

ISLAND LIFE ASSURANCE CO. LTD

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2022**

ISLAND LIFE ASSURANCE CO. LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2022**

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ISLAND LIFE ASSURANCE CO. LTD

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to submit the Annual Report of Island Life Assurance Co. Ltd for the year 2022.

The Company ended the year with an overall premium income of Rs 183.6m as at 31 December 2022 as compared to Rs 174.1m in 2021. The Company's New Business activities have increased by 23% with regards to the first year premium for the financial year under review.

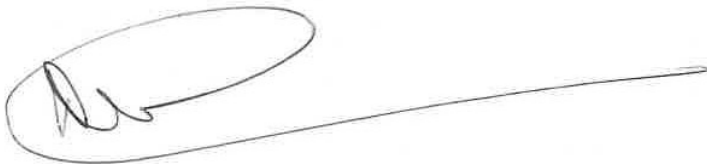
The volatile global financial markets arising from a wide range of geopolitical and economic headwinds impacted returns with the Company posting an overall asset return of -3.24% (2021: 7.09%) for the year ended 31 December 2022. Investment and other income has decreased to close at Rs 31M (2021: Rs 97.5m). The decrease is mostly attributable to the fair value losses on listed equity and bond investments.

The Life Fund has decreased from Rs 923.7m in 2021 to Rs 814.7m in the year under review. This was mainly due to an increase in one off items in respect of Severance allowance, deficit funding for defined benefit scheme and pension for the closure of Ila Investment Property Ltd. The Company has fulfilled its obligations towards its customers with a total amount of Rs 133.4m paid in terms of maturity and survival benefits during the year 2022. The Company has also settled death and disability claims of Rs 11.4m.

The outlook for 2023 for the Company remains challenging in view of the impact of the sanitary, macroeconomic and geopolitical crises on the social, economic and investment environment.

Against this backdrop, a number of actions and initiatives have been taken to drive sales, improve investment return and reduce costs. These include a consolidation of the workforce by finding suitable replacement for key personnel, a complete review of the Marketing and Sales Strategy including using innovative way to sell and revamping the Life Investment Linked Product, a full review of the Investment Strategy and the holding company, Currimjee Jeewanjee and Company Ltd ('CJ & CO LTD'), bearing the costs of some senior management salary & other benefits and among others.

I seize the opportunity to thank my fellow Board Members for their collaboration and advice, our dedicated Management, staffs and valued stakeholders for their contribution and support.



Mr. Anil C. Currimjee
Chairman

Date:

ISLAND LIFE ASSURANCE CO. LTD

CORPORATE PROFILE

Legal Form and Principal Activity

The Company is incorporated in Mauritius under the Mauritian Companies Act 2001 as a public company with limited liability.

The principal activity of the Company consists of long-term insurance and individual Personal Pension Plan business.

The Company is regulated under the Mauritian Companies Act 2001, the Mauritian Insurance Act 2005 (as amended in 2007) and regulations of the Financial Services Commission (the "Commission").

Directors of the Company

Chairman & Non-Executive Director

Mr. Anil C Currimjee

Executive Director

Mr. Bodun Koomar

Non-Executive Directors

Mr. Mohammad Iqbal Oozeer

Mr. Raffi Currimjee

Mr. Lloyd G R Coombes

Mr. Sattar Hajee Abdoula

Mr. Rishaad A Currimjee (resigned on 01 April 2023)

Mr. M D F Sylvain Pascal (resigned on 10 March 2022)

Independent Directors

Mr. Ashok Kumar Mepa Kanji Shah

Mr. Ian Etheridge

Ms. Oumila Sibartie

The Company Secretary

Currimjee Secretaries Limited

Registered office

38, Royal Street,
Port Louis, Mauritius

Principal Place of Business

Corner Leoville L'homme & Sir William Newton Streets,
Port Louis, Mauritius

Auditor

PricewaterhouseCoopers
PwC Centre, Avenue de Telfair,
Telfair 80829, Moka,
Mauritius

ISLAND LIFE ASSURANCE CO. LTD

CORPORATE PROFILE (CONTD)

Bankers

1. **SBM Bank (Mauritius) Ltd**
1, Queen Elizabeth II Avenue,
Port-Louis
Mauritius
2. **The Mauritius Commercial Bank Ltd**
9-15, Sir William Newton Street,
Port Louis, Mauritius
3. **Absa Bank (Mauritius) Limited**
Absa House,
68 Wall Street, Cybercity
Ebene 72201, Mauritius
4. **SBI (Mauritius) Ltd**
SBI Tower Mindspace,
Bhumi Park, 45, Ebene,
Cybercity, Mauritius
5. **AfrAsia Bank Limited**
Bowen Square, 10, Dr Ferriere Street,
Port Louis, Mauritius

Actuaries

1. **QED Actuaries and Consultants (Pty) Ltd**
1st Floor - The Bridle | Hunts End Office Park,
38 Wierda Road West | Wierda Valley,
Sandton 2196,
Johannesburg,
South Africa
2. **Aon Solutions Ltd**
1st Floor, The Pod,
Vivea Business Park,
Moka 81406, Mauritius

Custodian

1. **The Mauritius Commercial Bank Ltd**
1st Floor, Raymond Lamusse Building,
9-11, Sir William Newton Street,
Port Louis, Mauritius

Investment Manager

1. **MCB Investment Management Co Ltd**
1st Floor, Raymond Lamusse Bldg,
Sir William Newton Street,
Port Louis, Mauritius

ISLAND LIFE ASSURANCE CO. LTD**DIRECTORS' REPORT**

The Directors have the pleasure in submitting the Annual Report of Island Life Assurance Co. Ltd ("the Company") together with the audited financial statements for the year ended 31 December 2022 as set out on pages 47 to 115.

Statement of Directors' Responsibilities in respect of the Financial Statements

Company law requires the Directors to prepare financial statements, for each financial year, which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards ("IFRS") have been followed and complied with, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Auditor

	2022	2021
	Rs	Rs
Audit	1,272,895	946,295
Tax services	83,835	74,500
Other services – Risk Management Framework	196,000	196,000
	1,552,730	1,216,795

PricewaterhouseCoopers Mauritius has been re-appointed as auditor for year ended 31st December 2022.


Acknowledgements

We thank our fellow Members of the Board for their support and guidance throughout the year.

We would like to express our sincere thanks and appreciation to the management and staff for their dedication and sustained hard work in ensuring the success of the Company.

We also thank all our policyholders, business partners and other stakeholders for their contribution to the Company's achievements.

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



Chairman

Mr. Anil C. Currimjee



Director

Mr. Bodun Koomar

Date: 15 MAY 2023

ISLAND LIFE ASSURANCE CO. LTD

CORPORATE GOVERNANCE REPORT 2022

The Company is a Public Interest Entity and the Board endorses the eight principles espoused by the National Code of Corporate Governance of Mauritius 2016 ('the Code'). This Report sets out the Company's key corporate governance practices with reference to the Code.

Albeit a slight recovery in the Mauritian economy mainly due to higher than expected demand and consumption, backed by monetary and fiscal supports, our economy has witnessed several challenges in year 2022 including persistent inflationary pressures, rising interest rates as well as the international consequences of geopolitical fragmentation, energy crisis, and severe impact of climate change.

The Board acknowledges that the Company's governance has been critical for operating in such a volatile, uncertain, complex and ambiguous environment. Continuous improvement in governance whilst also maintaining agility and flexibility, has been key in not only navigating the disruptions and challenges but also in harnessing opportunities to ensure sustainable growth and meet the needs of the Company's shareholders and other stakeholders.

The Board, with the support of its Senior Management Team and driven by the Company's five core values, namely Integrity, Foresight, Responsibility, Passion and Openness, played a crucial role in upholding an effective corporate governance framework across the Company.

This report illustrates how our strong governance structure, culture and business ethics have supported the Company and its Senior Management Team.

The Board endeavours to ensure that all material information on the Company and its governance framework is available to shareholder and stakeholders through the Annual Report & Financial Statements filed at the Registrar of Companies. The Company is in the process of updating its website to contain the appropriate disclosures as recommended by the Code.

Principle 1: Governance Structure

'All organisations should be headed by an effective Board. Responsibilities and accountabilities within the Organisation should be clearly defined.'

Statement of Accountabilities

The Company is led by a committed and unitary Board with responsibility for leading and controlling the organisation and ensuring that all legal and regulatory requirements are met.

Amongst its prime objectives, the Board sets the tone for the overall organisation with regards to values and ethics in determining expected behaviours at all levels. The Company's Code of Conduct expresses the ethical and professional standards of behaviours and attitudes to be followed by the employees and Directors.

The Board Charter defines the roles, functions and objectives of the Board of Directors and its Board Committees, the Position Statements of the Chairman and Company Secretary.

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 1 – Governance Structure (CONTD)

Key Senior Governance Positions and Responsibilities

The profiles of the Directors as at the date of this report are set out below. The Board has decided to only disclose other directorship in public and listed companies. Details of other directorships are available at the Company's registry.

Mr. Anil C Currinjee – Mauritian Citizen & Resident – Chairman and Non-Executive Director

Committee Membership: Member of the Corporate Governance Committee

Qualifications:

- B.A. Liberal Arts, Williams College, Massachusetts, USA.
- MBA, London Business School, UK.

Experience:

- Former President of the Mauritius Chamber of Commerce & Industry.
- Former Director of the Mauritius Commercial Bank Ltd.
- Former Honorary Consul General of Japan in Mauritius from 2004 to 2016.
- Former Chairman of Joint Business Council Mauritius-India from 2004 to 2021.
- Director of a number of companies within the Currinjee Group.
- Member of the National Council and Vice President of Business Mauritius.

Directorship in other listed and public companies: African Rainbow Capital Investments Limited, Compagnie Immobilière Limitée and Sanlam Africa Core Real Estate Investments Limited.

Mr. Bodun Koomar – Mauritian Citizen & Resident - Executive Director

Committee Membership: Member of the Investment Committee.

Qualifications:

- Chartered Insurer.
- Fellow of the Chartered Insurance Institute of UK (FCII).
- Master's in Business Administration (MBA) from University of Surrey (UK).

Experience:

- Joined Island Life Assurance Co. Ltd in August 2019 as Chief Executive Officer.
- Over 35 years working experience in the insurance industry.
- Previously Chief Operating Officer of the State Insurance Company of Mauritius Ltd Group (SICOM Group) heading the Life, Loans, Human Resources, and Business Development business units of the Group.
- Also worked as Life Manager for a composite insurance company.

Directorship in other public and listed companies: None

ISLAND LIFE ASSURANCE CO. LTD

CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 1 – Governance Structure (CONTD)

Key Senior Governance Positions and Responsibilities (CONTD)

Mr. M Iqbal Oozeer – Mauritian Citizen & Resident – Non-Executive Director

Committee Membership: Chairman of Investment Committee

Qualifications:

- Fellow Member of the Association of Chartered Certified Accountants, UK.
- Attended a number of professional courses at Alliance Manchester Business School, Euromoney and INSEAD.

Experience:

- Has held key executive positions in Currimjee Jeewanjee and Company Limited for nearly thirty years.
- Director of a number of companies within the Currimjee Group.
- Currently Chief Finance Officer and Executive Director of the Currimjee Jeewanjee and Company Limited.

Directorship in other listed and public companies: Compagnie Immobilière Limitée.

Mr. Raffi Currimjee – Mauritian Citizen and Resident- Non-Executive Director

Committee Memberships: Member of the Audit & Risk Committee and the Corporate Governance Committee

Qualification:

- BSE Mechanical Engineering and Applied Mechanics, University of Pennsylvania, USA

Experience:

- Has held key executive positions in the Food and Beverage Cluster of the Currimjee group for the last 26 Years and is currently the Deputy Managing Director of Quality Beverages Limited.
- Director of a number of companies within the Currimjee Group.
- Non-executive director on the Board of the Mawdsleys Group Investments Limited.

Directorship in other public and listed companies: Soap & Allied Industries Limited, Quality Beverages Limited and Compagnie Immobilière Limitée.

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 1 – Governance Structure (CONTD)

Key Senior Governance Positions and Responsibilities (CONTD)

Mr. R Lloyd Coombes – Mauritian Citizen & Resident – Non-Executive Director

Committee Membership: None

Qualifications:

- BSc Mechanical Engineering, University of Natal, South Africa.

Experience:

- Former Chairman and current Fellow Member of Institute of Engineers of Mauritius.
- Former President of Mauritius Chamber of Commerce and Industry.
- Former CEO of MCFI Group and Executive Director of Mauvilac Group.
- Former Chairman of BCE Construction Ltd.
- Fellow of the Mauritius Institute of Directors.
- Honorary Consul of Monaco since 2007.
- Chairman of Birger Ltd.

Directorship in other public and listed companies: None.

Mr. Sattar Hajee Abdoula – Mauritian Citizen & Resident – Non-Executive Director

Committee Membership: Member of the Audit & Risk Committee

Qualifications:

- Fellow Member of the Institute of Chartered Accountants in England and Wales.
- Member of the Mauritius Institute of Professional Accountants and INSOL International, an international association of restructuring and insolvency professionals.

Experience:

- More than 40 years' experience in audit, consultancy and taxation with significant advisory experience.
- Former lead advisor to the Government of Ghana in setting up the Ghana International Financial Services Centre.
- Chief Executive Officer and Head of Taxation and Advisory Services of Grant Thornton Mauritius.
- Non-Executive Chairman of SBM Holdings.

Directorship in other public and listed companies: None.

ISLAND LIFE ASSURANCE CO. LTD**CORPORATE GOVERNANCE REPORT 2022 (CONTD)****Principle 1 – Governance Structure (CONTD)****Key Senior Governance Positions and Responsibilities (CONTD)**

Mr. Rishaad A Currimjee – Mauritian Citizen & Resident – Non-Executive Director (Resigned on 01st April 2023)

Committee Membership: Member of Investment Committee - (Resigned on 01st April 2023)

Qualifications:

- B.A, Williams College
- Executive MBA, INSEAD
- Level 1, CFA

Experience:

- Started his career in Finance at ING, New York.
- 10 years' work experience in India in various roles in the telecom industry.
- Co-founded a Healthcare company in India.
- 4 years as council member of the Mauritius Chamber of Commerce and Industry, including being Chairman of its business school.
- CEO of the Commercial and Development Projects at Currimjee Jeewanjee and Company Limited.
- Responsible for Batimex Limited, Screenage Limited and Currimjee Informatics Ltd.

Directorship in other public and listed companies: Oceanarium (Mauritius) Ltd

Mr. Ashok Shah – Dual British & Kenyan Citizen and Resident – Independent Director

Committee Membership: Chairman of the Audit & Risk Committee

Qualifications:

- Applied Chemistry
- Chartered Insurer with ACII
- Member of the Chartered Institute of Arbitrators (MCIArb)
- Associate of Insurance Institute of Kenya (AIK)
- Nominated no. 6 in top 25 CEO's making impact in business in Kenya for 2021 by Business Monthly
- 2021 - MB100 leader Recognised as one of the 100 leader worldwide making an impact through Mindful Business.

Experience:

- 10 years of experience as Board Member of Barclays Bank and ABSA Bank.
- Over 50 years of experience within the Insurance Industry both in East Africa and England.
- Lifetime Achievement award for services to the Insurance Industry in 2010.
- Currently Group Chief Executive of Apollo Investments Limited.
- Director of CDSC representing the Capital Market Challenge Fund, APA Insurance Ltd, APA Life Assurance, Apollo Asset Management, APA Insurance Uganda, Reliance Insurance Company Ltd (Tanzania).

Directorship in other public and listed companies: None

ISLAND LIFE ASSURANCE CO. LTD**CORPORATE GOVERNANCE REPORT 2022 (CONTD)*****Principle 1 – Governance Structure (CONTD)******Key Senior Governance Positions and Responsibilities (CONTD)***

Mr. Ian Etheridge – British Citizen & Resident – Independent Director

Committee Memberships: Chairman of the Corporate Governance Committee and Member of the Audit & Risk Committee

Qualifications:

- Qualified as a Fellow of the Chartered Insurance Institute UK and Chartered Insurer following the Fellowship examinations specialising in Life Assurance and the Management of Life Assurance Companies.
- Member of the Chartered Insurance Institute, UK

Experience:

- 38 years of experiences working as a global reinsurer, with a successful track record of transforming and growing insurance and reinsurance business across international markets.
- Former Executive Head and Executive Director Swiss Re Life & Health Africa Limited.
- Former Head of Client Management Swiss Re Life & Health UK & Ireland
- Former Executive Director Business Development for Africa, Reinsurance Group of America (RGA)
- Past President of the Chartered Insurance Institute of Cheltenham (1992/1993)

Directorship in other public and listed companies: None

Ms. Oumila Sibartie – Mauritian Citizen & Resident – Independent Director

Committee Memberships: Member of the Audit & Risk Committee and the Investment Committee

Qualifications:

- MA, Economics, University of Akron, Ohio, U.S.A.
- BSc Economics, University of Mauritius
- International Certificate in Investment and Wealth Management Level 3, Chartered Institute for Securities & Investment, London
- ACI Dealing Certificate, The Financial Markets Association, Paris
- Certificate for Financial Advisers Level 1, IFS School of Finance, London

Experience:

- Over 23 years of experience in the global financial markets including USA, UK and Mauritius.
- Fellow Member of the Mauritius Institute of Directors.
- Former Business Development Executive & Director – London Institute of Banking & Finance Africa
- Former Markets Business Development at ABSA Bank Mauritius Ltd
- Former Fund Manager at SBM Mauritius Asset Managers Ltd
- Former Equity Product Specialist at Bloomberg LP, U.K. and U.S.A.
- Former Managing Director – Institut de la Formation pour l'Entreprise Ltée.

ISLAND LIFE ASSURANCE CO. LTD

CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 1 – Governance Structure (CONTD)

Key Senior Governance Positions and Responsibilities (CONTD)

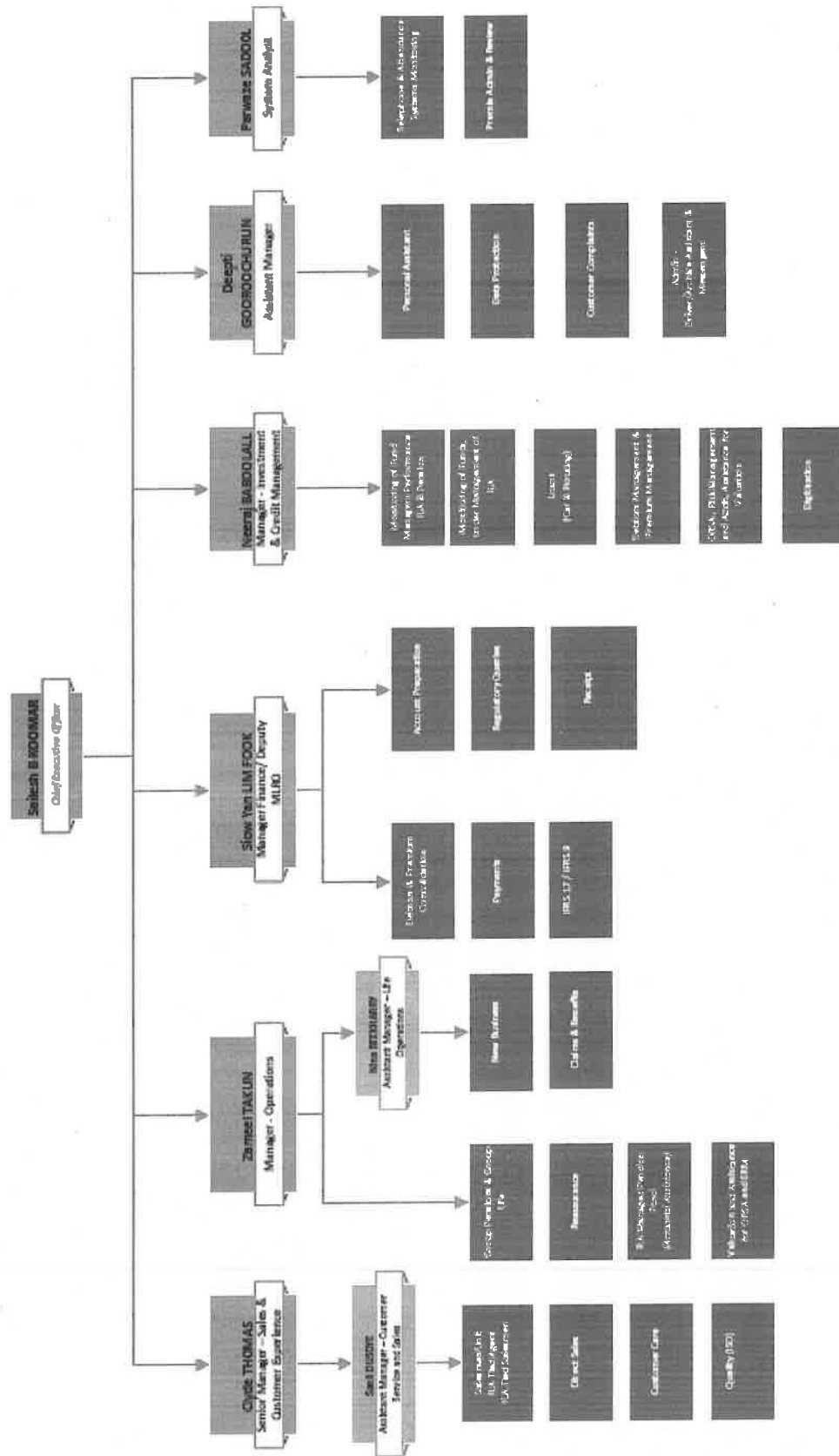
- Expertise in the fields of investment advisory, asset & wealth management, financial planning, corporate finance advisory, strategic planning, financial process automation, impact assessment, training and consultancy.
- Independent Director – Warwyck Phoenix PCC, SBM Bank (Mauritius) Ltd, Trimetys Ltd, HV Holdings Ltd
- Co-Founder & Director – Lineage Investment Services Ltd, Lineage Hub Ltd

Directorship in other public and listed companies: None

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 1 – Governance Structure (CONTD)

Organisational Chart



ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 1 – Governance Structure (CONTD)

Profile of Senior Management Team

Mr Clyde Thomas - Senior Manager Sales and Customer Experience

Qualifications:

- Master Degree of Business Administration (MBA, International Paris)

Experience:

- 22 years as both a Director of a Sales Agency and as Business Development Consultant
- Excel in the art of connecting with people
- Involved in sports administration and serves as a Managing Member of the Athletics Federation in Mauritius (MAA)
- Appointed as Senior Manager Sales and Customer Experience of the Company effective 02 May 2022.

