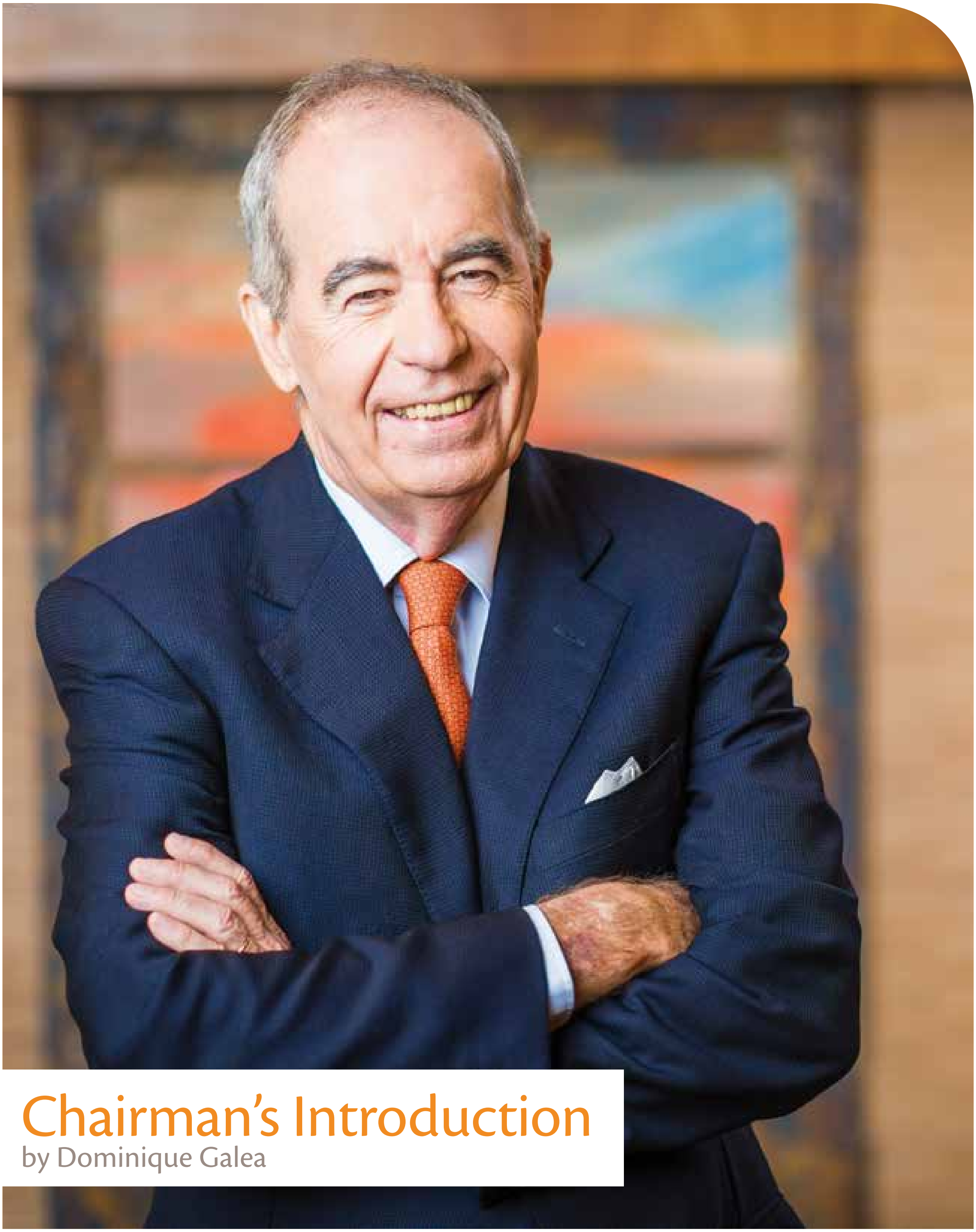
# 2017
# ANNUAL REPORT

MAURITIUS UNION
GROUP

# CONTENTS

# INTRODUCTION



# Chairman's Introduction

by Dominique Galea

It is my privilege to once again present the Annual Report of The Mauritius Union Assurance Cy. Ltd for the financial year ended December 2017. The report that you have today in your hands, or at the click of your mouse, reflects the collective efforts of over 650 employees across six countries and a dynamic team of managers driving their respective business units and support functions. The results speak volumes about the vision and commitment of our senior management team, not only in 2017 but since the start of the company's three year strategic plan in 2015. The entire board and I are satisfied with the company's achievements over this period, bringing greater shared value to all our stakeholders.

## RESULTS

Although Bertrand and his management team will present the Group and Company results in more detail, it is important for me to draw attention to some pertinent results across our entities:

| | | | |
|---|---|---|---|
| **Group** | **+8%** increase in Gross Written Premiums to reach **Rs 4Bn** | **+169%** increase in Profits after Tax to reach **Rs 321.6M** | Group Return on Equity at **12.6%** compared to **7.1%** in 2016 |
| **Mauritius: General Insurance** | **+15%** increase in Gross Written Premiums to reach **Rs 2.2Bn** | **+157%** increase in Profits after Tax to reach **Rs 146.5M** | Strong capital position with a **223%** solvency cover |
| **Mauritius: Life Insurance** | **+13%** increase in Life Insurance Gross Written Premiums to reach **Rs 876.8M** | **+21%** increase in Life Insurance Profits after Tax to reach **Rs 135.2M** | |
| **General Insurance: East Africa** | Return to profitability, with Profits after Tax of **Rs 57.8M** from the operations in East Africa | | |

# CHAIRMAN'S INTRODUCTION

These commendable results demonstrate the Group's resilience through challenging and changing market conditions, and the rewards of a steadfast strategic approach, both in terms of business development and enhanced efficiency. Each market has its own set of opportunities and challenges, but they each benefit from solid, well-tested and aligned core centralised functions. These strong supports and the inevitable economies of scale set scene for sustained growth.

## DIVIDEND

The Board has declared a total dividend of Rs 116.8M, equivalent to a dividend of Rs 2.59 per share. This represents a 3.6% increase on 2016.

## ACKNOWLEDGEMENTS

In 2017 we welcomed a new board member, Catherine McIlraith, who brings considerable experience from her years in banking and finance in South Africa and Mauritius. She also has an extensive track record as a director, notably on the board of the MIOD, which she chaired for 2 years. Mrs McIlraith also joins the Audit Committee.

Mr Arjoon Suddhoo resigned from the board in September 2017. We would like to thank him for his seven years of service on the board and his contribution to the Group throughout a key period in our growth and expansion.

I also take this opportunity to thank my fellow board members for the time, expertise, commitment and experience they have contributed to the work of the board and its committees throughout 2017.

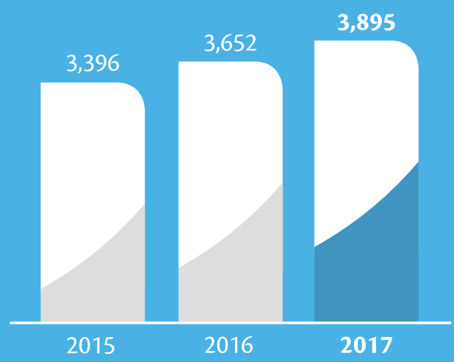
In so many ways, 2017 has been an excellent year for the Group. It marks the end of our three year strategic plan Ambition 2017, which has been a success in terms of the stated objectives and the positive consequences to many aspects of the business. Our African Subsidiaries have taken important steps towards aligning core operations, including information technology, finance, reinsurance, risk management and investment. Over and above this alignment, there have been the encouraging and profitable results, borne out of the new reporting structure and strong local management. We have reported a robust performance in a stubbornly competitive and sometimes challenging business environment. The concerted efforts and positive results of the last three years give considerable momentum to the group's next strategic plan – Ambition 2020. The board would like to pay tribute to the energy, dedication and hard work of the teams based in our six markets, who have delivered the results expanded in this Annual Report.

