unexpired Risk Revenue | | 6,054 | - |
| - Other assets | | (3,727) | 5,201 |
| Cash used in operations | | (12,696) | (94,544) |
| Interest received | | 40,159 | 42,880 |
| **Net cash used in operating activities** | | 27,463 | (51,664) |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of financial assets | 5 | (621,100) | (641,085) |
| Financial assets matured | | - | 658,871 |
| Proceeds from disposal of financial assets | | 793,317 | 113,337 |
| Dividend received | | 82,087 | 83,395 |
| **Net generated from investing activities** | | 254,303 | 214,518 |
| | | | |
| **Net increase in cash and cash equivalents** | | 281,766 | 162,854 |
| | | | |
| **Movement in cash and cash equivalents** | | | |
| At January 1, | | 531,836 | 368,982 |
| Increase | | 281,766 | 162,854 |
| **At December 31,** | 16 | 813,602 | 531,836 |

The notes on pages 12 to 39 form an integral part of these financial statements.

Auditor's report on pages 7 to 7(c).

## 1. GENERAL INFORMATION

The Company was incorporated in Mauritius on September 26, 2011 as a protected cell private company limited by shares. It is registered with the Financial Services Commission in Mauritius as a Protected Cell Company, which is regarded as a single legal person within the meaning of the Protected Cell Companies Act 1999 ("PCC Act") of Mauritius. Its main activity is to be involved in external insurance business, both general re-insurance business and long term re-insurance business. Its registered address is 4th Floor, Tower A, 1 Cybercity, Ebene.

As provided under the PCC Act, the Company will create one or more cells for the purpose of segregating and protecting cellular assets and limiting the liabilities of the shareholders of each cell to the relevant cells. Each cell will be represented by the issue of a separate class of ordinary shares with its own funding, capital gains, losses, income and expenses.

The Company has a Category 1 Global Business Licence under the Financial Services Act 2007. Since the Company operates in an international environment and conducts all its transactions in foreign currency, the Company has chosen to retain US dollars as its functional and reporting currency.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The financial statements of Swan Reinsurance PCC comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are that of an individual entity. The financial statements are presented in United States Dollar (USD). Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that:

(i) relevant financial assets and financial liabilities are stated at their fair value.

(ii) relevant financial assets and financial liabilities are carried at amortised cost.

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

IFRS 16 Leases results in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The amendment has no impact on the company's finanical statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of preparation (cont'd)

***Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)***

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

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

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

Annual Improvements to IFRSs 2015-2017 Cycle

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of preparation (cont'd)

***Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)***

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

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

The amendments have no impact on the Company'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, 2020 or later periods, but which the Company has not early adopted.

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

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
Definition of a Business (Amendments to IFRS 3)
Definition of Material (Amendments to IAS 1 and IAS 8)
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Where relevant, the Company 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.

**IFRS 17 Insurance Contracts - effective 1 January 2023**
IFRS 17 was issued in May 2017 as replacement for IFRS 4 *Insurance Contracts.*

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional. An insurer's activities must be predominantly connected with insurance for the temporary exemption from IFRS 9 to be used in accordance with IFRS 4.20D. The Company does not meet the specific requirement to apply the temporary exemption.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

*(i) Amortised cost*

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of comprehensive income (operating profit).

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Financial assets (cont'd)

*(i) Amortised cost (cont'd)*

The Company's financial assets measured at amortised cost comprise of quoted bonds, other receivables and cash and cash equivalents.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

*(ii) Fair value through other comprehensive income*

The Company has a number of strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Company has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Company considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

### 2.3 Financial liabilities

Insurance payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Current and deferred income tax

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

*Current Tax*
The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantially enacted by the end of the reproting 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 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 profit will be available against which deductible temporary differences can be utilised.

### 2.5 Share Capital

Ordinary shares are classified as equity.

### 2.6 Insurance payables

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

### 2.7 Insurance Contracts

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance contracts are derecognised when all rights and obligations are extinguished or expire. Contracts that do not transfer significant insurance risk are investment contracts. The Company considers that virtually all its short term and long term products are insurance contracts.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 Insurance Contracts (cont'd)

Insurance risk is transferred when the Company agrees to compensate a contract holder if a specified uncertain event adversely affects the contrat holder.

