

SWAN WEALTH MANAGERS LTD

ANNUAL REPORT - YEAR ENDED

DECEMBER 31, 2020

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Dear Shareholders,

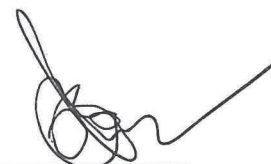
The Board of Directors is pleased to present the Annual Report of Swan Wealth Managers Ltd for the year ended December 31, 2020, contents of which are listed below:

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This report was approved by the Board of Directors on: ~~30 June 2021~~.....



Chairperson



Director

PRINCIPAL ACTIVITIES AND OTHER STATUTORY DISCLOSURES - DECEMBER 31, 2020**PRINCIPAL ACTIVITIES**

The principal activities of the Company consist of fund management and advisory services to sophisticated investors.

BOARD OF DIRECTORS

The Directors of the Company as at December 31, 2020 and at the date of this annual report were:

Mr. Louis RIVALLAND

Mr. Peroomal Gopallen MOOROGEN

Mr. Nitish BENI MADHU (resigned January 29, 2021)

Mr. Gianduth JEEAWOCK (appointed March 29, 2021)

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 and receivable from the Company were as follows:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|---------------|---------------|
| | Rs. | Rs. |
| <u>Executive Directors</u> | | |
| Mr. Louis RIVALLAND | 20,000 | 20,000 |
| Mr. Nitish BENI MADHU | 20,000 | 20,000 |
| <u>Non-Executive Director</u> | | |
| Mr. Peroomal Gopallen MOOROGEN | 20,000 | 20,000 |
| | <u>60,000</u> | <u>60,000</u> |

DONATION

There was no donation made by the Company during the year (2019: 2.6m).

AUDITORS' FEES

The fees payable to the auditors, for audit were as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------|----------------|---------------|
| | Rs. | Rs. |
| Audit fees paid to: | | |
| - BDO & Co | 110,000 | 95,000 |
| | <u>110,000</u> | <u>95,000</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 the Shareholder.

CORPORATE GOVERNANCE REPORT – YEAR ENDED DECEMBER 31, 2020

Swan Wealth Managers Ltd (the ‘Company’) is a Public Interest Entity as defined by the Financial Reporting Act 2004.

1. GOVERNANCE STRUCTURE

Swan Wealth Managers Ltd 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 regarding 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 to 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 code of ethics and constitution have been published on the website of Swan Group.

2. STRUCTURE OF THE BOARD AND ITS COMMITTEES

Swan Wealth Managers Ltd is headed by a unitary Board and consists of two executives and one independent non-executive director. Members of the Board have a diverse set of skills, knowledge and come from different spheres of the business community. There is currently no female gender on the Board, as the Board was constituted before such requirement. Collectively, the Board is well structured and of sufficient size to discharge its duties, having regard to the activities and size of the Company and it being part of a group where certain functions are established at group level.

The Group Chief Executive, together with the executive director, have the day-to-day managerial responsibility for the operations, implementing the strategies and policies agreed by the Board. The functions and responsibilities of the Group Chief Executive and Chairperson are separate.

There is one independent non-executive director. The independent director brings a range of experience and skills to the Board and is free from any business or other relationships which could materially affect his ability to exercise independent judgement, constructively dissent and is a critical by-stander. The Board is satisfied that one independent director is sufficient having regard to the activities and size of the Company.

All the directors are ordinarily resident in Mauritius.

CORPORATE GOVERNANCE REPORT – YEAR ENDED DECEMBER 31, 2020

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

The Directors of the Company for the year ended 31 December 2020 were:

Mr. Gopallen Moorooogen (Independent Non-Executive)

Mr. Louis Rivalland (Executive) (Group Chief Executive)

Mr. Nitish Beni Madhu (Executive) resigned on 29 January 2021.

Mr. Gianduth (Alvin) Jeeawock was appointed executive director on 29 March 2021.

The Profile of the directors are as follows:

Louis RIVALLAND

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

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

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

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

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

List of other directorships:

| <i>Company names</i> | <i>Position</i> | <i>Company names</i> | <i>Position</i> |
|---|-----------------|-------------------------------|-----------------|
| Aprica Investments Co Ltd | Director | Swan Financial Solutions Ltd | Director |
| Manufacturers' Distributing Station Limited | Director | Swan Foundation | Director |
| New Mauritius Hotels Limited | Director | Swan General Ltd | Director |
| Mauritius Investment Corporation Ltd | Director | Swan Wealth International Ltd | Director |

CORPORATE GOVERNANCE REPORT – YEAR ENDED DECEMBER 31, 2020

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

List of other directorships (cont'd):

| <i>Company names</i> | <i>Position</i> |
|------------------------------------|-----------------|
| Processure Compagnie Limitée | Director |
| Swan Corporate Affairs Ltd | Director |
| Swan Digital Ltd | Director |
| Swan Wealth Structured Product Ltd | Director |

| <i>Company names</i> | <i>Position</i> |
|---------------------------|-----------------|
| Swan International Co Ltd | Director |
| Swan Life Ltd | Director |
| Swan Pensions Ltd | Director |
| Swan Reinsurance PCC | Director |
| Swan Special Risks Co Ltd | Director |

Gopallen MOOROGEN

Born in 1959, 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:

| <i>Company Name</i> | <i>Position</i> |
|--------------------------------|-----------------|
| Swan Life Ltd | Director |
| Swan Reinsurance PCC | Director |
| Swan Special Risks Company Ltd | Director |
| Swan General Ltd | Director |
| Swan Pensions Ltd | Director |

Gianduth (Alvin) JEEAWOCK

Alvin is a CFA charter holder since 2010. He is currently reading for MBA International Paris. Alvin is a seasoned professional reckoning more than a decade of experience in Capital Markets. In his senior management role, he provides strategic directives into SWAN's Capital Markets division. Equally, he is amongst the driving forces of investment activities of the group, including strategic investments in Mauritius and abroad. He is also an executive director of Swan Corporate Advisors Ltd, Swan Wealth International Ltd and Swan Smart Achiever Notes Ltd.

| Company Name | Position |
|-------------------------------------|-----------------|
| Max City Property Fund Ltd | Director |
| Swan Corporate Advisors Ltd | Director |
| Swan Wealth International Ltd | Director |
| Swan Wealth Structured Products Ltd | Director |

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

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 the Board and its Committees with all information. The Company Secretary discharged his duties as per the statutory requirements.

Mr. Jaiyansing Soobah acts as the Group Company Secretary and below is his profile:

Jaiyansing (Shailen) SOOBAH
FCCA, MBA, Dip CII
Group Company Secretary, Group Risk Officer

Jaiyansing Soobah

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

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

Board Committees

Two committees are constituted at the level of the Group – the Audit & Risks Committee and the Corporate Governance Committee. The terms of reference of the two committees which were approved by the Board have been posted on the website.

Audit & Risks Committee

The Group Committee consists of four non-executive directors, three of whom are independent, including the Chairperson. The members are:

- a) Mr. Arif Currimjee (independent)
- b) Mr. Henri Harel (non-executive)
- c) Mr. Gopallen Moorooogen (Chairperson) (independent)
- d) Mr. Victor Seeyave (independent)

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

The Committee meets at least four times a year. The Group Chief Executive is not a member of the Committee. He is in attendance unless a conflict of interest is likely to arise.

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

Board Committees (cont'd)

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 Group Audit & Risks Committee, as are relevant. The Group Audit Committee meets regularly with the External Auditor (including once at the planning stage before the audit and once after the audit at the reporting stage). The Group Audit Committee has not met external auditor without management presence.

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

- a) Yearly audited accounts – consideration and recommendation to the Board for approval;
- b) Taking cognizance of significant issues from the external auditors' management letter and agreeing on management actions to implement recommendations;
- c) Abridged quarterly accounts - consideration and recommendation to the Board for approval and publication;
- d) Internal audit – consideration of internal audit reports;
- e) Compliance Plan – taking stock of the main areas of focus of the compliance function for 2020;
- f) Approval of auditors' fees for audit and non-audit services;
- g) Risk management – consideration and status on implementation of the risk management framework and new regulatory rules, the Insurance (Risk Management) Rules 2016;

In relation to risks, the Committee's responsibilities are, inter alia, to:

- a) review and assess the integrity of the risk control systems and ensuring that risk policies and strategies are effectively managed;
- b) set out the nature, role, responsibility and authority of the risk management function and outlining the scope of risk management work;
- c) keep abreast of external developments relating to the practice of corporate accountability;
- d) review and provide an independent and objective oversight on reports submitted by management on corporate accountability and specifically how associated risks are being mitigated.

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.

