

SWAN SPECIAL RISKS COMPANY LIMITED

FINANCIAL STATEMENTS - YEAR ENDED

DECEMBER 31, 2019

ANNUAL REPORT - YEAR ENDED DECEMBER 31, 2019

Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of Swan Special Risks Company Limited for the year ended December 31, 2019, contents of which are listed below:


The Board of Directors of the holding company strives to apply principles of good corporate governance throughout the Group.

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This report was approved by the Board of Directors on: 10 August 2020



Director



Director

ACTIVITIES AND DIRECTORS - DECEMBER 31, 2019

PRINCIPAL ACTIVITIES

The principal activity of the Company is to underwrite short term insurance business.

BOARD OF DIRECTORS

The directors of the Company holding office as at December 31, 2019 and at the date of this report were:

Mr.J.M.Louis Rivalland
 Mr.Tse Kwong (Phillippe) Lo Fan Hin
 Mr.Peroomal Gopallen Moorroogen
 Mr.M.D.Pierre Dinan, G.O.S.K
 Mr.Victor C.Seeyave
 Mr.A.Michel Thomas
 Mrs.Karine Morel (was appointed as on 20 February 2019)

DIRECTORS' SERVICE CONTRACTS

There were no service contracts between the Company and any of its Directors that need to be disclosed under Section 221 of the Companies Act 2001.

DIRECTORS' REMUNERATION AND BENEFITS

Remuneration and benefits received or due and receivable from the Company were as follows:

	<u>2019</u>	<u>2018</u>
	Rs.	Rs.
<u>Non-executive directors</u>		
Gopallen Moorroogen	20,000	20,000
Victor Seeyave	20,000	20,000
Pierre Dinan	20,000	20,000
	<u>60,000</u>	<u>60,000</u>

DONATION

There was no donation made by the Company during the year (2018: Nil).

AUDITOR'S FEES

The fees payable to the auditors, BDO & Co. for audit and other services were as follows:

	<u>2019</u>	<u>2018</u>
	Rs.	Rs.
Audit fees	<u>253,000</u>	<u>227,700</u>

The Auditors, Messrs. BDO & Co., have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the Annual Meeting of Shareholders.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

Swan Special Risks Company Limited (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 have clearly defined job descriptions. Senior Management report to the Group Chief Executive. The Risk Officer reports to the Board/Audit & Risk Committee.

The code of ethics has 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. The Board consists of both male and female members. 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 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.

All the directors are ordinarily resident in Mauritius.

The Directors of the Company were as follows:

Executive

Philippe Lo Fan Hin
Louis Rivalland
Michel Thomas

Independent non-executive

Pierre Dinan
Gopallen Moorooogen
Victor Seeyave (Chairperson)

Non-executive

Karine Morel (as from 20 February 2019)

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019**2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)****Profile 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, now Swan Life Ltd. In January 2005 he has been appointed Group Chief Operations Officer responsible for the operations of Swan Insurance, now Swan General Ltd and The Anglo-Mauritius Assurance, 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.

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
Proccure 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 Reinsurance PCC	Director
Swan Wealth International Ltd	Director
Swan Wealth Managers Ltd	Director
Swan Wealth Structured Product Ltd	Director

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

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

Profile of the directors (cont'd)**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.

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
<i>C-Care (Mauritius) Limited previously known as The Medical and Surgical Centre Limited</i>	<i>Director</i>
<i>Swan General Ltd</i>	<i>Director</i>
<i>Swan Reinsurance PCC</i>	<i>Director</i>

Gopallen Moorooogen

Born in 1959, Gopallen Moorooogen 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 Reinsurance PCC	Director
Swan Wealth Managers Ltd	Director
Swan Pensions Ltd	Director

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

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

Profile of the directors (cont'd)

Victor Seeyave

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.

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 Reinsurance PCC	Director Chairperson

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

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

Profile of the directors (cont'd)

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.

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
Les Moulins de la Concorde Limitée	Director
SR Global Fund (Mauritius) Limited	Director
MC Easy Freight Limited	Director
Swan Reinsurance PCC	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 41 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 Reinsurance PCC	Director

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)**Profile of the directors (cont'd)****Karine Morel**

Born in 1979, Karine Morel is a fellow of the Association of Chartered Certified Accountants (FCCA). She also holds a BCom from the University of Cape Town.

Karine joined the finance team of Swan Life Ltd in September 2001 and was promoted as Manager - Finance and Accounts in August 2007. She now holds the position of Senior Manager - Group Finance since January 2019. She leads the finance and accounting teams of both the Short Term and the Long-Term business of SWAN. She, also oversees the financial operations of the subsidiaries, both local and foreign.

List of other directorships:

<i>Company Name</i>	Position
Swan Global Funds Ltd	Non-Executive Director
Swan Securities Ltd	Non-Executive Director

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.

Board Committees

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

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;
- 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.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

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

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

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 setup of 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:
 - o defining and, at least annually, reviewing the risk appetite statements and tolerance levels
 - o reviewing the design, completeness and effectiveness of the risk management framework
 - o defining and reviewing the risk management strategy
 - o receiving and reviewing reports/dashboards from Management for risk monitoring
 - o receiving the auditors' and actuary's report on the compliance and effectiveness of the risk management framework and to recommend necessary actions.

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

- 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 the continuous management of risk by Management
 - 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.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

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

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

- a) Pierre Dinan (Chairperson);
- b) Gopallen Moorooogen;
- c) Victor Seeyave.

Mr Jaiyansing Soobah, acts as Secretary of the Committee.

The Committee intends to meet at least twice a year. 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.

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 consist of the following independent non-executive directors:

- a) Arif Currimjee
- b) Nicolas Maigrot (Chairperson);
- c) Gopallen Moorooogen;
- 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:

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

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

At Board Meetings:

Directors	Board Meetings
Number of meetings held	2
Pierre Dinan	1
Philippe Lo Fan Hin	2
Gopallen Moorooogen	2
Karine Morel (was appointed as on 20 February 2019)	2
Louis Rivalland	2
Michel Thomas	2
Victor Seeyave (Chairperson)	2

At Committee Meetings

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

The Company's Audit & Risks Committee was set up on 19 March 2019.

3. DIRECTOR APPOINTMENT PROCEDURES

Appointment of new directors is subject to a pre-determined process. Potential candidates are identified by the Group Corporate Governance Committee. The selection is made based on, inter alia, skills, business acumen, industry knowledge, experience and independence (where relevant). The Group 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 and section 36 of the Insurance Act. The law provides that a director (Officer) must be a fit and proper person. During 2019, Mrs. Karine Morel was appointed Director.

All new directors are provided with an induction pack, which covers, inter alia, background information on the Company and the group, vision, 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.

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.

4. 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.

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'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 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. No Directors holds 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.

Information, information technology and information security governance

The Board is responsible for information governance. At Board level, the executive management 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.

4. DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)

Day-to-day IT governance and security issues are delegated to Senior Management of SWAN. IT expenses are monitored through the budgeting process. SWAN 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. The Company has published a brief of its IT policies on the website of SWAN Group.

No Board Evaluation was conducted for the period under review. It has been agreed that the Company will now conduct Board Evaluation every 3 years. The last Board 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 Group's strategy, whilst ensuring adherence to the SWAN'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 Corporate Governance Committee on a case-to-case basis.