**DOMINIQUE GALEA**
Chairman

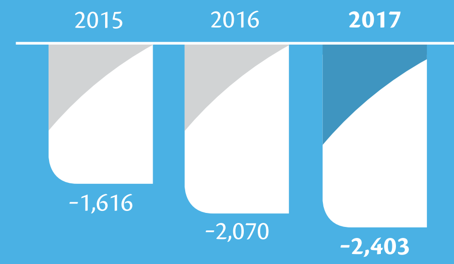
# COMPANY PROFILE

# FINANCIAL HIGHLIGHTS

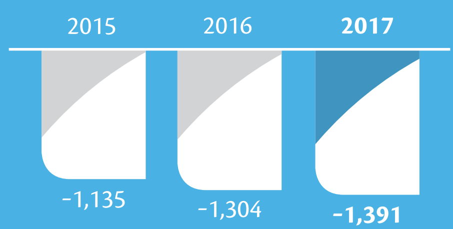
### Gross Earned Premium - Rs M



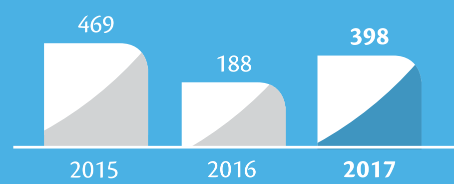

### Net Claims & Benefits - Rs M



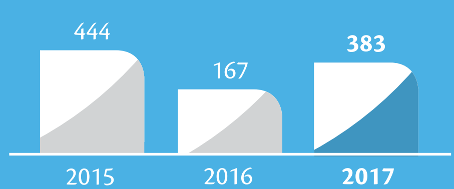

### Operations & Administrative Expenses – Rs M



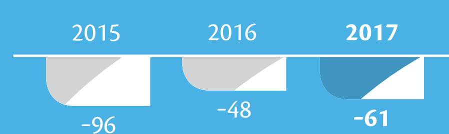

### Profit from Operations – Rs M



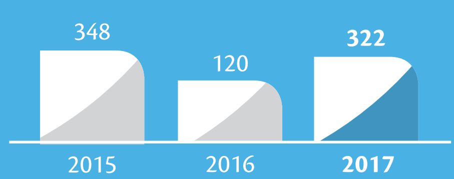

### Profit before Tax – Rs M




### Income Tax Expenses – Rs M

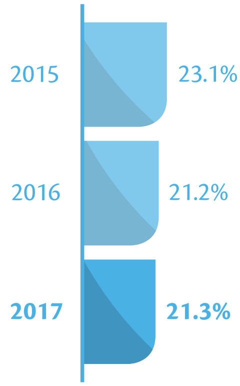



### Profit after Tax – Rs M

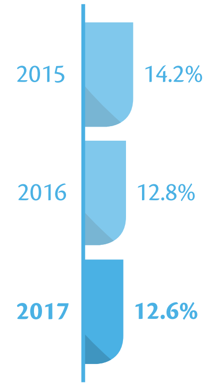


## KEY PERFORMANCE INDICATORS

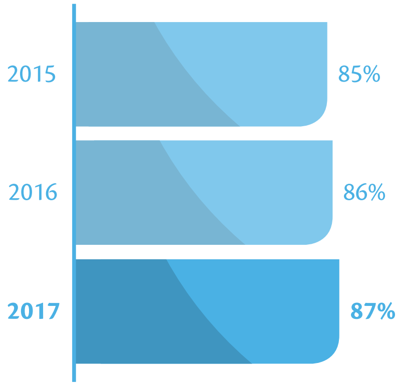
### *Expense ratio - General insurance*



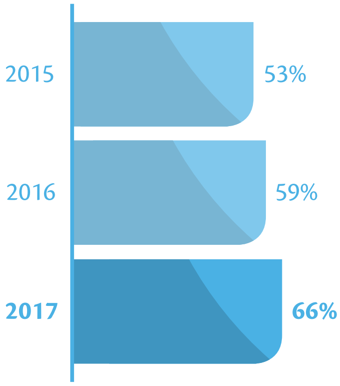

### *Expense ratio - Life insurance*




### *Customer satisfaction*




### *Employee engagement*



# CORPORATE INFORMATION

## REGISTERED OFFICE
4, Léoville L'Homme Street
Port Louis
Republic of Mauritius
Telephone: +230 207 5500
info@mauritiusunion.com
mauritiusunion.com

## AUDITORS
Ernst & Young

## ACTUARIES
Deloitte Actuarial & Insurance Solutions, South Africa

## MAIN BANKERS
ABC Banking Corporation Ltd
AfrAsia Bank Limited
Bank One Limited
Banque des Mascareignes Ltee
Barclays Bank Plc
Hong Kong & Shanghai Banking Corporation Limited
The Mauritius Commercial Bank Ltd
SBI (Mauritius) Ltd
Standard Bank (Mauritius) Limited
State Bank of Mauritius Ltd

## SECRETARY
ECS Secretaries Ltd

## SHARE REGISTRY
SBM Fund Services Ltd

# Management Review

by Bertrand Casteres, Chief Executive Officer

# MANAGEMENT REVIEW

## Dear Shareholder,

We are pleased to present you a review of the performance of the Group and the Company for the year ended 31 December 2017.

The end of the 2017 financial year also marks the culmination of an ambitious three-year strategic plan launched in 2015. The review of our operations, both here in Mauritius and in East Africa, confirms the success borne out three years of careful planning, increased alignment and targeted actions across our business units. **MUA Ambition 2017** was focused mainly on our Mauritian operations, and it yielded strong technical results, increased profitability and a solid solvency position, often in the midst of challenging market conditions.

These strong results also underline the concerted work done in the past three years to deliver sustained value to 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, and most importantly remaining customer-centric in our approach.

## MUA Ambition 2017

Some of the key highlights of our three year Strategic Plan (2015 to 2017) include:

**+11% average annual increase** in General Insurance Gross Written Premiums

**+8% average annual increase** in General Insurance Operational Profits

**+11% average annual increase** in Life Insurance Gross Written Premiums

**+45% average annual increase** in Life Insurance Profits after Tax

**Company solvency position reinforced at 223%** by the end of 2017

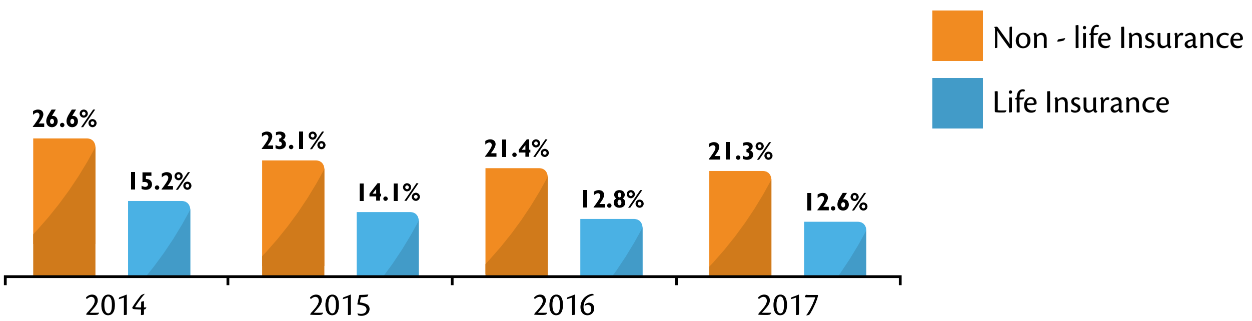
**MUA Ambition 2017** focused on four main areas of development for the General and Life Insurance businesses - Internal efficiency and cost control; maintaining our leadership in motor insurance, while diversifying in corporate business; developing strategic partnerships; leading the way to innovation and digitalisation. In addition, the General Insurance business worked hard to enhance the autonomy of their sales force. On the Life Insurance side, the team focused on developing and marketing innovative niche products, which contributed to a significant increase in profitability.

An important aspect of our solid position and results has been our strong reinsurance capabilities. Our treaty reinsurers rank among the most respected companies in the business, including Swiss Re, Africa Re and Munich Re.

Over the past three years, we have successfully delivered on some of the key performance indicators that were fixed at the outset of **MUA Ambition 2017**.

**Expense Ratio Non-life Insurance:** Target = < 22.4%  Achieved = 21.3%

**Expense Ratio Life Insurance:** Target = < 13%  Achieved = 12.6%

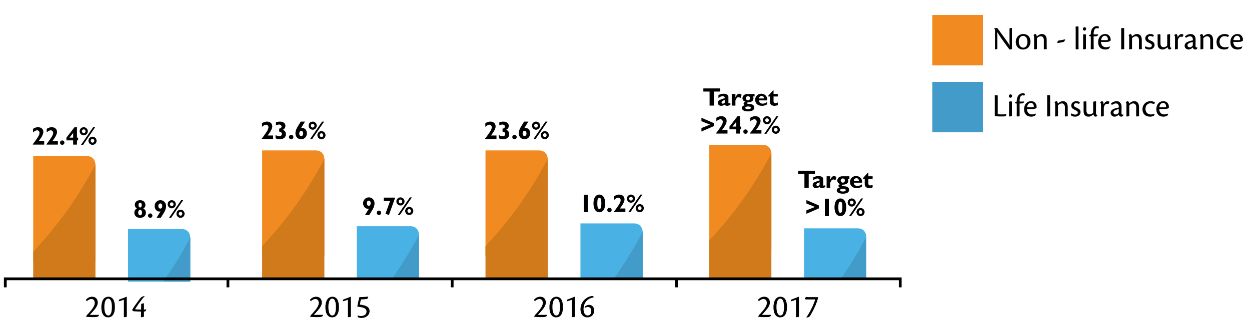



**Please note:**
- *Expense ratios excluding depreciation & Africa operations*
- *Expense ratio for Life Insurance is a percentage of Net Premium*

**Market Share Non-life Insurance:** Target = > 24.2%  Achieved by 2016 = 23.6%*

**Market Share Life Insurance:** Target = > 10%  Achieved by 2016 = 10.2%*

* We are confident to attain our target for Non-Life Insurance and maintain our market share for Life Insurance when the official market share information for 2017 is published by the FSC.




