MUA

ANNUAL REPORT
2018

CONTENTS

CHAIRMAN'S INTRODUCTION	**2**
ABOUT MUA	**8**
PERFORMANCE & STRATEGY	**22**
Performance Review	25
Value Creation & Sharing	34
Sustainability Overview	44
CORPORATE GOVERNANCE	**48**
RISK MANAGEMENT	**84**
FINANCIAL STATEMENTS	**98**

CHAIRMAN'S **INTRODUCTION**

CHAIRMAN'S **INTRODUCTION**

It is my distinct privilege to present the Annual Report of The Mauritius Union Assurance Cy. Ltd for the financial year ended December 2018. This Annual Report will indeed be the last one issued under The Mauritius Union Assurance Cy. Ltd, as our shareholders agreed to a restructuring of the company and its legal entities grouped under MUA Ltd, as from the beginning of 2019. The latter half of 2018 has been one rich in corporate activity as our group underwent a successful rebranding, transforming our subsidiaries and unveiling a fresh and dynamic image to all our stakeholders.

RESULTS

The 2018 results further reflect the fundamental shift that our group has made over the last few years, driven by the strategic vision and rigorous operational deployment by our senior management team. The year marks the beginning of our new three-year strategic plan and I am confident it will deliver the desired outcome at every level. The Board shares my optimism, as we consolidate our position as a leading regional insurance player in Mauritius and East Africa.

Here are some highlights of the 2018 results for the group and its entities:

+9%
GROSS PREMIUM
Rs 4,256m

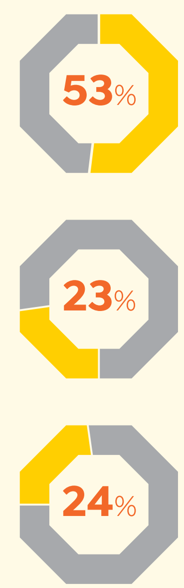
+10%
PROFIT AFTER TAX
Rs 354m

+10%
EARNINGS PER SHARE
Rs 6.85

+3.5%
DIVIDEND
Rs 121m

+19%
MARKET CAPITALISATION
Rs 3.1bn

CONTRIBUTION TO GROSS PREMIUM

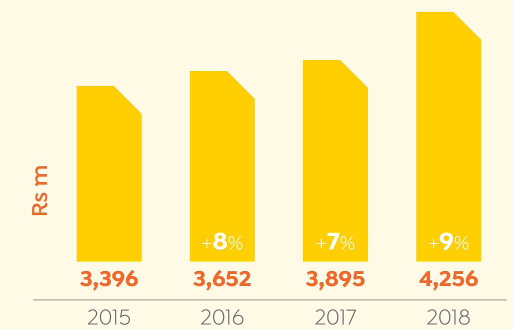


THE MAURITIUS UNION ASSURANCE CY. LTD
Including general insurance premiums in Mauritius

LIFE SUBSIDIARY

EAST AFRICAN SUBSIDIARIES

GROUP GROSS PREMIUM EARNED



SOLVENCY RATIO
for the Company as at 1 January 2019

209%

These results are a testament to a determined strategic approach and set the stage for the next few years of growth and transformation. Each market and segment in which we operate has its own set of opportunities and challenges.

We rely on four key approaches to guide and drive our progress and ultimately reach our objectives:

- A young and dynamic leadership;
- Extensive local experience in each country;
- An ambitious, strategic outlook;
- Astute risk and capital management.

DIVIDEND

The Board has declared a total dividend of Rs 121m. This equates to Rs 2.68 per share and represents a 3.5% increase on the previous year.

ACKNOWLEDGEMENTS

Although there were no changes to our Board in 2018, we took the opportunity to reconfigure our Board committees to take full advantage of the expertise and considerable experience of our Board. I take this opportunity to thank our Board members for their time, commitment and contributions throughout 2018.

As we take stock of what has most certainly been an ambitious year, we must applaud the success of many of our business units in achieving and often exceeding their objectives. Their collective efforts lay the ground work for sustainable business growth. The continued progress of our four African subsidiaries bodes well for the objectives set out in MUA Ambition 2020 and beyond. The group's robust performance in 2018 defies a fiercely competitive and often challenging business environment. The Board once again acknowledges the energy and engagement of our teams across six countries, who have committed themselves to delivering long term value to all our stakeholders.

DOMINIQUE GALEA
Chairman

ABOUT **MUA**

ABOUT MUA

2018 GROUP HIGHLIGHTS

A strong financial performance backed by significant long-term strategic progress.

Rs 4,256m
Gross Premium Earned
(**9%** increase from 2017)

Rs 354m
Profit After Tax
(**10%** increase from 2017)

Rs 3.1bn
Market Capitalisation
(**19%** increase from 2017)

Rs 69
Share Price
(**19%** increase from 2017)

Rs 15bn
Total Assets
(**1.5%** increase from 2017)

Rs 7.2bn
Life Insurance Funds
(**7%** increase from 2017)

Insurance that you can trust

257,870
Total active short and long-term **insurance policies** as at the end of 2018

37,574
New short and long-term **insurance clients** joining us in 2018

93,030
Short and long-term **insurance claims** paid out in 2018

AN OVERVIEW OF MUA

MUA is a **dynamic** and **ambitious** Mauritian-born financial services company that is committed to providing innovative insurance and financial solutions to communities across Africa. We specialize in short-term and long-term insurance, and through our subsidiaries we also offer our corporate and individual clients an array of pension, investment, savings and stockbroking solutions.

- **6 countries**: Mauritius, Seychelles, Kenya, Uganda, Tanzania, Rwanda.
- Over **70 years** of experience in Mauritius.
- Over **100 years** of experience in East Africa.
- **678** staff.

Mauritius is our primary market, where we have a **25%** market share for **general insurance** and a **10%** market share for **life insurance**. We expanded to East Africa in 2014 with the acquisition of Phoenix Transafrica Holdings. Headquartered in Nairobi (Kenya), this subsidiary has offices in Tanzania, Uganda and Rwanda.

Contribution to Gross Premium Earned

1. Mauritius **76%**
2. Kenya **5%**
3. Uganda **4%**
4. Rwanda **6%**
5. Tanzania **9%**

6
Countries:
Mauritius, Seychelles, Kenya, Uganda, Tanzania, Rwanda

>70
Years of experience in Mauritius

>100
Years of experience in East Africa

678
Staff
Staff gender ratio (Mauritius): 66% women and 34% men

UNDERSTANDING
THE MUA VISION, VALUES & STRATEGY

POSITIONING

PURPOSE

WHY WE EXIST

ENABLING YOU TO LIVE YOUR BEST LIFE

VISION	VALUES	STRATEGY	ESSENCE
WHAT WE AIM TO DO	**WHAT WE STAND FOR**	**HOW WE PLAN TO ACHIEVE OUR VISION**	**WHO WE ARE**
We are committed to providing innovative financial and insurance solutions to ensure peace of mind for our communities.	• **Integrity** • **Teamwork** • **Excellence** • **Diversity** • **Professionalism**	Ambition 2020 will be driven through our implementation of four key strategic axes: • Regional group culture • Business growth • Business transformation • Capital and risk management Enabling shared value at the intersection of employees, customers, communities and shareholders.	We are a fiercely customer-centric, internationally aligned, Mauritius-born financial services firm that is committed to providing peace of mind across Africa and our other primary markets through strong committed partnerships.

2018
AN IMPORTANT TURNING POINT FOR MUA

The year was marked by two defining changes for the group's subsidiaries, as we worked towards bringing all the entities together under a **single, strong brand** within a streamlined and optimized group structure.

Rebranding to MUA

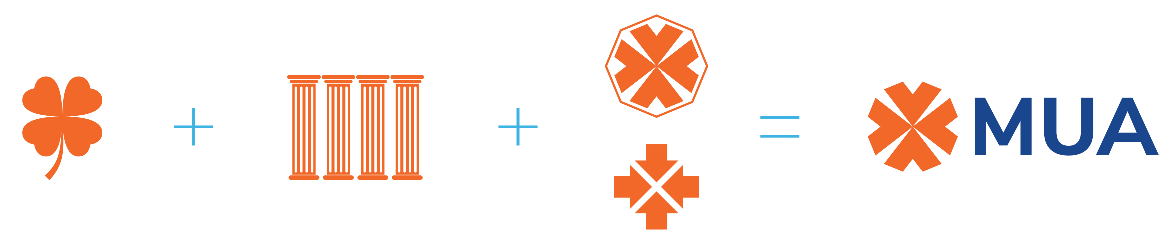
From its founding in 1948 Mauritius Union was transformed through a series of **mergers and acquisitions**, expanding its operations beyond the borders of Mauritius. The result was an assortment of **seven different brands**, each existing with very different and discordant corporate identities.

In Mauritius, we had the '**Mauritius Union**' brand for general insurance, the '**La Prudence**' brand for life insurance, '**Feber Associates**' for corporate pension solutions, '**National Mutual Fund**' as an individual savings & investment vehicle and '**Associated Brokers**' for stockbroking services. In East Africa, our general insurance focused operations were grouped under the '**Phoenix**' brand.

LA PRUDENCE LIFE INSURANCE — Phoenix E.A Assurance (Kenya • Tanzania • Uganda • Rwanda) — FEBER ASSOCIATES — MAURITIUS UNION GENERAL INSURANCE — NATIONAL MUTUAL FUND (A Member Of Mauritius Union Group) — ASSOCIATED BROKERS LTD

With the group's expansion came the need to consolidate its position as a **strong regional insurance company**, both internally and in the market. Following a comprehensive consultancy process, led by an international branding agency with extensive experience on the African continent, we unveiled our **new corporate identity** and MUA brand on 28 September 2018.

The new identity that accompanies the MUA name is strongly **symbolic** and **visually striking**. The revised logo incorporates four arrows that come together to a point of **commonality and unity**. This represents the group's different entities, its **strategic pillars** and its focus on serving its stakeholders – **staff, clients, shareholders and the communities** in which it operates. MUA's colours have also been reworked to include a vibrant orange and a dynamic blue, a nod to the former colours of **Mauritius Union** and **Phoenix Assurance** respectively.



Four-leaf clover — Four pillars of the brand & the four key strategic axes — Octagon/Arrows


EMMA
BRAND
AMBASSADOR
Hello, I'm Emma and I'm here to accompany our customers on their insurance journey, giving them peace of mind.
At MUA, we're here to help you live your best life, by providing you with simple and practical solutions every day.

The launch of the new name and identity, however, is not merely a rebranding exercise. MUA is reaffirming its **culture** and reinforcing its **values**. These include a recognition of the integrity, diversity and innovation of its people; underlining the values of a common identity, culture and **regional pride**; and reiterating that its products and services are simple, fast, practical, professional and fundamentally **customer-centric**.

Our Restructuring – effective as from the 1 January 2019

On 15 May 2018, the board of **The Mauritius Union Assurance Cy. Ltd** ("MUACL") issued a cautionary announcement setting out its intention to proceed with a restructuring, which aims at simplifying the operations of MUACL, its subsidiaries and associates through the separation of the insurance operations in Mauritius and the group's international activities, whilst maintaining the capital base of the insurance company, MUACL.

The key objectives of the proposed Restructuring are as follows:

- The optimization of capital allocation within the group and increased focus on the return on capital for the different business segments;
- Limitation of the risk by segregating assets/liabilities;
- Separation of the foreign operations from the Mauritius insurance operations;
- Enhanced visibility and transparency on the operational and financial performance of the different activities within the MUA;
- Greater flexibility for future capital raising.

The Restructuring Process

MUA Ltd was incorporated as a new legal entity to act as the ultimate holding company of the group and it has been listed on the Official Market of the Stock Exchange of Mauritius ("SEM"). Following the Restructuring, all insurance entities were re-organised under two distinct geographical segments, namely Mauritius and overseas operations.

The Restructuring was done through a **Scheme of Arrangement** (the "Scheme") under section 261 to 264 of the Companies Act 2001 ("CA").

The Scheme involved the following main steps:

- Incorporation of a new legal entity – MUA Ltd;
- Exchange of the entire shareholding in MUACL of 45,090,000 ordinary shares for shares in MUA Ltd in the ratio of one to one;
- Delisting of MUACL and listing of the ordinary shares of MUA Ltd on the Official List of Stock Exchange of Mauritius;
- Unbundling of the subsidiaries and associates of MUACL, relating to East Africa, and the joint venture MUA Insurance Management Limited ("MIM") from MUACL and into MUA Ltd. The process for the unbundling of our investment in Democratic Republic of the Congo is still in progress.

Our New Structure

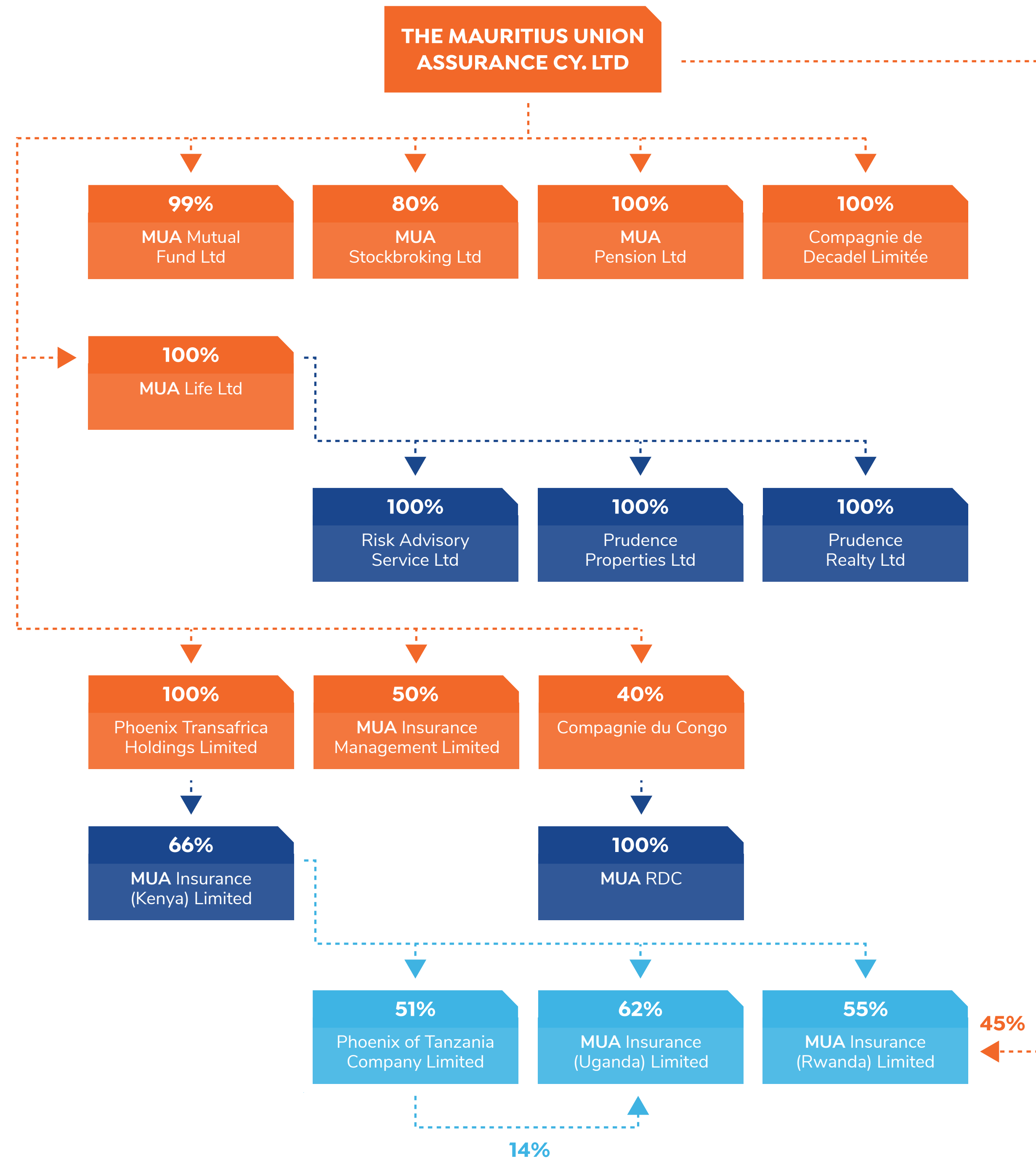
The Restructuring is effective since 1 January 2019 and has been approved by:

- The Supreme Court of Mauritius;
- The Financial Services Commission;
- The Registrar of Companies in Mauritius;
- The shareholders of MUACL.

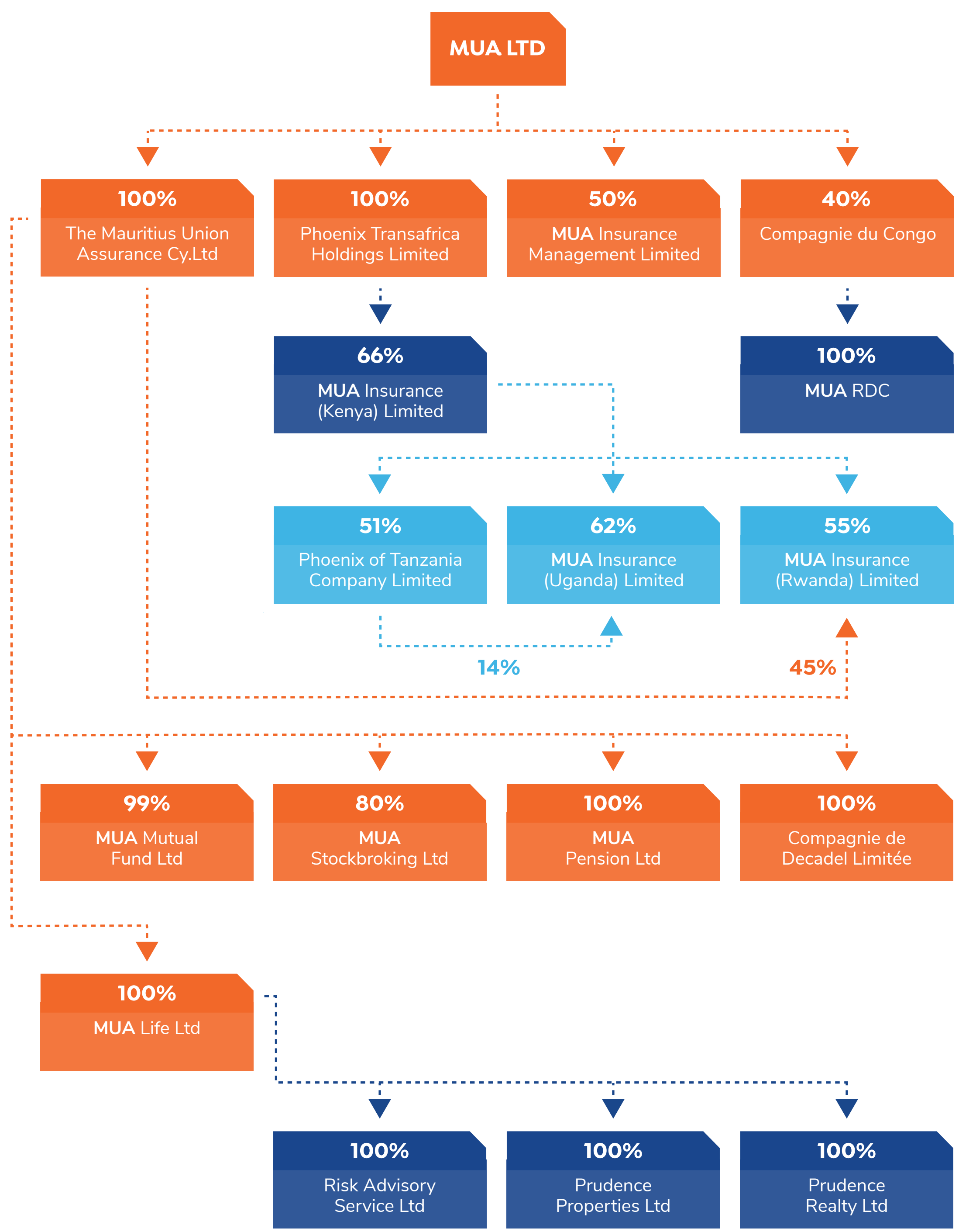
> **Merging these colours represents what we want to achieve: the bringing together of Mauritius and East Africa in balance and harmony**
>
> Bertrand Casteres,
> Group CEO

The old and the current group structures are set out below:

Group structure as at 31 December 2018



Group structure as at 1 January 2019



As set out above, the shareholders of MUACL are now shareholders of MUA Ltd and there is no change in the ultimate shareholding of any of the group's companies. MUA Ltd is quoted on the Official List of the SEM since 8 January 2018.

OUR ENTITIES & ACTIVITIES

Entity Name	Brand Logo	Country	Effective Holding	Principal Activities	Key Metrics
The Mauritius Union Assurance Cy. Ltd		Mauritius	100%	Short-term Insurance	#2 in Gross Written Premiums #1 in Net Earned Premiums #1 in Motor Insurance #1 in Liability Insurance #2 in Accident & Health
MUA Life Ltd		Mauritius	100%	Long-term Insurance	10% Growth Rate >Rs 6,860m funds under management
MUA Pension Ltd		Mauritius	100%	Pension Fund Administration	Pioneer in Pension Fund Administration Top 3 Market Player >400 Corporate Pension Schemes
MUA Mutual Fund Ltd		Mauritius	98.6%	Mutual Fund Investment	Pioneer in Mutual Fund Investment Two exclusive & well-performing funds Rs 686m asset value of funds
MUA Stockbroking Ltd		Mauritius	80%	Investment Dealer	-
MUA Insurance (Kenya) Limited		Kenya	66.38%	Short-term Insurance	>Rs 274m in Gross Written Premiums 20% Growth
Phoenix of Tanzania Assurance Company Limited		Tanzania	33.89%	Short-term Insurance	>Rs 343m in Gross Written Premiums
MUA Insurance (Uganda) Limited		Uganda	45.78%	Short-term Insurance	>Rs 137m in Gross Written Premiums
MUA Insurance (Rwanda) Limited		Rwanda	81.51%	Short-term Insurance	>Rs 240m in Gross Written Premiums
Risk Advisory Services Limited	-	Mauritius	100%	Property Holding	-
Compagnie de Decadel Limitée	-	Mauritius	100%	Property Holding	-
MUA Insurance Management Limited		Mauritius	50%	Insurance Management	MUA Insurance Management Limited is a joint venture involved in the provision of insurance management and captive management services
Compagnie du Congo	-	Belgium	40%	Investment Holdings	Compagnie du Congo is an investment holding company with the intent to operate insurance activities in DRC

CORPORATE INFORMATION

REGISTERED OFFICE

4 Léoville L'Homme Street, Port Louis
Republic of Mauritius
Telephone: +230 207 5500
info@mua.mu
mua.mu

AUDITORS

Ernst & Young

ACTUARIES

Deloitte Actuarial & Insurance Solutions, South Africa

MAIN BANKERS

AfrAsia Bank Limited
Bank One Limited
Banque des Mascareignes Ltée
Barclays Bank Mauritius Ltd
HSBC Bank Mauritius Limited
Investec Bank (Mauritius) Ltd
Maubank Ltd
SBM Bank Mauritius Ltd
The Mauritius Commercial Bank Ltd

SECRETARY

ECS Secretaries Ltd

SHARE REGISTRY

SBM Fund Services Ltd

PERFORMANCE &
STRATEGY

PERFORMANCE REVIEW
GROUP CEO

Dear Shareholder,

It is thanks to the **commitment** and **engagement** of our teams that we have delivered a robust performance in the first year of our three-year strategic plan **MUA Ambition 2020**. These strong results build on the concerted work done in the past four years to deliver sustained value to all our stakeholders, through our first strategic plan. Our focus has been on achieving greater **efficiency**, proposing **innovative** products and services to our **wide network** of insurance partners and our clients, and most importantly remaining **customer-centric** in our approach.

This past year was on many levels a pivotal one in our group's history, as we launched a **single, strong brand MUA** across all our business units in Mauritius (General Insurance, Life, Pension, Mutual Funds and Stockbroking) as well as our operations in Kenya, Rwanda and Uganda. We are well on track with our MUA Ambition 2020 strategic plan, focusing on the execution of clear **management levers**, and pursuing the tandem of **business growth** and business **transformation** within the various entities. Our stated objective is to become a **regional leader in insurance**, empowering our stakeholders to live a better life.

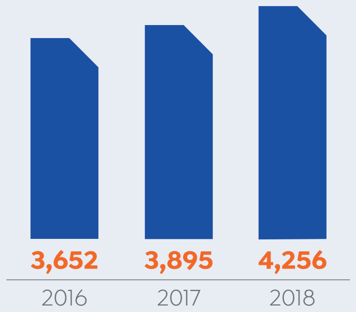
In terms of our results, the Gross Earned Premiums of our key General Insurance operations in Mauritius **grew by 7%**, whilst our operations in East Africa **grew by 10%** despite a volatile environment. The revenue of our Mauritian Life operations crossed the **Rs 1 billion mark** for the first time thanks to continuing focus on business development and distribution.

As we take stock of this past year, I would like to extend my sincere thanks to **our clients** for their trust. They remain our **primary focus**, as we develop new products and client tools to deliver on our engagement to better serve their needs every day. My gratitude also, to **our teams across six countries**, our distributors and key **business partners**, who have been working closely with us to deliver these strong results and maximise the impact of our strategic initiatives. We are confident that our collective efforts and energy will create **sustainable long-term value** for all our stakeholders.

> **"Our focus has been on achieving greater efficiency, proposing innovative products and services to our wide network of insurance partners and our clients"**

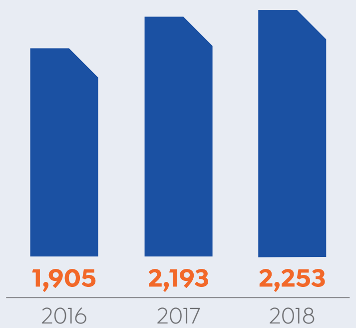
FINANCIAL
HIGHLIGHTS

GROUP GROSS PREMIUM EARNED
(Rs m)

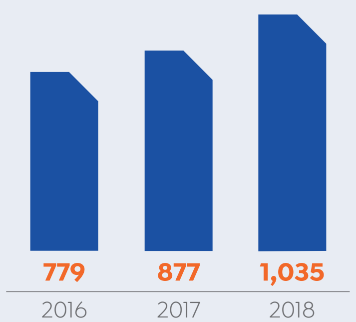


GROUP REVENUE
(Rs m)

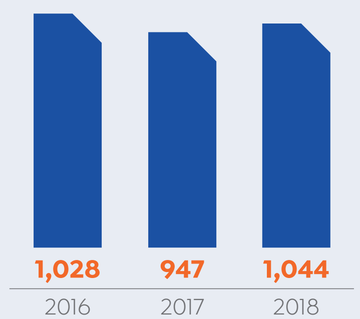
General Insurance Mauritius



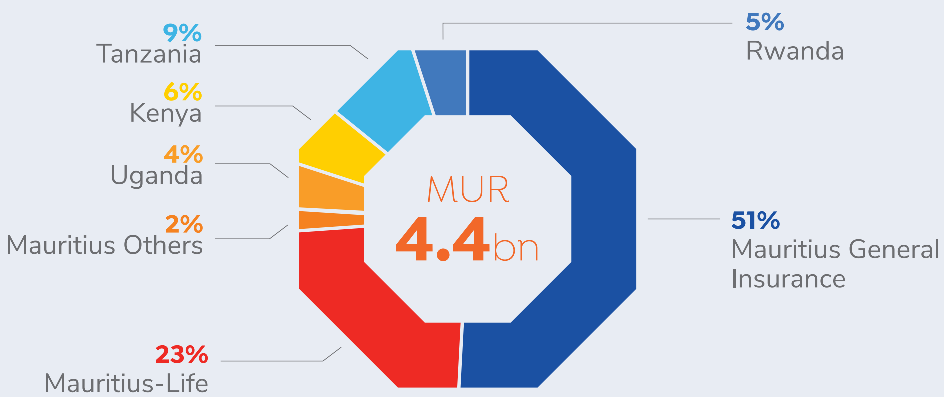
Life Insurance Mauritius



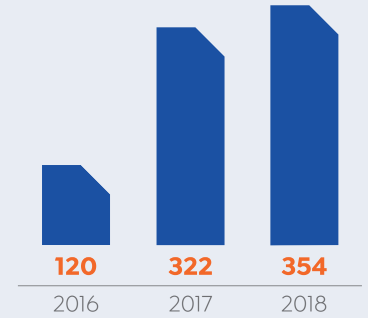
General Insurance Africa



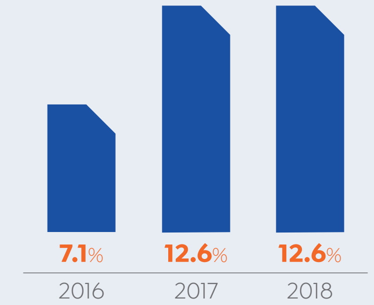
Revenue by Country



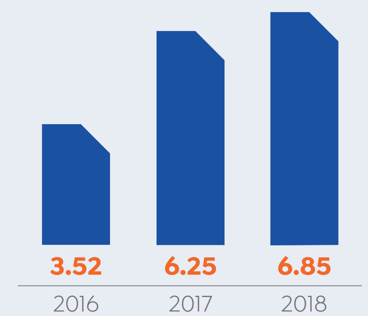
GROUP PROFIT AFTER TAX
(Rs m)



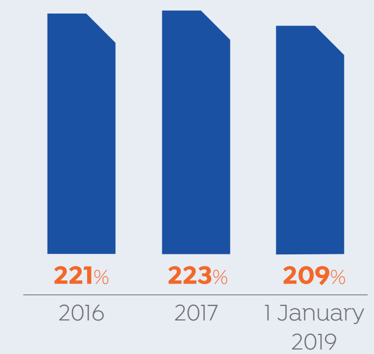
GROUP RETURN ON EQUITY



EARNINGS PER SHARE
(Rs)



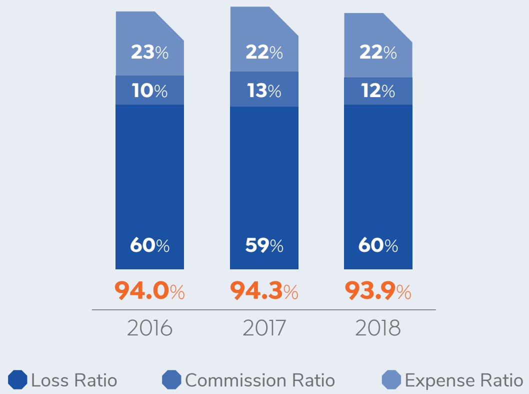
GROUP SOLVENCY RATIO



GENERAL INSURANCE
MAURITIUS

Rs m	2016	2017	2018
Gross Written Premium	1,905	2,193	2,253
Net Claims and Benefits	–917	–965	-1,028
Operations and Administrative Expenses	–629	–700	-745
Impairment of Subsidiaries	–104	-	-
Profit from Operations	90	183	196
Profit Before Tax	69	165	179
Income Tax Expense	–12	–19	-26
Profit After Tax	57	146	153

Combined Ratio



Profit after Tax
(Rs m)

Market Share: in terms of Gross Premiums*

Motor: 23% market share – No. 1
Accident & Health: 22% market share – No. 2
Property: 19% market share – No. 3
Overall: 25% market share – No. 2

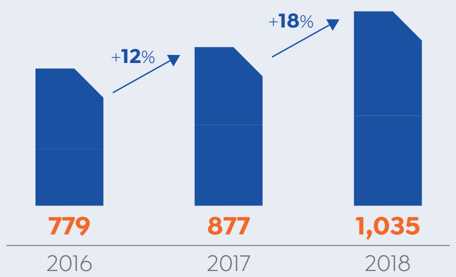
* Latest available FSC statistics 2017.

KEY FOCUS & OUTCOMES:

- **Process review** with the aim of achieving greater efficiency in terms of subscription, administration and claims.
- Continued focus on **digitalisation** and **innovative** solutions, notably with the launch of our car insurance Mobile App and a new partnership with MyChauffeur.
- **Rebranding** journey: systematically transform our branches, offices, documentation, marketing and communication collateral to MUA.

LIFE INSURANCE
MAURITIUS

Gross Written Premium
(Rs m)

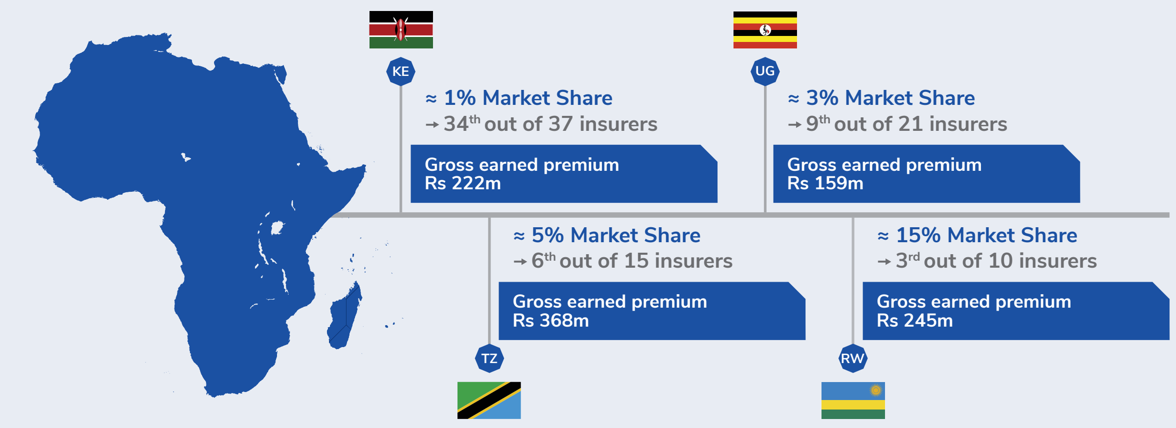


Profit After Tax
(Rs m)

KEY FOCUS & OUTCOMES:

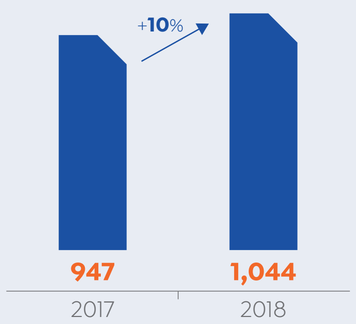
- Life subsidiary reached the **Rs 1bn gross premium** mark for the first time.
- **10% market share** (latest FSC statistics) and 18% growth in Gross Written Premium.
- Ongoing focus on **business development and growth**, in line with our strategic plan.
- **Digital orientation** to enable the sales force and administration to automate certain tasks, for increased efficiency.
- The **rebranding** of La Prudence Life Insurance to MUA signified a major change, aligning our short and long term insurance brands.

GENERAL INSURANCE
EAST AFRICA

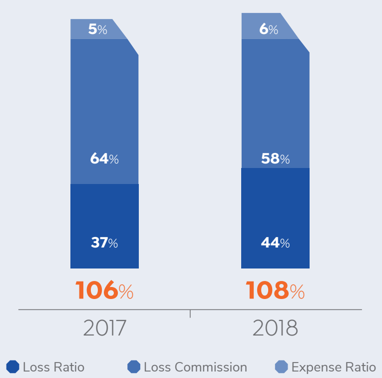


NOTE: Market share based on latest available figures (2017), in terms of GWP

Gross Written Premium
(Rs m)



Combined Ratio



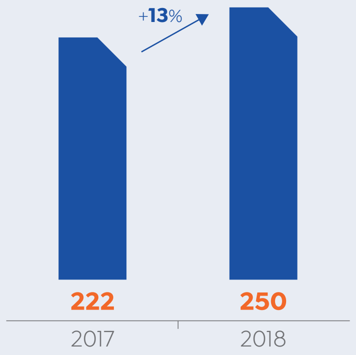
Profit After Tax
(Rs m)

KEY FOCUS & OUTCOMES:

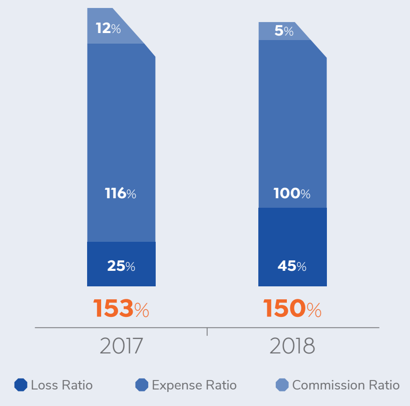
- **Steady growth** in terms of Gross Written Premium combined with stable profits.
- Focus for the region has been on two key aspects of **MUA Ambition 2020**, namely a strong **regional group culture** and sustained **growth in revenue**, supported by various teams in Mauritius. This is the first time the group's strategic plan has been integrated into the objectives of the four East African subsidiaries.

KENYA

Gross Written Premium
(Rs m)



Combined Ratio
(%)



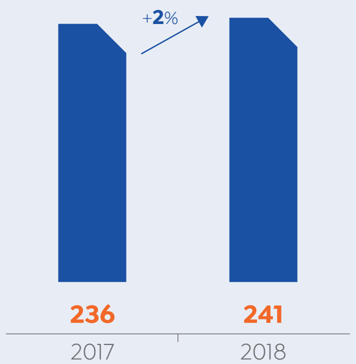
Profit After Tax
(Rs m)

KEY FOCUS & OUTCOMES:

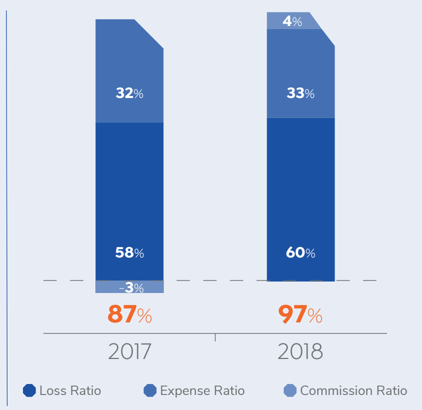
- Focus on **growing market share** through more strategic partnerships, reinforced relationships with intermediaries, a wider and more efficient **distribution network** and better products, despite challenging market conditions. This subsidiary is close to **reaching critical mass** to attain a viable scale in this market.
- The **rebranding** of Phoenix of East Africa to MUA marked a significant turning point, aligning the subsidiary's brand and presenting a **fresh & dynamic image** to the local market.
- **Digital transformation** continues, as we launched micro-insurance product via the USSD mobile platform.

RWANDA

Gross Written Premium
(Rs m)



Combined Ratio
(%)



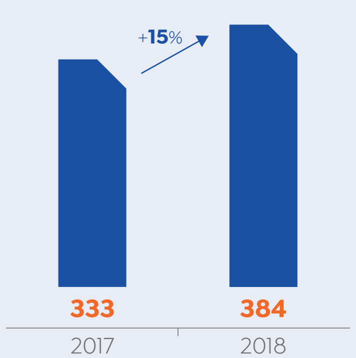
Profit After Tax
(Rs m)

KEY FOCUS & OUTCOMES:

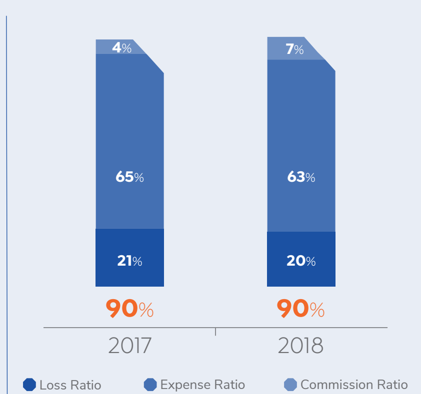
- A **26% increase** from Rs 19m to Rs 24m in investment income. The drop in operating profits was mainly due to the reinforcement of our reserves, requested by the regulator.
- MUA **consolidated its position** in Rwanda by injecting Rs 86m into the subsidiary, buying out minority shareholders and subsequently controlling 82% of the shares.
- The **continued growth** of the Rwandan economy and our 15% market share means we are well positioned to achieve our strategic objectives.
- The **rebranding** of Phoenix of Rwanda to MUA has also been instrumental in repositioning the brand in the local market, presenting a more **modern and vibrant** entity.
- Ongoing **digital transformation** with the implementation of key IT business applications.

TANZANIA

Gross Written Premium
(Rs m)



Combined Ratio
(%)



Profit After Tax
(Rs m)

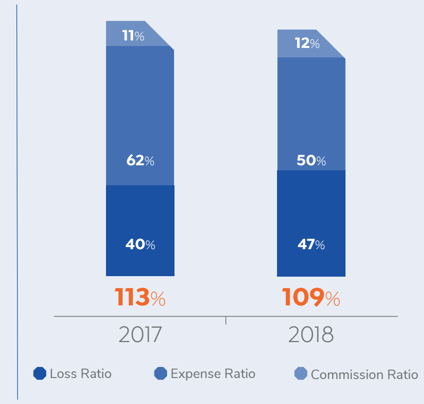
KEY FOCUS & OUTCOMES:

- Much **improved performance** with a solid 15% increase in Gross Written Premiums, with profits nearly doubling for the period and a stable combined ratio.
- Continued **focus on growing** our current 5% market share through a more dynamic and wider distribution network.

UGANDA

Gross Written Premium
(Rs m)

Combined Ratio
(%)



Profit After Tax
(Rs m)

KEY FOCUS & OUTCOMES:

- **Healthy growth** in Gross Written Premiums and Profits, with an improved combined ratio.
- We continue to look for **opportunities to grow** our existing 3% market share, supported by the opening of new agency outlets in 2018.
- Phoenix of Uganda **rebranded** to MUA, presenting a **contemporary & dynamic** brand to the local market.
- Launched a **new product** 'TradeGuard' for the SME market at the beginning of 2018.

Financial Services - Mauritius

MUA Pension

- Steady **turnover growth** of 6%, coupled with a 32% increase in profits after tax.
- Pioneer in **corporate pension** fund administration and a top 3 market player.
- Focused on **business development** and the continued integration of the SIPF operations into MUA Pension.

MUA Mutual Fund

- Manages two exclusive and **well-performing funds**, in the midst of difficult market conditions. MUA Property Trust was up 9% for the year. MUA General Fund grew by a very modest 1%, versus the market benchmark of -1%.
- The **rebranding** of the company and its two funds was implemented smoothly for all unit holders, presenting a fresh and contemporary entity.
- Business development focused on **growing monthly savings** plan with individual clients.

MUA Stockbroking

- **Respected stockbroking** and investment dealer and a member of the Stock Exchange of Mauritius.
- Focused on providing a **quality trading service** for individual and institutional investors.
- A growth in MUA Stockbroking's overall **market share** consolidates its position during a generally lacklustre year on the SEM.

OUR VALUE-CREATION &
VALUE-SHARING BUSINESS MODEL

HOW WE CREATE AND OPTIMISE VALUE

GROUP STRATEGY

The group has launched in 2018, its three-year strategic plan, MUA Ambition 2020, which is a holistic framework guiding the fast-paced development and transformation of all its entities. The main pillars of the plan are solid growth strategies and an ambitious set of technological initiatives to increase efficiency and control risks.

More about **MUA Ambition 2020** on page 37

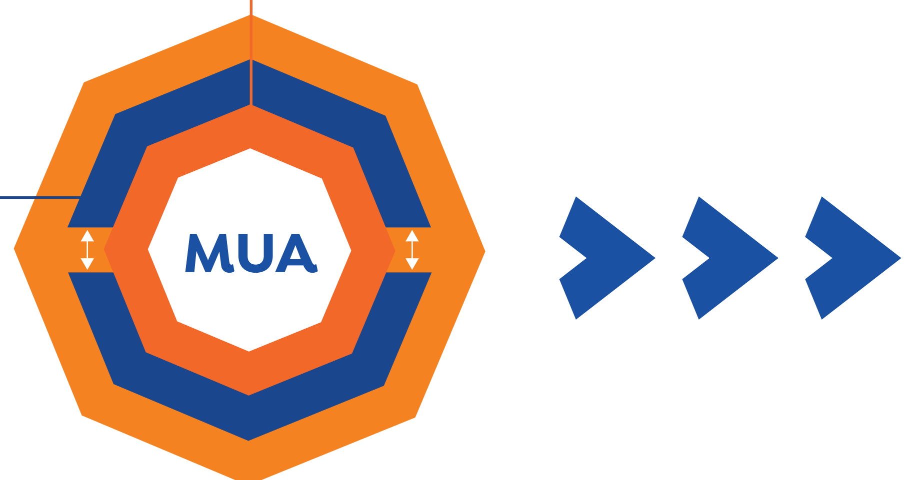
THE BUSINESS UNIT & OPERATING CONTEXT

Each of our business units has developed its own set of operating strategies aligned with the group's strategy, whilst being flexible and proactive in adapting these to their specific operating context and the structural or cyclical shifts in the local industry. This two-fold alignment ensures a relevant and effective operational execution and creates enhanced value.