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.

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019**4. DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)**

The remuneration of the directors for the period under review was as follows:

Name of Director	Director Fee (Rs)
Pierre Dinan	20,000
Gopallen Moorooogen	20,000
Victor Seeyave (Chairperson)	20,000

5. 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 and
- 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 on pages 2(q) to 2(x).

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.

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.

5. RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

- 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. The 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.

6. 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 31 December 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 31 December 2019, the following directors were common to both the Company and Swan General Ltd:

Gopallen Moorooogen
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. The Company has not declared dividend for the financial year under review.

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 employees 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.

6. REPORTING WITH INTEGRITY (CONT'D)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.

7. AUDITInternal 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. No internal audit was conducted for the Company was conducted for the year 2019.

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.

External Audit

Our external auditors are BDO & Co. External auditors are appointed/re-appointed by shareholders. Auditor's 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 presence.

For the presentation and approval of audited yearly financial statements, external auditors meet with the Audit & Risks Committee. During the meeting, key audit matters and significant issues of the management letter are presented by the external auditors.

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

For audit services	Rs 253,000
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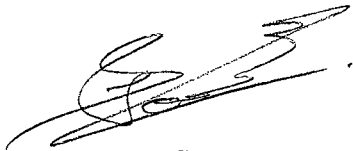
CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2019

8. 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, employees, regulators & government authorities, the public and investors, among others.

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

The Company will hold an Annual Meeting. The notice of the meetings of the shareholder of the Company are sent before the meetings in accordance with the Companies Act 2001.



**Company Secretary
Swan Corporate Affairs Ltd**

Date: 10 August 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors acknowledge their responsibilities for:

- (i) 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 at December 31, 2019 and the results of its operations and cash flows for year ended December 31, 2019 and which comply with International Financial Reporting Standards (IFRS);
- (iii) the selection of appropriate accounting policies supported by reasonable and prudent judgements.

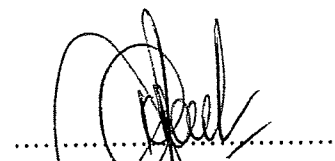
The external auditors are responsible for reporting on whether the financial statements are fairly presented.

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 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: 10 August 2020


.....
Director


.....
Director

RISK MANAGEMENT REPORT - 2019

Our Risk Environment

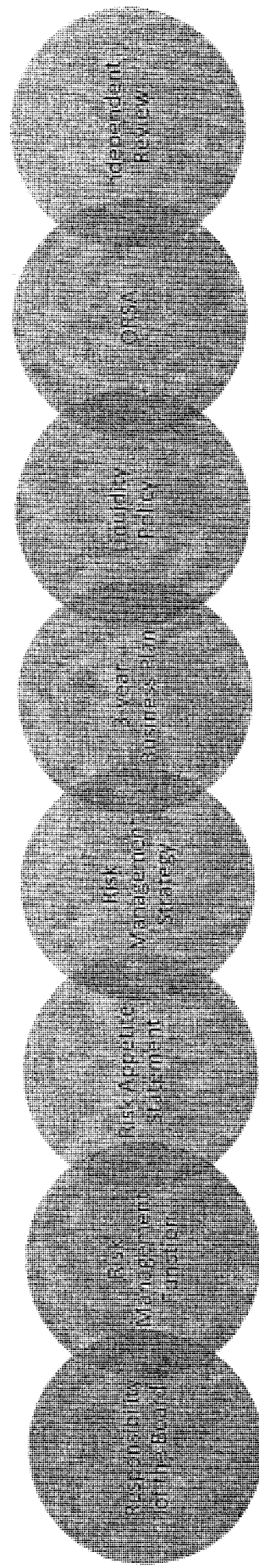
The Company is exposed to a diversity of risks whereby we accept the risks inborn to our core business lines. These risks, however, also create opportunities for innovation and differentiation. We distinguish between strategic and operational risks, which are mitigated through a risk management governance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

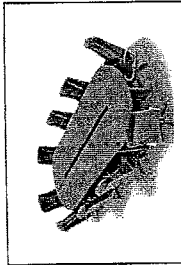
Risks are managed on a preventive basis as far as possible through various risk management activities. Should risks materialise, SWAN's financial capital is available to absorb the financial impact to ensure we remain solvent to honour our commitments to clients.

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.

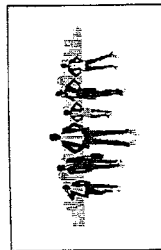
As per the Insurance (Risk Management) Rules 2016 ('FSC Rules'), our framework complies with the following requirements





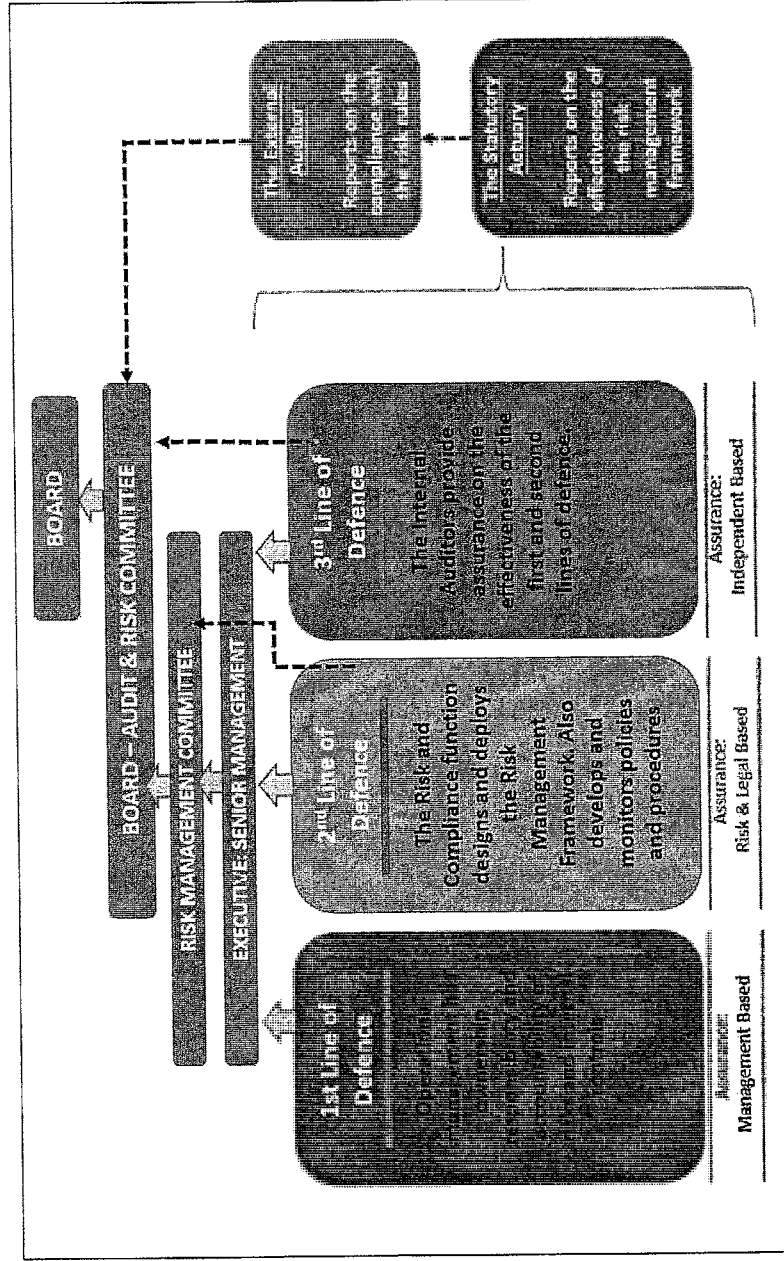
Responsibility of the Board

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

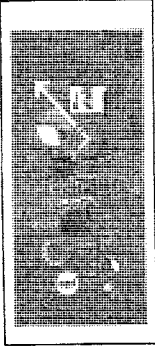
Swan has adopted the 'three-lines-of-defence' model where ownership for risk is taken at all levels within Swan. This model is widely adopted by financial services companies globally. It clearly sets out the risk management responsibilities across the business and is consistent with the current regulatory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