CORPORATE GOVERNANCE REPORT – YEAR ENDED DECEMBER 31, 2020

2. STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)**Board Committees (cont'd)**

The Committee consists of the following non-executive directors:

- a) Mr. Arif Currimjee (Independent)
- b) Mr. Nicolas Maigrot (Chairperson)
- c) Mr. Gopallen Moorooogen (independent)
- d) Mr. Victor Seeeyave (independent)

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

During the year 2020, a Group Corporate Governance Committee could not be scheduled due to the COVID-19 crisis.

Attendance of the directors at board committees for 2020 were as follows:

| Directors | Audit & Risks Committee |
|--------------------------------|-------------------------|
| Number of meetings held | 5 |
| NITISH BENI MADHU | |
| ARIF CURRIMJEE | 4 |
| HENRI HAREL | 4 |
| NICOLAS MAIGROT ¹ | |
| GOPALLEN MOOROGEN ² | 5 |
| LOUIS RIVALLAND ³ | |
| VICTOR SEEYAVE | 5 |

¹ Chairperson, Corporate Governance Committee

² Chairperson, Audit & Risks Committee

³ In attendance (not a member)

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. The law provides that a director (Officer) must be a fit and proper person.

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

CORPORATE GOVERNANCE REPORT – YEAR ENDED DECEMBER 31, 2020

3. DIRECTOR APPOINTMENT PROCEDURES (CONT'D)

The Constitution of the Company does not provide for annual re-election of directors. Directors are encouraged to keep themselves updated with industry practices, trends, practices and standards. As and when required or requested, the Company will organize workshops and arrange for training of directors

Succession planning of key officeholders has been delegated by the Board to the Group Chief Executive.

The following has been published on the Company's website – a brief write-up of directors and details of the nomination & appointment process. The profile of the Company Secretary has been published on the Group's website.

4. DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

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

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. According to the Company's Constitution, a Director is not required to hold shares in the Company.

The Directors confirm that whenever they deal in the shares of the Company, they follow the principles of the model code on securities transactions by directors as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules. Directors' interest in the Company's shares were as follows:

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.

4. DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)Information, information technology and information security governance

The Board is responsible for information governance. At Board level, the Chairperson, the Group Chief Executive and the Company Secretary ensure that Directors receive adequate, timely and accurate information to be able to discharge their duties. Directors are under obligations to keep all information confidential. Directors have unrestricted access to information.

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.

Day-to-day IT governance and security issues are delegated to senior management. IT expenses are monitored through the budgeting process. The Company 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 its website.

No Board Evaluation was conducted during the year under review. It has been agreed that the Company will conduct a Board Evaluation every three years. The next board evaluation will be conducted in 2021.

Remuneration Policy

Remuneration of directors is determined by the Corporate Governance Committee.

The Board is responsible for the remuneration policy of the Group 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 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, 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.

CORPORATE GOVERNANCE REPORT – YEAR ENDED DECEMBER 31, 2020

4. DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)**Remuneration Policy (cont'd)**

Non-executive directors have not received any remuneration in the form of share options or bonuses associated with the Company's performance. Non-executive directors receive a fixed director fee.

Directors' remuneration for the year was as follows:

| | From the Company (Rs) |
|----------------------------|----------------------------------|
| Executive Directors | 40,000 |
| Non-Executive Director (1) | 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
- f) Defining the roles and responsibilities of management

The Group 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.

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. The main risks faced by the Company are compliance risk, legal risk, market risk, foreign exchange risk and interest rate risk.

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;

CORPORATE GOVERNANCE REPORT – YEAR ENDED DECEMBER 31, 2020

- d) There is an ongoing effort to review, reassess and document the process and procedures for each operating unit;
- e) A compliance function has been put in place under the leadership of the Money Laundering Reporting Officer and clear compliance procedures have been established to ensure compliance with all applicable laws, rules, regulations and codes;
- f) Management has put in place appropriate financial and operational controls by way of segregation of duties and financial/monetary limits;

Internal control covers all material functions of the Company. Board, through the Audit & Risks Committee and senior management, 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) 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, an overview/structure and history of the Company, the financial statements, risk report, report from the Group Chief Executive and Chairperson, details on our corporate social responsibility, information and profile of our senior management team. The annual report for the year ended 31 December 2020 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.

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. The Company declares dividend in December based on best estimates of yearly results to 31 December.

Shareholders Agreement

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

Environmental Issues

The Company has an obligation to protect and preserve the environment. It respects the environment and the business of the Company ensures that there is little impact on the environment.

The Company complies with all applicable laws and regulations. We adopt standards, procedures, contingency measures and management systems to ensure that our operations are managed safely, ecologically and in a sustainable way.

Health and Safety

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

6. REPORTING WITH INTEGRITY (CONT'D)

Social Issues

It is the Company's policy to comply with all applicable laws, rules and regulations. It is the personal responsibility of each employee 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. AUDIT

Internal Audit

Internal Audit is an objective assurance function reporting to the Group Audit & Risks Committee and the Board. It derives its authority from the Board through the Group 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 Group Audit and Risks Committee. Internal audit of the company and Group is outsourced to Ernst & Young. The Internal Auditors are responsible for providing assurance to the Board, through the Group Audit & Risks 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 Group Audit and Risks Committee, is based on the principles of risk management to align coverage and effort with the degree of risk attributable to the areas audited. The plan is reviewed yearly.

The Internal Auditors have a direct reporting line to the Group 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/Group 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 Group 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 Group Audit & Risks Committee.

External Audit

Our external auditors are BDO & Co. External auditors are appointed/re-appointed by shareholders. Auditors remuneration is fixed by the Board, following recommendation from the Group Audit & Risks Committee. External auditors have unrestricted access to the Group Audit & Risks Committee. The Company is satisfied with the external audit process.

External Audit

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

CORPORATE GOVERNANCE REPORT – YEAR ENDED DECEMBER 31, 2020

7. AUDIT (CONT'D)

BDO & Co. has been the auditors of the Company for more than 7 years.

During 2020, the following fees apply to BDO & Co:

| | |
|--------------------|-------------|
| Audit services | MUR 110,000 |
| Non-Audit Services | Nil |

8. RELATIONSHIP WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

The only shareholder holding directly more than 5% of the Company is Swan Financial Solutions Ltd, which holds 100% of the Company's capital.

The directors common to the Company and to the holding Company are:

| <i>DIRECTORS</i> | <i>SWAN WEALTH MANAGERS LTD</i> | <i>SWAN FINANCIAL SOLUTIONS LTD</i> |
|--------------------------|---------------------------------|-------------------------------------|
| <i>Louis RIVALLAND</i> | √ | √ |
| <i>Gopallen MOOROGEN</i> | √ | - |

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, internal and external auditors among others.

The Company communicates through emails, social media, and its annual report. In addition, the Group website through its News Section, provides meaningful information on the Company's products & services and financials.

Key events are set out below:

June Annual Meeting of Shareholders (By way of Written Resolution)

December Declaration and payment of dividend



Jaiyansing Soobah
for Swan Corporate Affairs Ltd
Company Secretary

30 June 2021

CORPORATE GOVERNANCE REPORT - YEAR ENDED DECEMBER 31, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors acknowledge their responsibilities for:

- (i) the maintenance of adequate accounting records and maintenance of effective internal control systems;
- (ii) the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that year and which comply with International Financial Reporting Standards (IFRS) and;
- (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 and;
- (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: 30 June 2021



Chairperson



Director

SECRETARY'S CERTIFICATE - YEAR ENDED DECEMBER 31, 2020

We certify, to the best of our knowledge and belief, that the Company has filed with the Registrar of Companies, for the year ended December 31, 2020, all such returns as are required of the Company under the Companies Act 2001.



J. Soobah
For Swan Corporate Affairs Ltd
Company Secretary

Date: 30 June 2021

STATEMENT OF COMPLIANCE

SECTION 75(3) OF THE FINANCIAL REPORTING ACT

Name of PIE: SWAN WEALTH MANAGERS LTD (the 'Company')

Throughout the year ended December 31, 2020, 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:



.....
Chairperson



.....
Director

Date: 30 June 2021

Date: 30 June 2021

SWAN WEALTH MANAGERS LTD

5

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Swan Wealth Managers Ltd

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Swan Wealth Managers Ltd (the "Company"), on pages 6 to 43 which comprise the statement of financial position as at December 31, 2020, 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 43 give a true and fair view of the financial position of the Company as at December 31, 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

Corporate Governance Report

Our responsibility under the Financial Reporting Act is to report on 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 WEALTH MANAGERS LTD

5(a)

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Swan Wealth Managers Ltd

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 the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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, and



SWAN WEALTH MANAGERS LTD

5(b)

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Swan Wealth Managers Ltd

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

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

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

Other Matter

This report is made solely to the Shareholders of Swan Wealth Managers Ltd (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 Shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

BDO & CO
Chartered Accountants

Ameenah Ramdin FCCA, ACA
Licensed by FRC

Port Louis,
Mauritius.