More about **Our Markets** on page 36

CAPITAL & RISK MANAGEMENT

Our group strategy is implemented in line with a systematic and rigorous risk management approach with a risk-aware culture instilled throughout the group. We are also focused on the need to optimise our capital management with appropriate return-based allocations and investments.



HOW WE SHARE VALUE

Our vision, mission and strategy are all centered on creating sustainable social, economic and environment value. It is our strong belief that our responsibility does not simply end with creating value for our shareholders but that as an insurance group, we also have the responsibility to enable healthier and happier lives for our employees, our clients and the communities we serve.

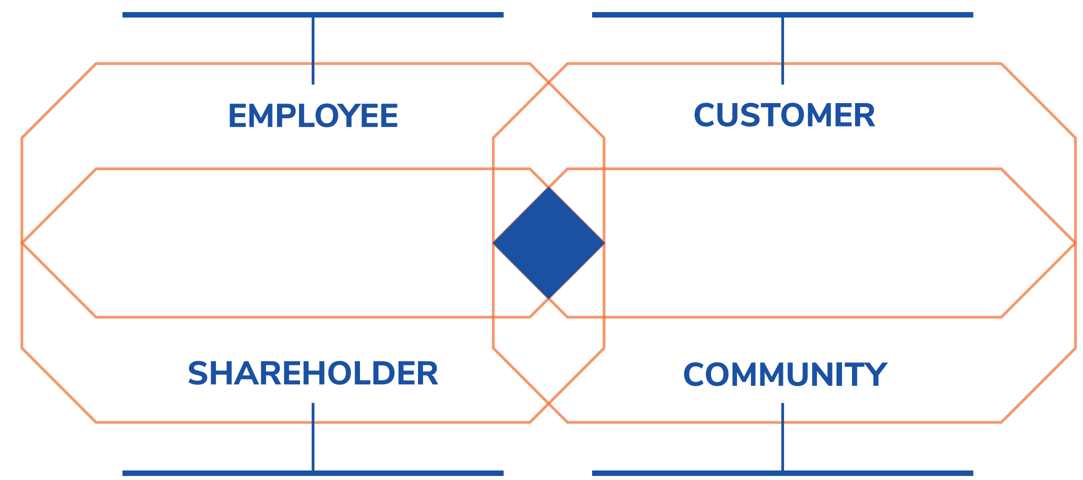
CREATING VALUE FOR ALL STAKEHOLDERS

Our people are our strongest asset and are key to creating a sustainable competitive advantage. Our strategy goes beyond simply attracting, developing and retaining a diverse, qualified and motivated workforce.

We are working hard to create a great place to work where our employees feel a strong sense of belonging to the MUA family, are empowered, recognized and encouraged to achieve their full potential.

We are strongly committed to delivering service excellence. We believe that a customer who has been well-advised about their insurance product at subscription and who has been well-assisted during the claim process is a customer we are more likely to retain for longer.

We want to be positioned as the lifelong insurance partner who looks after their needs diligently and not as an insurance service provider completing financial transactions in a detached and profit-driven manner.



Backed by our strong business model and prudent risk management approach, we have consistently delivered sustainable growth and superior returns in the form of share price appreciation and dividends to our shareholders over the years.

We are focused on bringing tangible and intangible value to our communities by delivering a clear, well-articulated value proposition which meets their needs. By providing insurance that adequately protects them from the risks and perils of life, we contribute to a continuously thriving society. Our Corporate Social Responsibility initiatives further reinforce our commitment to the communities in which we operate.

UNDERSTANDING **OUR MARKETS**

MAURITIUS NON-LIFE & LIFE OPERATIONS

COUNTRY OUTLOOK

Economic growth, measured at basic prices, is expected to be at 3.8% for 2019, contrasted to 3.6% achieved in 2018.

This relative improvement comes mainly from a strong pick-up in public investment. Nonetheless it is worth noting that the growth prognosis for 2019 has been reviewed downwards at the start of the year, taking into account the worsening global economic conditions, especially those of our key export markets.

MATERIAL RISKS & OPPORTUNITIES

- Non-Life operations:
  - Difficult prevailing soft market conditions;
  - Intense price competition;
  - Growth stagnation for some business lines.
- Significant regulatory, governance and accounting developments
- Impact of an ageing population
- Lackluster investment returns and increased volatility
- Consumer disposable income under increasing pressure

EAST AFRICAN NON-LIFE OPERATIONS

COUNTRY OUTLOOK

KENYA:
Economic rebound in 2018 with 5.7% GDP growth forecasted after the economic slowdown experienced in 2017 mainly due to the prolonged period of political uncertainty following the elections.

TANZANIA:
Relatively high economic growth sustained in the recent years with the medium-term outlook positive. However there are increasing risks being felt, namely the growing private sector concerns about economic policy uncertainty, the increased domestic arrears, infrastructure bottlenecks and inefficient public enterprises.

UGANDA:
Significant economic rebound from 3.9% GDP growth in 2017 to a forecasted 6.1% in 2018, fueled by a pick-up in investments and exports, strengthened credit to the private sector and a boost in agriculture. The positive trend is expected to last, driven by anticipated increases in investments.

RWANDA:
A robust growth has been achieved in 2018 led by strong industrial activity, low inflation and deficit containment. A strong implementation of the macroeconomic program supported by the IMF Policy Support Instrument (PSI) 2014 – 2018 has also led to numerous structural reforms, enhancing the country's resilience. A favourable medium-term outlook is expected.

MATERIAL RISKS & OPPORTUNITIES

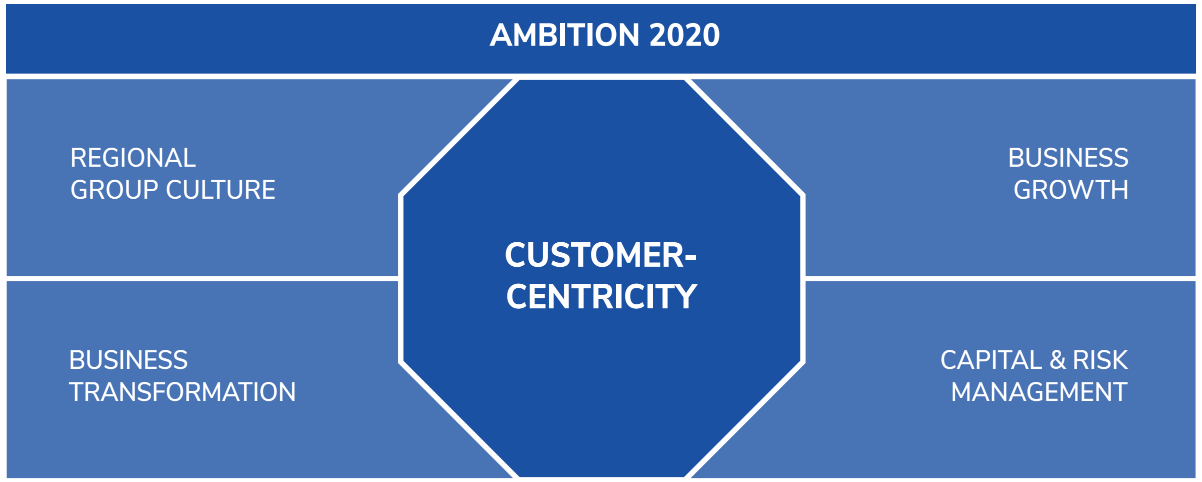
- Volatile and uncertain economic and/or social environment with a resultant slower growth and/or social unrest in the region
- Disparate regulatory standards across countries
- Increasing regulatory and governance demands and requirements
- Significant accounting developments including IFRS 9
- Rapid population growth
- Infrastructure challenges
- Resource mobility
- Talent and expertise scarcity leading to a competition for specialized skill sets
- Disruptive technologies
- Increased competition
- Disintermediation & digitalization of insurance offerings
- Unethical practices
- Consumer fraud
- Raised expectations of customers
- Lack of trust in the financial services sector and low financial literacy

STAKEHOLDERS' EXPECTATIONS & WELFARE

LEVERAGING ON OUR POSITIONING & COMPETITIVE ADVANTAGE

OUR 2018 – 2020 STRATEGIC PLAN: MUA AMBITION 2020

MUA Ambition 2020 is the ambitious strategic vision and plan that sets in motion the fast-paced development and transformation of all the entities of the Group for the period 2018 – 2020.



The plan is underpinned by four key strategic pillars, two of which are led at a group level.

REGIONAL GROUP CULTURE	Fostering a Regional Group Culture is about bringing all the entities of the group together as one family which shares similar values, culture and branding ethos. *"We strive towards creating a dynamic, inclusive working environment where our employees feel valued, motivated, empowered and have a strong sense of belonging to the MUA Family, irrespective of which country they are in or what entity they work for. OUR PEOPLE are our strength and creating ONE MUA is our goal"* - **Bertrand Casteres, Group CEO.**
CAPITAL & RISK MANAGEMENT	The second group-wide strategic focus is on a prudent Capital & Risk Management Approach. We strongly believe in achieving a coherent fit between our capital resource allocation frameworks, our risk appetite and the returns generated.

In addition, we also have two other strategic pillars that each entity applies as per its respective business context. This approach allows for enhanced flexibility, agility and cultural sensitivity in the interpretation of our strategic model.

BUSINESS GROWTH	This strategic pillar focuses on delivering a sustainable growth trajectory, balancing challenging market conditions and new business opportunities. Each entity develops a set of business development initiatives to maintain its growth trajectory.
BUSINESS TRANSFORMATION	Our aim is to transform our operations from a transactional and disconnected financial services provider to become a full-fledged business partner enabling our clients to live their best life. The first step on this journey is already underway, as we focus on creating simple & affordable products, coupled with an efficient, transparent and hassle-free claims experience.

The four pillars ultimately rest on a commitment to foster a customer-centric approach at every level of the organisation. The client must remain at the heart of all our endeavors and solutions.

KEY
CAPITALS

OUR VALUE CREATION PROCESS

OUR CAPITALS (INPUTS)

FINANCIAL CAPITAL

Rs 3bn Total Equity | **Rs 1.8bn** Total Reserves

ORGANISATIONAL CAPITAL

- Market leader in Mauritius
- Strong network of brokers, agents & strategic partners

HUMAN CAPITAL

- 678 employees across 6 countries
- Strong sense of belonging

MANUFACTURED CAPITAL

- 22 branches & agencies in Mauritius
- Over 20 agencies in East Africa
- 25 core IT Systems
- Pioneer in online insurance in Mauritius

OUTPUT ENABLERS

- We offer non-life & life insurance products to individual & corporate clients, in line with their risk profile and our risk appetite
- We manage life funds through a prudent and carefully managed investment policy
- We seek to generate an attractive return from our strategic investments
- We create a dynamic, inclusive and empowered working environment with clear performance-related remuneration and talent management frameworks in place
- We maintain, enhance and optimise our operations with regular investments into relevant technology and infrastructure

+

RISK MANAGEMENT ACTIONS

- Strategic Risk
- Market Risk
- Liquidity Risk
- Reserving Risk
- Capital Management Risk
- Interest Rate Risk
- Insurance Risk
- Operational and Legal Risk
- Customer, Products & markets Risk
- Regulatory & Compliance Risk
- Execution Risk

FINANCIAL OUTPUTS: VALUE FOR MUA

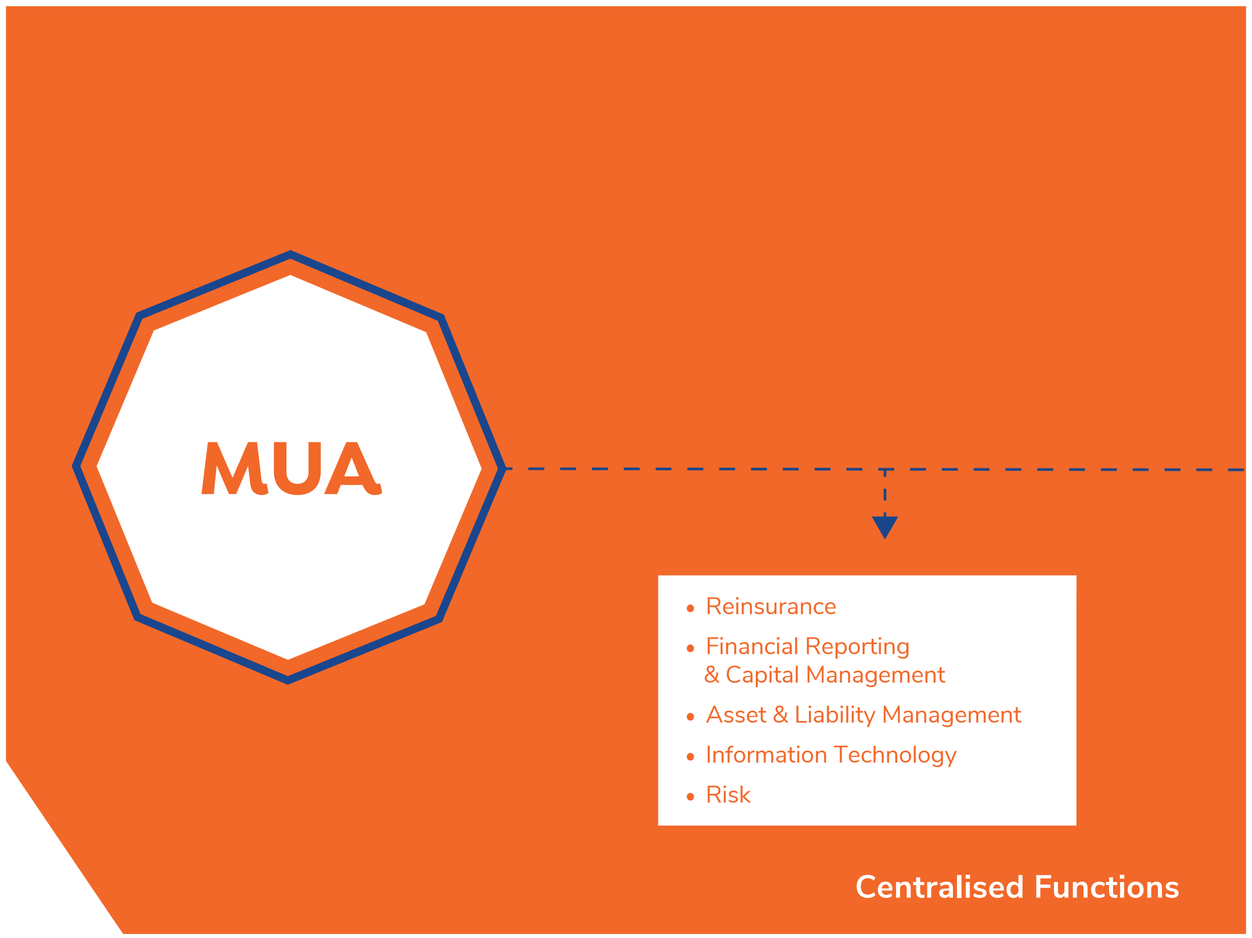
GROSS PREMIUMS EARNED	PROFITS AFTER TAX	LIFE FUND	INVESTMENT INCOME
by 9% to Rs 4,256m	by 10% to Rs 354m	by 6.5% to Rs 7.2bn	by 4% to Rs 96m

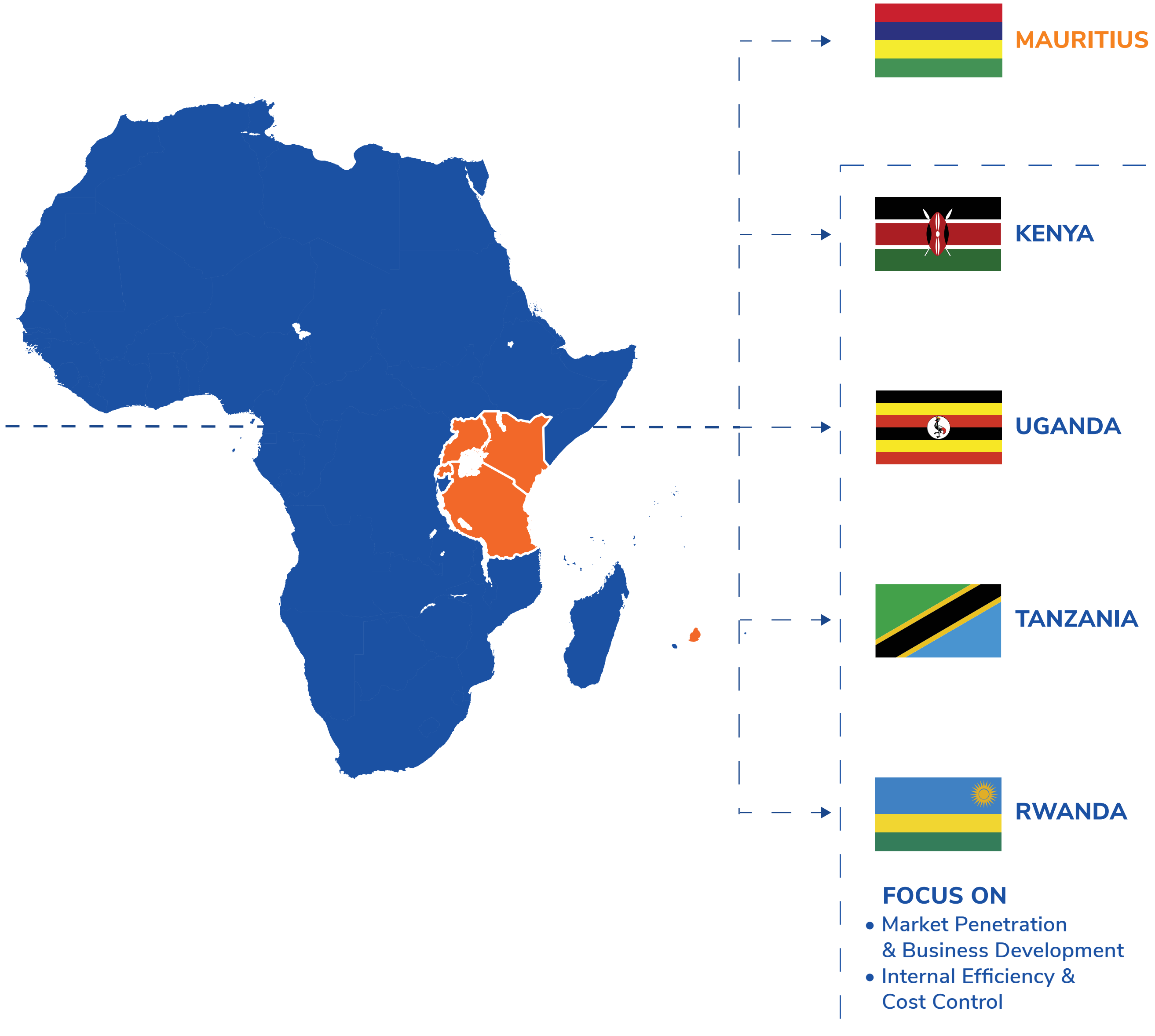
+

VALUE FOR OUR STAKEHOLDERS

EMPLOYEES	• Total spend of Rs 3.98m on staff training and development • 882 participants in training sessions last year • Total training hours of 8879 and 10 hours per participant • MUA Studies Allocation Scheme: 21 staff sponsored • Total spend of Rs 2.49m towards employee welfare and development • 41% of staff members have worked for more than 10 years for the group
CLIENTS	• 'Happy or Not' client overall satisfaction score of 96% • Launch of an innovative Mobile App proposing Rs 500 voucher for each customer referring a contact to us in Mauritius • Mystery shopping done twice a year in all branches and the contact center • Assess customer journey across 9 separate products and processes
SHAREHOLDERS	• Posted strong financial results – Return on Equity 12.6% • Share price increased by 19% • A 3.5% increase in dividend payout • Maintained transparent, relevant and timely reporting and communication
COMMUNITIES	• Total funding of Rs 1,020,221 for CSR initiatives in Mauritius • Projects funded centered mainly on education and the welfare & development of children
ENVIRONMENT	Mauritius: • Reduction in paper consumption by 2% • Reduction in fuel consumption by 12% • Reduction in electricity consumption by 2% • 34% of shareholders opted for digital correspondence & documentation

OUR INTEGRATION PLAN
FOR OUR EAST AFRICAN SUBSIDIARIES





To assist our East African Subsidiaries in unlocking their potential for growth and expansion, we have gradually rolled out, since 2017, an integration plan. The framework focused on centralizing some core functions for the group. This approach allows us to achieve significant economies of scale, enable an efficient transfer of know-how across the entities and provide the East African operations with the technical support they need.

In 2019, we intend to expand the centralized functions further so as to include the Marketing & Communication function and Human Resources. As all the entities now operate under the same brand, the Marketing & Communication Department will be tasked to build our brand salience, particularly in East Africa and position MUA as a dynamic, modern and trustworthy insurance company.

THE NEEDS & EXPECTATIONS OF **OUR STAKEHOLDERS**

Our long-term targets to meet the needs and expectations of our stakeholders

In line with our 'Shared Value' model (more about that on page 35), we have set ourselves some long term goals to guide our value creation for our key stakeholders. We firmly believe that a well-balanced ecosystem is vital for MUA to thrive in and we are committed to adequately deliver on the needs and expectations of our stakeholders.

STAKEHOLDERS

STAFF	• 678 staff members • 473 based in Mauritius and 205 in East Africa • 41% with more than 10 years of experience • 26% aged less than 30 in Mauritius • 8879 training hours in total for the Mauritius-based staff • 21 staff members benefitted from the Studies Allocation Scheme
CLIENTS	• Individual clients in Mauritius, Seychelles, Kenya, Uganda, Tanzania and Rwanda for a wide range of insurance & investment products • Corporates, small and medium enterprises and public institutions for their insurance and corporate pension needs
SHAREHOLDERS	• 1665 shareholders • Rs 6.85 earnings per share versus Rs 6.25 in 2017 • Net assets per share of Rs 57.09 versus Rs 54.29 in 2017
INSURANCE REGULATORS	**MAURITIUS:** Financial Services Commission **KENYA:** Insurance Regulatory Authority **TANZANIA:** Tanzania Insurance Regulatory Authority **UGANDA:** The Insurance Regulatory Authority of Uganda **RWANDA:** National Bank of Rwanda
COMMUNITES	• Local communities of the countries in which we operate, including any societal and environmental concerns

THE NEEDS & EXPECTATIONS OF OUR STAKEHOLDERS	OUR LONG TERM GOALS
• A competitive remuneration and performance management scheme • Continuous professional development and advancement opportunities • Collaborative, inspiring and supportive work conditions • Opportunities to be heard and to bring about change • A brand that they feel proud to be associated with • A safe, clean and secure work environment	To become a coveted destination for top talent who will grow along with the company in a dynamic and supportive work environment
• Affordable and easy-to-understand products that fit client needs • Convenient and fast purchase customer experience with less complexity • Transparency, efficiency, rapidity and regular communication during a claim process • Fast claim settlement • Premium payment facilities • Excellence in customer service • Trusted insurance partner with a wide range of non-life & life products	To exceed customer expectations and become their preferred insurance partner
• Share price appreciation • Attractive and sustainable dividend payout • Growth in net asset value and good return on equity • Sustainable high growth strategy • Strong solvency and sound balance sheet • Experienced management and sound governance • Transparent and regular reporting	To increase profits in a sustainable manner & create significant shareholder value
• Compliance with all legal and regulatory requirements • Active participation to the Insurers' Association of Mauritius and other regulatory or governmental working groups	....while continuing to prudently and efficiently manage our risks
• Access to insurance and micro insurance products that protects individuals and their families against specific risks • MUA to recruit and train local workforce • MUA to contribute on social and environmental issues	To contribute significantly to the progress and development of the local communities through the eradication of poverty, the preservation of the environment and the education, welfare & development of children

SUSTAINABILITY
OVERVIEW

INVESTING IN OUR CUSTOMERS

- Client Experience Initiatives:
  - Mystery shopping done twice a year in all branches and the contact center, with corrective actions and follow-up coaching done where required.
  - Assess the customer journey across 9 separate products and processes, taking corrective action where needed.
- E-document: we continue to encourage all our stakeholders to switch to e-documents, with many business partners already using this value-added service.
- Happy or Not: 96% overall satisfaction.

INVESTING IN OUR COMMUNITY

CATEGORY	APPROVED PROJECTS	
	Number of projects	Amount (Rs)
Advocacy awareness & preventive campaigns	1	85,000
Education, welfare & development of vulnerable children	6	575,221
Poverty alleviation community development & capacity building	3	155,000
Protection health & social integration of vulnerable groups	3	155,000
Sustainable development/environment	1	50,000
GRAND TOTAL	**14**	**1,020,221**

Major projects supported:

- **Atelier Sa Nou Vize** (Rose Belle): remedial classes.
- **Association d'Alphabétisation de Fatima** (Triolet): annual salary of a teacher.
- **Foundation Projects** (Batimarais, St Croix & Labrasserie): distribution of school materials, food & Christmas gifts.

INVESTING IN OUR STAFF

- Training Programmes:

TRAINING	
Training hours	8879
Participants	882
Hours per participants	10
Training budget	Rs 3,977,819
Tertiary education: staff sponsored	21

- Employee welfare activities: energising Tai Chi and Zumba classes; futsal, bowling, trail, walking outing. **Total Budget spent on Employee Welfare initiatives = Rs 2,489,901**

- Group headcount:
  - Mauritius: 473
  - Kenya: 50
  - Tanzania: 85
  - Uganda: 35
  - Rwanda: 35
  - Percentage of employees who have served longer than 10 years: 41%

INVESTING IN OUR ENVIRONMENT

	Paper Consumption	Fuel Consumption	Electricity
	No. of sheets	No. of litres	No. of KWh
2016	3,438,750	140,253	1,266,689
2017	3,365,560	147,856	1,231,607
2018	3,301,350	131,690	1,202,375
2018 vs 2017	**-2%**	**-12%**	**-2%**

34% of shareholders have opted to receive their correspondence, documentation and Annual Reports electronically.


MUA








MUA

MUA




MUA
MUA
COLONEL DRAPER
CUP 2018

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

GROUP PROFILE

The Mauritius Union Assurance Cy. Ltd ('MUACL' or 'the Company') is a public company listed on the Official List of the Stock Exchange of Mauritius ('SEM') and is a Public Interest Entity as defined by the Financial Reporting Act 2004.

The Board of Directors ('Board') of MUACL is committed to uphold the highest standards of integrity, accountability and transparency in the governance of MUACL and its subsidiaries ('MUA Group' or 'the Group') and acknowledges its responsibility for applying and implementing the eight principles set out in the National Code of Corporate Governance (2016) ('the Code') as explained in appropriate sections of the Annual Report:

- Governance Structure;
- The Structure of the Board and its Committees;
- Director Appointment Procedures;
- Director Duties, Remuneration and Performance;
- Risk Governance and Internal Control;
- Reporting with Integrity;
- Audit;
- Relations with Shareholders and Other Key Stakeholders.

GOVERNANCE STRUCTURE

The Role of the Board

The Board is responsible for leading effectively the Group and the Company by establishing strategies and policies to enhance the long-term value for its shareholders and other stakeholders.

The Board validates and monitors strategies, policies and business plans as well as considers all statutory matters, including the approval of financial statements, the declaration of dividends, the review of the Company's performance through budgets and forecasts and the Chief Executive Officer's report. It also ensures that all legal and regulatory requirements are met.

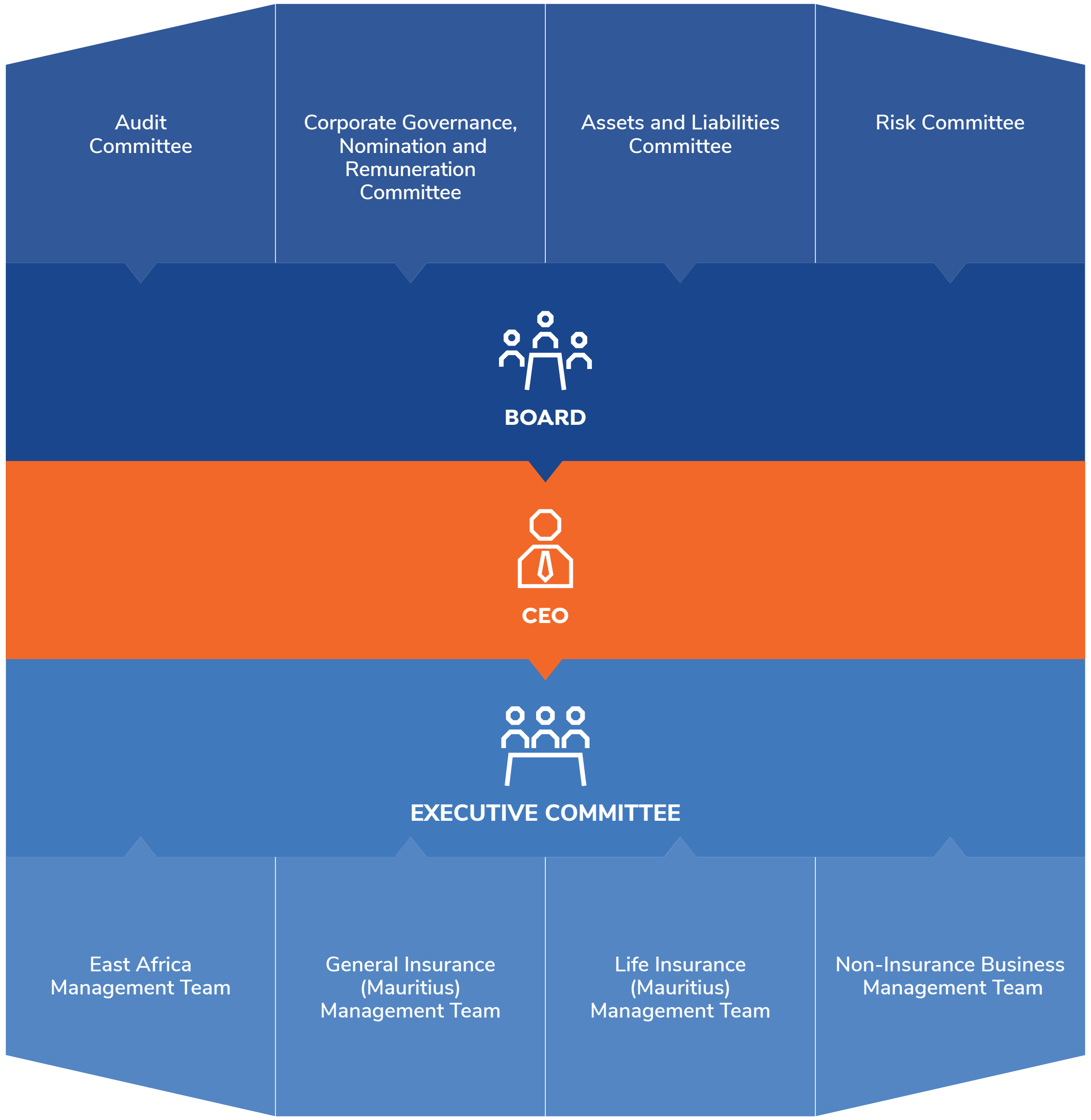
Charters and Code of Ethics

The Board is committed in doing business within high standards of conduct and ethical behaviour which are fundamental to the preservation of the MUA Group reputation and to the success of its operations. The Board has approved its charter, the organisation's Code of Ethics as well as a Code of Ethics for directors.

Organisational Chart and Statement of Accountabilities

The Group operates within a defined governance framework with clear lines of authority, accountability and responsibility as illustrated in the chart below.

The Board has approved the positions statements of Key Governance positions as: The Chairman, the Group Chief Executive Officer (CEO) and the Company Secretary, as well as the Organisational Chart and statement of accountabilities.



Statement of Accountabilities

MUACL is led by an effective and highly committed Board of Directors who possesses the appropriate skills, knowledge, experience and independence to enable them to discharge their duties and responsibilities in the most effective way. The Board is well aware of its responsibility to maintain a high standard of corporate governance. As outlined in the above visual, the Company operates within a well-structured and defined governance framework, with clearly articulated lines of responsibility. Where appropriate the Board can delegate that authority whilst retaining effective control. However, the Board remains fully accountable and responsible for the performance of MUACL, at every level of the business.

To this end, the Board has created four Committees with direct reporting lines to the Board. A further eight Executive-Level Committees operate under the CEO and the Executive Committee. All these committees operate within approved terms of reference and are mandated to provide guidance to the Board. The CEO leads the work of a number of the committees, and there are appropriate reporting mechanisms in place to escalate their recommendations to the Board.

Constitution

The Constitution of the Company complies with the provision of the Companies Act 2001 and the Listing Rules of the SEM.

The Constitution stipulates that no shareholder can hold more than five percent of the stated capital of the Company without the previous authorization of the Board of Directors.

Moreover, the Constitution has been amended in 2018 so that directors are no longer required to hold a minimum of 500 ordinary shares of the Company to qualify as directors.

STRUCTURE OF BOARD AND COMMITTEES

Board size and structure

The Company's constitution stipulated that the Board shall consist of a minimum of seven and a maximum of eleven directors. As at 31 December 2018, the Company was headed by a unitary Board consisting of ten directors, four of whom are independent non-executives, four non-executives and two executives.

The directors come from different professional backgrounds with varied skills, expertise and strong business experience. Taking into account the sophistication of the Group's operations, the Board is satisfied that its actual size and composition is well balanced for it to assume fully its responsibilities while discharging its duties effectively. The Board Charter stipulates that composition of the Board shall include at least two executive directors, two independent directors and gender balance with at least one female director.

Directors	Category	Date Appointed	Gender	Country of Residence	Board Attendance
Mr Vincent Ah Chuen *	NED	1992	M	Mauritius	3/5
Mr Alfred Bouckaert	IND	2013	M	Belgium	5/5
Mr Bertrand Casteres – Chief Executive Officer	ED	2014	M	Mauritius	5/5
Mrs Mélanie Faugier	NED	2010	F	Mauritius	5/5
Mr Bruno de Froberville	NED	2010	M	Mauritius	5/5
Mr Dominique Galea * – Chairman	NED	2010	M	Mauritius	5/5
Mr Angelo Letimier	IND	2014	M	Mauritius	4/5
Mrs Catherine McIlraith	IND	2017	F	Mauritius	4/5
Mr Ashraf Musbally	ED	2016	M	Kenya	4/5
Mr Mushtaq Oosman	IND	2016	M	Mauritius	5/5
*Mr Brian Ah-Chuen (Alternate to Mr Vincent Ah-Chuen)		2016	M	Mauritius	2/5
*Mr Antoine Galea (Alternate to Mr Dominique Galea)		2016	M	Mauritius	N/A

Definitions: NED: Non-Executive Director – IND: Independent Non-Executive Director – ED: Executive Director

The profile of the Directors is disclosed on pages 56 to 61 of the Annual Report.

The Board endeavours to ensure that each director (i) can assess the broad outline of the Group's overall policy, (ii) can act critically and independently from one another (ii) takes part actively in debated issues and expresses his/her viewpoints.

The Board has approved a list of criteria to assess the independence of directors and has entrusted to the Corporate Governance, Nomination and Remuneration Committee ('CGNRC') the monitoring of such independence on a regular basis. Moreover, upon their appointment, the independent directors have signed an undertaking to inform the CGNRC of any matter that arise and may affect their status of independent director.

The Company Secretary

The Company Secretary ensures that the Company complies with its constitution and all relevant statutory and regulatory requirements, codes of conduct and rules established by the Board. The Company Secretary provides guidance to the Board as a whole and to directors individually as to how their responsibilities should be discharged in the best interests of the Company. The Company Secretary advises the board on matters of ethics and good governance and is the focal point of contact within the Company for shareholders.

The Company Secretariat function has been entrusted to ECS Secretaries Ltd through a service agreement. This company is an independent provider of company secretarial services since more than two decades, and employs fully qualified secretaries from the Chartered Institute of Chartered Secretaries to fulfil its duties as Company Secretary in accordance with qualifications required by the Companies Act 2001. The role of the Company Secretary has been defined in a Position Statement as approved by the Board of Directors.

Board and Committees processes

Calendar of board, committee and annual shareholders' meetings are set well in advance. Board meetings are held at least five times a year and each committee meets at least four times a year. Additional meetings may be convened to deliberate urgent matters. Certain decisions are taken by way of written resolutions.

Board has decided to review Board and Committees' charter on an annual basis upon recommendation of the CGNRC.

Board Committees

The four Board Committees, namely the Audit Committee, Risk Committee, Assets and Liabilities Committee and Corporate Governance, Nomination and Remuneration Committee, assist the directors in the discharge of their duties through a comprehensive evaluation of specific issues.

The Chairpersons of the four committees are invited to report verbally to the directors during board meetings.

Each Committee is governed by a charter as approved by the Board.

Audit Committee

Members	Category	Attendance at Committee meetings
Mr Mushtaq Oosman (Chairperson)	IND	4/4
Mrs Mélanie Faugier	NED	4/4
Mr Bruno de Froberville	NED	2/4
Mrs Catherine McIlraith	IND	4/4
Mr Angelo Letimier	IND	2/4

All members of the Audit Committee are financially literate and the Chairman is a Fellow of the Institute of Chartered Accountants, England and Wales.

Main terms of reference:

- The functioning of the internal control system and internal audit.
- The risk areas of the company's operations to be covered within the remit of the internal and external audits, with the exclusion of those addressed by the Risk Committee.
- The reliability and accuracy of financial information provided to management and other users of financial statements.
- The company's compliance with regulatory requirements with regard to financial matters.
- The scope and results of the external audit, its cost-effectiveness, independence and objectivity.
- The nature and extent of non-audit services provided by external auditors. External and Internal Auditors attend meetings when required.

Main areas of focus during the year under review:

- Quarterly unaudited financial statements and audited annual financial statements including management reports from the external auditor.
- Impact of introduction of new accounting standards: IFRS 17 and IFRS 9.
- Internal Audit reports – Company and subsidiaries.
- Actuarial review of the insurance business.
- Recommendation of rate of dividend to declare.

Corporate Governance, Nomination and Remuneration Committee

Members	Category	Attendance at Committee meetings
Mrs Catherine McIlraith (Chairperson) (from 30-08-18)	IND	4/4
Mr Vincent Ah Chuen	NED	4/5
Mrs Mélanie Faugier	NED	5/5
Mr Dominique Galea	NED	5/5

Main terms of reference:

- To keep the Board informed of current best practices in corporate governance for their applicability to the Company.
- To update the Company's corporate governance principles and governance practices.
- To ensure that the reporting requirements with regard to corporate governance, whether in the annual report or on an ongoing basis, are in accordance with the principles of the Code.
- It makes recommendations to the Board on the appointment of new executive, non-executive directors and advises on the composition of the Board in general and the balance between executive and non- executive directors appointed to the Board, and on succession planning.
- The committee makes recommendations regarding the company's general policy pertaining to executive, non-executive, independent non-executive fees and senior management remuneration.

Main areas of focus during the year under review:

- Review of the corporate governance report.
- Approval of the charters, policies and various related documents to enhance Corporate Governance Framework including this Committee's charter.
- Executives' bonuses.
- Board Appraisal Exercise.
- Board and Committees composition.
- Survey on remuneration of senior management.
- Directors' fees.

Risk Committee

Members	Category	Attendance at Committee meetings
Mr Alfred Bouckaert (Chairperson)	IND	4/4
Mr Dominique Galea	NED	4/4
Mr Mushtaq Oosman	IND	4/4

Main terms of reference:

- Reviewing the Group's risk appetite and future risk strategy for economic capital, liquidity and reputation and also for operational risks.
- Reviewing the Group's risk profile against risk appetite, effectiveness of risk management framework.
- Reviewing scenarios and stress tests which the Group uses to assess the adequacy of its economic and regulatory capital and liquidity.
- Managing the Group risk policies.

Main areas of focus during the year under review:

- Quarterly Risk reports.
- Risk Management Framework (RMF) in line with the Insurance Risk Management Rules (2016) Implementation.
- Reinsurance Risk.
- Business Continuity Plan.
- Data Protection.
- Cyber security.

Assets and Liabilities Committee (ALCO)

Members	Category	Attendance at Committee meetings
Mr Alfred Bouckaert (Chairperson)	IND	4/4
Mr Bertrand Casteres	ED	4/4
Mr Laval Foo-Kune	Group CFO	3/4
Mr Dominique Galea	NED	4/4
Mr Bruno Huet de Froberville	NED	4/4
Mr Ahsraf Musbally	ED	4/4

Main terms of reference:

- Devise the Group's investment strategy, including that of MUA Life Ltd.
- Define the investment philosophy and specific investment objectives of the Group consistent with this strategy.
- Define responsibilities with regard to the management of the Group investment portfolio.
- Determine appropriate levels of investment risk which the Group is prepared to accept within the broader guidelines set by the Mauritius Union Group Risk Policy and the Board.
- Determine capital allocation criteria.
- Monitor the Assets and Liabilities management.
- Determine appropriate benchmarks for the measurement of investment performance.

While the Board is ultimately responsible for ensuring that the appropriate structure and process are in place to effectively manage capital and treasury risk, the ALCO decides on the appropriate asset allocation, on portfolio construction and asset manager selection (where applicable) in order to achieve the goals set out in the investment strategy.

Main areas of focus during the year under review:

- De-risking and Optimisation of African portfolios.
- Asset and Liabilities matching of Life insurance portfolio.
- Reduction of concentration of certain local equities.

DIRECTOR APPOINTMENT PROCEDURES

Appointment and re-election of directors

According to the Constitution of the Company, directors may be appointed by:

- Notice in writing signed by the holders of the majority of the ordinary shares.
- Directors' resolution to fill a casual vacancy or to increase the number of directors up to the maximum number allowable by the Constitution.
- Shareholders' ordinary resolution.
- Moreover, to be in line with the Code, the Board has adopted a Nomination Policy which defines the election and re-election processes.
- Directors are appointed on a yearly basis at the annual meeting of shareholders. Each director is elected by a separate resolution.
- The process of selection and nomination of candidates as directors and the process for re-election of directors are entrusted to the CGNRC.

Dominique GALEA

Chairman, Non-Executive Director

Citizen and Resident of Mauritius

Appointed: June 2010.

Qualifications: HEC Paris (France).

Skills & experience:
- Started in the clothing industry by setting up a buying office for overseas buyers (Kasa Textile Ltd).
- Then diversified activities by acquiring controlling stakes in Ducray Lenoir Ltd in 1988, and in Rey & Lenferna Ltd in 1998.

Board Committee memberships: Corporate Governance, Nomination and Remuneration Committee; Risk Committee; Assets and Liabilities Committee.

Directorship in other listed companies: Director of Ascensia Ltd and Chairman of Forges Tardieu Ltd and United Docks Ltd.

Bertrand CASTERES

Executive Director and Group CEO

Citizen and Resident of Mauritius

Appointed: May 2014.

Qualifications: Master's degree in applied mathematics, actuarial science and finance and Executive MBA from HEC Paris (France).

Skills & experience:
- Worked in the internal audit department of Aviva Europe as audit senior manager in the financial management and actuarial audit department, conducting internal audit reviews in actuarial processes across Aviva's European subsidiaries.
- Involved in the implementation of Solvency II EU Directive within the Aviva Group.
- Joined MUA Group in January 2012 as head of internal audit and was appointed CEO in 2015.

Board Committee memberships: Assets and Liabilities Committee.

Directorship in other listed companies: none.

Vincent AH CHUEN

Non-Executive Director

Citizen and Resident of Mauritius

Appointed: January 1992.

Skills & experience:
- Managing Director of ABC Group of Companies.
- Played a key role in the development and diversification of the ABC Group of Companies, whilst having overall responsibility over its Shipping & Logistics cluster.
- Actively involved in various socio-cultural and non-profit associations.