The Company transacts in short-term insurance contracts which cover mainly the following classes of business: risks of miscellaneous. These contracts compensate the contract holders for damage or suffered goods, property and equipment lost or damaged, losses and expenses incurred, sickness and loss of earnings resulting from the occurrence of the insured events.

### 2.8 Revenue Recognition - Premiums Earned

Revenue represents premiums receivable, and adjusted for unearned premiums. Front-end fees charged at inception of a premium contract are included under revenue.

Short term insurance premiums written reflect business incepted during the year. Unearned premiums are those proportions 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).The AURR is the amount by which the unexpired risk reserve exceeds the Unearned premium reserve.

*Short-term insurance contract premium*
Written premium on short-term insurance contracts comprises premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premium income for the period includes adjustments to premiums written in prior accounting periods and estimates for pipeline or premium not yet advised by the cedant for contracts in force at the end of the period. Where statements of insurance contract accounts have not been received at year-end, pipeline premiums are estimated on the basis of the latest available information. An estimate is made at the reporting date to recognise retrospective adjustments to premium or commission. Premium relating to the expired risk period is taken as earned and recognised as revenue for the period while premium relating to the unexpired risk period is treated as a provision for unearned premium.

Other revenues earned by the Company are recognised on the following bases:

- Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).
- Dividend income - when the shareholder's right to receive payment is established.
- Commission receivable and management fees - as it accrues in accordance with the substance of the relevant agreements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 Short term insurance

(i) Unearned premiums

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 change in this provision is taken to the profit or loss.

(ii) Claims expenses and outstanding claims provisions

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

Outstanding claims provisions 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 occasionally be experienced in the notification 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 valued excluding allowances for expected future recoveries.

(iii) Liability adequacy test

At each end of reporting period, the Company reviews its contract liabilities and carries out a liability adequacy test for any overall excess of expected claims using current estimates of future contractual cashflows after taking account of the investment return expected on assets relating to the relevant short term business provisions. Any deficiency is immediately recognised to the profit or loss by establishing a provision for losses arising from liability adequacy test (the additional unexpired risk reserve- AURR).

### 2.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.11 Foreign currencies

(i) *Functional and presentation currency*

Items included in the financial statements are measured using United States Dollars (USD), the currency of the primary economic environment in which the entities operate ("functional currency"). The financial statements are presented in United States Dollars, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cashflow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalent and other foreign exchange gains and losses are presented in profit or loss within foreign exchange gains/(losses) - net'.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Translation differences on non-monetary items, such as equities classified as financial assets at fair value through other comprehensive income, are included in the fair value reserve in equity.

### 2.12 Impairment of assets

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

### 2.13 Dividend distribution

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

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company issues contracts that transfer insurance or financial risk or both. This section summarises the main risks linked to short-term insurance business and the way they are managed.

### 3.1 Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and indemnity payments exceed the carrying amount of the insurance liabilities.

The Company has developed a detailed underwriting manual covering risk acceptance criteria, pricing, accumulation control, authority levels, and reinsurance protection, among others. It guides the underwriters in their acceptances, on the principles of prudence and professionalism within the overall objective of diversifying the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The priority is to ensure adherence to criteria for risk selection by maintaining high levels of experience and expertise among the underwriting staff. In addition, the Company has put in place a business review structure that ensures control of risk quality and conservative use of policy limits, terms and conditions.

(a) Insurance contracts

(i) <u>Claims arising from short-term insurance contracts.</u>

Claims incurred in respect of short-term insurance contracts consist of claims and claims handling expenses paid during the financial year as well as movements in provision for outstanding claims and claims incurred but not reported (IBNR). Outstanding claims comprise provisions for all the Company's estimated ultimate costs of settling all claims incurred but unpaid at the reporting date whether reported or not and related claim handling expenses. Outstanding claims that have occurred at the reporting date and have been notified to the Company by the cedants are carried at their face value. Adequate provisions are also made for claims incurred but not reported at the reporting date using historical experience and best available information. Outstanding claim provisions are disclosed at their carrying amounts and are not discounted except where there is a particularly long period from the claim incident to settlement in which case outstanding claims are discounted using a discount rate that best reflects current assessment of time value of money and associated risks. Anticipated reinsurance recoveries on claims are disclosed separately as assets.