Mr Neeraj Baboolall – Manager, Investment & Credit Management

Qualifications:

- BSc (Hons) Economics & Finance (UOL/LSE)
- ACI Dealing Certificate, The Financial Markets Association, Paris
- Academy of Financial Trading (UK) – Diploma
- Currently pursuing the FRM & CFA designations

Experience:

- More than 10 years of experience in the Financial Sector including in Mauritius, UK & Switzerland
- Core attributes developed in the fields of; Financial & Market Analysis, Portfolio Modelling & Advisory, Financial Risk Management, Treasury & Credit Management, Trading & Settlement, Fund Administration & Reporting and Project Management - Lead the development of the First Trading Lounge for global financial markets in Mauritius.
- Former Senior Administrator for the Institutional and Private Wealth division of GMG Asset Management, a Swiss based investment boutique.
- Former Head of Operations & Business Development at Capstock Ltd, local representative of Saxo Bank & CMC Markets UK.
- Other work experience includes HF Markets Ltd and MUA.

Ms. Siow Yan Lim Fook – Finance Manager

Qualifications:

- Fellow Member of the Association of Chartered Certified Accountants

Experience:

- More than 30 years of experience in finance mainly in the Life Assurance sector
- Former Finance Manager and Money Laundering Officer at Afri Life Insurance Ltd
- Former employee of various insurance companies in Mauritius (SICOM, Swan, IOGA Ltd)

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 1 – Governance Structure (CONTD)

Profile of Senior Management Team (CONTD)

Zameel Takun - Operations Manager

Qualifications:

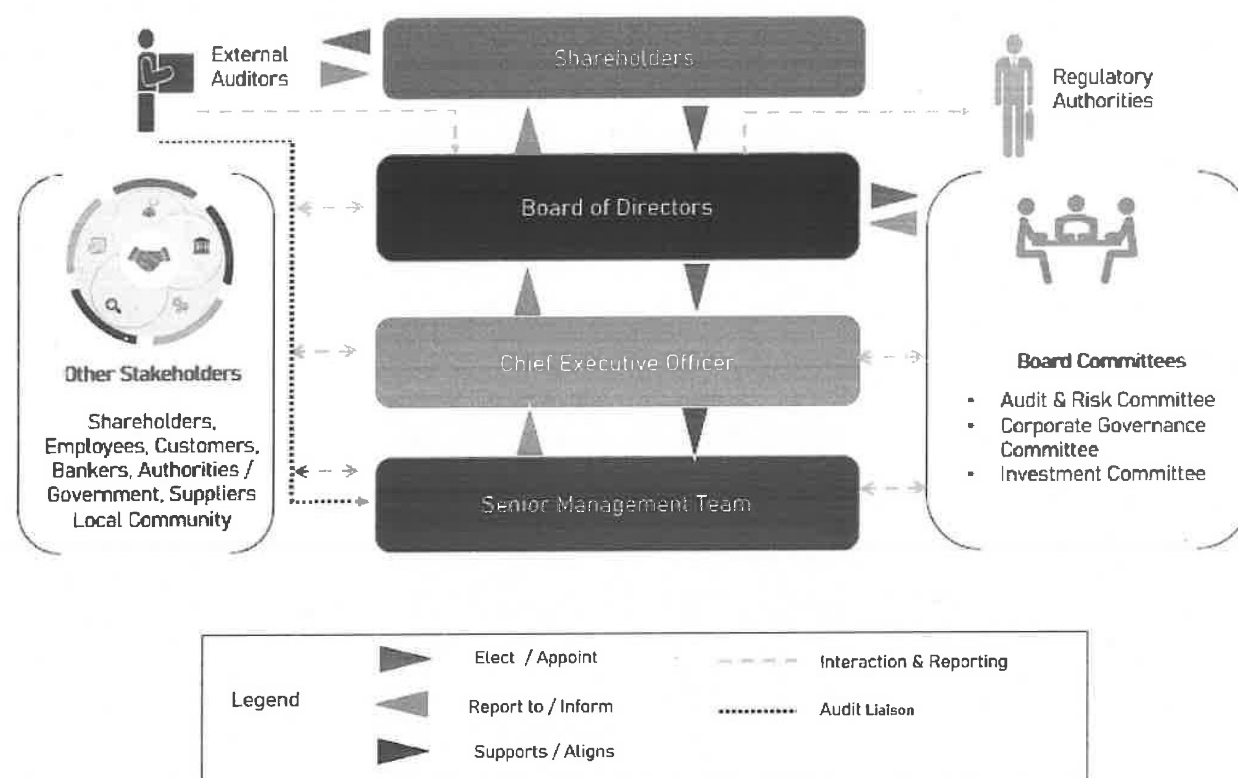
- First Class BSc (Hons) degree in Actuarial Science (Malaysia)
- Master's degree in Quantitative Sciences (Malaysia)

Experience

- Former Assistant Manager MUA life with 11 years of experience in Life Assurance sector.
- Joined the Company on 31st October 2022 as Operations Manager.

Corporate Governance Framework

The Company operates within a defined corporate governance framework, with proper delegation of authority and clear lines of reporting for the Board of Directors and its Board Committees. The Board is the focal point of the corporate governance system. It is supported by its Board Committees that are entrusted with specific responsibilities to oversee the affairs of the Company. They are also bestowed the power to act on behalf of the Board in accordance with their respective terms of reference. Nevertheless, the Board remains collectively responsible for the decisions and actions taken by the Committees.



ISLAND LIFE ASSURANCE CO. LTD

CORPORATE GOVERNANCE REPORT 2022 (CONTD)

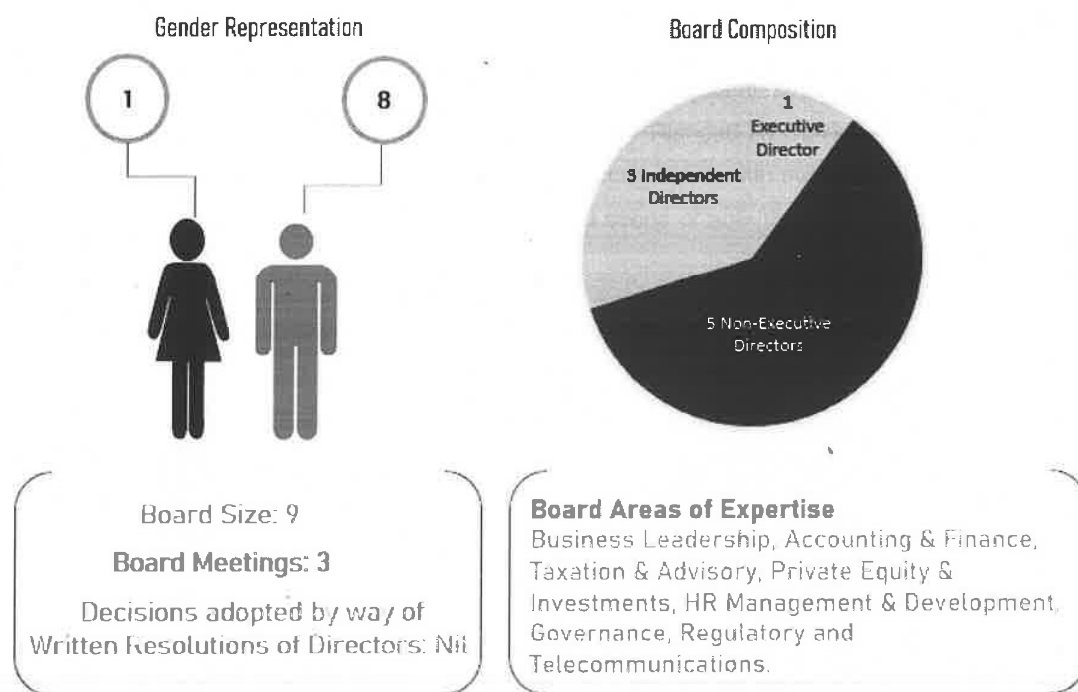
Principle 2: The Structure of the Board and its Committees

'The Board should contain independently minded Directors. It should include an appropriate combination of executive Directors, independent Directors and non-independent non-executive Directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board should be of a size and level of diversity commensurate with the sophistication and scale of the organisation. Appropriate Board committees may be set up to assist the Board in the effective performance of its duties.'

Size and Composition of the Board

The Board comprises of Nine (9) Directors, including three (3) Independent Directors, Five (5) Non-Executive Directors, including the Chairman and one (1) Executive Director. Mr Rishaad Ali Currimjee resigned as Director on 01 April 2023. The Directors come from different industries and backgrounds with strong business, international and management experience which are crucial given the nature and scope of activities of the Company and the Board Committees.

The Board has ascertained that its current size, mix of skills, competencies, set of expertise, knowledge and gender representation is appropriate to enable it to carry out its duties and responsibilities in an effective and competent manner so as to achieve the Company's objectives.



Company Secretary

Currimjee Secretaries Limited is the Company Secretary and is represented by Mr. Ramanuj Nathoo.

Mr Nathoo is a fellow Member of the Institute of Chartered Secretaries and Administrators, UK ('ICSA') and holds a MBA from the University of Leicester. He is a Fellow Member of the Mauritius Institute of Directors and the ICSA Mauritius Branch. He also attended a professional course on Governance of Family Businesses at 'Institut Européen d'Administration des Affaires' (INSEAD).

ISLAND LIFE ASSURANCE CO. LTD

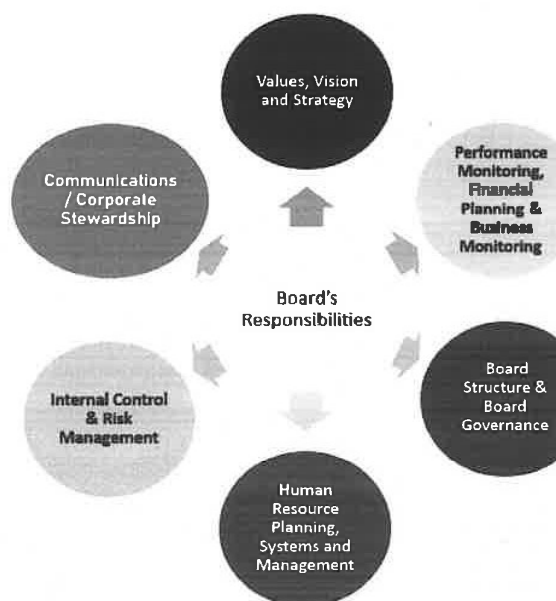
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 2: The Structure of the Board and its Committees (CONTD)

Board Responsibilities

The Board is ultimately responsible for the performance and affairs of the Company and its key areas of responsibilities encompass the following:

- ❖ **Values, Vision and Strategy**
To establish, communicate and spread the Company's core values and ensure that these values lead into a coherent vision in line with that of the Shareholders. The vision should drive strategy & strategic plans, which serves to strengthen the competitive advantages of the business & ensure optimal allocation of capital.
- ❖ **Performance Monitoring, Financial Planning & Business Monitoring**
To ensure a proper system of financial & business planning, including periodic plans to achieve strategic objectives and effective monitoring of results and milestones.
- ❖ **Board Structure & Board Governance**
To ensure that the Board is of the right size, structure and composition to enable it to fulfill its role effectively in leading and controlling the Company, with the support of its Board Committees.
- ❖ **Human Resource Planning, Systems and Management**
To ensure that the Human Resources, their management and development are given the proper thrust and importance & that the HR strategies, systems, policies and issues relating to human potential, enable the Company to be an employer of choice.
- ❖ **Internal Control & Risk Management**
To put in place & maintain a sound and robust system of internal control & risk management for proper monitoring, albeit with flexibility to adapt to new risks.
- ❖ **Communications / Corporate Stewardship**
To ensure that the necessary systems are in place for the discharge of the Board's responsibility for effective governance & stewardship towards all stakeholders through appropriate governance policies & regular communications.



Board Meeting Process

Board Meeting Process	1	Planning of quarterly Board Meetings at start of the year involving Chairman, Chief Executive Officer and Company Secretary.
	2	Setting of Agenda in consultation with the Chairman and Chief Executive Officer well in advance of the Board Meeting.
	3	Circulating Notice, Agenda and Board Papers well in advance of the Board Meeting.
	4	On the day of the Board Meeting. Company Secretary ascertains constitution of meeting and the Chairman proceeds with the business of the day.
	5	Drafting of Minutes and circulating to the Board. Follow up by Company Secretary / Management on board decisions.

ISLAND LIFE ASSURANCE CO. LTD

CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 2: The Structure of the Board and its Committees (CONTD)**Board Meeting Process (CONTD)**

The Board Committees normally precede Board Meetings and additional Committee meetings may be convened, if required. A similar process as set out above is followed. The agenda for the Committees' meetings is set in consultation with the respective Committees' Chairman, the Chief Executive Officer and the Secretary.

Board Focus areas

Three (3) Board Meetings were held during the year under review. Board Meetings were organized both in-person and by videoconference to give the opportunity to all Directors to attend and participate.

The key areas discussed at Board Meetings held during the year are set out below:

Key areas discussed
during the year 2022

Financial Matters & Strategy

- Approval of Annual Report for the year ended 31 December 2021.
- Appointment of Keynes Ltd, nominated officer as MLRO and Compliance Officer.
- Receive Reports from Chairman of Board Committees.
- Update on ILA Digitalization & Online Sales Platform
- Approval of the annual operating plan ('AOP') for year 2023 and 3-Year Plan.
- Progress update on AML/CFT Framework.

Investment Matters

- Approval of Risk Appetite Statement 2022.
- Approval of Own Risk Solvency Assessment Policy 2022.
- Update on Actuarial reviews.
- Review of Life Actuarial Report.
- Progress update on AML/CFT Framework.

Governance Matters

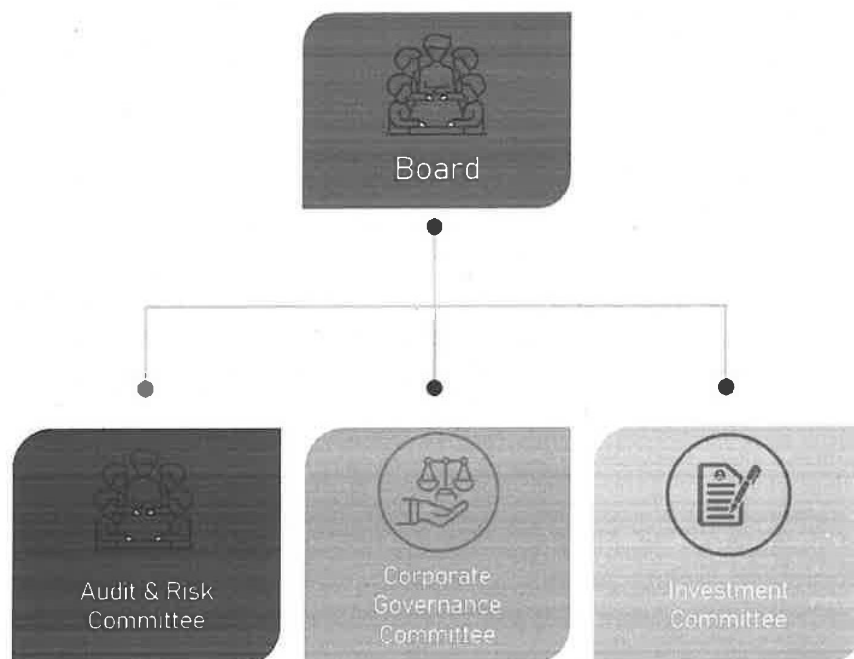
- Approval of Corporate Governance Report for the financial year 2021.
- Approval of the Board & Committee Assessment Questionnaire for the year 2021.
- Appointment of Chairman & Members of the Corporate Governance Committee

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 2: The Structure of the Board and its Committees (CONTD)

Board Committees (CONTD)

The Board has established three (3) Board Committees are illustrated below to assist it in the execution of its duties:



The Committees operate within defined terms of reference outlining their objectives, composition, functioning, responsibilities and reporting requirements. These Terms of Reference, are reviewed annually and are available as part of the Board Charter.

Audit & Risk Committee

Audit & Risk Committee	
Composition	<ul style="list-style-type: none"> • Mr Ashok Shah (Chairman) • Mr Raffi Currimjee • Mr Sattar Hajee Abdoula • Mr Ian Etheridge (Appointed on 29 March 2021) • Ms Oumila Sibartie (Appointed on 29 March 2021)

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 2: The Structure of the Board and its Committees (CONTD)

Board Committees (CONTD)

Audit & Risk Committee (Cont'd)

Audit & Risk Committee (Cont'd)	
Main Terms of Reference	<ul style="list-style-type: none"> Overseeing the financial reporting process and in particular, reviewing the annual financial statements and recommending their approval to the Board of Directors. Reviewing and monitoring of the effectiveness of the function; the qualifications, assessment of external auditors' independence, performance and remuneration; and the compliance of the Company with relevant laws and regulations. Overall responsibility for the total process of risk management Identification and evaluation of risks Putting in place of appropriate systems and controls to mitigate the impact of risks to reduce them to an acceptable level, taking into account, the objectives of the Company.
Focus areas for year 2022	<ul style="list-style-type: none"> Review of Audited Financial Statements for financial year 2022. Review of client service report from external auditor and letter of representation. Review of internal audit reports, internal audit plan and implementation of audit recommendations. Approval of external auditor's engagement letter and client service plan for the audit year 2022. Interaction with the actuaries on the valuation report. Consideration of the latest risk profile and risk register of the Company

Investment Committee

Investment Committee	
Composition	<ul style="list-style-type: none"> Mr M Iqbal Oozeer (Chairman) Mr Bodun Koomar Ms Oumila Sibartie (<i>Appointed on 20 April 2021</i>) Mr Rishaad Ali Currimjee (<i>Resigned on 01 April 2023</i>) Mr M D F Sylvain Pascal (<i>Resigned on 10 March 2022</i>)
Main Terms of Reference	<ul style="list-style-type: none"> Overlooks the investments of the Company under the guidance of the Actuaries. Ensures that the major investments made by the Company are in line with the Company's investment strategy and FSC guidelines. Acts in liaison with the Company's Fund Manager and reports to the Board.
Focus areas for year 2022	<ul style="list-style-type: none"> Investment Policy Statement Update & Investment Strategy update in line with the Asset & Modelling Exercise carried out by the actuaries. Review of Investment Committee Charter. Quarterly Portfolio Review & Performance review of Investment Managers supported by the Investment Advisors Portfolio Optimisation and Rebalancing Strategy Review

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 2: The Structure of the Board and its Committees (CONTD)

Board Committees (CONTD)

Corporate Governance Committee

The Board has reviewed the composition of the Corporate Governance Committee ('the Committee') effective as from 8th December 2022. Mr Ian Etheridge has been appointed as Chairman of the Committee and Messrs Anil C Currimjee and Raffi Currimjee as Members.

The Committee did not meet during the year under review.

Attendance at Board Meetings and Board Committees

The table below presents the attendance records at the Company's Board and Committee meetings for the year under review:

Directors	Category of Directors	Board Meeting	Audit & Risk Committee Meeting	Investment Committee
Number of meetings during Year 2022		3	3	4
Mr. Anil C Currimjee	NED	2	-	-
Mr. Sattar Hajee Abdoula	NED	3	2	-
Mr. R Lloyds Coombes	NED	2	-	-
Mr. M Iqbal Oozeer	NED	2	-	4
Mr. Raffi Currimjee	NED	2	3	-
Mr Rishaad Ali Currimjee¹	NED	3	-	4
Mr. Bodun Koomar	ED	3	-	4
Mr. Ashok Shah	ID	3	3	-
Mr. Ian Etheridge	ID	3	3	-
Ms. Oumila Sibartie	ID	3	3	4

Key: ED – Executive Director / NED: Non-Executive Director / ID: Independent Director

1: Mr Rishaad A Currimjee resigned as NED effective 01st April 2023.

Principle 3: Director Appointment Procedures

There should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. The search for Board candidates should be conducted, and appointments made, on merit, against objective criteria (to include skills, knowledge, experience, and independence and with due regard for the benefits of diversity on the Board, including gender). The Board should ensure that a formal, rigorous and transparent procedure be in place for planning the succession of all key officeholders.

Director's Appointment, Re-election, Induction and Orientation

The Governance, Nominations and Remunerations Committee ("GNR Committee") of Currimjee Jeewanjee and Company Limited ("CJ & CO LTD"), the holding company, oversees the appointment, replacement and removal of Directors on the Board of the Company. Such appointment / replacement / removal shall first have been recommended by the Company's Board in consultation with the Company's Governance Committee. All Directors are eligible for re-election at the Annual Meeting of Shareholders.

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

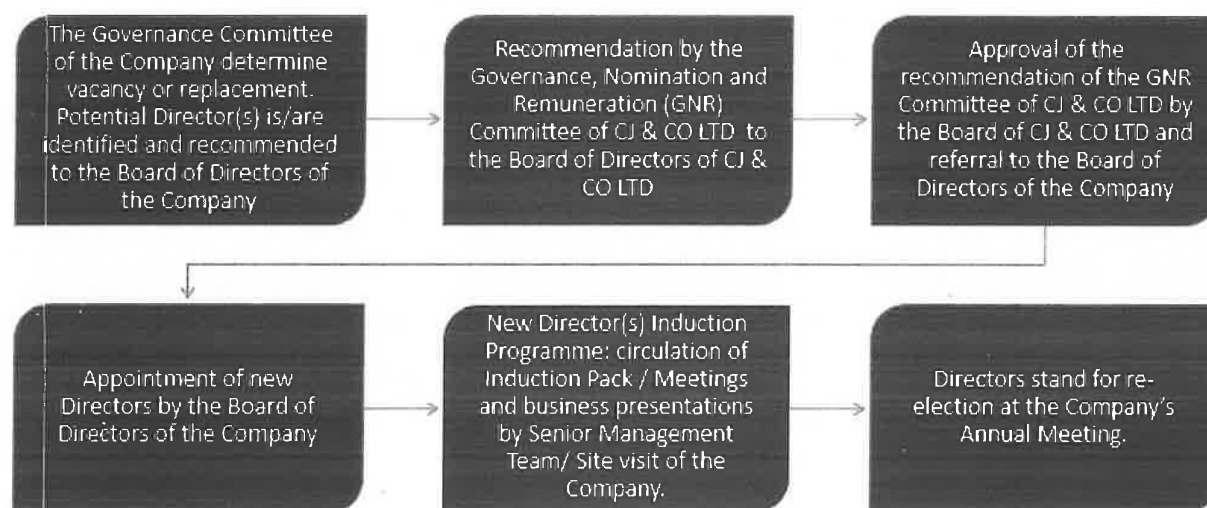
Principle 3: Director Appointment Procedures (CONTD)

Director's Appointment, Re-election, Induction and Orientation (CONTD)

Newly appointed Directors benefit from an induction programme that includes meetings and business presentation sessions with Management, aimed at deepening their understanding of the businesses, the environment and market in which the Group operates.