**Customer Satisfaction:** Target = > 80%  Achieved = 87%

**Employee Engagement:** Target = > 60%  Achieved = 66%

**Life Insurance Key Performance Indicators:**
Profit after Tax: from Rs 57M in 2014 to Rs 135M in 2017 – a growth of 137%

# MANAGEMENT REVIEW

## FINANCIAL HIGHLIGHTS 2017

We present below some of the key financial highlights of the Group, the General Insurance and Life Insurance businesses, both in Mauritius and East Africa.

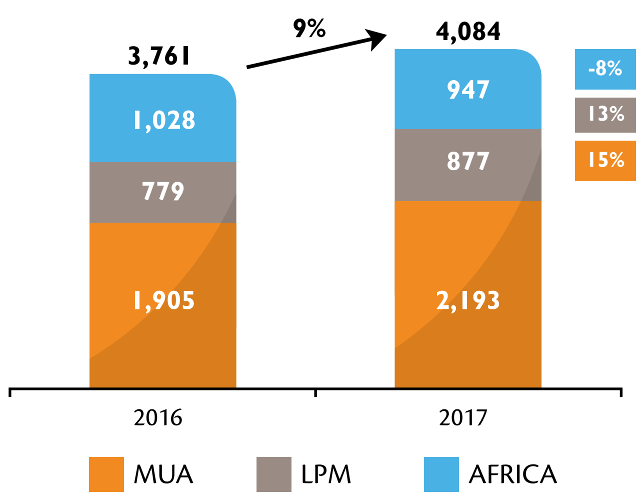
### Group Results

**+8%** increase in
Gross Written Premiums
to reach **Rs 4Bn**

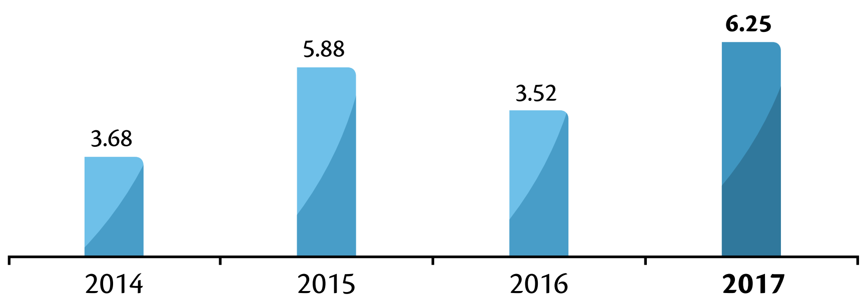
**+169%** increase in
Profits after Tax to reach
**Rs 321.6M**

Group Return on Equity
at **12.6%** compared
to **7.1%** in 2016

### Group Revenue



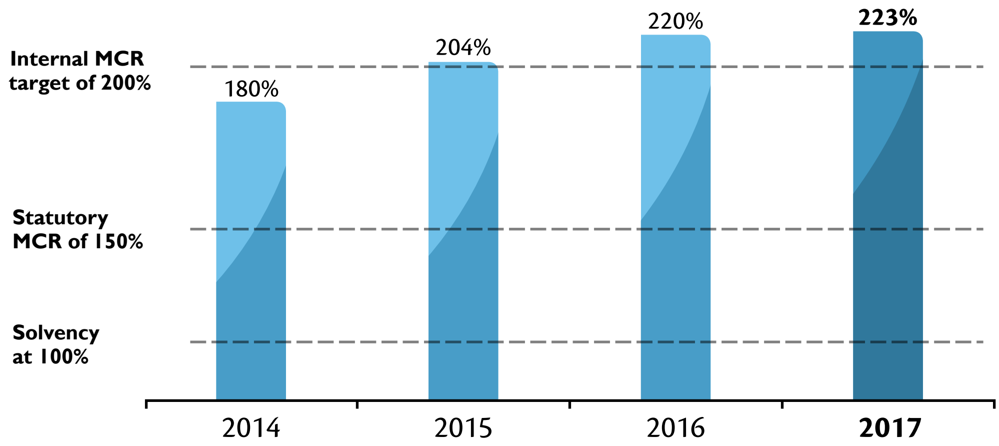

### Earnings per Share: in Rupees




* 2016 Earnings per Share: Largely a result of the lower profitability due to the de-recognition of the Group's investment in Phoenix Transafrica Holdings.

## Group Solvency Ratio:

**The Minimum Capital Requirement**




## GENERAL INSURANCE - Mauritius

**Highlights**

**+15%** increase in Gross Written Premiums to reach **Rs 2.2Bn**

**+157%** increase in Profits after Tax to reach **Rs 146.5M**

| Rs M | 2015 | 2016 | 2017 |
|---|---|---|---|
| Gross Written Premium | 1,789 | 1,905 | **2,193** |
| Net Claims and Benefits | -828 | -917 | **-965** |
| Operations and Administrative Expenses | -557 | -629 | **-704** |
| Impairment of subsidiaries | - | -104 | **-** |
| Profit from Operations | 175 | 90 | **183** |
| Profit before Tax | 150 | 69 | **165** |
| Income Tax Expense | -25 | -12 | **-19** |
| Profit After Tax | 125 | 57 | **146** |

The 2017 results are most satisfactory on all fronts. The General Insurance business has increased its turnover by 15% to reach Rs 2,193M. This increase can be attributed to higher volume and a better business mix, as we continue to focus on diversifying our portfolio. Profitability has remained stable, despite the difficult prevailing soft market conditions, higher claims and robust competition.

There has been adequate growth in all major business lines. Financial & Special Risks posted an exceptional 80% growth in revenue, underlining the work done by our teams on partnerships during 2017. We also note good growth in written premiums in the engineering segment.

The motor portfolio remains one of our most significant business lines in terms of turnover. This sector continues to be highly competitive, leading to sustained pressure on premiums. The continued upward trend in road accidents, particularly in their severity, has impacted negatively on this entire segment once again. Conscious of the responsibility we have as the leading motor insurer, we have undertaken various road safety initiatives in 2017. These included a road safety video, the distribution of disposable breathalyser kits to motorists and safety vests to motorcyclists. We have worked closely with the relevant government departments and our colleagues in the industry to increase awareness and encourage better driving habits.

The health insurance segment has again contributed significantly to the overall general insurance results, registering a growth of 14% in gross written premium. The introduction of new and simpler products has been well received, in particular by corporate and small business clients looking for more cost-effective alternatives. Significant work has also been done internally to reduce claims processing time and increase overall efficiency. The non-motor business on the other hand has come under significant pressure over the past year, with an increase in claims and some high profile incidents that have negatively affected our profitability.

# MANAGEMENT REVIEW

We undertook a number of initiatives during the year to add value to the products and services we already offer our customers.

- Offre+: rewarding existing clients with one or two months of free insurance when they subscribe to additional insurance policies. This is in line with our strategy of diversifying our portfolio, focusing on cross-selling and increasing client loyalty.
- Biz Pack: an innovative insurance "package" aimed principally at small and medium enterprises, to encourage and accompany them to better insure their business, assets and employees. Over 300 new policies have been generated through this initiative.
- Referral Programme: rewarding existing clients when they refer a new client to us, as they remain our best ambassadors.
- Medical Insurance "Eco" & "Essentiel": new health insurance products tailored to the needs of small businesses, and for individual clients who are after more affordable solutions.

## LIFE INSURANCE REVIEW

The Life Insurance business has exceeded our expectations with a 21% increase in profitability. Our strategy of focusing on profitable new business has yielded excellent results. We remain confident of our ability to sustain this high growth rate in the coming years.

Gross written premiums progressed by 13% in 2017, with unit-linked products making up some 53% of this growth. New business contributed significantly to the upward trend, with a solid 26% growth compared to 2016.