30 June 2021

STATEMENT OF FINANCIAL POSITION - AS AT DECEMBER 31, 2020

| | Notes | 2020 Rs. | 2019 Rs. |
|---|-------|---------------------------|---------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Equipment | 5 | 488,035 | 353,162 |
| Right-of-use assets | 5A | 3,790,771 | 5,020,208 |
| Investment in subsidiary company | 6 | 1,300,000 | 1,300,000 |
| Financial assets at amortised cost | 7 | 193,972,745 | 52,945,836 |
| Financial assets at fair value through other comprehensive income | 8 | 10,000 | 10,000 |
| Deferred tax assets | 9 | 2,149,362 | 2,289,500 |
| | | <u>201,710,913</u> | <u>61,918,706</u> |
| Current assets | | | |
| Trade receivables | 10 | 76,078,752 | 56,993,661 |
| Financial assets at amortised cost | 7 | 18,112,767 | 8,304,069 |
| Other assets | | 358,683 | 1,086,765 |
| Current tax assets | 15(c) | 1,175,457 | 2,728,111 |
| Cash and cash equivalents | 11(b) | 208,319,618 | 366,008,023 |
| | | <u>304,045,277</u> | <u>435,120,629</u> |
| Total assets | | <u><u>505,756,190</u></u> | <u><u>497,039,335</u></u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 12 | 1,600,000 | 1,600,000 |
| Retained earnings | | 448,376,792 | 360,970,575 |
| Total equity | | <u>449,976,792</u> | <u>362,570,575</u> |
| Non-current liabilities | | | |
| Lease liability | 5B | 2,666,537 | 3,892,146 |
| Retirement benefit obligations | 13 | 8,591,431 | 5,991,657 |
| | | <u>11,257,968</u> | <u>9,883,803</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 43,295,821 | 28,425,944 |
| Dividend payable | 16 | - | 95,000,000 |
| Lease liability | 5B | 1,225,609 | 1,159,013 |
| | | <u>44,521,430</u> | <u>124,584,957</u> |
| Total equity and liabilities | | <u><u>505,756,190</u></u> | <u><u>497,039,335</u></u> |

These financial statements have been approved for issue by the Board of Directors on: **30 June 2021**

Director

Director

The notes on pages 10 to 43 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, 2020

| | <u>Notes</u> | <u>2020</u> Rs. | <u>2019</u> Rs. |
|---|--------------------------|---------------------|---------------------|
| Revenue | 17 | 231,687,804 | 229,132,944 |
| Other income | 18 | 4,017,922 | 982,832 |
| Other gains | 20 | 18,098,769 | 8,720,495 |
| Net impairment losses on financial assets | 10 (i) | 1,894,736 | (700,912) |
| Administrative expenses | | <u>(63,596,448)</u> | <u>(63,149,393)</u> |
| | | 192,102,783 | 174,985,966 |
| Finance costs | 19 | (253,117) | (316,395) |
| Profit before taxation | 21 | <u>191,849,666</u> | <u>174,669,571</u> |
| Taxation | 15(a) | <u>(8,072,228)</u> | <u>(12,663,283)</u> |
| Profit for the year | | <u>183,777,438</u> | <u>162,006,288</u> |
| Other comprehensive income: | | | |
| <i>Item that will not be reclassified to profit or loss :</i> | | | |
| Remeasurements of post employment benefit obligations | 13(a)(vii) & 13(b)(v) | (1,652,073) | (858,001) |
| Tax effect on remeasurements of post employment benefit | 9(b) | <u>280,852</u> | <u>145,860</u> |
| Other comprehensive income for the year, net of tax | | <u>(1,371,221)</u> | <u>(712,141)</u> |
| Total comprehensive income for the year | | <u>182,406,217</u> | <u>161,294,147</u> |

The notes on pages 10 to 43 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, 2020

| | <u>Note</u> | <u>Share Capital</u> Rs. | <u>Retained Earnings</u> Rs. | <u>Total Equity</u> Rs. |
|--|-------------|---------------------------------|-------------------------------------|--------------------------------|
| Balance at January 1, 2020 | | 1,600,000 | 360,970,575 | 362,570,575 |
| Profit for the year | | - | 183,777,438 | 183,777,438 |
| Other comprehensive income for the year | | - | (1,371,221) | (1,371,221) |
| Dividends | 16 | - | (95,000,000) | (95,000,000) |
| Balance at December 31, 2020 | | <u>1,600,000</u> | <u>448,376,792</u> | <u>449,976,792</u> |
| Balance at January 1, 2019 | | 1,600,000 | 294,676,428 | 296,276,428 |
| Profit for the year | | - | 162,006,288 | 162,006,288 |
| Other comprehensive income for the year | | - | (712,141) | (712,141) |
| Dividends | 16 | - | (95,000,000) | (95,000,000) |
| Balance at December 31, 2019 | | <u>1,600,000</u> | <u>360,970,575</u> | <u>362,570,575</u> |

The notes on pages 10 to 43 form an integral part of these financial statements.
Auditors' report on pages 5 to 5(b).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2020

| | Notes | 2020 Rs. | 2019 Rs. |
|---|--------|----------------------|---------------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 191,849,666 | 174,669,571 |
| Adjustments for: | | | |
| Depreciation on equipment | 5 | 325,527 | 262,264 |
| Amortisation of right-of-use assets | 5A | 1,229,437 | 1,126,986 |
| Net impairment losses on financial assets | 10 (i) | (1,894,736) | 700,912 |
| Increase in provision for retirement benefit obligations | 13 | 947,701 | 2,302,430 |
| Dividend income | 18 | (1,042,193) | - |
| Interest Income | 18 | (2,975,729) | (982,832) |
| Interest expense | 5B/19 | 253,117 | 316,395 |
| Net foreign exchange gains | 20 | (18,098,769) | (8,720,495) |
| Changes in working capital: | | | |
| - trade receivables | 10 | (17,190,355) | 3,117,269 |
| - other assets | | 728,082 | (296,609) |
| - trade and other payables | 14 | 14,869,877 | (136,038) |
| Cash generated from operations | | 169,001,625 | 172,359,853 |
| Interest received | | 4,039,498 | 1,027,728 |
| Tax paid | 15 | (6,098,584) | (26,099,354) |
| Net cash generated from operating activities | | 166,942,539 | 147,288,227 |
| Cash flows used in investing activities | | | |
| Purchase of equipment | 5 | (460,400) | (285,009) |
| Additional investment in subsidiary company | 6 | - | (700,000) |
| Purchases of financial assets at amortised cost | 7 | (152,145,969) | (26,141,254) |
| Maturity of financial assets at amortised cost | 7 | 9,017,400 | 5,237,190 |
| Net cash used in investing activities | | (143,588,969) | (21,889,073) |
| Cash flows used in financing activities | | | |
| Principal paid on lease liability | 5B | (1,159,013) | (1,096,035) |
| Interest paid on lease liability | 5B | (253,117) | (316,395) |
| Dividends paid to Shareholders | 16 | (190,000,000) | - |
| Net cash used in financing activities | | (191,412,130) | (1,412,430) |
| Net (decrease)/increase in cash and cash equivalents | | (168,058,560) | 123,986,724 |
| Movement in cash and cash equivalents | | | |
| At January 1, | | 366,008,023 | 235,541,036 |
| (Decrease)/increase | | (168,058,560) | 123,986,724 |
| Effects of foreign exchange rate changes | | 10,370,155 | 6,480,263 |
| At December 31, | 11(b) | 208,319,618 | 366,008,023 |

The notes on pages 10 to 43 form an integral part of these financial statements.

Auditors' report on pages 5 to 5(b).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

1. GENERAL INFORMATION

Swan Wealth Managers Ltd is a limited liability company incorporated and domiciled in Mauritius. The address of the registered office is Swan Centre, 10, Intendance Street, Port Louis.

These financial statements will be considered and approved at the forthcoming Annual Meeting of Shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of Swan Wealth Managers Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are that of an individual entity. Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest Rupee (Rs.). The financial statements are prepared under the historical cost convention, except that:

- (i) relevant financial assets and financial liabilities are stated at their fair values and;
- (ii) relevant financial assets and financial liabilities are carried at amortised cost.

Amendments to published Standards effective in the reporting period

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

2.1 Basis of preparation (cont'd)

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

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

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2021 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

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

Annual Improvements 2018-2020

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

Reference to the Conceptual Framework (Amendments to IFRS 3)

Amendments to IFRS 17

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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.

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 Equipment

Equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Equipment (cont'd)

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

Depreciation is calculated on the straight line method to write off the cost of each asset to its residual values over their estimated useful life as follows:

| | |
|------------------------|-------|
| Motor vehicles | 20% |
| Computer equipment | 33.3% |
| Furniture and fittings | 10% |

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

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

Gains and losses on disposal of equipment are determined by comparing proceeds with carrying amount and are included in profit or loss.