During the year ended 31st December 2022, the Board composition remained unchanged. Mr Rishaad A Currimjee has resigned as Non-Executive Director and member of the Investment Committee of the Company effective 01st April 2023.

The process for Directors Appointment is set out below:



Professional Development of Directors

The Board values ongoing professional development and recognizes the importance of all Directors receiving regular training to be able to serve effectively on, and contribute to, the Board and Board Committees.

The Company provides regular updates to the Directors to best develop their knowledge and capabilities. Directors are kept abreast of trends in the business, competitive and regulatory environments regularly at Board Meetings.

Directors are further encouraged to undergo continual professional development to ensure that they can fulfil their obligations and to continually improve the performance of the Board. They are given the opportunity to attend training workshops organised by external facilitators. An in-house training on the duties and responsibilities of Directors, including an overview of some key legislations of direct relevance to the Group, was organized by Dentons Training & Consultancy (Mauritius) Ltd for the Directors and Leadership Team during the year.

The Board also recognises and nurtures talent. To this end, it has put in place a Talent Development Program for key executives to ensure that the Group creates opportunities to develop current and future leaders.

ISLAND LIFE ASSURANCE CO. LTD

CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 3: Director Appointment Procedures (CONTD)

Succession Planning

The Board is responsible for the succession planning of Directors and maintains a database of prospective candidates for Board appointments. The GNR Committee of CJ & CO Ltd recommends succession plans for Directors. They ensure that when the replacement of Chairman/Directors are made, candidates with the requisite skills and experience are identified, considering the Company's current and future needs. The Company has a business continuity plan for the Executive Director.

Principle 4 - Director Duties, Remuneration and Performance

Directors should be aware of their legal duties. Directors should observe and foster high ethical standards and a strong ethical culture in their organisation. Each Director must be able to allocate sufficient time to discharge his or her duties effectively. Conflicts of interest should be disclosed and managed. The Board is responsible for the governance of the organisation's information strategy, information technology and information security. The Board, committees and individual directors should be supplied with information in a timely manner and in an appropriate form and quality in order to perform to required standards. The Board, committees and individual directors should have their performance evaluated and be held accountable to appropriate stakeholders. The Board should be transparent, fair and consistent in determining the remuneration policy for directors and senior executives.

The Directors are aware of their fiduciary duties as laid out in the Companies Act.

The Induction Pack for newly appointed Directors contain *inter-alia* the following documents to help the Director better understand the Company and the governance system in place for the effective discharge of his/ her duties:

- Corporate Details and high-level Company organigram;
- Governance Framework;
- Board Charter;
- Code of Conduct;
- Company's Memorandum & Articles of Association; and
- Information on the Company's Strategy and Financials.

Conflict of Interest and Related Party Transaction Policy

The Board Charter contains provisions to manage any potential conflict of interest and each Director is required to disclose any actual or potential conflicts of interests and is not allowed to take part in any discussion or decision on transactions in which they have an interest. All such disclosures of interest have been duly recorded in the minutes of Board meetings. The Related Party Transaction Policy outlines the approval process, disclosure and reporting requirements for related party transaction(s) and ensures transparency in the conduct of such transaction(s) in the best interest of the Company and its Shareholders. The Audit & Risk Committee is assigned the responsibility to monitor and report related party transactions outside the normal course of business to the Board.

The Board ensures that all related party transactions are carried out at arm's length. Transactions with related parties are disclosed in the financial statements.

The Company Secretary also maintains an interest register, which is available to Shareholders, upon written request to the Company Secretary.

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 4 - Director Duties, Remuneration and Performance (CONTD)

Information

The Chairman, with the assistance of the Company's Senior Management Team and the Secretary, ensures that Directors receive necessary information for them to perform their duties and that the Board has sufficient time for consultation and decision making. Ongoing relevant information is also shared with Directors between two Board meetings to keep them abreast of developments.

Directors also have access to the Company's Senior Management Team as and when required with the approval of the Chairman and the Executive Director.

Information Technology and Information Security Governance

The transition from inhouse operations to outsourcing of the management of the CJ Private Cloud to Emtel Limited was done smoothly in November 2021 without any major impact on CJ & CO LTD and its subsidiaries under the Cloud. Cloud operations are monitored by CJ & CO LTD through established performance and security metrics that are reviewed monthly. A UAT environment was also created for Premia for change management.

The resilience of the system was tested by carrying out a VA/PT exercise (i.e. a simulated attack on Internet facing systems to assess their security posture and identify vulnerabilities that could be exploited by a malicious attacker) by an external international security firm from India. The results of this exercise were positive with no critical or major threat detected on the system. The IT services used by ILA which were impacted were email services, Cognos BI, Controller and Sicorax HRMS.

An ISMS committee of CJ& CO LTD was setup in August 2022 committee to look into the security postures of CJ & CO LTD and its subsidiaries. The charter for the Information Security Management System ('ISMS') Committee was also defined. The ISMS Committee had its first meeting on 17 November 2022, with main objective to share with the Committee Members the ISMS Charter and inform them of the Committee's responsibilities, the ISMS reporting structure and agree on Information Security KPIs to be monitored by the Committee.

The KPIs were defined for (i) Email Security, (ii) Firewall/Perimeter Security, (iii) Cybersecurity Controls, (iv) Compliance to Policies and (v) Information Security Awareness Sessions. The Head of IT of CJ & CO LTD is responsible for reporting to the ISMS Committee on all the KPIs. The ISMS Committee reports to the Audit and Risk Committee of CJ & CO LTD.

In line with its strategic digitalisation objective, the middleware project built for CJ & CO LTD for automating entries from SunSystems financial application to Cognos Controller Consolidation Application was extended to Currimjee Group of Companies, including Island Life Assurance Co. Ltd. This has resulted in increased efficiency and removal of duplicate work and inputting errors.

The digitalisation process was further enhanced with the implementation of a new procurement app, Finansys App, which has replaced Kissflow that has been discontinued by the supplier. The Digitalisation Team, set up in 2021 to look into digitalization initiatives for CJ & CO LTD and its subsidiaries, has continued on its work and reported its findings and recommendations to the Digitalisation Steering Committee.

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 4 - Director Duties, Remuneration and Performance (CONTD)

Board, Board Committee & Individual Director evaluation

The Board evaluation is carried out internally on an annual basis through the circulation of a questionnaire. The results are analysed by the Secretary and first presented to the Corporate Governance Committee for recommendation of appropriate improvement action plans to the Board.

The Board evaluation questionnaire for the year 2022 will be submitted to the Board for approval and will be used to assess the performance of the Board for year 2022.

The evaluation of the Individual Directors is carried out annually. Following the last evaluation conducted in year 2021, a new exercise will be proposed for evaluation of year 2022 through a 360-degree evaluation.

The evaluation of the Audit & Risk Committee, which is also carried out internally on an annual basis, will be conducted for year 2022. The feedback will be shared with the Committee for formulation of improvement actions as may be required.

Remuneration Policy

Independent and Non-Executive Directors' fees are approved by the Board, on the recommendation of the GNR Committee of CJ & CO LTD. Independent and Non-Executive Directors are paid Committee fees, in addition to their Directors' fees. They are also remunerated for attendance at Board Meetings. Directors residing overseas are reimbursed for travelling expenses, including airfares, hotel accommodation and out of pocket expenses incurred in the performance of their roles and duties.

Remuneration and benefits received by Directors during the financial year under review from the Company are set out in table below.

Name of Director	Category of Director	Year 2022 Rs'000	Year 2021 Rs'000
Mr. Anil C Currimjee	NED	-	-
Mr M D F Sylvain Pascal	NED	-	280
Mr. Sattar Hajee Abdoula	NED	280	295
Mr. R Lloyds Coombes	NED	220	220
Mr. M Iqbal Oozeer	NED	-	-
Mr. Raffi Currimjee	NED	-	-
Mr. Rishaad Ali Currimjee ¹	NED	-	-
Mr. Bodun Koomar	ED	-	-
Mr. Ashok Shah	ID	660	653
Mr. Ian Etheridge	ID	660	653
Ms. Oumila Sibartie	ID	330	330

Key: ED – Executive Director / NED: Non-Executive Director / ID: Independent Director

1: Mr Rishaad A Currimjee resigned as NED effective 01st April 2023.

None of the Directors has received remuneration in the form of share options.

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 4 - Director Duties, Remuneration and Performance (CONTD)

Directors' Service Contracts

None of the Directors has a service contract with the Company.

Directors' & Officers' Liability Insurance

A liability insurance cover for Directors and Officers has been subscribed by the Company. The policy provides cover for the risks arising out of acts or omissions of the Directors and Officers of the Company in the performance of their duties, to the extent permitted by law.

Directors' Interests and Dealings in Shares

The Company Secretary maintains a Register of Interests, which is updated with every transaction entered into by the Directors and their closely related parties. All new Directors are required to notify in writing to the Company Secretary their holdings in the Company's shares as well as those in related companies.

None of the Directors traded in the Company's shares during the year under review.

The Directors' indirect interests in the stated capital of the Company at 31 December 2022 were as follows:

	Indirect Interest in the Company's shares through Currimjee Limited (%)
Mr. Anil C Currimjee	4.69
Mr. Raffi Currimjee	4.50
Mr. Rishaad Ali Currimjee	5.42

Principle 5 - Risk Governance and Internal Control

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

Risk Governance

Risk governance is the architecture within which risk management operates in an organisation. It will reflect, and seek to sustain and evolve, the organisation's risk culture. Since risk management is fundamental to running any business, risk governance is a fundamental part of corporate governance.

Having a good risk governance in place will result in risk being accepted and managed within known and agreed risk appetites. Risk governance will ensure that there is a structure of risk responsibility throughout the organisation. As a result, everybody in the organisation will be aware of their own risk responsibilities and accountabilities and those of others with whom they work. Governance delivers effective accountability, including the accountability of the board of Directors. Risk governance is an integral part of the day-to-day running of the business and is not about just complying with a set of rules. Since operational risk management involves everybody in the organisation, the risk governance framework also encompasses everybody. That means that it can only operate successfully if there are clear and effective lines of communication both up and down the organisation and a culture which promotes transparency, integrity and openness.

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

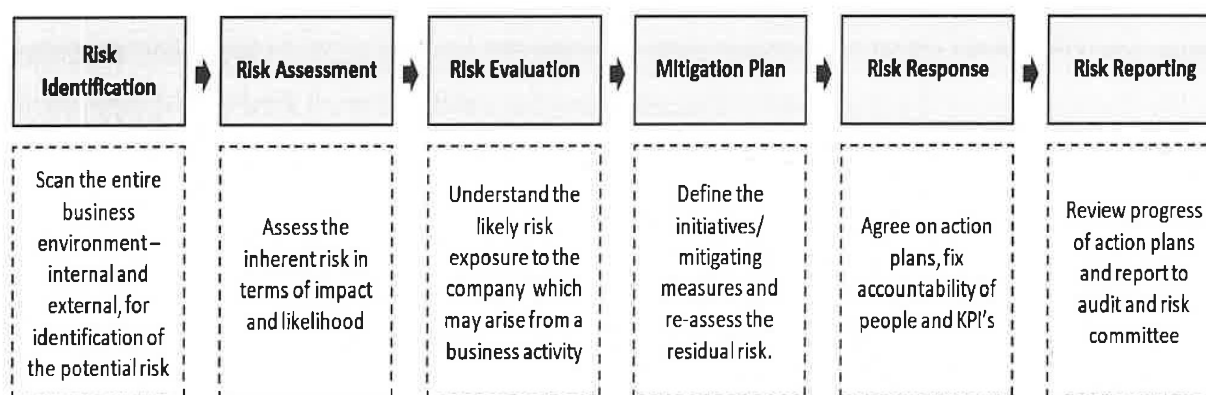
Principle 5 - Risk Governance and Internal Control (CONTD)

The management of risks is the overall responsibility of the Board of Directors, including the development of risk management strategies and the development of an ongoing risk assessment system for the mitigation of risks, considering the objectives of the Company. Risk governance applies the principles of good governance to the identification, assessment, management and communication of risks.

The Enterprise Risk Management (ERM) Framework falls under the supervision of the Risk Committee to ensure adequate and effective risk governance. Management takes responsibility for the identification and monitoring of risks within the company as appropriate.

A robust documented process is in place to review and assess the effectiveness of Internal Controls over Financial and Non-Financial reporting, with a purpose to minimize the risk of not achieving the business objectives and also to provide reasonable assurance that the financial statements are free from material mistakes. The Risk Management Framework at Island Life Assurance Co. Ltd consists of a systematic approach to identify risks faced by the Company.

The risk management process is as follows:



The key elements of the Enterprise Risk Management (ERM) Framework are illustrated below:

Effective enterprise risk management is fundamental to real business sustainability and to creating value to shareholders. The Company has a well-established Enterprise Risk Management (ERM) process, which not only covers its operational and business (including strategic and financial) risks, but also its regulatory, societal, human capital, health and safety risks.

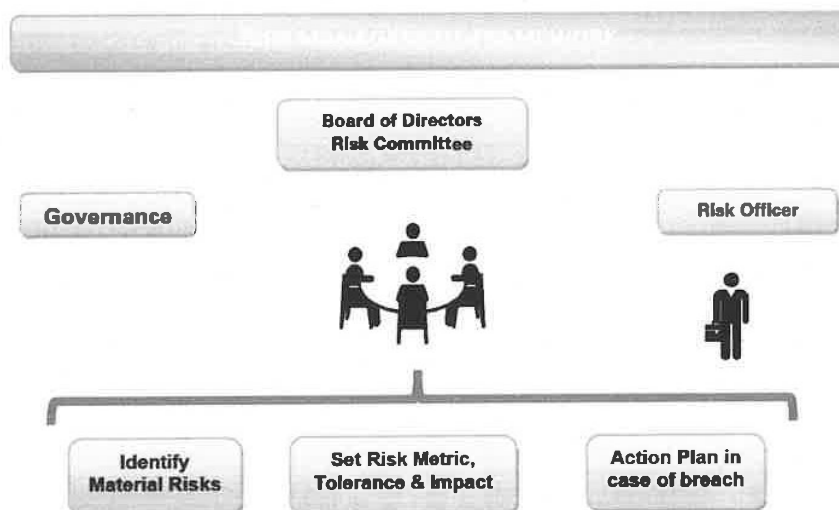
The purpose of the ERM process is to help the Company achieve its objectives by becoming more resilient in the actual business environment, thus ensuring growth across the group by optimising its operations and securing its future. The external context together with the internal environment, form the basis of our understanding of risks and opportunities that may arise.

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 5 - Risk Governance and Internal Control (CONTD)

Risk Governance (CONTD)

The key elements of the risk management framework are illustrated below.



Effective 1st July 2017, The Financial Services Commission ("FSC") has, under section 130 of the Insurance Act and section 93 of the Financial Services Act, issued the Insurance (Risk Management) Rules 2016 ('FSC Rules'), which the Company has implemented and adopted. The main components are as set below:



ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 5 - Risk Governance and Internal Control (CONTD)

Risk profile & Mitigations

The Company is exposed to a variety of risks, and the key risks are listed below:

	Risk Category	Risk Name	Risk Description and Context	Mitigating actions
1.	Strategic	Sales and Profitability	<ul style="list-style-type: none"> ▪ Risk of change in mix and volume of business. ▪ Risk that sales growth lags behind business expenses growth. 	<ul style="list-style-type: none"> ▪ We aim to develop other channels and reviewing our business strategy. ▪ Business growth targets and sales achievement are closely monitored by the management committee and the board to ensure they align set strategic objectives.
2.	Financial / Compliance	Solvency	<ul style="list-style-type: none"> ▪ Inability to maintain sufficient levels of minimum regulatory capital. 	<ul style="list-style-type: none"> ▪ Capital is held with comfort margins over minimum statutory and other capital requirements. Besides, liquidity risks are measured on an on-going basis.
3.	Strategic	Market Disruption	<ul style="list-style-type: none"> ▪ Market disruption leading to competitive pressures. 	<ul style="list-style-type: none"> ▪ Unique products, smart pricing models and different customer experience are offered.
4.	Compliance	Regulatory	<ul style="list-style-type: none"> ▪ Risk of non-compliance with applicable laws, regulation and guidelines. 	<ul style="list-style-type: none"> ▪ There is a proper mechanism in place to ensure compliance with legal and regulatory obligations (Reinforced compliance and AML/CFT framework to promote and sustain a culture of compliance within the Company).
5.	Operational	Underwriting & Pricing	<ul style="list-style-type: none"> ▪ Mortality/morbidity is significantly heavier than expected. ▪ Wrong assessment of underwriting risks and wrong pricing of products. 	<ul style="list-style-type: none"> ▪ Underwriting guidelines from Reinsurer, complemented by reinforced underwriting philosophy. ▪ Use of Actuary expertise on review of pricing of existing products and profitability and regular monitoring of mortality/morbidity experience internally and by actuary. ▪ Conservative in the pricing of our annuity rates.

ISLAND LIFE ASSURANCE CO. LTD

CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 5 - Risk Governance and Internal Control (CONTD)**Risk profile & Mitigations (CONTD)**

	Risk Category	Risk Name	Risk Description and Context	Mitigating actions
6.	Financial	Credit	<ul style="list-style-type: none"> ▪ Default from loan customer, entailing high impairment. 	<ul style="list-style-type: none"> ▪ Monitoring of ageing of loans and recovery. ▪ Assistance by attorney for legal actions. ▪ Meet housing loan default customers to arrange for repayment plan/rescheduling of loans. ▪ Monitoring and control on parameters used for impairment provisioning ▪ Review of repayment terms / refinancing of loans and/or alternatively initiate legal action for recovery.
7.	Operational	Systems, Fraud and Cyber Security	<ul style="list-style-type: none"> ▪ Risks of loss resulting from inadequate internal processes, human error and systems' malfunction, fraud or from external events. 	<ul style="list-style-type: none"> ▪ Premium collection mostly through bank standing order. ▪ Clearly defined process on authorised signatories for payments. ▪ IT infrastructure with controls. ▪ Monitoring risks associated with IT systems' stability, cyber security and internal control environment.
8.	Human Capital	Talent Management	<ul style="list-style-type: none"> ▪ Failure to retain top talent. 	<ul style="list-style-type: none"> ▪ Learning & development Policy, focus group/surveys. ▪ Engagement Survey and Action Plan (focus group). ▪ Healthy work environment which infuses opportunities for growth for individuals. ▪ Review of benefits and compensation in line with the industry.
9.	Operational	Reputational	<ul style="list-style-type: none"> ▪ Adverse press/media coverage 	<ul style="list-style-type: none"> ▪ Risk of reputational damage due to policyholder's dissatisfaction and bad press coverage. ▪ Fair treatment of policyholders and the Company does not compromise on its image, strong brand and culture.
10.	Strategic	Economic downturn, geo-political instability and changing market conditions	<ul style="list-style-type: none"> ▪ Failure to effectively respond to the Local and Global economic crisis directly/indirectly impacting our business 	<ul style="list-style-type: none"> ▪ Business continuity protocol and work out contingency plans applicable in crisis situation and ensure appropriate policies and controls are in place for the new work environment. ▪ Close monitoring of key economic indicators. ▪ Regular review of strategy at Strategic committee level, including SWOT analysis and re-assessment of the environment. ▪ Fair treatment of policyholders and the Company does not compromise on its image, strong brand and culture.

ISLAND LIFE ASSURANCE CO. LTD**CORPORATE GOVERNANCE REPORT 2022 (CONTD)*****Principle 5 - Risk Governance and Internal Control (CONTD)*****Internal Control**

The Board is responsible for reviewing the internal control system and satisfy itself that the system is functioning effectively. Appropriate processes, procedures and policies incorporating relevant internal controls, have been designed and implemented, to provide reasonable assurance that the control objectives are attained.

Whilst retaining the overall responsibilities, the Board has delegated the authority for monitoring and reviewing the effectiveness of the Company's internal control and compliance system to the Audit & Risk Committee. The Board also relies on the internal audit function to report on any weaknesses in the internal control systems and make recommendations to Management and to the Audit & Risk Committee for appropriate actions.

The Board acknowledges that a system of internal control can only provide reasonable but not absolute assurance against the occurrence of misstatements, human error, losses, fraud and other irregularities.

Data Protection Policy

The Data Protection Act 2017 (DPA) came in force to strengthen the control and autonomy of data subjects over their personal data. The Company acts as both Controller and Processor. In accordance with Section 22 of the DPA, the Company has adopted policies and implemented appropriate technical and organisational measures to ensure and demonstrates compliance with respect to the processing of personal data of individuals in their daily operation.

The Company has approved a Data Protection Policy with the view to promote a privacy culture within the company. In order to foster a data protection and privacy culture, the Company provides ongoing and appropriate refresher training to further protect the rights and freedoms of data subjects.

Whistleblower Policy

The Company's Whistleblower Policy is communicated to the Directors and all employees. The Company aims at encouraging its Directors, employees and anyone associated with the Company, who have concerns about any aspect of malpractices encountered within the Company to come forward and voice those concerns within a defined process with the confidence that they will be treated fairly.

An employee who reasonably believes that inappropriate business conduct is occurring should raise the concern with their immediate supervisor/manager or their superior. This may depend, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. If the employee believes that management is involved, he/she should approach a more senior level of management within the company and/or the Chief Human Resource Officer and/or the Chairman of the respective Audit and Risk Committee of the Company and CJ & CO LTD.

The Chairman of the respective Audit and Risk Committee of the Company and CJ & CO LTD shall be notified of all financial or accounting irregularities or suspected irregularities. The policy does not supersede that requirement.

Should the matter have a direct link with the Chief Human Resource Officer of CJ & CO LTD, the Whistleblower is advised to report the case to the Chairman of the HROC.

ISLAND LIFE ASSURANCE CO. LTD**CORPORATE GOVERNANCE REPORT 2022 (CONTD)*****Principle 5 - Risk Governance and Internal Control (CONTD)*****Whistleblower Policy (CONTD)**

The Company will take appropriate action to protect the employee when he/she raises a concern in good faith and if the claim of questionable practice is substantiated and proved, appropriate disciplinary action will be taken against the responsible individual(s) up to and including termination of employment. The policy ensures that the whistle-blower's identity is treated with confidentiality.

Principle 6 - Reporting with Integrity

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

Health and Safety

The Company ensures that its operations are compliant with the Occupational Safety and Health Act 2005. The safety of all stakeholders remain a priority of the company.

Environment & Sustainability

An Environment and Sustainability Statement which sets out its commitments and provides guiding principles to ensure that all business activities are in harmony with environmental preservation and sustainability, has been adopted by the Currimjee Group.