SWAN SPECIAL RISKS COMPANY LIMITED RISK MANAGEMENT REPORT - YEAR ENDED DECEMBER 31, 2019

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

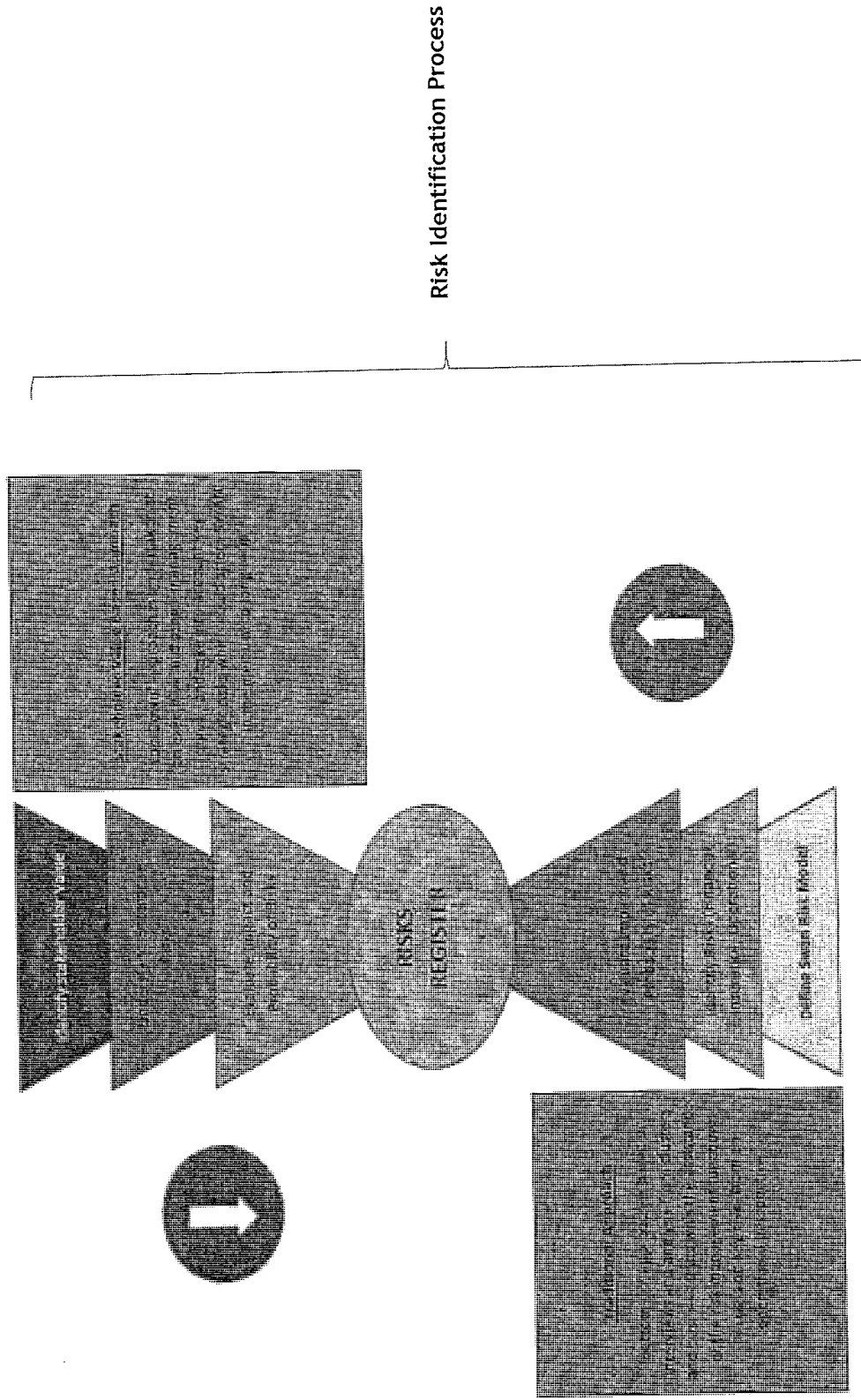
- Assist the Board/Audit & Risk Committee in its review of the adequacy and effectiveness of the system of internal controls in operation across the Group.
- Manage, review and implement any risk policies for consistency with the risk appetite and to approve any material changes to these policies.
- 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.

SWAN SPECIAL RISKS COMPANY LIMITED RISK MANAGEMENT REPORT - YEAR ENDED DECEMBER 31, 2019



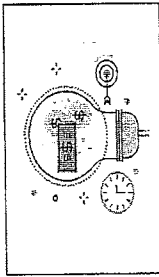
SWAN SPECIAL RISKS COMPANY LIMITED RISK MANAGEMENT REPORT - YEAR ENDED DECEMBER 31, 2019

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):

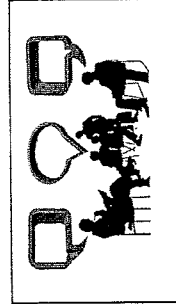
Capital Risks <ul style="list-style-type: none"> • Review underwriting capacity • Review reinsurance programs • Inject capital 	Investment Risks <ul style="list-style-type: none"> • Review investment guidelines • Review asset mix and allocation
Strategic Risks <ul style="list-style-type: none"> • Emerging new markets • Diversify portfolio • Review agreements 	Reinsurance Risks <ul style="list-style-type: none"> • Monitoring of reinsurers' rating • Minimize concentration
Group Risks <ul style="list-style-type: none"> • Crisis Committee • Ensure communication lines 	Liquidity Risks <ul style="list-style-type: none"> • Monitoring of expense ratios • Increase share capital
Operational Risks <ul style="list-style-type: none"> • Review of processes • Implement system validations • Provide on-going training 	Compliance Risks <ul style="list-style-type: none"> • Engage more resources • Close monitoring • Compliance audit

SWAN SPECIAL RISKS COMPANY LIMITED RISK MANAGEMENT REPORT - YEAR ENDED DECEMBER 31, 2019

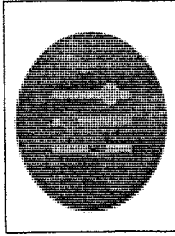
3-year Rolling Business Plan



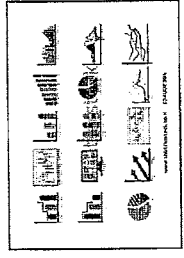
Every year a financial forecast is carried out for the next 3 years and the same is validated by the board, executives and operations.