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

### 3.1 Insurance risk (cont'd)

(ii) Additional unexpired risk reserve (AURR) for short-term insurance contracts

Where the expected value of claims liabilities and expenses attributable to the unexpired periods of the insurance contracts in force at the reporting date exceed the unearned premium provision relating to those contracts after deduction of any deferred costs, provision is made for unexpired risks for the estimated excess liabilities.

(iii) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors, the most siginificant resulting from severe weather events, fire and allied perils and their consequences and liability claims awarded by the Court. Inflation is another factor that may affect claims payments.

Underwriting measures are in place to enforce appropriate risk selection criteria. For example, the Company has the right to review terms and conditions on renewal or not to renew an insurance contract.

(iv) Concentration of insurance risk

The Company manages insurance risks through its underwriting strategy, adequate 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 class of business.

The Company enters into retrocession arrangements with reputable retrocessionaires to diversify its risks and reduce the risk of catastrophic loss on reinsurance assumed. The retrocession does not relieve the Company of its obligations to the ceding companies. As part of its annual renewals, the financial condition of retrocessionaires is reviewed. As a result, retrocession is placed with a selected group of financially secure and experienced companies in the industry.

(v) Sources of uncertainty in the estimation of future claim payments

Claims are payable on a claims-occurrence basis. The Company 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, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

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

### 3.1 Insurance risk (cont'd)

The Company takes all reasonable steps to ensure that it has 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 liability for these contracts comprise a provision for IBNR and a provision for reported claims not yet paid at the reporting date. The Company has ensured that liabilities on the statement of financial position at reporting date for existing claims whether reported or not, are adequate.

### 3.2 Financial Risk Factors

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

The most important components of this financial risk are :
- Market risk (which includes currency risk, interest rate risk and equity price risk)
- Credit risk;
- Liquidity risk;
- Capital management; and
- Fair value estimation.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and control, and to monitor the risks and adherence to limits by means of reliable and up-to-date administrative and information systems.

The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. The Board recognises the critical importance of having efficient and effective risk management policies and systems in place. To this end, there is a clear organisational structure with delegated authorities and responsibilities from the Board to Board Committees, executives and senior management. Individual responsibility and accountability are designed to deliver a disciplined, conservative and constructive culture of risk management and control.

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

### 3.2 Financial Risk Factors (cont'd)

#### (a) Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cashflows of financial instruments from fluctuation in foreign currency exchange rates, interest rates and equity prices.

The Company has established policies which set out the principles that they expect to adopt in respect of management of the key market risks to which they are exposed. The Company monitors adherence to this market risk policy through the Group Investment Committee. The Group Investment Committee is responsible for managing market risk at Group and Company levels.

The financial impact from market risk is monitored at board level through investment reports which examine impact of changes in market risk on investment returns and asset values. The Company's market risk policy sets out the principles for matching liabilities with appropriate assets, the approaches to be taken when liabilities cannot be matched and the monitoring processes that are required.

*(i) Currency risk*

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Mauritian Rupees (MUR) and Euro (EUR). The Company has a number of investments in foreign currencies which are expose to currency risk. The Group Investment Committee closely monitor currency exposure against pre-determined limits. Exposure to foreign currency risk is not hedged. The Company's financial assets and financial liabilities by currency is detailed below:

| 2019 | USD | MUR | EUR | OTHERS | Total |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| **Assets:** | | | | | |
| Financial assets at amortised cost | - | 788,102 | - | - | 788,102 |
| Financial assets at fair value through comprehensive income | 3,053,437 | 2,298,669 | 766,861 | 33,054 | 6,152,021 |
| Insurance receivables | 485,901 | - | - | 24,540 | 510,441 |
| Other assets | - | 11,535 | - | - | 11,535 |
| Cash and cash equivalents | 339,138 | 474,406 | - | 58 | 813,602 |
| | 3,878,476 | 3,572,712 | 766,861 | 57,652 | 8,275,701 |
| **Liability** | | | | | |
| Insurance payables | 41,301 | 152,963 | - | 2,880 | 197,144 |
| | 41,301 | 152,963 | - | 2,880 | 197,144 |