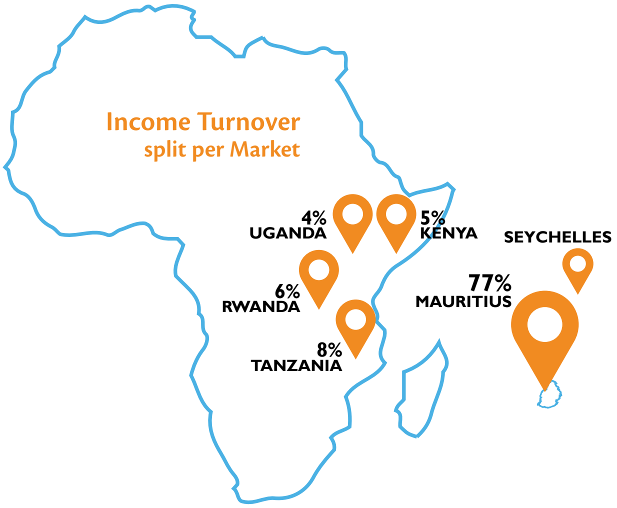
The low rates of overall savings and adequate retirement planning in Mauritius are increasingly a cause for concern. With this in mind, we continue to focus on providing accessible, low premium insurance and savings vehicles tailored to the client's risk appetite.

We have invested in enhanced marketing and communication support for the Life Insurance products, with simpler and more accessible explanatory brochures. In our on-going strategy to remain connected to the needs of our customers, we launched Income Protection Plan at the end of 2017. The product provides a vital safety net for individuals and breadwinners in particular. It ensures a continued source of income and financial stability in the event of a temporary or permanent work stoppage due to illness or injury. The aim is to provide a simple and affordable solution in times of unforeseen financial strain, allowing the policy holder and their family to maintain a certain quality of life.

## EAST AFRICA SUBSIDIARIES
### 2017 performance

The East African operations have posted encouraging results, reporting profits of Rs 57.8M. This improved performance is underpinned by a well-executed Group integration plan that has unlocked a series of synergies and economies of scale across the subsidiaries, laying a strong foundation for them to build on. From an operational perspective we have paid close attention to market penetration and business development, whilst keeping a close eye on internal efficiency and implementing cost control measures. Our strategic focus is on the rapid growth of the East African operations and on the profitable reinvestment opportunities for their retained earnings.

With the launch of the new Strategic Plan, **MUA Ambition 2020**, we expect these four markets to continue their upward trend and to contribute exponentially to the Group's profitability.



## Kenya

Phoenix Kenya has seen a marked improvement in its overall performance in 2017. Last year's unsatisfactory results galvanised the management team to be more disciplined in its underwriting, reduce risk exposure, consolidate the distribution channels and follow through on a rigorous cost saving plan. The company's diversified portfolio, strong technical expertise and the support of the Group's Mauritian teams have supported this turn around. Revenue grew by 44%, largely reversing the losses from 2016 bringing them to a more manageable - Rs 8M for 2017.

The excellent growth in the gross written premiums of the fire and motor segments in particular supported the strong results. Marine and the specialised aviation sector also showed good growth in 2017, contributing to an overall growth of 52% in gross written premiums. With an experienced management team in place and the smooth implementation of the Group's integration plan, we have achieved solid results in this important Kenyan market.

## Rwanda

Phoenix Rwanda continued its stellar performance. Overall revenue grew by 12% to reach Rs 236M, against Rs 211M in 2016. Profits after tax increased by 29%, amounting to Rs 27M for the year. The sustained growth in gross written premiums was driven by good performance in two key sectors – fire and motor registering increases of 27% and 15% respectively, in local currency terms.

The operations in Rwanda completed an important step in its development with an upgrade of its IT infrastructure. Now all four subsidiaries run a common system with Mauritius, which will allow greater flexibility and economies of scale. The Group's integration plan has delivered positive results on a number of fronts, including the expense ratio and investment income. The combined effect of these changes bodes well, as the company makes further gains in market share.

## Tanzania

The operations in Tanzania were adversely affected by the loss of a substantial parastatal business. Changes in local legislation meant that such entities are obliged to direct their business to other parastatals. As a result overall revenue dropped from Rs 511M in 2016 to Rs 333M in 2017. There were significant decreases in gross written premiums in fire, engineering, marine and aviation. The management team had prepared for this eventual loss of business, so the gross written premiums were in line with budget expectations.

On the positive side, profits were substantially higher in 2017 at Rs 34M, from a loss of Rs 6M the previous year. Phoenix Tanzania's major property asset, which had suffered from high vacancies in the previous period, secured several new tenants. This multi-storeyed building in the centre of Dar es Salaam was fully renovated and remains a prime asset. It should be fully let in the coming year, realising its full investment income potential.

Phoenix Tanzania also benefited from the Group's integration plan during 2017. The team completed the consolidation of its distribution channels and branch network. Moreover they received support in the areas of reinsurance, financial reporting, capital management, asset & liability management, information technology and risk.

## Uganda

The results from Phoenix Uganda were generally encouraging, after two years of stagnation. They achieved a 4% increase in gross written premiums in 2017. However, profits fell sharply from a high of Rs 19M in 2016 to a modest Rs 4M in the year under review, mainly due to an increase in casualty claims. There was good growth of 20% in the motor sector and 30% in marine insurance.

Business development remains one of our key priorities in this market, as Uganda's forecasted growth rate is set to double from 2016 to 2018. The potential of this largely uninsured market is vast, and our management team feels more prepared than ever for the challenge ahead.

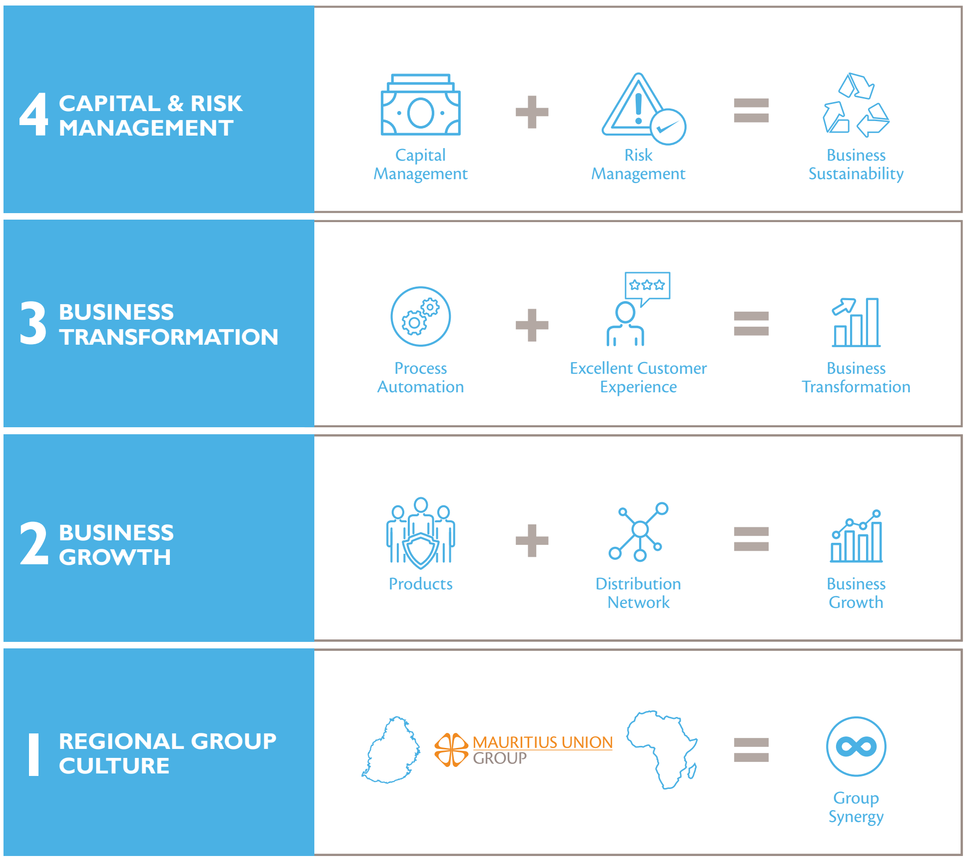
## FINANCIAL SERVICES

The Financial Services cluster delivered another positive year of growth. Once again pension scheme administrator Feber Associates led the way with stellar results, revenue growing 52% and profits surging by 33% in 2017. The integration of the Sugar Industry Pension Fund (SIPF) into its operations is now complete. National Mutual Fund (NMF) came back from a challenging year in 2016 by more than doubling its profits in 2017, benefitting from a bullish local stock market and tighter control on administrative expenses.