Board Committee memberships: Corporate Governance, Nomination and Remuneration Committee.

Directorship in other listed companies: Chairman of P.O.L.I.C.Y Ltd and of ABC Motors Co Ltd.

Alfred BOUCKAERT

Independent Non-Executive Director

Citizen and Resident of Belgium

Appointed: December 2013.

Qualifications: Bachelor degree from the University of Louvain (Belgium).

Skills & experience:
- Served as General Manager at Crédit Lyonnais Europe and, before its acquisition, at Chase Manhattan Bank.
- Worked at AXA where he was CEO of Axa Belgium, Germany, Switzerland (with the acquisition of Winterthur), Ukraine and Russia and a member of the main Management Board.
- Past President of the Board at Belfius Bank and Insurance.
- Currently holds various positions in several boards of non-listed and listed companies outside Mauritius.

Board Committee memberships: Risk Committee (Chairperson); Assets and Liabilities Committee (Chairperson).

Directorship in other listed companies: none in Mauritius.

Bruno de Froberville

Non-Executive Director

Citizen and Resident of Mauritius

Appointed: August 2010.

Qualifications: MBA from the University of Birmingham (UK), a Bachelor in Science with a Major in Marketing from Louisiana State University (USA).

Skills & experience:

- Experienced professional in the property and building sector.
- General Manager and owner of Square Lines Ltd, a property development company.

Board Committee memberships: Audit Committee; Assets and Liabilities Committee.

Directorship in other listed companies: Director of Mauritius Freeport Development Ltd.

Mélanie FAUGIER

Non-Executive Director

Citizen and Resident of Mauritius

Appointed: July 2010.

Qualifications: DEUG in economics from University of Paris I - Panthéon Sorbonne (France) and an MSc in Management from EM Lyon School of Management (France).

Skills & experience:

- Started her career as the trading manager of Thon des Mascareignes Ltee (IBL Group).
- Held additional posts at Schlumberger Oilfield Services in Equatorial Guinea and Association Solidari'terre in Madagascar.
- In 2012, she co-founded Senior Homes Ltd, the leading company in Assisted living in Mauritius.
- Owner and Managing Director of Cottons Trading Ltd.

Board Committee memberships: Audit Committee; Corporate Governance, Nomination and Remuneration Committee.

Directorship in other listed companies: none.

Angelo LETIMIER

Independent Non-Executive Director

Citizen and Resident of Mauritius

Appointed: May 2014.

Qualifications: Various professional and executive qualifications

Skills & experience:

- An experienced banking executive with international experience.
- Dedicated a large portion of his career to MCB Ltd from 1966 to 1992 and again from 2005 to date. In 1988 he was responsible for establishing the first Credit Card Program in Mauritius, and opened the bank's Representative Office in Paris in 1990.
- In 1992, he joined MasterCard International Inc. as Senior Vice President and General Manager Middle East & Africa Region, based in Paris for 8 years.
- On his return to Mauritius he launched the first non-bank Credit Card operations for Rogers, now operating under the CIM Group.
- He was the General Manager of Cirne Financial Services (now IPRO) from 2002 to 2004.
- In 2008, he created ICPS Ltd (International Card Processing Services Ltd), a subsidiary of the MCB Group.

Board Committee memberships: Audit Committee.

Directorship in other listed companies: none.

Catherine MCILRAITH

Independent Non-Executive Director

Citizen and Resident of Mauritius

Appointed: October 2017.

Qualifications: Bachelor of Accountancy degree from the University of the Witwatersrand (Johannesburg, South Africa); member of the South African Institute of Chartered Accountants since 1992, Fellow member of the Mauritius Institute of Directors.

Skills & experience:

- Started her career at Ernst & Young before joining the Investment Banking industry, holding senior positions in corporate and specialised finance for Ridge Corporate Finance, BoE NatWest and BoE Merchant Bank in Johannesburg.
- Returning to Mauritius in 2004, she joined Investec Bank as Head of Banking until 2010.
- Fellow Member of the Mauritius Institute of Directors ("MIoD"). She served as a Director for 5 years and as its Chairperson for 2 years from 2014 to 2016.
- Served as an Independent Non-Executive Director and as a member of various committees of a number of public and private companies.

Board Committee memberships: Audit Committee; Corporate Governance, Nomination and Remuneration Committee (Chairperson).

Directorship in other listed companies in Mauritius, United Kingdom and South Africa: Director of Astoria Limited, CIEL Limited, Grit Real Estate Income Group Limited and Les Gaz Industriels Limited.

Ashraf MUSBALLY

Executive Director and CEO Kenya & East Africa

Citizen of Mauritius and Resident of Kenya

Appointed: April 2016.

Qualifications: BSc City University (London, UK), MBA Imperial College (London, UK) , Fellow of the Chartered Insurance Institute (FCII).

Skills & experience:

- Started his career as Management Consultant at Kemp Chatteris Deloitte & Touche.
- Joined MUA Life (formerly known as La Prudence (Mauricienne) Assurances Ltée) in 1997 to manage and develop its health insurance department. In 2004 he was appointed Chief Operations Officer (General Insurance), then took responsibility of the General Insurance Underwriting Department at MUACL before becoming Head of General Insurance.
- He retained this post after the company's merger with The Mauritius Union Assurance Cy Ltd in 2010. In 2012 he took the responsibility of the General Insurance Underwriting Department. He was promoted to Head of the General Insurance in 2014.
- Appointed CEO Kenya and East Africa in 2016.

Board Committee memberships: Assets and Liabilities Committee.

Directorship in other listed companies: none.

Mushtaq OOSMAN

Independent Non-Executive Director

Citizen and Resident of Mauritius

Appointed: April 2016.

Qualifications: Chartered Accountant, fellow of the Institute of Chartered Accountants in England and Wales.

Skills & experience:

- Over 25 years professional experience in audit and financial advice, with a diversified portfolio of clients in sectors such as banking, insurance, manufacturing, sugar companies, the hospitality industry, betting operator, textiles and trading.
- Joined Roger de Chazal & Partners (founders of Price Waterhouse in 1988 in Mauritius), serving as a partner from 1991 until his retirement in 2015. Primarily an Assurance Partner, he was also responsible for Business Recovery Services as well as the Chief Operating Partner for Mauritius.

Board Committee memberships: Audit Committee (Chairperson); Risk Committee.

Directorship in other listed companies: Director of ENL Land Ltd, Automatic Systems Ltd, Forges Tardieu Ltd and United Docks Ltd.

Brian AH CHUEN

Alternate Director

Citizen and Resident of Mauritius

Appointed: Alternate Director of Vincent Ah Chuen since December 2016.

Qualifications: Bachelor of Business Administration Honours degree from Schulich School of Business, York University (Toronto, Canada). Fellow Member of the Mauritius Institute of Directors.

Skills & experience:

- Previously the Executive Director of several companies in the ABC Group including Chue Wing & Co. Ltd (Foods), ABC Autotech Ltd (Automobile) and Marina Resort (Hospitality).
- Currently Executive Director of ABC Banking Corporation Ltd (listed on the DEM of the Stock Exchange of Mauritius) and serves as its Strategic Business Executive.

Board Committee memberships: none.

Directorship in other listed companies: Director of ABC Banking Corporation Ltd and of ABC Motors Company Limited.

Antoine GALEA

Alternate Director

Citizen and Resident of Mauritius

Appointed: Alternate Director of Dominique Galea since December 2016.

Qualifications: Bachelor of Business and Administration in Marketing and Finance.

Skills & experience:

- Worked for Ernst & Young Mauritius in their Audit team from 2009 to 2012.
- Occupied various positions at Labelling Industries Ltd, Berque Ltée, Narrow Fabrics Ltd and Rey & Lenferna Ltd.
- In January 2018 he was appointed Managing Director of Watertech Ltd.

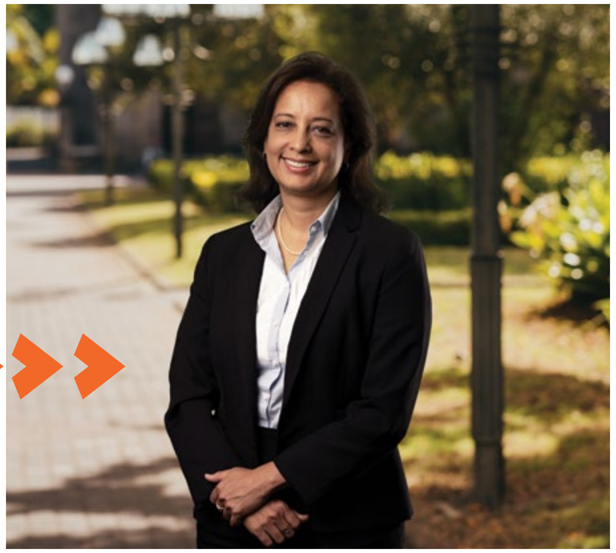
Board Committee memberships: none.

Directorship in other listed companies: Director of United Docks Ltd.

Executive Committee

The Executive Committee of the Mauritius Union Group has been constituted to manage business issues, opportunities and threats that have cross-divisional implications or are considered as material and/or sensitive for the Mauritius Union Group. The Team is the executive decision - making body of the Mauritius Union Group and it acts as the primary forum through which decisions of a transverse nature are taken. To effectively address matters of relevance to its duties and responsibilities, the Team has set up appropriate management sub-committees which provide comprehensive evaluation on key issues for members of the Executive Team to reach informed decisions.

The Executive Committtee of the Mauritius Union Group consists of the following senior management team members, as at 31 December 2018:



Delphine AHNEE

Head of Group Risk, Legal and Customer Care

Citizen and Resident of Mauritius

Qualifications: LLB (Hons.) degree; Qualified Quality Management System Auditor; Executive Education program ESSEC (France).

Skills & experience:
- Joined MUA Group in 2000 and served for more than ten years in the Claims Management and litigation monitoring on the General Insurance side of MUA Life (formerly known as La Prudence (Mauricienne) Assurances Ltee), then MUA Group.
- Promoted Head of Group Risk, Legal and Customer Care in January 2014 and is also responsible for the implementation of Process Efficiency Projects across the Group.
- Serves as the Group Risk Officer and Money Laundering Reporting Officer, and is an active member of Group's Corporate Social Responsibility committee.

Mehtab ALY

Head of Mergers, Acquisitions & Capital Management

Citizen and Resident of Mauritius

Qualifications: Master in Business Administration from the Université de Bordeaux IV (France).

Skills & experience:
- Mergers and acquisitions specialist with more than 10 years' experience in corporate valuation issues, deal structuring, raising finance and corporate restructuring, also expert in stock exchange related matters, from IPOs and takeovers to delistings.
- Worked for more than 15 years at PwC.
- Joined MUA in 2016 as Head of Mergers & Acquisitions.

Jean Christophe CLUZEAU

Head of General Insurance

Citizen of France and Resident of Mauritius

Qualifications: DESS in Information Systems; Master Management in Insurance (France).

Skills & experience:
- Over 25 years' experience in the insurance industry, 19 of which were spent with AXA as Head of Individual Clients for AXA France South East, General Secretary of Nationale Suisse Assurance France, Director of Strategy, Steering and Support Services (Health & Prevention).
- Joined MUA Group in 2016 as Head of General Insurance in Mauritius.

Sin Cham (Laval) FOO-KUNE

Group Chief Finance Officer

Citizen and Resident of Mauritius

Qualifications: Bachelor of Commerce and Bachelor of Accountancy from the University of the Witwatersrand (Johannesburg, South Africa); Chartered Accountant South Africa, RIMAP Certified Risk Professional (Federation of European Risk Management Associations).

Skills & experience:
- Started his professional career in South Africa with Levenstein & Partners, Symo Corporation Ltd, then IBM (South Africa).
- Joined MUA Life (formerly known as La Prudence (Mauricienne) Assurances Ltee) in 1998 as Finance Manager and became in charge of the Finance and Accounting department of the MUA Group in 2010 following the merger with MUA.
- Broad experience in finance, accounting, reserving, reinsurance and insurance operations within the insurance industry.

Naresh GOKULSING

Managing Director Life & Pension

Citizen and Resident of Mauritius

Qualifications: BA in Accounting and Finance from the University of Leeds (UK); MBA from Warwick Business School (UK); Fellow Member of the Association of Chartered Certified Accountants (FCCA).

Skills & experience:

- Started his career with PwC in 1993.
- Joined the Cim Group in 1997 as Head of Research and General Manager of Cim Stockbrockers; then became Head of Finance of Cim Insurance, Chief Operating Officer and Executive Director of Cim Insurance and Cim Life, and finally Managing Director of Cim Property Fund, where he launched Ascencia Ltd.
- Joined MUA in 2012 and was appointed Managing Director of the Life subsidiary in Mauritius in 2015.

Gaudens KANAMUGIRE

Managing Director, Rwanda

Citizen and Resident of Rwanda

Qualifications: Bachelor's degree in Insurance; Bachelor's degree in Law.

Skills & experience:

- Started his career in 1995 at SONARWA as Manager Technical Department Motor Insurance, Miscellaneous Risks Department and Life.
- Joined MUA Group in 2008 as Deputy General Manager in charge of Operation in Rwanda, contributing greatly to the company's growth and reputation in the market and was promoted Managing Director in 2016.
- Current president of the Association of Insurers of Rwanda (ASSAR).

Jérôme KATZ

Head of Group Strategy & Investment

Citizen and Resident of Mauritius

Qualifications: Master in Management ESCP Europe (Paris, France).

Skills & experience:

- Started his career with the American bank JPMorgan in Paris in 2006.
- Joined MUA Group in 2009 as the Manager of MUA Pension and now oversees the group strategy with extensive involvement in the African subsidiaries, strategic marketing and digitalisation and also supervises all the group's investment and asset management activities.

Clarel MARIE

General Manager - Life Insurance Operations

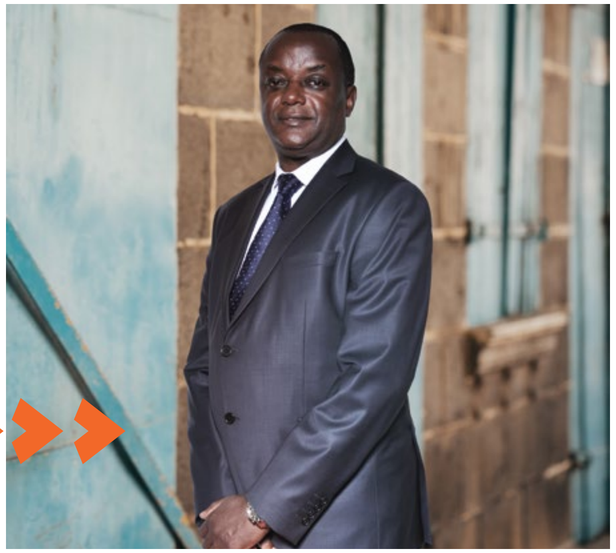
Citizen and Resident of Mauritius

Qualifications: MBA; Chartered Insurer and an Associate of the Chartered Insurance Institute (London, UK).

Skills & experience:

- Started his career with Swan Life and was there from 1979 to 1993.
- Joined Cim Insurance in 1993 to develop the long-term individual assurance products and was appointed Technical Manager for Life and Pension in 2001.
- Joined MUA Group in 2006 as Technical Manager of the Life and Pension department of MUA Life and is currently in charge of the Operations of the life insurance subsidiary in Mauritius.

Executive Committee (Cont'd)



Latimer KAGIMU MUKASA

Managing Director, Uganda

Citizen and Resident of Uganda

Qualifications: Banking degree; Postgraduate qualification in Management.

Skills & experience:

- Founder of Rock Insurance Services in 2000, an insurance brokerage firm subsequently acquired by Marsh Uganda, of which he became Managing Director.
- Joined MUA in 2017 as Managing Director in Uganda.
- Served as a Board Member for Financial Literacy Foundation, the Private Sector Foundation of Uganda, Member of the Financial Literacy Advisory Group under the Bank of Uganda and GIZ, founding Vice Chairman of the Forum for South African Businesses in Uganda (FOSABU); and current Board Chairman of Compuscan Credit Reference Bureau Uganda.

Rishi SEWNUNDUN

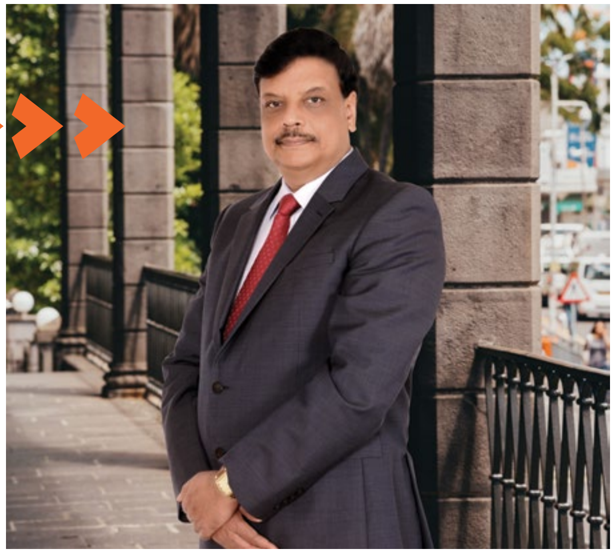
Head of Group Information Systems & Logistics

Citizen and Resident of Mauritius

Qualifications: Graduated in Computer Science and Engineering from University of Mauritius; MBA University of Mauritius.

Skills & experience:

- He joined J. Kalachand & Co. Ltd in 1998 as Systems Manager and later Sales Manager.
- Joined MUA Group in 2005 as Head of Information Systems and appointed Senior Manager in 2008.
- Pioneered several key strategic IT projects including mergers in Mauritius and East Africa and led the implementation of a number of innovative technologies across the group.



Pradeep Kumar SRIVASTAVA

CEO - Phoenix of Tanzania Assurance Co. Ltd, Tanzania

Citizen of India and Resident of Tanzania

Qualifications: Masters Degrees in Economics, Business Administration and Finance & Control; Fellow of the Insurance Institute of India; Associate of Chartered Insurance Institute (London, UK).

Skills & experience:

- Started his insurance career in 1988 in India with The New India Assurance Co. Ltd.
- Moved to Tanzania in 2004, where he joined Alliance Insurance Co. Ltd then becoming the CEO of Insurance Co. Ltd in 2009.
- He joined Phoenix of Tanzania Assurance Co. Ltd in 2017 as CEO.

Kenny WONG

Head of Group Reinsurance & Special Risks

Citizen and Resident of Mauritius

Qualifications: Graduated from London School of Economics and Political Science (UK); Fellow and Graduate Statistician of the Royal Statistical Society of London (UK); Certified Insurance Professional and Associate of the Australian and New Zealand Institute of Insurance and Finance.

Skills & experience:

- Served various positions in reinsurance broking, investment banking, and marketing both in Mauritius and London.
- Joined MUA in 2009 as Reinsurance Manager and was promoted Senior Manager in 2012.
- Appointed Practice Group Manager of the Globus Financial Lines Centre of Excellence in October 2016.

Induction of directors

An Induction program is available for Non-Executive Directors on their first appointment with the aim of getting promptly acquainted with the Company and its subsidiaries, and obtaining insights of the business, environment and market in which the Group evolves.

Professional Development and Training

The Chairman identified specific training needs of the directors who were invited to attend various trainings provided in 2018.

Going forward the Board will conduct an annual review to identify areas where the Board members require further training or education as recommended by the Corporate Governance, Nomination and Remuneration Committee.

Succession Planning

The Board assumes responsibility for succession planning of board members and of key management personnel so as to maintain an appropriate balance of knowledge, skills and experience required to ensure stability and sustainability of the Group.

DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE

Legal Duties

Directors are made aware of their legal duties in the induction program they benefit on first appointment. The Board Charter includes a summary of legal duties under various relevant enactments.

Conflicts of Interests, Related Party Transactions and Share dealing

Conflicts of Interests and Related Party Policy, as approved by the Board, provide clear guidance on procedures to follow when any occurrence that may lead to a conflict of interest arise.

In line with the Model Code for Securities Transaction by Directors of Listed Companies (Appendix 6 of Listing Rules of SEM), the Board has approved a Share Dealing Policy which is applicable to directors and senior management. Declarations made by directors are entered in the Register of Interests which is maintained by the Company Secretary. The Register of interests is available to shareholders upon written request of shareholders.

DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE

Moreover, at the beginning of each meeting of the Board, the Chairman invites the directors to declare any potential source of conflicts of interests, or any share dealings to be thereafter recorded in the Register of Interests.

Apart from share dealings reported under paragraph 4.3, no entries had been made in the Register of Interests in 2018.

Moreover, the Board will regularly monitor and evaluate compliance with the Code of Ethics.

Directors' Interest in the shares of the Company as at 31 December 2018:

	Direct Interest		Indirect Interest
Name of Directors	Number of shares	Percentage	Percentage
Mr Vincent Ah Chuen	356,370	0.79	0.56
Mr Alfred Bouckaert	-	-	-
Mr Bertrand Casteres	8,225	0.02	-
Mr Bruno de Froberville	52,999	0.12	1.59
Mr Dominique Galea	283,137	0.63	14.32
Mrs Melanie Faugier	1,310	<0.01	5.34
Mr Angelo Letimier	2,125	<0.01	-
Mrs Catherine McIlraith	-	-	-
Mr Ashraf Musbally	1,400	<0.01	-
Mr Mushtaq Oosman	8,437	0.02	-
Mr Brian Ah-Chuen *(Alternate to Mr Vincent Ah-Chuen)*	2,250	<0.01	-
Mr Antoine Galea *(Alternate to Mr Dominique Galea)*	-	-	-

During 2018, share dealing by directors and their associates were as follows:

Name of Directors	Acquired	Disposed of	Acquired Associates	Disposed of Associates
Mr Vincent Ah Chuen	-	-	1,500	3,647
Mr Alfred Bouckaert	-	1,125	-	-
Mr Bertrand Casteres	6,900	-	-	-
Mrs Melanie Faugier	-	-	63,712	-
Mr Dominique Galea	-	-	277,411	-

Board Evaluation

In accordance with the Board Charter, a Board and Committee Evaluation process will be conducted every two years, the next one to be carried out end of 2019.

Remuneration

Fees for directors and members of committees

The CGNRC reviews on an annual basis the adequacy of directors' and senior executives' remuneration. A benchmarking exercise had been entrusted in 2018 to Korn Ferry to review adequacy of Top Management's remuneration resulting in certain realignment.

Fees payable to non-executive directors in 2018 are:

Directors	Board Fees (Rs)	Audit Committee Fees (Rs)	Corporate Governance, Nomination & Remuneration Committee Fees (Rs)	Risk Committee Fees (Rs)	Assets and Liabilities Committee (Rs)	Total Fees (Rs)
Vincent Ah Chuen	300,000	-	116,000	-	-	416,000
Alfred Bouckaert	500,000	-	-	166,000	166,000	832,000
Mélanie Faugier	300,000	116,000	116,000	-	-	532,000
Bruno de Froberville	300,000	116,000	-	-	116,000	532,000
Dominique Galea	798,000	-	116,000	116,000	116,000	1,146,000
Angelo Letimier	300,000	116,000	-	-	-	416,000
Catherine McIlrath	500,000	116,000	166,000	-	-	782,000
Mushtaq Oosman	300,000	166,000	-	116,000	-	582,000

Remuneration of Executive Directors has not been disclosed on an individual basis as the Board considers this sensitive information.

Remuneration received from the Group:	2018	2017
	Rs	Rs
Executive Directors	26,412,680	26,660,687

Non-Executive Directors do not receive remuneration in the form of share options or bonuses associated with organisational performance.

Share Option Scheme

A share option scheme, to be offered to selected members of Executive Management and effective as from 1 January 2018, was approved by the shareholders of The Mauritius Union Cy. Ltd in June 2018. Further to the implementation of the Scheme of Arrangement as from 1 January 2019, the Share Option Scheme was cancelled and an equivalent scheme relating to the ordinary shares of MUA Ltd (listed on the Stock Exchange of Mauritius) will apply.

Information, Information Technology and Information Security Governance

Information Technology

With the protection of the confidentiality and availability of information being critical to the smooth running of our activities, MUACL continuously seeks to foster a robust information security framework that upholds the security and performance of its IT systems in adherence with regulatory and industry norms. In this respect, the Group has developed an Information Security Policy based on internationally accepted standards and best practices to regulate the use, security standards, control and access rights within its IT infrastructure and systems.

The Information Security Policy is being implemented, monitored and revised as needed by the Group's information Security department. The document is available on the Group's intranet with staff being made aware of relevant requirements through regular awareness sessions. MUACL continues to invest in information technology to enhance its operational resilience with significant investments being monitored by the Board.

The Audit Committee reviews on an annual basis the budget of expenditure on information technology for recommendation to the Board.

Data Protection

In compliance with the EU General Data Protection Regulations ("GDPR") and the Data Protection Act 2017 ("DPA"), MUACL has approved a Data Protection Policy ("Policy") with a view to promoting a privacy culture within the Group and ensuring that all clusters, business units and employees protect the privacy of personal information of individuals in their daily operations including procedures for personal data breach; the escalation process when discovering a breach and the procedures to notify the relevant authorities.

The Policy defines the MUACL's requirements regarding the collection, storage, use, transmission, disclosure to third parties and retention of personal information. The Policy is used as a general guideline to the clusters and business units, which remain responsible for ensuring strict compliance while collecting personal information without derogating from the core principles of the DPA.

Arziana Koyroo, Compliance Specialist, who forms part of the Legal & Compliance team of MUACL, has been appointed Data Protection Officer ("DPO"). The main duties of the DPO is to monitor compliance and provide advice on the Act as well as to coordinate the reply with the supervisory authority.

RISK GOVERNANCE AND INTERNAL CONTROL

Risk Management

The Board of directors is responsible for the governance of risk and ultimately responsible for the setting up and monitoring of the risk management process.

All significant areas are covered by appropriate and adequate internal controls and the internal controls are reviewed as and when required to cater for changes in the level of risks.

The Risk Management report is found on pages 84 to 97 of the Annual report.

Whistleblowing Policy

MUACL is committed to the highest possible standards of openness, integrity and accountability. In line with that commitment, MUACL has implemented a Whistleblowing Policy, whereby an alternative reporting process is established for use by all employees in strict confidence, without the risk of subsequent retaliation, victimisation, discrimination or disadvantage.

The Whistleblowing Policy is available on the MUA's intranet and it has been designed in such a way to assist employees who have concerns about any aspect which involves malpractices or unethical issues, to come forward and voice out those concerns anonymously in writing or electronically via MUA's Whistleblowing Portal or verbally with their immediate supervisor/manager or their superior officer.

If for any reason, they feel that their immediate management is involved, employees are encouraged to approach a more senior level of management, e.g.: the designated person within the Internal Audit department, the Money Laundering Reporting Officer (depending on the nature of the complaint) or they may address their report to the Group CEO.

REPORTING WITH INTEGRITY

The directors reaffirm their responsibility for preparing the annual report including the annual financial statements in compliance with International Financial Reporting Standards and the Companies Act 2001, and consider the annual report, taken as a whole, fair balanced and understandable. The Board confirms its commitment in providing therein necessary information for shareholders and stakeholders to assess the Group's position, performance and outlook.

The annual report 2018 is published on the Group's website.

Sustainability

Sustainability of MUA Group relies on three primary pillars: Business Resilience, Shared Value and Environmental Impact.

MUACL recognises that it operates across a broad cross-section of communities and it is committed to considering not only economic viability but also environmental consequences and social implications of its activities. Reviewing and reporting on the sustainability of the Group ensures that we find the right balance between economic, environmental and social factors. It also reiterates MUACL's commitment and engagement to go beyond mere compliance, recognising its key role in job and value creation in Mauritius and ultimately in all the markets in which we operate. The Board has also inserted in the Board Charter a clause on Non-Discrimination committing to be an equal opportunity employer.

Environment, Health & Safety

MUACL continues to focus on enhancing the positive safety culture already in place. Key safety objectives are a mandatory component of its business plan, forming an integral part of the daily routine across all business locations. The Group's health and safety framework incorporates industry best practices to effectively control risks and prevent accidents in the work place.

In 2018 MUA focused on a number of health and safety initiatives:

- Further enhance the building safety inspection plan, to ensure that all safety aspects of our buildings are systematically checked. The aim being to provide employees with an optimal and safe work environment.
- Emergency preparedness to promptly respond to a variety of crisis scenarios - fire, accidents, power failures, health pandemics, cyclones and other natural disasters.
- The wellbeing of our employees remains an important aspect of our human resources strategy. To this end the Employee Welfare committee and a number of other departments continued to organise sports and recreation events: weekly football matches; bowling outings; and supported various other sports initiatives. MUA also renewed its sponsorship of the Ferney Trail. Over 30 employees participated in the 50km, 20km, 10km and 4km races, enthusiastically supported by a good number of volunteers at the event.

Health and safety remains an integral and daily part of the business, with each employee taking personal responsibility. The Executive Team pursues a sensible and balanced approach to health and safety of all the business units and its employees.

Charitable and Political Contributions

Charitable Contributions

Charitable donations made by the Company during the year amounted to Rs 1,020,221 - as compared to Rs 1,443,779 in 2017. These donations were channelled through the Fondation Mauritius Union, which has been working since 2010 to execute our CSR projects with greater efficiency, contributing to the empowerment of vulnerable communities. The projects supported in 2018 are detailed in the Sustainability section of this report.

Our primary focus and actions in 2018 were around the education, welfare and development of children from vulnerable groups. Our efforts to assist the most vulnerable are aimed primarily at providing sustainable opportunities in these communities.

Category	Number of projects	Total Spend
Advocacy, awareness and prevention Campaigns	1	85,000
Education, welfare and development of vulnerable children	6	575,221
Poverty alleviation, community development and capacity building	3	155,000
Protection, health and social integration of vulnerable groups	3	155,000
Sustainable development & environment	1	50,000
GRAND TOTAL	**14**	**1,020,221**

We continued to be guided by an open-source approach in 2018. We have seen the enthusiastic involvement of our employees in community support projects throughout the year and this is becoming an important aspect of our team's engagement. The successful implementation of our CSR strategy relied heavily on the engagement of our employees and by continuing to build sustainable partnerships with NGOs and communities which we have supported over many years.

On the national stage, the National CSR Foundation has pursued its mandated activities to support the work of accredited NGOs. We continue to support the work of the NCSRF, directly through the 50% of our CSR contribution disbursed to the Mauritius Revenue Authority and indirectly by responding to their calls for ideas, debate and corporate engagement.

MUACL is committed to building on the hard work and tangible impact we have had in vulnerable communities. Our CSR projects continue to produce positive results, enhancing the daily lives of the less privileged by taking meaningful actions and investing in sustainable initiatives.

Political Contributions

In line with the Company's policy, no political donations were made during the year under review.

AUDIT

Internal Audit

The MUACL Internal Audit's mission is to provide reliable independent assurance to the Board and the Audit Committee on the adequacy and effectiveness of the risk management, governance and internal controls.

The MUACL Internal Audit methodology is risk based and sets out the mandatory standards to be followed by all our Internal Auditors which should allow our Internal Audit function to achieve its mission.

As the third line of defence of the "three lines of defence model", the MUACL Internal Audit function provides an independent assurance over the first and second lines of defence, which are the business operations and risk function respectively. An overview of the company's internal control system is illustrated hereunder:

Our in-house Internal Audit team carries out the internal audits at MUA Group. The scope of their work encompasses:

- Identification of risk areas and the evaluation of the level of risk for each area;
- Review of internal controls and agreed actions which are communicated to the Audit Committee and to the Management;
- Monitoring of the implementation of the agreed actions and reporting these to the Audit Committee.

The team carried out 5 internal audit reviews during 2018, which are depicted as follows:

- Underwriting Motor and Non-Motor at Accredited Agents;
- Motor Claims recoveries;
- MUA Pension Multi-Employer Pension Fund;
- Underwriting Financial & Special Risks unit;
- Branch review - Flacq and Ebène.

Reporting Lines

Our Internal Audit function derives its authority from the Board through the Audit Committee. The Internal Auditors have a direct reporting line to the Audit Committee and maintain an open and constructive communication with the Management. They also have direct access to the Chairperson of the Audit Committee. This structure allows the Internal Auditors to remain independent.

Coverage

The Internal Audit plan, which is approved by the Audit Committee, is based on the principles of risk management designed to ensure that their scope of work is congruent with the degree of risk attributable to the area being audited.

Restrictions

The Internal Auditors have unrestricted access to the Company's records, to management and employees.

External Audit

Ernst & Young have been appointed as external auditors of the Company in 2011 and have since been automatically reappointed.

In line with the Code and the Financial Reporting Act 2004 regarding rotation of external auditors, the shareholders will be invited at the 2020 annual meeting to vote on the appointment of a new external auditor, in replacement of Ernst & Young, further to a tender exercise process to be launched and monitored by the Audit Committee and to be validated by the Board of Directors

The Committee invites the external auditors at their quarterly meetings to discuss the accounts presented, management letters, key audit issues, critical policies and to keep apprise of new accounting standards, methods and terminology. Consultation between the latter and the internal audit team are regularly encouraged. The Audit Committee meets the external auditors without management presence on an ad hoc basis.

The effectiveness of the external auditor is reviewed by the Audit Committee through feedbacks received from its members and from the management team.

The external auditors also provided the additional services as detailed on page 80 of the Statutory Disclosures section of the Annual Report.

The provision of non-audit services is subject to a tender process with objective to ensure that the nature of the non-audit services, if provided by the external auditors, could not be perceived as impairing their independence on the external audit exercise.

RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

Key Stakeholders

The Company is committed towards an open communication with its key stakeholders and to take into account their expectations in the decision-making process. Our various stakeholders are involved in a dialogue on aspects of the MUACL's organisational position, performance and outlook, where appropriate.

The key stakeholders of the Group and the principle ways in which we engage with them are detailed below:

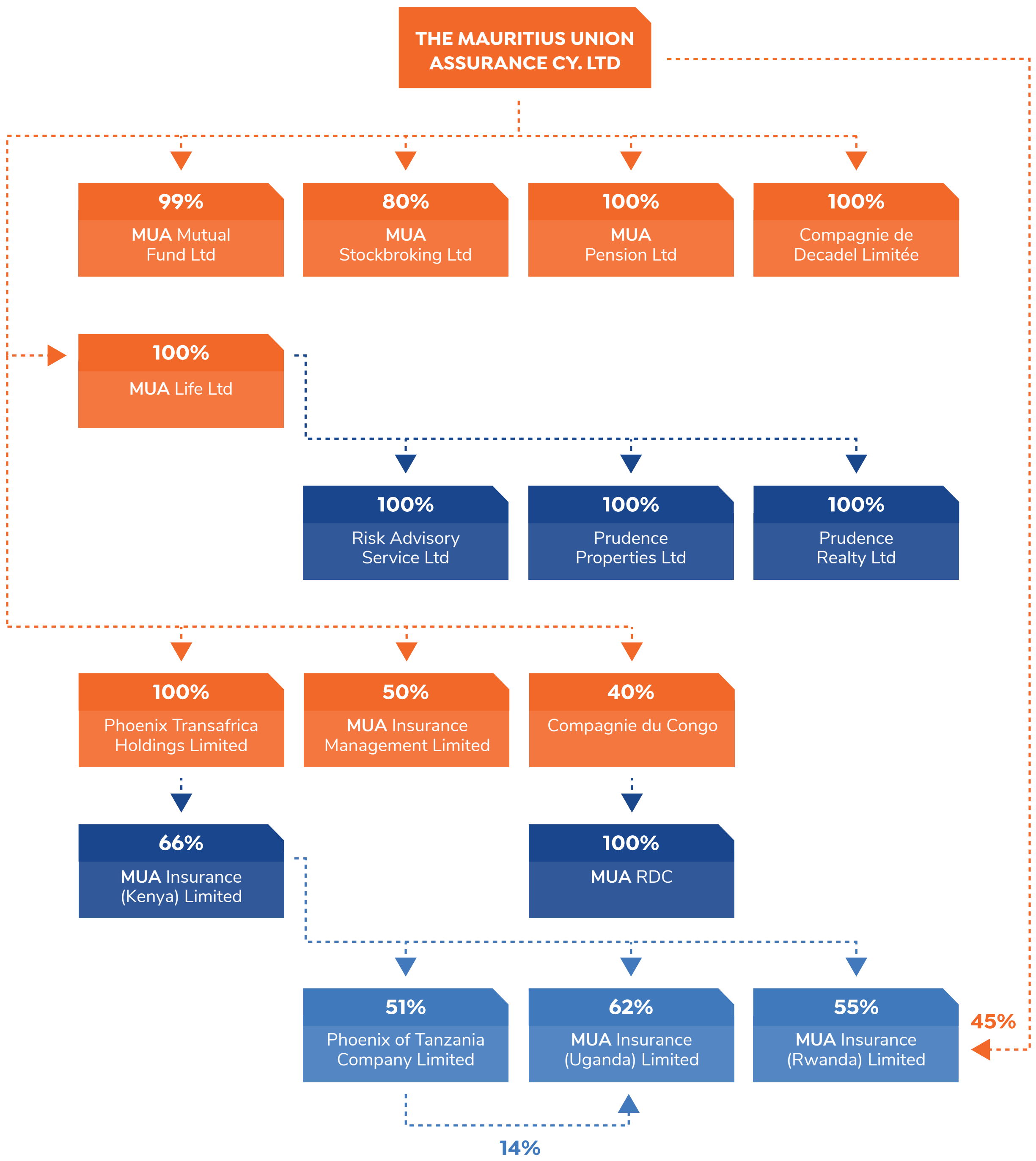
Shareholders & Institutional Investors	The importance of transparency in our shareholder communication is vital and is reflected in various initiatives: the company website (company information, statutory disclosures & updated news); Annual Report; media communiqués (Statement of Accounts, Notice of Dividends & Press Releases); investor meeting (presentation available online); Annual General Meeting.
Employees	Employee engagement is a pillar of the organisation and this is articulated in weekly communication via various channels (email, staff portal & social media); training & development sessions; monthly management and quarterly staff meetings; internal publications.
Customers	Co-ordinated media campaigns across various channels; dynamic social media presence; informative company website; marketing & communication supports available through our offices and representatives; direct communications (email, post & text messages).
Regulators	Regular meetings and interactions with various departments of the Financial Services Commission and ongoing interaction on new products, marketing materials, compliance issues and the financial services sector.
Suppliers & Partners	We prioritise communications with our business partners and service providers, including brokers, agents and our reinsurers. The aim is to build solid and enduring partnerships by exchanging insights, best-practices and experience to empower the respective teams.

Group Shareholding Structure

Shareholders holding more than 5% of the Ordinary Shares:

Name of shareholder	% HOLDING
DUCRAY LENOIR (INVESTMENTS) LTD	13.35
SUCCESSION MR PIERRE JOSEPH EMILE LATOUR-ADRIEN	11.12
DEVLIN INVESTMENTS LTD	7.56
SOCIETE ROBERT DE FROBERVILLE	6.37
SOCIETE DE FINANCEMENT ET DE PROMOTION	5.17

Group Shareholding structure as at 31 December 2018 (before implementation of the Scheme of Arrangement) was as follows:



Shareholding Profile

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-500	493	29.4680	83,871	0.18601
501-1,000	170	10.1614	132,835	0.29460
1,001-5,000	504	30.1255	1,247,200	2.76602
5,001-10,000	170	10.1614	1,241,014	2.75230
10,001-50,000	224	13.3891	4,845,784	10.74692
50,001-100,000	45	2.6898	3,199,026	7.09476
100,001-250,000	46	2.7496	7,370,152	16.34542
250,001-500,000	11	0.6575	3,737,143	8.28819
500,000	10	0.5977	23,232,975	51.52578
TOTAL	**1,673**	**100.0000**	**45,090,000**	**100.00000**

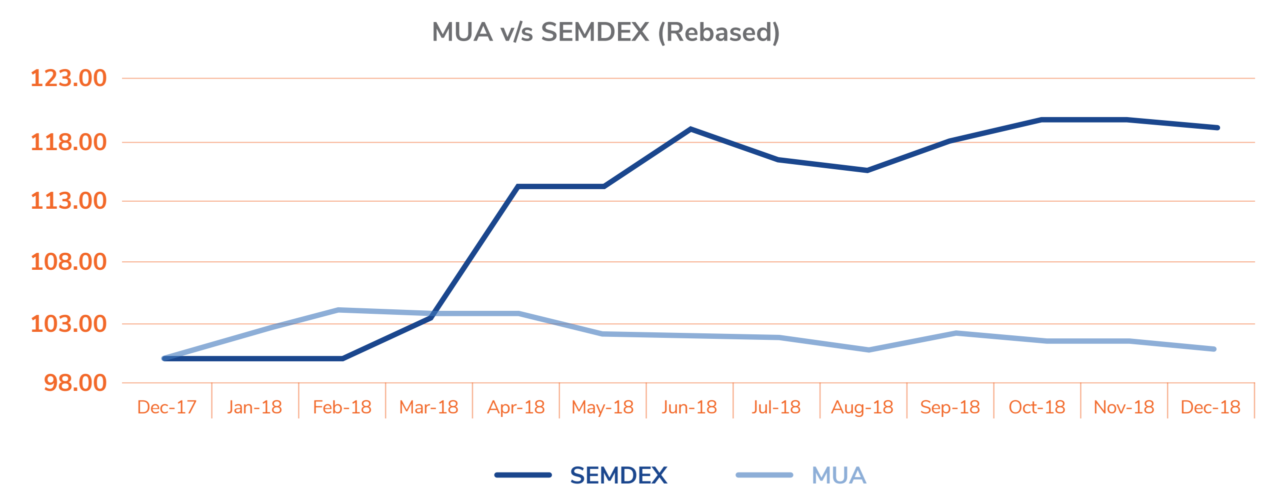
Shares in Public Hands

In accordance with the Listing Rules of the Stock Exchange of Mauritius, at least 25% of the shareholding of the Company is in public hands.

Dividend Policy

The Company has no formal dividend policy. Dividends are paid twice a year, in June and December and are subject to the profitability, cash flow, minimum capital requirements, capital expenditure and foreseeable investments opportunities.

Shareholder Price Information



Further to the implementation of the Scheme of Arrangement, ordinary shares of the Company are no longer listed on the Stock Exchange of Mauritius Ltd and have been exchanged for MUA Ltd ordinary shares which are listed since 8 January 2019.

Shareholders' Agreement

The Company is not aware of any shareholders' agreement.

Shareholders' Information

The annual meeting of shareholders is the main forum where shareholders may exercise their rights to vote on the company's affairs and on its governing body. A number of Board and Committees' members are present at the Annual meeting to give insights on the company's performance, outlook and strategies and to respond to queries from the floor. The external auditor is also invited to the annual meeting.

Shareholders are encouraged to attend the meeting and to avail of the opportunity of raising and discussing any matter relevant to the Company's performance.

The Company publishes on a quarterly basis abridged financial statements and, as and when necessary, any share price sensitive information including dividend declaration.

Shareholders' Calendar of events

As from 2019 the following calendar of event will apply to MUA Ltd.

Timetable of important upcoming events

DECEMBER
- Financial year end (31 December 2018)

MARCH
- Publication of yearly group abridged financial statements (End of March)

MAY
- Publication of unaudited accounts first quarter to 31 March (Mid-May)
- Declaration of interim dividend (Mid-May)

JUNE
- Payment of interim dividend (Mid-June)
- Annual Meeting of Shareholders (End of June)

AUGUST
- Publication of unaudited accounts second quarter to 30 June (Mid-August)

NOVEMBER
- Publication of unaudited accounts third quarter to 30 September (Mid-November)
- Declaration of final dividend (Mid-November)

DECEMBER
- Payment of final dividend (Mid-December)

OTHER STATUTORY DISCLOSURES

(Pursuant to Section 221 of the Companies Act 2001)

ACTIVITIES

The principal activity of the Company during the year comprised the transacting of all classes of insurance business, principally protecting assets – motor and non-motor and medical insurance. The Company also granted secured loans and invested in shares. There has been no change in the nature of its business.