The environmental commitments are as follows:

- Endeavour to preserve the environment and manage our operations in a sustainable manner for the well-being of future generations.
- Consider environmental and sustainability aspects as an integral part of our business strategy and operating methods.
- Recognise the global challenges due to climate change and diligently honour the Company's responsibility to reduce the environmental impacts of its business operations.
- Continually monitor and improve our environmental performance and support customers', employees', partners', and other stakeholders' environmental and sustainability progress.

These commitments are aligned with the United Nations Sustainable Development Goals (UN SDGs) and are regrouped under four strategic drivers:

- Addressing climate change
- Preserving ecosystems & natural resources
- By product and waste management
- Safe and engaged company and community

Corporate Social Responsibility

The Company did not make any contribution in year 2022 (2021- Nil) to the Currimjee Foundation nor to any other Foundations.

Donations

The Company did not make any political, non-political or charitable donations during the year under review (2021- Nil).

ISLAND LIFE ASSURANCE CO. LTD

CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 7 – Audit

Organisations should consider having an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board and the management. The Board should establish formal and transparent arrangements to appoint and maintain an appropriate relationship with the organisation's auditors.

Internal Audit

The Board has outsourced the provision of internal audit services to Ernst & Young (E&Y) since 2021.

As part of their delivery of internal audit services, the Internal Auditor:

- Reviews the risk assessment results of prior years to establish the Company's risk profile, which will enable a three-year risk based internal audit plan (IA plan) to be formulated and agreed upon by the Audit and Risk Committee.
- Conducts internal audits as per the agreed IA plan and report on the audit outcomes to the Audit and Risk Committee.
- Conducts internal audits using its qualified and competent staff, up to date technology and leading class risk-based methodology in line with IIA standards.
- Performs data analytics enabled internal audits to provide greater coverage over entire populations of data and internal controls, and thereby provide greater insights into areas under review.

The Internal Auditor's methodology aims to proactively drive strategic value to the organization, by providing:

- Key insights that enable the business to focus on the risks that matter and which aim to improve the quality and effect of work delivered.
- Robust mechanism to identify performance improvement opportunities (including robustness and efficiency of operations, quality of information for better decision making, optimizing use of available resources such as technology).
- Strategic insights that improve business performance.
- Prioritization of recommendations to facilitate implementation and sense of achievement.

The Internal Auditor uses the existing risk register and apply their tools, knowledge resources and experience to identify any additional risks they believe are relevant. This forms the basis for crafting a 3-years internal audit plan that focuses on the higher risk areas which will be subject to audits. The deliverables for the above work stream are (1) The Internal Auditor's recommendations for additional risks that apply and are not captured in the existing risk registers of the business units; (2) list of top inherent risks ranked in terms of significance arrived at through a facilitated process with management; and (3) an internal audit plan for 3 years that targets the higher risk areas that lend themselves to internal audits.

Additionally, the Internal Auditor reviews the design and operating effectiveness of the Company's controls in operation for the areas identified as part of the internal audit plan and submit as deliverable, an internal audit report to the Audit & Risk Committee for each internal audit visit, including its observations and agreed upon management actions to remediate control gaps.

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 7 – Audit (CONTD)

Internal Audit (CONT)

The Internal Auditor reports independently to the Chairman of the Audit & Risk Committee on all internal audit matters and is responsible for providing assurance to the Audit & Risk Committee regarding the implementation, operation and effectiveness of the Company's internal control systems. In this respect, reliance is placed on the work undertaken by the Internal Auditor in line with the approved internal audit plan. The plan ensures that all significant areas of the Company's activities are duly covered in turn over a predetermined timeframe. The Internal Auditor has unrestricted access to the Company's records, the Chairman of the Audit & Risk Committee, Senior Management Team for the effective performance of their duties.

Following completion of internal audit engagements, salient internal audit observations are reported to Management in a closing meeting, followed by the issue of the internal audit reports. These reports are then presented at Audit & Risk Committee meetings, to communicate significant audit findings as well as Management's proposed action plans. Regular follow-up audits are also undertaken to monitor progress on the implementation of internal audit recommendations by Management, which are then reported back to the Audit & Risk Committee. The appointed Internal Auditor, Ernst & Young works closely with and shares their internal audit findings with the external auditors.

During the year under review the main audit assignments carried out by E&Y were:

- Review of Existing AML/CFT Framework
- Review of the Data Privacy Framework (Requirements Data Protection Act 2017)
- Review of the Control Design Effectiveness & Pre-Implementation Process of the Company's digitization projects

External Audit

PricewaterhouseCoopers was re-appointed as External Auditors of the Company for the financial year 2022 by the Shareholder in September 2022.

The Audit & Risk Committee has reviewed and reported to the Board on the clarity and accuracy of the Company's financial statements. While conducting their reviews, the Committee considered the following:

- the accounting policies and practices applied;
- material accounting judgements and assumptions made by management or significant issues or audit risks identified by the external Auditor; and
- compliance with relevant accounting standards and other regulatory financial reporting requirements, including the Code of Corporate Governance.

All significant issues raised by the external auditors during the audit are reviewed and monitored at the level of the Audit & Risk Committee until they are fully addressed. The external auditors are free to meet the Audit & Risk Committee without the presence of management should they wish to do so. No such meeting was required during the year under review. Nonetheless, the Chairman of the Audit & Risk Committee regularly consults the External Audit Partner.

ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 7 – Audit (CONTD)

External Audit (CONTD)

The Board is regularly informed of all material issues discussed at the Audit & Risk Committee.

The fees paid to the External Auditors for audit and other services were as follows:

	2022 Rs	2021 Rs
Audit fees	1,272,895	946,295
Tax Fees	83,835	74,500
Other Services-Risk Management Framework	196,000	196,000

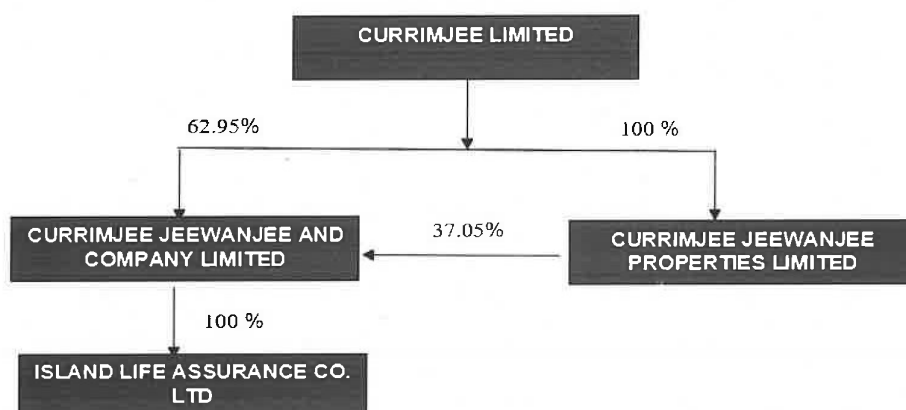
The Board ensures that provision of non-audit services by the External Audit firm are delivered by a team of officers that is completely independent from the external audit team, to ensure that the Auditor's objectivity and independence are safeguarded.

Principle 8 - Relations with Shareholders and Other Key Stakeholders

The Board should be responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders. The Board should respect the interests of its shareholders and other key stakeholders within the context of its fundamental purpose.

Ownership Structure

As at 31 December 2022, the Company has issued 32,453,000 Ordinary Shares of Rs 10 each and the shareholding structure of the Company is set out below:

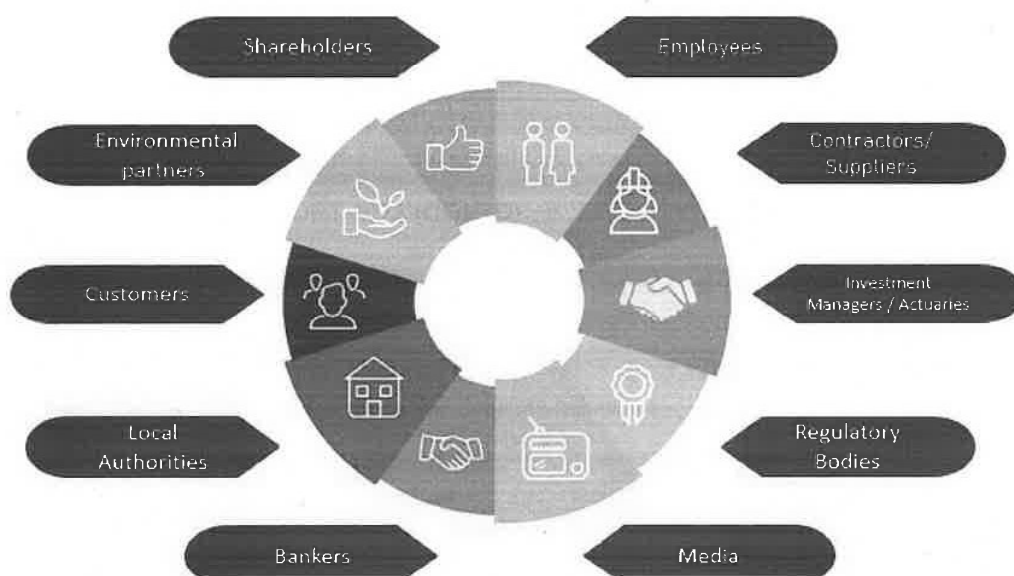


ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 8 - Relations with Shareholders and Other Key Stakeholders (CONTD)

Company Stakeholders

The Company's key stakeholders are set out in the diagram below:



The Company is committed to respond to the needs and expectations of its key stakeholders and takes into account their interests in its dealings with them. The Board ensures that information is delivered in an open, transparent, meaningful and regular manner to the stakeholders. It engages with its key Stakeholders through existing communications platforms (Annual Report, Shareholders' meetings, Website, Employee Engagement Surveys, Social Media, CJ News & Intranet, Communiqués). The Company promotes effective communication with its Shareholders and the Shareholders of the ultimate holding company and gathers their views at the Shareholders' Meeting. Regular presentations are also made to the Company's bankers.

Shareholders' Agreement

The Company has no such agreement with any of its Shareholders for the year under review.

Calendar of key events

The calendar of key events for Shareholders is as follows:



ISLAND LIFE ASSURANCE CO. LTD
CORPORATE GOVERNANCE REPORT 2022 (CONTD)

Principle 8 - Relations with Shareholders and Other Key Stakeholders (CONTD)

Employee Share Scheme

There is no Employee Share Scheme in place at the Company's level.

Dividend Policy

Every year, an actuarial valuation is made by our Actuaries in accordance with the Insurance Act 2005. The purpose of this valuation is to determine the surplus or deficiency of the Life Assurance Fund for the period under review.

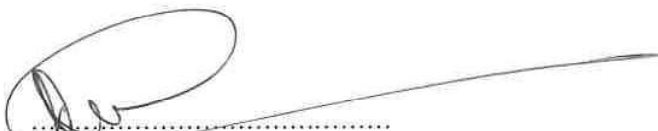
The surplus on participating policies is distributed as follows:

- 90% to policyholders as bonuses on policies; and
- 10% to the sole Shareholder through a transfer to Shareholder's fund on a tri-annual basis.

The surplus on non-participating policies accrues to the sole Shareholder and is transferred to Shareholder's funds on a tri-annual basis. The Shareholder's funds are available for the payment of dividends upon the approval from the actuary and recommendation from the Board.

For the year under review, no dividend was paid by the Company (2021 - Nil).

Approved by the Board of Directors and signed on its behalf on 15 MAY 2023


 Director

Mr. Anil C. Currimjee


 Director

Mr. Bodun Koomar

STATEMENT OF COMPLIANCE**(Section 75 (3) of the Financial Reporting Act)****Name of Public Interest Entity ("PIE"): Island Life Assurance Co. Ltd****Reporting Period: 01 January 2022 to 31 December 2022**

We, the Directors of **Island Life Assurance Co. Ltd**, confirm to the best of our knowledge that the Company has complied with all material obligations and requirements under the Code of Corporate Governance. Reasons for non-compliance, as applicable, have been explained in the Corporate Governance Report, save and except for the following:

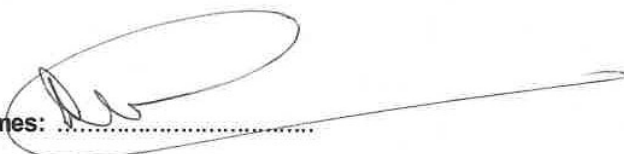
Website disclosures

The Board endeavours to ensure that all material information on the Company and its governance framework, recommended to be disclosed on the website as per the Code, is available to shareholders and stakeholders through Annual Report & Financial Statements filed at the Registrar of Companies. The Company is in the process of updating its website to contain such disclosures as recommended by the Code.

Principle 1: Governance Structure**Details of other directorships**

The Board has decided to only disclose other directorship in public and listed companies. Details of other directorships are available at the Company's registry.

SIGNED BY:

Names: 
Director

Mr. Anil C. Currimjee


Director

Mr. Bodun Koomar

Date: 15 MAY 2023

CURRIMJEE SECRETARIES LIMITED

38, Royal Street,
Port Louis

CERTIFICATE FROM THE COMPANY SECRETARY

ISLAND LIFE ASSURANCE CO. LTD

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

We certify that in terms of the compliance report as submitted and approved by the Board, the Company has filed with the Registrar of Companies, for the year ended 31 December 2022, all such returns as are required of the Company under the Mauritian Companies Act 2001 of Mauritius.

Currimjee Secretaries Limited
Per Ramanuj Nathoo (Mr)
Secretary



Date: 15 MAY 2023



Independent Auditor's Report

To the Shareholder of
Island Life Assurance Co. Ltd

Report on the Audit of the Financial Statements of the Company
standing alone

Our Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Island Life Assurance Co. Ltd (the "Company") standing alone as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

The financial statements of Island Life Assurance Co. Ltd set out on pages 47 to 115 comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, PwC Centre, Avenue de Telfair, Telfair 80829, Moka, Republic of Mauritius
Tel: +230 404 5000, Fax: +230 404 5088, www.pwc.com/mu
Business Registration Number : F07000530



Independent Auditor's Report

To the Shareholder of
Island Life Assurance Co. Ltd (Continued)

Report on the Audit of the Financial Statements of the Company
standing alone (Continued)

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Life Assurance Fund</p> <p>Insurance contract liabilities</p> <p>We considered the valuation of the insurance contract liabilities as disclosed in Notes 4 and 21, which is carried out by a statutory actuary, to be significant to the audit of the Company because of the significant judgements involved in estimating the expected future outflows.</p> <p>The assumptions in the valuation include both economic and non- economic inputs. Economic assumptions such as discount rates, investment returns and inflation rates are benchmarked to available market information.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Involving our actuarial expert to assess the results of the actuarial valuation as at 31 December 2022; • Comparing the data used in the valuation on a sample basis to the existing policyholder data for consistency; • Agreeing a sample of the claims paid and outstanding as at year end to supporting documentation; • Assessing the appropriateness of the methodology and assumptions used by the statutory actuary and management in the estimation of the life assurance fund as at 31 December 2022 using our own independent actuarial expert;



Independent Auditor's Report

To the Shareholder of
Island Life Assurance Co. Ltd (Continued)

Report on the Audit of the Financial Statements of the Company
standing alone (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Life Assurance Fund</p> <p>Non-economic assumptions such as mortality rates, future expenses and lapse rates are projected based on past experience.</p> <p>Additional qualitative judgement is applied in assessing the extent to which past trends may or may not recur in the future. A margin for adverse deviation is included in the liability valuation. However, changes in the assumptions and methodology can have a material impact on the liability valuation.</p>	<ul style="list-style-type: none"> Assessing the reasonableness of the economic and non-economic assumptions in comparison to market observable data or Company's past experience where applicable; Evaluating whether the statutory actuary appointed by management has the relevant expertise and experience in this field and is independent and objective; Reviewing the application of risk margins on the assumptions to ensure that they are applied correctly in line with local regulations; Reviewing the sensitivity analysis performed on the actuarial liabilities; Checking the consistency of the reserving methods and assumptions bases with prior years and assessing the rationale for any changes; and Assessing the adequacy of the disclosures made in the annual report.

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.



Independent Auditor's Report

To the Shareholder of
Island Life Assurance Co. Ltd (Continued)

Report on the Audit of the Financial Statements of the Company
standing alone (Continued)

Other Information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information, 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.

Responsibilities of the Directors 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 Mauritian Companies Act 2001, the Mauritian Insurance Act 2005 and regulation issued by the Financial Services Commission (the "Commission") and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

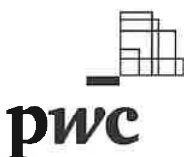
In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Independent Auditor's Report

To the Shareholder of
Island Life Assurance Co. Ltd (Continued)

Report on the Audit of the Financial Statements of the Company
standing alone (Continued)

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

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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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.
- 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 the directors 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.

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



Independent Auditor's Report

To the Shareholder of
Island Life Assurance Co. Ltd (Continued)

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- (a) we have no relationship with or interests in the Company or its subsidiary other than in our capacity as auditor and tax advisor of the Company;
- (b) we have obtained all the information and explanations we have required; and
- (c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Mauritian Insurance Act 2005

The Mauritian Insurance Act 2005 requires that in carrying out our audit we consider and report to you on the preparation of the financial statements. In our opinion, the financial statements have been prepared in all material respects, in the manner, and meet the requirements specified by the Commission except for the Minimum Capital Requirement ("MCR") ratio of 86%, which as disclosed in note 5, is below the threshold of 100% as prescribed by the Mauritian Insurance Act 2005 and regulation issued by the Financial Services Commission.

Mauritian Financial Reporting Act 2004

Our responsibility under the Mauritian Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("Code") 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 Company has, pursuant to section 75 of the Mauritian Financial Reporting Act 2004, complied with the requirements of the Code.



Independent Auditor's Report

To the Shareholder of
Island Life Assurance Co. Ltd (Continued)

Other Matter

This report, including the opinion, has been prepared for and only for the Company's shareholder in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers

15 May 2023

A handwritten signature in dark ink, appearing to read "S. Maghun".

Shakil Maghun, licensed by FRC

ISLAND LIFE ASSURANCE CO. LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 Rs	2021 Rs
INCOME		
Gross premium (Note 6)	183,647,445	174,045,977
Insurance premiums ceded to reinsurers (Note 6)	(23,326,208)	(18,718,500)
Net insurance premium revenue (Note 6)	160,321,237	155,327,477
Investment and other (expense)/income (Note 7)	(30,811,001)	97,526,923
Total revenue	129,510,236	252,854,400
EXPENDITURE		
Claims and surrenders (Note 24)	(147,522,300)	(179,451,199)
Pensions (Note 6 (iii))	(25,035,702)	(25,043,362)
Commission payable	(8,093,617)	(7,800,954)
Operating expenses	(70,793,648)	(54,270,999)
Auditor's remuneration	(1,272,895)	(946,295)
Interest expense	(9,323)	(4,813)
Reversal of Impairment of loans (Note 8)	2,966,444	1,447,480
Impairment of property plant and equipment (Note 8)	-	(4,092,073)
	(249,761,041)	(270,162,215)
Deficit for the year	(120,250,805)	(17,307,815)
Transfer from life assurance fund (Note 21)	109,047,805	9,358,815
Loss before tax	(11,203,000)	(7,949,000)
Income tax expense (Note 10)	-	-
Loss for the year	(11,203,000)	(7,949,000)
<i>Other comprehensive income:</i>		
Items that will not be reclassified to profit or loss		
Re-measurements of post-employment benefit obligations (Note 23)	11,203,000	7,949,000
Total other comprehensive income for the year, net of tax	11,203,000	7,949,000
Total comprehensive income for the year	-	-

The notes on pages 51 to 115 are an integral part of the financial statements.

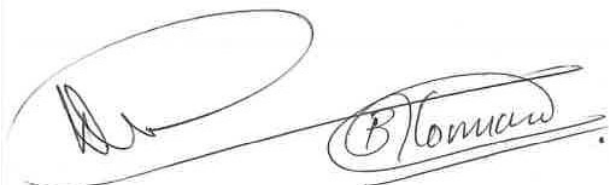
ISLAND LIFE ASSURANCE CO. LTD

STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2022

	2022 Rs	2021 Rs
ASSETS		
Intangible assets (Note 11)	93,747	430,277
Property, plant and equipment (Note 12)	23,889,406	39,246,061
Investment properties (Note 13)	208,560,000	191,672,450
Financial assets at fair value through profit or loss (Note 14)	481,313,094	527,245,702
Available-for-sale investments (Note 15)	227,029,632	301,084,515
Loans and receivables (Note 17)	225,605,020	207,343,459
Retirement benefit assets (Note 23)	206,000	-
Cash and cash equivalents (Note 18)	115,054,641	134,998,456
Total assets	1,281,751,540	1,402,020,920
EQUITY		
Capital and reserves		
Share capital (Note 20)	324,530,000	324,530,000
Retained earnings	46,102,529	46,102,529
Total equity	370,632,529	370,632,529
LIABILITIES		
Life assurance fund (Note 21)	814,665,744	923,713,549
Retirement benefit obligations (Note 23)	-	10,997,000
Outstanding claims (Note 24)	10,799,720	24,223,917
Trade and other payables (Note 24)	85,653,547	72,453,925
Total liabilities	911,119,011	1,031,388,391
Total equity and liabilities	1,281,751,540	1,402,020,920

Approved and authorised for issue by the Board of Directors on 15 MAY 2023
and signed on its behalf by:

}
 } Mr. Anil C. Currimjee
 } **DIRECTORS**
 }
 } Mr. Bodun Koomar



The notes on pages 51 to 115 are an integral part of the financial statements.