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



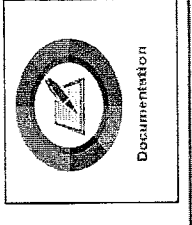
Assumptions are established: Experience analysis
Technical Reserves
Emerging Risks



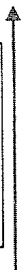
The Profit & Loss and Balance sheets are projected over the next three years with our future solvency positions.



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.

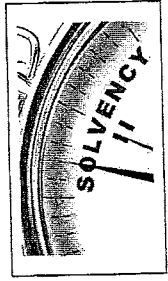


Liquidity Policy

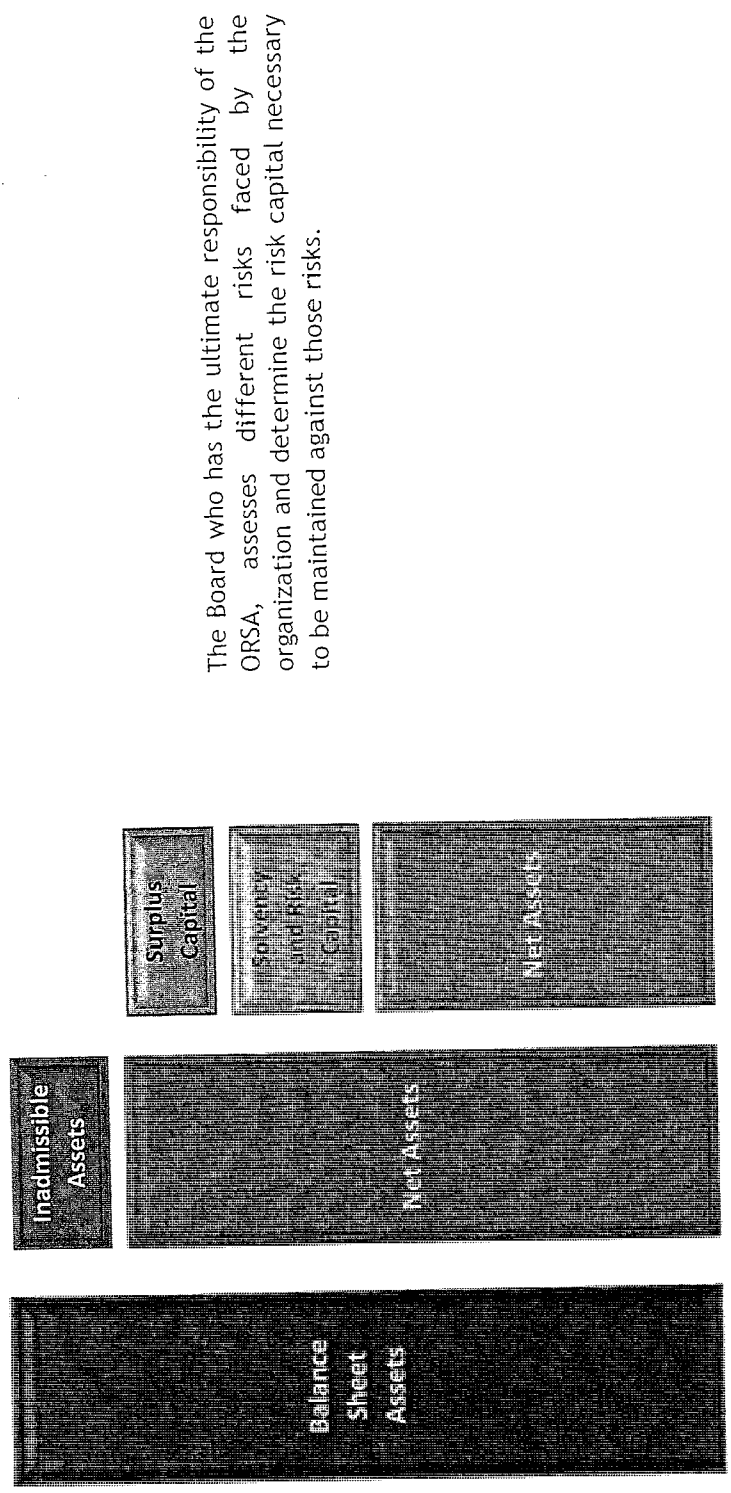


We have devised a policy since the group has significant cash flow obligations that need to be managed and needs sufficient liquidity to operate efficiently and maintain SWAN's reputation in the markets.

ORSA

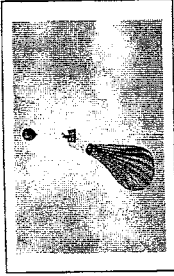


The main objective of Own Risk Solvency Assessment (ORSA) is to allow Board and management and the regulator to more easily and clearly assess the state of enterprise risk management (ERM) in an organization. The ORSA also provides an assessment of the overall financial resources necessary for managing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



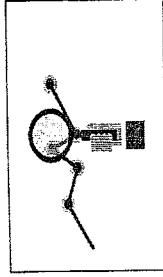
The Board who has the ultimate responsibility of the ORSA, assesses different risks faced by the organization and determine the risk capital necessary to be maintained against those risks.

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.



J. Soobah

for Swan Corporate Affairs Ltd

Date: 10 August 2020

STATEMENT OF COMPLIANCE
(Section 75 (3) of the Financial Reporting Act)

Name of Public Interest Entity (PIE): Swan Special Risks Company Limited

Reporting Period: December 31, 2019


We, the Directors of **Swan Special Risks Company Limited**, confirm that to the best of our knowledge:

Throughout the year ended December 31, 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: 10 August 2020

DATE: 10 August 2020



SWAN SPECIAL RISKS COMPANY LIMITED

5

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Swan Special Risks Company Limited

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Swan Special Risks Company Limited (the "Company"), on pages 6 to 38 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 6 to 38 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.

Other information

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

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

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

Corporate Governance Report

Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the public interest entity has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.



SWAN SPECIAL RISKS COMPANY LIMITED

5(a)

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholder of Swan Special Risks Company Limited

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



SWAN SPECIAL RISKS COMPANY LIMITED

5(b)

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholder of Swan Special Risks Company Limited

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

- 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 Special Risks Company Limited (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 the member 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
Chartered Accountants



Ameenah Ramdin, FCCA, ACA
Licensed by FRC

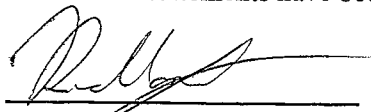
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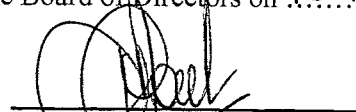
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STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2019

	Notes	2019 Rs'000	2018 Rs'000
ASSETS			
Non-current asset			
Investments in financial assets	5	19,315	22,960
		<u>19,315</u>	<u>22,960</u>
Current assets			
Investments in financial assets	5	6,018	-
Trade and other receivables	6	128,453	85,715
Cash and cash equivalents	14(a)	64,220	69,515
		<u>198,691</u>	<u>155,230</u>
Total assets		<u><u>218,006</u></u>	<u><u>178,190</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	7	50,000	25,000
Fair value reserve		2,923	965
Retained earnings		20,328	14,821
Total equity		<u>73,251</u>	<u>40,786</u>
Technical provisions			
Outstanding claims and IBNR	10/15(a)	20,514	15,167
Gross unearned premiums	10/15(b)	55,937	52,312
		<u>76,451</u>	<u>67,479</u>
Current liabilities			
Trade and other payables	8	68,091	68,925
Current tax liabilities	9(c)	213	1,000
		<u>68,304</u>	<u>69,925</u>
Total equity and liabilities		<u><u>218,006</u></u>	<u><u>178,190</u></u>

These financial statements have been approved for issue by the Board of Directors on 19 August 2020


Director


Director

The notes on pages 10 to 38 form an integral part of these financial statements.
Auditor's report on pages 5 to 5(b).