BOARD OF DIRECTORS

The Directors of the Company and of its subsidiaries as at 31 December 2018 were:

Cie du Decadel Ltée
Risk Advisory Services Ltd
Prudence Properties Ltd
Prudence Realty Ltd
Bertrand Casteres

Compagnie du Congo SA
Joseph M. Lebon (Chairman)
Bertrand Casteres
Jerome Katz
Joseph J. Lebon

Fondation Mauritius Union Ltd
Bertrand Casteres (Chairman)
Delphine Ahnee
Mekraj Baldowa
Jerome Katz
Clarel Marie

MUA Insurance (Kenya) Ltd *(formerly Phoenix of East Africa Assurance Company Limited)*
Bertrand Casteres (Chairman)
Vincent Ah Chuen
Moyez Alibhai
Maheboob Alibhai
Mehtab Aly
Charles W Gatonye
Japhet Mucheke
Azim Virjee

MUA Insurance Management Ltd
Bertrand Casteres (Chairman)
Valerie Bishop Cusano
Sin Cham (Laval) Foo-Kune
Simon Pringle
Mark Roberton (until March 2018)
Kenny Wong

MUA Insurance (Rwanda) Limited *(formerly Phoenix of Rwanda Assurance Company Limited)*
Erneste Gerard Lemaire (Chairman)
Maheboob Alibhai
Mehtab Aly
Felix Bizumuremyi
Bertrand Casteres
Théophile Munyaruganda
Emmanuel Rusera (until November 2018)
Ben Rugangazi (until November 2018)

MUA Insurance (Uganda) Limited *(formerly Phoenix of Uganda Assurance Company Limited)*
Bertrand Casteres (Chairman)
Vincent Ah-Chuen
Maheboob Alibhai
Mehtab Aly
Nasimbanu Bhalwani
Latimer Kagimu Mukasa
James Mukasa Sebugenyi
Conjeevaram Krishna Srinivasan
Joseph Tinkamanyire
Raj Kumar Verma

MUA Life Ltd
(formerly La Prudence (Mauricienne) Assurances Ltée)
Dominique Galea (Chairman)
Vincent Ah Chuen
Alfred Bouckaert
Bertrand Casteres
Bruno de Froberville
Naresh Gokulsing
Catherine Mc Ilraith
Mushtaq Oosman
Axel Roussety

MUA Mutual Fund Ltd
(formerly The National Mutual Fund Ltd)
Bruno de Froberville (Chairman)
Bertrand Casteres
Sin Cham (Laval) Foo-Kune
Naresh Gokulsing
Jérôme Katz

MUA Pension Ltd
(formerly Feber Associates Limited)
Bruno de Froberville (Chairman)
Bertrand Casteres
Dominique Galea (until July 2018)
Naresh Gokulsing
Jérôme Katz (until April 2018)

OTHER STATUTORY DISCLOSURES
(Pursuant to Section 221 of the Companies Act 2001)

MUA RDC SA
Joseph M. Lebon (Chairman)
Bertrand Casteres
Adnan Elabed
Jerome Katz
Joseph J. Lebon
Piet Provoost

MUA Stockbrocking Ltd
(formerly Associated Brokers Ltd)
Vincent Ah Chuen (Chairman)
Bertrand Casteres
François Cayeux
Pierre de Chasteigner du Mée
Naresh Gokulsing

Phoenix of Tanzania Assurance Company Limited
Bertrand Casteres (Chairman)
Vincent Ah Chuen
Maheboob Alibhai
Mehtab Aly
Wilbert Kapinga
Isaac Kiwango
Yusuf Mushi
Tanil Somaiya
Baldev Varma

Phoenix Transafrica Holdings Limited
Dominique Galea (Chairman)
Vincent Ah Chuen
Bertrand Casteres
Mélanie Faugier

EXECUTIVE DIRECTOR'S SERVICE CONTRACT
Mr Bertrand Casteres, Group Chief Executive Officer, has no fixed term contract. Mr Ashraf Musbally, Group Managing Director of MUA Insurance (Kenya) Limited has no fixed term contract.

AUDITORS' REMUNERATION

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Audit fees paid to:				
- Ernst & Young	**5,673**	6,471	**1,857**	1,727
- Deloitte	**1,522**	535		
Fees paid for other services provided by				
- Ernst & Young	**1,373**	2,048	**382**	640
Details:				
Tax Computation Services	**817**	1,024	**89**	88
Review of the Annual Statutory Return to the FSC	**556**	556	**293**	293
Advisory Services	**-**	468	**-**	259
Deloitte	**-**	-	**-**	-
Tax Computation Services	**228**	40		
TOTAL	**8,796**	9,094	**2,239**	2,367

CONTRACTS OF SIGNIFICANCE
There was no contract of significance subsisting during the year to which the Company, or one of its subsidiaries, was a party and in which a director was materially interested, either directly or indirectly.

DIRECTORS' STATEMENT OF RESPONSIBILITIES

FINANCIAL STATEMENTS
The Directors of The Mauritius Union Assurance Cy. Ltd are required by the Companies Act 2001 to prepare, for every financial year, financial statements which present a true and fair view of the financial position of the Company and the Group at the end of the financial year as well as the results of their operations for the year then ended. They are responsible for the adequacy and accuracy of these financial statements and for the objectivity of any other information presented therein.

The Directors confirm that in preparing these financial statements they have:
1. Selected suitable accounting policies that are compliant with International Financial Reporting Standards and applied them consistently;
2. Made judgments and estimates that are reasonable and prudent;
3. Prepared the financial statements on a going-concern basis;
4. Kept proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company;
5. Taken appropriate measures to safeguard the assets of the Company through the application of appropriate internal control, risk management systems and procedures;
6. Taken reasonable steps for the prevention and detection of fraud and other irregularities;.
7. Adhered to the Code of Corporate Governance and provided reasons for any area of non-compliance.

INTERNAL CONTROL
The Directors are responsible for the Company's systems of internal control. The systems have been designed to provide the Directors with reasonable assurance that assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or detected within a reasonable time. An internal audit and a risk and compliance function have been established to assist management in the effective discharge of its responsibilities. Internal audit review business controls on an on-going basis are carried out independently of management. Reports are presented directly to the Audit Committee.

RISK MANAGEMENT
Through the Risk Committee, Directors are made aware of the risk areas that affect the Company and ensure that Management has taken appropriate measures to mitigate these risks.

The Board ensures that the principles of good governance are also applied in the Company's subsidiaries.

Approved by the Board of Directors on 29 March 2019 and signed on its behalf by:

Dominique GALEA
Chairman

Bertrand CASTERES
Group CEO

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

Name of Public Interest Entity: The Mauritius Union Assurance Cy. Ltd
Reporting Period: Year ended 31 December 2018

Throughout the year ended 31 December 2018 to the best of the Board's knowledge The Mauritius Union Assurance Cy. Ltd has not complied with certain principles of the Code of Corporate Governance for Mauritius (2016).

The areas of non-compliance are:

Principle	Area of non-compliance	Explanation
Website Disclosures	The website does not contain all required disclosures	Website will include a Corporate Governance Section as from 2019

Dominique GALEA
Chairman

Bertrand CASTERES
Group CEO

29 March 2019

RISK **MANAGEMENT**

RISK
MANAGEMENT

RISK MANAGEMENT PHILOSOPHY AND OBJECTIVES

As a financial services company active in short and long term insurance, investments, life insurance and retirement services, MUA is naturally exposed in its daily business activities and strategic planning to numerous types of risk. Examples of such risks are changes in mortality rates, undergoing losses due to man-made or natural catastrophes, losing income ability through operational disruptions, outliving of assets and so on.

Risk management in practice is where companies steadily identify, quantify and manage the various types of risk inherent to the operations. The most vital goals of a sound risk management program are:

- Ensuring risks inherent to our business activities in Mauritius and in the East African market are identified, monitored, quantified and adequately managed;
- To manage the business' exposure to prospective earnings and capital capriciousness;
- To capitalize value for the organization's different stakeholders.

We are fully committed to maintain our existing strategy of embedding risk management in what we do as it is the source of value creation as well as an essential form of control. It is an integral part of maintaining financial stability for our customers, shareholders and other stakeholders.

Our sustainability and financial strength are supported by an effective risk management process which helps us identify major risks to which we may be exposed, while instituting appropriate controls and taking mitigating actions for the benefit of our customers and shareholders.

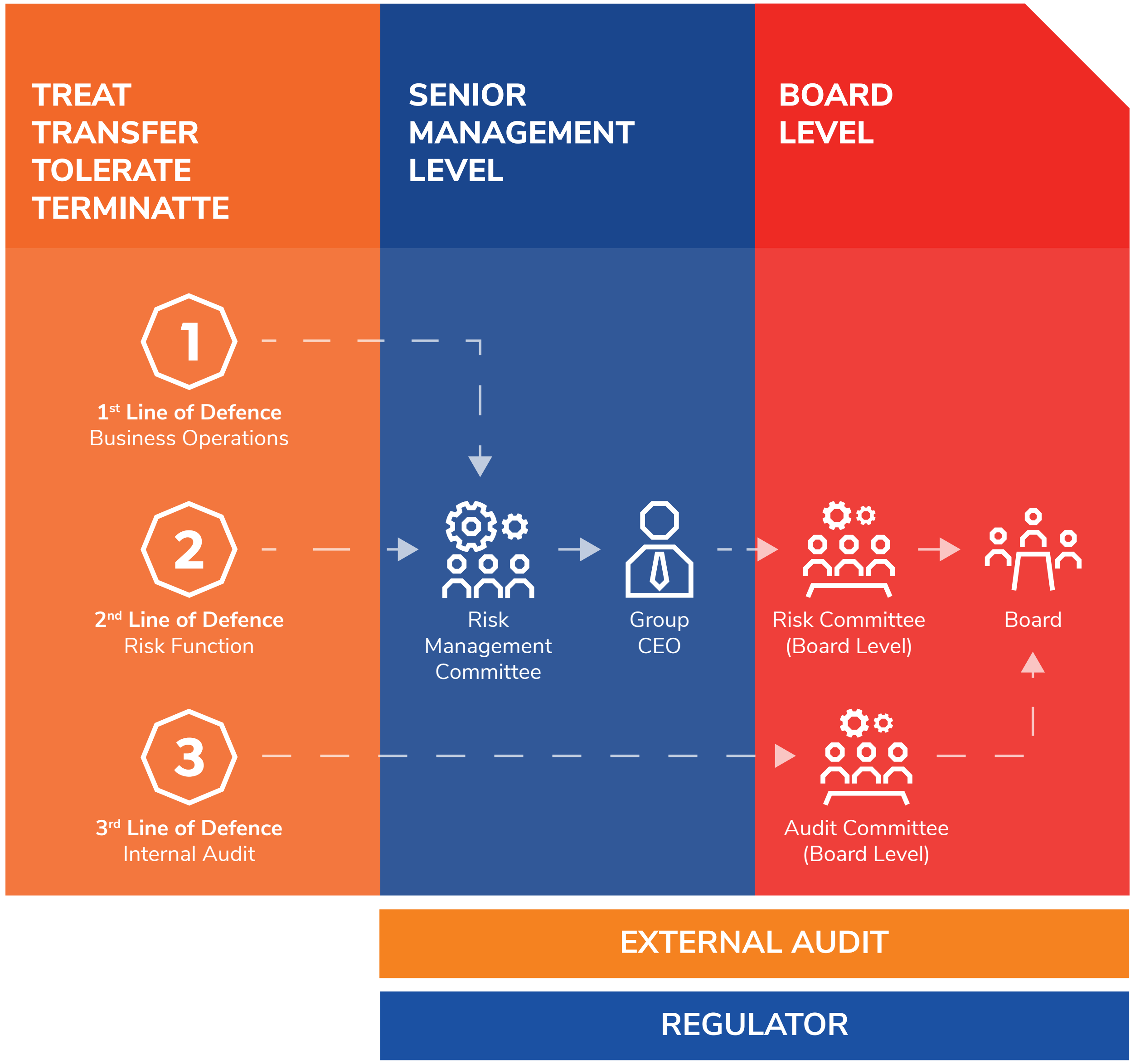
Consequently, our risk management objectives are based on the following:

Open risk culture: Promote a strong risk management culture amongst our staff, driven by a robust risk governance structure and clear risk appetites.

Ensure that sufficient capital surpluses are available to meet the expectations of customers, shareholders and be compliant with regulatory obligations, and to meet our liabilities even if a number of extreme risks were to materialize.

Clear accountability: Our operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for the risks they take on and their incentives are aligned with MUA's overall business objectives.

RISK MANAGEMENT OVERVIEW



The Group has a defined step by step approach with respect to risk management. The above diagram illustrates the high level process, whereby risks can be managed through the 4 T's, at each step.

Treat: Take action to control the risk either by reducing the likelihood of the risk developing or limiting the impact it will have on the project.

Transfer: Some of the financial risks maybe transferable via insurance or contractual arrangements or accepted by third parties.

Tolerate: Nothing can be done at a reasonable cost to mitigate the risk or the likelihood and impact are at reasonable level.

Terminate: Do things differently and remove the risk.

TYPES OF RISKS – INHERENT V/S RESIDUAL

The inherent risk is the one that exists before a company addresses it, that is the risk to the Group in the absence of any action taken to alter either its likelihood or its impact. Every company faces it, not all manage it effectively. These risks are reflected mainly on how you do business; its complexity, growth, changes; the staffing; technology and the organizational structure.

The residual risk is also known as "vulnerability" or "exposure". It is the risk that remains after the company has attempted to mitigate the inherent risk.

Adopting the approach of Enterprise Risk Management within the Group, where management provides assurance and internal audit provides reassurance, management is responsible for:

- Assessing the inherent risk (i.e., before mitigation and controls);
- Assessing the effectiveness of existing risk mitigation and controls;
- Determining the residual risk (i.e., the risk that remains after mitigation and controls are implemented);
- Determining whether such exposure is within the company's risk appetite for that type of risk, and if not, taking additional steps to mitigate the risk;
- Providing reasonable assurance to the board that the controls are both effective and efficient in managing the exposure so that it remains within the board-approved appetite for that type of risk.

The diagram below illustrates how the Group's risk control framework minimizes the number of inherent risks to residual ones. The duty of the risk management is to review continuously the internal controls of the inherent risks and to monitor closely the residuals risks while taking actions when appropriate.

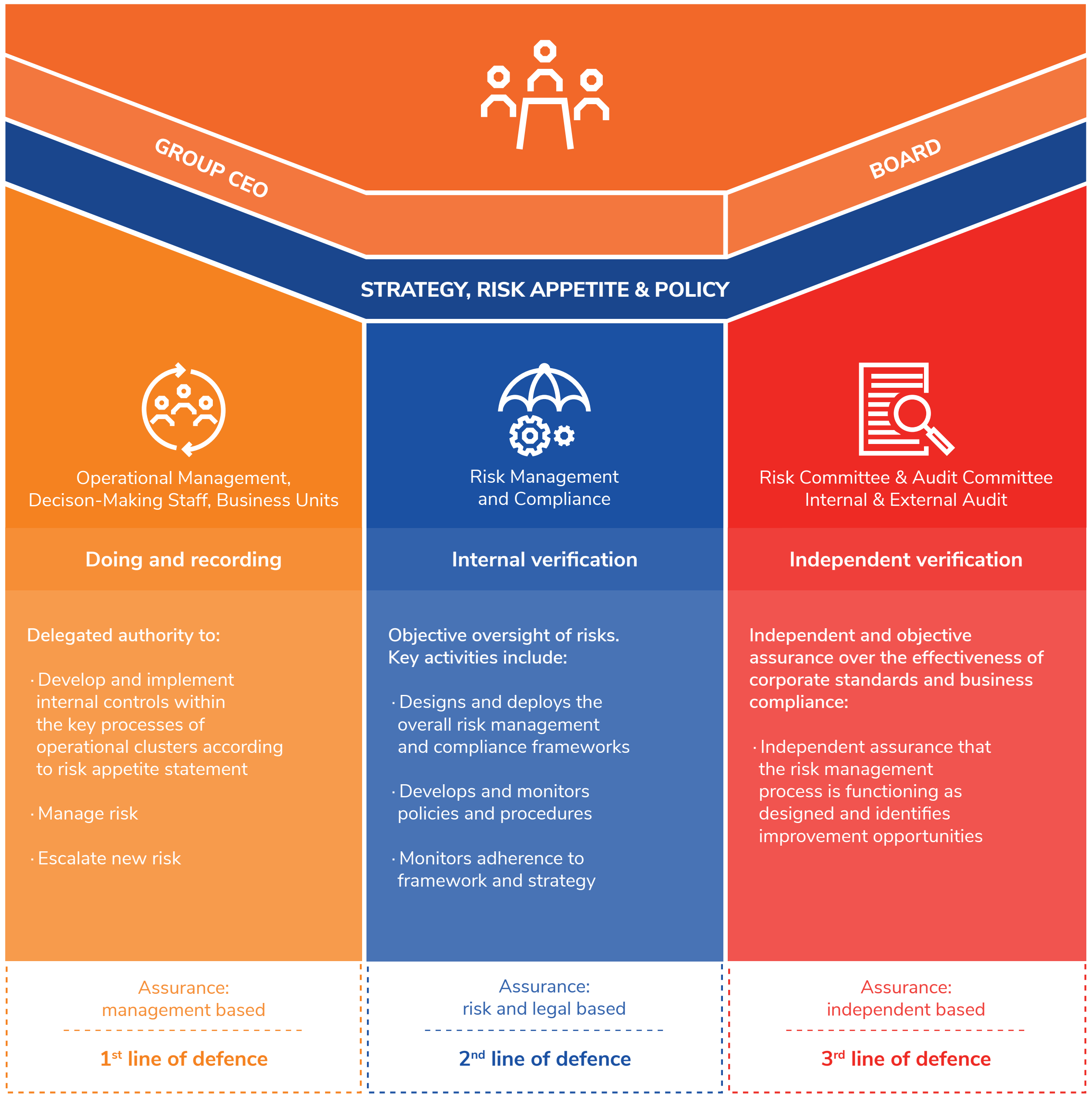
RISK CONTROL FRAMEWORK

RESIDUAL RISK

INHERENT RISK	MITIGATION / CONTROL	OUTCOME	RESIDUAL RISK
Catastrophe (Fire, Cyclone, Flood)	Business Continuity Management Plan	Different site, business continues/resumes	Phased resumption of operations
(Virus, Hackers) Cyber Threats	Cyber Security Framework	Prevention from loss of data, protection (downtime)	Contained Cyber Risk
Onboarding high risk motor insurance clients (e.g. high claims history, risky vehicle make and model)	Underwriting guidelines	Strong client base	Despite the improved loss ratio, deal with the current claims' frequency and severity
Non-Compliance to laws and regulations. Example: delay in data retrieval or implementation of changes in processes/IT system to be compliant.	Setting up of cross-functional steering committees with stringent schedules and deliverables according to mile stones	Prevention of reputational risk and RAS breach	Minimised risk of delay and visibility on potential delays so that corrective actions still possible
Nat-Cat Risk: World-wide climate change with a higher risk that our region is severely impacted	180-degree assessment of coverage, RAS, RTL to evaluate worst case scenario and ensure adequate coverage	Contained financial losses under Nat-Cat	Bad loss ratios

RISK MANAGEMENT RESPONSIBILITIES

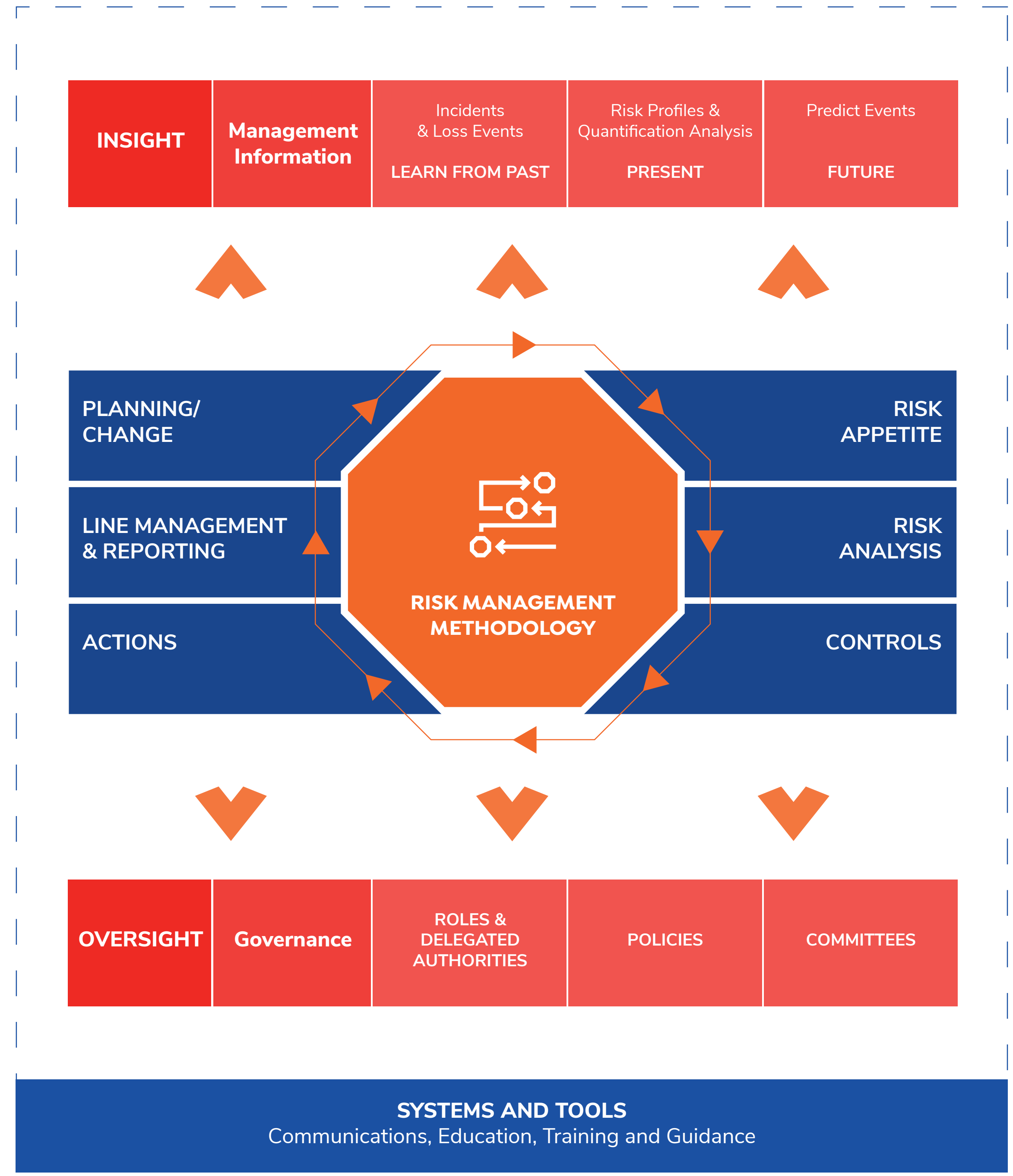
MUA has adopted the ‘three-lines-of-defence’ model where ownership for risk is taken at all levels in the Group. This model is widely adopted by financial services companies globally. It clearly sets out the risk management responsibilities across the business and is consistent with the current regulatory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



THE RISK MANAGEMENT FRAMEWORK

The Group Audit and Risk Methodology is fully risk-based and aligned on COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management (ERM) Framework. The COSO ERM Framework is the broadly accepted standard against which organizations can benchmark their internal control activities.

MUA’s risk management framework forms an integral part of the management and Board processes as well as the decision-making framework across the organisation. The key elements of the risk management framework are illustrated below:



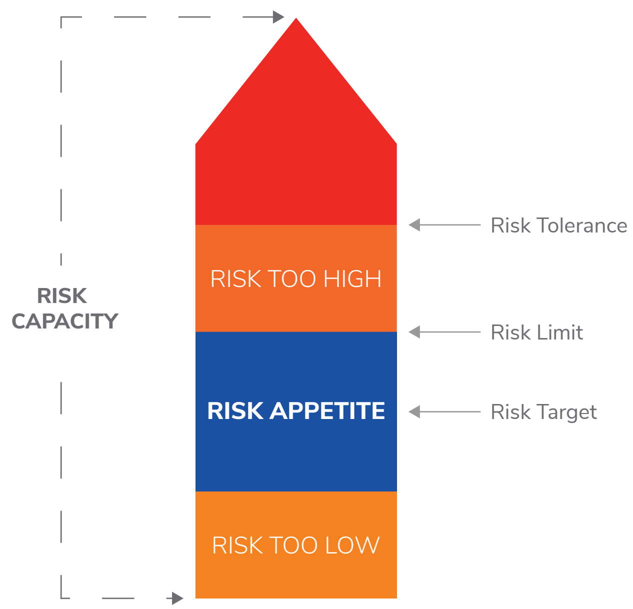
RISK APPETITE

The risk appetite is the level of risk the Group acknowledges and is able to accept in the pursuit of its strategic objectives.

The strategic and operational planning process supports the group in optimally exploiting its opportunities. This involves the consideration of the portfolio of opportunities identified by businesses, leading to decisions by the Board in relation to the opportunities the group wishes to pursue.

Capital is allocated to businesses to support delivery of these plans. The group's required returns will be reflected in the targets set for businesses, including targets for return on capital employed, growth in business and profitability and dividend payment expectations.

The group's business plan, capital allocation and business targets are therefore a key component of the group's risk appetite. Risk appetite will accordingly continually evolve and be reviewed.



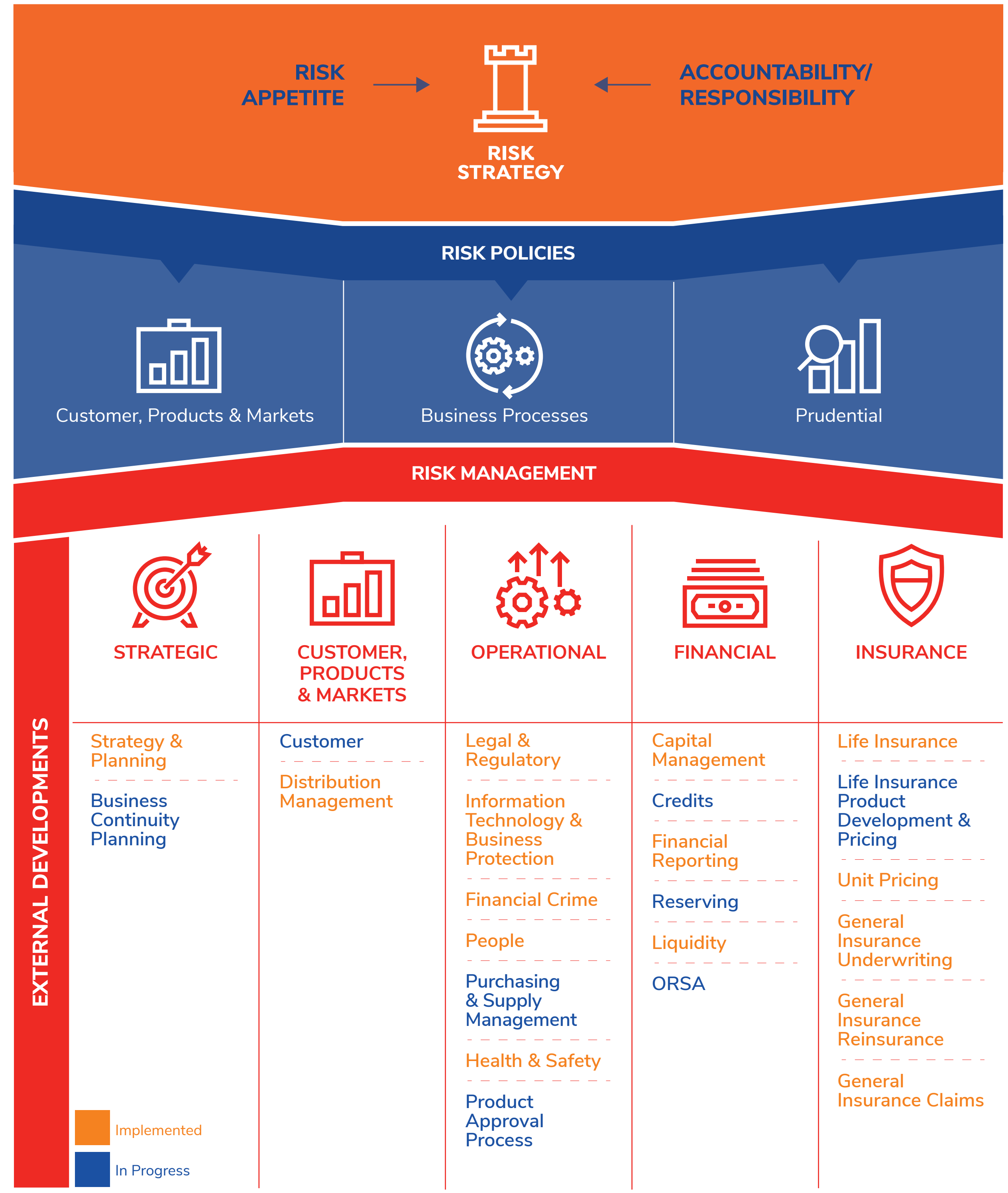
> **"The best we can do is size up the chances, calculate the risks involved, estimate our ability to deal with them, and then make our plans with confidence."**
>
> Henry Ford

POLICIES AND PROCEDURES

To inculcate a consistent and rigorous approach to risk management across all the businesses in which we operate, we observe a set of formal risk policies. These delineate risk management and control requirements for the Group's operations. As our business responds to changing market conditions and customer needs, we regularly monitor the appropriateness of our risk policies to ensure that they remain up-to-date.

We regularly identify and review risk exposures. Where risks are outside of tolerance, action plans are required. Similarly, controls are regularly reviewed for effectiveness and corrective actions implemented where necessary. This helps to provide assurance to the various risk oversight committees that there are appropriate controls in place for all our core business activities, and that the processes for managing risk are understood and followed consistently across our businesses.

THE RISK PROFILE



CRITICAL RISKS	MANAGEMENT AND MITIGATIONS EXAMPLES
Strategic Risk	
Definition: The risk of a negative impact on the company's value, arising from the adverse effect of management decisions regarding business strategies and their implementation. This risk reflects on the compatibility between strategic goals, business continuity management and the resources deployed to achieve those goals. Strategic risk also includes the lack of management's ability to effectively analyse and react to external factors (e.g. market conditions/ natural catastrophes) which could affect critical operations of the Group and prevent critical services to be resilient. **Owner: Group CEO**	
Strategy & Planning	• We agree, monitor and manage Strategic Targets. • Emerging risks are identified and managed using established Risk Management Framework.
Business Continuity Management	• We are in the process of implementing a Business Continuity Pan.
Customer, Products & Markets Risk	
Definition: During insurance operations, there may be a risk related to customer management, brand management, products and distribution management which can cause significant damage to the group's reputation, profitability, future business and market share. **Owner: Group CEO**	
Customer	• We have a strong culture of considering customers' perpectives and it is imperative that we deliver the right outcome for them.
Distribution Management	• An adequate selection of sales force is done with satisfactory sales capabilities, customer centricity in compliance with the regulatory framework, in order to distribute MUA's products effectively.
Brand & Marketing Communication	• We make use of outside skilled cousultants in the fields of marketing, communication and advertising.
Corporate Responsibility	• We have put in place a Corporate Social Responsibility (CSR) committee to look after all CSR related activities.
Environment	• We have launched e-documents for insurance policies to be in line with our philosophy of reducing carbon footprint.
Operational Risk	
Definition: Operational risks are risks of loss and/or opportunity gain foregone resulting from inadequate or untried internal processes, human error and systems' malfunction, fraud or from external events. Most organizations like MUA Group accept that their people and processes will inherently incur errors and contribute to ineffective operations. In evaluating operational risk, practical remedial steps should be emphasized in order to eliminate exposures and ensure successful responses. **Owner: Heads of Support Functions**	
Information Technology	• Improved performance of our IT systems across the board, while focussing on the development of future system capability is key for us. With significant changes underway, we are monitoring risks associated with out IT systems' stability, cyber security and internal control environment.
Legal & Regulatory	• We work towards efficient and customer friendly processes while having a strong risk based approach to minimise exposure and ensure robustness of processes. • Compliance Risk: We have a well-defined and well documented compliance manual in place which provides a clear link between internal and external compliance requirements with the different business and operational processes. We maintain regular communications and awareness sessions with employees as with regards any new changes and development in laws, regulations, supervisory provisions and industrial rules and guidelines.

CRITICAL RISKS	MANAGEMENT AND MITIGATIONS EXAMPLES
Operational Risk	
Financial Crime	• We have established procedures in place for money-laundering and fraud management. We provide continuous training to our employees with regards to the inherent risks faced by our business. These include: Proper reporting processes to the Money Laundering Reporting Officer; processes in case of Suspicious transactions; Politically Exposed Persons; and a Whistleblowing Policy.
People	• We make sure that the objectives of our employees are aligned with the company's business objectives and are reviewed annually.
Outsourcing	• We monitor performance of our outsourced activities.
Health & Safety	• We have a Health & Safety committee in place to promote cooperation between the employer and employees in instigating, developing and carrying out measures to ensure the health and safety of employees.
Purchasing & Supply Management	• We have a procurement policy and committee in place.
Communications	• Information shared to internal and external stakeholders is well-structured and managed.
Financial Risk	
Definition: Financial Risks as the term suggests is the risk that involves financial loss to firms. It generally arises due to instability and losses in the financial market caused by movements in stock prices, currencies, reserves, interest rates and more. Our focus is on capital management which is an accounting strategy that strives to maintain sufficient and equal levels of working capital, current assets, and current liabilities at all times. **Owner: Chief Financial Officer / Head of Investment / Actuarial**	
Capital Management	• Capital are held with comfort margins over minimum statutory and other capital requirements, including a minimum level of capital requirements of the Insurance Act 2005 and the Insurance Rules and Regulations 2007.
Credit	• We continuously monitor the ratings for our Reinsurers through credit rating agencies and make sure we purchase reinsurance from the ones with the best ratings.
Financial Reporting	• We ensure that there is a maker and checker for each financial reporting process while having in-built controls in our systems.
Reserving	• We estimate technical reserves using various actuarial and statistical techniques. Management's best estimate of total reserves is set at not less than the actuarial best estimate.
Liquidity	• We measure our liquidity risks on an on-going basis through cash flow forecasts, asset allocation and maturity profile and run scenario testing.

CRITICAL RISKS	MANAGEMENT AND MITIGATIONS EXAMPLES
Insurance Risk	
Definition: The main activity of the group is the acceptance of risk under an insurance contract (Life/Non-life) where in return for a consideration (the premium), a policyholder is compensated for pecuniary loss suffered as a result of a specified uncertain future event. The core of our business is to underwrite those policies whereby underwriters evaluate the risk and exposures of potential clients to determine whether coverage can be provided or not and under which terms. **Owner: Heads of Business Lines / Actuarial**	
Life Insurance Risk	• We make sure that the recommendations of the actuarial reports are firmly implemented.
Life Insurance Product Development and Pricing	• Products are developed, approved and managed in line with relevant risk appetite, risk preferences, capital and profitability targets and are vetted by our statutory actuary.
Unit Pricing	• We have a unit pricing guideline and governance framework in place.
General Insurance Underwriting	• Underwriting guidelines are set for all transacted business and pricing refined by analysing comprehensive data.
General Insurance Reinsurance	• Excess of loss (XOL) are determined by the business head and are approved by the Board annually at renewal.
General Insurance Claims	• We have appropriate controls in place for the detection of fraudulent claims.

ROLE OF THE RISK COMMITTEE

The Risk Committee is established by the Board of Directors to assist in its oversight of risk and risk management across the Group, including its East African subsidiaries.

The committee provides an independent and objective oversight of all aspects of risk as presented in our risk profile (Strategic/Financial/Insurance etc.). It also has an oversight of all management committees such as the Risk Management Committee, the Audit Committee and the Assets and Liabilities Committee, to ensure that significant existing or emerging risks are efficiently identified, measured, managed, monitored and reported on a continuous basis.

REGULATORY DEVELOPMENTS

The Financial Services Commission (the 'FSC Mauritius') with the collaboration of the World Bank embarked on a project in 2014 aimed at strengthening prudential regulations, risk-based supervisory and resolution frameworks for the insurance sector.

The main features of these rules are:

1. Risk Appetite Statements
2. Risk Management Strategies
3. Forecasted Business Plans
4. Own Risk Solvency Assessment (ORSA) Framework
5. Liquidity Policy
6. Designated risk management function; and
7. Defined responsibilities and roles and reporting lines within the insurer for the management of material risks

We have been preparing for the implementation of this new legislation over the last two years, ensuring that our business practices are aligned with the new rules as they became clearer.

For the second year now we have submitted our 'Own Risk Solvency Assessment' report and Risk Management Framework under the "Insurance (Risk Management) Rules 2016".

In compliance with Section 5(4), our external auditors have reviewed and reported to the Board that our Risk Management Framework is compliant with the rules. Moreover, as per Section 5(5) of the rules, our statutory actuaries have reviewed and reported to the Board on the effectiveness of our Risk Management Framework.

FINANCIAL STATEMENTS

SECRETARY'S CERTIFICATE FOR THE YEAR ENDED 31 DECEMBER 2018

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

ECS SECRETARIES LTD
Secretary

29 March 2019

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Mauritius Union Assurance Cy. Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 110 to 233 which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Group and Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001 and the Financial Reporting Act 2004 and the Insurance Act 2005.

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 Consolidated Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matters	How the matters were addressed in our audit
1. *Recoverability of goodwill and investment in subsidiaries* At December 31, 2018 goodwill amounted to Rs.306.9M. As detailed in Note 40 of the consolidated financial statements, the Group's goodwill is allocated to cash generating units (CGUs) that are identified generally at a segment level. The valuation and recoverability of significant goodwill and client portfolio involves complex judgments and estimates, including projections of future income, terminal growth rate assumptions, and discount rates. The assumptions used and judgement applied to arrive at those estimates can have a material impact on the valuations and impairment decisions reflected in the consolidated financial statements of the Group. In the Company's separate financial statements, investment in subsidiaries are carried at cost less impairment. As detailed in Note 8 of the consolidated financial statements, the Group has an investment of Rs 209 M in its local subsidiaries and Rs 701 M in its foreign subsidiaries. Management makes an impairment assessment at the end of each reporting date. The same discounted cash flow (DCF) models as used for testing of impairment of goodwill are used and involve management judgments and estimates. Given the significance of the above judgement and estimates, we believe that these are Key Audit Matters for our audit.	We obtained an understanding, evaluated the design and tested the operating effectiveness of selected key controls over projections of future income, terminal growth rate assumptions, and discount rates related to the recoverability of goodwill, client portfolio and investment in subsidiaries. In relation to the particular matters set out above, our substantive testing procedures included the following: • We corroborated the justification of the CGUs defined by management for goodwill allocation; • We tested the principles and integrity of the Group's discounted cash flow model that supports the value-in-use calculations in order to assess the appropriateness of the methodology applied in the Group's annual impairment assessment; • We evaluated management's methodology and assumptions used including projections on future income (including a comparison of forecast to actual results), terminal growth rate assumptions, discount rates and sensitivity analysis to determine the impact of those assumptions; • We evaluated management's ability to forecasts by comparing last year's forecast to this year's actual results; and • We included a specialist on our team to assist in the testing of the discount factor.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matters	How the matters were addressed in our audit
2. *Valuation of insurance contract liabilities-short term insurance (Notes 2.5(ii) and 13)* The valuation of general insurance loss reserves involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Group uses a range of actuarial methodologies to estimate these provisions. General insurance loss reserves require significant judgment relating to factors and assumptions such as inflation, claims development patterns and regulatory changes. Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, some catastrophic events can be more complex to model using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves. Given its complexity and significance the valuation of insurance contract liabilities-short term insurance has been considered as a Key Audit Matter.	We obtained an understanding, evaluated the design and tested the operating effectiveness of selected key controls over the claims estimation process including IBNR. In particular, we tested the controls over the integrity of data and the assumptions setting and governance processes used by management related to the valuation of general insurance reserves. In relation to the particular matters set out above, our substantive testing procedures included the following: • We reviewed the documentation around outstanding claims which are high in value and involving longer settlement periods and tested management best estimates of the settlement outcome. Where appropriate we obtained legal confirmation to corroborate management's assessment; • We tested the completeness and accuracy of underlying claims data that are sent to the actuary in estimating general insurance loss reserves. This includes the testing of information sent to the actuary for the determination of IBNR; • We evaluated the actuarial assumptions used by management based on the analysis of the experience to date, industry practice and the financial and regulatory requirements; • We evaluated management's methodology and assumptions against actuarial practices and industry standards; and • We evaluated whether the actuary has the relevant expertise and experience in this field.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matters	How the matters were addressed in our audit
3. Valuation of Insurance Contract Liabilities – long-term insurance (Notes 2.5 (ii) and 13) Act uarial assumptions and methodologies involve judgements about future events, both internal and external to the Group, for which small changes can result in a material impact to the valuation of insurance contract liabilities. Furthermore, the valuation of insurance contract liabilities is dependent on the quality, integrity and accuracy of the data used in the valuations. We have therefore identified the following areas of focus in relation to the valuation of long-term insurance contract liabilities: • Appropriateness of actuarial assumptions, models and methodology; and • Data processes and associated controls relevant to the actuarial valuation. Actuarial assumptions and methodologies reflected in policyholder liabilities are subject to a considerable level of judgement. The operational assumptions are informed by actual experience, market experience and practice, and expectations as to future trends. Economic assumptions are typically based on latest market conditions and are set in accordance with relevant guidance and the Group approved policy. The assumptions that we consider to have the most significant impact on the actuarial valuations are: • Mortality, longevity, disability and morbidity; • Expenses; and • Risk discount rates. The integrity and appropriateness of models and methodology are also considered to be critical in the overall valuation of insurance contract liabilities.	Our audit of these assumptions, models and methodology applied in the valuation of insurance liabilities, included the following audit procedures that were executed with the assistance of our actuarial experts, across the areas considered material: • We assessed the valuation methodology and assumptions for compliance with the latest actuarial guidance, legislation and approved company policy; • We obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls related to the actuarial valuation process for the setting and updating of actuarial assumptions and the process for model and methodology changes; • We analysed management's key assumptions around mortality, longevity, disability, morbidity and expenses and assessed the results of management's experience analyses; • We assessed the economic basis, including the risk discount rates, by independently validating the risk free yield curve; • We evaluated, on a sample basis, whether model and methodology changes have been appropriately implemented; • We evaluated the assumptions and methodology against expectations based on our knowledge of the Group, industry practice, and regulatory and reporting requirements. This included an independent evaluation through enquiries with the external actuary and review by a specialist in our team; • We evaluated the key sources of profit and loss and assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements; • We considered the level of margins held, management's justification for holding these margins and how these will be released in future; and • We performed procedures over the Minimum Capital Requirements (MCR) calculation by comparing it with the applicable Solvency Rules and we evaluated management actions under the prevailing market conditions.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matters	How the matters were addressed in our audit
Data is a key input into the valuation process: the calculation of insurance contract liabilities has a number of inputs, which are reliant on various processes and applications for accurate and complete data. A breakdown of the controls around these processes and applications could result in a misstatement of the value of insurance contracts. Given its complexity and significance the valuation of insurance contract liabilities-long term insurance has been considered as a Key Audit Matter.	*Data processes and controls relevant to the actuarial valuation:* In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we, inter alia, performed the following audit procedures: • We evaluated the design and tested the operating effectiveness of the key aspects of the control environment over data integrity, including an evaluation of the effectiveness of the IT environment over the policy administration systems, together with the data extraction and conversion processes; • We performed an evaluation of the key controls over management's collection, extraction and data validation processes, which included testing of the reconciliations between the policy administration systems and the data sent to the external actuary for the actuarial valuation; and • We obtained the data pack from the external actuary and compared with the data which management has sent to the actuary for the valuation.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matters	How the matters were addressed in our audit
4. <u>*Expected Credit Loss (ECL) for loans and advances to customers under IFRS 9- applicable to the Group as from 1 January 2018*</u> Our audit considered the ECL on loans and advances to customers as a key audit matter due to the materiality of the balances, its associated subjective nature of the management's impairment estimation, and transition to the ECL model under IFRS 9. As at 31 December 2018, the Group and the Company recorded a total of Rs 867.6m and Rs 282.2m as loans and advances to customers, net of allowance for impairment as stated in Note 11 which represented 5.7% and 6.7% of the Group's and the Company's total assets respectively. The impact on transition to the ECL model under IFRS 9 on the Group's financial statements, is disclosed in Note 3. The estimation of allowance for impairment requires subjective judgements. Management determined such allowance for impairment using complex calculations. Group's transitioning to ECL model under IFRS 9 required significant changes to the basis of estimating allowance for impairment. Given its complexity and significance the valuation of insurance contract liabilities-long term insurance has been considered as a Key Audit Matter. Given the significance of the above judgement and estimates, we believe that these are Key Audit Matters for our audit.	To assess the reasonableness of the ECL on loans and advances to customers, our audit procedures (among others) were designed to obtain sufficient and appropriate audit evidences, including the following: • We observed the oversight and approval of impairment policies by the management; • We evaluated the design implementation and operating effectiveness of available controls over management's processes to calculate the ECL for loans and advances to customers. This included the definition of credit stages, the allocation of assets into these stages, model governance, date accuracy and completeness, credit monitoring, individual provisions and production of journal entries and disclosures; • We tested the underlying calculations and data used in such calculations of the ECL; • We tested the classification of the loans and advances in stages 1, 2 and 3 and the application of 12 months ECL for stage 1 and lifetime ECL for stage 2 and stage 3; • We tested the assumptions, inputs and formulas used in the ECL model. This included assessing the appropriateness of model design, formulas used, recalculating the probability of default, loss given default and exposure at default. • The following key procedures were also performed: For loans and advances to customers that were individually assessed for impairment (stage 3): • Where impairment indicators existed, we evaluated the reasonableness of management's estimated future recoveries in the valuation of collateral held. We also compared the actual recoveries against previously estimated amounts of future recoveries. For loans and receivables to other customers that were collectively assessed for impairment (stages 1 and 2): • We tested the completeness and fairness of the underlying information in loans and advances used in the impairment calculations by agreeing details to the Group's source documents and information in IT systems as well as re-performing the calculation of allowance for impairment; • We assessed the adequacy of the related financial statement disclosures as set out in Note 11 and reviewed the documentation around outstanding loans and advances; • We also assessed the adequacy of the Group's disclosure on the impact of the ECL model under IFRS 9 as set out in Note 3.