ISLAND LIFE ASSURANCE CO. LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital Rs	Retained earnings Rs	Total equity Rs
At 01 January 2021	174,530,000	46,102,529	220,632,529
Loss for the year	-	(7,949,000)	(7,949,000)
<u>Transaction with owner</u>			
Share capital issued during the year (Note 20)	150,000,000	-	150,000,000
<u>Other comprehensive income</u>			
Re-measurements of post-employment benefit obligations (Note 23)	-	7,949,000	7,949,000
At 31 December 2021	324,530,000	46,102,529	370,632,529
Loss for the year	-	(11,203,000)	(11,203,000)
<u>Other comprehensive income</u>			
Re-measurements of post-employment benefit obligations (Note 23)	-	11,203,000	11,203,000
At 31 December 2022	324,530,000	46,102,529	370,632,529

ISLAND LIFE ASSURANCE CO. LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 Rs	2021 Rs
Cash flow from operating activities		
Deficit for the year before taxation	(120,250,805)	(17,307,815)
Adjustments for:		
Amortisation of intangible asset (Note 11)	336,530	468,200
Depreciation on property, plant and equipment (Note 12)	1,210,071	1,117,123
Impairment of property, plant and equipment (Note 12)	-	4,092,073
Loss/(gain) on disposal of available-for-sale investment (Note 15)	2,550,880	(2,209,192)
Fair value (gain)/loss on revaluation of investment properties (Note 13)	(16,887,550)	(12,731,310)
Revaluation loss/(gain) on property, plant & equipment (Note 12)	16,550,001	(300,000)
Loss/(gain) on disposal of financial assets at fair value through profit or loss (Note 7)	68,146,164	(23,636,094)
Net fair value loss/(gain) on revaluation of financial assets at fair value through profit or loss (Note 7)	(253,291)	(50,384,755)
Fair value loss/(gain) on available-for-sale investments recycled to profit or loss (Note 7)	17,639,248	42,178,084
Unrealised foreign exchange (gain)/loss	(5,882)	207,620
Interest expense	9,322	4,813
Interest income (Note 7)	(25,378,519)	(25,761,314)
Dividend income (Note 7)	(8,030,017)	(6,815,769)
Operating loss before working capital changes	(64,363,848)	(91,078,336)
Increase/(decrease) in loan and receivables	(9,007,781)	(10,264,420)
(Decrease)/increase in trade and other payables	(224,576)	27,154,602
Movement in retirement benefit obligations	(11,203,000)	(792,000)
Cash used in operations	(84,799,205)	(74,980,154)
Interest paid	(9,322)	(4,813)
Interest received	25,378,519	25,761,314
Dividends received	8,030,017	6,815,769
Net cash used in operating activities	(51,399,991)	(42,407,884)
Cash flow from investing activities		
Payments for purchase of property, plant and equipment (Note 12)	(2,403,417)	(717,569)
Issue of share capital (Note 20)	-	150,000,000
Payments for purchase of financial assets at fair value through profit or loss (Note 14)	(33,240,495)	(254,177,674)
Proceeds from disposal of financial assets at fair value through profit or loss (Note 14)	11,280,231	142,937,451
Payments for purchase of available-for-sale investments (Note 15)	(8,500,885)	(18,330,527)
Proceeds from disposal of available-for-sale investments (Note 15)	62,365,640	67,886,964
Net loans granted (Note 17)	(32,858,970)	(99,801,466)
Net refund of loans granted (Note 17)	34,808,190	62,689,201
Net cash generated from investing activities	31,450,294	50,486,380
Net (decrease)/increase in cash and cash equivalents	(19,949,697)	8,078,496
Cash and cash equivalents at beginning of year	134,998,456	127,127,580
Effect of exchange rate changes on cash and cash equivalents	5,882	(207,620)
Cash and cash equivalents at end of year (Note 18)	115,054,641	134,998,456

The notes on pages 51 to 115 are an integral part of the financial statements.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022****1 GENERAL INFORMATION**

Island Life Assurance Co. Ltd (the "Company") is incorporated in Mauritius under the Mauritian Companies Act 2001 as a public company with limited liability. The principal activity consists of long-term life insurance and individual Personal Pension Plan business. All of its products are delivered to the domestic market.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS and comply with the Mauritian Companies Act 2001. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale investments, property, defined benefit plan and financial assets and financial liabilities at fair value through profit and loss.

In accordance with IFRS 4 Insurance contracts, the Company has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with IFRS framework and applicable standards. The Company has taken the temporary exemption from the adoption of IFRS 9 as per amendment to IFRS 4.

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 3.

The Company is regulated under the Mauritian Companies Act 2001, the Mauritian Insurance Act 2005 (as amended in 2015) and regulations of the Financial Services Commission (the "Commission").

Going concern

The Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Furthermore, Currimjee Jeewanjee and Company Limited, the Parent, has confirmed to the Directors of the Company through its letter of support that it will provide its financial support to the Company for at least the next twelve months. Thus, based on the validity of this assumption, the financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future unless it is inappropriate to presume that the Company will continue in business.

*Changes in accounting policy and disclosures***(a) New and amended standards adopted by the Company**

There are no standards, amendments to standards or interpretation that are effective for annual period beginning on 01 January 2022 that have a material effect on the financial statements of the Company.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)****Changes in accounting policy and disclosures (CONTD)**

- (b) Standards, amendments and interpretations to published standards that are not yet effective and have not been early adopted by the Company.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 01 January 2022, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 17, 'Insurance contracts'

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are measured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

The Company did not early adopt IFRS 17 standard. Management expects IFRS 17 to have a future impact on the company.

Compared to IFRS 4, IFRS 17 introduces measurement models for insurance contracts consisting of the general measurement model (GMM), variable fee approach (VFA) for contracts with direct participation features and the premium allocation approach (PAA) applicable for short-duration insurance contracts.

The main features of the general model for insurance contracts are that the groups of contracts identified:

- be measured at the present value of future cash flows incorporating an explicit risk adjustment and remeasured every reporting period (the fulfilment cash flows);
- have a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts, is recognised in profit or loss over the service period (coverage period). This applies for profitable groups, where groups are expected to be onerous, a loss component is set up and the loss is recognised immediately.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)****Changes in accounting policy and disclosures (CONTD)**

Standards, amendments and interpretations to published standards that are not yet effective and have not been early adopted by the Company (CONTD)

IFRS 17, 'Insurance contracts' (CONTD)

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin) and the liability for incurred claims (fulfilment cash flows related to past service).

Based on the Company's analysis of insurance policies issued, the Company predominantly writes long-term contracts, therefore the general measurement method will be applied to most of the insurance book with only the Group Life business falling into the premium allocation approach.

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the services provided during the period. The standard also recognises losses earlier on contracts expected to be onerous.

The standard introduces a new, more granular system of reporting for both insurance revenue and insurance contract liabilities and does not only impact accounting and actuarial reporting but has a significant impact across the company's operating model. Due to the fundamental changes required, and to ensure successful implementation, an IFRS 17 implementation project team was established – with Island Life using QED Actuaries and Consultants as their implementation partners.

The transition to IFRS 17 and the financial impact assessment will remain a key focus during 2023. For most of the insurance book, it is expected that a mix between a fully retrospective approach and a fair value approach will be applied for the transition calculations.

The IFRS 17 implementation project team will focus on the following key areas during 2023:

- Produce and request business sign-off and external audit sign-off of transition balances.
- Commence with an IFRS 4 and IFRS 17 dual reporting run.
- Finalise the layout and disclosure of the IFRS 17 compliant annual financial statements.
- Finalise the management reporting and key performance measures.
- Continue engaging with the business through various training initiatives.
- Finalise and implement future financial and data governance processes and accountabilities.
- Complete the system development and key controls required to implement IFRS17.

The full financial impact of IFRS 17 has not yet been fully assessed. For the vast majority of the book of The Company which will be measured using the GMM, the impact would be expected to be as follows:

- The best estimate liability would be expected to remain similar to IFRS 4 with differences arising due to assumption changes – predominately from the discount rate (via the introduction of yield curves) and expense assumptions.
- The risk margin is expected to be similar to the current margins held under IFRS 4 with slight adjustments (and potential releases) due to margins not being held on financial risks (as is the case under IFRS 4).
- The largest impact is expected to be that a Contractual Service Margin (CSM) will be introduced which should result in an increase to the overall liabilities of the Company, especially given the fact that negative policyholder liabilities are allowed under IFRS 4.

For the minor portion of the book that will be measured using the PAA, no significant change from IFRS 4 position is expected.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Changes in accounting policy and disclosures (CONTD)

- (b) Standards, amendments and interpretations to published standards that are not yet effective and have not been early adopted by the Company (CONTD)

IFRS 9, 'Financial Instruments'

Under IFRS 9, all equity securities and fund investments, and more debt instruments will be measured at fair value through profit or loss because the characteristics of the contractual cash flows from such instruments are not solely payments of principal and interest on the principal amount outstanding. Furthermore, credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognised in other comprehensive income ("OCI"), are expected to increase due to the introduction of the expected credit loss methodology. Though overall profit or loss volatility is expected to increase under IFRS 9, the measurement approach for direct participating contracts in IFRS 17 allows such volatility to be largely absorbed in the measurement of insurance liabilities with an option to reflect in shareholders' equity (OCI) the effect of any asset-liability mismatch.

The IASB decided to defer the effective date of IFRS 17 to 01 January 2023, given its plans to consider whether to explore amendments to IFRS 17, and the criteria for assessing such potential amendments. The IASB also decided to defer the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 to 01 January 2023, so that both standards can be applied simultaneously.

The Company is currently assessing the impact of the application of both IFRS 17 and IFRS 9. As of 31 December 2022, it was not practicable to quantify what the potential impact would be on the Company financial position or performance once these standards will be adopted.

The IASB issued IFRS 17 insurance contracts in May 2017 and on 25 June 2020, amendments to the standards were issued. The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023. The standard needs to be applied retrospectively.

Standards issued but not yet effective

IFRS 9 Financial Instruments In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company has deferred the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17 Insurance Contracts) of 1 January 2023, adopting in previous financial years the temporary exemption from applying IFRS 9 as introduced by IASB's amendments to IFRS 4, which was the predecessor to IFRS 17. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Changes in accounting policy and disclosures (CONTD)

IFRS 9, 'Financial Instruments' (CONTD)

During the current financial year, the Company performed an impact assessment of the three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in 2023 when the Company will adopt IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and equity, except for the effect of applying the impairment requirements of IFRS 9. The Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement

The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value through profit or loss all financial assets currently held at fair value through profit or loss. Loans and receivables as well as cash and cash equivalents are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those financial assets and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, a change in the classification of these financial assets is not expected to be required.

(b) Impairment

IFRS 9 will fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected credit loss approach. The Company will be required to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since initial recognition, in which case, the allowance is based on the probability of default over the life of the debt financial asset. The Company is establishing a policy to perform an assessment at the end of each reporting period so as to determine whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the debt financial asset. To estimate expected credit losses, the Company will determine the risk of a default occurring on the debt financial asset during its contractual life. Expected credit losses are estimated based on the present value of all cash shortfalls over the remaining expected life of the debt financial asset, i.e., the difference between: • the contractual cash flows that are due to the Company under the contract, and • the cash flows that the Company expects to receive, discounted at the effective interest rate of the debt financial asset. In comparison to IAS 39, the Company expects the impairment charge under IFRS 9 to be more volatile and to result in an increase in the total level of current impairment allowances.

(c) Hedge accounting

The Company does not apply hedge accounting under IAS 39 and as such does not expect any impact in this area.

Consolidated financial statements

The financial statements are separate financial statements which contain information about Island Life Assurance Co. Ltd as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IFRS 10, "Consolidated Statements", from the requirement to prepare consolidated financial statements as the parent company, Currimjee Jeewanjee and

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)****Changes in accounting policy and disclosures (CONTD)***IFRS 9, 'Financial Instruments' (CONTD)*

Company Limited prepares consolidated financial statements that comply with IFRS and which are available for public use. These consolidated financial statements are obtainable at the Registrar of Companies and at 38, Royal Road Street, Port-Louis.

Investment in subsidiary

Subsidiaries are all entities (including structured entities) over which the company has control. The Company controls an entity when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investment in subsidiary is shown at cost less impairment.

Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the recoverable amount of an investment is less than its carrying amount, the investment is written down immediately to its recoverable amount and the impairment loss is recognised as an expense in the statement of comprehensive income. On disposal of an investment in a subsidiary, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)***Foreign currency translation*

- Functional and presentation currency

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

- Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at 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 the statement of comprehensive income. All other foreign exchange gains and losses are presented within 'Investment and other income'. Translation differences on financial assets held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets classified as available-for-sale are included in investment and other income as the board has agreed to recycle all fair values reserves as they are for policyholders.

Property, plant and equipment and depreciation

Plant and equipment (except land and building) are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land and buildings are stated at revalued amounts. Increases in the carrying amounts arising on revaluation of land and building are recognised, net of tax, in investment and other income as the board has agreed to recycle all valuation reserves as they are for policyholders. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they relate to.

Depreciation of other assets is calculated on the straight-line method at annual rates estimated to allocate their cost or revalued amounts to their estimated residual values over their expected useful lives. The annual rates used are:

Improvement to leasehold building	10%
Furniture & fittings	10%
Computer equipment	33%
Office equipment	10%
Motor vehicles	20%
Building	2%

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'Investment and other income' in the statement of comprehensive income.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)***Investment properties*

Properties held for long-term rental yields or for capital appreciation or both and that are not occupied by the Company is classified as investment properties.

Investment property comprises freehold land and buildings. It is measured initially at its costs, including related transactions costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuation performed by an independent valuation expert. In performing the valuation, the valuer uses discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates and by making reference to recent sales. The independent valuers also use the highest and best use principle in determining the value of investment property. The change in these assumptions could result in a significant change in the carrying value of investment property. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair value are recorded in the statement of comprehensive income. Investment properties are derecognised when they have been disposed.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term rental yields and is not occupied by the Company. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments. The property is carried at fair value after initial recognition. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the surplus for the year.

Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the statement of comprehensive income.

Intangible asset (Computer software costs)

Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of directly attributable overheads.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software products;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)***Intangible asset (Computer software costs) (CONTD)*

Computer software costs recognised as assets are amortised using the straight-line method over their estimated useful lives, not exceeding 3 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit and loss, available-for-sale investments and loans and receivables. The classification is dependent on the purpose for which the investments were acquired.

Management determines the classification of its investments at the time of purchase and re-evaluates this at every reporting date.

Classification**(a) Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception.

A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. Derivatives are also classified as held-for-trading unless they are designated as hedges.

Financial assets designated as at fair value through profit or loss at inception are those that are:

- Held in internal funds to match insurance contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through income eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. The Company's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

Financial assets held-for-trading are classified as held within one year and financial assets designated at fair value through profit or loss at inception are classified as held for more than 1 year.

All financial assets at fair value through profit or loss are designated in this category upon initial recognition since management has no express intention of disposing of those investments within the next 12 months.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)***Financial assets (CONTD)*Classification (CONTD)**(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Company intends to sell in the short-term or that it has designated as at fair value through profit or loss;
- those that the Company upon initial recognition designates as available-for-sale;
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration; or those that are held-to-maturity.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Receivables arising from insurance contracts are also classified in this category and reviewed for impairment as part of the impairment review of loans and receivables.

The Company's loans and receivables also comprise "trade receivables".

Receivables arising out of reinsurance arrangements or direct insurance arrangements are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(c) Available-for-sale financial assets

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as held for more than 1 year unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular-way purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income.

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

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income within 'Investment and other income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised as part of 'Investment and other income' when the Company's right to receive payments is established. Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in investment and other income as the board has agreed to recycle all fair value reserves as they are for policyholders.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in statement of comprehensive income as net realised gains on financial assets.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)***Financial assets (CONTD)***(c) Available-for-sale financial assets (CONTD)**

Interest on available-for-sale investments calculated using the effective interest method is recognised in the statement of comprehensive income in the 'Investment and other income' line.

Determination of fair values

For financial instruments traded in active markets, the determination of fair values of financial assets is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major stock exchanges. The quoted market price used for financial assets held by the Company is the current bid prices.

A financial instrument is regarded as quoted in an active market 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. If the above criteria are not met, the market is regarded as being inactive.

If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

*Impairment of assets***(a) Financial assets carried at amortised cost**

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as a default or delinquency in payments;
- (iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties; or
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)****Impairment of assets (CONTD)****(a) Financial assets carried at amortised cost (CONTD)**

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

(b) Assets classified as available-for-sale

The Company assesses at each date of the statement of financial position whether there is objective evidence that financial assets is impaired. The case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impaired loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

The cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)****Impairment of assets (CONTD)****(c) Impairment of other 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 asset's carrying amount 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).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments more than 30 days overdue, are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of allowance account, and the amount of the loss is recognised in the statement of comprehensive income within operating expenses.

Cash and cash equivalents

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

Trade payables

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

Claims

Claims and loss adjustment expenses are charged to the statement of comprehensive income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analysis for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)***Share capital*

Share capital is classified as equity when there is no obligation to transfer cash or other assets.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between that proceeds (net of transaction costs) and the redemption value is recognised in the surplus over the period of the borrowings using the effective method.

Borrowings are classified as within 1 year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in other comprehensive income, in which case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on the taxable entity.

*Insurance contracts***(a) Classification**

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

(b) Recognition and measurement

The Company issues long-term insurance contracts with fixed and guaranteed terms and those having discretionary benefits.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)***Insurance contracts (CONTD)***(b) Recognition and measurement (CONTD)**

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the valuation is made. A margin for adverse deviations is included in the assumptions.

The liabilities are recalculated at end of each reporting period using the assumptions established at valuation date.

(c) Minimum Capital Requirement Test

As required by the Long-term Insurance Solvency Rules, an insurer shall at all times maintain a solvency margin that is at least equal to the Minimum Capital Requirement. The Minimum Capital Requirement for an insurer shall be determined by its actuary as the higher of a stress test requirement determined in accordance with guidelines issued by the Commission to ensure that the long-term insurer remains solvent or the higher of an amount of Rs 25 million or an amount representing 13 weeks' operating expenses. The purpose of the set stress requirement is to quantify the minimum level of assets in excess of liabilities so as to enable the insurer to meet all the obligations as and when they are due and to provide sufficient cushion against adverse deviations in experience in any of the variables used in the valuation of liabilities. Stress Test Requirements equals the higher of the "Termination Capital Adequacy Requirements" (TCAR) and the "Ordinary Capital Adequacy Requirements" (OCAR).

As set out in (b) above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the valuation date.

(d) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in (a) above are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company's property or casualty insurance contracts. Where the premium due to the reinsurers differs from the liability established by the Company for the related claim, the difference is amortised over the estimated remaining settlement period.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)***Insurance contracts (CONTD)***(d) Reinsurance contracts held (CONTD)**

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets, as described in its respective accounting policies above.

(e) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets, as described in its respective accounting policies above.

Employee benefits

- Pensions obligations

The Company operates a multi-employer defined benefit contribution pension plan and a multi-employer defined benefit pension plan. The plans are either defined benefits plan or defined contribution plan. All new employees joining member companies as from 1 January 2017, are now in defined contribution plan. A defined benefit plan is a pension plan that defines 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 assets of this plan are held in a separate trustee administered fund. The plan is funded by payments from the Company, taking account of the recommendations of independent qualified actuaries. A defined contribution plan is a pension plan under which the Company pays a fixed contribution into a separate entity. The Company provides retirement benefits for its employees through a defined contribution plan which is funded by contributions from the Company. Under the defined contribution plan, the Company has no legal or constructive obligation to contribute further to what has been contributed into the fund as defined in the rules of the scheme. Pension contributions are charged to profit or loss in the year to which they relate.

The Company has no obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund.

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

The defined benefit obligation is measured as the present value of the estimated future cash outflows using a discount rate by reference to current interest rates and the yields on treasury bills and recent corporate debentures. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)***Employee benefits (CONTD)*

Past service costs are recognised immediately in statement of comprehensive income.

A qualified actuary assesses at the end of each reporting period whether the fund accumulated under the defined contribution plan is sufficient to cover for the gratuity obligations as prescribed under the Workers' Rights Act 2019 and determines any additional provision that the Company should make, if any.

- **Termination benefits**

Termination benefits become payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: a) when the Company can no longer withdraw the offer of those benefits; and b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Revenue Recognition and Expenses

- **Investment and other income**

Investment and other income consists of dividends, interest and rent receivable for the year, realised gain and losses and net fair value gain and losses on revaluation of financial assets through profit or loss. Investment and other income also include fair value reserves and valuation reserves recycled as these are for policyholders.

Dividend income on equity securities is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

Interest income is recognised as it accrues, taking into account the effective yield on investment.

Rental income is recognised on an accruals basis.

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs and its original cost or amortised cost as appropriate.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)***Revenue Recognition and Expenses (CONTD)*

- *Commission receivable*

Commission is recognised on an accrual basis.

- *Commission payable*

Commission is recognised when the insurance policy contract is signed by the policyholder.

- *Expenses*

Expenses are accounted on an accrual basis.

- *Consideration for annuities*

Consideration for Annuities represents the Single Premium paid by ILA Managed Pension Fund ("ILAMPF") to Island Life Assurance Co. Ltd, ("ILA") for the purchase of an immediate monthly annuity whenever a member proceeds on retirement. In exchange of the said one-off consideration, the Company guarantees the payment of all the subsequent monthly pension due to the retiring member till the latter's death, subject to a minimum period of 5 years.

With effect from 01 January 2021, the ILA Managed Pension Fund has ceased to buy out annuities with the Company and decided to effect the payment of all monthly pensions for all members who retire as from January 2021 directly from the Pension Fund.

Consequently the Company's responsibility is now limited to maintaining payment of the monthly pension only for those members who retired prior to 01 Jan 2021 and for whom a consideration was paid by the ILAMPF to the Company at time of their retirement.

Life assurance fund

At the end of every year the amount of the liabilities of the life assurance fund is established. The adequacy of the fund is determined annually by actuarial valuation. Under current legislation, an annual actuarial reporting is required by Financial Services Commission.

Based on the annual actuarial valuation, the actuary recommends the bonus declaration and the amount of actuarial surplus that can be transferred from the statement of comprehensive income.

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 approved by the Company's shareholders.

Repossessioned collaterals

Repossessioned collaterals represent financial and non-financial assets acquired by the Company in settlement of overdue loans. The assets are initially recognised at fair value when acquired and are included in property and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Company's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current year.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following is a summary of the more significant accounting policies that are impacted by judgements and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions.

(a) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the actuary. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The actuary bases these estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the actuary's own experience. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums.

The main source of uncertainty is that epidemics such as AIDS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk.

Long-term business technical provisions are computed using statistical or mathematical methods. The computations are made by the Company's actuaries on the basis of recognised actuarial methods, with due regard to the actuarial principles laid down by the law and by actuarial best practices. The methodology takes into account the risks and uncertainties of the particular classes of long-term business written and the results are certified by the actuaries undertaking the valuations.

For contracts without fixed terms, it is assumed that the Company will be able to increase mortality risk changes in future years in line with emerging mortality experience.

For long-term insurance contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations, investment returns and administration expenses are made at the inception of the contract and form the assumptions used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract. New estimates are made each subsequent year in order to determine whether the previous liabilities are adequate in the light of these latest estimates. If the liabilities are considered adequate, the assumptions are not altered. If they are not adequate, the assumptions are altered ('unlocked') to reflect the best estimate assumptions.

A key feature of the adequacy testing for these contracts is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognised, while significant enough deterioration in estimates is immediately recognised to make the liabilities adequate.

The reasonableness of the estimation process of future benefit payments is tested by an analysis of sensitivity under several different scenarios. The analysis enables the Company to assess the most significant assumptions and monitor the emerging variations accordingly.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTD)****(a) Estimate of future benefit payments and premiums arising from long-term insurance contracts (CONTD)**

Liabilities in relation to death and disability benefits are amortised by reinsuring the yearly Sums at Risk above the Retention Limit against payment of respective reinsurance premiums. The sensitivity analysis has been disclosed in note 4.