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

### 3.2 Financial Risk Factors (cont'd)

*(i) Currency risk (cont'd)*

| 2018 | USD | MUR | EUR | OTHERS | Total |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| **Assets:** | | | | | |
| Financial assets at amortised cost | - | 833,057 | - | - | 833,057 |
| Financial assets at fair value through comprehensive income | 2,449,713 | 2,737,422 | 639,608 | 28,247 | 5,854,990 |
| Insurance receivables | 286,754 | 181 | - | - | 286,935 |
| Other assets | - | 7,808 | - | - | 7,808 |
| Cash and cash equivalents | 325,134 | 206,605 | - | 97 | 531,836 |
| | 3,061,601 | 3,785,073 | 639,608 | 28,344 | 7,514,626 |
| | | | | | - |
| **Liability** | | | | | |
| Insurance payables | 17,890 | 36,839 | - | 3,120 | 57,849 |
| | 17,890 | 36,839 | - | 3,120 | 57,849 |

At December 31, 2019, if the United States Dollar had weakened/strengthened by 5% against the MUR and others with all other variables held constant, post tax loss would have changed by USD 14,609 (2018: USD 8,337). Equity would have been USD 131,690 (2018: USD 144,724) lower/higher, arising mainly from foreign exchange losses/gains on translation of MUR denominated equity securities classified as financial asset at fair value through other comprehensive income.

*(ii) Interest rate risk*

Interest rate risk arises from the Company's investments in long term debt securities and fixed income securities (Financial Assets at Amortised Cost), bank balances and deposits which are exposed to fluctuations in interest rates. Exposure to interest rate risk on short term business is monitored by the Group Investment Committee through a close matching of assets and liabilities. The impact of exposure to sustained low interest rates is also regularly monitored. Short term insurance liabilities are not directly sensitive to the level of market interest rates as they are undiscounted and contractually non-interest bearing. However, due to the time value of money and the impact of interest rates on the level of bodily injury related claims incurred by certain insurance contract holders, a reduction for interest rates would normally produce a higher insurance liability. The Company reviews its estimation in respect of these claims on a regular basis and ensures that adequate cash flow is available at all times.

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

### *(ii) Interest rate risk (cont'd)*

***Sensitivity***

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

| | Impact on results | |
|---|---|---|
| | +1% | -1% |
| **At December 31, 2019** | USD | USD |
| **- Financial assets at amortised cost** | **407** | **(407)** |
| **- Cash and cash equivalents** | **-** | **-** |
| At December 31, 2018 | USD | USD |
| - Financial assets at amortised cost | 456 | (456) |
| - Cash and cash equivalents | - | - |

### *(iii) Equity price risk*

The Company 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 Investment Committee actively monitors equity assets owned directly by the Company as well as concentrations of specific equity holdings. Equity price risk is also mitigated as the Company holds diversified portfolios of local and foreign investments in various sectors of the economy.

***Sensitivity***

The impact on the 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% | -10% |
| **At December 31, 2019** | USD | USD |
| - Financial assets at fair value through other comprehensive income | **615,202** | **(615,202)** |
| At December 31, 2018 | USD | USD |
| - Financial assets at fair value through other comprehensive income | 585,499 | (585,499) |

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

### 3.2 Financial Risk Factors (cont'd)

#### (b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instruments fails to meet its contractual obligations, and arises principally from the Company's trade receivables. 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 has no significant concentration of credit risk.

#### (c) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims at maintaining flexibility in funding by keeping committed credit lines available. Management does not foresee any liquidity risk problems in the future.