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the chairman's review report and sustainability reports. These reports are expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above (other than the Corporate Governance Report) when it becomes available 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.

Corporate Governance

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

Responsibilities of 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 the requirements of the Companies Act 2001, the Financial Reporting Act 2004 and Insurance Act 2005, 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 Group and 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 intends to liquidate the Group and or the Company or to cease operations, or have no realistic alternative but to do so.

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.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the Group and Company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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.

Report on the Audit of the Financial Statements (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all the information and explanations we have required.

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

Insurance Act 2005

The financial statements have been prepared in the manner and meet the requirements specified by the Financial Services Commission (FSC).

ERNST & YOUNG
Ebène, Mauritius

LI KUNE LAN POOKIM, F.C.A, F.C.C.A
Licensed by FRC

29 March 2019

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENTS OF FINANCIAL POSITION as at 31 December 2018

		THE GROUP		THE COMPANY	
	Notes	2018	2017	2018	2017
		Rs'000	Rs'000	Rs'000	Rs'000
ASSETS					
Non-current assets					
Property and equipment	5	331,038	342,702	230,902	239,648
Investment properties	6	471,595	472,902	79,000	79,000
Intangible assets	7	583,888	604,052	275,663	286,898
Investment in subsidiary companies	8	-	-	909,603	823,167
Investment in associated company	9	1,544	1,544	1,544	1,544
Investment in joint ventures	9(a)	22,382	16,988	495	495
Financial assets at fair value through other comprehensive income	10(a)	523,292	461,489	458,437	410,151
Financial assets at fair value through profit or loss	10(b)	3,133,947	3,073,696	60,111	-
Debt instruments at amortised cost	10(c)	5,855,276	4,993,479	606,657	599,800
Loans and receivables at amortised cost	11	715,373	691,450	197,514	201,572
Deferred tax assets	16 (b)	36,751	38,316	12,682	14,875
		11,675,086	10,696,618	2,832,608	2,657,150
Current assets					
Financial assets at fair value through profit or loss	10(b)	-	209,036	-	209,036
Debt instruments at amortised cost	10(c)	714,400	692,950	10,060	19,938
Loans and receivables at amortised cost	11	152,192	128,076	84,729	81,139
Insurance and other receivables	12	918,309	1,042,411	643,566	590,016
Prepayments		8,253	7,582	3,537	3,569
Deferred acquisition costs receivable	13(b)	127,083	106,668	76,576	68,134
Current tax assets	20(b)	7,950	3,136	-	-
Amount receivable from subsidiary	41	-	-	23,981	14,228
Reinsurance assets	13(a)	910,164	1,327,681	428,338	574,324
Cash and short term deposits	39(b)	531,712	625,990	114,159	159,345
		3,370,063	4,143,530	1,384,946	1,719,729
Total assets		15,045,149	14,840,148	4,217,554	4,376,879

The notes on pages 119 to 233 form an integral part of these financial statements.
Auditors' report on pages 101 to 109.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENTS OF FINANCIAL POSITION as at 31 December 2018

		THE GROUP		THE COMPANY	
	Notes	2018	2017	2018	2017
		Rs'000	Rs'000	Rs'000	Rs'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Issued share capital	14	450,900	450,900	450,900	450,900
Share premium	14	273,068	273,068	273,068	273,068
Total reserves		1,837,438	1,708,418	1,119,394	1,103,226
Non-distributable share of Life surplus		12,701	15,535	-	-
Total ordinary shareholders' equity		2,574,107	2,447,921	1,843,362	1,827,194
Non-controlling interests		536,833	560,032	-	-
Total equity		3,110,940	3,007,953	1,843,362	1,827,194
Technical Provisions					
Life assurance fund	15	7,229,437	6,791,287	-	-
Investment contract liabilities	15 (a)	866,760	774,876	-	-
Insurance contract liabilities	13 (a)	2,732,070	3,161,455	1,767,131	1,969,331
		10,828,267	10,727,618	1,767,131	1,969,331
Non-current liabilities*					
Borrowings	18	300,000	300,000	300,000	300,000
Deferred tax liabilities	16 (b)	92,437	98,973	-	-
Employee benefit obligations	17	11,907	11,761	11,907	11,761
		404,344	410,734	311,907	311,761
Current liabilities*					
Trade and other payables	19	631,872	648,403	233,637	220,049
Deferred acquisition costs payable	13 (c)	69,726	45,440	49,062	35,078
Amount due to subsidiaries		-	-	-	3,823
Current tax liabilities	20(b)	-	-	12,455	9,643
		701,598	693,843	295,154	268,593
Total equity and liabilities		15,045,149	14,840,148	4,217,554	4,376,879

* exclude technical provisions

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

Dominique Galea
Chairman

Bertrand Casteres
Group CEO

The notes on pages 119 to 233 form an integral part of these financial statements.
Auditors' report on pages 101 to 109.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENTS OF PROFIT AND LOSS for the year ended 31 December 2018

	Notes	THE GROUP 2018	THE GROUP 2017	THE COMPANY 2018	THE COMPANY 2017
		Rs'000	Rs'000	Rs'000	Rs'000
Gross premium earned	21(a)	4,256,180	3,895,158	2,227,853	2,088,102
Premium ceded to reinsurers	21(b)	(1,077,435)	(978,648)	(513,214)	(461,540)
Net earned premiums	21(b)	3,178,745	2,916,510	1,714,639	1,626,562
Fees and commission income	22	250,796	216,418	109,596	83,352
Revenue from contract with customers	22	21,335	17,713	20,727	17,489
Investment income	23	96,245	100,499	54,327	31,264
Interest calculated using EIR		553,338	486,987	74,367	72,492
Credit loss expenses		(15,531)	1,273	(5,635)	(4,561)
Net realised gains	24	1,909	1,143	1,740	1,030
Net unrealised (loss)/gains	25	(64,626)	427,619	(12,728)	15,178
Other operating income	26	97,878	90,212	12,667	4,092
Total revenue		4,120,089	4,258,374	1,969,700	1,846,898
Gross claims paid	13(a)	(2,640,887)	(1,871,177)	(1,383,259)	(1,029,717)
Claims ceded to reinsurers	13(a)	747,782	200,937	276,711	95,141
Gross change in contract liabilities	13(a)	66,975	(1,256,184)	227,184	(98,516)
Change in contract liabilities ceded to reinsurers	13(a)	(410,995)	523,001	(148,951)	68,458
Net claims and benefits		(2,237,125)	(2,403,423)	(1,028,315)	(964,634)
Change in investment contract liabilities	15(a)	(29,469)	(58,056)	-	-
Commission and brokerage fees paid	27	(531,880)	(494,204)	(333,521)	(318,938)
Other operating and administrative expenses	28	(899,460)	(904,348)	(411,514)	(380,642)
Total claims, benefits and other expenses		(3,697,934)	(3,860,031)	(1,773,350)	(1,664,214)
Profit from operations		422,155	398,343	196,350	182,684
Finance costs	29	(17,193)	(18,214)	(17,063)	(17,387)
Share of profit from a joint venture	9 (a)	5,394	2,614	-	-
Profit before tax		410,356	382,743	179,287	165,297
Income tax expense	20	(55,993)	(61,107)	(26,208)	(18,823)
Profit for the year		354,363	321,636	153,079	146,474
Attributable to:					
Equity holders of the parent		309,069	281,886		
Non-controlling interests		45,294	39,750		
		354,363	321,636		
Earnings per share - Basic					
Attributed to equity holders of the parent (Rs/cs)	38	6.85	6.25		
Earnings per share - Diluted					
Attributed to equity holders of the parent (Rs/cs)	38	6.84	6.25		

The notes on pages 119 to 233 form an integral part of these financial statements.
Auditors' report on pages 101 to 109.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENTS OF COMPREHENSIVE INCOME for the year ended 31 December 2018

	Notes	THE GROUP 2018	THE GROUP 2017	THE COMPANY 2018	THE COMPANY 2017
		Rs'000	Rs'000	Rs'000	Rs'000
Profit for the year		354,363	321,636	153,079	146,474
Other comprehensive Income					
Items to be reclassified to profit or loss in subsequent periods:					
Exchange difference on translating foreign operations		(900)	(83,857)	(3,597)	1,133
Items that will not be reclassified to profit or loss in subsequent periods:					
Increase/(decrease) arising on revaluation of financial assets at fair value through other comprehensive income	10(a)	226	-	226	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(674)	(83,857)	(3,371)	1,133
Items that will not be reclassified to profit or loss in subsequent periods:					
Increase/(decrease) arising on revaluation of financial assets at fair value through other comprehensive income	10(a)	(15,597)	67,245	(13,483)	59,765
Re-measurement of defined benefit obligations	17	1,180	(1,886)	1,180	(1,886)
Tax effect		(203)	-	(203)	-
		977	(1,886)	977	(1,886)
Gain on revaluation of buildings	5	-	18,863	-	8,610
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		(14,620)	84,222	(12,506)	66,489
Other comprehensive income for the year - net of tax		(15,294)	365	(15,877)	67,622
Total comprehensive income for the year		339,069	322,001	137,202	214,096
Attributable to :					
Equity holders of the parent		295,190	326,710	137,202	214,096
Non-controlling interests		43,879	(4,709)	-	-
		339,069	322,001	137,202	214,096

The notes on pages 119 to 233 form an integral part of these financial statements.
Auditors' report on pages 101 to 109.

STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2018

THE GROUP	Notes	Attributable to owners of the Parent				
		Share Capital	Share Premium	IFRS 2 Reserves	Share Option Reserves	Revaluation Reserves
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at January 1, 2017		450,900	273,068	-	-	35,250
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	-
Profit for the year		-	-	-	-	-
Other comprehensive income		-	-	-	-	18,301
Total comprehensive income		-	-	-	-	18,301
Movement in reserves*		-	-	-	-	-
Transfer of distributable share of Life Surplus	36	-	-	-	-	-
Dividends	32					
Balance at December 31, 2017		450,900	273,068	-	-	53,551
Balance at January 1, 2018		450,900	273,068			53,551
Effect of adoption of IFRS9		-	-	-	-	-
Balance at January 1, 2018 (Resated)		450,900	273,068	-	-	53,551
Share based payment				(8,051)	11,629	
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	-
Profit for the year		-	-	-	-	-
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	-	-
Movement in reserves*		-	-	-	-	-
Acquisition of non-controlling interests						
Transfer of distributable share of Life Surplus	36	-	-	-	-	-
Dividends	32					
Balance at December 31, 2018		450,900	273,068	(8,051)	11,629	53,551

THE GROUP	Notes	Attributable to owners of the Parent								
		Currency translation Reserves	Investment revaluation Reserve	Retained Earnings	Contingency Reserve	Non distributable Reserves	Total Reserves	Non distributable share of Life Surplus *	Non-controlling Interests	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at January 1, 2017		(20,039)	(79,775)	1,532,977	39,174	243	1,507,830	6,196	568,565	2,806,559
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	(21,701)	21,701	-	-	-	-	-	-
Profit for the year		-	-	281,886	-	-	281,886	-	39,750	321,636
Other comprehensive income		(36,624)	65,033	(1,886)	-	-	44,824	-	(44,459)	365
Total comprehensive income		(36,624)	65,033	280,000	-	-	326,710	-	(4,709)	322,001
Movement in reserves*		-	-	(3,513)	3,513	-	-	-	-	-
Transfer of distributable share of Life Surplus	36	-	-	(9,339)	-	-	(9,339)	9,339	-	-
Dividends	32			(116,783)		-	(116,783)	-	(3,824)	(120,607)
Balance at December 31, 2017		(56,663)	(36,443)	1,705,043	42,687	243	1,708,418	15,535	560,032	3,007,953
Balance at January 1, 2018		(56,663)	(36,443)	1,705,043	42,687	243	1,708,418	15,535	560,032	3,007,953
Effect of adoption of IFRS9		-	(148)	(20,932)	-	-	(21,080)	-	(11,035)	(32,115)
Balance at January 1, 2018 (Resated)		(56,663)	(36,591)	1,684,111	42,687	243	1,687,338	15,535	548,997	2,975,838
Share based payment							3,578			3,578
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	1,223	(1,223)	-	-	-	-	-	-
Profit for the year		-	-	309,069	-	-	309,069	-	45,294	354,363
Other comprehensive income		(746)	(14,110)	977	-	-	(13,879)	-	(1,415)	(15,294)
Total comprehensive income		(746)	(14,110)	310,046	-	-	295,190	-	43,879	339,069
Movement in reserves*		-	-	(3,614)	3,614	-	-	-	-	-
Acquisition of non-controlling interests				(30,661)			(30,661)		(55,774)	(86,435)
Transfer of distributable share of Life Surplus	36	-	-	2,834	-	-	2,834	(2,834)	-	-
Dividends	32			(120,841)	-	-	(120,841)	-	(269)	(121,110)
Balance at December 31, 2018		(57,409)	(49,478)	1,840,652	46,301	243	1,837,438	12,701	536,833	3,110,940

* As per the Insurance Act of the respective foreign countries, a transfer of 2% of the gross premium is made from retained earnings to the contingency reserve.

The notes on pages 119 to 233 form an integral part of these financial statements.
Auditors' report on pages 101 to 109.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2018

THE COMPANY	Notes	Issued share Capital	Share Premium	IFRS 2 Reserves	Share Option Reserves	Revaluation Reserves	Currency translation Reserves	Investment revaluation Reserve	Retained Earnings	Total Reserves	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at January 1, 2017		450,900	273,068	-	-	29,993	1,759	(17,511)	991,672	1,005,913	1,729,881
Transfer of gain on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	-	-	(1,060)	1,060	-	-
Profit for the year		-	-	-	-	-	-	-	146,474	146,474	146,474
Other comprehensive income		-	-	-	-	8,610	1,133	59,765	(1,886)	67,622	67,622
Total comprehensive income		-	-	-	-	8,610	1,133	59,765	144,588	214,096	214,096
Dividends	32	-	-	-	-	-	-	-	(116,783)	(116,783)	(116,783)
Balance at December 31, 2017		450,900	273,068	-	-	38,603	2,892	41,194	1,020,537	1,103,226	1,827,194
Balance at January 1, 2018		450,900	273,068	-	-	38,603	2,892	41,194	1,020,537	1,103,226	1,827,194
Effect of adoption of IFRS9					-	-	-	-	(3,771)	(3,771)	(3,771)
Balance at January 1, 2018 (Restated)		450,900	273,068	-	-	38,603	2,892	41,194	1,016,766	1,099,455	1,823,423
Share based payment		-	-	(8,051)	11,629	-	-	-	-	3,578	3,578
Transfer of gain on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	-	-	920	(920)	-	-
Profit for the year		-	-	-	-	-	-	-	153,079	153,079	153,079
Other comprehensive income		-	-	-	-	-	(3,597)	(13,257)	977	(15,877)	(15,877)
Total comprehensive income		-	-	-	-	-	(3,597)	(13,257)	154,056	137,202	137,202
Dividends	32	-	-	-	-	-	-	-	(120,841)	(120,841)	(120,841)
Balance at December 31, 2018		450,900	273,068	(8,051)	11,629	38,603	(705)	28,857	1,049,061	1,119,394	1,843,362

The notes on pages 119 to 233 form an integral part of these financial statements.
Auditors' report on pages 101 to 109.

STATEMENT OF CASH FLOWS for year ended 31 December 2018

	Notes	THE GROUP 2018 Rs'000	THE GROUP 2017 Rs'000	THE COMPANY 2018 Rs'000	THE COMPANY 2017 Rs'000
Operating activities					
Net cash generated from operations	39(a)	**430,877**	404,417	**23,850**	164,085
Dividend received		**84,627**	85,716	**54,086**	31,633
Interest received		**549,082**	471,886	**72,129**	72,288
Interest paid		**(17,900)**	(29,241)	**(17,767)**	(17,651)
Income tax paid	20(b)	**(60,591)**	(45,858)	**(21,765)**	(19,968)
Net cash generated from operating activities		**986,095**	886,920	**110,533**	230,387
Investing activities					
Proceeds on disposal of property and equipment		**1,127**	2,114	**1,548**	1,712
Proceeds on disposal/maturity of financial assets		**875,419**	1,376,824	**331,039**	83,049
Purchase of property and equipment	5	**(21,026)**	(26,190)	**(9,500)**	(20,050)
Purchase of intangible assets	7	**(15,399)**	(14,743)	**(7,850)**	(10,957)
Purchase of financial assets	10	**(1,743,908)**	(2,079,846)	**(246,885)**	(83,734)
Investment in Joint Venture and Associates		**-**	(2,039)	**-**	(2,039)
Investment in subsidiary		**(86,436)**	-	**(86,436)**	-
Loans and receivables disbursed		**-**	(206,726)	**(106,987)**	(140,915)
Loans and receivables repaid		**(249,231)**	191,401	**106,358**	98,674
Amount receivable from subsidiary		**202,474**	-	**(10,487)**	-
Amount due to subsidiary		**-**	-	**(3,823)**	-
Change in investment in contract liabilities		**62,415**	53,043	**-**	-
Net cash used in investing activities		**(974,565)**	(706,162)	**(33,023)**	(74,260)
Financing activities					
Dividends - Owners of the Parent	32	**(120,841)**	(116,783)	**(120,841)**	(116,783)
- Non-controlling interest		**(269)**	(3,824)	**-**	-
Net cash used in from financing activities		**(121,110)**	(120,607)	**(120,841)**	(116,783)
Net decrease in cash and cash equivalents		**(109,580)**	60,151	**(43,331)**	39,344
Movement in cash and cash equivalents					
At January 1,		**625,990**	561,673	**159,345**	121,528
Net decrease in cash and cash equivalents		**(109,580)**	60,151	**(43,331)**	39,344
Exchange gains on cash and cash equivalents		**15,302**	4,166	**(1,855)**	(1,527)
At December 31,	39(b)	**531,712**	625,990	**114,159**	159,345

The notes on pages 119 to 233 form an integral part of these financial statements.
Auditors' report on pages 101 to 109.

Notes to the Consolidated Financial Statements for year ended 31 December 2018

1. CORPORATE INFORMATION AND ACTIVITIES

The Mauritius Union Assurance CY Ltd (the "Company") is a limited liability company incorporated and domiciled in Mauritius. These financial statements will be submitted for adoption at the forthcoming Annual Meeting of the Company. The address of the registered office is 4 Léoville l'Homme Street, Port Louis.

Following changes in the insurance legislation, whereby an insurance company cannot undertake both life (long term) and nonlife business (short term), as from January 1, 2011, the company's principal activity is to transact only in short term insurance business. The life business of the Company was transferred to MUA Life Ltd (Formerly known as La Prudence Mauricienne Limitee), one of the Company's subsidiary companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for the revaluation of land and buildings, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are stated at their fair value.

The consolidated financial statements are presented in Mauritian rupees (Rs) rounded to the nearest thousand (Rs'000), unless otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the Companies Act 2001.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries referred to as the "Group" as at December 31, 2018. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS adopted in the year commencing January 1, 2018:

	Effective for accounting period beginning on or after
Amendments	
IFRS 9 - Financial instruments	January 1, 2018
IFRS 15 Revenue from Contracts with customers	January 1, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018

The adoption of the above amended standards did not have a material impact on the Group's financial statements.

The Group applied IFRS 9 impairment of financial assets and IFRS 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

The Group has already adopted the 'classification and measurement of financial assets' part of IFRS 9 in 2012.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

The adoption of IFRS 15 did not have an impact on the way revenue was recognised under IAS 18. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from sale of services is recognised over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. The same methodology was adopted for recognising revenue under IAS 18.

IFRS 9 Financial Instruments

Classification and measurement

The Group has already adopted the 'classification and measurement of financial assets' part of IFRS 9 in 2012. In 2018, the Group adopted the remaining requirements of IFRS 9 using the modified retrospective approach.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all receivables and other debt financial assets not held at FVPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. Details of the Group's impairment method are disclosed in Note 2 (d). Rights and obligations arising under an insurance contract as defined in IFRS 4 Insurance Contracts are outside the scope of IFRS 9. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 3.

IFRS 7

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Group has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 3, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 3.

Reconciliations from opening to closing ECL allowances are presented in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting Standards and Interpretations issued but not yet effective

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Group has not early adopted them. The Group intends to adopt these standards, amendments and interpretation when they become effective.

Where the adoption of the standard or interpretation or improvement is deemed to have an impact on the financial statements or performance of the Group when applicable, its impact is described below:

	Effective for accounting period beginning on or after
New or revised standards	
IFRS 16 Leases	January 1, 2019
IFRS 17 Insurance Contracts	January 1, 2021
Amendments	
Prepayment Features with Negative Compensation - Amendments to IFRS 9	January 1, 2019
Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28	January 1, 2019
IAS 12 – Income Taxes – Income tax consequences of payments on financial instruments classified as equity	January 1, 2019
IAS 23 – Borrowing Costs – Borrowing costs eligible for capitalisation	January 1, 2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	January 1, 2019
IFRS 11 – Joint Arrangements – Previously held interests in joint	January 1, 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	January 1, 2019
The Conceptual Framework for Financial Reporting	January 1, 2020

The above standards issued and amendments to existing standards issued but not effective that are expected to have an impact on the Group are listed as listed below:

IFRS 16 Leases – effective January 1, 2019

The IASB has redrafted this new leasing standard that would require lessees to recognise assets and liabilities for most leases. Lessees applying IFRS would have a single recognition and measurement model for all leases (with certain exemptions). Lessors applying IFRS would classify leases using the principle in IAS 17; in essence, lessor accounting would not change. The IASB and the FASB have made different decisions about lease classification and the recognition, measurement and presentation of leases for lessees and lessors.

The Group is still assessing the impact of this new standard and will adopt the standard when it becomes effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting Standards and Interpretations issued but not yet effective (continued)

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short - duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, Re-measured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense;
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

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

The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies

(a) Foreign currency translation

The Group's consolidated financial statements are presented in Mauritian rupees which is also the parent company's functional currency. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupees (Rs) at a rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to that foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

(b) Insurance contracts

(i) Classification of insurance contracts

The Group issues contracts which transfer insurance risk. Insurance contracts are those contracts which transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Insurance contracts issued by the Group are classified within the following main categories:

Short-term insurance contracts

Short-term insurance contracts are mainly in respect of motor business but the Group also sells fire and allied perils, health, marine, engineering and other miscellaneous insurance contracts. These contracts protect the Group's customers from damage suffered to property or goods, value of property and equipment lost, losses and expenses incurred, sickness and loss of earnings resulting from the occurrence of the insured events.

Long-term insurance contracts

These contracts insure human life events (for example death or survival) over a long duration. A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Group with the consideration received from the contract holders after deducting life charges, administration charges and any unpaid charges. The Group does not separately measure any embedded derivatives as they qualify for recognition as an insurance contract. As such they are measured as insurance contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(b) Insurance contracts (continued)

(i) Classification of insurance contracts (continued)

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the Gross Premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding. Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in profit or loss and subsequently, an additional insurance liability for the remaining loss is established. In subsequent periods the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

Long-term insurance contracts without fixed terms and with DPF

Some insurance contracts contain a Discretionary Participation Feature (DPF). These types of insurance contracts entitle the contract holder, in supplement of a guaranteed amount, to a contractual right to receive additional profits or bonuses. The magnitude of the profits or bonuses as well as the timing of the payments is however at the discretion of the Group. The Group has an obligation to eventually pay to contract holders 93.5% (2017: 93.5%) of the DPF eligible surplus (i.e all interest and realised gains and losses arising from the assets backing these contracts). The remaining 6.5% (2017: 6.5%) accrues to the shareholders. Any portion of the DPF eligible surplus accruing to contract holders that is not declared as a profit or bonus is retained as a liability in the Life Assurance Fund, until declared and credited to contract holders in future periods. The portion of the DPF eligible surplus accruing to shareholders is transferred annually to a Non Distributable reserve under shareholder's equity. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

100% of all profits arising out of the non-profit annuity and unit-linked books of business are now allocated to shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(b) Insurance contracts (continued)

(i) Classification of insurance contracts (continued)

Unit linked contracts

These are insurance contracts which include an embedded derivative linking payments on the contracts to units of an internal investment fund set up by the Group with the consideration received from contract holders. This embedded derivative meets the definition of an insurance contract and has therefore not been accounted for separately from the host insurance contract. The liability of such contracts is adjusted for all changes in the fair value of underlying assets.

(ii) Reinsurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

Reinsurance contracts used by the Group are proportional and non-proportional treaties and facultative arrangements. Proportional reinsurance can be either 'quota share' where the proportion of each risk reinsured is stated or "surplus" which is a more flexible form of reinsurance and where the Group can fix its retention limit.

Non-proportional reinsurance is mainly 'excess-of-loss' type of reinsurance where, in consideration for a premium, the reinsurer agrees to pay all claims in excess of a specified amount, i.e. the retention, and up to a maximum amount. Facultative insurance contracts generally relate to specific insured risks which are underwritten separately. Under treaty arrangements, risks underwritten by the Group falling under the terms and limits of the treaties are reinsured automatically.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

(iii) 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.

(iv) Impairment of reinsurance assets

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognizes that impairment in profit or loss. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of that asset, that the Group may not recover all amounts due under the terms of the contract and that the event has a measurable impact on the amounts that the Group will receive from the reinsurer.

(v) Claims expenses and outstanding claims provisions

Outstanding claims provisions are based on the ultimate costs of all claims incurred but not settled at the end of financial reporting period, whether reported or incurred but not reported (IBNR). Notified claims are only recognised when the Group considers that it has a contractual liability to settle the claims. IBNR has been provided for on an actuarial method which consists in the projection of incurred but not reported claims based on the claims reporting delay pattern for the Company over the last ten years. Claims expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(b) Insurance contracts (continued)

(v) Claims expenses and outstanding claims provisions (continued)

There are often delays between the occurrence of the insured event and the time it is actually reported to the Group , particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the end of the financial reporting period. Following the identification and notification of the insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. Outstanding claims provisions are not discounted and exclude any allowances for expected future recoveries. Recoveries represent claims recoverable from third party insurers. Recoveries are accounted for as and when received. However, non-insurance assets that have been acquired by exercising rights to sell, salvage or subrogate under the terms of the insurance contracts are included when providing for outstanding claims. The liability is not discounted due to the fact that the exact timing and actual amount to be paid cannot be determined.

(vi) Incurred but not reported claims (IBNR)

IBNR calculation is calculated on an actuarial method which consists of the projection of incurred but not reported claims based on the claims reporting delay pattern for the Group over the last ten years.

(vii) Salvage and subrogation reimbursements

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liabilities for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

(viii) Deferred Acquisition Costs

The liability for commissions payable is recognised at the inception date of the insurance contract/endorsement.

Commissions payable and reinsurance commissions receivable relating to unexpired premiums are recognised and released to profit or loss as and when the premiums are earned.

(ix) Provision for unearned premiums

The provision for unearned premiums represents the portion of premiums written on short-term insurance contracts relating to periods of insurance risks subsequent to the reporting date. It is calculated on the inception basis (daily method). The movement on the provision is taken to profit or loss in order for revenue to be recognised over the period of the risk. The provision is derecognized when the contract expires, is discharged or cancelled.

(x) Liability adequacy test

Short-term insurance

At end of financial reporting period, the group's Independent actuaries review the adequacy of the contract liabilities. In performing the test, current best estimates of future contractual cash flows (including claims handling and administration expenses) and expected investment returns on assets backing such liabilities are used. Any deficiency is immediately charged to profit or loss and a provision is established for losses arising from the liability adequacy test (the unexpired risk provision).

Long-term insurance

The Group's Independent Actuaries review the adequacy of insurance liabilities for long term contracts on an annual basis and ensure that provisions made by the Group are adequate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(b) Insurance contracts (continued)

(xi) Investment contract liabilities

Investment contracts are contracts without DPF. Investment contract liabilities without DPF are recognised when contracts are entered into. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss.

(c) Financial instruments

Financial assets

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss is expensed in profit or loss.

Measurement categories of financial assets and liabilities

From January 1, 2012, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(c) Financial instruments (continued)

Financial assets (continued)

Classification and measurement

This classification depends on whether the financial asset is a debt or equity investment. The following table shows the classification of the different types of financial assets:

CLASSIFICATION	TYPE OF FINANCIAL ASSETS INCLUDED
Fair value through profit or loss	Government bonds, quoted securities, unquoted securities and investment in open ended mutual funds
Fair value through other comprehensive income	Quoted securities, unquoted securities
Amortised cost	Deposits, corporate bonds, government bonds, treasury bills, treasury notes and loan receivables

Financial investments at amortised cost

The Group only measures debts investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

If either of the two criteria above is not met, the debt instrument is classified as 'fair value through profit or loss. The Group has not designated any debt investment measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

A gain or loss on a debt investment that is subsequently measured at amortized cost is recognised in profit or loss when the financial asset is derecognized or impaired and through the amortization process using the effective interest rate method. Interest revenue shall be calculated by using the effective interest method.

An entity shall directly reduce the gross carrying amount of a financial asset when the entity has not reasonable expectation of recovering a financial assets in its entirety or a portion thereof.

Financial assets through other comprehensive income

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Impairment gains and losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

For all other equity investments not classified as fair value through profit or loss, the Group can make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. Where the Group's management has elected to present unrealized and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(c) Financial instruments (continued)

Financial assets (continued)

Classification and measurement (continued)

Financial assets through profit or loss

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there evidence of a recent pattern of short-term profit is taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss and presented as part of 'realised gains/losses - net' in the period in which they arise.

Interest and dividend income or expense is recorded in profit or loss according to the terms of the contract, or when the right to payment has been established.

Included in this classification are government bonds, quoted securities, unquoted securities and investment in open ended mutual funds that have been acquired principally for the purpose of selling or repurchasing in the near term.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement;
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(d) Impairment of financial assets

Financial assets carried at amortised cost (Policy applicable before 1 January 2018)

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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. The impairment assessment is performed at each reporting date.

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

Financial assets through other comprehensive income (Policy applicable from 1 January 2018)

In the case of equity investments classified as FVOCI, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from OCI and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Loan receivables at amortised cost

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(d) Impairment of financial assets (continued)

Financial assets carried at amortised cost (Policy applicable from 1 January 2018)

Overview of the ECL principles

As described in Note 2.2, the adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit loss esexpected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 4.2.2

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12m ECL sare calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 4.2.2

The Group has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 4.2.2

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 4.2.2

The Group has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 4.2.2

Based on the above process the Group groups its financial instruments into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12m ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECLs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(d) Impairment of financial assets (continued)

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Group calculates ECLs based on a four probability-weighted scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD — The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD — The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD — The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(d) Impairment of financial assets (continued)

Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- Unemployment rates.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Company's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. However, the fair value of collateral affects the calculation of ECLs.

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties Valuers.

(e) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate "EIR" method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(e) Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that neccesarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs than an entity incurs in connection with the borrowing of funds.

(g) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

(h) Investment in subsidiary companies

Subsidiaries are all entities (including structured entities) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Separate financial statements

Investments in subsidiaries in the separate financial statements of the Company are carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(i) Investment in associated company

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of profit or loss reflects the share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit of the associate is shown on the face of the statement of profit or loss. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

(j) Investment in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(j) Investment in joint venture (continued)

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture. The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(k) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

(l) Equity movements

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are approved.

Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

(m) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost excludes the cost of day to day servicing. Replacement or major inspection costs are capitalized when incurred and if probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Land and buildings are subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation for property. The valuation is performed every three years. However, management assesses whether the carrying amount has not changed significantly over years. All other property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment.

Revaluations are done with sufficient regularity to ensure that the carrying amount does not differ materially from that would be determined using fair value at the end of the reporting date. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated by the revalued amount of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(m) Property and equipment (continued)

Any revaluation surplus is recognised in other comprehensive income and accumulated in the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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

	Rate per annum
Buildings	2%
Office equipment, computers ,fixtures, fittings and other electricals	10 - 33.33%
Motor vehicles	20%

Freehold land are not depreciated.

The assets' residual values and useful lives are reviewed and adjusted prospectively if appropriate, at each financial reporting period end.

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

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit and the surplus of the Life Assurance Fund. On disposal of revalued assets, any amounts in revaluation reserve relating to those assets are transferred to retained earnings.

(n) Investment properties

Properties held to earn rentals or capital appreciation or both and not occupied by the Group are classified as investment properties. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss. Fair values are determined based on the valuation performed by an accredited external, independent valuer.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(n) Investment properties (continued)

Transfers made to or from investment properties are only made when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under plant and equipment up to the date of the change in use.

(o) Non–Controlling Interest

Non-Controlling Interest are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. All Non-Controlling Interests have been measured at the proportionate share of the acquiree's identifiable net assets.

(p) Intangible assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognized.

Acquisition of client portfolio

The cost of acquisition of a client portfolio is capitalized and amortized using the straight-line method over five to twenty five years.

Computer software

Computer software is initially recorded at cost and amortized using the straight-line method over the estimated useful life of 5 years.

Work-in-progress represents the implementation of a software system.

Goodwill

Goodwill is not amortised but tested for impairment annually as described in note 2.5(iii).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(q) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

(r) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. Cash and cash equivalents are measured at amortized cost.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(t) Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to management.

(u) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date, in the countries where the Group operates and generates taxable income. The income tax is recognised as a charge in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(u) Taxes (continued)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable and there are convincing evidence that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax assets and deferred income tax liabilities are offset only where both criteria below are met:

(a) has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group and the Company have disclosed deferred income tax assets and deferred income tax liabilities separately as it does not meet the above criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(u) Taxes (continued)

Corporate Social Responsibility

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility (CSR) is regarded as a tax and is therefore subsumed with the income tax shown within the Statement of Comprehensive Income and the income tax liability on the Statement of Financial Position.

The CSR charge for the current period is measured at the amount expected to be paid to the Mauritian tax authorities. The CSR rate and laws used to compute the amount are those charged or substantively enacted by the reporting date.

Alternative Minimum Tax (AMT)

Alternative Minimum Tax (AMT) is provided for where the Company has a tax liability of less than 7.5% of its book profit and pays a dividend. AMT is calculated as the lower of 10% of the dividend declared and 7.5% of book profit.

(v) Revenue recognition

Revenue from contracts with customers – (Applicable from 1 January 2018)

The Company administers the pension scheme, provides actuarial services advice and investment advice to its clients under contract. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.
Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from sale of services is recognised over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company.

Revenue – (Applicable before 1 January 2018)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

(i) Premiums earned

Premiums on short-term insurance contracts represent gross premiums net of premiums ceded to reinsurers and are recognised as revenue (net earned premiums) on an inception basis (daily method).

Premiums on long-term insurance contracts are recognised in the Life Assurance Fund when receivable, i.e. when payments are due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(v) Revenue recognition (continued)

(ii) Consideration for annuities

Consideration for annuities is recognised in the Life Assurance Fund when receivable.

(iii) Other revenues

Other revenues are recognised on the following bases:

- Fees and commission income - on the accrual basis in accordance with the substance of the relevant agreements.
- Interest income - it is recognised using the effective interest method as it accrues.
- Dividend income - when the shareholder’s right to receive payment is established.

(w) Shareholders’ share of the surplus generated by the Life Business

The Group recognises the shareholders’ share of the DPF eligible surplus on an annual basis and transfers this amount from/to the Life Assurance Fund to/from the shareholders’ share of Life surplus in equity. The non-distributable share of the surplus is transferred annually from retained earnings to a non-distributable reserve. Whenever bonuses are paid/credited to policyholders, an amount representing 6.5 % (2017: 6.5%) of these bonuses is transferred from the non-distributable reserve to retained earnings in the statement of changes in Equity.

(x) Life Assurance Fund

At the end of every year the amount of the liabilities of the Life assurance fund is established. A portion of the surplus between the value of the assets and the value of the liabilities is transferred to profit or loss. The adequacy of the fund is determined annually by actuarial valuation.

(y) Retirement benefit obligations

(i) Defined Contribution Pension Scheme

Retirement benefits to employees of the Group are provided by a Defined Contribution Pension Scheme, the Mauritius Union Group Pension Scheme, which is funded by contributions from the Group and the employees. Payments made by the Group are charged to profit or loss in the year in which they are payable.

The foreign subsidiaries operate a defined contribution pension plan scheme for all eligible employees. The scheme is administered by Roberts Insurance Brokers Limited and is funded by contribution from both the Company and employees.

The foreign subsidiaries contribute to the statutory National Social Security Fund in the respective countries. Contributions to these schemes are determined by local statue. The obligations to retirement benefits are charged to the profit or loss in the year to which they relate.

Members of the Defined Contribution Scheme, who were previously members of the MUA Staff Pension Scheme, a Defined Benefit Scheme, are entitled to a No Worse Off Guarantee (“NWOG”) based on the benefits of the Defined Benefit Pension Scheme.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(y) Retirement benefit obligations (continued)

(ii) Defined Benefit Scheme

For Defined Benefit retirement benefit plans, the cost of providing benefits using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes on the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expenses or income; and
- remeasurement.

(iii) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(z) Share based payment

Executive management team receive remuneration in the form of share-based payments, whereby they render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(aa) Fair value measurement

The Group measures financial instruments, such as, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and non-financial assets such as investment properties, land and building, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 34.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Group. Management considers observable data to be that 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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(aa) Fair value measurement (continued)

The Group's valuation committee determines the policies and procedures for both recurring fair value measurement, such as financial assets at fair value through profit or loss and Financial Assets at Fair value through other comprehensive income.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Group's external valuers, also compares each of the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(ab) Contingencies reserve

A contingency reserve was created by one of the Company's overseas Insurance subsidiaries in order to comply with their local Insurance Act Regulations. This reserve is created to cover fluctuations in securities and variation in statistical estimates.

(ac) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Valuation of insurance contract liabilities

The uncertainty inherent in the financial statements of the Group arises mainly in respect of insurance liabilities, which include outstanding claims provision (including IBNR) and Life Assurance Fund. In addition to the inherent uncertainty when estimating liabilities, there is also uncertainty as regards the eventual outcome of claims. As a result, the Group applies estimation techniques to determine the appropriate provisions.

These estimates are described below.

(i) Short-term insurance

The estimation of ultimate liability arising from the claims made under insurance contracts is one of the Group's most critical accounting estimates. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the reporting date. The Group uses a range of actuarial methodologies to estimate these provisions. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. General insurance loss reserves require significant judgment relating to factors and assumptions such as inflation, claims development patterns and regulatory changes.

Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, not all catastrophic events can be modeled using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

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

(ii) Long term insurance

The liability for life insurance contracts with DPF is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on the Ultimate Table (UK) which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure. The operational assumptions are informed by actual experience, market experience and practice, and expectations as to future trends. Economic assumptions are typically based on latest market conditions and are set in accordance with relevant guidance and the Group approved policy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Valuation of insurance contract liabilities (continued)

(ii) Long-term insurance (continued)

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

For long-term insurance contracts with fixed and guaranteed terms and with DPF, estimates of future deaths, voluntary terminations, investment returns and administration expenses are made at each valuation date and form the assumptions used for calculating the liabilities. A margin for risk and uncertainty is added to these assumptions. Assumptions are reconsidered each year based on the most recent operating experience and estimate of future experience and are used to recalculate the liabilities. Refer to note 3.1.3 where the sensitivity analysis is described.

(iii) Other significant, estimates and judgements

Revaluation of land and building and investment properties

The company measures its land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive Income. For investment properties, the changes in fair value is being recognized in profit or loss. The company engaged an independent professional valuer to determine the fair value. These estimates have been based on recent transaction prices for similar properties. The actual amount of the land and buildings could therefore differ significantly from the estimates in the future.

Useful lives and residual values of property and equipment

Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The directors have used historical information relating to the Group and the relevant industries in which the Group's entities operate in order to best determine the useful lives and residual values of property and equipment.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Recoverable amount on insurance and other receivables

In preparing those consolidated financial statements, the directors have made estimates of the recoverable amounts of insurance and other receivables and impaired those receivables where the carrying amounts exceeded recoverable amounts. The estimation of recoverable amounts involve an assessment of the financial condition of the debtors concerned and estimate of the timing and the extent of cash flows likely to be received by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting judgments, estimates and assumptions (continued)

(iii) Other significant, estimates and judgements (continued)

Limitation of sensitivity analysis

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value The Group test goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

Impairment of non-financial assets

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

The recoverable amount of a CGU is determined based on the value in use calculations. These calculations use cash flow projections based on financial budgets approved by management. Cash flows are extrapolated using the estimated growth rates and terminal growth. Management does not expect that the growth rate to exceed the long term average growth rate in which the CGU operates. Management believe that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. Management have reviewed the carrying amount of the goodwill at the end of the reporting period and is in the opinion, they have not been impaired.

Impairment of investment in subsidiaries

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

The recoverable amount of a CGU is determined based on the value in use calculations. These calculations use cash flow projections based on financial budgets approved by management. Cash flows are extrapolated using the estimated growth rates. Management does not expect that the growth rate to exceed the long term average growth rate in which the CGU operates. Management believe that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. Management have reviewed the carrying amount of the investment in subsidiaries at the end of the reporting period, no impairment was required for the year ended 31 December 2018. (2017: Rs 104m). Refer to Note 8 (a).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting judgments, estimates and assumptions (continued)

(iii) Other significant, estimates and judgements (continued)

Provision for expected credit losses of trade receivables

The Group uses the general approach to calculate ECLs for loans and advances. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The model is initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Recognition of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that is probable that taxable profit will be available against which losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Net employee defined benefit liabilities

The cost under the employee defined benefit plans as disclosed in note 17 to the financial statements requires the use of actuarial valuations. The actuarial valuation involves the use of significant estimate in respect of inter-alia, discount rate, future salary increases and mortality rate. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Note 8 describe Phoenix of Rwanda Assurance Company Limited, Phoenix of Tanzania Assurance Company Limited and Phoenix of Uganda Assurance Company Limited as subsidiaries of the group.