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

	Notes	2019 Rs'000	2018 Rs'000
Gross premiums		143,967	143,179
Premiums ceded to reinsurers		(143,967)	(143,179)
Change in gross unearned premiums	15(b)	(3,625)	(10,192)
Recoverable from reinsurers	15(b)	3,625	10,192
Net earned premiums	2.4	<u>-</u>	<u>-</u>
Gross claims paid	15(a)	-	(1,165)
Claims recovered from reinsurers	15(a)	-	1,165
Movement in claims outstanding and IBNR:			
Gross claims outstanding and IBNR	15(a)	(5,347)	(3,513)
Recoverable from reinsurers	15(a)	5,347	3,513
Net claims incurred		<u>-</u>	<u>-</u>
Commissions receivable from reinsurers		16,656	16,348
Commissions paid to agents and brokers		(4,454)	(4,310)
Net commissions		<u>12,202</u>	<u>12,038</u>
Underwriting surplus		12,202	12,038
Investment income	11	622	759
Operating profit		<u>12,824</u>	12,797
Net other income	12	1,495	882
Administrative expenses	13	(7,783)	(5,602)
Profit before taxation		6,536	8,077
Income tax expense	9(a)	(1,029)	(1,417)
Profit for the year		<u>5,507</u>	<u>6,660</u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in value of available for sale financial assets		2,089	(1,149)
Release on disposal of available for sale financial assets		(131)	(54)
Other comprehensive income for the year		<u>1,958</u>	<u>(1,203)</u>
Total comprehensive income for the year		<u>7,465</u>	<u>5,457</u>

The notes on pages 10 to 38 form an integral part of these financial statements.
Auditor's report on pages 5 to 5(b).

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

	Note	Stated Capital Rs'000	Fair Value Reserve Rs'000	Retained earnings Rs'000	Total Equity Rs'000
Balance at January 1, 2019		25,000	965	14,821	40,786
Issue of shares	7	25,000	-	-	25,000
Profit for the year		-	-	5,507	5,507
Other comprehensive income for the year		-	1,958	-	1,958
Balance at December 31, 2019		50,000	2,923	20,328	73,251
Balance at January 1, 2018		25,000	2,168	8,161	35,329
Profit for the year		-	-	6,660	6,660
Other comprehensive income for the year		-	(1,203)	-	(1,203)
Balance at December 31, 2018		25,000	965	14,821	40,786

The notes on pages 10 to 38 form an integral part of these financial statements.
Auditor's report on pages 5 to 5(b).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2019

	Notes	2019 Rs'000	2018 Rs'000
Cash generated from operations			
Profit before taxation		6,536	8,077
Adjustments for:			
Investment income	11	(622)	(759)
Impairment loss	12	-	32
Change in gross unearned premiums	10	3,625	10,192
Profit on sale of available-for-sale assets	12	(107)	(37)
Changes in working capital:			
- Trade and other receivables		(42,766)	36,915
- Trade and other payables		(834)	(1,945)
- Outstanding claims and IBNR	10	5,347	(3,513)
Cash (absorbed in)/generated from operating activities		(28,821)	48,962
Tax paid		(1,816)	(214)
Net cash (used in)/generated from operating activities		(30,637)	48,748
Cash flows from investing activities			
Proceeds from sales of financial assets		-	220
Investment income received		342	288
Net cash generated from investing activities		342	508
Cash flows from financing activities			
Issue of ordinary shares	7	25,000	-
Net cash generated from financing activities		25,000	-
(Decrease)/increase in cash and cash equivalents		(5,295)	49,256
Movement in cash and cash equivalents			
At January 1,		69,515	20,259
(Decrease)/increase		(5,295)	49,256
At December 31,	14(a)	64,220	69,515

The notes on pages 10 to 38 form an integral part of these financial statements.
Auditor's report on pages 5 to 5(b).

1. GENERAL INFORMATION

Swan Special Risks Company Limited is a private limited company, incorporated on 21st February 2014 and domiciled in Mauritius. The address of the registered office is Swan Centre, 10 Intendance Street, Port-Louis.

The principal activity of the Company is to underwrite short term insurance business.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements of Swan Special Risks Company Limited comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'000), except when otherwise indicated. Where necessary comparative figures have been amended to conform with change in presentation and disclosure in the current year. The financial statements are prepared under the historical cost convention, except that:

- (i) available-for-sale financial assets are stated at their fair values; and
- (ii) held-to-maturity investments, loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost.

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

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

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.

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)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective

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

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

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

IFRS 17 Insurance Contracts

Definition of a Business (Amendments to IFRS 3)

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

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

Where relevant, the 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*. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

IFRS 17 Insurance contracts - effective 1 January 2023 (cont'd)

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

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

The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on the surplus and life assurance fund together with presentation and disclosure.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The mandatory application date for the standard was January 1, 2018. IFRS 9 is applicable to the Company. However, the Company plans to defer the application of IFRS 9 until the earlier of the effective date of the new insurance contract standard (IFRS 17) of January 1, 2023, opting the temporary exemption from applying IFRS 9 by the amendments to IFRS 4. The temporary exemption from IFRS 9 is available to the companies whose activities are predominantly connected with insurance. The Company continues to apply IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The application date for the standard was January 1, 2018, The Company, which is applying IFRS 4, is excluded from the scope of the standard.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.1 Basis of preparation (cont'd)**

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

2.2 Financial assets**(a) Categories of financial assets**

The Company classifies its financial assets into the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition and re-assesses this at every reporting period.

(i) *Held-to-maturity investments*

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

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

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

(b) Recognition and measurement

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.2 Financial assets (cont'd)****(b) Recognition and measurement (cont'd)**

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

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income.

The fair values of quoted investments are based on current bid prices (Level 1). The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates (Level 2). If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, and net assets basis (Level 3), see note 5.

(c) Impairment of financial assets*Financial assets classified as available-for-sale*

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

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(c) Impairment of financial assets (cont'd)**

Financial assets classified as available-for-sale (cont'd)

(ii) Trade and other payables

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

(iii) Cash and cash equivalents

Cash and cash equivalents include cash at bank.

(iv) Stated capital

Ordinary shares are classified as equity.

2.3 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.

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

The Company transacts in short-term insurance contracts which cover the following classes of business: risks of fire and allied perils, engineering, marine, public liability, and 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.

2.4 Revenue Recognition - Premiums Earned

Revenue represents premiums receivable (net of reinsurances) and adjusted for unearned premiums. Front-end fees charged at inception of a premium contract are included under revenue and recognised on accrual basis.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Revenue Recognition - Premiums Earned (cont'd)

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

- Interest income - on a time-proportion basis using the effective interest method.
- Dividend income - when the shareholder's right to receive payment is established.
- Commission receivable - as it accrues in accordance with the substance of the relevant agreements.