The maturity profile of financial instruments is set out below:

| 2019 | < 1 year | > 1 year | Total |
|---|---|---|---|
| | USD | USD | USD |
| **Assets:** | | | |
| Financial assets at amortised cost | 165,132 | 622,970 | 788,102 |
| Financial assets at fair value through other comprehensive income | - | 6,152,021 | 6,152,021 |
| Insurance receivables | 510,441 | - | 510,441 |
| Cash and cash equivalents | 813,602 | - | 813,602 |
| | 1,489,175 | 6,774,991 | 8,264,166 |
| **Liabilities:** | | | |
| Insurance payables | 197,144 | - | 197,144 |
| | 197,144 | - | 197,144 |

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

### (c) Liquidity risk (cont'd)

| 2018 | < 1 year | > 1 year | Total |
|---|---|---|---|
| | USD | USD | USD |
| Assets: | | | |
| Financial assets at amortised cost | - | 833,057 | 833,057 |
| Financial assets at fair value through other comprehensive income | - | 5,854,990 | 5,854,990 |
| Insurance receivables | 286,935 | - | 286,935 |
| Cash and cash equivalents | 531,836 | - | 531,836 |
| | 818,771 | 6,688,047 | 7,506,818 |
| Liabilities: | | | |
| Insurance payables | 57,849 | - | 57,849 |
| | 57,849 | - | 57,849 |

## 3.3 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 Company 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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

### 3.3 Fair value estimation (cont'd)

The nominal value less estimated credit adjustments of insurance 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 cashflows at the current market interest rate that is available to the Company for similar financial instruments.

### 3.4 Capital risk management

The main objectives of the Company when managing capital are:

- to ensure that the Minimum Capital Requirement ratio of 150% (with a minimum of MUR 25m) as required by the Insurance Act 2005 be maintained at all times.

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

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- 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.

The Company is also subject to a solvency requirement under the Insurance Act 2005 and Insurance Rules 2007 and is required to maintain its solvency at 100% of the minimum capital required at all times.

The Company's capital requirement ratio and solvency margin are above the requirement of the Insurance Act 2005 and proper internal controls are in place to ensure that they remain so.

## 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 Company makes estimates and assumptions concerning the future. The resulting accounting 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 Company's most critical accounting estimate. Liabilities include outstanding claims provision 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 Company applies estimation techniques to determine appropriate provisions.

**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 Company 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 Company'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.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

### 4.1 Insurance contracts (cont'd)

**Short-term insurance (cont'd)**

(a) ***Estimates of insurance liabilities (cont'd)***

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.

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 Company, 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. The Company seeks to provide appropriate levels of claims provision taking known facts and experience into account.

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

*(b)* ***Sensitivity analysis***

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

### 4.3 Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

## 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments at fair value through other comprehensive income

(i)

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| At January 1 | **5,854,990** | 6,379,291 |
| Additions | **621,100** | 88,539 |
| Disposals | **(750,995)** | (94,311) |
| Change in fair value recognised in OCI | **426,925** | (518,529) |
| At December 31 | **6,152,021** | 5,854,990 |
| **Less current portion** | **-** | - |
| **Non-current portion** | **6,152,021** | 5,854,990 |

(ii) Fair value through other comprehensive income financial assets include the following:

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| *Quoted:* | | |
| Equity securities - Mauritius | **2,296,720** | 2,735,140 |
| Equity securities - Overseas | **3,853,352** | 3,117,568 |
| *Unquoted:* | | |
| Equity securities - Mauritius | **1,949** | 2,282 |
| Equity securities - Overseas | **-** | - |
| | **6,152,021** | 5,854,990 |

(iii) Financial assets measured at fair value through other comprehensive income include the Company's strategic equity investments not held for trading. The Company has made an irrevocable election to classify the equity investments at fair value through other comprehensive income rather than through profit or loss because this is considered to be more appropriate for these strategic investments.

(iv) The fair value of quoted securities is based on published market prices. The fair value of the unquoted securities are based on the net asset basis.