2.3 Financial assets

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

(i) Amortised cost

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial assets (cont'd)

(i) Amortised cost (cont'd)

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

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

The Company's financial assets measured at amortised cost comprise of trade receivables, quoted bonds and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents include only cash at bank.

(ii) Fair value through other comprehensive income

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Investment in subsidiary company

Investment in subsidiary company is carried at costs. The carrying amount is reduced to recognised any impairment in the value of individual investments.

2.5 Financial liabilities

The Company classifies its financial liabilities as follows:

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

2.6 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

2.7 Retirement benefit obligations

(a) *Defined contribution plans*

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

(b) *Defined benefit plans*

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Retirement benefit obligations (cont'd)

(b) *Defined benefit plans (cont'd)*

The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined liability during the period as a result of contributions and benefit payments. Net interest expense is recognised in the profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in the profit or loss.

(c) *Gratuity on retirement*

For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Workers' Right Act 2019 is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

2.8 Current and deferred income tax

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

Current Tax

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

Deferred Tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Current and deferred income tax (cont'd)

Corporate Social Responsibility (CSR)

Every Mauritian Company is required to set up a CSR fund equivalent to 2% of its chargeable income of the preceding year and the Company should remit 75% of the fund respectively to the Mauritian Tax Authorities. This practice is being interpreted and classified as taxation.

2.9 Impairment of non-financial assets

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

2.10 Leases

Leases are accounted for by recognising a right-of-use asset and a lease liability except for:

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

Identifying Leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Leases (cont'd)

Identifying Leases (cont'd)

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

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

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

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

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

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

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

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

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Leases (cont'd)

Identifying Leases (cont'd)

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification: (cont'd)

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

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

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

2.11 Revenue Recognition

(a) *Revenue from contracts with customers*

Performance obligations and timing of revenue recognition

The Company provides management, trailer fees and other services under fixed-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period and is determined based on the assets under management with the company.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

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

- Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).
- Dividend income - when the Shareholder's right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Provisions

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

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

2.13 Dividend distribution

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

2.14 Foreign currencies

(a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Mauritian rupees, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All other foreign exchange gains and losses are presented in profit or loss within 'other gains'. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risk: credit risk, liquidity risk, currency risk and interest-rate risk.

A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables.

Credit risk is managed on a Company basis. For banks and financial institutions, only independently rated parties are accepted.

Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management.

The Company's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

As at December 31, 2020, trade receivables amounted to **Rs. 76,078,752** (2019: Rs. 56,993,661) of which **Rs. 4,115,370** (2019: Rs 6,010,106) were provided for in the statement of profit or loss as impairment.

| | Within 3 months | More than 3 months | Total |
|--------------------|--------------------|-----------------------|-------------------|
| <u>2020</u> | Rs. | Rs. | Rs. |
| Trade receivables | 69,929,255 | 6,149,497 | 76,078,752 |
| | Within 3 months | More than 3 months | Total |
| <u>2019</u> | Rs. | Rs. | Rs. |
| Trade receivables | 50,529,037 | 6,464,624 | 56,993,661 |

(b) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Liquidity risk (cont'd)

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

The maturity profile of financial assets and liabilities is set out below:

At December 31, 2020

| | Less than 1 year Rs. | Between 1 and 2 years Rs. | Between 2 and 5 years Rs. | Over 5 years Rs. | Non-maturity items Rs. | Total Rs. |
|--|----------------------------|---------------------------------|---------------------------------|------------------------|------------------------------|--------------------|
| <u>Financial assets</u> | | | | | | |
| Financial assets at amortised cost | 18,112,767 | 20,321,143 | 152,667,025 | 20,984,577 | - | 212,085,512 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 10,000 | 10,000 |
| Trade receivables | 76,078,752 | - | - | - | - | 76,078,752 |
| Cash and cash equivalents | 208,319,618 | - | - | - | - | 208,319,618 |
| | 302,511,137 | 20,321,143 | 152,667,025 | 20,984,577 | 10,000 | 496,493,882 |
| <u>Financial liabilities</u> | | | | | | |
| Lease liability | 1,225,609 | 1,296,034 | 1,370,503 | - | - | 3,892,146 |
| Trade and other payables | 43,295,821 | - | - | - | - | 43,295,821 |
| | 44,521,430 | 1,296,034 | 1,370,503 | - | - | 47,187,967 |

At December 31, 2019

| | Less than 1 year Rs. | Between 1 and 2 years Rs. | Between 2 and 5 years Rs. | Over 5 years Rs. | Non-maturity items Rs. | Total Rs. |
|--|----------------------------|---------------------------------|---------------------------------|------------------------|------------------------------|--------------------|
| <u>Financial assets</u> | | | | | | |
| Financial assets at amortised cost | 8,304,069 | 16,658,448 | 19,290,719 | 16,996,669 | - | 61,249,905 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 10,000 | 10,000 |
| Trade receivables | 56,993,661 | - | - | - | - | 56,993,661 |
| Cash and cash equivalents | 366,008,023 | - | - | - | - | 366,008,023 |
| | 431,305,753 | 16,658,448 | 19,290,719 | 16,996,669 | 10,000 | 484,261,589 |
| <u>Financial liabilities</u> | | | | | | |
| Lease liability | 1,159,013 | 1,159,013 | 2,733,133 | - | - | 5,051,159 |
| Trade and other payables | 28,425,944 | - | - | - | - | 28,425,944 |
| | 29,584,957 | 1,159,013 | 2,733,133 | - | - | 33,477,103 |

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Currency risk

The Company has investments in financial assets, receivables and bank balances denominated in foreign currencies namely US dollar (USD) and Euro (EUR). The Company is exposed to foreign currency risk due to fluctuations in exchange rates.

2020

| | MUR | Equivalent in MUR | | TOTAL |
|---|--------------------|--------------------|------------------|--------------------|
| | | USD | EURO | |
| <u>Financial assets</u> | | | | |
| Financial assets at amortised cost | - | 212,085,512 | - | 212,085,512 |
| Financial assets at fair value through other comprehensive income | 10,000 | - | - | 10,000 |
| Trade receivables | 50,765,335 | 25,313,417 | - | 76,078,752 |
| Cash and cash equivalents | 136,837,937 | 68,720,632 | 2,761,049 | 208,319,618 |
| | <u>187,613,272</u> | <u>306,119,561</u> | <u>2,761,049</u> | <u>496,493,882</u> |
| <u>Financial liabilities</u> | | | | |
| Insurance payables | 43,295,821 | - | - | 43,295,821 |
| Lease liability | 3,892,146 | - | - | 3,892,146 |
| | <u>43,295,821</u> | <u>-</u> | <u>-</u> | <u>47,187,967</u> |

2019

| | MUR | Equivalent in MUR | | TOTAL |
|---|--------------------|--------------------|------------------|--------------------|
| | | USD | EURO | |
| <u>Financial assets</u> | | | | |
| Financial assets at amortised cost | - | 61,249,905 | - | 61,249,905 |
| Financial assets at fair value through other comprehensive income | 10,000 | - | - | 10,000 |
| Trade receivables | 32,323,948 | 24,669,713 | - | 56,993,661 |
| Cash and cash equivalents | 218,951,052 | 144,208,078 | 2,848,893 | 366,008,023 |
| | <u>251,285,000</u> | <u>230,127,696</u> | <u>2,848,893</u> | <u>484,261,589</u> |
| <u>Financial liabilities</u> | | | | |
| Insurance payables | 28,425,944 | - | - | 28,425,944 |
| Lease liability | 5,051,159 | - | - | 5,051,159 |
| | <u>28,425,944</u> | <u>-</u> | <u>-</u> | <u>33,477,103</u> |

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

3. FINANCIAL RISK MANAGEMENT (CONT'D)**3.1 Financial risk factors (cont'd)****(c) Currency risk**

At December 31, 2020, if the rupee had weakened/strengthened by 5% against the USD and EUR with all other variables held constant, post tax profit for the year would have been Rs. 13.1m (2019: Rs. 9.9m) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD and EUR denominated financial assets.

(d) Interest rate risk

The Company is not exposed to interest rate risk for its debt securities which earn fixed interest rates as at December 31, 2020 and 2019.

3.2 Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates.

If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the Company for similar financial instruments.

3.3 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the entity'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 services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The Company's gearing ratio is insignificant.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(a) **Impairment of financial assets**

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

(b) **Pension benefits**

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for the pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 13.