# MANAGEMENT REVIEW

## MUA AMBITION 2020

At the beginning of 2018 the Group launched its second Strategic Plan **MUA Ambition 2020**, which sets in motion the fast-paced development of all the Group's entities over the next three years. The main pillars of the plan are solid growth strategies and an ambitious set of initiatives aimed at transforming the Group in line with efficiency-driven technological innovation and the ever evolving expectations of its clients. The four strategic axes are detailed below. The first and fourth axes are group wide strategies, whilst the second and third axes will be entity specific, aligned with individual business and market requirements.




With our financial strength, robust risk management approach and prudent capital management philosophy, we remain extremely well-positioned to take on this new challenge and to successfully meet our strategic objectives.

**BERTRAND CASTERES**
Chief Executive Officer


MAURITIUS UNION
GROUP

# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE

## INTRODUCTION

The Board of Directors of The Mauritius Union Assurance Cy. Ltd (the Board) endorses the Code of Corporate Governance for Mauritius issued by the National Committee on Corporate Governance.

The Board advocates the conduct of business practices that display characteristics of good corporate governance, namely discipline, transparency, independence, accountability, fairness and social responsibility. The directors further confirm that the Company has complied, in all material respects, with the principles of the Code and has provided the necessary explanations where appropriate.

The new National Code of Corporate Governance for Mauritius (2016) is in the process of being implemented across the Group during the financial year ending 31 December 2018. Reporting will be done in accordance with this new code in the 2018 Annual Report.

## BOARD OF DIRECTORS

The Board consists of ten directors, four of whom are independent non-executives, four non-executives and two executives, as at 31 December 2017.

This composition aims at achieving a balanced Board which has the appropriate skills, experience, knowledge and independence required for it to assume fully its responsibilities while discharging its duties effectively.

The Board is ultimately responsible for leading and controlling the Company and for the Company's sustainability, strategy, reputation and governance. The Board is governed inter alia by a Board Charter and Code of Ethics.

The Board validates and monitors strategies, policies and business plans as well as considers all statutory matters, including the approval of unaudited quarterly results for publication, audited financial statements, the declaration of dividends, the review of the Company's performance through budgets and forecasts and the Chief Executive Officer's report. In addition, the Board meets between scheduled meetings to address any matter that may require its attention.

There is a clear separation between the role of the Chairperson and that of the Chief Executive Officer. The Chairperson leads the Board, ensuring that all directors participate fully and constructively in the functioning of the Company and in the decision-making process. He acts as the main informal link between the Board and the management and, particularly, between the Board and the Chief Executive Officer. He ensures, with the Company Secretary's participation, unhindered access to information by all Board and Committee members so that they may contribute in a meaningful way to Board meetings and to other discussions and are able to take informed decisions.

The Chief Executive Officer's responsibilities encompass the development and recommendation of a long-term company vision and strategy that will generate satisfactory levels of shareholder value as well as positive and reciprocal relations with relevant stakeholders. He prepares the annual business plans and budgets to be presented to the Board, endeavours to achieve the company's financial and operating goals and objectives, and ensures that day-to-day business is professionally and appropriately monitored and managed. The Chief Executive Officer is ultimately in charge of operations and is responsible for the implementation of strategies and policies approved by the Board.

The independent non-executive directors bring to the Board a wide range of experience and skills.

Directors newly appointed to the Board go through an induction program to develop a good understanding of the Company and the Group. The induction program consists of briefings with the Chairman and Group CEO, and they receive a pack of materials containing information on the Company such as the Company's constitution, Board Charter and its code of good conduct. Moreover newly appointed directors are made aware of the restrictions in respect of dealings in shares and the disclosure obligations in case of conflicts of interest. Upon appointment, directors' interests, if any, are recorded in a Directors' Interest Register which is kept under the control of the Company Secretary and updated as and when required.

Being committed to professional development, the Board encourages its members to participate in appropriate forums in order to update and improve their skills and knowledge.

An appraisal of the Board and of its Committees was performed in November 2017 by way of a questionnaire. The outcome was positive overall, and the gaps identified will be addressed promptly. It was planned going forward to carry such exercise every two years.

As recommended by the Code of Corporate Governance, all directors will stand for re-election at the annual meeting of shareholders. The Chairperson assumes his role for a pre-agreed period and is elected on an annual basis by the Board of Directors.

# CORPORATE GOVERNANCE

## DIRECTOR'S PROFILES

### Mr Dominique Galea
### Chairman
*Non-Executive Director – appointed in 2010*

Mr Dominique Galea, born in 1952, holds a degree from HEC (Paris) H77. He started his career in the clothing industry by setting up a buying office for overseas buyers (Kasa Textile Ltd). He has since diversified his activities by acquiring controlling stakes in Ducray Lenoir Ltd in 1988, and in Rey & Lenferna Ltd in 1998. He was appointed to the Board of The Mauritius Union Assurance Cy. Ltd in 2010 and was elected Chairman. Mr Galea is the Chairman of La Prudence (Mauricienne) Assurances Ltée, Phoenix Transafrica Holdings Ltd, United Docks Ltd, Rey & Lenferna Ltd and Forges Tardieu Ltd.

Directorship of listed companies: United Docks Ltd, Ascensia Ltd, Forges Tardieu Ltd.

### Mr Bertrand Casteres
### Chief Executive Officer
*Executive Director – appointed in 2014*

Mr Bertrand Casteres, born in 1978, holds a Master's degree in applied mathematics, actuarial science and finance and an Executive MBA from HEC (Paris).

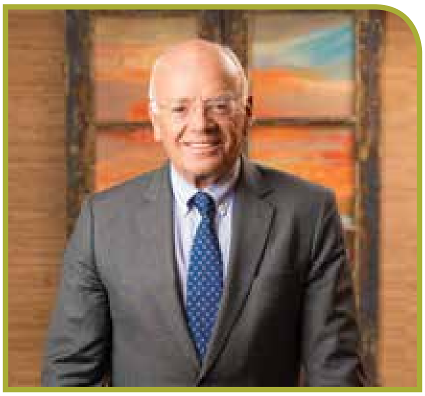
Mr Casteres has worked for major insurance companies in Europe. Before joining the Mauritius Union Group in January 2012 as head of internal audit, he worked in the internal audit department of Aviva Europe as audit senior manager in the financial management and actuarial audit department, conducting internal audit reviews in actuarial processes across Aviva's European subsidiaries. He was also involved in the implementation of Solvency II EU Directive within the Aviva Group.

Mr Casteres was appointed CEO in 2015. He is the Chairman of Phoenix of East Africa Assurance Co. Ltd and its subsidiaries in Tanzania and Uganda.

### Mr Vincent Ah Chuen
*Non-Executive Director – appointed in 1992*

Mr Vincent Ah Chuen, born in 1944, is the Managing Director of ABC Group of Companies. He was appointed to the Board of The Mauritius Union Assurance Cy. Ltd in 1992. He is the Chairman of Associated Brokers Ltd and a Director of La Prudence (Mauricienne) Assurances Ltée. Mr Ah Chuen is Chairman of Policy Ltd and also a Director of Les Moulins de La Concorde Ltée, ABC Motors Co. Ltd, New Goodwill Investment Ltd and is a Council Member of Sir J. Moilin Ah Chuen Foundation. He is also a director of Phoenix Transafrica Holdings Ltd, of Phoenix of East Africa Assurance Co Ltd and two of its subsidiaries.

Directorship of listed companies: POLICY Ltd, Les Moulins de La Concorde Ltée, ABC Motors Co Ltd.



## Mr Alfred Bouckaert

*Independent Non-Executive Director – appointed in 2013*

Mr Bouckaert born in 1946 holds a bachelor degree from the University of Louvain, Belgium.

He started his career at Arthur Andersen and joined the Chase Manhattan Bank in 1972 where he held various positions as Manager Commercial Banking Belgium, General Manager Chase Denmark, and General Manager Chase Belgium. In 1989, the Chase Manhattan sold most of its European operation to Credit Lyonnais where Mr Bouckaert became CEO Belgium. He became in 1993 General Manager of the international operations of Crédit Lyonnais and was in charge of the divestiture of 21 banks of the group. Subsequently he joined AXA in 1999 where he was appointed General Manager of their Belgian acquisition “Royale Belge” (largest property/casualty company in Belgium) later rebranded Axa Belgium. In 2004 his responsibilities were extended to the northern region of AXA which comprises Belgium, Germany, Switzerland (with the acquisition of Winterthur), the central European countries, Ukraine and Russia. Mr Bouckaert became a member of the directoire of AXA in 2006. He retired from Axa in 2010 and was later asked by the Belgian government to preside over the Belgian arm of Dexia which had collapsed in 2011.