## 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D)

(v) Fair value through other comprehensive income (FVOCI) financial assets include the following:

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Mauritius | | |
| *Quoted:* | | |
| MCB Group Ltd | 731,962 | 879,370 |
| SBM Holdings Ltd | 269,465 | 263,517 |
| ENL Land Ltd | - | 201,528 |
| ENL Limited | 127,515 | - |
| NMH Ltd- Ordinary | 107,844 | 173,785 |
| CIEL Ltd | 123,823 | 151,871 |
| Lux Island Resorts Ltd | 77,262 | 118,767 |
| Phoenix Beverages Ltd | 102,999 | 108,837 |
| Rogers & Company Ltd | 98,426 | 102,253 |
| CIM Financial Services Ltd | 55,025 | 86,813 |
| Alteo Ltd | 58,114 | 84,321 |
| IBL Ltd | 93,670 | 70,305 |
| Tera Mauricia Ltd | 43,136 | 50,140 |
| United Basalt Products Ltd | 51,939 | 49,045 |
| Sun Ltd | 31,362 | 46,402 |
| Gamma Civic Ltd | 33,091 | 35,015 |
| PAD Ltd | 49,822 | 19,666 |
| Others | 241,266 | 293,507 |
| *Unquoted:* | | |
| Afrasia | 1,948 | 2,282 |
| | 2,298,669 | 2,737,422 |
| Overseas | | |
| Foreign funds: Schroder | 3,853,352 | 3,117,568 |
| Total | 6,152,021 | 5,854,990 |

(vi) Fair value through other comprehensive income financial assets are denominated in the following currencies:

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Mauritian rupees | 2,298,669 | 2,737,422 |
| USD | 3,053,437 | 2,449,713 |
| EUR | 766,861 | 639,608 |
| JPY | 33,054 | 28,248 |
| | 6,152,021 | 5,854,990 |

## 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D)

(vii) Impairment and risk exposure

No loss allowance was recognised as at December 31, 2019 (2018: Nil). All of the entity's equity investments at FVOCI are considered to have low credit risk.

## 6. FINANCIAL ASSETS AT AMORTISED COST

| | Total 2019 | Total 2018 |
|---|---|---|
| | USD | USD |
| (a) Government bonds | 788,102 | 833,057 |

(i) The carrying value of the financial assets at amortised costs are denominated in the following currencies:

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Mauritian Rs. | 788,102 | 833,057 |

## 7. INSURANCE RECEIVABLES

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Receivables from cells | 485,901 | 286,754 |
| Receivable from related parties | - | 181 |
| Insurance receivables | 24,540 | - |
| | 510,441 | 286,935 |

(a) The Carrying amount of the insurance receivables are denominated in the following currencies:

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| USD | 510,441 | 286,754 |
| Mauritian rupees | - | 181 |
| | 510,441 | 286,935 |

(c) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

## 8. OTHER ASSETS

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Other assets | 11,535 | 7,808 |

## 8. OTHER ASSETS (CONT'D)

(a) *Fair values of financial assets at amortised cost*

The fair values of the Other assets are not materiality different to their carrying amount.

(b) The carrying amounts of the Other assets are denominated in Mauritian Rupees.

## 9. SHARE CAPITAL

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Issued and fully paid | | |
| Core shares of USD 1,000 each | 7,774,640 | 7,774,640 |
| Cell shares of USD 1,000 each | 450,000 | 450,000 |
| | 8,224,640 | 8,224,640 |

## 10. INSURANCE PAYABLES

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Accrued expenses and other payables | 65,779 | 29,598 |
| Amount due to related parties | 131,365 | 28,251 |
| | 197,144 | 57,849 |

The carrying amounts of insurance payables approximate their fair value.

## 11. INVESTMENT INCOME

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Dividend income | 82,087 | 118,672 |
| Interest income | 40,727 | 45,587 |
| | 122,814 | 164,259 |

## 12. OTHER INCOME

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Management fees | 165,386 | 197,023 |
| Sundry income | 42,322 | 28,665 |
| | 207,708 | 225,688 |

## 13. FOREIGN EXCHANGE LOSS

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Foreign exchange loss | (56,963) | (107,521) |

## 14. EXPENSES BY NATURE

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Rebilling expenses | 92,677 | 96,960 |
| Asset management fees | 24,564 | 19,740 |
| Legal and professional fee | 16,606 | 30,836 |
| Consultancy fee | 630 | (15,854) |
| Overseas business expenses | 13,008 | 13,608 |
| Licence fee | 4,820 | 3,298 |
| Audit fee | 10,408 | 8,533 |
| Taxation fee | 674 | 1,517 |
| Director fees | 3,346 | - |
| Other expenses | 3,533 | 11,492 |
| | 170,266 | 170,130 |