2.5 Reinsurance Contracts

Contracts entered into by the Company with Reinsurers under which they are indemnified for losses are classified as reinsurance contracts held. Insurance contracts entered into and under which the contract holder is another insurer (inwards facultative reinsurance) are included with insurance contracts. The indemnity to which the Company is entitled under their reinsurance contracts held is recognised as reinsurance assets. These assets consist of short term balances due from both Insurers and Reinsurers (classified within Trade and other receivables) that are dependent on the expected claims and indemnity arising under the related reinsured insurance contracts.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

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

2.6 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.6 Short term insurance (cont'd)****(ii) Claims expenses and Outstanding claims provisions (cont'd)**

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 unexpired risk provision).

2.7 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 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.

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

3. FINANCIAL RISK MANAGEMENT

3.1 Insurance risk

Short term insurance

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 its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

(a) Insurance contracts

(i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors, the most significant resulting from severe weather events like cyclones, flooding, 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.

The reinsurance arrangements for proportional and non-proportional treaties are such that the Company is adequately protected and would only suffer predetermined amounts.

(ii) Concentration of insurance risk

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

Class of Business	Outstanding claims					
	2019			2018		
	No of Claims	Gross Rs'000	Net Rs'000	No of Claims	Gross Rs'000	Net Rs'000
Others	149	8,802	-	81	3,884	-
	<u>149</u>	<u>8,802</u>		<u>81</u>	<u>3,884</u>	<u>-</u>
IBNR		11,712	-		11,283	-
		<u>20,514</u>	<u>-</u>		<u>15,167</u>	<u>-</u>

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Insurance risk (cont'd)

(ii) Concentration of insurance risk (cont'd)

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

(iii) 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.

Claims can be either long tail or short tail. Short tail claims are settled within a short time and the Company's estimation processes reflect with a higher degree of certainty all the factors that influence the amount and timing of cash flows about the estimated costs of claims. However, for long tail claims (e.g. bodily injury), the estimation process is more uncertain and depends largely on external factors such as Court awards for example.

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.

(iv) Claims development table

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table below illustrates how the estimates of total claims outstanding for each year have changed at successive year ends and the table reconciles the cumulative claims to the amount appearing in the statements of financial position.

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Insurance risk (cont'd)

(iv) Claims development table (cont'd)

GROSS	2015	2016	2017	2018	2019	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Estimate of ultimate claim costs:						
- At end of claim year	31	44	8,003	2,506	3,835	14,419
- One year later	7	-	-	-	-	7
- Two years later	-	22	-	-	-	22
- Three years later	16	-	-	-	-	16
- Four years later	-	-	-	-	-	-
Current estimate of cumulative claims	2,905	543	2,246	4,252	3,835	13,781
Less Cumulative payments to date	(2,889)	(494)	(431)	(1,165)	-	(4,979)
Liability recognised in the statements of financial position	16	49	1,815	3,087	3,835	8,802
IBNR						11,712
Gross liability at year end (notes 10/15(a))	16	49	1,815	3,087	3,835	20,514
NET						TOTAL
Estimate of ultimate claim costs:						Rs'000
- At end of claim year						-
IBNR						-
Net liability at year end (notes 10/15(a))						-

3.2 Financial Risk Factors

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Financial Risk Factors (cont'd)

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.

3.2.1 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 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 Group'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.

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2.1 Market risk (cont'd)

(i) Currency risk

The Company purchases reinsurance contracts internationally, thereby being exposed to foreign currency fluctuations. The Company's primary exposures are with respect to the Euro and US Dollar.

The Company has a number of investments in foreign currencies which are exposed to currency risk. The Investment Committee closely monitors currency risk exposures against pre-determined limits. Exposure to foreign currency exchange risk is not hedged.

The financial assets and financial liabilities by currency is detailed below:

At December 31, 2019

Assets:

Non-current assets

- Investments in financial assets:

- Held-to-Maturity
- Available-for-sale

Current assets

- Trade and other receivables
- Cash and cash equivalents

	Equivalent in Rs'000			Total
	Rs'000	USD	Euro	
	6,018	-	-	6,018
	9,380	9,935	-	19,315
	20,055	59,250	48,165	128,381
	34,334	28,092	1,794	64,220
	<u>69,787</u>	<u>97,277</u>	<u>49,959</u>	<u>217,934</u>

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2.1 Market risk (cont'd)

(i) Currency risk (cont'd)

At December 31, 2019

	Equivalent in Rs'000				Total
	Rs'000	USD	Euro	Others	
- Technical Provisions:					
• Gross unearned premiums	2,374	39,562	13,915	86	55,937
• Outstanding claims and IBNR	14,095	1,745	3,939	735	20,514
- Current liabilities					
• Trade and other payables	22,890	17,503	27,307	391	68,091
	39,359	58,810	45,161	1,212	144,542

At December 31, 2018

Assets:

Non-current assets

- Investments in financial assets:

• Held-to-Maturity

• Available-for-sale

Current assets

- Trade and other receivables

- Cash and cash equivalents

	Equivalent in Rs'000				Total
	Rs'000	USD	Euro	Others	
	5,710	-	-	-	5,710
	9,613	7,188	449	-	17,250
	12,623	53,556	19,463	14	85,656
	2,133	63,195	4,187	-	69,515
	30,079	123,939	24,099	14	178,131

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2.1 Market risk(cont'd)

(i) Currency risk (cont'd)At December 31, 2018

	Equivalent in Rs'000				Total
	Rs'000	USD	Euro	Others	
	928	38,304	13,069	11	52,312
	4,708	7,391	3,065	3	15,167
	11,894	50,087	2,859	4,085	68,925
	17,530	95,782	18,993	4,099	136,404

Liabilities:

- Technical Provisions:
- Gross unearned premiums
- Outstanding claims and IBNR
- Current liabilities
- Trade and other payables

Sensitivity

If the rupee had weakened/strengthened against the following currencies with all variables remaining constant, the impact on the results for the year would have been as shown below mainly as a result of foreign exchange gains/losses.

	USD		EURO	
	+5%	-5%	+5%	-5%
	Rs'000	Rs'000	Rs'000	Rs'000
Impact on Results:				
- At December 31, 2019				
- Investments in financial assets	497	(497)	-	-
- Trade and other receivables	2,963	(2,963)	2,408	(2,408)
- Cash and cash equivalents	1,405	(1,405)	90	(90)
- At December 31, 2018				
- Investment in financial assets	359	(359)	22	(22)
- Trade and other receivables	2,678	(2,678)	973	(973)
- Cash and cash equivalents	3,160	(3,160)	209	(209)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2.1 Market risk(cont'd)

(ii) Interest rate risk

Interest rate risk arises from the Company's investments in long term debt securities and fixed income securities (Held-to-Maturity investments), bank balances and deposits which are exposed to fluctuations in interest rates. Exposure to interest rate risk on short term business is monitored by the 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.

Sensitivity

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

	Impact on results	
	+1%	-1%
	Rs'000	Rs'000
At December 31, 2019		
- Held-to-maturity investments	60	(60)
- Cash and cash equivalents	642	(642)
 At December 31, 2018		
- Held-to-maturity investments	57	(57)
- Cash and cash equivalents	695	(695)

(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 unfavorable 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 Investment Committee actively monitors equity assets owned directly by the Company as well as concentrations of specific equity holdings.