He left that responsibility in 2013 and now holds positions in several boards of non-quoted and quoted companies outside Mauritius.

## Mr Bruno De Froberville

*Non-Executive Director – appointed in 2010*

Mr Bruno de Froberville, born in 1962, is currently the General Manager and owner of Square Lines Ltd, a property development company. He has extensive knowledge of the building sector. From 2005 to 2008 he worked with La Prudence (Mauricienne) Assurances Ltée for property development. He was the general manager and owner of B.E.A.M. Ltd (a residential and industrial buildings company) between July 1994 and December 2004, and the manager of Building Art Ltd from July 1988 to June 1994. He was also the marketing manager of Loom Art Ltd, a manufacturer of hand-made carpets. He was appointed to the Board of The Mauritius Union Assurance Cy. Ltd in August 2010. Mr de Froberville holds an MBA from the University of Birmingham, a Bachelor in Science with a Major in Marketing from Louisiana State University.

Directorship of listed companies: Mauritius Freeport Development Co Ltd.

# CORPORATE GOVERNANCE

## DIRECTORS' PROFILES

### Mrs Mélanie Faugier

*Non-Executive Director – appointed in 2010*

Mrs Mélanie Faugier, born in 1980, is the owner and managing director of Cottons Trading Ltd. In 2012, she co-founded Senior Homes Ltd, the leading company in Assisted living in Mauritius.

Mrs Faugier started her career as the trading manager of Thon des Mascareignes Ltée (IBL Group). She also worked for Schlumberger Oilfield Services in Equatorial Guinea and for Association Solidari'terre in Madagascar. Mrs Faugier was appointed to the Board of The Mauritius Union Assurance Cy. Ltd in July 2010. Mrs Faugier is a director of Phoenix Transafrica Holdings Ltd.

Mrs Faugier holds a DEUG in economics from University of Paris I - Panthéon Sorbonne and an MSc in Management from EM Lyon School of Management.

---

### Mr Angelo Letimier

*Independent Non-Executive Director – appointed in 2014*

Mr Angelo Letimier, born in 1948, is an experienced banking executive with international experience. He has enjoyed a stimulating career with MCB Ltd in two-times slots: 1966-1992 and 2005 till today.

He was responsible for establishing the first Credit Card Program of Mauritius in 1988 and opening the Representative Office of the bank 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.

Since he returned 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 from 2002 to 2004 now IPRO. He has also served as a director of Investec Bank (Mauritius) Ltd – 2000-2004; Bramer Investment Management Co Ltd – 2000-2001; AXA Assistance Océan Indien – 2005-2010; Director of Happy World Ltd – 2004 to date.

In 2008, he created, as a subsidiary of the MCB Group, ICPS Ltd (International Card Processing Services Ltd), a company involved in all aspects of Card Processing for banks and financial institutions. He is the Managing Director of ICPS.

As from 2016, Mr Letimier has been appointed as non-executive director of MCB Consulting Services and HPS Switch Morocco (The national switch for payment).

## Mrs Catherine McIlraith

*Independent Non-Executive Director – appointed in 2017*

Mrs Catherine McIlraith, a Mauritian citizen, holds a Bachelor of Accountancy degree from the University of the Witwatersrand, Johannesburg, South Africa and has been a member of the South African Institute of Chartered Accountants since 1992. After serving her Articles at Ernst & Young in Johannesburg, Catherine then joined the Investment Banking industry and held senior positions in corporate and specialized finance for Ridge Corporate Finance, BoE NatWest and BoE Merchant Bank in Johannesburg. She returned to Mauritius in 2004 to join Investec Bank where she was Head of Banking until 2010.

Mrs McIlraith is a Fellow Member of the Mauritius Institute of Directors ("MIoD"). She has served as an Independent Non-Executive Director and as a member of various committees of a number of public and private companies in Mauritius including AfrAsia Bank Limited from 2011 to 2017. She also served as a Director of MIoD for 5 years and as its Chairperson for 2 years from 2014 to 2016.

Directorships of listed companies in Mauritius and South Africa: Astoria Limited, CIEL Limited, Grit Real Estate Income Group Limited and Les Gaz Industriels Limited.

## Mr Ashraf Musbally

*Executive Director – appointed in 2016*

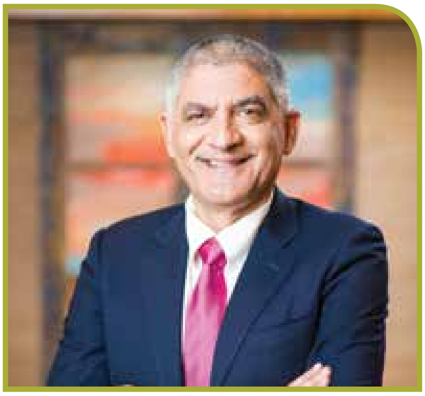
Mr Musbally, born in 1969, graduated in 1993 from City University, London, in Insurance & Investment. He holds an MBA from Imperial College, London, and is a Fellow of the Chartered Insurance Institute (FCII). He worked as Management Consultant at Kemp Chatteris Deloitte & Touche before joining La Prudence (Mauricienne) Assurances Ltée in 1997 to manage and develop its health insurance department, a post he held until 2004, when he was appointed Chief Operations Officer – General Insurance.

Mr Musbally kept the same position after the merger of the activities of The Mauritius Union Assurance Cy. Ltd with La Prudence (Mauricienne) Assurances Ltée in 2010, and in January 2012 he took the responsibility of the Underwriting Department of the General Insurance. He was promoted to Head of the General Insurance cluster in January 2014.

In April 2016, Mr Musbally has been appointed Group Managing Director of Phoenix of East Africa Assurance Company Limited.

# CORPORATE GOVERNANCE

## DIRECTORS' PROFILES



### Mr Mushtaq Oosman

*Independent Non-Executive Director – appointed in 2016*

Mr Mushtaq Oosman was a Partner in PwC Mauritius since 01 July 1991. He was primarily an Assurance Partner, also responsible for Business Recovery Services as well as the Chief Operating Partner for Mauritius. He has served on the Africa Central Governance Board and is well versed with the working and responsibilities of a Governance Board. Mr Oosman has 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. He retired from PwC in November 2015. He trained and qualified as a Chartered Accountant with Sinclairs in the UK, joined Roger de Chazal & Partners (founders of Price Waterhouse in 1988 in Mauritius) and have been with PwC since then. Mr Oosman is a fellow of the Institute of Chartered Accountants in England and Wales.

Directorship in listed companies: ENL Land Ltd, Automatic Systems Ltd, United Docks Ltd.

---

### Mr Arjoon Suddhoo

*Independent Non-Executive Director – appointed in 2010 and resigned in September 2017*

Mr Arjoon Suddhoo, born in 1958, holds a BSc (1st Class Hons) in aeronautical engineering, a PhD in computational mathematics from the University of Manchester and an MBA (Distinction) from the University of Liverpool. He is a Fellow of the Mauritius Academy of Science and Technology, a Fellow of the Mauritius Institute of Directors, Fellow of the Royal Aeronautical Society and Founder President of the Aeronautical Society of Mauritius. Mr Suddhoo started his career in 1986 as a research scientist at Rolls Royce Aerospace Ltd, UK, which he left in 1993 as the research and development manager. He is currently the Executive Director of the Mauritius Research Council, a post he occupies since 1999. He also holds directorships in various other private and governmental organizations and was the Chairman of Air Mauritius Ltd from 2001 to 2005.

Since March 2015, Mr Suddhoo is the Chairman of Air Mauritius Ltd, a listed company.

## Mr Brian Ah-Chuen

*Alternate Director of Mr Vincent Ah Chuen since 2016*

Mr Brian Ah Chuen, born in 1967, holds a Bachelor of Business Administration Honours degree from Schulich School of Business, York University, Toronto, Canada.

He is currently an executive director of ABC Banking Corporation Ltd (listed on the DEM of the Stock Exchange of Mauritius) as its Strategic Business Executive. He was 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). He is currently a Non-Executive Director of ABC Motors Company Limited (also listed on the DEM). He is also a Fellow Member of the Mauritius Institute of Directors.

## Mr Antoine Galea

*Alternate Director of Mr Dominique Galea since 2016*

Mr Antoine Galea, born in 1986, has been appointed Managing Director of Watertech Ltd in January 2018. Before joining Watertech, Mr Galea was Customer Experience Manager at Rey & Lenferna Ltd. From 2012 to 2016, he occupied various positions at Labelling Industries Ltd, Berque Ltée and Narrow Fabrics Ltd, such as Operations Manager, Sales Manager and Supply Chain Manager. Mr Galea also worked for Ernst and Young Mauritius in the Audit team from 2009 to 2012.