## 15. INCOME TAX EXPENSE

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Current tax liability at 15% | - | - |

The tax on the Company's result before taxation differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Profit before tax | 184,940 | 125,007 |
| Tax calculated at the rate of 15% | 27,741 | 18,751 |
| Income not subject to tax | (16,349) | (25,447) |
| Expenses not deductible for tax purposes | 5,808 | 4,128 |
| Utilisation of previously unrecognised tax losses | (17,200) | 2,568 |
| Unused tax losses | - | - |
| | - | - |

At the end of the reporting period, the Company had unused tax losses of USD 90,482 (2018: USD 512,498) available for offset against future profits.

No deferred tax asset has been recognised due to unpredictability of future profit streams. The tax losses expire on a rolling basis over 5 years.

## 16. CASH AND CASH EQUIVALENTS

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Cash at bank | **813,602** | 531,836 |

Cash and cash equivalents comprise of cash in hand and bank balances.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was accounted due to the insignificance of the amount.

## 17. INSURANCE LIABILITIES

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| - Claims reported and loss adjustment expenses | - | - |
| - Unearned Premiums | **2,286** | - |
| - Additional Unexpired Risk Reserve (AURR) | **3,768** | |
| - Claims incurred but not reported (IBNR) | **3,861** | - |
| Total gross insurance liabilities | **9,915** | - |
| **Recoverable from reinsurers** | | |
| - Claims reported and loss adjustment expenses | - | - |
| - Unearned Premiums | - | - |
| - Claims incurred but not reported (IBNR) | - | - |
| Total reinsurers'share of insurance liabilities | - | - |
| **Net** | | |
| - Claims reported and loss adjustment expenses | - | - |
| - Unearned Premiums | 2,286 | - |
| - Additional Unexpired Risk Reserve (AURR) | 3,768 | |
| - Claims incurred but not reported (IBNR) | 3,861 | - |
| | **9,915** | - |
| **Total net insurance liabilities** | **9,915** | - |

## 18. RELATED PARTY TRANSACTIONS

(a)

| | Commission income | Other income | Asset Management fees | Rebilling expenses | Amount receivable from related parties | Amount owed to related parties |
|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD |
| **2019** | | | | | | |
| **Fellow subsidiaries** | - | 1,093 | 24,564 | 92,677 | - | 131,365 |
| **Intercell** | - | 177,660 | - | - | 485,901 | - |
| 2018 | | | | | | |
| Fellow subsidiaries | - | 7,186 | 19,740 | 96,960 | 181 | 28,251 |
| Intercell | 15,043 | 216,705 | - | - | 286,754 | - |

(b) The above transactions have been made on normal commercial terms and in the normal course of business.

(c) Outstanding balances at the year end are unsecured and settlement occurs in cash. The Company has not recorded any impairment of receivable relating to amounts owed by the related parties.

(d) **Key Management Personnel Compensation**

| | 2019 | 2018 |
|---|---|---|
| | USD | USD |
| Salaries & Short term employee | 29,188 | 27,498 |
| Post employment benefits | 1,431 | 2,561 |
| | 30,619 | 30,059 |

## 19. THE HOLDING COMPANY

The holding company is Swan General Ltd, a company incorporated in Mauritius.

## 20. EVENTS AFTER THE REPORTING PERIOD

COVID-19 outbreak poses a serious public health threat worldwide. It is expected that the economy of the country in which the company operates will be adversely impacted by the slowing global activity. There is barely any visibility on how long COVID-19 will last and what will be its full impact on society, businesses, and the economy. While we acknowledge this state of affairs, we believe that markets will recover as they have always done in the past.

The Company's capital and solvency margins have always been above the minimums required by the Insurance Act 2005. The Company does not foresee any pressure on its solvency ratio in the near term based on the different stress tests carried out. The Company also believes that its liquidity position is adequate to ensure any future commitments and obligations that may arise are settled. As such, the financial statements as presented have been prepared on a going concern basis.