(b) Retirement Benefit Obligations

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 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 each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates 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 23.

(c) Fair value of unlisted securities

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however areas such as credit risk, volatilities and correlations require directors to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Sensitivity has been disclosed in Note 5.

(d) Impairment of loans and receivables

The Company follows the guidance of IAS 36 and IAS 39 to determine when a loan and receivable is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of the collateral provided is less than the discounted value of the loan and receivable; and the financial health of and short-term business outlook of its customers, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(e) Revaluation of land and building and investment properties

The Company measures its land and buildings and investment properties at revalued amounts with changes in fair value being recognised in Statement of comprehensive Income. The Company engaged an independent professional valuer to determine the fair value. Properties that are owner-occupied or held with the intention to be sold are estimated based on recent transaction prices for similar properties. Properties that are held for long-term rental yields and is not occupied by the Company are valued based on the Discounted Cash Flows. Valuation using discounted cash flows is a method for determining the current value of a company using future cash flows adjusted for time value. The future cash flow set is made up of the cash flows within the determined forecast period and a continuing value that represents the cash flow stream after the forecast period.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTD)****(f) Going Concern**

The Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Furthermore, Currimjee Jeewanjee and Company Limited, the Parent, has confirmed to the Directors of the Company through its letter of support that it will provide its financial support to the Company for at least the next twelve months. Thus, based on the validity of this assumption, the financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future unless it is inappropriate to presume that the Company will continue in business.

4 MANAGEMENT OF INSURANCE RISK

The Company issues contracts with the following risk characteristics:

- Transfer of mortality/morbidity risks, with partial transfer of investment risks (participating policies);
- Transfer of mortality/morbidity risks only (pure protection policies);
- Transfer of mortality/morbidity and investment risks (guaranteed savings type policies) and
- Transfer of longevity risks (pension policies).

Mortality/Morbidity Risks

These are risks that higher than expected deaths/disability claims are paid out by the Company. Management of these risks is by way of:

(i) Growing the portfolio

Law of large numbers implies that predictability of claims (in aggregate) increases as the portfolio grows. This reduces the Company's exposure to extreme variability in claims pay-out.

(ii) Underwriting

This refers to the identification of risk at various landmark of the policy lifetime. In particular, the following main types of underwriting are used:

- At inception, medical underwriting (as per Grid) is carried out to ensure that the prospect adheres to the minimum health requirements set by the company and its reinsurer;
- At inception, financial underwriting is carried out to identify the paying capacity of prospects as well as the justification for insurance;
- At inception, pastime underwriting and/or occupation underwriting identifies risky activities and ensures that the premiums charged is commensurate with the risk at hand; or
- Claims underwriting, as the name suggests, examines the conditions of the death/disability claims and whether any breach of policy conditions may exist.

(iii) Actuarial assumptions

These are set based on the Company's actual mortality/morbidity experience and are reviewed on an annual basis.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****4 MANAGEMENT OF INSURANCE RISK (CONTD)****Mortality/Morbidity Risks (CONTD)****(iv) Reinsurance**

Variability in claims pay-out is mopped up by reinsurers who participate in claims above the Company's retention limit. The Company uses individual surplus reinsurance and all amounts in excess of Rs 500,000 are reinsured. The split between gross and net of reinsurance sums assured is given below:

	2022	2021
	Rs million	Rs million
<i>Individual Business Sum Assured</i>		
Gross of Reinsurance	9,205	7,709
Net of Reinsurance	2,955	2,941
<i>Group Business Sum Assured</i>		
Gross of Reinsurance	1,544	1,581
Net of Reinsurance	594	618

Longevity Risks

This is the risk of the insured living longer than expected. The Company manages such risks by using conservative actuarial assumptions where it is typically assumed that the insured lives live longer than the life expectancy as per the South African mortality tables (SA 85/90). Annual checks are also carried out to ensure that pension is being paid to pensioners who are still alive.

Investment Risks

This is the risk that investment returns are lower than expected. The Company manages this risk by:

- Holding a diversified investment portfolio;
- Adopting a long term investment strategy approved by the actuary;
- Keeping a matched investment position (e.g. guaranteed products are backed by fixed income and bond type investments);
- Setting the investment return target in accordance with the pricing and reserving assumptions;
- Smoothing of bonuses by using a 3-year declaration period and
- Adjusting bonuses to reflect actual market performance.

Long term insurance contracts

For long term insurance contracts, where the insured event is death, the most significant factors that could negatively impact the insurance claims submitted to the Company are diseases like heart problems, diabetes, high blood pressure or changes in lifestyle, such as eating habits, smoking and lack of exercise, resulting in higher claims being submitted to the Company.

For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. The liabilities in terms of insurance contracts are based on recommendations of the Company's Actuary.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

4 MANAGEMENT OF INSURANCE RISK (CONTD)

Long term insurance contracts (CONTD)

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured.

Benefits assured per life assured at the end of 2022 Rs	Total benefits insured			
	Before reinsurance Rs	%	After reinsurance Rs	%
0 - 200,000	1,319,291,283	6%	1,319,291,283	17%
200,000 - 400,000	1,875,711,010	9%	1,875,711,010	24%
400,000 - 800,000	2,071,210,040	10%	1,904,539,513	24%
800,000 - 1,000,000	501,998,241	2%	289,000,000	4%
More than 1,000,000	15,401,289,450	73%	2,478,500,000	32%

Benefits assured per life assured at the end of 2021 Rs	Total benefits insured			
	Before reinsurance Rs	%	After reinsurance Rs	%
0 - 200,000	1,370,566,427	8%	1,370,566,427	18%
200,000 - 400,000	1,924,770,805	11%	1,924,770,805	26%
400,000 - 800,000	2,012,743,578	12%	1,862,278,147	25%
800,000 - 1,000,000	466,078,905	3%	269,000,000	4%
More than 1,000,000	11,508,469,920	66%	2,020,000,000	27%

The following table for annuity insurance contracts illustrates the concentration of risk based on bands that group these contracts in relation to the amount payable per annum as if the annuity were in payment at the year end. The Company does not hold any reinsurance contracts against the liabilities carried for these contracts.

Annuity payable per annum per life insured	Total annuities payable per annum			
	2022		2021	
	Rs	%	Rs	%
0 - 20,000	3,167,784	7%	3,148,305	7%
20,000 - 40,000	4,381,400	9%	4,374,130	9%
40,000 - 80,000	9,998,759	21%	10,476,925	21%
80,000 - 100,000	1,757,636	4%	1,766,396	4%
More than 100,000	28,048,135	59%	28,094,493	59%

Insurance risk for contracts disclosed in this note is also affected by the policyholders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to policyholders' behaviour. On the assumption that policyholders will make decisions rationally, overall risk can be assumed to be aggravated by such behaviour.

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

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****4 MANAGEMENT OF INSURANCE RISK (CONTD)****Long term insurance contracts (CONTD)**

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

(a) Frequency and severity of claims

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations.

The actual mortality claim experience versus expected are shown below:

Year	Actual no of death Claims	Actual Death Claim (Rs)	Expected Death Claim (Rs)	Actual Claim/ Expected Claim (%)
2011	41	3,575,562	8,191,451	44
2012	31	3,848,552	10,868,957	35
2013	39	4,709,953	12,334,995	38
2014	29	4,784,529	15,479,908	31
2015	34	10,795,677	19,588,505	55
2016	38	4,625,979	23,432,984	20
2017	41	12,770,307	10,308,235	124
2018	40	6,600,452	10,060,485	66
2019	30	5,965,709	7,525,000	79
2020	42	8,307,955	6,500,000	128
2021	53	12,995,233	7,300,000	178
2022	47	5,077,281	6,000,000	85
Overall	465	84,057,189	137,590,520	61

The Company has factored the impact of contract holders behaviour into the assumptions used to measure the liabilities associated with long term insurance contracts.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****4 MANAGEMENT OF INSURANCE RISK (CONTD)****Long term insurance contracts (CONTD)****(a) Frequency and severity of claims (CONTD)***Claim Frequency & Reinsurance Recoveries*

The table below shows the number of death/morbidity claims and reinsurance recoveries.

	2022	2021
No of death/morbidity claims		
Individual Life*	40	49
Group	7	4

*Number of total permanent disability included above is 2 (2022 - 2)

	2022 Rs '000	2021 Rs '000
Reinsurance recoveries		
Individual Life	15,573	5,750
Group	-	-

In relation to the portfolio at risk, the incidence of death/morbidity claims has been stable, as evidenced by the actuarial assumptions used for the year end valuation.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base tables of South African mortality tables (SA 85/90). An investigation into the actual experience of the Company over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future.

Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Company's overall experience.

For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. The Company Actuaries use statistical methods to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

The Company currently monitors default premiums by sending default reminder notices to clients requesting for payment of unpaid premium. Besides policyholders are also given the option to revive their policies for which certain conditions have to be met according to the revival policies and guidelines.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****4 MANAGEMENT OF INSURANCE RISK (CONTD)****Long term insurance contracts (CONTD)****(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts (CONTD)**

Pricing of all new products is determined by the actuary after thorough consideration of the mortality tables as per actuarial guides.

(c) Process used to decide on assumptions

Assumptions used to work out future liabilities under long-term insurance contracts are estimated by the Company and its actuaries. Firstly, best estimate assumptions are worked out based on past experience and expectations of future developments. These are then adjusted with prescribed margins, as per the FSC solvency rules and actuarial guidance notes.

- *Mortality*

Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. These estimates are based on South African mortality tables (SA 85/90) (in the absence of local ones), adjusted where appropriate (e.g. for AIDS) to reflect the local experience. For contracts that insure the risk of longevity, prudent allowance is made for expected mortality improvements. Prescribed and additional margins are built into these estimates to allow for future uncertainty.

- *Morbidity*

Given the low financial significance of morbidity on the Company and its predictability, morbidity tables are not used to model morbidity claims. A simpler approach used by the actuaries is to compare morbidity premiums against morbidity claims and work out any inadequacy in the premiums charged. For the last three years, this exercise has shown that the premiums are enough to cover expected claims. Any major change to morbidity experience in the industry will however be modelled differently.

Morbidity risk is managed by ensuring proper underwriting and ensuring that proper reinsurance treaties are in place that limit risk to what is acceptable according to the Company's Risk Appetite Statement.

- *Expenses*

Expenses are estimated on a going concern basis. Per policy, expenses are split between acquisition and renewal expenses. Expenses incurred for the benefit of policies to be sold in the future are amortised over the relevant future period. Provision is made for the impact of future business volumes and inflation on expenses.

The risk of expense overruns is managed by proper budgeting process, constant monitoring of expenses against budget throughout the year and by ensuring sufficient volumes are sold and/or acquired to support the expense base.

- *Investment Income*

Future investment return is estimated for each asset class and split between income return and capital gains. The starting point for this estimate is the risk free rate of return (government bonds) reflecting expectations of future economic and financial developments. The risk premium corresponding to the different asset types is then added based on the various risk profiles, asset term, capital growth and comparable yielding investments.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****4 MANAGEMENT OF INSURANCE RISK (CONTD)****Long term insurance contracts (CONTD)****(c) Process used to decide on assumptions (CONTD)**

- *Inflation*

Investment income and inflation assumptions are inter-twined. The gap between risk free returns and inflation over the last 20 years is worked out and projected into the future.

- *Persistency*

Policy lapses/surrenders are estimated from historical company and industry available data. These are adjusted to reflect changes in the legal, tax and business environment (e.g. removal of tax incentives or inability to surrender pension plans). Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour. The Company uses South African mortality base tables (SA85/90) according to the type of contract being written. An investigation into the actual experience of the Company is carried out, and the Company's actuaries use statistical methods to compare the fit of the mortality tables with the actual claims experience. Adjustments to the selected standard mortality table are then worked out to optimise the fit of the mortality model.

- *Uncertainty in premium income*

The Company's actuaries build in provision for non-receipts of future premiums (arising from deaths, withdrawals, surrenders, defaults, etc.) due in his valuation basis. Future premiums on business in force as at the valuation date are modelled by projecting the probability adjusted cashflows to the valuation date. This basis is used to determine the position of the life fund every year. Further, cost of all new products is determined by the actuary after thorough consideration of the key assumptions.

- *Uncertainty in payment of benefits*

Uncertainty in benefit payments arises from changes in underlying mortality trends (eg mortality improvement, increasing life expectancies) and the economic environment. The actuary builds in margins in his valuation assumptions that reflect mortality improvements/deterioration, as warranted by the particular policy being valued. For example, for endowment plans, higher deaths than expected will be a source of uncertainty in benefit payouts while for annuities; uncertainty arises from higher life expectancy. Bonus rates are used to reduce uncertainty in payouts due to changes in the economic environment. Bonus rates are not guaranteed and are reviewed in line with current and future market prospects.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****4 MANAGEMENT OF INSURANCE RISK (CONTD)****Long term insurance contracts (CONTD)****(d) Sensitivity analysis**

At 31 December 2022, the actuarial liability in respect of the life business issued by the Company amounted to **Rs'000s 1,051,183** (2021 - Rs'000s 1,140,336) as assessed by the Company's actuary. The following table presents the sensitivity of the value of insurance liabilities to movements in the assumptions used in the estimation of insurance liabilities.

<u>Assumptions</u>	<u>Change in variable</u>	<u>Change in liability in 2022</u> Rs 000	<u>Change in liability in 2021</u> Rs 000
Worsening of mortality	+ 5% p.a.	-1,060	1,322
Drop on Return on investment	- 2% p.a.	135,311	169,658
Increase of renewal expense rate	+ 10% p.a.	9,012	12,480
Worsening of lapse rate	+ 10% p.a.	-10,982	(15,400)

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

5 MANAGEMENT OF FINANCIAL RISK

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company manages financial risks via the Investment Committee which is mandated to achieve long-term investment returns in excess of the Company's obligations under insurance and investment contracts. The principal technique of the Investment Committee is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained. The Company has not changed the processes used to manage its risks from previous periods.

Fixed and guaranteed insurance contracts

Insurance contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefits) and hence the Company's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)****5 MANAGEMENT OF FINANCIAL RISK (CONTD)**

- Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for operational, trading and investments activities. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position assets and cash components and sales of assets, or potentially an inability to fulfil policyholder commitments. The risk that the Company will be unable to do so is inherent in all insurance operations and can be affected by a range of institution-specific and market wide events including, but not limited to, credit events, systemic shocks and natural disasters or catastrophe.

The Company is exposed to daily calls on its available cash resources with regard to claims and maintains a certain level of cash resources in the bank to service the daily claims. Investments are also made in certain liquid investments such as Bank of Mauritius Treasury bills and investments in equity shares that are traded in active markets and can be readily disposed. The Company has also made arrangements in its reinsurance treaty to cater for large claims whereby reinsurers will pay their share of these losses within a short period of time.

- Mismatch risk

All insurance liabilities are asset backed. Mismatch risk arises when the nature, term and currency of backing assets are different from the nature, term and currency of liabilities. Nature of liabilities refers to whether they are fixed, indexed or variable at the Company's discretion.

The following tables indicate the contractual amount and timing of cash flows arising from the insurance liabilities and the extent of duration-matching for these contracts. They summarise the Company's exposure to interest rate risks for these assets and liabilities. When debt securities mature, the proceeds not needed to meet the liability cash flows will be re-invested in floating rate securities, and the interest rate swaps are used to secure fixed interest rate cash flows. The reinvestment of these net positive proceeds in the earlier years will fund the negative cash flows displayed in the table below for the later years.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

5 MANAGEMENT OF FINANCIAL RISK (CONTD)

- Mismatch risk (CONTD)

	Contractual cash flows (undiscounted)				
	Carrying amount Rs'000	0 – 5 yrs Rs'000	5 – 10 yrs Rs'000	10 – 15 yrs Rs'000	>15 yrs Rs'000
At 31 December 2022					
Liabilities					
Life assurance fund	814,666	191,251	160,037	124,324	176,978
Outstanding claims	10,800	10,800	-	-	-
Trade and other payables	75,827	75,827	-	-	-
	<u>901,293</u>	<u>277,878</u>	<u>160,037</u>	<u>124,324</u>	<u>176,978</u>
Total	901,293	277,878	160,037	124,324	176,978
Total excluded	<u>9,827</u>	<u>9,827</u>	-	-	-
At 31 December 2021					
Liabilities					
Life assurance fund	923,714	236,609	196,884	157,968	195,639
Outstanding claims	24,224	24,224	-	-	-
Trade and other payables	58,276	58,276	-	-	-
	<u>1,006,214</u>	<u>319,109</u>	<u>196,884</u>	<u>157,968</u>	<u>195,639</u>
Total	1,006,214	319,109	196,884	157,968	195,639
Total excluded	<u>14,178</u>	<u>14,178</u>	-	-	-

The liability period analysis does not agree with the total carrying amount due to the fact that the period analysis is undiscounted whilst the total carrying amount is discounted.

Rs 9,827,029 (2021: Rs 14,177,908) for deposit from policyholders has been excluded from Trade and other payables.

The Company intends to manage the net cash outflows position arising from Year 5 onwards as follows:

- Mismatch risk
- Available-for-sale investments would be reinvested in similar instruments at maturity;
- The value of investment portfolio classified as “financial assets at fair value through profit or loss” is expected to increase in the future as the Company realises the fair value gain upon sale of investments and proceeds are reinvested in similar instruments;
- Amount of loans disbursed, other than mortgaged loans, is expected to increase and hence, the interest income generated from these loans would increase.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

5 MANAGEMENT OF FINANCIAL RISK (CONTD)

- Foreign exchange risk

The Company underwrites fixed and guaranteed insurance and investment contracts in Mauritius and invests in a portfolio of assets denominated in Mauritian Rupees and other foreign currencies. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to some investments in foreign currencies.

Concentrations of assets and liabilities:

At 31 December 2022

	USD Rs	MUR Rs	Non-financial assets/ (liabilities) Rs	Total Rs
Assets	172,194,055	862,357,051	247,200,434	1,281,751,540
Liabilities	-	(901,292,982)	(9,826,029)	(911,119,011)
Net position Rs	172,194,055	(38,935,931)	237,374,405	370,632,529
	=====	=====	=====	=====

At 31 December 2021

Assets	254,332,980	905,457,752	242,230,188	1,402,020,920
Liabilities	-	(1,006,213,483)	(25,174,908)	(1,031,388,391)
Net position Rs	254,332,980	(100,755,731)	217,055,280	370,632,529
	=====	=====	=====	=====

A total of **Rs14,451,280** (2021: Rs 10,881,399) for advances and prepayment have been excluded from loan and receivables and **Rs 9,827,029** (2021: Rs 14,177,908) for deposit from policyholders has been excluded from Trade and other payables

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****5 MANAGEMENT OF FINANCIAL RISK (CONTD)**

- Foreign exchange risk (CONTD)

The Company has **16%** (2021 – 18%) of its total financial assets denominated in foreign currencies. The foreign currency denominated assets are in USD.

The sensitivity analysis below shows the effect on the total financial assets of the Company when the USD depreciates against the Mauritian rupee ("MUR"), holding other assumptions constant each time.

	Impact on Surplus in 2022 Rs	Impact on Surplus in 2021 Rs
USD depreciates by 5% against the MUR*	(8,609,703)	(12,716,649)

* If the USD appreciates by 5% against the MUR, there will be a corresponding increase in the surplus also.

- Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The available-for-sale investments and loan and receivables are on a fixed interest rate basis and thus not subject to interest rate fluctuations. All other receivables are interest free and not subject to interest rate risk. However, due to competition, the Company may review the lending rate to its clients.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

5 MANAGEMENT OF FINANCIAL RISK (CONTD)

• Interest rate risk (CONTD)

The table below summarises the Company's interest rate risk exposure:

	Up to 1 Year Rs	1 – 5 years Rs	Above 5 years Rs	Non-interest Bearing Rs	Total Rs
At 31 December 2022					
Assets					
Financial assets at fair value through profit or loss	-	-	-	481,313,094	481,313,094
Available-for-sale investments	22,285,514	38,435,406	166,308,712	-	227,029,632
Loans and receivables	-	166,955,486	10,655,281	33,542,973	211,153,740
Cash and cash equivalents	115,054,641	-	-	-	115,054,641
Total assets	137,340,155	205,390,892	176,963,993	514,856,067	1,034,551,107
Liabilities					
Outstanding claims	-	-	-	10,779,720	10,779,720
Trade and other payables	-	-	-	75,826,518	75,826,518
Life assurance fund	-	-	-	814,665,744	814,665,744
Total liabilities	-	-	-	901,271,982	901,271,982
On balance sheet interest sensitivity gap	137,340,155	205,390,892	176,963,993	(386,415,915)	133,279,125
At 31 December 2021					
Assets					
Financial assets at fair value through profit or loss	-	-	-	527,245,702	527,245,702
Available-for-sale investments	8,381,450	68,043,049	224,660,016	-	301,084,515
Loans and receivables	3,346,073	166,439,357	12,448,432	14,228,197	196,462,059
Cash and cash equivalents	134,998,456	-	-	-	134,998,456
Total assets	146,725,979	234,482,406	237,108,448	541,473,899	1,159,790,732
Liabilities					
Outstanding claims	-	-	-	24,223,917	24,223,917
Trade and other payables	-	-	-	58,276,017	58,276,017
Life assurance fund	-	-	-	923,713,549	923,713,549
Total liabilities	-	-	-	1,006,213,483	1,006,213,483
On balance sheet interest sensitivity gap	146,725,979	234,482,406	237,108,448	(464,739,584)	153,577,249

A total of **Rs 14,451,280** (2021: Rs 10,881,399) for advances and prepayment have been excluded from loan and receivables and **Rs 9,827,029** (2021: Rs 14,177,908) for deposit from policyholders has been excluded from Trade and other payables.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****5 MANAGEMENT OF FINANCIAL RISK (CONTD)**

- Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

The assets bearing credit risk are analysed below. The key areas where the Company is exposed to credit risk are: housing loans, policy loans, loans receivable from related parties, trade receivables from related parties (for Group Life & Pension annuity considerations), fixed deposits placed with financial institutions and cash and cash equivalents.

The Company manages its credit risk as follows:

- Exposure to credit risk arising on loan receivables is managed through analysis of the ability of borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate. Exposure to credit risk is also managed by obtaining collaterals and guarantees. See Note 16.
- Fixed deposits placed with financial institutions and cash and cash equivalents – The Company only transacts with highly reputable financial institutions. The credit worthiness of these financial institutions can be assessed by the historical information about the financial strengths of the financial institutions the Company is dealing with. In the opinion of the Company there is no associated risk as these are reputable institutions in the industry.

The Company avoids investment concentration. It assesses creditworthiness of both loans clients and debt issuers. Systematic follow-ups are also made so that the levels of trade receivables (mainly Group companies) are kept to a reasonable level.