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2.1 Market risk(cont'd)

(iii) Equity price risk(cont'd)*Sensitivity*

The impact on the Company's shareholders' equity had the equity market values increased/decreased assumptions left unchanged would have been as follows:

	Impact on	
	Shareholders' equity	
	+10%	-10%
	Rs'000	Rs'000
At December 31, 2019		
- Available-for-sale financial assets	1,932	(1,932)
At December 31, 2018		
- Available-for-sale financial assets	1,725	(1,725)

3.2.2 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 all or part of their obligations. The Company's credit risk is primarily attributable to:

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

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

The Company has no significant concentration of credit risk in respect of its insurance business with exposure spread over a large number of clients, agents and brokers. The Company has policies in place to ensure that sales of services are made to clients, agents, and brokers with sound credit history.

	Neither		Past due but not impaired			Impaired and provision for		Carrying amount at year end
	past due					for		
	nor	1m - 3m	3m - 6m	6m - 1yr	> 1 yr	impairment	year end	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	
2019								
- Trade and other receivables	76,451	25,190	23,238	1,180	2,394	-	128,453	
2018								
- Trade and other receivables	67,479	13,511	901	3,452	372	-	85,715	

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2.3 Liquidity risk

The Company has strong liquidity positions and liquidity risk is considered to be low. Through the application of the liquidity management policy, the Company seeks to maintain sufficient financial resources to meet its obligations as they fall due.

The financial liabilities which include gross unearned premiums, outstanding claims and IBNR and trade and other payables have all maturity within one year.

Maturities of financial assets and liabilities:

<u>At December 31, 2019</u>	<u>< 1 year</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
	Rs'000	Rs'000	Rs'000	Rs'000
Assets				
- Investments in financial assets	25,333	-	-	25,333
- Current assets				
• Trade and other receivables	128,381	-	-	128,381
• Cash and cash equivalents	64,220	-	-	64,220
	<u>217,934</u>	<u>-</u>	<u>-</u>	<u>217,934</u>
Liabilities				
- Technical Provisions:				
• Gross unearned premiums	55,937	-	-	55,937
• Outstanding claims and IBNR	20,514	-	-	20,514
- Current liabilities				
• Trade and other payables	68,091	-	-	68,091
	<u>144,542</u>	<u>-</u>	<u>-</u>	<u>144,542</u>
<u>At December 31, 2018</u>				
	Rs'000	Rs'000	Rs'000	Rs'000
Assets				
- Investments in financial assets	17,250	5,710	-	22,960
- Current assets				
• Trade and other receivables	85,656	-	-	85,656
• Cash and cash equivalents	69,515	-	-	69,515
	<u>172,421</u>	<u>5,710</u>	<u>-</u>	<u>178,131</u>
Liabilities				
- Technical Provisions:				
• Gross unearned premiums	52,312	-	-	52,312
• Outstanding claims and IBNR	15,167	-	-	15,167
- Current liabilities				
• Trade and other payables	68,925	-	-	68,925
	<u>136,404</u>	<u>-</u>	<u>-</u>	<u>136,404</u>

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2.4 Capital Risks 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 Rs.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.

The Company does not have any debts, the debt-to-adjusted capital ratios have not been disclosed.

3.2.5 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. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each end of the reporting period.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and judgement 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 uncertainty inherent in the financial statements of the Company arises principally in respect of the technical provisions. The technical provisions of the Company include provision for unearned premiums and outstanding claims (including IBNR).

(i) Estimates of future claims payments

Outstanding claims provision is determined based upon knowledge of events, terms and conditions of relevant policies, on interpretation of circumstances as well as previous claims experience. Similar cases and historical claims payment trends are also relevant.

The Company employs a variety of techniques and a number of different bases to determine appropriate provisions. These include:

- terms and conditions of the insurance contracts;
- knowledge of events;
- court judgement;
- economic conditions;
- previously settled claims;
- triangulation claim development analysis;
- estimates based upon a projection of claims numbers and average cost; and
- expected loss ratios.

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONT'D)**4.1 Insurance contracts (cont'd)****(ii) Sensitivity**

The reasonableness of the estimation process is tested by an analysis of sensitivity around several different scenarios and the best estimate is used.

(iii) Uncertainties and judgement

The uncertainty arising under insurance contracts may be characterised under a number of specific headings, such as:

- uncertainty as to whether an event has occurred which would give rise to a policy holder suffering an insured loss;
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring;
- uncertainty over the timing of a settlement to a policyholder for a loss suffered.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks. For certain classes of policy, the maximum value of the settlement of a claim may be specified under the policy terms while for other classes, the cost of a claim will be determined by an actual loss suffered by the policyholder.

There may be some reporting lags between the occurrence of the insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as judicial trends, unreported information etc.

4.2 Reinsurance

The Company is exposed to disputes on, and defects in, contract wordings and the possibility of default by its reinsurers. The Company monitors the financial strength of its Reinsurers. Allowance is made in the financial statements for non recoverability due to reinsurers default as required.

4.3 Held-to-maturity investments

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONT'D)

4.4 Impairment of available-for-sale financial assets

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

4.5 Impairment of other assets

At the end of each reporting period, management reviews and assesses the carrying amounts of the other assets and where relevant write them down to their recoverable amounts based on best estimates.

4.6 Limitations of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

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

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

5. INVESTMENTS IN FINANCIAL ASSETS

	2019			2018
	Held-to-maturity	Available-for-sale	Total	Total
	Rs'000	Rs'000	Rs'000	Rs'000
(a) <u>Local Securities</u>				
At January 1,	5,710	9,613	15,323	15,246
Additions	-	874	874	256
Disposals	-	(898)	(898)	(339)
Impairment loss	-	-	-	(32)
Decrease in fair value	-	(209)	(209)	(116)
Accrued Interest	308	-	308	308
At December 31,	<u>6,018</u>	<u>9,380</u>	<u>15,398</u>	<u>15,323</u>
(b) <u>Foreign Securities</u>				
At January 1,	-	7,637	7,637	8,670
Increase/(decrease) in fair value	-	2,298	2,298	(1,033)
At December 31,	<u>-</u>	<u>9,935</u>	<u>9,935</u>	<u>7,637</u>
Total	<u>6,018</u>	<u>19,315</u>	<u>25,333</u>	<u>22,960</u>
Analysed as follows :			2019	2018
Non-current			Rs'000	Rs'000
Current			19,315	22,960
			6,018	-
			<u>25,333</u>	<u>22,960</u>
	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At December 31, 2019				
Available-for-sale	<u>19,303</u>	<u>-</u>	<u>12</u>	<u>19,315</u>
	Rs'000	Rs'000	Rs'000	Rs'000
At December 31, 2018				
Available-for-sale	<u>17,238</u>	<u>-</u>	<u>12</u>	<u>17,250</u>

(c) Held-to-maturity investments comprise of deposits with interest rates of 6.7%.

(d) Available-for-sale financial assets comprise of listed and unquoted financial assets.

(e) None of the financial assets are past due.

(f) Currency analysis of financial assets is disclosed in note 3.2.1.(i).