The directors of the Company assessed whether or not the Group has control over the above subsidiaries based on whether the Group has the practical ability to direct their relevant activities unilaterally. In making their judgment, the directors considered the Group's absolute size of holding in these subsidiaries and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has sufficient dominant voting interest to direct the relevant activities of these subsidiaries and therefore the Group has control over them.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

3. TRANSITION DISCLOSURES

GROUP

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IFRS 9 (excluding ECL) to the balances reported under IFRS 9 (including ECL) as of 1 January 2018 is, as follows:

In Rs 000's	IFRS 9 Measurement Category	IFRS 9 Measurement Amount	Remeasurement ECL	Other	IFRS 9 Amount	IFRS 9 Category
Financial assets						
Debt instrument at amortised cost	AC	5,686,429	(13,347)	-	5,673,082	AC
Debt instrument at FVTOCI	FVTOCI	-	-	-	-	FVTOCI
Financial assets at FVOCI	FVTOCI	457,957	-	-	457,957	FVTOCI
Financial assets at FVTPL	FVTPL	3,073,696	-	-	3,073,696	FVTPL
Loan and advances to customers	AC	829,722	(855)	-	828,867	AC
Amount due from related parties	AC	-	-	-	-	AC
Receivables	AC	110,486	(16,980)	-	93,506	AC
Cash and short term deposit	AC	604,051	(1,436)	-	602,615	AC
Total Financial assets		10,762,341	(32,618)	-	10,729,723	

3.1. The impact of transition to IFRS 9 on retained earnings is, as follows:

In Rs 000's	Retained earnings
Retained earnings	
Closing balance under IFRS 9 (31 December 2017)	1,705,043
Recognition of IFRS ECLs including those measured at Amortised Cost (see above)	(13,347)
Recognition of IFRS ECLs on related parties including those measured at amortised cost (see above)	(1,436)
Recognition of IFRS ECLs including those measured at FVTOCI (see above)	(16,980)
Recognition of IFRS 9 ECL on Loans and advances	(855)
Effect of deferred tax on IFRS 9	503
Opening balance under IFRS 9 (1 January 2018)	1,672,928
Total change in equity due to adopting IFRS 9	(32,115)

3.2. The following table reconciles the aggregate opening loss provision allowances under IAS 39 to the ECL allowances under IFRS 9.

In Rs 000's	Loan loss provision under IAS 39 at 31 December 2017	Re-measurement	ECLs under IFRS 9 at 1 January 2018
Impairment allowance for			
Debt instrument at amortised cost	-	(13,347)	13,347
Loan and advances to customers	(20,651)	(855)	21,506
Amount due from related parties	-	(16,980)	16,980
Receivables	-	(1,436)	1,436
	(20,651)	(32,618)	(53,269)

3. TRANSITION DISCLOSURES (CONTINUED)

3.3. Credit loss expenses:

The table below shows the ECL charges on financial instruments for the year recorded in the profit or loss.

2018	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Debt instrument at amortised cost	2,139	-	-	2,139
Debt instrument at FVTOCI	(479)	-	-	(479)
Financial assets at FVOCI	-	-	-	-
Financial assets at FVTPL	-	-	-	-
Loan and advances to customers	376	667	1,141	2,184
Receivables	295	-	-	295
Cash and short term deposit	489	-	-	489
	2,820	667	1,141	4,628

The table below shows impairment charges recorded in the profit or loss under IAS 39 during 2017:

	Specific	Collective	Total
	Rs 000's	Rs 000's	Rs 000's
Impairment loss expenses on loans and advances to customers	(123)	214	91

COMPANY

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IFRS 9 (excluding ECL) to the balances reported under IFRS 9 (including ECL) as of 1 January 2018 is, as follows:

	IFRS 9 Measurement		Remeasurement		IFRS 9	
In Rs 000's	Category	Amount	ECL	Other	Amount	Category
Financial assets						
Debt instrument at amortised cost	AC	619,738	(3,554)	-	616,184	AC
Debt instrument at FVTOCI	FVTOCI	-	-	-	-	FVTOCI
Loan and advances to customers	AC	284,678	208	-	284,886	AC
Amount due from related parties	AC	10,406	(425)	-	9,981	AC
Total Financial assets		914,822	(3,771)	-	911,051	

3. TRANSITION DISCLOSURES (CONTINUED)

3.4. The impact of transition to IFRS 9 on retained earnings is, as follows:

In Rs 000's	Retained earnings
Retained earnings	
Closing balance under IFRS 9 (31 December 2017)	1,020,537
Recognition of IFRS ECLs including those measured at Amortised Cost (see above)	(3,554)
Recognition of IFRS ECLs on related parties including those measured at amortised cost (see above)	(425)
Recognition of IFRS ECLs including those measured at FVTOCI (see above)	-
Recognition of IFRS 9 ECL on Loans and advances	208
Effect of deferred tax on IFRS 9	-
Opening balance under IFRS 9 (1 January 2018)	1,016,766
Total change in equity due to adopting IFRS 9	(3,771)

3.5. The following table reconciles the aggregate opening loss provision allowances under IAS 39 to the ECL allowances under IFRS 9.

In Rs 000's	Loan loss provision under IAS 39 at 31 December 2017	Re-measurement	ECLs under IFRS 9 at 1 January 2018
Impairment allowance for			
Debt Instruments at amortised cost under IFRS 9	-	3,554	3,554
Debt Instruments at FVTOCI under IFRS 9	-	-	-
Loans and advances per IAS 39/financial asstes at amortised cost under IFRS 9	4,183	208	4,391
	4,183	3,762	7,945

3.6. Credit loss expenses:

The table below shows the ECL charges on financial instruments for the year recorded in the profit or loss.

2018	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Debt instrument at amortised cost	(2,264)	-	-	(2,264)
Debt instrument at FVTOCI	479	-	-	479
Loan and advances to customers	(344)	(25)	(410)	(779)
	(2,129)	(25)	(410)	(2,564)

The table below shows impairment charges recorded in the profit or loss under IAS 39 during 2017:

	Specific	Collective	Total
	Rs 000's	Rs 000's	Rs 000's
Impairment loss expenses on loans and advances to customers	5,901	(28)	5,873

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

4.1 Insurance risks

Insurance risk is transferred when the Group agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The main risk that the Group faces under its insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This may occur if the frequency or severity of claims and benefits are greater than estimated.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy so as 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, accumulation of risk and type of industry covered.

4.1.1 Insurance liabilities

(a) Short-term Insurance

The frequency and severity of claims can be affected by several factors. The most significant claims result from accident, liability claims awarded by the Court, fire and allied perils and their consequences. Inflation is also a significant factor due to the long period typically required to settle some claims.

The Group's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Group has underwriting limits by type of risks and by industry. Performance of individual insurance policies is reviewed by management and the Group reserves the right not to renew individual policies. It can impose deductibles and has the right to reject the payment of a fraudulent claim. Where relevant, the Group may sue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

The reinsurance arrangements of the Group include proportional, excess-of-loss and catastrophe coverage and as such, the maximum loss that the Group may suffer in any one year is pre-determined.

(b) Long-term Insurance

For long-term insurance contracts, where the insured event is death, the most significant factors that could impact on insurance claims 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 and earlier claims being submitted to the Group. 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 Group's Independent Actuaries.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.1 Insurance risks (continued)

4.1.2 Concentration of insurance risk

(a) Short-term Insurance

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

THE GROUP

Class of business	No. of claims	Outstanding claims 2018 Gross liabilities	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	17,210	495,104	(25,824)	469,280
Fire	535	185,736	(146,191)	39,545
Personal Accident	835	36,504	(21,769)	14,735
Transport	220	118,440	(102,627)	15,813
Miscellaneous	1,787	384,905	(186,338)	198,567
IBNR	-	170,656	(58,466)	112,190
Total	20,587	1,391,345	(541,215)	850,130

THE COMPANY

Class of business	No. of claims	Outstanding claims 2018 Gross liabilities	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	14,721	373,292	(3,015)	370,277
Fire	237	60,863	(47,248)	13,615
Personal Accident	205	11,953	(8,829)	3,124
Transport	82	9,915	(1,046)	8,869
Miscellaneous	1,185	307,145	(157,546)	149,599
IBNR	-	85,876	(6,837)	79,039
Total	16,430	849,044	(224,521)	624,523

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.1 Insurance risks (continued)

4.1.2 Concentration of insurance risk (continued)

(a) Short-term Insurance (continued)

THE GROUP

Class of business	No. of claims	Outstanding claims 2017 Gross liabilities	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	14,476	599,118	(38,368)	560,750
Fire	459	232,084	(198,411)	33,673
Personal Accident	327	51,446	(18,967)	32,479
Transport	282	364,350	(335,122)	29,228
Miscellaneous	2,922	453,269	(269,139)	184,130
IBNR	-	196,417	(93,970)	102,447
Total	18,466	1,896,684	(953,977)	942,707

THE COMPANY

Class of business	No. of claims	Outstanding claims 2017 Gross liabilities	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	12,392	442,706	(3,288)	439,418
Fire	152	136,281	(116,596)	19,685
Personal Accident	139	16,124	(12,356)	3,768
Transport	138	15,875	(1,079)	14,796
Miscellaneous	1,859	391,604	(233,316)	158,288
IBNR	-	73,639	(6,837)	66,802
Total	14,680	1,076,229	(373,472)	702,757

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.1 Insurance risks (continued)

4.1.2 Concentration of insurance risk (continued)

(b) Long-term Insurance

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

	THE GROUP Total benefits insured				THE COMPANY Total benefits insured			
Benefits assured per life assured at the end of 2018	**Before reinsurance**		**After reinsurance**		**Before reinsurance**		**After reinsurance**	
Rs'000	**Rs'000**	**%**	**Rs'000**	**%**	**Rs'000**	**%**	**Rs'000**	**%**
0 - 50	**1,323,255**	**2**	**1,337,546**	**6**	-	-	-	-
50 - 100	**2,081,124**	**4**	**2,112,416**	**10**	-	-	-	-
100 - 150	**1,577,245**	**3**	**1,675,532**	**8**	-	-	-	-
150 - 200	**1,429,719**	**2**	**1,316,724**	**6**	-	-	-	-
200 - 250	**2,084,272**	**4**	**1,722,085**	**8**	-	-	-	-
250 - 300	**2,300,509**	**4**	**8,937,438**	**43**	-	-	-	-
More than 300	**46,532,012**	**81**	**3,856,442**	**19**	-	-	-	-
Total	**57,328,136**	**100**	**20,958,183**	**100**	-	-	-	-

	THE GROUP Total benefits insured				THE COMPANY Total benefits insured			
Benefits assured per life assured at the end of 2017	Before reinsurance		After reinsurance		Before reinsurance		After reinsurance	
Rs'000	**Rs'000**	**%**	**Rs'000**	**%**	**Rs'000**	**%**	**Rs'000**	**%**
0 - 50	973,901	2	988,406	5	-	-	-	-
50 - 100	1,392,237	4	1,432,491	7	-	-	-	-
100 - 150	1,444,000	4	1,544,208	8	-	-	-	-
150 - 200	1,246,978	3	1,335,047	7	-	-	-	-
200 - 250	1,781,384	4	1,737,803	9	-	-	-	-
250 - 300	1,737,286	4	8,953,560	45	-	-	-	-
More than 300	33,033,371	79	3,801,820	19	-	-	-	-
Total	41,609,157	100	19,793,335	100	-	-	-	-

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.1 Insurance risks (continued)

4.1.2 Concentration of insurance risk (continued)

(b) Long-term Insurance (continued)

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

Annuities payable per annum per life insured at end of 2018

	THE GROUP				THE COMPANY			
	Total annuities payable per annum							
	2018		2017		**2018**		2017	
Rs'000	**Rs'000**	**%**	Rs'000	%	**Rs'000**	**%**	Rs'000	%
0 - 10	**2,474**	**3**	2,206	3	**-**	**-**	-	-
10 - 20	**4,646**	**6**	4,382	6	**-**	**-**	-	-
20 - 50	**17,093**	**20**	15,322	20	**-**	**-**	-	-
50 - 100	**19,014**	**22**	17,146	22	**-**	**-**	-	-
100 - 150	**10,324**	**12**	10,093	13	**-**	**-**	-	-
More than 150	**31,886**	**37**	28,556	36	**-**	**-**	-	-
Total	**85,437**	**100**	77,705	100	**-**	**-**	-	-

4.1.3 Sources of uncertainty

(a) Short-term insurance

Claims on short-term insurance contracts are payable on a claims occurrence basis for motor and liability business and on a claims made basis for non-motor. Under the claims occurrence basis, the Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract. As a result, liability claims may be settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR). For the claims made basis, the Group is liable only if the claims are reported within the specific underwriting year, based on the terms of the contract.

The estimated costs of claims include direct expenses to be incurred in settling claims, net of subrogation and salvage recoveries. The Group ensures that claims provisions are determined using the best information available of claims settlement patterns, forecast inflation and settlement of claims. Estimation techniques also involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the best overall estimates. However, given the uncertainty in claims provisions, it is very probable that estimated costs and subsequent settlement amounts would differ.

	THE GROUP				
2018	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost	**10%**	**122,090**	**48,452**	**(73,638)**	**(62,592)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.1 Insurance risks (continued)

4.1.3 Sources of uncertainty (continued)

(a) Short-term insurance (continued)

	THE COMPANY				
2018	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost	**10%**	**76,317**	**21,768**	**(54,549)**	**(46,367)**

	THE GROUP				
2017	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost	10%	174,284	88,134	(86,150)	(73,228)

	THE COMPANY				
2017	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost	10%	100,259	36,664	(63,595)	(54,056)

(b) Long-term Insurance

The Group manages long-term insurance risks through its underwriting strategy and reinsurance arrangements. Management ensures that risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is included in the Group's underwriting procedures, with premiums varied to reflect the health condition and family medical history of the applicant. Insurance risk may also be affected by the contract holder's behaviour who may decide to amend terms or terminate the contract or exercise a guaranteed annuity option.

The Group has a predetermined retention limit on any single life insured and the Group reinsures the excess of the insured benefit above the retention limit.

Sensitivity analysis

The following table presents the sensitivity of the value of insurance liabilities disclosed to movements in assumptions used in the estimation of insurance liabilities.

The table on the following page indicated the level of the respective variables that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration of the variable.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.1 Insurance risks (continued)

4.1.3 Sources of uncertainty (continued)

(b) Long-term Insurance (continued)

THE GROUP

2018	Basic liability	Future bonus reserve	Total life fund	Change in basic liability	Impact on profit or loss
Variable	**Rs'000**	**Rs'000**	**Rs'000**		
Base run	**7,046,710**	**182,727**	**7,229,437**	**0.0%**	**0.0%**
Future mortality 10% worse	**7,091,898**	**177,163**	**7,269,061**	**0.6%**	**-4.6%**
Future lapses 10% higher	**7,052,390**	**185,608**	**7,237,998**	**0.1%**	**-1.0%**
Future investment returns 1% lower	**7,239,278**	**23,647**	**7,262,925**	**2.7%**	**-8.1%**
Future inflation 1% higher	**7,090,182**	**172,438**	**7,262,620**	**0.6%**	**-3.9%**
Future maintenance expense 10% higher	**7,116,972**	**160,359**	**7,277,331**	**1.0%**	**-5.6%**

THE GROUP

2017	Basic liability	Future bonus reserve	Total life fund	Change in basic liability	Impact on profit or loss
Variable	Rs'000	Rs'000	Rs'000		
Base run	6,567,774	223,513	6,791,287	0.0%	0.0%
Future mortality 10% worse	6,612,313	217,326	6,829,639	0.7%	-5.4%
Future lapses 10% higher	6,571,316	226,051	6,797,367	0.10%	-0.9%
Future investment returns 1% lower	6,776,172	49,677	6,825,849	3.2%	-10.6%
Future inflation 1% higher	6,611,549	212,119	6,823,668	0.7%	-4.5%
Future maintenance expense 10% higher	6,637,302	200,169	6,837,471	1.1%	-6.5%

4.1.4 Claims development tables

THE GROUP (2018)	Underwriting Year				
Net estimate of ultimate claim costs	**2014**	**2015**	**2016**	**2017**	**2018**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
- At end of claim year	**144,018**	**256,551**	**322,461**	**324,568**	**261,165**
- one year later	**95,964**	**207,596**	**202,000**	**201,278**	-
- two years later	**62,222**	**132,657**	**126,680**	-	-
- three years later	**44,379**	**155,189**	-	-	-
- four years later	**92,269**	-	-	-	-

THE COMPANY (2018)	Underwriting Year				
Net estimate of ultimate claim costs	**2014**	**2015**	**2016**	**2017**	**2018**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
- at end of claim year	**144,018**	**168,854**	**180,118**	**219,867**	**156,646**
- one year later	**95,964**	**134,997**	**114,999**	**105,219**	-
- two years later	**62,222**	**75,679**	**62,629**	-	-
- three years later	**44,379**	**56,694**	-	-	-
- four years later	**33,250**	-	-	-	-

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.1 Insurance risks (continued)

4.1.4 Claims development tables (continued)

THE GROUP (2017)	Underwriting Year				
Net estimate of ultimate claim costs	**2013**	**2014**	**2015**	**2016**	**2017**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
- at end of claim year	92,041	144,018	256,551	322,461	324,568
- one year later	48,344	95,964	207,596	202,000	-
- two years later	46,863	62,222	132,657	-	-
- three years later	36,860	44,379	-	-	-
- four years later	30,322	-	-	-	-

THE COMPANY (2017)	Underwriting Year				
Net estimate of ultimate claim costs	**2013**	**2014**	**2015**	**2016**	**2017**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
- at end of claim year	92,041	144,018	168,854	180,118	219,867
- one year later	48,344	95,964	134,997	114,999	-
- two years later	46,863	62,222	75,679	-	-
- three years later	36,860	44,379	-	-	-
- four years later	30,322	-	-	-	-

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.1 Insurance risks (continued)

4.1.4 Claims development tables (continued)

The development of insurance liabilities provides a measure of The Group's ability to estimate the ultimate value of claims. The table below illustrates how the estimates of total claims outstanding for each year from its general business (short-term insurance) have changed at successive year ends and reconciles the cumulative claims to the amount appearing in the statement of financial position.

THE GROUP (2018)	2014	2015	2016	2017	2018	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	734,453	1,041,964	1,226,397	866,371	859,725	4,728,910
Cumulative payments	(701,200)	(985,269)	(1,099,717)	(665,093)	(598,560)	(4,049,839)
Liability	33,253	56,695	126,680	201,278	261,165	679,071
Liability in respect of prior years						58,869
Incurred but not reported (IBNR)						112,190
Total liability (net)						850,130

THE COMPANY (2018)	2014	2015	2016	2017	2018	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	734,450	1,041,965	1,068,291	628,439	581,768	4,054,913
Cumulative payments	(701,200)	(985,269)	(1,005,663)	(523,221)	(425,123)	(3,640,476)
Liability	33,250	56,696	62,628	105,218	156,645	414,437
Liability in respect of prior years						131,048
Incurred but not reported (IBNR)						79,039
Total liability (net)						624,524

THE GROUP (2017)	2013	2014	2015	2016	2017	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	427,458	745,743	1,215,107	1,321,683	949,425	4,659,416
Cumulative payments	(397,136)	(701,364)	(1,082,450)	(1,119,683)	(624,857)	(3,925,490)
Liability	30,322	44,379	132,657	202,000	324,568	733,926
Liability in respect of prior years						106,334
Incurred but not reported (IBNR)						102,447
Total liability (net)						942,707

THE COMPANY (2017)	2013	2014	2015	2016	2017	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	427,458	745,743	1,050,346	1,107,354	710,444	4,041,345
Cumulative payments	(397,136)	(701,364)	(974,667)	(992,355)	(490,577)	(3,556,099)
Liability	30,322	44,379	75,679	114,999	219,867	485,246
Liability in respect of prior years						150,709
Incurred but not reported (IBNR)						66,802
Total liability (net)						702,757

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.1 Insurance risks (continued)

4.1.4 Claims development tables (continued)

Long-term Insurance (The Group)

Financial Liabilities	**2018**	2017
Long-term insurance contracts	**Rs'000**	Rs'000
No stated Maturity	**4,357,414**	3,330,152
0 - 1 yr	**319,542**	298,192
1 - 2 yrs	**229,644**	237,412
2 - 3 yrs	**216,567**	240,503
> 3 yrs	**3,070,362**	3,555,856
	8,193,529	7,662,115

4.2 Financial risks

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

Risk management is carried out by the investment department under policies approved by the investment committee. The investment department identifies and evaluates financial risks in close co-operation with The Group's operating units. The committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risks, interest rate risks and investment of excess liquidity.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.2 Financial risks (continued)

The main risks to which The Group is exposed include:

- Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Except for fluctuations in equity prices, the Group has no significant concentration of market risk;
- Credit and liquidity risks.

The Group has no significant concentration of currency risk.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to some bank balances, investments and liabilities in foreign currency. The currency profile and sensitivity analysis of change in exchange rate on the Group's profit before tax is as illustrated in table below.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on the market risk, but to demonstrate the impact due to changes in variables, these variables had to be changed on an individual basis.

			THE GROUP			
			2018		2017	
Financial statements caption		Changes in variables	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
			Rs'000	**Rs'000**	Rs'000	Rs'000
Financial assets at fair value through other comprehensive income	USD	+2.5%	**632**	**815**	434	326
Financial assets at fair value through profit or loss						
Cash and short-term deposits						
Financial assets at fair value through other comprehensive income	EUR	+2.5%	**32**	**368**	60	335
Cash and short-term deposits						
Financial assets at fair value through profit or loss	GBP	+2.5%	**7**	**-**	33	-
Cash and short-term deposits						
Cash and short-term deposits	SGD	+2.5%	**-**	**-**	-	-
Financial assets at fair value through profit or loss	AUD	+2.5%	**-**	**-**	-	-
Cash and short-term deposits	ZAR	+2.5%	**20**	**-**	10	-
Cash and short-term deposits	SCR	+2.5%	**1,138**	**-**	182	-
Financial assets at fair value through other comprehensive income	RWF	+10.0%	**525**	**-**	591	-
Insurance and other receivables						
Reinsurance assets						
Cash and short-term deposits						

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.2 Financial risks (continued)

			THE GROUP			
			2018		2017	
Financial statements caption		Changes in variables	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
			Rs'000	**Rs'000**	Rs'000	Rs'000
Financial assets at fair value through other comprehensive income	KSHS	+10.0%	**1,518**	**-**	973	-
Financial assets at amortised cost						
Loans and receivables at amortised cost						
Insurance and other receivables						
Reinsurance assets						
Cash and short-term deposits						
Trade and other payables						
Financial assets at fair value through other comprehensive income	TZSHS	+10.0%	**2,703**	**-**	4,780	-
Financial assets at amortised cost						
Loans and receivables at amortised cost						
Insurance and other receivables						
Reinsurance assets						
Cash and short-term deposits						
Trade and other payables						
Financial assets at fair value through other comprehensive income	USHS	+10.0%	**590**	**-**	504	-
Financial assets at amortised cost						
Loans and receivables at amortised cost						
Insurance and other receivables						
Reinsurance assets						
Cash and short-term deposits						
Trade and other payables						
	USD	-2.5%	**(632)**	**(815)**	(434)	(326)
	EUR	-2.5%	**(32)**	**(368)**	(60)	(335)
	GBP	-2.5%	**(7)**	**-**	(33)	-
	SGD	-2.5%	**-**	**-**	-	-
	AUD	-2.5%	**-**	**-**	-	-
	ZAR	-2.5%	**(20)**	**-**	(10)	-
	SCR	-2.5%	**(1,138)**	**-**	(182)	-
	RWF	-10.0%	**(525)**	**-**	(591)	-
	KSHS	-10.0%	**(1,518)**	**-**	(973)	-
	TZSHS	-10.0%	**(2,703)**	**-**	(4,780)	-
	USHS	-10.0%	**(590)**	**-**	(504)	-

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.2 Financial risks (continued)

4.2.1 Market Risk

(i) Foreign exchange risk (continued)

THE COMPANY

	Changes in variables	2018 Impact on profit before tax Rs'000	2018 Impact on equity Rs'000	2017 Impact on profit before tax Rs'000	2017 Impact on equity Rs'000
USD	+2.5%	251	815	54	326
EUR	+2.5%	7	368	34	335
GBP	+2.5%	4	-	30	-
SGD	+2.5%	-	-	-	-
AUD	+2.5%	-	-	-	-
ZAR	+2.5%	11	-	1	-
SCR	+2.5%	1,138	-	182	-

THE COMPANY

	Changes in variables	2018 Impact on profit before tax Rs'000	2018 Impact on equity Rs'000	2017 Impact on profit before tax Rs'000	2017 Impact on equity Rs'000
USD	-2.5%	(251)	(815)	(54)	(326)
EUR	-2.5%	(7)	(368)	(34)	(335)
GBP	-2.5%	(4)	-	(30)	-
SGD	-2.5%	-	-	-	-
AUD	-2.5%	-	-	-	-
ZAR	-2.5%	(11)	-	(1)	-
SCR	-2.5%	(1,138)	-	(182)	-

The method used for deriving sensitivity information and significant variables did not change from the previous method.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or the future cash flows related to financial instruments will change due to a change in interest rates. The risk is also that there will be insufficient funds to fund the guaranteed benefits payable especially under long term life assurance contracts. Under short-term insurance contracts, liabilities are not directly sensitive to the level of market interest rates, as they are contractually non-interest bearing; except in case of bodily injury claims which are settled over long periods. Fluctuations in interest rates however impact on returns on financial instruments. This is closely monitored by Management through a well diversified portfolio of fixed income securities and equity investments.

The interest rate risk arises on loan and receivables at amortised cost, cash and cash equivalents, bank overdrafts and subordinated bonds.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.2 Financial risks (continued)

4.2.1 Market Risk (continued)

(ii) Interest rate risk (continued)

THE GROUP

Changes in interest rate	2018 Impact on profit before tax Rs'000	2018 Impact on equity Rs'000	2017 Impact on profit before tax Rs'000	2017 Impact on equity Rs'000
+ 250 basis points	12,668	-	28,324	-
– 250 basis points	(12,668)	-	(28,324)	-

THE COMPANY

Changes in interest rate	2018 Impact on profit before tax Rs'000	2018 Impact on equity Rs'000	2017 Impact on profit before tax Rs'000	2017 Impact on equity Rs'000
+250 basis points	3,187	-	9,766	-
–250 basis points	(3,187)	-	(9,766)	-

(iii) Equity price risk

Equity price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group's price policy requires it to manage such risks by setting and monitoring objectives and constraints on investments , diversification plans, limits on investments in each industry sector and markets.

The equity price risk arises on the financial instruments held at fair value through other comprehensive income and at fair value through profit or loss.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity.

THE GROUP

Changes in share price	2018 Impact on profit before tax Rs'000	2018 Impact on equity Rs'000	2017 Impact on profit before tax Rs'000	2017 Impact on equity Rs'000
+2.5%	78,349	13,082	82,068	11,537
–2.5%	(78,349)	(13,082)	(82,068)	(11,537)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.2 Financial risks (continued)

4.2.1 Market Risk (continued)

(iii) Equity price risk (continued)

	THE COMPANY			
	2018		2017	
Changes in share price	Impact on profit before tax Rs'000	Impact on equity Rs'000	Impact on profit before tax Rs'000	Impact on equity Rs'000
+2.5%	1,503	11,461	5,226	10,254
–2.5%	(1,503)	(11,461)	(5,226)	(10,254)

4.2.2 Credit risk

Credit risks is a risk that a counterparty will be unable to pay an amount in full when due. The Group's credit risk is primarily attributable to its reinsurance assets, loans, insurance and other receivables and investment in debt securities. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment. The Credit Control department assesses the creditworthiness of brokers, agents and of contract holders based on details of recent payment history, past experience and by taking into account their financial position. The Group is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid. Management monitors the financial strength of its reinsurers and the Group has policies in place to ensure that risks are ceded to top-rated and credit-worthy reinsurers only. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Group also has exposure to credit risk on its debt securities, more specifically on the corporate bonds. The Investment Committee assesses the credit quality of the issuers based on past experience the Group had with those issuers. The Investment Committee recommends investment in entities with which the Group had good experience with in the past years and with good standing. The financial performance and position of the issuers are assessed in detail prior to approval is obtained for investment by the Group. The table shows the maximum exposure to credit risk for the components of the financial position.

Financial instruments	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets at fair value through profit or loss*	537,363	561,659	60,111	209,036
Debt instruments at amortised cost	6,569,676	5,686,429	616,717	619,738
Loans and receivables at amortised cost	867,565	819,526	282,243	282,711
Insurance and other receivable	918,309	1,042,411	643,566	590,016
Amount receivable from subsidiary	-	-	23,981	14,228
Reinsurance assets	910,164	1,327,681	428,338	574,324
Bank balances and cash	531,712	625,990	114,159	159,345
	10,334,789	10,063,696	2,169,115	2,449,398

* Excludes equity instruments.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.2 Financial risks (continued)

4.2.2 Credit risk (continued)

	Carrying value	Value of collaterals held	Net credit exposure
The Group			
2018			
Loans and receivable	867,565	2,272,140	-
2017			
Loans and receivable	819,526	2,242,654	-
The Company			
2018			
Loans and receivable	282,243	691,996	-
2017			
Loans and receivable	282,711	674,268	-

The Company's credit scorecard and PD estimation process

The Company's independent Credit Risk Department operates its credit scorecard models. The Company runs separate models for its key portfolios in which the customers are rate from 0-3 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. The PDs are estimated using the number of defaulted number accounts on total number of accounts in the portfolio then projected on twelve monthsor the lifetime depending on the stage in which the client has been classified in.

Government Bonds, Treasury Bills, Short and Long-Term Deposits

The Company's government bonds, treasury bills and short & long-term deposits comprise of the Bank of Mauritius, other banks and other non-banking financial institutions. For these relationships, the Company's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of Moody's and S&P. The PD is derived using a transition matrix to convert the ratings into PDs.

Mortgage and Other Loans

For mortgage and other loans, the borrowers are assessed by specialised credit risk employees of the Company. The credit risk assessment is based on a credit scoring model that takes into account various historical current and forward looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention;
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles;
- Quality of the collaterals given as quarantee;
- Loan to value;
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the Company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Company and the complexity and size of the customer. Some of the less complex small loans are rated within the Company's models for such products.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.2 Financial risks (continued)

4.2.2 Credit risk (continued)

Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial intruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3, the exposure at default is considered for events over the lifetime of the instruments.

The Company determines EADs by modelling the range of possible exposure outcomes at various points in time corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Company's model.

Loss Given Default

For corporate financial instruments, LGD values are assessed at least every year by accounts managers and reviewed and approved by the Company's by the Company's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

Further recent data and forward looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial statements. For this first time application of the models, the forward looking information has not provided any correlation with the Company's situation and thus not taken into account. However, the Company intends to build a refined model for the forward looking information and will incorporate in the current models.

Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year. When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.2 Financial risks (continued)

4.2.2 Credit risk (continued)

Grouping financial assets measured on a collective basis

As explained in Note 1.2 dependent on the factors below, the Company calculates ECLs either on a collective or an individual basis.

Asset classes where the Company calculates ECL on an individual basis include:
- All Stage 3 assets, regardless of the class of financial assets;
- The Corporate lending portfolio;
- The large and unique exposures of the Small lending portfolio;
- Debt instruments at amortised cost;
- Corporate bonds and short/long term deposits.

Asset classes where the Company calculates ECL on a collective basis include:
- The smaller and more generic balances of the Company's Small lending;
- Stage 1 and 2 mortgages and other loans.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are for mortgage and other loans. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the Company does not physically repossess properties or other assets in its portfolio, but undertakes to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.2 Financial risks (continued)

4.2.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Liquidity risk is considered to be low since the Group maintains an adequate level of cash resources or assets that are readily available on demand.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at December 31, 2018 based on contractual undiscounted payments. However due to the nature of the business, it is not possible to quantify payment for the outstanding claims provision including IBNR over the years since these can be made as from next year and last up to ten years.

THE GROUP

2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Life assurance fund	-	-	222,210	446,211	3,070,362	3,490,654	7,229,437
Insurance contract liabilities*	-	-	1,391,344	-	-	-	1,391,344
Investment contract liabilities	-	-	-	-	-	866,760	866,760
Interest bearing loans and borrowings	-	-	-	183,516	204,400	-	387,916
Trade and other payables	569,721	-	-	-	-	-	569,721
	569,721	-	1,613,554	629,727	3,274,762	4,357,414	10,445,178

THE GROUP

2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Life assurance fund	-	-	202,240	477,915	3,555,856	2,555,276	6,791,287
Insurance contract liabilities*	-	-	1,896,684	-	-	-	1,896,684
Investment contract liabilities	-	-	-	-	-	774,876	774,876
Interest bearing loans and borrowings	-	-	-	193,991	204,400	-	398,391
Trade and other payables	580,941	-	-	-	-	-	580,941
	580,941	-	2,098,924	671,906	3,760,256	3,330,152	10,442,179

THE COMPANY

2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Insurance contract liabilities*	-	-	849,045	-	-	-	849,045
Interest bearing loans and borrowings	-	-	-	183,516	204,400	-	387,916
Trade and other payables	206,568	-	-	-	-	-	206,568
	206,568	-	849,045	183,516	204,400	-	1,443,529

THE COMPANY

2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Insurance contract liabilities*	-	-	1,076,228	-	-	-	1,076,228
Interest bearing loans and borrowings	-	-	-	193,991	204,400	-	398,391
Trade and other payables	194,686	-	-	-	-	-	194,686
	194,686	-	1,076,228	193,991	204,400	-	1,669,305

Loans repaid in advance, premiums prepaid, VAT payable and rent security deposit and advances have been excluded from the financial liabilities.
*Insurance contract liabilities exclude unearned premium.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

4.2 Financial risks (continued)

4.2.4 Fair values

The Group's financial assets and liabilities include financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, financial assets at amortised cost, loan and receivables at amortised cost, insurance and other receivables, amount receivable from subsidiary, cash and short term deposits , trade and other payables, loans and borrowings. Except where otherwise stated, the carrying amounts of these financial assets and liabilities approximate their fair values. See note 34 for fair value disclosures.

4.2.5 Capital management

The Group's objectives when managing capital are:

- To comply with the minimum capital requirements of the Insurance Act 2005 and the Insurance Rules and Regulations 2007;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for its policyholders;
- To provide an adequate return to shareholders by pricing insurance contracts in line with the level of risk and therefore solvency.

The group manages the minimum capital requirement as follows:
Different targets level are set above the statutory requirements, providing a buffer in order to remain solvent at all times and this is monitored on a quarterly basis. Capital planning is done to ensure we minimise the risk of being below the minimum required and these calculations are done under different stress test scenarios using parameters in different areas of risks such as equity risk, interest rate risk, credit risk, business risk and currency risk. Reinsurance is used to reduce the volatility of our results, thus reducing our capital needs. This risk is further reduced by using rated reinsurers in our panel.

The Group met the Minimum Capital Requirement at December 31, 2018 for both life and general businesses.

Capital available has been computed from the shareholders fund less any unadmitted asset.
The operations of the Group is also subject to regulatory requirements within the Mauritian as well as the overseas African jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of MUA to meet unforeseen liabilities. In reporting financial strength, capital and solvency is measured using the rules prescribed by the Insurance Acts. The Group and regulated entities within it have met all these requirements.

4.3 Risk management framework

The Group has set up a Risk Management Framework required under the Insurance (Risk Management) Rules 2016 made by the Financial Services Commission under section 130 of the Insurance Act and section 93 of the Financial Services Act 2007.

The Risk Management Framework includes the following components:
(a) A Risk Appetite Statement;
(b) A Risk Management Strategy;
(c) A three-year rolling business plan;
(d) An Own Risk Solvency Assessment (ORSA) Framework;
(e) The liquidity policy;
(f) Description of the responsibilities, roles and reporting lines within the insurer for the management of material risks.

A detailed description of the Risk Management Framework is disclosed in the Management of Financial and Insurance Risk note of the financial statements and in the Annual Report.

5. PROPERTY AND EQUIPMENT

(a) THE GROUP

	Land and Buildings: Freehold land	Land and Buildings: Buildings on freehold land	Office equipment computers, fixtures & fittings and other electrical	Motor vehicles	Total
2018	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION					
At January 1, 2018	**40,000**	**217,956**	**236,711**	**33,899**	**528,566**
Additions during the year	-	-	**16,975**	-	**16,975**
Work in progress	-	-	**4,051**	-	**4,051**
Reclassification	-	-	**(102)**	-	**(102)**
Disposals during the year	-	-	**(7,693)**	**(2,984)**	**(10,677)**
Exchange differences	-	-	**522**	**115**	**637**
At December 31, 2018	**40,000**	**217,956**	**250,464**	**31,030**	**539,450**
DEPRECIATION					
At January 1, 2018	-	**(1)**	**168,654**	**17,211**	**185,864**
Charge for the year	-	**2,870**	**23,901**	**5,357**	**32,128**
Reclassification	-	-	**(58)**	-	**(58)**
Disposals	-	-	**(7,676)**	**(2,368)**	**(10,044)**
Exchange differences	-	-	**463**	**59**	**522**
At December 31, 2018	-	**2,869**	**185,284**	**20,259**	**208,412**
CARRYING AMOUNT					
At December 31, 2018	**40,000**	**215,087**	**65,180**	**10,771**	**331,038**
2017					
COST OR VALUATION					
At January 1, 2017	40,000	211,676	218,385	40,246	510,307
Additions during the year	-	-	25,038	1,152	26,190
Revaluation adjustment	-	(12,583)	-	-	(12,583)
Revaluation surplus	-	18,863	-	-	18,863
Disposals during the year	-	-	(2,041)	(6,194)	(8,235)
Exchange differences	-	-	(4,671)	(1,305)	(5,976)
At December 31, 2017	40,000	217,956	236,711	33,899	528,566
DEPRECIATION					
At January 1, 2017	-	8,388	151,284	16,694	176,366
Revaluation adjustment	-	(12,583)	-	-	(12,583)
Charge for the year	-	4,194	22,348	6,811	33,353
Disposals	-	-	(1,936)	(5,469)	(7,405)
Exchange differences	-	-	(3,042)	(825)	(3,867)
At December 31, 2017	-	(1)	168,654	17,211	185,864
CARRYING AMOUNT					
At December 31, 2017	40,000	217,957	68,057	16,688	342,702

5. PROPERTY AND EQUIPMENT (CONTINUED)

(b) THE COMPANY

	Land and Buildings: Freehold land	Land and Buildings: Buildings on freehold land	Office equipment computers, fixtures & fittings and other electrical	Motor vehicles	Total
2018	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION					
At January 1, 2018	**40,000**	**143,500**	**139,391**	**24,599**	**347,490**
Additions during the year	-	-	**5,648**	-	**5,648**
Work in progress	-	-	**3,850**	-	**3,850**
Disposals during the year	-	-	**(1,148)**	**(2,984)**	**(4,132)**
At December 31, 2018	**40,000**	**143,500**	**147,741**	**21,615**	**352,856**
DEPRECIATION					
At January 1, 2018	-	-	**94,218**	**13,624**	**107,842**
Charge for the year		**2,870**	**10,801**	**3,681**	**17,352**
Disposals during the year	-	-	**(872)**	**(2,368)**	**(3,240)**
At December 31, 2018	-	**2,870**	**104,147**	**14,937**	**121,954**
CARRYING AMOUNT					
At December 31, 2018	**40,000**	**140,630**	**43,594**	**6,678**	**230,902**
2017					
COST OR VALUATION					
At January 1, 2017	40,000	143,500	119,967	29,176	332,643
Additions during the year	-	-	19,991	59	20,050
Revaluation surplus	-	8,610	-	-	8,610
Revaluation adjustment	-	(8,610)	-	-	(8,610)
Disposals during the year	-	-	(567)	(4,636)	(5,203)
At December 31, 2017	40,000	143,500	139,391	24,599	347,490
DEPRECIATION					
At January 1, 2017	-	5,740	84,031	13,337	103,108
Charge for the year	-	2,870	10,690	4,305	17,865
Revaluation adjustment	-	(8,610)	-	-	(8,610)
Disposals during the year	-	-	(503)	(4,018)	(4,521)
At December 31, 2017	-	-	94,218	13,624	107,842
CARRYING AMOUNT					
At December 31, 2017	40,000	143,500	45,173	10,975	239,648

(c) The Group's land and building are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The land and building were revalued in December 2017 by JPW International, an independent valuer not related to the Group. They have appropriate qualification and experience in the fair value measurement of properties in the relevant location. The fair value was determined based on market comparable approach that reflects recent transactions prices for similar properties. The carrying amount was adjusted to the revalued amount at December 31, 2017 and the revaluation surplus was recorded under revaluation reserves. The directors have reassessed the fair value of property and equipment at 31 December 2018. On the basis of the current economic environment, the directors are satisfied that the carrying value of property and equipment reflect the fair value at the reporting date.

5. PROPERTY AND EQUIPMENT (CONTINUED)

(d) If land and buildings had been stated on a historical cost basis, the amounts would be as follows:

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cost	**207,154**	207,154	**163,369**	163,369
Accumulated depreciation	**(25,232)**	(7,970)	**(19,729)**	(17,262)
Net book values	**181,922**	199,184	**143,640**	146,107

6. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**472,902**	497,184	**79,000**	79,000
Impairment	**-**	-	**-**	-
Exchange differences	**(1,307)**	(24,282)	**-**	-
At December 31,	**471,595**	472,902	**79,000**	79,000

The fair value of the Group's investment properties as at December 31, 2017 has been arrived at on the basis of a valuation carried out by JPW International, an independent valuer not related to the Group. They have the appropriate qualifications and experience in the valuation of properties in the relevant locations. The fair value was determined using recent transaction prices for similar properties. The directors have reassessed the fair value of property at 31 December 2018. On the basis of the current economic environment, the directors are satisfied that the carrying value of property reflect the fair value at the reporting date.The rental income arising during the year amounted to Rs 8,697,000 (2017: Rs 12,153,000) for the Group and Rs Nil (2017: Rs Nil) for the Company, which is included in investment income. No direct operating expenses arose in respect of this property for the Group during the year (2017: Rs Nil).

There is no restriction on reliability of investment property or the remittance of income and proceeds of disposal. The Group has no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

7. INTANGIBLE ASSETS

	THE GROUP				
2018	Goodwill	Client portfolio	Computer software	Work in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST					
At January 1, 2018	**345,441**	**439,570**	**156,356**	**1,169**	**942,536**
Reclassification	**-**	**-**	**102**	**-**	**102**
Additions during the year	**-**	**-**	**11,167**	**4,232**	**15,399**
Write off	**-**	**-**	**(153)**	**-**	**(153)**
Exchange differences	**-**	**-**	**(39)**	**-**	**(39)**
At December 31, 2018	**345,441**	**439,570**	**167,433**	**5,401**	**957,845**
AMORTISATION AND IMPAIRMENT					
At January 1, 2018	**38,570**	**170,883**	**129,031**	**-**	**338,484**
Charge for the year	**-**	**22,469**	**13,011**	**-**	**35,480**
Reclassification	**-**	**-**	**58**	**-**	**58**
Exchange differences	**-**	**-**	**(65)**	**-**	**(65)**
At December 31, 2018	**38,570**	**193,352**	**142,035**	**-**	**373,957**
CARRYING AMOUNT					
At December 31, 2018	**306,871**	**246,218**	**25,398**	**5,401**	**583,888**

For Goodwill impairment assessement, refer to note 40.

	THE GROUP				
2017	Goodwill	Client portfolio	Computer software	Work in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST					
At January 1, 2017	345,441	439,570	143,030	-	928,041
Additions during the year	-	-	13,574	1,169	14,743
Exchange differences	-	-	(248)	-	(248)
At December 31, 2017	345,441	439,570	156,356	1,169	942,536
AMORTISATION AND IMPAIRMENT					
At January 1, 2017	38,570	148,414	117,478	-	304,462
Charge for the year	-	22,469	11,680	-	34,149
Exchange differences	-	-	(127)	-	(127)
At December 31, 2017	38,570	170,883	129,031	-	338,484
CARRYING AMOUNT					
At December 31, 2017	306,871	268,687	27,325	1,169	604,052

For Goodwill impairment assessement, refer to note 40.