(c) **Limitation 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 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, 2020

| 5. EQUIPMENT | Motor Vehicles | Computer Equipment | Furniture & Fittings | Total |
|--------------------------------|-------------------|-----------------------|-------------------------|------------------|
| | Rs. | Rs. | Rs. | Rs. |
| COST | | | | |
| At January 1, 2019 | 1,280,000 | 1,944,601 | 330,256 | 3,554,857 |
| Additions | - | 248,547 | 36,462 | 285,009 |
| At December 31, 2019 | 1,280,000 | 2,193,148 | 366,718 | 3,839,866 |
| Additions | - | 414,000 | 46,400 | 460,400 |
| At December 31, 2020 | 1,280,000 | 2,607,148 | 413,118 | 4,300,266 |
| DEPRECIATION | | | | |
| At January 1, 2019 | 1,280,000 | 1,679,187 | 265,253 | 3,224,440 |
| Charge for the year | - | 246,295 | 15,969 | 262,264 |
| At December 31, 2019 | 1,280,000 | 1,925,482 | 281,222 | 3,486,704 |
| Charge for the year | - | 289,626 | 35,901 | 325,527 |
| At December 31, 2020 | 1,280,000 | 2,215,108 | 317,123 | 3,812,231 |
| NET BOOK VALUE | | | | |
| At December 31, 2020 | - | 392,040 | 95,995 | 488,035 |
| At December 31, 2019 | - | 267,666 | 85,496 | 353,162 |
| 5A. RIGHT-OF-USE ASSETS | | | | |
| | | | Building | |
| | | | Rs. | |
| At January 1, 2020 | | | 5,020,208 | |
| Amortisation | | | (1,229,437) | |
| At December 31, 2020 | | | 3,790,771 | |
| At January 1, 2019 | | | 6,147,194 | |
| Amortisation | | | (1,126,986) | |
| At December 31, 2019 | | | 5,020,208 | |
| 5B. LEASE LIABILITY | | | | |
| | | | Building | |
| | | | Rs. | |
| At January 1, 2020 | | | 5,051,159 | |
| Interest expense | | | 253,117 | |
| Lease payments | | | (1,412,130) | |
| At December 31, 2020 | | | 3,892,146 | |
| Current | | | 1,225,609 | |
| Non-current | | | 2,666,537 | |
| | | | 3,892,146 | |

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

5B. LEASE LIABILITY (CONT'D)

| | <u>Building</u> Rs. |
|----------------------|-------------------------|
| At January 1, 2019 | 6,147,194 |
| Interest expense | 316,395 |
| Lease payments | <u>(1,412,430)</u> |
| At December 31, 2019 | <u><u>5,051,159</u></u> |
| | |
| Current | 1,159,013 |
| Non-current | <u>3,892,146</u> |
| | <u><u>5,051,159</u></u> |

The Company leases the building with Swan Life Ltd. There are no variable lease payments, extension and termination options included in the lease agreement.

(i) **Lease term**

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

| | <u>2020</u> Rs. | <u>2019</u> Rs. |
|---|-----------------------|-----------------------|
| (ii) Interest expense (included in finance costs) | <u><u>253,117</u></u> | <u><u>316,395</u></u> |

The total cash outflow for leases in 2020 was Rs.1,412,130 (2019: Rs.1,412,430).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

6. INVESTMENT IN SUBSIDIARY COMPANY

| | <u>2020</u> | 2019 |
|------------------------|-------------------------|-------------------------|
| | <u>Rs.</u> | Rs. |
| At January 1, | 1,300,000 | 600,000 |
| Additions | - | 700,000 |
| At December 31, | <u>1,300,000</u> | <u>1,300,000</u> |

Details of the subsidiary company are as follows:

| | Class of shares held | Year end | Proportion of of ownership interest direct | Nominal value of investment | Country of incorporation and operation | Main business |
|------------------------------------|-------------------------|--------------------|--|-----------------------------------|--|------------------|
| <u>2020</u> | | | | | | |
| Swan Corporate Advisors Ltd | Ordinary shares | December 31 | 100% | 1,300,000 | Mauritius | Services |
| <u>2019</u> | | | | | | |
| Swan Corporate Advisors Ltd | Ordinary shares | December 31 | 100% | 1,300,000 | Mauritius | Services |

- (i) The Company has taken advantage of the exemption under IFRS 10, "Consolidated Financial Statements", from the requirement to prepare consolidated financial statements as it and its subsidiary, are included by full consolidation in the consolidated financial statements of its intermediate holding company, Swan Life Ltd which complies with IFRS. A copy of the consolidated financial statements is available at the head office of Swan Life Ltd found at Swan Centre, 10, Intendance Street, Port Louis.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

7. FINANCIAL ASSETS AT AMORTISED COST

| | <u>2020</u> | <u>2019</u> |
|---------------------------|---------------------------|--------------------------|
| | Rs. | Rs. |
| At January 1, | 61,249,905 | 38,150,505 |
| Additions | 153,188,162 | 26,141,254 |
| Interest accrued movement | (1,063,769) | (44,896) |
| Maturity | (9,017,400) | (5,237,190) |
| Foreign exchange gains | 7,728,614 | 2,240,232 |
| At December 31, | <u>212,085,512</u> | <u>61,249,905</u> |

Analysed as follows :

| | | |
|-------------|---------------------------|--------------------------|
| Current | 18,112,767 | 8,304,069 |
| Non-current | 193,972,745 | 52,945,836 |
| | <u>212,085,512</u> | <u>61,249,905</u> |

(a) Fair values of financial assets at amortised cost

| | <u>2020</u> | <u>2019</u> |
|---------------------|---------------------------|--------------------------|
| | Rs. | Rs. |
| Foreign: | | |
| <i>Level 1:</i> | | |
| US Government Bonds | 111,691,661 | 61,749,476 |
| <i>Level 2:</i> | | |
| Equity securities | 110,584,467 | - |
| | <u>222,276,128</u> | <u>61,749,476</u> |

The fair value of the quoted debt securities is based on published market prices. The fair value of the unquoted securities is based on the net asset basis.

(b) Risk exposure

The carrying value of the financial assets at amortised cost is denominated in the following currency:

| | <u>2020</u> | <u>2019</u> |
|-----|---------------------------|--------------------------|
| | Rs. | Rs. |
| USD | <u>212,085,512</u> | <u>61,249,905</u> |

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Equity investments at fair value through other comprehensive income at December 31:

| | <u>2020</u> | <u>2019</u> |
|-------------------------|----------------------|----------------------|
| | Rs. | Rs. |
| <i>Local - Level 3:</i> | | |
| Equity securities | <u>10,000</u> | <u>10,000</u> |

(ii) The financial assets at fair value through other comprehensive income represent management shares in Swan Global Funds Ltd.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

| | <u>2020</u> | <u>2019</u> |
|-----|---------------|---------------|
| | Rs. | Rs. |
| MUR | <u>10,000</u> | <u>10,000</u> |

- (v) Impairment and risk exposure

No loss allowance was recognised as at December 31, 2020 (2019: Nil). The entity's equity investments at FVOCI are considered to have low credit risk.

9. DEFERRED TAX ASSETS

- (a) Deferred income taxes are calculated on all temporary differences under the liability method at 17% (2019: 17%).

There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority. The following amounts are shown in the statement of financial position:

| | <u>2020</u> | <u>2019</u> |
|---------------------|------------------|------------------|
| | Rs. | Rs. |
| Deferred tax assets | <u>2,149,362</u> | <u>2,289,500</u> |

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

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| | Rs. | Rs. |
| At January 1, | 2,289,500 | 1,359,676 |
| (Charged)/credited to statement of profit or loss (note 15(a)) | (420,990) | 783,964 |
| Credited to other comprehensive income (note c) | 280,852 | 145,860 |
| At December 31, | <u>2,149,362</u> | <u>2,289,500</u> |

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

9. DEFERRED TAX ASSETS (CONT'D)

- (c) The movement on the deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same fiscal authority on the same entity, is as follows:

| Deferred tax (liabilities)/assets: | Accelerated tax depreciation | Retirement benefit obligations | Lease liability | Right-of-use assets | Expected credit losses | Total |
|---|------------------------------------|--------------------------------------|--------------------|------------------------|------------------------------|------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| At January 1, 2019 | (24,198) | 481,311 | 1,045,023 | (1,045,023) | 902,563 | 1,359,676 |
| (Charged)/credited to statement of profit or loss (note 15(a)) | (23,586) | 683,133 | (186,326) | 191,588 | 119,155 | 783,964 |
| Credited to other comprehensive income | - | 145,860 | - | - | - | 145,860 |
| At December 31, 2019 | (47,784) | 1,310,304 | 858,697 | (853,435) | 1,021,718 | 2,289,500 |
| Credited/(charged) to statement of profit or loss (note 15(a)) | 19,755 | (130,614) | (197,032) | 209,006 | (322,105) | (420,990) |
| Credited to other comprehensive income | - | 280,852 | - | - | - | 280,852 |
| At December 31, 2020 | (28,029) | 1,460,542 | 661,665 | (644,429) | 699,613 | 2,149,362 |

10. TRADE RECEIVABLES

| | 2020 | 2019 |
|---|--------------------|-------------|
| | Rs. | Rs. |
| Amounts receivable from related parties (note 22) | 46,359,105 | 30,679,512 |
| Trade receivables | 33,835,017 | 32,324,255 |
| Less: provision for impairment | (4,115,370) | (6,010,106) |
| | 76,078,752 | 56,993,661 |

(i) *Impairment of Trade receivables*

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

10. TRADE RECEIVABLES

(i) *Impairment of Trade receivables (cont'd)*

The expected loss rates are based on the payment profiles of sales over a period of 48 months before December 31, 2020 or January 1, 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP of Mauritius to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in the GDP.