(g) The maturity of financial assets is disclosed in note 3.2.3.

(h) Non cash transactions during the year are additions: Rs 874k (2018: 256k) and disposals: Rs 898k (2018: Rs 157k).

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

6. TRADE AND OTHER RECEIVABLES	2019	2018
	Rs'000	Rs'000
Due from contract holders	48,746	18,004
Due from reinsurers		
- share of outstanding claims (note 10)	8,802	3,884
- share of unearned premiums (note 10)	55,937	52,312
- share of incurred but not reported (note 10)	11,712	11,283
Prepayments	72	59
Dividend receivable	-	28
Amount due from related parties (note 17)	50	23
Other receivables	3,134	122
	128,453	85,715

The carrying amounts of trade and other receivables approximate their fair values.

7. STATED CAPITAL	Number of Shares	Ordinary Shares Rs' 000
At January 1, 2019	25,000	25,000
Issue of shares	25,000	25,000
At December 31, 2019	50,000	50,000

On April 03, 2019, the Company issued 25,000 ordinary shares to its existing shareholder at no par value for Rs 25m.

Ordinary shares

The total authorised number of ordinary share is 50,000 shares at no par value.

8. TRADE AND OTHER PAYABLES	2019	2018
	Rs'000	Rs'000
Reinsurance liabilities	46,648	57,130
Accrued expenses	306	66
Amount due to related parties (note 17)	18,170	11,234
Other payables	2,967	495
	68,091	68,925

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

9. INCOME TAX	2019	2018
	Rs'000	Rs'000
(a) Current tax at 15%	1,029	1,417

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

9. INCOME TAX (CONT'D)	2019	2018
	Rs'000	Rs'000
(b) Profit before taxation	<u>6,536</u>	<u>8,077</u>
Tax calculated at rate of 15% (2018:15%)	980	1,211
Income not subject to tax	(66)	(68)
Expenses not deductible for tax purposes	13	13
Corporate social responsibility	123	171
(Over)/under provision of tax liabilities	<u>(21)</u>	<u>90</u>
Tax charge for the year	<u>1,029</u>	<u>1,417</u>
	<u>2019</u>	<u>2018</u>
	Rs'000	Rs'000
(c) <i>Current tax liability</i>		
At January 1,	1,000	(222)
Charged for the year	927	1,156
Tax (paid)/refund during the year	(824)	132
(Over)/under provision of tax liabilities	(21)	90
Corporate social responsibility	123	183
Payment under Advance Payment System (APS)	<u>(992)</u>	<u>(339)</u>
At December 31,	<u>213</u>	<u>1,000</u>
	<u>2019</u>	<u>2018</u>
	Rs'000	Rs'000
10. INSURANCE LIABILITIES AND REINSURANCE ASSETS		
	<u>2019</u>	<u>2018</u>
	Rs'000	Rs'000
Gross		
- Claims reported and loss adjustment expenses (note 15 (a))	8,802	3,884
- Unearned premiums (note 6, 15(b))	55,937	52,312
- Claims incurred but not reported IBNR (note 15 (a))	<u>11,712</u>	<u>11,283</u>
Total gross insurance liabilities	<u>76,451</u>	<u>67,479</u>
Recoverable from reinsurers		
- Claims reported and loss adjustment expenses (note 6, 15(a))	8,802	3,884
- Unearned premiums (notes 6, 15(b))	55,937	52,312
- Claims incurred but not reported IBNR (note 6, 15 (a))	<u>11,712</u>	<u>11,283</u>
Total reinsurers' share of insurance liabilities	<u>76,451</u>	<u>67,479</u>
Net		
- Claims reported and loss adjustment expenses (notes 3.1 (iv), 15(a))	-	-
- Unearned premiums (note 15(b))	-	-
- Claims incurred but not reported IBNR (note 15 (a))	<u>-</u>	<u>-</u>
Total net insurance liabilities	<u>-</u>	<u>-</u>

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

11. INVESTMENT INCOME	2019	2018
	Rs'000	Rs'000
Interest income	308	308
Dividend income	314	451
	<u>622</u>	<u>759</u>
12. NET OTHER INCOME	2019	2018
	Rs'000	Rs'000
Policy fees	64	64
Exchange gain	1,324	813
Impairment loss on financial assets	-	(32)
Profit on sale of available-for-sale assets	107	37
	<u>1,495</u>	<u>882</u>
13. EXPENSES BY NATURE	2019	2018
	Rs'000	Rs'000
Audit fees	253	228
Taxation fees	14	18
Actuarial fees	144	211
Licence fees	134	121
Rebilling cost	6,782	4,352
Others	456	672
	<u>7,783</u>	<u>5,602</u>
14. CASH AND CASH EQUIVALENTS		
(a) Cash and cash equivalents	2019	2018
	Rs'000	Rs'000
Cash at Bank	<u>64,220</u>	<u>69,515</u>

(b) Non cash transactions

The principal non cash transactions are the additions and disposals of available-for-sale assets (Note 5(h)).

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

15. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

	2019			2018		
	Gross Rs'000	Reinsurance Rs'000	Net Rs'000	Gross Rs'000	Reinsurance Rs'000	Net Rs'000
(a) Outstanding claims						
At January 1,	3,884	(3,884)	-	8,003	(8,003)	-
Increase/(decrease) in liabilities	4,918	(4,918)	-	(2,954)	2,954	-
Cash paid for claims settled in the year (Page 7)	-	-	-	(1,165)	1,165	-
	8,802	(8,802)	-	3,884	(3,884)	-
Incurred but not reported (IBNR) (note 10)	11,712	(11,712)	-	11,283	(11,283)	-
At December 31,	20,514	(20,514)	-	15,167	(15,167)	-

(b) Provision for unearned premiums

	2019			2018		
	Gross Rs'000	Reinsurance Rs'000	Net Rs'000	Gross Rs'000	Reinsurance Rs'000	Net Rs'000
At January 1,	52,312	(52,312)	-	42,120	(42,120)	-
Increase during the year (note 10)	3,625	(3,625)	-	10,192	(10,192)	-
At December 31,	55,937	(55,937)	-	52,312	(52,312)	-

16. HOLDING COMPANY

Swan General Ltd owns 100% of the Company's share capital and is the holding company. The company is incorporated in Mauritius and its registered address is situated at Swan Group Centre, 10 Intendance Street, Port Louis.

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

17. RELATED PARTY TRANSACTIONS

(a)	Purchase of	Amount	Amount
	goods and services	owed by related parties	owed to related parties
	Rs'000	Rs'000	Rs'000
<u>2019</u>			
Holding company	-	-	111
Fellow subsidiaries	6,936	50	18,059
	<u>6,936</u>	<u>50</u>	<u>18,170</u>
<u>2018</u>			
Holding company	-	-	18
Fellow subsidiaries	4,502	23	11,216
	<u>4,502</u>	<u>23</u>	<u>11,234</u>

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

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

(d) Key management personnel compensation

	2019	2018
	Rs'000	Rs'000
Salaries & Short term employee benefits	564	513
Post employment benefits	9	54
	<u>573</u>	<u>567</u>

18. EVENTS AFTER REPORTING DATE

COVID-19 outbreak poses a serious public health threat worldwide. Like many other countries, it is expected that the economy in Mauritius 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 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.