	2022	2021
	Rs	Rs
At fair value through profit or loss:		
-Listed equity securities	376,745,004	412,064,473
-Unlisted equity securities	104,568,090	115,181,229
	481,313,094	527,245,702
Available-for-sale:		
Local debentures	227,029,632	301,084,515
	227,029,632	301,084,515

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

5 MANAGEMENT OF FINANCIAL RISK (CONTD)

• Credit risk (CONTD)

	2022 Rs	2021 Rs
Loans and receivables, at amortised cost		
Housing loans receivable, net of impairment provision	28,044,920	34,069,735
Policy loans receivable	18,816,836	24,893,237
Loans on call with related companies	100,113,101	90,730,714
Other loan	12,475,102	8,739,046
Trade receivables	3,707,740	5,075,813
Deposits placed with financial institutions	-	3,346,073
Other receivables	47,996,041	29,607,441
	<u>211,153,740</u>	<u>196,462,059</u>
Cash and cash equivalents	<u>115,054,641</u>	<u>134,998,456</u>
Total assets bearing credit risk	<u>1,034,551,107</u>	<u>1,159,790,732</u>

Excluded from other receivables a total of **Rs14,451,280** (2021: Rs 10,881,399) for prepayments and advances.

The assets are analysed in the table below using Standard & Poor's (S&P), Moody's and Care ratings:

Credit ratings:

A+	-	-
A	3,933,620	4,525,404
A-	-	-
AA-	-	-
BBB+	-	-
Baa1**	-	-
Baa2**	-	232,041,466
CARE MAU AA	-	-
CARE MAU A+	-	2,000,000
CARE MAU A+ *	-	16,829,219
CARE MAU AA	9,219,371	34,212,220
CARE MAU A*	24,614,345	25,547,096
CARE MAU AA-	25,938,666	-
CARE MAU AA*	-	8,253,529
CARE MAU AA-*	-	10,945,657
CARE MAU AAA	-	-
CARE MAU BBB+	-	1,000,000
Unrated****	970,845,105	824,436,141
	<u>1,034,551,107</u>	<u>1,159,790,732</u>

*The ratings for the foreign bonds were taken from ratings provided by Standard & Poor's.**The ratings for local equity (MCB & SBM) and for government treasury bills and notes were taken from ratings provided by Moody's.***The ratings for local bonds were taken from ratings provided by Care Ratings.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

5 MANAGEMENT OF FINANCIAL RISK (CONTD)

- Credit risk (CONTD)

****The unrated assets consist of equity investments, secured housing and policy loans, unsecured and secured loans receivable from related parties, other receivables, fixed deposits from financial institutions and cash balances.

- Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified in the statement of financial position at fair value through profit or loss. The Company is also exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company. In order to minimise price risk, the Company has appointed professional fund administrators to manage more than 21% of its portfolio. Regular Investment Committee meetings are also being held to review price movements and other risk indicators.

- Fair values

The carrying amounts of land and buildings, investment properties, financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, cash and cash equivalents, life assurance fund, outstanding claims and trade and other payables approximate their fair values.

- Fair values hierarchy

IFRS 7 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Company. Management considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

5 MANAGEMENT OF FINANCIAL RISK (CONTD)

• Fair values hierarchy (CONTD)

The following table presents the Company's assets and liabilities measured at fair values:

	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
At 31 December 2022				
Assets				
Investment properties	-	-	208,560,000	208,560,000
Financial assets at fair value through profit or loss	376,745,004	-	104,568,090	481,313,094
Available for Sale Investment	-	227,029,632	-	227,029,632
Land & Building (property, plant & equipment)	-	-	18,311,054	18,311,054
Total assets	376,745,004	227,029,632	331,439,144	935,213,780
At 31 December 2021				
Assets				
Investment properties	-	-	191,672,450	191,672,450
Financial assets at fair value through profit or loss	412,064,473	-	115,181,229	527,245,702
Available for Sale Investment	-	301,084,515	-	301,084,515
Land & Building (property, plant & equipment)	-	-	35,128,628	35,128,628
Total assets	412,064,473	301,084,515	341,982,307	1,055,131,295

The Company is exposed to equity securities and debt securities price risks. If the fair value of the investments increases/decreases by 5%, other factors remaining unchanged, the Company's deficit for the year and financial assets (at fair value through profit or loss and available-for-sale investments) would increase /decrease by **Rs 35,417,136** (2021: Rs 41,416,511).

Given that the Company is materially exposed to price risk, it has set up an investment committee to manage that risk. Members of the investment committee meet at least once every quarter to monitor the investment activities of the Company.

The Company's financial assets valued at fair value through profit or loss are directly related to the fair valuation of the investee entities. The investee entities use various valuations methods to value their underlying investment assets such as the use of share of Net Asset Value ("NAV") of the underlying investment, price earnings ratio, market price of shares at reporting date and the latest redemption price. Level 3 includes investments classified as financial assets at fair value through profit or loss. The investments have been valued using NAV of the respective investee companies at **Rs 40,540,076** (2021:Rs 55,003,025) and the remaining level 3 investment have been fair valued using comparable trading multiple.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

5 MANAGEMENT OF FINANCIAL RISK (CONTD)

• Fair values hierarchy (CONTD)

The following table shows the valuation techniques used in the determination of fair values within Level 3 of the hierarchy as well as the key unobservable inputs used in the valuation model

Description	Fair Value as at 31 Dec 22	Valuation Technique	Unobservable Inputs	Weighted Average Input	Reasonable possible shift +/- (absolute value)	Change in valuation +/-
Unquoted Investment	104,568,090	Comparable trading multiple	EV/EBITDA Multiple	7.84	1	1,577,372 / (1,577,372))
			Price Multiple	10.26	1	8,360,746 / (8,360,746)
			Discount for lack of marketability	18%	1%	(776,229) / 776,229

Description	Fair Value as at 31 Dec 21	Valuation Technique	Unobservable Inputs	Weighted Average Input	Reasonable possible shift +/- (absolute value)	Change in valuation +/-
Unquoted Investment	115,181,229	Comparable trading multiple	EV/EBITDA Multiple	8.31	1	1,613,844 / (1,613,844)
			Price Multiple	10.13	1	9,122,694 / (9,122,694)
			Discount for lack of marketability	18%	1%	(726,668) / 726,668

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

5 MANAGEMENT OF FINANCIAL RISK (CONTD)

• Fair values hierarchy (CONTD)

The following table presents the movements in level 3 instruments:

At 31 December 2022	Financial asset at fair value through profit or loss Rs	Total Rs
Balance at 01 January 2022	115,181,229	115,181,229
Sale	(3,698,386)	(3,698,386)
Total losses recognised in profit or loss	(6,914,753)	(6,914,753)
Balance at 31 December 2022	104,568,090	104,568,090
At 31 December 2021		
Balance at 01 January 2021	89,407,069	89,407,069
Purchases	45,280,763	45,280,763
Total losses recognised in profit or loss	(1,579,131)	(1,579,131)
Disposal	(17,927,472)	(17,927,472)
Balance at 31 December 2021	115,181,229	115,181,229

Financial instruments by categories

At 31 December 2022	Loans and receivables Rs	Assets at fair value through profit and loss Rs	Available- for- sale investments Rs	Total Rs
Available-for-sale financial assets	-	-	227,029,632	227,029,632
Loans and other receivables	211,153,740	-	-	211,153,740
Financial assets at fair value through profit or loss	-	481,313,094	-	481,313,094
Cash and cash equivalents	115,054,641	-	-	115,054,641
Balance at 31 December 2022	326,208,381	481,313,094	227,029,632	1,034,551,107
At 31 December 2021				
Available-for-sale-financial assets	-	-	301,084,515	301,084,515
Loans and other receivables	196,462,059	-	-	196,462,059
Financial assets at fair value through profit or loss	-	527,245,702	-	527,245,702
Cash and cash equivalents	134,998,456	-	-	134,998,456
Balance at 31 December 2021	331,460,515	527,245,702	301,084,515	1,159,790,732

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

5 MANAGEMENT OF FINANCIAL RISK (CONTD)

- Capital management

The Company's objectives when managing capital are:

- To comply with solvency regulations issued by the FSC
- To maximise returns to both shareholder and policyholder while being resilient to investment volatilities
- To foster and consolidate both its short and long term growth strategy
- To match its investment strategy with its product pricing and reserving basis

The solvency test requires that the excess of admissible assets over liabilities is at least equal to the stress test requirement (also called Minimum Capital Requirement, "MCR"). Admissible assets are balance sheet assets that satisfy requirements of investment rules issued by the FSC; e.g. excess holding in a particular asset class (beyond the maximum allowed) will carry no value for the purpose of solvency requirements. Liabilities are made up of technical provisions and other liabilities. Technical provisions are computed by the Company's actuary in accordance with valuation rules issued by the FSC. These rules require that the actuary builds in a prudent margin when computing liabilities (e.g. to guard against any adverse changes in assumptions). The stress test requirement (MCR) is computed by the actuary in accordance with a formula issued by the FSC. The formula specifies "stress" scenarios (e.g. drop in investment return, increase in expenses) and the MCR is the sum total of the "top-up" capital required to ensure that admissible assets are more than liabilities under all scenarios. The minimum MCR is the higher of Rs 25million or the Company's equivalent of 13 weeks' operating expenses.

Assets that are used to back the MCR are made up of shareholders' capital and retained earnings.

	2022 %	2021 %
MCR Ratio	86%	111

The Solvency position as at 31 December 2022 stood at 86% (111% as at 31 December 2021). As a result of the previous MCR ratio being below 100%, shareholders injected capital of Rs74.53 million in 2020 and Rs150 million in 2021. The amount injected over the past years were based on targeting an MCR ratio of 100% as at the respective balance sheet date.

A further capital injection of Rs22.15 million is required as at 31 December 2022 to restore the MCR ratio to 100%. Management is targeting an MCR ratio of 125% over the next 3 to 4 years through an improvement of the solvency position on the basis of several actions initiated by the Company. This includes a continued focus on increasing new business volumes on the series of new products, which is expected to reduce expense losses and add to Company profits, as well as not intending to pay dividends until the solvency position improves and the MCR ratio reaches at least 150%. The board of the Company will consider the recommendations made by the Statutory Actuary and recommend the shareholders the injection of additional capital to reinstate the solvency position. An application will then be made to the Financial Services Commission.

6 NET INSURANCE PREMIUM REVENUE AND PENSION

- (i) Insurance premiums represent gross premiums charged to clients.

	2022 Rs	2021 Rs
Gross premium	183,647,445	174,045,977
Insurance premiums ceded to reinsurers	(23,326,208)	(18,718,500)
Net insurance premium revenue	160,321,237	155,327,477
	=====	=====

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****6 NET INSURANCE PREMIUM REVENUE AND PENSION (CONTD)****(ii) Consideration for annuities**

ILA Managed Pension Fund (the "Fund") used to buy-out Annuities for its members who retired ("Pensioners") under the Defined Benefit ("DB") and Defined Contribution ("DC") Schemes respectively, whereby the Company, as appointed Administrator of the Fund, administer the periodical monthly pensions payable to the pensioners from the funds received on purchase of annuities by the Fund.

During the year 2021, the Trustees of the Fund, in consultation with the Fund's Actuary AON Solutions Ltd, carried out an impact assessment for pensions to be paid from the Fund. As a result, with effect from 01 January 2021, the Trustees has decided that pensions payable to pensioners of the Fund will be paid out by the Fund itself and the Fund will no more buy out annuities with the Company.

(iii) Pensions

The company will continue to administer the periodical monthly pensions payable to the Pensioners of the Fund, for whom annuities were bought out by the Fund, up to 31 December 2022 so long as the Pensioners survives.

7 INVESTMENT AND OTHER INCOME

	2022	2021
	Rs	Rs
Interest income	25,378,519	25,761,314
Dividend income	8,030,017	6,815,769
Other income	23,081,578	16,946,871
Fair value (loss)/gain on revaluation of property (Note 12)	(16,550,001)	300,000
Fair value gain/(loss) on revaluation of investment properties (Note 13)	16,887,550	12,731,310
Net fair value (loss)/gain on revaluation of financial assets through profit or loss (Note 14)	(68,146,164)	50,384,755
Net gain/(loss) on disposal of financial assets through profit or loss (Note 14)	253,291	23,636,094
Fair value (loss)/gain on available-for-sale financial assets recycled to profit or loss (Note 15)	(17,639,248)	(42,178,084)
Net (loss)/gain on disposal of available-for-sale investment (Note 15)	(2,550,880)	2,209,192
Net gain/(loss) on foreign exchange transactions	444,337	919,702
	-----	-----
	(30,811,001)	97,526,923
	=====	=====

During the year, interest income amounting to **Rs 5,554,403** (2021 – Rs 5,161,243) was received from related parties (Note 25(iii)).

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

8 RESULTS FROM OPERATING ACTIVITIES

	2022 Rs	2021 Rs
The following items have been (credited)/charged in arriving at results from operating activities:		
Amortisation of intangible asset (Note 11)	336,530	468,200
Depreciation on plant and equipment (Note 12)	1,210,071	1,117,123
Operating lease rentals payable – buildings	-	716,105
Repairs and maintenance	2,239,008	1,617,386
Fees payable/paid to auditors for:		
Audit services	1,272,895	946,295
Tax services	83,835	76,230
Other services	196,000	196,000
Staff costs (Note 9)	11,282,214	23,168,503
Actuarial fees	4,015,824	5,663,508
Management and secretarial fees to group companies	1,760,519	1,522,002
Net release for Impairment of housing loans	(2,966,444)	(1,447,480)
Exceptional Items	-	4,092,073
Impairment of property, plant and equipment	-	-
	=====	=====

9 STAFF COSTS

	2022 Rs	2021 Rs
Wages and salaries	22,505,478	21,650,132
Social security costs	783,914	1,369,222
Pension costs – defined benefit plan	2,308,000	2,308,000
Other benefits	(2,050,555)	11,821,271
Recovery from holding company (Note 26 (iv))	(12,264,623)	(13,199,316)
	-----	-----
	11,282,214	23,949,309
	=====	=====

Since 2020, the holding company has decided to bear 100% the cost of Senior Managers to reduce the expense cost of the Company,

	2022 Number	2021 Number
Number of employees at year end:		
Full time	29	27
	=====	=====

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****10 INCOME TAX**

The Company is liable to income tax at **17%** (includes CSR of 2%) (2021 – 17%) on its chargeable income.

Prior to 1 January 2021, as per section 17(5) of Income Tax Regulation, the net income of the Company from its life activity solely was the difference between:

- (a) the income from investment held by the Company in connection with its life insurance business but excluding that attributable to the annuity business and pension business in that income year; and
- (b) the sum of:
 - (i) all management expenses incurred and all commissions paid by the Company; and
 - (ii) all allowable deductions.

The Company also carries annuity business and the net income from this business segment is calculated based on an actuarial report. The total tax payable of the Company is then calculated based on the total chargeable income derived from both its life and annuity business.

However, as from 31 December 2022, as introduced by the Finance Act 2021 and as per Section 50 (1A) of the Income Tax Act, the tax payable by the Company is now the higher of:

- (a) the normal tax payable; or
- (b) 10% of the relevant profit.

“Relevant profit” means profit attributable to shareholders in respect of an income year:

- (a) as reduced by capital gain attributable to shareholders where such gain has been credited to profit or loss of the Company; and
- (b) as increased by any capital loss attributable to shareholders where such loss has been debited to the profit or loss of the Company for that income year.

The Company has a tax loss under the normal computation and also no profit to be attributed to shareholders. Therefore, there is no tax liability for the year.

The Company does not have any income tax for the year ended 31 December 2022 and 2021 as it is in a tax loss position. Reconciliation between the actual income tax (credit)/charge and the theoretical amount that would arise using the applicable income tax rate of **17 %** (2021 – 17%) is as follows:

	2022	2021
	Rs	Rs
Deficit for the year	(120,250,805)	(17,307,815)
	-----	-----
Taxation at applicable rates of 17% (2021 - 17%)		
Impact of:		
Deficit not subject to tax	120,250,805	17,307,815
	-----	-----
Actual tax charge	-	-
	=====	=====

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

10 INCOME TAX (CONTD)

The Company's tax loss at 31 December 2022 was **Rs 133,581,356** (2021: Rs 158,961,402) to carry forward against future taxable profits. The accumulated tax losses are available for set off as follows:

Year Ending	2022 Rs	2021 Rs
31 December 2022	-	38,012,039
31 December 2023	35,697,771	35,697,771
31 December 2024	12,193,092	12,193,092
31 December 2025	50,434,078	50,434,078
31 December 2026	14,544,003	14,544,003
31 December 2027	8,080,419	8,080,419
31 December 2028	12,631,993	-
	133,581,356	158,961,402

11 INTANGIBLE ASSETS

	Total Rs
Computer software	
Cost:	
At 01 January 2022	23,864,567
Additions	-
At 31 December 2022	23,864,567
Additions	-
At 31 December 2022	23,864,567
<i>Accumulated amortisation:</i>	
At 01 January 2021	22,966,090
Amortisation for the year	468,200
At 31 December 2021	23,434,290
Amortisation for the year	336,530
At 31 December 2022	23,770,820
<i>Net book value:</i>	
At 31 December 2022	93,747
At 31 December 2021	430,277

Amortisation charge of **Rs 336,530** (2021 - Rs 468,200) has been included in 'Operating expenses'.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

12 PROPERTY, PLANT AND EQUIPMENT

	Land & building	Improvement to Leasehold building	Furniture & fittings	Computer equipment	Office equipment	Motor Vehicles	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cost:							
At 01 January 2021	35,850,000	10,345,941	756,357	10,558,980	2,348,560	1,080,000	60,939,838
Additions	-	235,981	-	425,894	55,694	-	717,569
Impairment	-	(4,092,073)	-	-	-	-	(4,092,073)
Revaluation gain	300,000	-	-	-	-	-	300,000
At 31 December 2021	36,150,000	6,489,849	756,357	10,984,874	2,404,254	1,080,000	57,865,334
Additions	-	161,800	-	373,838	1,867,779	-	2,403,417
Revaluation loss	(16,550,001)	-	-	-	-	-	(16,550,001)
At 31 December 2022	19,599,999	6,651,649	756,357	11,358,712	4,272,033	1,080,000	43,718,750
Accumulated depreciation:							
At 01 January 2021	754,460	2,848,508	598,833	10,324,701	2,005,789	969,859	17,502,150
Charge for the year	266,912	416,654	57,363	172,115	93,939	110,140	1,117,123
At 31 December 2021	1,021,372	3,265,162	656,196	10,496,816	2,099,728	1,079,999	18,619,273
Charge for the year	267,573	494,544	46,403	301,019	100,532	-	1,210,071
At 31 December 2022	1,288,945	3,759,706	702,599	10,797,835	2,200,260	1,079,999	19,829,344
Net book value: At 31 December 2022	18,311,054	2,891,943	53,758	560,877	2,071,773	1	23,889,406
Net book value: At 31 December 2021	35,128,628	3,224,687	100,161	488,058	304,526	1	39,246,061

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****12 PROPERTY, PLANT AND EQUIPMENT (CONTD)**

An experienced, qualified valuer Elevante Property Services, who has relevant professional experience in the localities and categories of the properties held, carried out the last valuation on 31 December 2022. For 31 December 2021, Mr Noor Dilmohamed carried the valuation.

The valuation of land and buildings has been determined using the fair value basis. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its land and buildings into the three levels prescribed under the accounting standards. Since 2016, the board has approved that the transfer from valuation reserve are for policyholders.

The following table shows the valuation techniques used in the determination of fair values within Level 3 of the hierarchy as well as the key unobservable inputs used in the valuation model for land and building.

Description	Fair Value as at 31 Dec 2022	Valuation Technique	Key Unobservable Inputs	Range of Unobserved inputs 2022 Rs
Land& Building	18,311,054	Income (DCF)	Discount Rate	10.8%
			Terminal Yield	7.8%
			Rental Growth Rate	3.0%
Description	Fair Value as at 31 Dec 2021	Valuation Technique	Key Unobservable Inputs	Range of Unobserved inputs 2021 Rs
Land& Building	35,128,628	Market Comparable	Price per Square Meter	89,702

The Market Comparable approach was used for Land & Building in 2021.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****12 PROPERTY, PLANT AND EQUIPMENT (CONTD)***Sensitivity*

A 5% increase in land and building rates will result in an increase in the value of land and building by **Rs 915,553** (2021 - Rs **1,756,431**) with all other variables held constant.

The carrying amounts of buildings that would have been included in the financial statements had the asset been carried at cost less depreciation is as follows. The cost of the building is **Rs 17,003,060** as at 31 December 2022 (2021: Rs 17,003,060) and **Rs 1,288,945** accumulated depreciation in as at 31 December 2022 (2021- Rs, 1,021,372).

Carrying amounts that would have been recognised if land and building were stated at cost:

Land and Building

	2022	2021
	Rs	Rs
Cost	17,003,060	17,003,060
Accumulated depreciation	(1,288,945)	(1,021,372)
	=====	=====
Carrying Amount	15,714,115	15,981,688
	=====	=====

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

13 INVESTMENT PROPERTIES

	2022 Rs	2021 Rs
At 01 January	191,672,450	178,941,140
Fair value gain	16,887,550	12,731,310
	=====	=====
At 31 December	208,560,000	191,672,450
	=====	=====

Properties have been bought for investment purposes. Any income arising from these investments is primarily the fair value gain expected as a result of market appreciation in the value of these properties. The Company's investment properties were revalued at 31 December 2022 by an independent valuer, Elevante Property Services Ltd based on income approach valuation of the investment properties. The balance above also includes repossessed collateral. Repossessed collateral represents real estate assets acquired by the Company in settlement of overdue loans. The Company expects to dispose of the assets in the foreseeable future.

The properties are held for long-term capital appreciation rather than short-term sale. Rental income arising from the properties owned by the Company amounted to **Rs 9,812,962** (2021 – Rs 11,709,939) and is included in 'Investment and other income'.

Investment properties amounting to **Rs 208,560,000** (2021 – Rs 191,672,450) is valued annually by external chartered surveyors and using estimates during the intervention period. Investment properties are valued as an income approach that is based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break options taking into consideration lease incentives and assuming no further growth in estimated rental value of the property. The uplift/discount rates are derived from rates implied by recent market transactions – these inputs are deemed unobservable.

The following table shows the valuation techniques used in the determination of fair values within Level 3 of the hierarchy as well as the key unobservable inputs used in the valuation model for Investment Properties.