The Company does not expect any default from related parties and is certain of their ability to pay their debts as they become due in the normal course of business and/or in any adverse economic and business conditions. Consequently, the probability of default is therefore negligible and the Company has not accounted for any impairment loss.

On that basis, the loss allowance as at December 31, 2020 was determined as follows for trade receivables;

| At December 31, 2020 | Not due | 90 to 180 days | 180 to 270 days | Above 270 days | Above 360 days | Total |
|--|----------------|---------------------------|----------------------------|---------------------------|---------------------------|------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Trade receivables | | | | | | 33,835,017 |
| Less: commission receivable | | | | | | (25,235,286) |
| Gross carrying amount - trade receivables | | | | | | <u>8,599,731</u> |
| Expected loss rate (Limited to 2 decimal places) | 1.29% | 21.95% | - | 53.56% | 100.00% | 47.85% |
| Gross carrying amount - trade receivables | 3,431,051 | 566,627 | - | 1,411,151 | 3,190,902 | 8,599,731 |
| Loss allowance | 44,261 | 124,395 | - | 755,812 | 3,190,902 | 4,115,370 |

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

10. TRADE RECEIVABLES (CONT'D)

(i) *Impairment of Trade receivables (cont'd)*

| At December 31, 2019 | <u>Not due</u> Rs. | <u>90 to 180 days</u> Rs. | <u>180 to 270 days</u> Rs. | <u>Above 270 days</u> Rs. | <u>Above 360 days</u> Rs. | <u>Total</u> Rs. |
|--|-----------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|---------------------|
| Trade receivables | | | | | | 32,324,255 |
| Less: commission receivable | | | | | | (25,505,213) |
| Gross carrying amount - trade receivables | | | | | | <u>6,819,042</u> |
| Expected loss rate (Limited to 2 decimal places) | 11.80% | 2.56% | 10.96% | 95.52% | 100.00% | 88.14% |
| Gross carrying amount - trade receivables | 354,418 | 76,954 | 328,934 | 2,867,834 | 3,190,902 | 6,819,042 |
| Loss allowance | 41,838 | 1,972 | 36,038 | 2,739,356 | 3,190,902 | 6,010,106 |

The closing loss allowances for trade receivables as at December 31, reconcile to the opening loss allowances as follows:

| | <u>2020 Specific provision</u> Rs. | <u>2020 ECL</u> Rs. | <u>2020 Total</u> Rs. | <u>2019 Total</u> Rs. |
|---|---|----------------------------|------------------------------|------------------------------|
| At January 1, | 3,190,902 | 2,819,204 | 6,010,106 | 5,309,194 |
| Loss allowance recognised in profit or loss during the year | - | - | - | 700,912 |
| Amount reversed | - | (1,894,736) | (1,894,736) | - |
| At December 31, | <u>3,190,902</u> | <u>924,468</u> | <u>4,115,370</u> | <u>6,010,106</u> |

(ii) The carrying amounts of the Company's trade receivables are denominated in the following currencies:

| | <u>2020</u> Rs. | <u>2019</u> Rs. |
|-----|--------------------------|--------------------|
| MUR | 50,765,335 | 32,323,948 |
| USD | 25,313,417 | 24,669,713 |
| | <u>76,078,752</u> | <u>56,993,661</u> |

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

11. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of liability arising from financing activities

| | 2019 | Cash flows | 2020 |
|-----------------|-----------|---------------|------------------|
| | Rs. | Rs. | Rs. |
| Lease liability | 5,051,159 | (1,159,013) | 3,892,146 |

| | 2018 | Cash flows | 2019 |
|-----------------|-----------|---------------|-----------|
| | Rs. | Rs. | Rs. |
| Lease liability | 6,147,194 | (1,096,035) | 5,051,159 |

(b) Cash and cash equivalents

| | 2020 | 2019 |
|--------------------------|--------------------|-------------|
| | Rs. | Rs. |
| Cash in hand and at bank | 208,319,618 | 366,008,023 |

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

(c) Non-cash transactions

The principal non-cash transaction is the acquisition of financial assets at amortised cost amounting to Rs. 1,042k.

12. SHARE CAPITAL

| | Number of Shares | Authorised, Issued and Fully paid | |
|-------------------------------|---------------------|--------------------------------------|-----------|
| | 2020 & 2019 | 2020 | 2019 |
| | | Rs. | Rs. |
| At January 1 and December 31, | 16,000 | 1,600,000 | 1,600,000 |

The total authorised number of ordinary shares is 16,000 shares (2019: 16,000 shares) with a par value of Rs.100 per shares (2019: Rs.100 per share). All issued shares are fully paid.

13. RETIREMENT BENEFIT OBLIGATIONS

| | 2020 | 2019 |
|--|------------------|------------------|
| | Rs. | Rs. |
| Amounts recognised in the statements of financial position: | | |
| Defined pension benefits (note (a)(ii)) | 4,288,874 | 2,854,657 |
| Other post retirement benefits (note (b)(i)) | 4,302,557 | 3,137,000 |
| | 8,591,431 | 5,991,657 |
| Analysed as follows: | | |
| Non-current liabilities | 8,591,431 | 5,991,657 |
| Amounts charged to profit or loss | | |
| -Defined pension benefits (note (a)(vi)) | 374,887 | 597,671 |
| -Other post retirement benefits (note (b)(iv)) | 572,814 | 3,137,000 |
| | 947,701 | 3,734,671 |
| Amounts charged to other comprehensive income | | |
| -Defined pension benefits (note (a)(vii)) | 1,059,330 | 858,001 |
| -Other post retirement benefits (note (b)(v)) | 592,743 | - |
| | 1,652,073 | 858,001 |

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

13. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined pension benefits

- (i) The plan is a defined benefit arrangement, with benefits based on final salary. It provides for a guaranteed level of pension at retirement and a benefit on death or disablement in service before retirement. The assets of the fund are held independently and administered by Swan Life Ltd.

The most recent actuarial valuation of the present value of the defined benefits obligation was carried out at December 31, 2020 by Swan Life Ltd (Actuarial Valuer). The present value of the defined benefit obligations, and the related current service cost and past service cost, was measured using the Projected Unit Credit Method.

- (ii) The amounts recognised in the statement of financial position are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------|-------------------------|
| | Rs. | Rs. |
| Present value of funded obligations | 10,881,557 | 9,117,604 |
| Fair value of plan assets | <u>(6,592,683)</u> | <u>(6,262,947)</u> |
| Liabilities in the statement of financial position | <u><u>4,288,874</u></u> | <u><u>2,854,657</u></u> |

- (iii) The reconciliation of the opening balances to the closing balances for the net defined benefit liability is as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-------------------------|-------------------------|
| | Rs. | Rs. |
| At January 1, | 2,854,657 | 2,831,226 |
| Charged to profit or loss | 374,887 | 597,671 |
| Charged to other comprehensive income | 1,059,330 | 858,001 |
| Contributions paid | - | (1,432,241) |
| At December 31, | <u><u>4,288,874</u></u> | <u><u>2,854,657</u></u> |

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

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|-------------------------|
| | Rs. | Rs. |
| At January 1, | 9,117,604 | 7,486,936 |
| Current service cost | 240,202 | 300,708 |
| Interest expense | 441,569 | 411,781 |
| Past service cost (note below) | - | 106,000 |
| Remeasurements: | | |
| -Actuarial losses/(gains) arising from: | | |
| - plan experience | 439,465 | 1,145,212 |
| - financial assumptions | <u>642,717</u> | <u>(333,033)</u> |
| At December 31, | <u><u>10,881,557</u></u> | <u><u>9,117,604</u></u> |

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

13. RETIREMENT BENEFIT OBLIGATION (CONT'D)

(a) Defined pension benefits (cont'd)

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

| | <u>2020</u> | <u>2019</u> |
|--------------------------|------------------|------------------|
| | Rs. | Rs. |
| At January 1, | 6,262,947 | 4,655,710 |
| Remeasurements: | | |
| -Return on plan assets | 306,884 | 293,453 |
| Employer contributions | - | 1,432,241 |
| Actuarial gains/(losses) | 22,852 | (45,822) |
| Scheme expenses | - | (72,635) |
| At December 31, | <u>6,592,683</u> | <u>6,262,947</u> |

| | <u>2020</u> | <u>2019</u> |
|------------------------------|-------------|-------------|
| | Rs'000 | Rs'000 |
| Actual return on plan assets | <u>171</u> | <u>307</u> |

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

| | <u>2020</u> | <u>2019</u> |
|---|----------------|----------------|
| | Rs. | Rs. |
| Current service cost | 240,202 | 300,708 |
| Scheme expenses | - | 72,635 |
| Net interest cost | 134,685 | 118,328 |
| Past service cost (note below) | - | 106,000 |
| Total included in employee benefit expenses | <u>374,887</u> | <u>597,671</u> |

Note

The Company has historically paid discretionary bonuses to its pensioners which are also taken into account in the actuarial valuation of the pension fund for the funding purposes. The calculations carried out for the retirement benefit obligations as required under IAS 19, did not reflect the discretionary element in the previous years.