Mr Galea holds a Bachelor of Business and Administration in Marketing and Finance.

# CORPORATE GOVERNANCE

## Executive Director's Service Contract

Mr Bertrand Casteres, Group Chief Executive Officer, has no fixed term contract. Mr Ashraf Musbally, Group Managing Director of Phoenix of East Africa Assurance Company Limited (PEAL), has no fixed term contract.

## 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.

## Changes in Directorship

Mrs Catherine McIlrath was appointed as independent non-executive director by the Board of Directors in October 2017 up to the 2018 annual meeting, where the shareholders will be invited to re-conduct her appointment.

Mr Arjoon Suddhoo submitted his resignation from the Board and its Committee on 22 September 2017.

## Directors' Interests in Shares of the Company

The direct and indirect interests of the directors in the ordinary shares of the Company as at 31 December 2017, together with the category they fall in, are set out in the table below:

| DIRECTORS | DESIGNATION | Direct Interest | | Indirect Interest |
|---|---|---|---|---|
| | | *Number of shares* | *Percentage* | *Percentage* |
| Mr Vincent Ah-Chuen | Non-Executive Director | 356,370 | 0.79 | 0.57 |
| Mr Alfred Bouckaert | Independent Non-Executive Director | 1,125 | <0.01 | - |
| Mr Bertrand Casteres | Executive Director | 1,325 | <0.01 | - |
| Mr Bruno de Froberville | Non-Executive Director | 52,999 | 0.12 | 1.59 |
| Mr Dominique Galea | Non-Executive Director | 283,137 | 0.63 | 14.01 |
| Mrs Mélanie Faugier | Non-Executive Director | 1,310 | <0.01 | 5.33 |
| Mr Angelo Letimier | Independent Non-Executive Director | 2,125 | <0.01 | - |
| Mrs Catherine Mcilraith | Independent Non-Executive Director | - | - | - |
| Mr Ashraf Musbally | Executive Director | 1,400 | <0.01 | - |
| Mr Mushtaq Oosman | Independent Non-Executive Director | 8,437 | 0.02 | <0.01 |
| Mr Brian Ah-Chuen | Alternate Director | 2,250 | <0.01 | - |
| Mr Antoine Galea | Alternate Director | - | <0.01 | - |

## Related Party Transactions and Conflicts of Interests

The Board of Directors has adopted a Code of Conduct providing amongst others clear guidance on disclosures of interests that may arise. For related party transactions, please refer to note 40 of the Financial Statements.

## Directors' Dealing in Shares

The directors of the Company follow the principles of the Model Code for Securities Transactions as detailed in Appendix 6 of the Listing Rules in all their dealings.

During the year under review, share dealings by directors and their associates were as follows:

| NAME OF DIRECTORS | Acquired by Associates | Disposed by Associates |
|---|---|---|
| Mr Vincent Ah Chuen | - | 29,100 |
| Mr Dominique Galea | 474,500 | - |

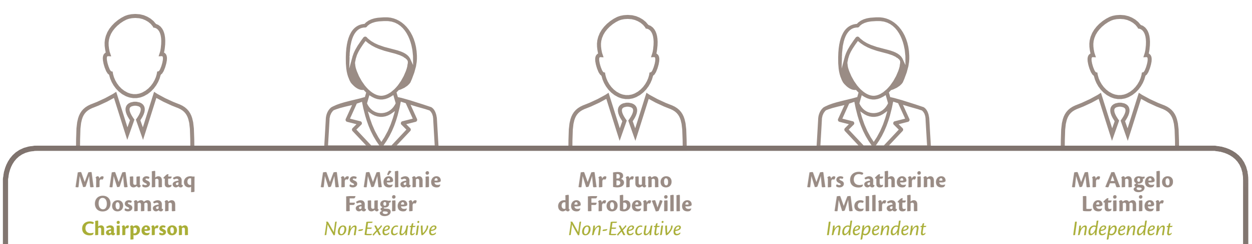
# COMMITTEES OF THE BOARD

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 Committees may, at the Company's expense, request such independent external professional advice that they consider necessary to perform their duties.

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

### (1) Audit Committee



**Mr Mushtaq Oosman**
**Chairperson**
*Independent Non-Executive*

**Mrs Mélanie Faugier**
*Non-Executive*

**Mr Bruno de Froberville**
*Non-Executive*

**Mrs Catherine McIlrath**
*Independent Non-Executive (as from November 2017)*

**Mr Angelo Letimier**
*Independent Non-Executive*

*Members of the Committee during 2017*

The Audit Committee focuses on :

- 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 legal risks
- 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.

# CORPORATE GOVERNANCE

## (2) Corporate Governance, Nomination & Remuneration Committee

**Mr Arjoon Suddhoo**
**Chairperson**
*Independent Non-Executive*
*(up to September 2017)*

**Mrs Mélanie Faugier**
*Non-Executive*
*(as from November 2017)*

**Mr Vincent Ah Chuen**
*Non-Executive*

**Mr Bertrand Casteres**
*Executive*

**Mr Dominique Galea**
*Non-Executive*

*Members of the Committee during 2017*

The Corporate Governance, Nomination & Remuneration Committee is appointed by the Board and consists of a Chairman who is an independent non-executive director and four members.

This Committee fulfils three main tasks:

- It is responsible for implementing the Code of Corporate Governance for Mauritius (the Code) throughout the Company and its subsidiaries including La Prudence (Mauricienne) Assurances Ltée and for ensuring that the reporting requirements on corporate governance are made in accordance with the principles enunciated in 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

## (3) Risk Committee

**Mr Alfred Bouckaert**
**Chairperson**
*Independent Non-Executive*

**Mr Mushtaq Oosman**
*Independent Non-Executive*

**Mr Bertrand Casteres**
*Executive*

**Mr Dominique Galea**
*Non-Executive*

**Mr Naresh Gokulsing**
*Managing Director of La Prudence Life Insurance*

**Mr Ashraf Musbally**
*Executive*

*Members of the Committee during 2017*

The scope of the Risk Committee is to overview the identification, monitoring and implementation of Risk policies within the parameters of the MUA Group Risk's Management Framework in relation to Insurance risks, Operational risks, Customers, Products and market's risks and Strategic risks of the Company and its subsidiaries, including La Prudence (Mauricienne) Assurances Ltée.

The terms of reference of this Committee were approved by the Board with the salient areas of focus detailed hereunder. The Risk Committee focuses on:

- 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 MUA risk policies

## (4) Assets and Liabilities Committee (ALCO)

| Mr Alfred Bouckaert | Mr Bertrand Casteres | Mr Bruno de Froberville | Mr Laval Foo-Kune | Mr Dominique Galea | Mr Marc Hardy |
|---|---|---|---|---|---|
| **Chairperson**<br>*Independent Non-Executive* | *Executive* | *Non-Executive* | *Chief Finance Officer* | *Non-Executive* | *Independent Consultant (up to June 2017)* |

*Members of the Committee during 2017*

The objectives of the Assets and Liabilities Committee (ALCO) are to:

- Devise the Group's investment strategy, including that of La Prudence (Mauricienne) Assurances Ltée
- 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.

The ALCO, in consultation with the investment advisors, is responsible for the regular review of the overall investment strategy and the submission of appropriate recommendations to the Board for consideration.

## Directors' Attendance at Board Meetings and Committees of the Board

| Members of the board and of the committees | Board Meetings | Audit Committee | Risk Committee | Corporate Governance Committee | Assets and Liabilities Committee |
|---|---|---|---|---|---|
| Mr Vincent Ah Chuen | 6 out of 6 | - | - | 2 out of 2 | - |
| Mr Alfred Bouckaert | 5 out of 6 | - | 4 out of 4 | - | 3 out of 3 |
| Mr Bertrand Casteres | 6 out of 6 | - | 4 out of 4 | 2 out of 2 | 3 out of 3 |
| Mrs Mélanie Faugier | 4 out of 6 | 5 out of 5 | - | - | - |
| Mr Bruno de Froberville | 5 out of 6 | 3 out of 5 | - | - | 3 out of 3 |
| Mr Dominique Galea | 5 out of 6 | - | 3 out of 4 | 2 out of 2 | 2 out of 3 |
| Mr Angelo Letimier | 5 out of 6 | 1 out of 5 | - | - | - |
| Mrs Catherine McIlrath (From October 2017) | 1 out of 1 | - | - | - | - |
| Mr Ashraf Musbally | 3 out of 6 | - | 4 out of 4 | - | - |
| Mr Mushtaq Oosman | 4 out of 6 | 5 out of 5 | 4 out of 4 | - | - |
| Mr Arjoon Suddhoo (Up to September 2017) | 4 out of 5 | - | - | 2 out of 2 | - |

## Directors' Service Contracts

None of the directors proposed for re-election at the forthcoming annual meeting have unexpired service contracts.