7. INTANGIBLE ASSETS (CONTINUED)

THE COMPANY 2018	Goodwill	Client portfolio	Computer software	Work in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	133,188	245,478	87,496	1,169	467,331
Additions during the year	-	-	3,618	4,232	7,850
At December 31,	133,188	245,478	91,114	5,401	475,181
AMORTISATION AND IMPAIRMENT					
At January 1,	-	111,341	69,092	-	180,433
Charge for the year	-	10,950	8,135	-	19,085
At December 31,	-	122,291	77,227	-	199,518
CARRYING AMOUNT					
At December 31,	133,188	123,187	13,887	5,401	275,663

Work in progress represents the implementation of a new software.

8. INVESTMENT IN SUBSIDIARY COMPANIES

	THE COMPANY 2018	2017
	Rs'000	Rs'000
(a) At January 1,	823,167	823,167
Additions during the year	86,436	-
At December 31,	909,603	823,167

Out of the Rs 910m (2017: Rs 823m), Rs 701m (2017: Rs 615m) relates to investment in foreign subsidiaries.

In August 2018, the Company acquired 45% of the non-controlling interest in MUA (Rwanda) Ltd. The number of shares acquired was 450,000 at USD 5.6 per share, resulting in a total purchase consideration of USD 2,5M (Rs 86,4m). Following the acquisition, the Company obtained a direct interest of 45% in MUA (Rwanda) Ltd and an indirect interest of 36.51%. The acquisition of the 45% additional interest did not result in a change in control and accordingly, a movement in reserve has been accounted.

The impairment of the Company's subsidiaries have been assessed using their value in use. The value in use were determined by discounting the subsidiaries' after tax forecasted cash flow at the appropriate discounted rates. The major assumptions used in the discounted cash flow model are described in note 40.

THE COMPANY 2017	Goodwill	Client portfolio	Computer software	Work in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	133,188	245,478	77,708	-	456,374
Additions during the year		-	9,788	1,169	10,957
At December 31,	133,188	245,478	87,496	1,169	467,331
AMORTISATION AND IMPAIRMENT					
At January 1,	-	100,391	61,871	-	162,262
Charge for the year	-	10,950	7,221	-	18,171
At December 31,	-	111,341	69,092	-	180,433
CARRYING AMOUNT					
At December 31,	133,188	134,137	18,404	1,169	286,898

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(b) The financial statements of the following subsidiary companies below have been included in the consolidated financial statements. The subsidiaries have the same reporting date as the holding company and operate on the local and african market.

Subsidiary name	Main activities	Country of incorporation	Dominated currency	Stated capital	Nominal value of investment		Class of shares held	% of ownership interest		% of ownership interest by NCI	
				000's	**2018**	2017		**2018**	2017	**2018**	2017
Direct shareholding					**Rs'000**	Rs'000		**Rs'000**	Rs'000	**Rs'000**	Rs'000
MUA Life Ltd (formerly La Prudence (Mauricienne) Assurances Limitee)	Life Insurance	Mauritius	Mauritian Rupees	25,000	167,327	167,327	Ordinary	100%	100%	-	-
MUA Mutual Fund Ltd (formerly The National Mutual Fund Ltd)	Fund management	Mauritius	Mauritian Rupees	4,000	28,561	28,561	Ordinary	98.6%	98.6%	1.4%	1.40%
MUA Stockbroking Ltd (formerly Associated Brokers Ltd)	Stock broker	Mauritius	Mauritian Rupees	9,500	10,979	10,979	Ordinary	80%	80%	20%	20%
Compagnie du Decadel Limitée	Property holding	Mauritius	Mauritian Rupees	25	675	675	Ordinary	100%	100%	-	-
MUA Pension Ltd	Manager and consultants of pension fund	Mauritius	Mauritian Rupees	2,000	500	500	Ordinary	100%	100%	-	-
Phoenix Transafrica Holdings Limited	Investment holdings	Kenya	Kenya Shillings	5,000	-	-	Ordinary	100%	100%	-	-
MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)	General Insurance business	Rwanda	Rwanda Francs	450,000	86,436	-	Ordinary	45%	0%	Refer to effective shareholding below	-
Indirect shareholding											-
Risk Advisory Services Limited**	Property holding	Mauritius	Mauritian Rupees	25,000	75	75	Ordinary	100%	100%	0%	-
MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)**	General Insurance business	Kenya	Kenya Shillings	300,000	143,807	143,807	Ordinary	66.38%	66.38%	33.62%	33.62%
MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)*	General Insurance business	Rwanda	Rwanda Francs	1,000,000	-	-	Ordinary	81.51%	36.51%	18.49%	63.49%
Phoenix of Tanzania Assurance Company Limited*	General Insurance business	Tanzania	Tanzania Shillings	8,000,000	-	-	Ordinary	33.89%	33.89%	66.11%	66.11%
MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*	General Insurance business	Uganda	Uganda Shillings	4,000,000	-	-	Ordinary	45.78%	45.78%	54.22%	54.22%

(c) Summarised financial information on subsidiaries with material non-controlling interests:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	**2018**	2017
MUA Stockbrokers Ltd	Mauritius	**20.00%**	20.00%
MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)**	Kenya	**33.62%**	33.62%
MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)*	Rwanda	**18.49%**	63.49%
Phoenix of Tanzania Assurance Company Limited	Tanzania	**66.11%**	66.11%
MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*	Uganda	**54.22%**	54.22%

* The percentage of ownership interest represents the effective holding in these three entities. These three companies are the subsidiaries of Phoenix Transafrica Holdings Limited in which the Company holds 100% of ownership interest.
** The percentage of ownership interest represents the effective holding.

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(c) Summarised financial information on subsidiaries with material non-controlling interests: (continued)

2018	MUA Stockbroking Ltd (formerly Associated Brokers Ltd)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)**	Phoenix of Tanzania Assurance Company Limited	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*	MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)*
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Proportion of non-controlling interests	20%	33.62%	66.11%	54.22%	18.49%
Current assets	2,883	339,958	923,443	196,479	262,855
Non current assets	19,350	227,563	289,317	82,781	72,095
Current liabilities	212	47,601	147,616	48,751	63,245
Non current liabilities	11	-	69,028	-	-
Net assets	22,010	519,920	996,116	230,509	271,705
Carrying amounts of non-controlling interests	4,402	174,797	658,532	124,982	50,238
Revenue	9,529	160,284	255,604	140,467	222,060
Profit/(losses) for the year	2,608	(21,535)	63,671	5,405	18,277
Other comprehensive losses	-	2,621	(2,835)	(76)	(2,906)
Total comprehensive income/(losses)	2,608	(18,914)	60,836	5,329	15,371
Profit/(losses) allocated to non-controlling interest	522	(7,240)	42,093	2,931	3,379
Total comprehensive income allocated to non-controlling interest	522	(6,359)	40,219	2,889	2,842
Dividend paid to non-controlling interest	240	-	-	-	-

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(c) Summarised financial information on subsidiaries with material non-controlling interests: (continued)

2017	MUA Stockbroking Ltd (formerly Associated Brokers Ltd)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)**	Phoenix of Tanzania Assurance Company Limited	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*	MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)*
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Proportion of non-controlling interests	20%	33.62%	66.11%	54.22%	63.49%
Current assets	39,395	394,209	1,079,436	278,027	275,764
Non current assets	19,690	215,304	291,521	40,570	53,463
Current liabilities	38,483	37,794	124,554	79,924	65,495
Non current liabilities	-	242,196	746,222	123,736	154,698
Net assets	20,602	329,523	500,181	114,937	109,034
Carrying amounts of non-controlling interests	4,120	110,786	330,670	62,319	69,226
Revenue	8,920	153,677	224,297	132,924	210,354
Profit/(losses) for the year	1,082	(7,670)	33,916	4,144	27,423
Other comprehensive losses	3,666	(19,708)	(45,311)	(8,156)	(6,612)
Total comprehensive income/(losses)	4,748	(27,378)	(11,395)	(4,012)	20,811
Profit/(losses) allocated to non-controlling interest	216	(2,579)	22,422	2,247	17,411
Total comprehensive income allocated to non-controlling interest	950	(9,204)	(7,533)	(2,175)	13,213
Dividend paid to non-controlling interest	2,300	-	-	1,495	-

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(c) Summarised financial information on subsidiaries with material non-controlling interests: (continued)

2018	MUA Stockbroking Ltd (formerly Associated Brokers Ltd)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)**	MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)*	Phoenix of Tanzania Assurance Company Limited	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Operating activities	**(20,454)**	**42,971**	**33,202**	**80,547**	**(4,775)**
Investing activities	**152**	**(2,892)**	**(80,656)**	**(19,053)**	**(848)**
Financing activities	**(1,200)**	**-**	**-**	**-**	**-**
Net increase in cash and cash equivalents	**(21,502)**	**40,079**	**(47,454)**	**61,494**	**(5,623)**
2017					
Operating activities	7,417	(52,686)	36,952	73,508	(16,600)
Investing activities	11,108	65,260	(56,182)	(95,334)	15,447
Financing activities	(11,500)	-	-	-	-
Net increase in cash and cash equivalents	7,025	12,574	(19,230)	(21,826)	(1,153)

9. INVESTMENT IN ASSOCIATED COMPANY

The Group has acquired 40% interest in Compagnie du Congo (Societe Anonyme) on May 10, 2017 which trades as an investment holding company. The registered office is Boulevard Bischoffsheim, 33 boite 1, 1000, Bruxelles.

	THE GROUP AND COMPANY	
	2018	2017
	Rs'000	Rs'000
At January 1,	**1,544**	-
Additions	**-**	1,544
At December 31,	**1,544**	1,544

The Group's interest in Compagnie du Congo is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the Group's investment in Compagnie du Congo.

	2018	2017
	Rs'000	Rs'000
Current assets	**3,860**	3,860
Equity	**3,860**	3,860
Group's carrying amount of the investment	**1,544**	1,544

No disclosure has been provided for group's share of results for the year ended December 31, 2018 as the company has not yet started trading.

9. INVESTMENT IN ASSOCIATED COMPANY (CONTINUED)

(A) INVESTMENT IN JOINT VENTURE

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**16,988**	14,893	**495**	-
Additions	**-**	495	**-**	495
Share of profit	**5,394**	2,614	**-**	-
Exchange differences	**-**	(1,014)	**-**	-
At December 31,	**22,382**	16,988	**495**	495

(b) Details of the group's material joint venture at the end of the reporting period are as follows:

Name of joint venture	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting right held by the Group			
			2018		2017	
			Direct	Indirect	Direct	Indirect
Kenya Motor Insurance Pool	Sharing of pool business and risks by insurance companies in Kenya and underwriting of Non Life Insurance Business	Kenya	-	5.1%	-	5.1%
MUA Insurance Management Limited	A joint venture involved in the management of insurance business	Mauritius	5%	-	50%	-

Summarised financial information of joint ventures	**2018**	2017
	Rs'000	Rs'000
Current assets (including cash -Rs'000 1,415)	**315,507**	318,381
Non current assets	**-**	-
Current liabilities	**(30,217)**	(16,689)
Non current liabilities	**-**	-
Equity	**285,290**	301,692
% holding	**50% -5.1%**	50% -5.1%
Group's share in equity	**20,729**	16,988

9. INVESTMENT IN ASSOCIATED COMPANY (CONTINUED)

(B) INVESTMENT IN JOINT VENTURE IN KENYA MOTOR INSURANCE POOL

Summarised financial information of joint ventures (continued)

	2018	2017
	Rs'000	Rs'000
Revenue	13,679	31,333
Expenses	(390)	(1,598)
Profit before tax	13,289	29,735
Income tax	(334)	(65)
Profit for the year	12,955	29,670
Total comprehensive for the period	-	-
Group's share of profit	5,394	2,614

The joint venture had no other contingent liabilities or commitments as at 31 December 2018 and 2017.

10. FINANCIAL ASSETS

The breakdown of fair value measurements is shown in note 34.

(a) Financial assets at fair value through other comprehensive income

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	461,489	460,039	410,151	349,683
Additions during the year	143,827	9,633	125,293	3,752
Disposals during the year	(4,795)	(68,338)	(4,559)	(3,049)
(Decrease)/increase in fair value	(14,148)	67,245	(12,337)	59,765
Exchange differences	(519)	(7,090)	-	-
Transfer to financial assets at fair value through profit or loss	(62,562)	-	(60,111)	-
At December 31,	523,292	461,489	458,437	410,151

The transfer of financial assets at FVTPL is the result of a change in terms of the financial assets. Under the new terms the instrument is a debt instrument that fails the SPPI test hence the classification as financial assets at FVTPL.

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
Analysed as follows:	Rs'000	Rs'000	Rs'000	Rs'000
Quoted equity securities	352,018	351,253	313,095	325,487
Unquoted equity securities	48,357	49,435	22,425	26,325
Open Ended Mutual Funds	-	60,801	-	58,339
	400,375	461,489	335,520	410,151
Debt instrument:				
Quoted Debt instruments (Refer to 10 (a)(i)below)	21,919	-	21,919	-
Unquoted Debt instruments (Refer to 10 (a)(i)below)	100,998	-	100,998	-
	122,917	-	122,917	-
Total financial assets at fair value through other comprehensive income	523,292	461,489	458,437	410,151
Fair value movement				
Equity instrument	(14,374)	67,245	(12,563)	59,765
Debt instrument	226	-	226	-
	(14,148)	67,245	(12,337)	59,765

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

10. FINANCIAL ASSETS (CONTINUED)

(a) Financial assets at fair value through other comprehensive income (continued)

(i) Debt instruments at fair value through other comprehensive income

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Government debt securities	101,058	-	101,058	-
Corporate Bonds	22,338	-	22,338	-
	123,396	-	123,396	-
Less: Allowance for credit loss	(479)	-	(479)	-

The table below shows the credit quality and the maximum exposure to credit risk based on external credit rating for the instruments and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company use of external grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.2.2. The Company uses external rating agencies grading as indication for classification of the debt instruments into stages and to calculate the expected credit losses on those instruments.

	THE GROUP				
	2018				2017
External rating grade Performing	Stage 1 Collective	Stage 2 Collective	Stage 3	Total	Total
High grade	101,058	-	-	101,058	-
Standard grade	22,338	-	-	22,338	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total	123,396	-	-	123,396	-

	THE COMPANY				
	2018				2017
External rating grade Performing	Stage 1 Collective	Stage 2 Collective	Stage 3	Total	Total
High grade	101,058	-	-	101,058	-
Standard grade	22,338	-	-	22,338	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total	123,396	-	-	123,396	-

10. FINANCIAL ASSETS (CONTINUED)

(a) Financial assets at fair value through other comprehensive income (continued)

Impairment losses on financial investments subject to impairment assessment

Financial assets at FVOCI
An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2018	-	-	-	-
New asset purchased	123,396	-	-	123,396
Assets derecognised or matured (excluding write-offs)	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amortisation adjustments	-	-	-	-
At 31 December 2018	123,396	-	-	123,396

	THE GROUP			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2018	-	-	-	-
New assets purchased	(479)	-	-	(479)
Assets derecognised or matured (excluding write offs)	-	-	-	-
Impact of net- remeasurement of year end ECL	-	-	-	-
At 31 December 2018	(479)	-	-	(479)

	THE COMPANY			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2018	-	-	-	-
New asset purchased	123,396	-	-	123,396
Assets derecognised or matured (excluding write-offs)	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amortisation adjustments	-	-	-	-
At 31 December 2018	123,396	-	-	123,396

10. FINANCIAL ASSETS (CONTINUED)

(a) Financial assets at fair value through other comprehensive income (continued)

	THE COMPANY			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2018	-	-	-	-
New assets purchased	(479)	-	-	(479)
Assets derecognised or matured (excluding write offs)	-	-	-	-
Impact of net- remeasurement of year end ECL	-	-	-	-
At 31 December 2018	(479)	-	-	(479)

There were no transfers between stages during the year as there no observed deterioration in credit risks on any of the instruments in the portfolio.

(b) Financial assets at fair value through profit or loss

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**3,282,732**	2,675,279	**209,036**	193,507
Additions during the year	**226,652**	421,594	**69**	351
Disposals during the year	**(373,374)**	(241,760)	**(196,377)**	-
(Decrease)/increase in fair value	**(64,625)**	427,619	**(12,728)**	15,178
Transfer from financial assets at fair value through other comprehensive income(Note 10 (a))	**62,562**	-	**60,111**	-
At December 31,	**3,133,947**	3,282,732	**60,111**	209,036
Analysed as follows:				
Local - Listed	**2,533,904**	2,512,037	**-**	-
Open ended mutual funds	**510,435**	484,605	**60,111**	-
Others	**89,608**	286,090	**-**	209,036
Total financial assets at fair value through profit or loss	**3,133,947**	3,282,732	**60,111**	209,036
Analysed as follows:				
Non-current	**3,133,947**	3,073,696	**60,111**	-
Current	**-**	209,036	**-**	209,036
	3,133,947	3,282,732	**60,111**	209,036

10. FINANCIAL ASSETS (CONTINUED)

(c) Debt instruments at amortised cost

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
Government debt securities	**5,974,467**	4,682,413	**497,158**	389,288
Corporate Bonds and Fixed Deposits	**605,754**	1,004,016	**120,850**	230,450
	6,580,221	5,686,429	**618,008**	619,738
Less: Allowances for credit loss	**(10,545)**	-	**(1,291)**	-
Total debt instruments at amortised costs	**6,569,676**	5,686,429	**616,717**	619,738

An amount of Rs 8,000,000 (2017: Rs 8,000,000) included in debt instrument at amortised cost represents statutory deposit and pledged with the financial services commission in compliance with the Insurance Act 2005.

The table below shows the credit quality and the maximum exposure to credit risk based on external credit rating for the instruments and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company use of external grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.1. The Company uses external rating agencies grading as indication for classification of the debt instruments into stages and to calculate the expected credit losses on those instruments.

	THE GROUP			
	2018			
External rating grade Performing	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3**	**Total**
High grade	5,974,468	-	-	5,974,468
Standard grade	605,754	-	-	605,754
Past due but not impaired	-	-	-	-
Non-performing	-	-	-	-
Individually impaired	-	-	-	-
Total	6,580,222	-	-	6,580,222

	THE COMPANY			
	2018			
External rating grade Performing	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3**	**Total**
High grade	618,008	-	-	618,008
Standard grade	618,008	-	-	618,008
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	-	-
Total	1,236,016	-	-	1,236,016

10. FINANCIAL ASSETS (CONTINUED)

(c) Debt instruments at amortised cost (continued)

Impairment losses on financial investments subject to impairment assessment
Debt instrument measured at amortised cost
An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP			
	2018			
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2018	5,686,429	-	-	5,686,429
New asset purchased	1,373,431	-	-	1,373,431
Assets derecognised or matured (excluding write-offs)	(496,277)	-	-	(496,277)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amortisation adjustments	15,082	-	-	15,082
Exchange difference	1,557	-	-	1,557
At 31 December 2018	6,580,222	-	-	6,580,222

	THE GROUP			
	2018			
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	**Total**
ECL allowance as at 1 January 2018	(13,347)	-	-	(13,347)
New assets purchased	(2,214)	-	-	(2,214)
Assets derecognised or matured (excluding write offs)	795	-	-	795
Impact of net- remeasurement of year end ECL	4,221	-	-	4,221
At 31 December 2018	(10,545)	-	-	(10,545)

	THE COMPANY			
	2018			
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2018	627,542	-	-	627,542
New asset purchased	121,524	-	-	121,524
Assets derecognised or matured (excluding write-offs)	(131,024)	-	-	(131,024)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amortisation adjustments	(36)	-	-	(36)
At 31 December 2018	618,006	-	-	618,006

	THE COMPANY			
	2018			
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	**Total**
ECL allowance as at 1 January 2018	(3,554)	-	-	(3,554)
New assets purchased	(71)	-	-	(71)
Assets derecognised or matured (excluding write offs)	2,607	-	-	2,607
Impact of net- remeasurement of year end ECL	(273)	-	-	(273)
At 31 December 2018	(1,291)	-	-	(1,291)

There were no transfers between stages during the year as there no observed deterioration in credit risks on any of the instruments in the portfolio.

11. LOANS AND RECEIVABLES AT AMORTISED COST

Loans and advances to customers

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
Loan and advances	**886,899**	840,178	**285,439**	286,894
Less: Allowance for ECL/impairment losses	**(19,334)**	(20,652)	**(3,196)**	(4,183)
	867,565	819,526	**282,243**	282,711
Analysed as follows:				
Non-current	**715,373**	691,450	**197,514**	201,572
Current	**152,192**	128,076	**84,729**	81,139
	867,565	819,526	**282,243**	282,711

Mortgage and other loans

The table below shows the credit quality and the maximum exposure to credit risk per based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.1

In Rs' 000	THE GROUP				
	2018				2017
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total	Total
High grade	793,582	-	-	793,582	736,007
Standard grade	-	35,116	-	35,116	55,446
Non-performing				-	
Individually impaired	-	-	58,201	58,201	59,961
Total	793,582	35,116	58,201	886,899	851,414

In Rs' 000	THE COMPANY				
	2018				2017
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total	Total
High grade	262,502	-	-	262,502	267,809
Standard grade	-	17,295	-	17,295	14,873
Non-performing					
Individually impaired	-	-	5,642	5,642	6,179
Total	262,502	17,295	5,642	285,439	288,861

11. LOANS AND RECEIVABLES AT AMORTISED COST (CONTINUED)

Loans and advances to customers (continued)

An analysis of changes in the gross carrying amount and the corresponding ECLs allowances in relation to mortgage and other loans is as follows:

In Rs' 000	THE GROUP			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2018	736,007	55,446	59,961	851,414
New asset purchased	237,995	-	-	237,995
Assets derecognised or matured (excluding write-offs)	(170,895)	(19,367)	(12,212)	(202,474)
Transfer to Stage 1	24,259	(18,436)	(5,823)	-
Transfer to Stage 2	(27,342)	29,063	(1,721)	-
Transfer to Stage 3	(6,407)	(11,590)	17,997	-
Amounts written off	(35)	(1)	-	(36)
At 31 December 2018	793,582	35,115	58,202	886,899

In Rs' 000	THE COMPANY			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2018	267,809	14,873	6,179	288,861
New asset purchased	106,987			106,987
Assets derecognised or matured (excluding write-offs)	(102,413)	(5,375)	(2,586)	(110,374)
Transfer to Stage 1	6,877	(6,041)	(836)	-
Transfer to Stage 2	(13,828)	14,670	(842)	-
Transfer to Stage 3	(2,895)	(832)	3,727	-
Amounts written off	(35)	-	-	(35)
At 31 December 2018	262,502	17,295	5,642	285,439

11. LOANS AND RECEIVABLES AT AMORTISED COST (CONTINUED)

In Rs' 000	THE GROUP			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2018	4,505	1,275	15,727	21,507
New assets purchased	2,060	-	-	2,060
Assets derecognised or matured (excluding write offs)	(1,528)	(69)	(1,376)	-2,973
Transfers to Stage 1	4,404	(576)	(3,828)	-
Transfer to Stage 2	(255)	940	(685)	-
Transfer to Stage 3	(780)	(222)	1,002	-
Impact on year end ECL of exposure transferred between stages	(4,229)	(739)	3,744	-1,224
Recoveries	-	-	-	-
Amount witten off	(35)	(1)	-	-36
At 31 December 2018	4,142	608	14,584	19,334

In Rs' 000	THE COMPANY			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2018	1,903	218	1,854	3,975
New assets purchased	935	-		935
Assets derecognised or matured (excluding write offs)	(820)	(25)	(563)	(1,408)
Transfers to Stage 1	732	(154)	(578)	-
Transfer to Stage 2	(139)	525	(386)	-
Transfer to Stage 3	(360)	(10)	370	-
Impact on year end ECL of exposure transferred between stages	(657)	(361)	747	(271)
Recoveries				-
Amount witten off	(35)			(35)
At 31 December 2018	1,559	193	1,444	3,196

Impairment allowance as at 31 December 2017

An analysis of the allowance for impairment losses under IAS 39 for loan and advances, by class, for the year to 31 December 2017, is as follows:

In Rs' 000	THE GROUP	THE COMPANY
2017	Mortgage and other loans	Mortgage and other loans
At 1 January 2017	14,778	4,092
Charge for the year	5,901	(123)
Amount written off	(28)	214
At 31 December 2017	20,651	4,183
Made up of:		
Individual impairment	16,651	2,770
Collective impairment:	4,000	1,413
Total collective	20,651	4,183

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

12. INSURANCE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Premium debtors and agents' balances	**840,751**	777,402	**609,155**	556,364
Provision for credit impairment	**(110,602)**	(90,755)	**(24,703)**	(20,515)
	730,149	686,647	**584,452**	535,849
Amount due by reinsurers	**76,900**	108,056	**33,334**	19,396
Investment income receivable	**20,850**	114,028	**2,171**	12,621
Other receivables	**90,410**	133,680	**23,609**	22,150
	918,309	1,042,411	**643,566**	590,016

(a) Premium debtors and agents' balances that are less than three months past due are not impaired. As at December 31, 2018, the Group had Rs 284m, and the Company had Rs 210m (2017: The Group had Rs 304m, and the Company had Rs 204m) that were more than 3 months past due but not impaired. The ageing analysis of these premium debtors is as follows:

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Up to 3 months	**446,579**	382,806	**374,824**	331,888
3 to 6 months	**163,329**	173,798	**106,305**	139,704
6 to 12 months	**112,262**	109,958	**103,323**	64,257
> 12 months	**7,979**	20,085	**-**	-
	730,149	686,647	**584,452**	535,849

(b) Movement in provision for credit impairment

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**90,755**	104,151	**20,515**	16,045
Charge/(release) during the year	**18,540**	(7,147)	**4,188**	4,470
Exchange difference	**1,307**	(6,249)	**-**	-
At December 31,	**110,602**	90,755	**24,703**	20,515

(c) The other classes within insurance and other receivables do not include impaired assets.

(d) The Group and the Company do not hold any collateral as security in respect of insurance and other receivables, except for one balance in the form of fixed and floating charges on a property amounting to Rs 13.9m.

(e) The maximum exposure to credit risk is disclosed in note 3.2.2.

13 (A). REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
Gross	**Rs'000**	Rs'000	**Rs'000**	Rs'000
- Claims reported and loss adjustment expenses	**1,220,903**	1,742,841	**763,169**	1,002,590
- Claims incurred but not reported (IBNR)	**170,656**	198,205	**85,876**	73,639
- Unearned premiums	**1,340,404**	1,295,584	**918,086**	893,102
- Exchange differences	**107**	(75,175)	**-**	-
Total gross insurance contract liabilities	**2,732,070**	3,161,455	**1,767,131**	1,969,331
Recoverable from reinsurers				
- Claims reported and loss adjustment expenses	**484,518**	881,342	**217,684**	366,635
- Claims incurred but not reported (IBNR)	**58,466**	95,758	**6,837**	6,837
- Unearned premiums	**368,679**	388,643	**203,817**	200,852
- Exchange differences	**(1,499)**	(38,062)	**-**	-
Total reinsurers' share of insurance contract liabilities	**910,164**	1,327,681	**428,338**	574,324
Net				
- Claims reported and loss adjustment expenses	**736,385**	861,499	**545,485**	635,955
- Claims incurred but not reported (IBNR)	**112,190**	102,447	**79,039**	66,802
- Unearned premiums	**971,725**	906,941	**714,269**	692,250
- Exchange differences	**1,606**	(37,113)	**-**	-
Total net insurance contract liabilities	**1,821,906**	1,833,774	**1,338,793**	1,395,007

13. (A) REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES (CONTINUED)

	THE GROUP	2018			2017		
		Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
(i)	**Claims**	**Rs'000**	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
	At January 1,	**1,896,684**	**(953,977)**	**942,707**	1,424,563	(454,099)	970,464
	Claims incurred during the year	**1,571,531**	**(306,557)**	**1,264,974**	1,839,834	(704,478)	1,135,356
	Cash paid for claims settled during the year	**(2,076,656)**	**717,552**	**(1,359,104)**	(1,323,351)	181,477	(1,141,874)
	Exchange differences	**(215)**	**1,768**	**1,553**	(44,362)	23,123	(21,239)
	At December 31,	**1,391,344**	**(541,214)**	**850,130**	1,896,684	(953,977)	942,707
	Recognised notified claims	**1,220,689**	**(482,749)**	**737,940**	1,698,479	(858,219)	840,260
	Incurred but not reported (IBNR)	**170,656**	**(58,466)**	**112,190**	198,205	(95,758)	102,447
		1,391,345	**(541,215)**	**850,130**	1,896,684	(953,977)	942,707
	Movement in outstanding claims	**(505,125)**	**410,995**	**(94,130)**	516,483	(523,001)	(6,518)
	Movement in insurance contract liabilities (Note 15)	**438,150**	**-**	**438,150**	739,701	-	739,701
	Movement during the year recognised in the profit and loss	**(66,975)**	**410,995**	**344,020**	1,256,184	(523,001)	733,183
	Total claims and benefits paid						
	Claims-Non Life	**2,076,656**	**(717,552)**	**1,359,104**	1,323,351	(181,477)	1,141,874
	Claims and benefits-Life	**564,231**	**(30,230)**	**534,001**	547,826	(19,460)	528,366
		2,640,887	**(747,782)**	**1,893,105**	1,871,177	(200,937)	1,670,240
(ii)	**Provision for unearned premiums**	**Gross**	**Reinsurance**	**Net**	Gross	Reinsurance	Net
		Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
	At January 1,	**1,264,771**	**(373,705)**	**891,066**	1,173,769	(312,768)	861,001
	Premium written during the year	**3,297,804**	**(960,249)**	**2,337,555**	3,140,200	(959,871)	2,180,329
	Premium earned during the year	**(3,222,171)**	**965,275**	**(2,256,896)**	(3,018,385)	883,996	(2,134,389)
	Exchange differences	**322**	**(269)**	**53**	(30,813)	14,938	(15,875)
	At December 31,	**1,340,726**	**(368,948)**	**971,778**	1,264,771	(373,705)	891,066

13. (A) REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES (CONTINUED)

THE COMPANY	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
(i) **Claims**	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	1,076,229	(373,472)	702,757	977,712	(305,014)	672,698
Claims incurred during the year	1,156,075	(127,760)	1,028,315	1,128,234	(163,599)	964,635
Cash paid for claims settled during the year	(1,383,259)	276,711	(1,106,548)	(1,029,717)	95,141	(934,576)
At December 31,	849,045	(224,521)	624,524	1,076,229	(373,472)	702,757
Recognised notified claims	763,168	(217,684)	545,484	1,002,590	(366,635)	635,955
Incurred but not reported	85,876	(6,837)	79,039	73,639	(6,837)	66,802
	849,044	(224,521)	624,523	1,076,229	(373,472)	702,757
Movement during the year recognised in the profit and loss	(227,184)	148,951	(78,233)	98,516	(68,458)	30,059

	2018			2017		
(ii) **Provision for unearned premiums**	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	893,102	(200,852)	692,250	788,531	(131,079)	657,452
Premium written during the year	2,252,837	(516,180)	1,736,657	2,192,673	(531,313)	1,661,360
Premium earned during the year	(2,227,853)	513,215	(1,714,638)	(2,088,102)	461,540	(1,626,562)
At December 31,	918,086	(203,817)	714,269	893,102	(200,852)	692,250

13. (B) DEFERRED ACQUISITION COSTS RECEIVABLE

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	106,668	103,669	68,134	65,830
Movement	20,415	2,999	8,442	2,304
At December 31,	127,083	106,668	76,576	68,134

13. (C) DEFERRED ACQUISITION COSTS PAYABLE

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	45,440	31,955	35,078	31,955
Movement	24,286	13,485	13,984	3,123
At December 31,	69,726	45,440	49,062	35,078

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

14. ISSUED SHARE CAPITAL

THE GROUP AND THE COMPANY	Authorised		Issued and fully paid	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Ordinary shares of Rs.10 each	500,000	500,000	450,900	450,900

The authorised share capital of the company is 50 million shares (2017: 50 million shares).

	THE GROUP AND COMPANY	
	2018	2017
	No. of shares (000)	No. of shares (000)
At January 1 and December 31,	45,090	45,090

	THE GROUP AND COMPANY			
	2018		2017	
	Per Value Rs'000	Share Premium Rs'000	Per Value Rs'000	Share Premium Rs'000
At January 1 and December 31,	450,900	273,068	450,900	273,068

15. LIFE ASSURANCE FUND

	THE GROUP	
	2018	2017
	Rs'000	Rs'000
At January 1,	6,791,287	6,051,588
Transfer of surplus from the Life business revenue account	438,150	739,699
At December 31,	7,229,437	6,791,287

See accounting policy note 2.4 (c).

The actuaries of MUA Life Ltd are Deloitte, South Africa. The latest actuarial valuation of the Life assurance fund was done at 31 December 2018. At the end of every year, the amount of the liabilities of the Life assurance fund is established. The surplus between the fair value of the assets and the fair value of the liabilities amounting to Rs 171,018,000 (2017: Rs135,215,000) has been transferred to profit or loss. This portion is calculated by MUA Life Ltd and approved by the actuaries on the basis that sufficient reserves are held to maintain the solvency of the Life assurance fund over the long term.

15. LIFE ASSURANCE FUND (CONTINUED)

	THE GROUP	
	2018	2017
	Rs'000	Rs'000
Life Fund 1 January	6,791,287	6,051,588
Premium (net of reinsurance)	921,847	782,121
Interest, dividends and rent	439,817	351,423
Realised capital loss	329	(141)
Unrealised capital gain	(51,929)	412,440
Disposal of asset	(167)	(36)
Death and disability claims (net of reinsurance)	(26,872)	(23,324)
Maturity claims	(279,018)	(247,719)
Surrenders	(101,574)	(142,209)
Annuities and pensions	(115,719)	(110,577)
Other benefits	(10,818)	(4,537)
Commissions (net of reinsurance)	(20,589)	(18,032)
Management expenses	(134,617)	(117,429)
Depreciation and amortisation of assets	(7,668)	(7,066)
Transfer to revenue account	(174,872)	(135,215)
Life fund 31 December	7,229,437	6,791,287

15. (A) INVESTMENT CONTRACT LIABILITIES

	THE GROUP	
	2018	2017
	Rs'000	Rs'000
At January 1,	774,876	663,777
Contributions	88,112	83,751
Withdrawals	(25,697)	(30,708)
Investment fair value adjustment	29,469	58,056
At December 31,	866,760	774,876

Following a change in the Private Pension Scheme Act effective from January 1, 2015, the portfolio of the group pension was transferred from the books of La Prudence Mauricienne Limitee (LPM) , a subsidiary of the Company dealing in the life insurance business into a trust. The trust has invested in the underlying funds of LPM. The value of the Investment contract liabilities at December 31, 2018 and 2017 represent fair value of investments.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

16. DEFERRED TAX ASSETS

Deferred income tax is calculated on all temporary differences under the liability method at 15%.

(a) The movement on the deferred tax account is as follows :

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	(60,657)	(63,204)	14,875	16,329
Over provision of deferred tax (note 20)	(710)	8,514	(392)	1,870
Deferred tax charge for the year (note 20)	5,364	(10,185)	(1,600)	(3,324)
Deferred tax charge to OCI	-	-	(201)	-
Effect of exchange differences	317	4,218	-	-
At December 31,	(55,686)	(60,657)	12,682	14,875

Deferred income tax assets and liabilities are offset when the deferred income taxes relate to the same fiscal authority.

(b) The following amounts are shown in the statement of financial position:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax liabilities	(92,437)	(98,973)	-	-
Deferred tax assets	36,751	38,316	12,682	14,875
	(55,686)	(60,657)	12,682	14,875

Deferred tax assets and liabilities are attributable to the following:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax liabilities				
Deferred tax on client portfolio	(14,415)	(19,725)	-	-
Deferred tax on revaluation of investment property	(82,029)	(73,372)	-	-
Provisions	2,646	(5,876)	-	-
Difference between capital allowances and depreciation	1,361	-	-	-
	(92,437)	(98,973)	-	-

16. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Deferred tax assets				
Difference between capital allowances and depreciation	**25,251**	13,069	**5,470**	8,989
Provision for bad debts	**7,234**	15,473	**4,200**	3,487
Provision for impairment of loan receivables	**543**	712	**543**	712
Provision for impairment on balances with related party	**125**	-	**125**	-
Provision for impairment of FVOCI	**82**	-	**82**	-
Provision for impairment on amortised cost	**219**	-	**219**	-
Retirement benefit obligations	**2,043**	1,687	**2,043**	1,687
Provision for expenses	**1,254**	7,375	**-**	-
	36,751	38,316	**12,682**	14,875
	(55,686)	(60,657)	**12,682**	14,875

Deferred tax assets are recognised only to the extent that realisation of the related tax benefit is probable. The Group has tax losses of Rs 853.5m (2017: Rs1.093m) to carry forward against future taxable income. These can be carried forward over the next 5 years.

17. EMPLOYEE BENEFIT OBLIGATIONS

Pension schemes

The benefits of employees of the Group and the Company fall under the following different types of arrangements:

(i) A defined benefit scheme which is funded. The plan assets are held independently by La Prudence Mauricienne Assurance Limitee.

(ii) Unfunded defined benefit scheme which is entitled to a No Worse Off Guarantee ('NWOG')

The liabilities in respect of the defined benefit schemes above are analysed as follows:

	THE GROUP AND COMPANY	
	2018	2017
	Rs'000	Rs'000
Funded obligation (note a)	**9,177**	8,331
Unfunded obligation (note b)	**2,730**	3,430
	11,907	11,761

(a) Funded obligation

The amounts recognised in the statements of financial position in respect of funded obligation are as follows:

	THE GROUP AND COMPANY	
	2018	2017
	Rs'000	Rs'000
Defined benefit of funded obligation	**11,818**	10,881
Fair value of plan assets	**(2,641)**	(2,550)
Benefit liability	**9,177**	8,331

17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(a) Funded obligation (continued)

(i) Movement of defined benefit of funded obligations:

	THE GROUP AND COMPANY	
	2018	2017
	Rs'000	Rs'000
At 1 January	**10,881**	8,197
Benefits paid	**-**	-
Amount recognised in profit or loss:		
Interest income	**609**	574
Amount recognised in other comprehensive income:		
Actuarial changes arising from changes in financial assumptions	**328**	2,110
At 31 December	**11,818**	10,881

(ii) Movement of defined benefit of funded obligations:

	THE GROUP AND COMPANY	
	2018	2017
	Rs'000	Rs'000
At 1 January	**2,550**	2,296
Benefits paid	**-**	-
Amount recognised in profit or loss:		
Interest income	**143**	161
Amount recognised in other comprehensive income:		
Actuarial changes arising from changes in financial assumptions	**(52)**	93
At 31 December	**2,641**	2,550

The main categories of plan assets are as follows:

	THE GROUP AND COMPANY	
	2018	2017
	%	%
Local equities	**46**	46
Local -Debt Maturity >=12 months	**34**	34
Local-Cash and Debt Maturity	**9**	9
Overseas equities	**11**	11
	100	100

17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(a) Funded obligation (continued)

The principal actuarial assumptions used for accounting purposes were:

	THE GROUP AND COMPANY	
	2018	2017
Discount rate	**5.4%**	5.6%
Expected rate of return on plan assets	**5.4%**	5.6%
Future salary increases*	**0.0%**	0.0%
Future pension increases	**3.0%**	3.0%
Deferred pension increases	**0.0%**	0.0%
Actuarial table for employee mortality		**PMA 92-PFA**

* As from 30 June 2007, all employees under this pension plan were transferred to another existing pension scheme. Thus there will be no movement in future salary increase and number of employees in the old scheme.

A quantitative sensitivity analysis for significant assumptions is shown as follows below:

Assumptions	Discount Rate		Future pension cost increase	
Sensitivity Level	1% Increase	1% Decrease	1% Increase	1% Decrease
	Rs'000	Rs'000	Rs'000	Rs'000
2018				
Impact on defined benefit obligation	**(1,703)**	**2,144**	**1,460**	**(1,243)**
2017				
Impact on defined benefit obligation	(1,607)	2,031	1,345	(1,145)

Assumptions	**Life expectancy of male pensioners**		**Life expectancy of female pensioners**	
Sensitivity Level	**Increase by 1 year**	**Decrease by 1 year**	**Increase by 1 year**	**Decrease by 1 year**
2018	**151**	**(149)**	**175**	**(174)**
2017	135	(134)	156	(155)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

No contributions are expected to be paid to the defined benefit plan obligation in future years.

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (2017: 11 years).

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. Management assessment of the expected returns is based on historical returns trends and analysts predictions of the market for the asset in the next twelve months.

No contribution was received in 2017 and no future contribution is expected in 2018.

(b) Unfunded obligation

The amounts recognised in the statements of financial position in respect of unfunded obligation are as follows:

	THE GROUP AND COMPANY	
	2018	2017
	Rs'000	Rs'000
Present value of unfunded obligation	**2,730**	3,430

17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(b) Unfunded obligation (continued)

(i) Movement in the liability recognised in the statements of financial position:

	THE GROUP AND COMPANY	
	2018	2017
	Rs'000	Rs'000
At 1 January	**3,430**	2,887
Amount recognised in profit or loss:		
Interest cost	**860**	674
Amount recognised in other comprehensive income:		
Actuarial (gains)/losses*	**(1,560)**	(131)
Benefit paid	**-**	-
At December 31,	**2,730**	3,430

The principal actuarial assumptions used for accounting purposes were:

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
Discount rate	**5.5%**	4.8%	**5.5%**	4.8%
Future salary increase	**4.8%**	4.0%	**4.8%**	4.0%
Future pension increase	**0.0%**	0.0%	**0.0%**	0.0%

The Group does not expect any contribution in 2018.

A quantitative sensitivity analysis for significant assumptions is shown as follows below:
* Actuarial gains/losses are made up of changes in financial assumptions only.

Assumptions	Discount Rate		Future pension cost* increase	
Sensitivity Level	**1% Increase**	**1% Decrease**	**1% Increase**	**1% Decrease**
	Rs'000	Rs'000	Rs'000	Rs'000
2018				
Impact on defined benefit obligation	(1,346)	2,192	N/A	N/A
2017				
Impact on defined benefit obligation	(1,591)	2,653	N/A	N/A

Assumptions	Life expectancy of male pensioners		Life expectancy of female pensioners	
Sensitivity Level	**Increase by 1 year**	**Decrease by 1 year**	**Increase by 1 year**	**Decrease by 1 year**
2018				
Impact on defined benefit obligation	235	(234)	90	(92)
2017				
Impact on defined benefit obligation	249	(244)	98	(99)

18. BORROWINGS

	THE GROUP		THE COMPANY	
Non-current	**2018**	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Preference share capital (i)	**100,000**	100,000	**100,000**	100,000
Subordinated bonds (ii)	**200,000**	200,000	**200,000**	200,000
	300,000	300,000	**300,000**	300,000
Analysed as follows:				
Non-current	**300,000**	300,000	**300,000**	300,000

(i) A preferential cummulative dividend of 3% per annum, calculated on the issue price, is payable to the preference shareholder. The preference shares have been deferred until June 2021. A premium of Rs 30m has been paid on May 2016. The preferential cummulative dividend of 6% will then be payable as from May 30, 2016. The preference share shall be redeemed on the redemption date at the issue price.

(ii) The Company issued 20,000 floating rate subordinated notes of a nominal value of Rs 10,000 each by way of a private placement. The first day of listing and trading was 22nd January 2015. The maturity date is 24th September 2024. Interest rate until 23rd September 2019 has been determined at weighted average of Repo +1.85% pa and from 24th September 2019 to 23rd September 2024, will be weighted average of Repo rate +2.10% pa.

19. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Loans repaid in advance	**6,332**	12,383	**1,029**	1,498
Premiums prepaid	**37,963**	39,976	**20,748**	22,735
Amounts due to reinsurers	**153,291**	209,016	**76,272**	71,703
Commission payables	**106,345**	92,568	**66,297**	61,744
Accruals	**84,069**	75,789	**51,237**	50,091
Stale cheques	**44,239**	36,229	**4,172**	2,007
FSC charges	**6,067**	13,273	**2,213**	2,060
VAT payable	**6,395**	6,516	**5,292**	1,130
Interest payable	**6,373**	7,080	**6,377**	7,081
Cash held guarantee	**7,450**	6,247	**-**	-
Salaries & wages payable	**3,762**	3,766	**-**	-
Payables to suppliers	**15,417**	3,813	**-**	-
Payables to garages and clients	**31,427**	28,974	**-**	-
Rent security deposit and advances	**11,461**	8,587	**-**	-
Client monies	**31,939**	37,010	**-**	-
Other payables	**79,342**	67,176	**-**	-
	631,872	648,403	**233,637**	220,049

The carrying amounts of trade and other payables approximate their fair values.
Trade and other payables are non-interest bearing and are repayable within one year.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

20. TAX CHARGE

(a) In the statements of profit or loss	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Income tax provision at applicable rate	**56,730**	53,083	**21,327**	16,159
CSR tax	**3,573**	2,498	**2,845**	2,155
Tax withheld on dividend received	**3,122**	1,301	**-**	-
Under/(over) provision of income tax	**(2,835)**	2,554	**(13)**	(945)
(Over)/Under provision of deferred tax due to adoption of IFRS9	**710**	(8,514)	**392**	(1,870)
Deferred tax charge (Note 16)	**(5,364)**	10,185	**1,600**	3,324
Under provision CSR	**57**	-	**57**	-
Tax charge for the year	**55,993**	61,107	**26,208**	18,823

(b) In the statements of financial position				
At January 1,	**(3,136)**	(7,731)	**9,643**	12,242
Payment	**(60,591)**	(45,858)	**(21,765)**	(19,968)
Tax withheld	**(3,122)**	(1,301)	**-**	-
Under/(over) provision of income tax	**2,835**	(2,554)	**(13)**	(945)
Income tax expenses	**56,730**	53,083	**21,327**	16,159
CSR tax	**3,630**	2,498	**3,263**	2,155
Exchange differences	**(4,296)**	(1,273)	**-**	-
At December 31,	**(7,950)**	(3,136)	**12,455**	9,643

(c) The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Profit before taxation	**410,356**	382,743	**179,287**	165,297
Tax thereon at applicable rate*	**54,978**	64,484	**26,893**	24,795
Corporate Social Responsibility at the rate of 2%	**4,015**	3,634	**3,586**	3,306
	58,993	68,118	**30,479**	28,101
Tax effect of :				
Income not subject to tax	**(342)**	(5,401)		-
Expenses not deductible for tax purposes	**4,240**	1,975	**4,381**	1,342
Income exempt for tax	**(10,694)**	(15,181)	**(9,088)**	(5,218)
Non taxable income	**-**	(2,587)	**-**	(2,587)
Deferred tax assets not recognised	**9,643**	18,842	**-**	-
(Over)/under provision of deferred tax in prior years	**(5,772)**	(8,514)	**392**	(1,870)
Under/(over) provision of income tax	**(132)**	2,554	**(13)**	(945)
Under provision of CSR tax	**57**	-	**57**	-
Tax withheld on dividend received	**-**	1,301	**-**	-
	55,993	61,107	**26,208**	18,823

* Rates applicable are 15% for Mauritius and 30% for African subsidiaries.

21. NET EARNED PREMIUMS

(a) Gross Premium earned is as follows:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Non Life insurance	3,297,804	3,140,200	2,252,837	2,192,673
Life insurance	1,034,009	876,773	-	-
Change in unearned premiums provision	(75,633)	(121,815)	(24,984)	(104,571)
	4,256,180	3,895,158	2,227,853	2,088,102

(b) Premium ceded to reinsurers is as follows:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Non Life insurance	(960,249)	(959,871)	(516,180)	(531,313)
Life insurance	(112,162)	(94,652)	-	-
Change in unearned premiums provision	(5,024)	75,875	2,966	69,773
	(1,077,435)	(978,648)	(513,214)	(461,540)
Net earned premiums	3,178,745	2,916,510	1,714,639	1,626,562

22. FEES AND COMMISSION INCOME

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Reinsurance commission	250,286	215,908	109,086	82,842
Other fees	510	510	510	510
	250,796	216,418	109,596	83,352
Revenue from contract with customers				
Policy fees - at point in time revenue	21,335	17,713	20,727	17,489
	272,131	234,131	130,323	100,841

23. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Rental income from investment property	8,697	12,551	-	-
Dividend income	87,548	87,948	54,327	31,264
	96,245	100,499	54,327	31,264

24. REALISED GAINS/(LOSSES)

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Property and equipment				
Gain on disposal	494	1,284	654	1,030
Financial assets				
Realised loss on FVTPL	(945)	(141)	(1,274)	-
Realised gain on amortised costs	2,360	-	2,360	-
	1,909	1,143	1,740	1,030

25. UNREALISED (LOSSES)/GAINS

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Gain /(loss) on fair value through profit or loss (note 10(b))	(64,625)	427,619	(12,728)	15,178
	(64,625)	427,619	(12,728)	15,178

26. OTHER OPERATING INCOME

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Brokerage fees	8,572	6,796	-	-
Administration fees	44,295	40,301	-	-
Management fees	7,693	7,379	-	-
Exchange gains	16,685	12,434	-	-
Rental of GIIS	8,918	1,311	8,918	1,311
Actuarial fee	4,276	5,697	-	-
Stale cheques	1,822	1,220	1,822	1,220
Loan fees	942	1,187	941	1,187
Other income	4,675	13,887	986	374
	97,878	90,212	12,667	4,092

27. COMMISSION AND BROKERAGE FEES PAID

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Commission paid	512,275	489,140	318,276	313,874
Other charges	19,605	5,064	15,245	5,064
	531,880	494,204	333,521	318,938

28. OTHER OPERATING AND ADMINSTRATIVE EXPENSES

	Notes	THE GROUP		THE COMPANY	
		2018	2017	2018	2017
		Rs'000	Rs'000	Rs'000	Rs'000
Exchange loss		1,383	8,268	1,383	1,941
Management expenses		830,469	828,578	373,694	342,665
Depreciation	5	32,070	33,353	17,352	17,865
Amortisation	7	35,538	34,149	19,085	18,171
		899,460	904,348	411,514	380,642

29. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Interest expense:				
- Notional interest on interest free loan		-	**-**	-
- Dividend on redeemable preference shares	**6,000**	6,000	**6,000**	6,000
- Interest on subordinated bonds	**11,063**	11,387	**11,063**	11,387
- Interest on bank overdraft	**130**	827	**-**	-
	17,193	18,214	**17,063**	17,387

30. PROFIT BEFORE TAX

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
The profit before tax has been arrived at				
After crediting:				
Investment income				
- dividend income (note 23)	**87,548**	87,948	**54,327**	31,264
- interest on financial assets and loans (note 23)	**557,834**	481,113	**72,920**	72,401
(Loss)/profit on disposal of financial assets (note 24)	**(945)**	(141)	**(1,274)**	-
Gain on sale of property and equipment	**494**	1,284	**654**	1,030
And charging:				
Auditors' fees	**7,195**	7,006	**1,645**	1,727
Employee benefit expenses (note 31)	**453,565**	440,916	**225,707**	209,208
Depreciation on property and equipment (note 5)	**32,070**	33,353	**17,352**	17,865
Amortisation of intangible assets (note 7)	**35,538**	34,149	**19,085**	18,171

31. EMPLOYEE BENEFIT EXPENSES

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Wages and salaries	**381,096**	375,508	**190,127**	177,595
Social Security costs	**10,839**	9,990	**7,684**	7,355
- Defined contributions	**30,418**	26,015	**14,765**	13,734
- Defined benefits	**1,326**	1,087	**1,326**	1,087
Other costs	**29,886**	28,316	**11,805**	9,437
	453,565	440,916	**225,707**	209,208

32. DIVIDENDS PAID

			THE GROUP AND COMPANY	
			2018	2017
			Rs'000	Rs'000
Paid				
Interim ordinary dividend	0.75	0.75	**33,817**	33,817
Final ordinary dividend	1.93	1.84	**87,024**	82,966
			120,841	116,783

Dividend per share: Interim Rs 0.75 (2017: Rs 0.75).
Dividend per share: Final Rs 1.93 (2017: Rs 1.84).

33. SHARE BASED PAYMENT

The Mauritius Union Assurance Cy Ltd (MUA) has set up a Share Option Scheme ("SOS") to selected members of its executive management team as described below:

Share Option Scheme

The type of share-based payment that MUA has opted is an ''equity-settled" share-based payment. A shared understanding of the terms and conditions of the share based payment arrangements has been agreed between the MUA and its executive management team. At grant date, will confer to its executive management team options to suscribe for shares in MUA from 1 January 2018 to 31 March 2021 ("vesting period") subject to certain vesting conditions. The option is exercisable after 31 March 2023.

The vesting period has been fixed by the Board at 39 months during which the executive management team members have to remain in employment with MUA. Therefore, the equity instruments started to vest during the financial year December 2018.

Once the shares are issued, they will rank 'pari passu' as to dividend, capital, voting rights and in all other respects with the existing shares of MUA.

The SOS is subject to an aggregare maximum number of shares which may beutilised and the SOS would be allowed to grant shares up to a maximum dilution of 2.5% of shareholders (" Maximum SOS allocation"). Based on the curent capital structure, this represents a maximum of 1,156,000 shares, which can be issued to the participants.

The objectives of the SOS are as follows:
(i) Focusing key staff on long term objectives to buils sustainable value.
(ii) Delivering value to shareholders by focusing the executive management team on growth of the share price.
(iii) Aligning the objectives of management with those of the shareholders.
(iv) Encouraging the adotpion of a team environment and business culture.

For the year ended 31 December 2018, a total charge of Rs 3.6m (2017: Rs.nil) has been recognised as share based payment expense in profit or loss for executive still in employment at year end based on the fair value of MUA shares awarded.

MUA equity instruments are publicly traded, the fair value of the equity instrument granted was determined using the Black Scholes option valuation model.

The weighted average estimated fair value of shares at the date of exercise of these options was Rs 10.06 (2017: Rs nil).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was 27 Months (2017: nil).

The weighted average fair value of options granted during the year was Nil (2017: nil).

The exercise price for options outstanding at the end of the year was Rs 59.01 (2017: Rs nil).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

34. FAIR VALUE MEASUREMENTS

This note provides information on how the Group and Company determine fair value of various assets and liabilities.

(a) Fair Value of the Group and Company assets and liabilities that are measured at fair value on a recurring basis:

Some of the Group and Company's assets and liabilities are measured at fair value at the end of each reporting period.

The following table gives the information about how the fair value of these assets and liabilities are determined (in particular the valuation technique(s)and the inputs used).

THE GROUP	Fair value as at									
Assets/Liabilities	31 December 2018	31 December 2017	Fair Value Hierarchy		Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
Investment properties:	**Rs'000**	Rs'000	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Land	**79,000**	79,000	**Level 2**	Level 2	Sales comparison approach and selling price		**N/A**	N/A	**N/A**	N/A
Building	**392,595**	393,902	**Level 2**	Level 2	Sales comparison approach and selling price		**N/A**	N/A	**N/A**	N/A
Property and equipment:										
Land	**40,000**	40,000	**Level 2**	Level 2	Sales comparison approach and selling price		**N/A**	N/A	**N/A**	N/A
Building	**215,087**	217,957	**Level 2**	Level 2	Sales comparison approach and selling price		**N/A**	N/A	**N/A**	N/A
Financial assets at fair value through other comprehensive income:										
Quoted securities:										
Banks and Insurance	**121,316**	125,706	**Level 1**	Level 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Commerce	**2,756**	2,452	**Level 1**	Level 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Investments	**56,522**	58,306	**Level 1**	Level 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Leisure and Hotels	**90,258**	98,472	**Level 1**	Level 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Others	**81,166**	66,317	**Level 1**	Level 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Debt instrument:										
Quoted	**21,919**	-	**Level 1**		**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Unquoted	**100,998**	-	**Level 2**		**Yield to maturity**	N/A	**N/A**	N/A	**N/A**	N/A
Unquoted securities:										
Foreign Equities	**21,663**	25,673	**Level 3**	Level 3						
Commerce	**110**	69	**Level 3**	Level 3						
Others	**26,584**	23,693	**Level 3**	Level 3			See disclosure for Level 3 below -refer to note (i)			
Open Ended Mutual Funds:										
Local	**-**	60,801	**Level 2**	Level 2	**Net Assets Value**	Net Assets Value	N/A	N/A	N/A	N/A

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

	Fair value as at					
Type	**31 December 2018 Rs'000**	31 December 2017 Rs'000	**Valuation approach**	**Key unobservable inputs**	**Range of unobservable inputs (probability –weighted average)**	**Relationship of unobservable inputs to fair value**
Foreign equities - Leisure and hotels	**11,016**	14,248	Price to Book value	Discount due to lack of marketability	20% - 40%	**A 5% increase/decrease in discount factor will lead to a decrease/ increase of Rs 0.5m (2017: Rs 0.7m) in fair value.**
Foreign equities - Reinsurance	**10,646**	11,425	Dividend discount model	Discount due to lack of marketabilit	10% -20%	**A 5% increase/decrease in discount factor will lead to a decrease/ increase of Rs 0.53m (2017: Rs 0.51m) in fair value.**
Commerce and others	**26,695**	23,762	Net Assets Value	Fluctuation in NAV	0% - 5%	**A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 0.98m (2017: Rs 0.99m)**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

34. FAIR VALUE MEASUREMENTS (CONTINUED)

THE GROUP	Fair value as at									
Assets/Liabilities	31 December 2018	31 December 2017	Fair Value Hierarchy		Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
Financial assets at fair value through profit or loss:	Rs'000	Rs'000	2018	2017	2018	2017	2018	2017	2018	2017
Quoted securities:										
Banks and Insurance	1,084,937	1,231,006	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Commerce	94,643	85,713	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Industry	56,388	53,031	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Investments	954,141	782,731	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Leisure and Hotels	218,267	213,695	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Sugar	57,909	81,873	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Others	67,619	63,988	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Unquoted securities:										
Investment	71,882	69,832	Level 3	Level 3	See disclosure below for Level 3 -refer to Note (i)					
Leisure and Hotels	17,726	7,222	Level 3	Level 3						
Open Ended Mutual Funds:										
Local	95,328	30,060	Level 2	Level 2	Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A
Foreign	415,107	454,545	Level 2	Level 2	Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A
Local corporate debt	-	209,036	Level 2	Level 2	Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A
Foreign Corporate Debt	-									
Investment contract liabilities (a)	866,760	774,876	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A

(i) The following table shows the valuation techniques used in the determination of fair values with in Level 3 of the hierarchy as well as the key unobservable inputs used in the valuation model.

Type	Fair value as at 31 December 2018 Rs'000	31 December 2017 Rs'000	Valuation approach	Key unobservable inputs	Range of unobservable inputs (probability –weighted average)	Relationship of unobservable inputs to fair value
Foreign equities - Leisure and hotels	17,726	7,222	Comparable EV/EBITDA	Discount due to lack of marketability	20% - 30%	**An increase/decrease in discount factor will lead to a decrease/ increase of Rs 0.372m (2017: Rs 0.0372m) in fair value.**
Foreign equities: Investment	71,882	69,832	NAV	FV of underlying property	5%	**An increase/decrease in FV of property will lead to an increase/ decrease of Rs 3.5m (2017: Rs 3.5m) in fair value.**

(a) Investment contract liabilities has been classified as level 1 as they are directly linked to listed equity prices.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

34. FAIR VALUE MEASUREMENTS (CONTINUED)

THE COMPANY	Fair value as at									
Assets/Liabilities	31 December 2018	31 December 2017	Fair Value Hierarchy		Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
Investment properties:	**Rs'000**	Rs'000	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Land	**75,000**	75,000	**Level 2**	Level 2	Sales comparison approach and selling price		**N/A**	N/A	**N/A**	N/A
Building	**4,000**	4,000	**Level 2**	Level 2	Sales comparison approach and selling price		**N/A**	N/A	**N/A**	N/A
Property and equipment:										
Land	**40,000**	40,000	**Level 2**	Level 2	Sales comparison approach and selling price		**N/A**	N/A	**N/A**	N/A
Building	**140,630**	143,500	**Level 2**	Level 2	Sales comparison approach and selling price		**N/A**	N/A	**N/A**	N/A

THE COMPANY	Fair value as at									
	31 December 2018	31 December 2017	Fair Value Hierarchy		Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
Financial assets at fair value through other comprehensive income:	**Rs'000**	Rs'000	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Quoted securities:										
Banks and Insurance	**109,668**	114,600	**Level 1**	Level 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Commerce	**2,756**	2,452	**Level 1**	Level 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Investments	**56,522**	58,306	**Level 1**	Level 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Leisure and Hotels	**90,258**	98,472	**Level 1**	Level 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Others	**53,891**	51,657	**Level 1**	Level 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Unquoted securities:										
Foreign Equities	**21,665**	25,673	**Level 3**	Level 3						
Commerce	**110**	69	**Level 3**	Level 3	see disclosure in Note (i)					
Others	**650**	583	**Level 3**	Level 3						
Open Ended Mutual Funds:										
Local	**-**	58,339	**Level 2**	Level 2	**Net Assets Value**	Net Assets Value	N/A	N/A	N/A	N/A
Debt instruments:										
Quoted bond	**21,919**	-	**Level 1**	N/A	**N/A**	N/A	N/A	N/A	N/A	N/A
Unquoted bond	**100,998**	-	**Level 2**	N/A	**Yield To Maturity**	N/A	N/A	N/A	N/A	N/A
Financial assets at fair value through profit or loss:										
Local corporate debt	**-**	209,036	**N/A**	Level 2	**N/A**	Yield To Maturity	N/A	N/A	N/A	N/A
Open-Ended Mutual Funds:										
Local	**60,111**	-	**Level 2**	N/A	**Net Assets Value**	N/A	N/A	N/A	N/A	N/A

(i) The following table shows the valuation techniques used in the determination of fair values with in Level 3 of the hierarchy as well as the key unobservable inputs used in the valuation model.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

34. FAIR VALUE MEASUREMENTS (CONTINUED)

Type	Fair value as at 31 December 2018 Rs'000	31 December 2017 Rs'000	Valuation approach	Key unobservable inputs	Range of unobservable inputs (probability –weighted average)	Relationship of unobservable inputs to fair value
Foreign equities: Leisure and hotels	**11,017**	14,248	Price to Book Value	Discount due to lack of marketability	30% - 50%	**A 5% increase/decrease in discount factor will lead to a decrease/ increase of Rs.0.5m (2017: Rs.0.7m) in fair value.**
Foreign equities: Reinsurance	**10,647**	11,425	Dividend discount model	Discount due to lack of marketability	10% -20%	**A 5% increase/decrease in discount factor will lead to a decrease/ increase of Rs.0.5m (2017: Rs.0.5m) in fair value.**
Commerce and others	**760**	652	Net Assets Value	Fluctuation in NAV	0% - 5%	**A 5% increase/decrease in NAV will lead to an increase/ decrease of Rs.0.038m (2017: Rs.0.033m)**

(b) Fair Value of the Group and Company's assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, the directors consider that the carrying amounts of recognised financial assets and financial liabilities approximate their fair values.

34. FAIR VALUE MEASUREMENTS (CONTINUED)

THE GROUP	Carrying amount		Fair value	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Loans and receivables:				
Mortgage Loans	418,058	455,986	410,385	482,115
Loans on Life policies	14,232	16,457	15,260	17,894
Secured Loans	430,646	352,570	455,169	374,906
Unsecured Loans	1,961	2,711	2,093	2,820
CDS guarantee fund	2,668	3,038	2,282	2,764
Debt instruments at amortised cost:				
Deposits and corporate bonds	605,754	1,004,016	95,428	198,091
Government loan stocks	5,963,922	4,682,413	5,234,472	4,734,681
Financial liabilities:				
Preference share capital	100,000	100,000	125,230	122,455
Subordinate bonds	200,000	200,000	202,595	202,935

THE COMPANY	Carrying amount		Fair value	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Loans and receivables:				
Mortgage Loans	2,403	3,037	2,549	3,192
Secured Loans	277,879	278,930	294,443	295,897
Unsecured Loans	1,061	2,711	2,093	2,820
Debt instruments at amortised cost:				
Deposits and corporate bonds	119,850	395,874	95,428	198,091
Government loan stocks	496,866	231,668	483,765	408,994
Financial liabilities:				
Preference share capital	100,000	100,000	125,230	122,455
Subordinate bonds	200,000	200,000	202,595	202,935

34. FAIR VALUE MEASUREMENTS (CONTINUED)

THE GROUP	Fair value hierarchy as at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Loans and receivables:				
Mortgage Loans	-	410,385	-	410,385
Loans on Life policies	-	15,260	-	15,260
Secured Loans	-	455,169	-	455,169
Unsecured Loans	-	2,093	-	2,093
CDS guarantee fund	-	2,282	-	2,282
Debt instruments at amortised cost:				
Deposits and corporate bonds	-	95,428	-	95,428
Government loan stocks	-	5,234,472	-	5,234,472
Financial liabilities:				
Preference share capital	-	125,230	-	125,230
Subordinate bonds	202,595	-	-	202,595

THE GROUP	Fair value hierarchy as at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Loans and receivables:				
Mortgage Loans	-	482,115	-	482,115
Loans on Life policies	-	17,894	-	17,894
Secured Loans	-	374,906	-	374,906
Unsecured Loans	-	2,820	-	2,820
CDS guarantee fund	-	2,764	-	2,764
Debt instruments at amortised cost:				
Deposits and corporate bonds	-	198,091	-	198,091
Government loan stocks	-	4,734,681	-	4,734,681
Financial liabilities:				
Preference share capital	-	122,455	-	122,455
Subordinate bonds	202,935	-	-	202,935

34. FAIR VALUE MEASUREMENTS (CONTINUED)

THE COMPANY	Fair value hierarchy as at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Loans and receivables:				
Mortgage Loans	-	**2,549**	-	**2,549**
Secured Loans	-	**294,443**	-	**294,443**
Unsecured Loans	-	**2,093**	-	**2,093**
Debt instruments at amortised cost:				
Deposits and corporate bonds	-	**95,428**	-	**95,428**
Government Loan Stocks	-	**483,765**	-	**483,765**
Financial liabilities:				
Preference share capital	-	**125,230**	-	**125,230**
Subordinate bonds	**202,595**	-	-	**202,595**

THE COMPANY	Fair value hierarchy as at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Loans and receivables:				
Mortgage Loans	-	3,192	-	3,192
Secured Loans	-	295,897	-	295,897
Unsecured Loans	-	2,820	-	2,820
CDS guarantee fund	-	-	-	-
Debt instruments at amortised cost:				
Deposits and corporate bonds	-	198,091	-	198,091
Government Loan Stocks	-	408,994	-	408,994
Financial liabilities:				
Preference share capital	-	122,455	-	122,455
Subordinate bonds	202,935	-	-	202,935

The valuation technique used to fair value the above instruments is discounted cash flow with observable yield for similar instruments.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

34. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Reconciliation of Level 3 fair value measurements

The following table shows a reconciliation of the opening balance and closing recorded amount of Level 3 financial assets which are recorded at fair value:

	2018 THE GROUP			2017 THE GROUP		
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	**77,054**	**49,445**	**126,499**	74,720	51,436	126,156
Unrealised gains	**12,554**	**(103)**	**12,451**	2,334	(2,054)	280
Total gains in other comprehensive income	**-**	**(985)**	**(985)**	-	63	63
Purchases	-	-	-	-	-	-
At 31 December	**89,608**	**48,357**	**137,965**	77,054	49,445	126,499

	2018 THE COMPANY			2017 THE COMPANY		
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	**-**	**26,325**	**26,325**	-	26,382	26,382
Total (loss)/ gains in other comprehensive income	**-**	**(3,900)**	**(3,900)**	-	(57)	(57)
At 31 December	**-**	**22,425**	**22,425**	-	26,325	26,325

35. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The Chief Excecutive Officer (CEO) is the chief decision maker.

The Group's reportable segments under IFRS8 are based on insurance classes.
(i) Casualty - includes motor, liability, cash in transit, personal accident and health.
(ii) Property - includes fire and allied perils, engineering, marine, and all risks
(iii) Life - includes both life and pensions
Revenue in the above segments is derived primarily from insurance premiums, investment income and realised gain on financial assets.
(iv) Other - consists of stock-broking. Revenue in this segment is derived primarily from brokerage commissions, investment income and realised gains on financial assets.

The Company customer portfolio base is widely spread and no customer accounts for more than 10% of the total revenue.

	THE GROUP						
2018	Casualty	Property	Total General*	Life	Other	Consolidated Adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Income							
Net earned premium	1,880,213	376,685	2,256,898	921,847			3,178,745
Fee and commission income	93,053	144,372	237,425	34,706			272,131
Brokerage fees	-	-	-		8,261		8,261
Share of profit from joint venture	4,327	1,067	5,394	-		-	5,394
Investment and other income	184,160	73,820	257,980	415,334	60,279	(52,614)	680,979
Segment income	2,161,753	595,944	2,757,697	1,371,887	68,540	(52,614)	4,145,510
Expenses							
Gross claims and benefits	1,348,422	728,234	2,076,656	564,231	-	-	2,640,887
Claims recovered from Reinsurers	(151,938)	(565,613)	(717,551)	(30,231)	-	-	(747,782)
Movement in outstanding claims	(104,299)	10,169	(94,130)	467,619	-	-	373,489
Commission and brokerage fee paid	300,222	176,363	476,585	55,295	-	-	531,880
Management expenses	519,846	164,419	684,265	132,433	46,245	10,596	852,347
Finance costs	13,688	3,375	17,063	-	130	-	17,193
Depreciation	21,102	6,024	27,126	3,833	717	-	31,676
Amortisation	15,724	4,387	20,111	3,834	-	11,519	35,464
Impairment of subsidiary							
	1,962,767	527,358	2,490,125	1,197,014	47,092	923	3,735,154
Segment profit before tax	198,986	68,586	267,572	174,873	21,448	(53,537)	410,356
Profit before taxation							410,356
Taxation							(55,993)
Profit for the year							354,363

35. SEGMENT INFORMATION (CONTINUED)

	THE GROUP						
2017	Casualty	Property	Total General*	Life	Other	Consolidated Adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Income							
Net earned premium	1,880,838	253,551	2,134,389	782,121	-	-	2,916,510
Fee and commission income	83,402	120,009	203,411	30,720	-	-	234,131
Brokerage fees	-	-	-	-	8,261	-	8,261
Share of profit from joint venture	2,238	376	2,614	-	-	-	2,614
Investment and other income	192,624	42,195	234,819	826,283	56,333	(25,110)	1,092,325
Segment income	2,159,102	416,131	2,575,233	1,639,124	64,594	(25,110)	4,253,841
Expenses							
Gross claims and benefits	1,176,653	146,698	1,323,351	547,826	-	-	1,871,177
Claims recovered from Reinsurers	(91,114)	(90,363)	(181,477)	(19,460)	-	-	(200,937)
Movement in outstanding claims	(9,703)	3,185	(6,518)	797,757	-	-	791,239
Commission and brokerage fee paid	306,788	138,665	445,453	48,751	-	-	494,204
Management expenses	557,903	106,040	663,943	121,969	46,814	(3,027)	829,699
Finance costs	14,999	2,793	17,792	-	422	-	18,214
Depreciation	24,410	4,571	28,981	3,743	629	-	33,353
Amortisation	16,112	3,195	19,307	3,323	-	11,519	34,149
Impairment of subsidiary	-	-	-	-	-	-	-
	1,996,048	314,784	2,310,832	1,503,909	47,865	8,492	3,871,098
Segment profit before tax	163,054	101,347	264,401	135,215	16,729	(33,602)	382,743
Profit before taxation							382,743
Taxation							(61,107)
Profit for the year							321,636

* Amount represents that of The Mauritius Union Assurance Company Limited and its African Subsidiaries. It is made up of Casualty and Property businesses.

35. SEGMENT INFORMATION (CONTINUED)

THE GROUP							
2018	Casualty	Property	Total General*	Life	Other	Consolidated Adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	**4,864,865**	**1,781,510**	**6,646,375**	**9,049,245**	**107,689**	**(758,161)**	**15,045,149**
Segment liabilities	**716,236**	**266,656**	**982,892**	**97,333**	**26,427**	**(710)**	**1,105,942**
Technical liabilities							
- Unearned premium reserve							**1,883,026**
- Life assurance fund							**7,229,437**
- Investment contract liabilities							**866,760**
- Outstanding claims							**849,044**
Total equity							**3,110,940**
Capital expenditure							
Property, plant and equipment	**9,602**	**4,358**	**13,960**	**2,392**	**623**	**-**	**16,975**
Intangible assets	**8,980**	**3,268**	**12,248**	**3,151**	**-**	**-**	**15,399**

* Amount represents that of The Mauritius Union Assurance Company Limited and its African Subsidiaries. It is made up of Casualty and Property businesses.

THE GROUP							
2017	Casualty	Property	Total General*	Life	Other	Consolidated Adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	5,892,893	1,112,277	7,005,170	8,376,813	121,662	(663,497)	14,840,148
Segment liabilities	809,225	152,822	962,047	95,952	47,903	(1,325)	1,104,577
Technical liabilities							
- Unearned premium reserve							1,264,771
- Life assurance fund							6,791,287
- Investment contract liabilities							774,876
- Outstanding claims							1,896,684
Total equity							3,007,953
Capital expenditure							
Property, plant and equipment	20,173	3,787	23,960	841	1,244	-	26,045
Intangible assets	9,489	1,776	11,265	3,466	-	-	14,731

* Amount represents that of The Mauritius Union Assurance Company Limited and its African Subsidiaries. It is made up of Casualty and Property businesses.

35. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHIC INFORMATION	Income from External Customers		Non Current Assets	
	2018	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Mauritius	**3,361,701**	3,554,673	**11,003,599**	10,095,760
Kenya	**160,284**	149,608	**227,563**	215,304
Tanzania	**255,604**	217,508	**283,317**	291,521
Uganda	**140,467**	127,891	**82,781**	40,570
Rwanda	**222,060**	201,547	**77,826**	53,463
	4,140,116	4,251,227	**11,675,086**	10,696,618

36. SHAREHOLDERS SHARE OF LIFE SURPLUS

In accordance with the accounting policy in Note 2, the independent actuaries have assessed the amount of the Discretionary Participating Feature (DPF) eligible surplus to be transferred to/(from) the Life Assurance Fund (from)/to Profit or Loss at (Rs 2.8m) (2017: Rs 9.3m). Assets and liabilities of the life Company are owed by the shareholders and policyholders. Surplus for the year attributable to the policyholders are then transferred to the Life Assurance Fund.

37. COMMITMENTS

	THE GROUP		THE COMPANY	
Outstanding financial commitments:	**2018**	2017	**2018**	2017
	Rs'000	Rs'000	**Rs'000**	Rs'000
Loans approved by the Board of Directors but not yet disbursed	**53,935**	23,077	**3,775**	11,124

38. BASIC AND DILUTED EARNINGS PER SHARE

	THE GROUP	
	2018	2017
The following reflects the income and share data used in the basic and diluted EPS computations	**Rs'000**	Rs'000
Profit attributable to equity holders of the parent	**309,069**	281,886
Weighted average number of ordinary shares ranking for dividend	**45,207,843**	45,090,000
Earnings per share - Basic	**6.85**	6.25
Earnings per share - Diluted	**6.84**	6.25

As described in note 33, the Company has set up a share option scheme for a total number of shares offered of 1,156,000 shares. An incremental number of shares of 117,843 shares under share option scheme has been used to calculated the diluted EPS.

39. NOTES TO CASH FLOW STATEMENTS

		Notes	THE GROUP		THE COMPANY	
(a)	**Cash generated from operations**		**2018**	2017	**2018**	2017
			Rs'000	Rs'000	**Rs'000**	Rs'000
	Profit before taxation		**410,356**	382,743	**179,287**	165,297
	Decrease/(increase) in financial assets at fair value through profit or loss	10(b)	**64,625**	(427,619)	**12,728**	(15,178)
	Share based payment	33	**3,578**	-	**3,578**	-
	Assets written off	7	**153**	-	**-**	-
	Foreign exchange (gains)/losses		**(15,302)**	(4,166)	**(1,383)**	1,941
	Provision for retirement benefit obligations		**1,326**	975	**1,326**	975
	Provision for credit impairment (net)		**19,847**	(1,273)	**4,188**	4,561
	Expected credit loss		**(4,496)**	-	**1,317**	
	Loans and receivables written off	11	**36**	26	**-**	7
	Dividend income	23	**(87,548)**	(87,948)	**(54,327)**	(31,264)
	Interest income		**(557,834)**	(481,113)	**(71,651)**	(72,401)
	Interest expense	29	**17,193**	18,214	**17,063**	17,387
	Depreciation of property and equipment	5	**32,128**	33,353	**17,352**	17,865
	Amortisation of intangible assets	7	**35,480**	34,149	**19,085**	18,171
	Amortisation of financial assets	10(c)	**(15,082)**	(9,231)	**36**	-
	Profit on sale of property and equipment	24	**(494)**	(1,284)	**(654)**	(1,030)
	Net realised 'losses'/gains	24	**(1,415)**	141	**-**	-
	Share of profit from Joint Venture	9	**(5,394)**	(2,614)	**-**	-
			(102,843)	(545,647)	**127,945**	106,331
	Change in unearned premium		**80,659**	45,940	**22,019**	34,798
	Change in insurance and other receivables		**93,661**	44,922	**(67,715)**	(63,948)
	Net change in deferred acquisition costs		**3,871**	10,486	**5,542**	819
	Change in outstanding claims		**373,487**	792,210	**(78,233)**	30,059
	Change in trade and other payables		**(17,958)**	56,506	**14,292**	54,960
	Net cash generated from operations (refer to page 18)		**430,877**	404,417	**23,850**	163,019

		THE GROUP		THE COMPANY	
(b)	**Cash and short term deposits**				
	For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at December 31,	**2018**	2017	**2018**	2017
		Rs'000	Rs'000	**Rs'000**	Rs'000
	Cash at banks and on hand	**179,230**	277,990	**88,929**	144,345
	Short-term deposits	**352,482**	348,000	**25,230**	15,000
		531,712	625,990	**114,159**	159,345

Cash at bank earns interest at fixed rates based on a daily basis deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposits rates. The interest rates on the cash at bank varies 0.5% to 1.8% and from 2.5% to 15% for short-term deposits.

40. GOODWILL

Goodwill acquired through business combination with indefinite lives are allocated to seven individual CGUs: Management Services, Life insurance and non life insurance. The recoverable amounts of goodwill allocated to each of the CGUs is show below:

	MUA Life Ltd (Formerly La Prudence (Mauricienne) Assurances)	MUA Mutual Fund (Formerly National Mutual Fund Ltd) (Management services)	The Mauritius Union Assurance Cy. Ltd (non life insurance)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)** (non life insurance)	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)* (non life insurance)	Phoenix of Tanzania Assurance Company Limited (non life insurance)	MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited) (non life insurance)	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Goodwill	51,197	21,780	133,188	-	28,543	48,725	23,438	306,871

The recoverable amounts of the cash generating units are determined on the basis of value in use calculations. At 31 December 2018, the value in use of each cash generating units exceeds its carrying amount for seven GCUS. An impairment of Rs 38.6 has been recorded for the year ended 31 December 2016 in respect of PEAL as the value in use is lower than its carrying value.

To determine the value in use for each cash generating unit, cash flow forecast from the most recent financial approved budgets for the next five years is used adjusted for any one off claims and change in business. Discount rates used represent the current market assessment of the risks specific to a cash generating unit, taking into consideration the time value of money and the weighted average cost of capital (WACC).

Life insurance CGU

The recoverable amounts for the life insurance business CGUs have been determined based on a value in use (VIU) calculation. The calculation is based on the VIU of the business, together with the present value of expected future profits from new business over a five year period.

The key assumptions used for the VIU impairment calculation for the Life Insurance were:

- The shareholder interest in the life insurance business is based on projected cash flows of the business including expected investment returns of 7% (2017: 7%).
- Risk-adjusted discount rates used for calculation of embedded value are calculated using a risk margin of 4% (2017: 4%), based on the operating segment's weighted average cost of capital.
- Future regular bonuses on contracts with DPF are projected in a manner consistent with current bonus rates and expected future returns on assets deemed to back the policies.
- Economic assumptions are based on market yields on risk-free fixed interest rates for the relevant currencies at the end of each reporting period.

- New business contribution represents the present value of projected future distributable profit generated from business written in a period. This is initially based on the most recent five-year business plans approved by senior management.

- Growth rate represents the rate used to extrapolate new business contributions beyond the business plan period, and is based on management's estimate of future growth of 10% (2017: 10%), which is in line with the average growth rate of life insurance industry.

A pre-tax Group-specific risk-adjusted discount rate of 8.5% (2017: 8.75%) is used to discount expected profits from future new business.

40. GOODWILL (CONTINUED)

Investment Management services CGU
The recoverable amount of the investment management services businesses has also been determined based on a VIU calculation using cash flow projections based on the budgeted fee income margin approved by management covering a five-year period. A pre-tax Group-specific risk-adjusted discount rate of 10% (2017:10%) is used. The applied long-term growth rate is 5% (2017: 4%).

Non-life insurance
The recoverable amount of the non-life insurance business has been determined based on a VIU calculation using cash flow projections based on financial budgets approved by management covering a five-year period. Discount rates used represent the current market assessment of the risks specific to a cash generating unit, taking into consideration the time value of money and the weighted average cost of capital (WACC). The projected cash flows beyond the five years excluding expenses have been extrapolated using a steady average growth rate of 5% (2017: 5%) which is in line with the GDP growth rate of each country. The projected cash flows are determined by claim ratio, retention ratio, growth rate and rate of return on investment based on past performances, adjusted for one off expenses and management expectations for market developments.

The key assumptions used for the VIU impairment calculation are:

- Policy lapses – The Group has retained records of policy lapses since its inception and is, therefore, able to predict trends over the coming years. Management plans assume no change from recent experiences;
- Premiums and margins – Premium income is based on past data and adjusted for any group development. Difference growth rate has been applied to the different class of business and a growth rate varies between 3 % to 45% (2017: 4% to 32%) per annum was applied for non-life insurance;
- Claims ratio was determined by using the past payment made during the four preceding years adjusted for one off claims occurred;
- Expenses – Estimates are obtained from forecasted budget. The financial budget plans assume that expenses will broadly increase in line with inflation rate.

Sensitivity to changes in assumptions

The Group also carried out a sensitivity analysis based on changes on major assumptions listed below:

Life insurance CGU	MUA Life Ltd (Formerly La Prudence (Mauricienne) Assurances)	
	2018	2017
	Rs'000	Rs'000
Discount factor +1%	**(85,037)**	(57,820)
Discount factor -1%	**91,387**	63,361
Growth rate +1%	**63,746**	64,739
Growth rate -1%	**(59,319)**	(60,180)

Investment Management services CGU	National Mutual Fund Ltd (Management services)	
	2018	2017
	Rs'000	Rs'000
Discount factor +1%	**(7,163)**	(10,046)
Discount factor -1%	**10,722**	15,121
Growth rate +1%	**4,655**	7,072
Growth rate -1%	**(4,530)**	6,826

40. GOODWILL (CONTINUED)

2018 Non-Life insurance	The Mauritius Union Assurance Cy. Ltd (non life insurance)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*	Phoenix of Tanzania Assurance Company Limited	MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Discount factor +1%	**(504,582)**	**(2,567)**	**(6,267)**	**(133,988)**	**(10,257)**
Discount factor -1%	**(756,811)**	**2,696**	**6,558**	**86,066**	**10,737**
Claim ratio +1%	**(396,266)**	**(15,263)**	**(7,540)**	**(12,373)**	**(5,667)**
Claim ratio -1%	**298,506**	**(15,019)**	**8,570**	**16,409**	**4,366**
Growth rate +1%	**1,244,035**	**56,631**	**24,134**	**33,946**	**10,567**
Growth rate -1%	**(1,154,208)**	**30,618**	**(23,436)**	**(39,830)**	**(7,123)**

2017 **Non-Life insurance**	The Mauritius Union Assurance Cy. Ltd (non life insurance)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*	Phoenix of Tanzania Assurance Company Limited	MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Discount factor +1%	(670,215)	(2,226)	(45,105)	(25,857)	(6,117)
Discount factor -1%	922,727	2,325	68,245	3,865	6,366
Claim ratio +1%	(179,289)	(11,380)	(7,385)	(10,883)	(42,613)
Claim ratio -1%	179,289	11,380	7,385	10,883	29,244
Growth rate +1%	329,364	24,185	20,947	23,048	25,729
Growth rate -1%	(329,364)	(23,598)	(14,263)	(22,519)	(45,879)

41. RELATED PARTY TRANSACTIONS

	Relationship	THE GROUP 2018 Rs'000	THE GROUP 2017 Rs'000	THE COMPANY 2018 Rs'000	THE COMPANY 2017 Rs'000
Loans granted to					
Directors and key management personnel		14,500	4,970	1,500	4,270
Amount owed by					
Directors and key management personnel		49,028	49,006	6,064	6,022
Receivables from:					
NMF Property Trust	Sister company	79	73	-	-
NMF General Fund	Sister company	677	648	-	-
La Prudence Mauricienne Assurance Ltee	Subsidiary	-	-	3,273	-
Decadel Ltee	Subsidiary	-	-	2,702	3,119
Feber Associates Ltd	Subsidiary	-	-	457	253
National Mutual Fund	Subsidiary	-	-	90	
PTHL	Subsidiary	-	-	18,194	10,856
		-	-	24,716	14,228
Expected credit loss				(735)	
		-	-	23,981	14,228
Payables to :					
La Prudence Mauricienne Assurance Ltee	Subsidiary	-	-	-	3,809
National Mutual Fund	Subsidiary	-	-	-	14
Purchase of goods and services from					
Subsidiary company		457	768	59	23
Other related party -Accredited agent		26,976	23,204	26,976	23,204
Sale of services to					
Directors and key management personnel		10,443	10,154	9,343	9,433
Income receivable from:					
Subsidiary companies		-	-	42,931	21,168
Remuneration of key management personnel					
Salaries and short-term employee benefits		141,898	142,528	33,144	31,261
Post-employments benefits		10,986	11,178	2,546	2,055

Key management personnel consist of Chief Executive Officers and Senior managers.

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free except for loan granted to directors and settlements occurs in cash. There have been no guarantees provided or received for any related party receivables and payables. At each financial year, an assessment of provision for impairment is undertaken through examining the financial position of the related party and the market in which the related party operates.

Loans given to related party are repaid on a monthly basis at market rates ranging from 4.1% to 6.1% (2017: 7.5% to 13%).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
Notes to the Consolidated Financial Statements for year ended 31 December 2018

42. OPERATING LEASE COMMITMENTS

Group as lessee

Future minimum lease payments under operating leases as at 31 December are as follows:

	THE GROUP 2018 Rs'000	THE GROUP 2017 Rs'000	THE COMPANY 2018 Rs'000	THE COMPANY 2017 Rs'000
Within one year	29,835	25,122	-	16,499
After one year but not more than five years	24,227	14,555	-	-
	54,062	39,677	-	16,499

The properties leased by the Group are on long-term leases with renewal options in the contracts.

Group as lessor

Future minimum rental receivables under operating bases within as at 31 December:

	THE GROUP 2018 Rs'000	THE GROUP 2017 Rs'000	THE COMPANY 2018 Rs'000	THE COMPANY 2017 Rs'000
Within one year	12,273	18,545	-	-
After one year but not more than five years	3,806	-	-	-
	16,079	18,545	-	-

The Group has entered into operating leases on some of its investment properties. The leases are on a yearly basis and are renewable annually.

43. CONTINGENCIES

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

44. EVENTS AFTER THE REPORTING DATE

In January 2019, MUA Ltd has been incorporated as a new legal entity to act as the utimate holding company of the Group. MUA Ltd is listed on the official market of the Stock Exchange of Mauritius. Following the restructuring, all insurance entities under the Group have been re-organised under two distinct geographical secgments, namely Mauritius and overseas operations. The directors of the Company have previously approved the restructuring on 15 May 2018.

NOTES

NOTES

This document is printed on paper
from sustainably managed forests.

*Ce document est réalisé avec du papier
provenant de forêts gérées durablement.*

Conception & Design by Beyond Communications

4 Léoville L'Homme Street,
Port Louis, Mauritius
T 230 207 5500
BRN C07000714

FOR MORE INFORMATION PLEASE VISIT

mua.mu