The cumulative effect thereof is not significant and has been adjusted prospectively in the current financial year.

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

| | <u>2020</u> | <u>2019</u> |
|---|------------------|----------------|
| | Rs. | Rs. |
| Experience (gains)/losses on the liabilities | (22,852) | 45,822 |
| Changes in assumptions underlying the present value of the scheme | 439,465 | 1,145,212 |
| Losses/(gains) on pension scheme assets | 642,717 | (333,033) |
| | <u>1,059,330</u> | <u>858,001</u> |

(viii) The assets of the plan are invested in the Deposit Administration Policy underwritten by Swan life Ltd. The Deposit Administration Policy is a pooled insurance product for Group Pension Schemes. It is a long-term investment policy which aims to provide a smooth progression of return from one year to the next without the regular fluctuations associated with asset-linked investments such as Equity funds. Moreover, the Deposit Administration Policy offers a minimum guaranteed return of 4.0% per annum.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

13. RETIREMENT BENEFIT OBLIGATION (CONT'D)

(a) Defined pension benefits (cont'd)

(ix) The principal actuarial assumptions used for the purposes of the actuarial valuations were:

| | 2020 | 2019 |
|--|----------------------------|----------------------------|
| Discount rate | 2.6% | 4.9% |
| Expected rate of return on plan assets | 2.6% | 4.9% |
| Future long-term salary increase | 2.0% | 4.0% |
| Future pension increase | 0.0% | 0.0% |
| Average retirement age | 60 | 60 |
| NPS ceiling increase | 4.0% | 4.0% |
| Post retirement annuity rates | Swan Life Annuity rates | Swan Life Annuity rates |

(x) Sensitivity analysis on defined benefit obligation at end of reporting period:

| | 2020 | 2019 |
|---|----------------|---------|
| | Rs. | Rs. |
| Increase in defined benefit obligation due to 1% decrease in discount rate | 777,655 | 678,760 |
| Decrease in defined benefit obligation due to 1% increase in discount rate | 681,989 | 595,660 |
| Increase in defined benefit obligation due to 1% increase in salary increase assumption | 782,694 | 748,938 |
| Decrease in defined benefit obligation due to 1% decrease in salary increase assumption | 658,320 | 674,287 |

The sensitivity analysis above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

- (xi) The defined benefit pension plan exposes the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.
- (xii) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.
- (xiii) The Company expects to pay Rs 1.1m in contributions to its post-employment benefit plans for the year ending December 31, 2021.
- (xiv) The weighted average duration of the defined benefit obligation is 8 years at the end of the reporting period (2019: 10 years).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

13. RETIREMENT BENEFIT OBLIGATION (CONT'D)

(b) Other post retirement benefits

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

(i) The amounts recognised in the statement of financial position are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------|-------------------------|
| | Rs. | Rs. |
| Present value of obligations | <u>4,302,557</u> | 3,137,000 |
| Liabilities in the statement of financial position | <u><u>4,302,557</u></u> | <u><u>3,137,000</u></u> |

(ii) The reconciliation of the opening balances to the closing balances for the other post retirement benefits is as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------------|-------------------------|
| | Rs. | Rs. |
| At January 1, | <u>3,137,000</u> | - |
| Amount recognised in profit or loss | <u>572,814</u> | 3,137,000 |
| Amount recognised in other comprehensive income | <u>592,743</u> | - |
| At December 31, | <u><u>4,302,557</u></u> | <u><u>3,137,000</u></u> |

(iii) The movement in the present value of other post retirement benefits over the year is as follows:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-------------------------|-------------------------|
| | Rs. | Rs. |
| At January 1, | <u>3,137,000</u> | - |
| Current service cost | <u>413,907</u> | - |
| Interest expense | <u>158,907</u> | - |
| Past service cost (note below) | - | 3,137,000 |
| Actuarial losses | <u>592,743</u> | - |
| At December 31, | <u><u>4,302,557</u></u> | <u><u>3,137,000</u></u> |

Note

The Company has historically paid discretionary bonuses to its pensioners which are also taken into account in the actuarial valuation of the pension fund for the funding purposes. The calculations carried out for the retirement benefit obligation as required under IAS 19, did not reflect the discretionary element in the previous years.

The cumulative effect thereof is not significant and has been adjusted prospectively in the current financial year.

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

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|-------------------------|
| | Rs. | Rs. |
| Current service cost | <u>413,907</u> | - |
| Net interest cost | <u>158,907</u> | - |
| Past service cost (note a) | - | 3,137,000 |
| Total included in employee benefit expenses | <u><u>572,814</u></u> | <u><u>3,137,000</u></u> |

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

13. RETIREMENT BENEFIT OBLIGATION (CONT'D)

(b) Other post retirement benefits (cont'd)

| | | |
|---|-------------------|------------|
| (v) The amounts recognised in other comprehensive income are as follows: | 2020 | 2019 |
| | Rs. | Rs. |
| Actuarial losses on liabilities due to experience assumptions | 200,549 | - |
| Changes in assumptions underlying the present value of the scheme | 392,194 | - |
| | 592,743 | - |
| (vi) The principal actuarial assumptions used for the purposes of the actuarial valuations were: | 2020 | 2019 |
| | Rs. | Rs. |
| Discount rate | 2.6% | 4.9% |
| Future long-term salary increase | 2.0% | 4.0% |
| Average retirement age | 60 | 60 |
| NPS ceiling increase | 4.0% | 4.0% |
| Post retirement annuity rates | Swan Rates | Swan Rates |
| | 2020 | 2019 |
| (vii) Sensitivity analysis on other post retirement benefits obligations at end of the reporting period | 2020 | 2019 |
| | Rs. | Rs. |
| Impact on present value of defined benefit obligation: | | |
| Increase in defined benefit obligation due to 1% decrease in discount rate | 1,090,358 | 892,000 |
| Decrease in defined benefit obligation due to 1% increase in discount rate | 871,242 | 714,000 |
| Increase in defined benefit obligation due to 1% increase in salary increase assumption | 1,065,874 | 863,000 |
| Decrease in defined benefit obligation due to 1% decrease in salary increase assumption | 883,558 | 699,000 |

The sensitivity analysis above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

- (viii) The defined benefit pension plan exposes the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (premium) risk.
- (ix) The Company does not expect to make any plan benefit payments for the year ending December 31, 2021.
- (x) The weighted average duration of the defined benefit obligation is 17 years at the end of the reporting period (2019: 18 years).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

| 14. TRADE AND OTHER PAYABLES | 2020 | 2019 |
|--|-------------------|-------------------|
| | Rs. | Rs. |
| Amounts due to related parties (note 22) | 36,733,477 | 21,345,100 |
| Other payables | 6,562,344 | 7,080,844 |
| | 43,295,821 | 28,425,944 |

The carrying amounts of the Company's trade and other payables are denominated in the following currency:

| | 2020 | 2019 |
|-----|-------------------|-------------------|
| | Rs. | Rs. |
| MUR | 43,295,821 | 28,425,944 |

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

| 15. INCOME TAX | 2020 | 2019 |
|--|------------------|-------------------|
| | Rs. | Rs. |
| (a) Current tax on the adjusted profit for the year at 15% (2019: 15%) | 6,751,092 | 12,174,754 |
| Over provision | - | (350,808) |
| Deferred tax movement (note 9(b)) | 420,990 | (783,964) |
| Corporate social responsibility liability | 900,146 | 1,623,301 |
| | 8,072,228 | 12,663,283 |

(b) The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

| | 2020 | 2019 |
|---|------------------|-------------------|
| | Rs. | Rs. |
| Profit before tax | 191,849,666 | 174,669,571 |
| Tax calculated at the rate of 15% (2019: 15%) | 28,777,450 | 26,200,435 |
| Corporate social responsibility liability | 900,146 | 1,623,301 |
| Expenses not deductible for tax purposes | 515,257 | 1,433,005 |
| Expenses relating to exempt income | 7,072,751 | 4,392,229 |
| Income not subject to tax | (1,811,829) | (822,887) |
| Income from specified financial services | (27,802,537) | (19,028,028) |
| Deferred tax movement (note 9(b)) | 420,990 | (783,964) |
| Over provision | - | (350,808) |
| | 8,072,228 | 12,663,283 |

| (c) Current tax assets | 2020 | 2019 |
|---|--------------------|--------------------|
| | Rs. | Rs. |
| At January 1, | (2,728,111) | 9,923,996 |
| Over provision | - | (350,808) |
| Corporate social responsibility liability | 900,146 | 1,623,301 |
| Charge for the year | 6,751,092 | 12,174,754 |
| Corporation tax refunded/(paid) during the year | 4,351,412 | (6,121,957) |
| Corporate social responsibility contributions during the year | (1,318,932) | (2,682,571) |
| Payment under Advance Payment System (APS) | (9,131,064) | (17,294,826) |
| At December 31, | (1,175,457) | (2,728,111) |