Description	Fair Value as at 31 Dec		Valuation technique	Key Unobservable Inputs	Range of Unobservable inputs	
	2022 Rs	2021 Rs			2022 %	2021 %
Investment Properties	208,560,000	191,672,450	Income (DCF)	Discount Rate	10.75	7 - 10
				Terminal Yield	7.75	7
				Rental Growth Rate	3.00	3 – 5

Investment Properties Sensitivity Analysis

	Assumptions			
	2022 -1% Rs	2022 1% Rs	2021 -1% Rs	2021 1% Rs
Discount Rate	14,379,964	(13,102,683)	18,802,313	(18,802,313)
Terminal Yield	15,174,776	(11,642,934)	8,657,135	(8,657,135)
Rental Growth	(10,133,810)	10,981,216	(17,927,690)	17,927,690

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Domestic	Quoted Shares Rs	Unquoted Shares Rs	Total Rs
At 1 January 2021	166,827,058	89,407,069	256,234,127
Additions	2,043,161	8,272	2,051,433
Disposals	(13,237,262)	(17,927,472)	(31,164,734)
Net fair value (loss)/gain	46,103,409	(5,925,654)	40,177,755
Net (loss)/gain on disposal	(1,330,380)	654,739	(675,641)
At 31 December 2021	200,405,986	66,216,954	266,622,940
Additions	33,240,495	-	33,240,495
Disposals	(7,581,845)	(3,698,386)	(11,280,231)
Net fair value (loss)/gain	(3,868,288)	3,468,761	(399,527)
Net gain on disposal	10,661	242,630	253,291
At 31 December 2022	222,207,009	66,229,959	288,436,968
Foreign	Quoted Shares Rs	Unquoted Shares Rs	Total Rs
At 1 January 2021	85,750,503	-	85,750,503
Additions	206,853,749	45,272,492	252,126,241
Disposals	(111,772,717)	-	(111,772,717)
Net fair value gain	6,515,217	3,691,783	10,207,000
Net gain on disposal	24,311,735	-	24,311,735
At 31 December 2021	211,658,487	48,964,275	260,622,762
Additions	-	-	-
Disposals	-	-	-
Net fair value loss	(57,120,492)	(10,626,144)	(67,746,636)
Net gain on disposal	-	-	-
At 31 December 2022	154,537,995	38,338,131	192,876,126
Total	376,745,004	104,568,090	481,313,094
At 31 December 2021	412,064,473	115,181,229	527,245,702

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

15 AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments may be analysed as follows:

	2022 Rs	2021 Rs
At 01 January	301,084,515	390,609,844
Additions	8,500,885	18,330,527
Disposals	(62,365,640)	(67,886,964)
Net fair value (loss) (Note 7)	(17,639,248)	(42,178,084)
Net (loss)/gain on disposal	(2,550,880)	2,209,192
At 31 December	227,029,632	301,084,515
Due within 1 year	22,285,514	8,381,450
Due after more than 1 year	204,744,118	292,703,065
	227,029,632	301,084,515

Since 2016, the Board has approved the transfer of fair value reserve for the policyholders.

Available-for-sale financial assets include the following:

	2022 Rs	2021 Rs
<i>Listed securities:</i>		
Local debentures	227,029,632	301,084,515
	227,029,632	301,084,515

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available-for-sale. None of these financial assets is either past due or impaired.

Available-for-sale financial assets are denominated in the following currencies:

	2022 Rs	2021 Rs
USD	8,639,568	8,570,347
MUR	218,390,064	292,514,168
At 31 December	227,029,632	301,084,515

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****16 INVESTMENT IN SUBSIDIARY**

Details of the Company's investment in subsidiary incorporated in Mauritius is as follows:

Name	Principle Activities	Cost 2022 Rs	Cost 2021 Rs
Island Investment Properties Ltd	Management of properties	-	100,000
Impairment in Island Investment Properties Ltd	Management of properties	-	(100,000)
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

Island Investment Properties Ltd is a company incorporated in Mauritius and its principal activity is the rental of property owned by Island Life Assurance Co. Ltd. The Company holds 10,000 ordinary shares representing 100% interest in subsidiary. In 2021, the management has taken strategic decision to close Island Investment Properties Ltd. The cost amounting Rs 100,000 has been impaired.

17 LOANS AND RECEIVABLES

	2022 Rs	2021 Rs
Loans receivable (Note 17(ii))	173,170,544	175,119,763
Less: Provision for impairment of receivables	(13,720,586)	(16,687,030)
	<u>159,449,958</u>	<u>158,432,733</u>
Trade receivables - Related parties (Note 26(v))	3,707,740	5,075,813
Deposits placed with financial institutions	-	3,346,073
Other receivables	62,447,322	40,488,840
	<u>225,605,020</u>	<u>207,343,459</u>
Loans and receivables:		
Due within 1 year	110,051,884	133,798,056
Due after more than 1 year	115,553,136	73,545,403
	<u>225,605,020</u>	<u>207,343,459</u>

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

17 LOANS AND RECEIVABLES (CONTD)

The movement in provision for impairment of receivables is as follows:

	2022 Rs	2021 Rs
As at 01 January	16,687,030	18,134,510
Provision for the year	-	1,283,851
Release during the year	(2,966,444)	(2,731,331)
As at 31 December	13,720,586	16,687,030

(i) Loans receivable

Secured loans:

At 01 January	109,535,418	95,837,896
Loans granted	27,743,118	38,906,320
Interest	-	169,602
Loans refunded	(33,323,328)	(25,378,400)
At 31 December	103,955,208	109,535,418

Unsecured loans:

At 01 January	65,584,346	42,000,000
Loan granted	5,115,852	60,895,146
Loans refunded	(1,484,862)	(37,310,801)
At 31 December	69,215,336	65,584,345
Total loans receivable	173,170,544	175,119,763

The estimated fair values of loans and receivables are the discounted amount of the estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The effective interest rates on non-current receivables were as follows:

	2022 %	2021 %
Loans receivable	3-14	3-14

The Company considers an overdue loan receivable as impaired when the loan is overdue for more than 3 months and the value of the mortgaged property is less than the carrying value of the loan receivable. The overdue loans receivables are secured by mortgaged properties.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

17 LOANS AND RECEIVABLES (CONTD)

(i) Loans receivable (CONTD)

The ageing analysis of the loan receivables were as follows:

	2022 Rs	2021 Rs
<i>Not past due</i>	138,427,615	143,298,888
<i>Past due but not impaired</i>		
Between 6 months to 1 year	10,546,525	9,090,734
Between 1 to 2 years	2,311,455	1,399,097
More than 2 years	5,870,270	5,316,365
	18,728,250	15,806,196
<i>Past due and impaired</i>		
Between 6 months to 1 year	2,458,302	2,458,302
Between 1 to 2 years	1,225,327	1,225,327
More than 2 years	12,331,050	12,331,050
	16,014,679	16,014,679
	173,170,544	175,119,763

The provision for impairment of housing loans amount to **Rs 13,720,586** (2021 – Rs 16,687,030), and amount written off in respect of policy loans amount to **Rs NIL** (2021 – Nil). The other classes within loans and receivables do not contain impaired assets.

Included in secured loans are **Rs 382,282** (2021 – Rs 446,067) in respect of loans made to directors and key management personnel of the Company.

Disclosures about related party transactions are provided in Note 26.

(ii) Deposits placed with financial institutions

Deposits placed with financial institutions have maturities ranging from 1 year to 2 years and earn interest at rates of 3.4% to 4.4% (2021- 0.7% per annum).

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

18 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, the cash and cash equivalents comprise the following balance sheet amounts:

	2022 Rs	2021 Rs
Cash at bank and in hand	89,854,335	134,387,573
Short term bank deposits	25,200,306	610,883
	115,054,641	134,998,456
Due within 1 year	115,054,641	134,998,456
Due after more than 1 year	-	-
	115,054,641	134,998,456

19 STATUTORY DEPOSITS

Statutory deposits represent amounts placed in term deposits with financial institutions as required by the Mauritian Insurance Act 2005 (the "Act") and are subject to restrictions contained in the Act. These statutory deposits have been pledged in favour of the Financial Services Commission.

At 31 December 2022, statutory deposits comprised of Subordinated Notes certificates amounting to Rs 10,000,000.

20 SHARE CAPITAL

	2022 Number	2021 Number	2022 Rs	2021 Rs
<i>Authorised:</i>				
Ordinary shares of Rs 10 each	32,453,000	32,453,000	324,530,000	324,530,000
<i>Issued and fully paid:</i>				
Ordinary shares of Rs 10 each	32,453,000	32,453,000	324,530,000	324,530,000
<i>Movement Schedule:</i>				
At 1 January	32,453,000	17,453,000	324,530,000	174,530,000
Share capital issued during the year	-	15,000,000	-	150,000,000
At 31 December	32,453,000	32,453,000	324,530,000	324,530,000

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

21 LIFE ASSURANCE FUND

	2022 Rs	2021 Rs
At 01 January	923,713,549	933,072,364
Transfer of deficit for the year	(109,047,805)	(9,358,815)
	=====	=====
At 31 December	814,665,744	923,713,549
	=====	=====
Due within 1 year	181,039,801	95,982,236
Due after more than 1 year	633,625,943	827,731,313
	=====	=====
	814,665,744	923,713,549
	=====	=====

The Company's actuary for its life insurance business is QED Actuaries and Consultants (Pty) Ltd.

The Company's actuary for pension business is Aon Solutions Ltd.

The Company has provided the breakdown of life assurance fund due within 1 year and more than 1 year based on best estimates available. Since 2016, the board has agreed that the transfer from valuation reserve and fair value reserve are for policyholders.

22 DEFERRED TAX ASSETS

A deferred tax asset amounting to **Rs 25,006,311** (2021 – Rs 31,729,723) has not been recognised. The directors will consider the recognition of a deferred tax asset in respect of tax losses carried forward, impairment of receivables and retirement benefit obligation when it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses carried forward can be utilised.

	2022 Rs	2021 Rs
Impairment of receivables	(2,332,500)	(2,836,795)
Retirement benefit asset/(obligation)	35,020	(1,869,490)
Impact of tax loss	(22,708,831)	(27,023,438)
	=====	=====
	(25,006,311)	(31,729,723)
	=====	=====

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

23 RETIREMENT BENEFIT OBLIGATIONS

The table below outlines where the Company's post-employment amounts and activity are included in the financial statements.

	2022 Rs	2021 Rs
Statement of financial position:		
Defined pension benefit	(206,000)	10,997,000
	-----	-----
Due within 1 year	-	-
Due after more than 1 year	(206,000)	10,997,000
	-----	-----
	(206,000)	10,997,000
	=====	=====
Statement of comprehensive income charge:		
<i>Profit or loss:</i>		
Defined pension benefit	1,383,000	2,308,000
	-----	-----
<i>Other comprehensive income:</i>		
Defined pension benefit	(11,203,000)	(7,949,000)
	-----	-----

The Company operates a multi-employer defined benefit contribution pension plan and a multi-employer defined benefit pension plan. The plans are either defined benefits plan or defined contribution plan. All new employees joining member companies as from 1 January 2017, are now in defined contribution plan.

	2022 Rs	2021 Rs
The amounts recognised in the statement of financial position are determined as follows:		
Present value of funded and unfunded obligations	23,150,000	28,127,000
Fair value of plan assets	(23,356,000)	(17,130,000)
	-----	-----
(Surplus)/Deficit of funded plans	(206,000)	10,997,000
Unrecognised actuarial losses	-	-
	-----	-----
Liability in the statement of financial position	(206,000)	10,997,000
	=====	=====

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

23 RETIREMENT BENEFIT OBLIGATIONS (CONTD)

The movement in the defined benefit obligation over the year is as follows:

	Present value of obligation Rs	Fair value of plan assets Rs	Total Rs
At 1 January 2022	28,127,000	(17,130,000)	10,997,000
Current service cost	1,067,000	-	1,067,000
Interest expense/(income)	1,274,000	(958,000)	316,000
	2,341,000	(958,000)	1,383,000
Re-measurement			
Return on plan asset, excluding amount Included in interest expense/(income)	-	2,202,000	2,202,000
Gain from change in financial assumptions	(6,055,000)	-	(6,055,000)
Experience loss	(386,000)	-	(386,000)
	(6,441,000)	2,202,000	(4,239,000)
Contributions			
Employers	-	(8,347,000)	(8,347,000)
Payment from plans:	(877,000)	877,000	-
At 31 December 2022	23,150,000	(23,356,000)	(206,000)

	Present value of obligation Rs	Fair value of plan assets Rs	Total Rs
At 1 January 2021	35,973,000	(17,027,000)	18,946,000
Current service cost	1,817,000	-	1,817,000
Interest expense/(income)	932,000	(441,000)	491,000
	2,749,000	(441,000)	2,308,000
Re-measurement			
Return on plan asset, excluding amount Included in interest expense/(income)	-	(1,063,000)	(1,063,000)
Loss from change in financial assumptions	(7,623,000)	-	(7,623,000)
Experience loss	(55,000)	-	(55,000)
	(7,678,000)	(1,063,000)	(8,741,000)
Contributions			
Employers	-	(1,516,000)	(1,516,000)
Payment from plans:	(2,917,000)	2,917,000	-
At 31 December 2021	28,127,000	(17,130,000)	10,997,000

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****23 RETIREMENT BENEFIT OBLIGATIONS (CONTD)**

The significant actuarial assumptions were as follows:

	2022	2021
	%	%
Discount rate	6.7	4.6
Salary growth rate	5.3	3

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 63.

	2022	2021
Retiring at the end of the reporting period:		
- Male	9.7	17.3
- Female	1.1	21.7
Retiring 20 years after the end of the reporting period:		
- Male	9.7	17.3
- Female	1.1	21.7

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Impact of defined benefit (asset)/obligation		
	Change in assumption	Increase in Assumption Rs	Decrease in Assumption Rs
2022			
Discount rate	1%	117,000	72,000
Salary rate	1%	65,000	42,000
2021			
Discount rate	1%	5,430,000	4,250,000
Salary rate	1%	1,895,000	2,702,000

The above sensitivity analysis has been carried out by recalculating the present value of obligation at the end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumption would have shown smaller variations in the benefit obligation.

Future cash flows

- The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.
- Expected employer contribution for next year is Zero.
- Weighted average duration of the defined benefit obligation is 15 years.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

23 RETIREMENT BENEFIT OBLIGATIONS (CONTD)

Description of risks

The Company operates a final salary defined benefit pension plan for its employees.

The plan exposes the Company to normal risks associated with defined benefit pension plans, such as investment, interest, longevity and salary risks.

- Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.
- Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.
- Longevity risk: The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.
- Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

Following the change in legislation in August 2022 as per the Workers' Rights Act 2019 and the Finance (Miscellaneous Provisions) Act 2022, the Company must pay a lump sum equivalent to:

- 15/26 times of the average monthly remuneration in the last 12 months for each year of service with the Company at retirement to those employees working 6-day weeks, or
- 15/22 (previously 15/22) times of the average monthly remuneration in last 12 months for each year of service with the Company at retirement to those employees working 5-day weeks

Since employees of Island Life Assurance Co Ltd work 5-day weeks, this recent amendment has impacted the IAS 19 disclosure of Residual Retirement Gratuities. The application of this amendment is uncertain but the Group has decided that the results should be prepared assuming that the change in the retirement gratuity formula applies in respect of service from 1 July 2022 onwards only

	2022	2021
Allocation of plan asset:	%	%
- Equity - Overseas quoted	14	6
- Equity - Local quoted	27	32
- Equity - Local unquoted	1	3
- Debt - Overseas quoted	5	0
- Debt - Local quoted	6	7
- Debt - Local unquoted	15	21
- Investment Funds	0	0
- Cash and other	32	31
	=====	=====
	100	100
	=====	=====

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

24 TRADE AND OTHER PAYABLES

	2022 Rs	2021 Rs
Trade payables	11,169,109	14,665,988
Amounts (receivable)/payable to reinsurers	(467,472)	54,188
Accruals	35,952,635	26,353,106
Amount due to related parties (Note 26 (v))	2,338,184	1,379,000
Deferred revenue	181,556	181,556
Other payables	36,479,535	29,820,087
	<u>85,653,547</u>	<u>72,453,925</u>
Due within 1 year	85,653,547	72,453,925
Due after more than 1 year	-	-
	<u>85,653,547</u>	<u>72,453,925</u>

Reconciliation of insurance liabilities:

(i) Outstanding claims (Gross)

At 01 January	24,223,917	17,486,985
Claims incurred for the year	147,522,300	179,451,199
Claims paid for the year	(160,946,497)	(172,714,267)
At 31 December	<u>10,799,720</u>	<u>24,223,917</u>

(ii) Amounts (receivable)/payable to reinsurers

At 01 January	54,188	10,506,980
Reinsurance ceded for the year	23,326,208	18,718,500
Reinsurance paid for the year	(23,847,868)	(29,171,292)
At 31 December	<u>(467,472)</u>	<u>54,188</u>

25 COMMITMENTS

Capital commitments

Capital expenditure of **Rs 2,403,417** (2021 - Rs 717,569) contracted for at the end of the reporting period recognised in the financial statements.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****26 RELATED PARTY TRANSACTIONS**

The directors consider Currimjee Jeewanjee and Company Limited, a company incorporated in Mauritius, as the Company's holding company, and Currimjee Limited, a company incorporated in Mauritius, as the Company's ultimate holding company.

The following transactions were carried out with related parties:

(i) Sales of services

	2022	2021
	Rs	Rs
Holding company	980,543	993,857
Other related parties	10,936,404	11,673,962
Directors	1,682,618	972,623
Key management personnel	2,999,378	3,818,456
Pension Fund	7,394,443	6,828,689
	23,993,386	24,287,587
	=====	=====

(ii) Purchases of services and payments of pensions

Holding company	2,109,277	2,072,249
Other related parties	1,915,063	2,864,559
Directors	666,292	666,292
	4,690,632	5,603,100
	=====	=====

(iii) Interest income

Holding company	3,420,000	3,382,274
Other related parties	2,134,403	1,778,969
	5,554,403	5,161,243
	=====	=====

(iv) Recovery from Holding Company

Recovery cost	12,264,623	13,199,316
	=====	=====

Since 2020, Currimjee Jeewanjee and Company Ltd has decided to bear 100% the cost of Senior Managers to reduce the expense cost of the Company.

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

26 RELATED PARTY TRANSACTIONS (CONTD)

(v) Year-end balances arising from sales/purchases of services

	2022 Rs	2021 Rs
<i>Receivables from related parties (Note 17):</i>		
Holding company	102,292	3,274,903
Other related parties	3,605,448	1,800,910
	<u>3,707,740</u>	<u>5,075,813</u>
	=====	=====
<i>Payables to related parties (Note 24):</i>		
Pension Fund	814,042	349,408
Other related parties	1,524,142	1,029,592
	<u>2,338,184</u>	<u>1,379,000</u>
	=====	=====
	2022 Rs	2021 Rs
<i>Loan to holding company (unsecured):</i>		
At beginning and end of year	57,000,000	42,000,000
Loan advanced during the year	-	52,000,000
Loans repaid during the year	-	(37,000,000)
	<u>57,000,000</u>	<u>57,000,000</u>
	=====	=====

The loan to Currimjee Jeewanjee and Company Limited, the Company's holding company, is unsecured, bears interest at **6% to 7%** per annum (2021 – 3% to 6%).

(vi) Loans to related parties

	2022 Rs	2021 Rs
<i>Loans to related companies (secured and unsecured):</i>		
At beginning of year	33,730,716	25,279,884
Loans granted during the year	16,400,000	18,500,000
Loans repaid during the year	(7,017,613)	(10,049,168)
	<u>43,113,103</u>	<u>33,730,716</u>
	=====	=====

ISLAND LIFE ASSURANCE CO. LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)

26 RELATED PARTY TRANSACTIONS (CONTD)

(vi) Loans to related parties (CONTD)

	2022 Rs	2021 Rs
<i>Loans to key management personnel (including directors):</i>		
At beginning of year	3,818,456	537,687
Loans advanced during the year	-	3,445,000
Loans repaid during the year	(819,077)	(164,231)
	<u>2,999,379</u>	<u>3,818,456</u>
At end of year	<u>2,999,379</u>	<u>3,818,456</u>

The loans granted to key management personnel are secured and bear interest at 5.0% to 10.0% per annum as per Company policy.

	2022 Rs	2021 Rs
<i>Loans on pledge with related parties:</i>		
At beginning of year	955,817	1,445,335
Loans repaid during the year	(539,077)	(489,518)
	<u>416,740</u>	<u>955,817</u>
At end of year	<u>416,740</u>	<u>955,817</u>

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****26 RELATED PARTY TRANSACTIONS (CONTD)**

(vii) Key management personnel (including independent directors)

	2022	2021
	Rs	Rs
Emoluments and other short-term benefits	2,861,352	6,745,465
Post-employment benefits	382,282	579,925
Termination benefits	3,645,715	3,500,000
	6,889,349	10,825,390
	=====	=====

For the year ended 31 December 2022, the Company has not recorded any impairment in respect of amounts owed by related parties (2021 – Rs Nil). This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

27 DIVIDENDS PAID

No dividend was declared and paid during the year ended 31 December 2022 (2021 – Rs Nil).

28 CONTINGENT LIABILITIES

The Company has not provided any bank guarantee in the normal course of its activities.

29 INCORPORATION AND REGISTERED OFFICE

The Company is incorporated in Mauritius under the Mauritian Companies Act 2001 as a public company with limited liability. The Company's registered office is at 38, Royal Street, Port Louis.

ISLAND LIFE ASSURANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTD)****30 EVENTS AFTER REPORTING DATE**

Global growth generally surprised positively during the first quarter of 2023 with lower energy and oil prices playing an important role in the improvement in business sentiment, along with the reopening of China.

The geopolitical backdrop however remains challenging, with no end in sight to the war in Ukraine and renewed tensions between the US and China. On the inflation front, headline inflation continued to ease over the quarter on the back of low energy prices, but core inflation generally remained stickier, forcing global central banks to tighten monetary policy further.

Global financial markets were marked by the collapse of Silicon Valley Bank (SVB) in March (the second largest banking failure in US history) which led to a major sell-off in the US and European financial sectors before recovering some of the losses. The global aggregate bond index returned 3% (in USD terms) over the quarter. The fall in global bond yields also led to a rally in growth stocks, which rallied by more than 15% (in USD terms) over the quarter. Local equity markets on the other hand ended the first quarter in the red, with the SEMTRI falling by 4.5% despite of positive earnings results. As a result of the above, the annualised estimated annual return stood at 3.3% as at 28 February 2023 (-3.3% for the year ended 31 December 2022).

In view of responding to the challenges imposed by external factors and a dampening consumer sentiment, the Company is pursuing the initiatives set out since which includes amongst others, working in close collaboration with its stakeholders and towards the digitalisation of existing processes and distribution channels to provide excellent service to its customers.

31 DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the Board of directors on **15 MAY 2023** and may not be amended after such approval.