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

| 16. DIVIDEND PER SHARE | 2020 | 2019 |
|---|--------------------|--------------------|
| | Rs. | Rs. |
| <u>Declared</u> | | |
| Final dividend declared of Rs. 5,937.50 per ordinary share | <u>95,000,000</u> | <u>95,000,000</u> |
| <u>Paid</u> | | |
| Final dividend paid : Rs.5,937.50 per ordinary share - 2020 | 95,000,000 | - |
| Final dividend paid : Rs.5,937.50 per ordinary share - 2019 | 95,000,000 | - |
| | <u>190,000,000</u> | <u>-</u> |
| | | |
| 17. REVENUE | 2020 | 2019 |
| | Rs. | Rs. |
| The following is an analysis of the Company's revenue for the year. | | |
| Revenue from rendering of services | <u>231,687,804</u> | 229,132,944 |
| Revenue from contracts with customers (note 17(a)) | <u>231,687,804</u> | <u>229,132,944</u> |
| | | |
| (a) Disagregation of revenue from contracts with customers | | |
| | 2020 | 2019 |
| | Rs. | Rs. |
| Management fees | 157,708,551 | 147,327,220 |
| Commision and fees | 73,979,253 | 81,805,724 |
| | <u>231,687,804</u> | <u>229,132,944</u> |
| | | |
| | 2020 | 2019 |
| | Rs. | Rs. |
| Group | | |
| -Management fees (note 22) | 130,554,761 | 121,954,111 |
| Non-group | | |
| -Management fees | 27,153,790 | 25,373,109 |
| -Commision and fees | 73,979,253 | 81,805,724 |
| | <u>231,687,804</u> | <u>229,132,944</u> |
| | | |
| 18. OTHER INCOME | 2020 | 2019 |
| | Rs. | Rs. |
| Dividend income (note 7) | 1,042,193 | - |
| Interest income (note 7) | 2,975,729 | 982,832 |
| | <u>4,017,922</u> | <u>982,832</u> |
| | | |
| 19. FINANCE COSTS | 2020 | 2019 |
| | Rs. | Rs. |
| Interest expense: lease liability (note 5B) | <u>253,117</u> | <u>316,395</u> |
| | | |
| 20. OTHER GAINS | 2020 | 2019 |
| | Rs. | Rs. |
| Net foreign exchange gains | <u>18,098,769</u> | <u>8,720,495</u> |

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

| 21. PROFIT BEFORE TAXATION | 2020 | 2019 |
|---|--------------------|--------------------|
| | Rs. | Rs. |
| Profit before taxation is arrived at after: | | |
| Charging: | | |
| Depreciation on equipment (note 5) | 325,527 | 262,264 |
| Amortisation of right-of-use assets (note 5A) | 1,229,437 | 1,126,986 |
| Employee benefit expenses (see note (a) below) | 26,633,127 | 26,384,440 |
| Rebiling expenses (note 22) | 21,480,296 | 23,312,907 |
| Advertising | 3,301,077 | 4,765,968 |
| Professional fees | 2,931,320 | 2,183,235 |
| Subscriptions | 1,147,265 | 897,371 |
| Insurances | 1,209,742 | 959,862 |
| Overseas travelling | 884,061 | 1,150,945 |
| | 2020 | 2019 |
| | Rs. | Rs. |
| (a) Analysis of employee benefit expenses: | | |
| Salaries and wages | 22,644,635 | 20,171,217 |
| Retirement benefit obligations (note 13) | 947,701 | 2,302,431 |
| Other costs | 3,040,791 | 3,910,792 |
| | 26,633,127 | 26,384,440 |
| | 2020 | 2019 |
| | Rs. | Rs. |
| 22. RELATED PARTY TRANSACTIONS | 2020 | 2019 |
| | Rs. | Rs. |
| <i>Amount due to:</i> | | |
| - Ultimate holding company | 9,257,409 | 1,836,233 |
| - Intermediate holding company | 23,105,541 | 19,508,847 |
| - Fellow subsidiaries | 4,370,527 | 20 |
| | 36,733,477 | 21,345,100 |
| <i>Amount receivable from:</i> | | |
| - Ultimate holding company | 586,234 | 1,917,946 |
| - Intermediate holding company | 35,820,551 | 26,555,397 |
| - Fellow subsidiaries | 9,952,320 | 2,206,169 |
| | 46,359,105 | 30,679,512 |
| <i>Management fees received from:</i> | | |
| - Ultimate holding company | 6,378,601 | 5,252,295 |
| - Intermediate holding company | 108,374,289 | 108,533,810 |
| - Fellow subsidiaries | 15,801,871 | 8,168,006 |
| | 130,554,761 | 121,954,111 |
| <i>Rebiling expenses:</i> | | |
| - Ultimate holding company - medical expenses | 654,956 | 674,293 |
| - Intermediate holding company | 16,500,077 | 14,409,763 |
| - Intermediate holding company - interest expense | 253,117 | 316,395 |
| - Intermediate holding company - lease liability | 3,892,146 | 5,051,159 |
| - Intermediate holding company - payment of pension | - | 2,711,297 |
| - Fellow subsidiary - secretarial fees expense | 180,000 | 150,000 |
| | 21,480,296 | 23,312,907 |

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

22. RELATED PARTY TRANSACTIONS (CONT'D)

- (i) The above transactions have been made on normal commercial terms in the normal course of business.
- (ii) Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash.
- (iii) There has been no guarantees provided or received for any related party receivables or payables.
- (iv) For the year ended December 31, 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2019: Nil). This assessment is undertaken each financial year through examining the financial position of the related party.

| | | |
|---|-------------------|------------------|
| (a) Key management personnel compensation | 2020 | 2019 |
| | Rs. | Rs. |
| Salaries and short-term employee benefits | 13,592,715 | 7,923,981 |
| Post employment benefits | 460,440 | 268,448 |
| | 14,053,155 | 8,192,429 |

23. HOLDING, INTERMEDIATE AND ULTIMATE HOLDING COMPANIES

The Company is controlled by Swan Financial Solutions Ltd which owns 100% of the Company's shares and is the holding company. The intermediate holding company is Swan Life Ltd and its ultimate holding company is Swan General Ltd. All companies are incorporated in Mauritius and their registered offices are situated at Swan Centre, 10 Intendance Street, Port Louis.

24. GOING CONCERN AND COVID-19 PANDEMIC

The COVID-19 virus and its variants continue to pose a serious public health issue globally, keeping many regions under lock-down conditions, and weighing on social and economic activities. However, while economies sustained severe losses in the first half of 2020, an improvement was observed during the last quarter, with important catchups projected for 2021. In addition, the gradual availability of vaccines, combined with the initiation of massive vaccination campaigns, indicate that the world may be in a better position to cope and live with the virus.

Effect of COVID-19

International equity markets quickly recovered from the COVID panic and even hit new all-time highs following massive stimulus deployed across the globe. On the local side, despite recovering some grounds in the last quarter of 2020, the stock market closed the year significantly lower than at the beginning of 2020.

Small, insular, yet open economies like Mauritius, despite their sector diversification, are vulnerable as they remain highly dependent on international customers for their development and growth. As a result, they will continue to be adversely impacted until and unless their economic arteries are re-oxygenated sustainably. The government's support to industries and its social measures have been important in holding the economic and social fabrics. However, as long as our frontiers remain closed, one of our most important industries, hotels & leisure, will continue to weigh on economic growth.

24. GOING CONCERN AND COVID-19 PANDEMIC (CONT'D)

Whether our economy will weather this storm will greatly depend on the government's ability to continue supporting the weaker industries, on how long our frontiers are kept closed while quarantine formalities remain heavy, as well as the private sector's ability to adapt to the new economic context.

Despite these challenges, and provided that the world does not experience other major shocks, we are optimistic that the global economy and financial markets will improve further in 2021 on the back of massive fiscal and monetary policy support globally.

The Company does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak. The impact of this outbreak on the assets and exposures as well as on the macroeconomic forecasts will be incorporated in the estimates on impairment assessment provisions in 2021.

The Company does not foresee any pressure on its solvency ratio in the near term based on the different stress tests carried out. The Company also believes that its liquidity position is adequate to ensure any future commitments and obligations that may arise are settled. As such, the financial statements as presented have been prepared on a going concern basis. The significant doubt associated with the current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.