## Directors' Remuneration Philosophy

The remuneration of Directors and Senior Executives of the Company is subject to an annual review, according to the criteria contained in the terms of reference of the Remuneration Committee.

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

## Directors' Remuneration whilst in office

Remuneration of Executive and Non-Executive Directors from the Company and from its subsidiaries are detailed in the table below. The directors benefit from an indemnity insurance to cover liabilities while performing their duties to the extent permitted by law.

| DIRECTORS | Remuneration from the Company Rs '000 | | Remuneration from the Subsidiaries Rs '000 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Executive Directors | **8,524** | 7,279 | **18,629** | 22,815 |
| Non-Executive Directors | **4,523** | 4,383 | **962** | 1,501 |
| **TOTAL** | **13,047** | 11,662 | **19,591** | 24,316 |

## 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. He 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. He advises the board on matters of ethics and good governance and is the focal point of contact within the Company for shareholders.

# SENIOR MANAGEMENT

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 Committee 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 Committee has set up appropriate management sub-committees which provide comprehensive evaluation on key issues for members of the Executive Committee to reach informed decisions.

The Executive Committee of the Mauritius Union Group consists of the following senior management team members, present as at 31 December 2017:

## Delphine Ahnee

*Head of Group Risk, Legal, Compliance and Customer Care*

Mrs Delphine Ahnee holds a LLB (Hons.) degree, is a qualified Quality Management System Auditor and has followed an executive education programme from ESSEC Business School.

After more than ten years in the Claims Management and litigation monitoring on the General Insurance side, she was promoted to the position of Head of Group Risk, Legal, Compliance and Customer Care in January 2014. She is also responsible for the implementation of Process Efficiency Projects across the Group. Delphine is the Group Risk Officer and Money Laundering Reporting Officer.

She sits on the Board of Directors of 'Fondation Mauritius Union' and is an active member of our Group's Corporate Social Responsibility committee since 2011.

## Mehtab Aly

*Head of Mergers, Acquisitions & Capital Management*

Mrs Aly has a Master in Business Administration from the Université de Bordeaux IV, France. She is a mergers and acquisitions specialist and has more than 10 years' experience in corporate valuation issues, deal structuring, raising finance and corporate restructuring. She is also an expert in stock exchange related matters, from IPOs and takeovers to delistings.

Mrs Aly joined Taylor Nelson Sofres as manager in 2000 where she focussed on market research. She then integrated the Knowledge Management & Business Development department of PricewaterhouseCoopers (PwC) where she contributed to leadership publications. She moved within PwC to the Deals Department in 2006, acting as Senior Manager and advising both private and public sector clients on a wide range of assignments, including several companies in the financial services sector.

Mrs Aly joined Mauritius Union Group in November 2016 as Head of Mergers & Acquisitions. She is currently a director of Phoenix of East Africa Assurance Co. Ltd and its subsidiary companies.

# CORPORATE GOVERNANCE

## SENIOR MANAGEMENT

### Jean Christophe Cluzeau

*Head of General Insurance*

Mr Cluzeau, born in 1964, holds a DESS in Information Systems and a Master Management in Insurance. He has over 25 years' experience in the insurance industry, 19 of which were spent with AXA.

Mr Cluzeau held a number of posts within the AXA group, including 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). His career has taken him to Algeria and Reunion, before joining Mauritius Union in June 2016 as Head of General Insurance.

### Sin Cham (Laval) Foo-Kune

*Group Chief Finance Officer*

Mr Foo-Kune, born in 1967, is a Chartered Accountant having graduated with a Bachelor of Commerce and a Bachelor of Accountancy from the University of the Witwatersrand, South Africa. He worked for Levenstein & Partners, a medium-size auditing firm in South Africa, from 1992 to 1995. He left the firm to work for Symo Corporation Ltd, a manufacturing group of companies in Johannesburg, as accountant from 1995 to 1996. In 1996, he joined IBM South Africa as senior financial analyst and was responsible for the financial operations of several business units within the company.

He left IBM in 1998 to join La Prudence (Mauricienne) Assurances Ltée as Financial Manager. In 2010, when the Mauritius Union Assurance Cy. Ltd merged with La Prudence (Mauricienne) Assurances Ltée, he was appointed Senior Manager in charge of the Finance and Accounting department of the Group.

He is currently a director of The National Mutual Fund Ltd and MUA Insurance Management Ltd.

### Naresh Gokulsing

*Managing Director, La Prudence Life Insurance*

Mr Gokulsing, born in 1970, holds a BA in Accounting and Finance from the University of Leeds and an MBA from Warwick Business School. He is a Fellow Member of the Association of Chartered Certified Accountants (FCCA). He started his career in the audit and advisory services division of PwC in 1993. In 1997, he joined Cim Stockbrokers as Head of Research and was General Manager from 2000 to 2002. Mr Gokulsing moved within the Cim Group as Head of Finance of Cim Insurance from 2002 to 2007 and as Chief Operating Officer and Executive Director of Cim Insurance and Cim Life from 2009 to 2011. As Managing Director of Cim Property Fund Management in 2008, he launched Ascencia Ltd.

He joined Mauritius Union Group in 2012 and was appointed Managing Director of La Prudence Life Insurance in 2015. He is currently a director of the National Mutual Fund Ltd and Feber Associates Ltd.

## Patrice Houdet

*Head of Underwriting*

Mr Houdet, born in 1955, is a chartered insurer. He has started his career in 1976 in the Marine Underwriting and Claims departments at Albatross Insurance Co. Ltd and has steadily moved up the corporate ladder within the company. In 2007, he was appointed as the Head of Operations General Insurance, and following the merger of Cim Insurance with Swan in 2012, was the Manager – Integration Support at Swan Insurance.

Mr Houdet joined the Mauritius Union Group as the Senior Manager of the Claims (General Insurance) department in January 2014, and was appointed as Head of Underwriting effective 1 January 2015. He will be retiring on 31 March 2018.

## Jérôme Katz

*Head of Strategy & Financial Services*

Mr Katz, born in 1983, holds a Master in Management / Diplome de Grande Ecole from ESCP Europe.

He started his career in 2006 with the American bank JPMorgan in Paris and joined La Prudence (Mauricienne) Assurances in 2009 as the Manager of Feber Associates, a wholly-owned subsidiary dedicated to corporate pension, investments and actuarial services. Since 2013, Mr Katz has been given increasing responsibilities within the Mauritius Union Group and now oversees the group strategy with extensive involvement in the African subsidiaries, strategic marketing and digitalisation. He also supervises all the investment and asset management activities.

Mr Katz also serves as a director of Feber Associates Ltd, the National Mutual Fund Ltd and Fondation Mauritius Union Ltd.

## Clarel Marie

*General Manager - Operations,*
*La Prudence Life Insurance*

Mr Marie, born in 1960, holds an MBA, is a Chartered Insurer and an Associate of the Chartered Insurance Institute, London. He worked for the Anglo- Mauritius Assurance Society Ltd from 1979 to 1993 where he acquired broad experience in the long-term insurance business both in the individual life and the pension business. He joined Albatross Insurance in 1993 to develop the long-term individual assurance products and was appointed technical manager for Life and Pension in 2001.

He joined La Prudence (Mauricienne) Assurances Ltée in August 2006 as technical manager of the Life and Pension department and is currently in charge of the operations side of La Prudence Life Insurance. Mr Marie is also a director of Fondation Mauritius Union Ltd.

# CORPORATE GOVERNANCE

## SENIOR MANAGEMENT

### Rishi Sewnundun

*Head of Information Systems & Logistics*

Mr Sewnundun, born in 1974, graduated in Computer Science and Engineering at the University of Mauritius. He also holds an MBA with specialization in marketing from the same university. He joined J. Kalachand & Co. Ltd in 1998 where he worked as Systems Manager and later as Sales Manager. He joined Mauritius Union in May 2005 as Head of Information Systems and appointed Senior Manager in January 2008.

Mr Sewnundun has pioneered several key strategic IT projects at Mauritius Union including two mergers; in Mauritius and East Africa. He has led the implementation of a number of innovative technologies and has been actively involved in digital transformation initiatives to streamline operations, increase organizational effectiveness and enhance customer experience. Mr Sewnundun is also responsible for the IT operations of the group's East African subsidiaries.

### Kenny Wong

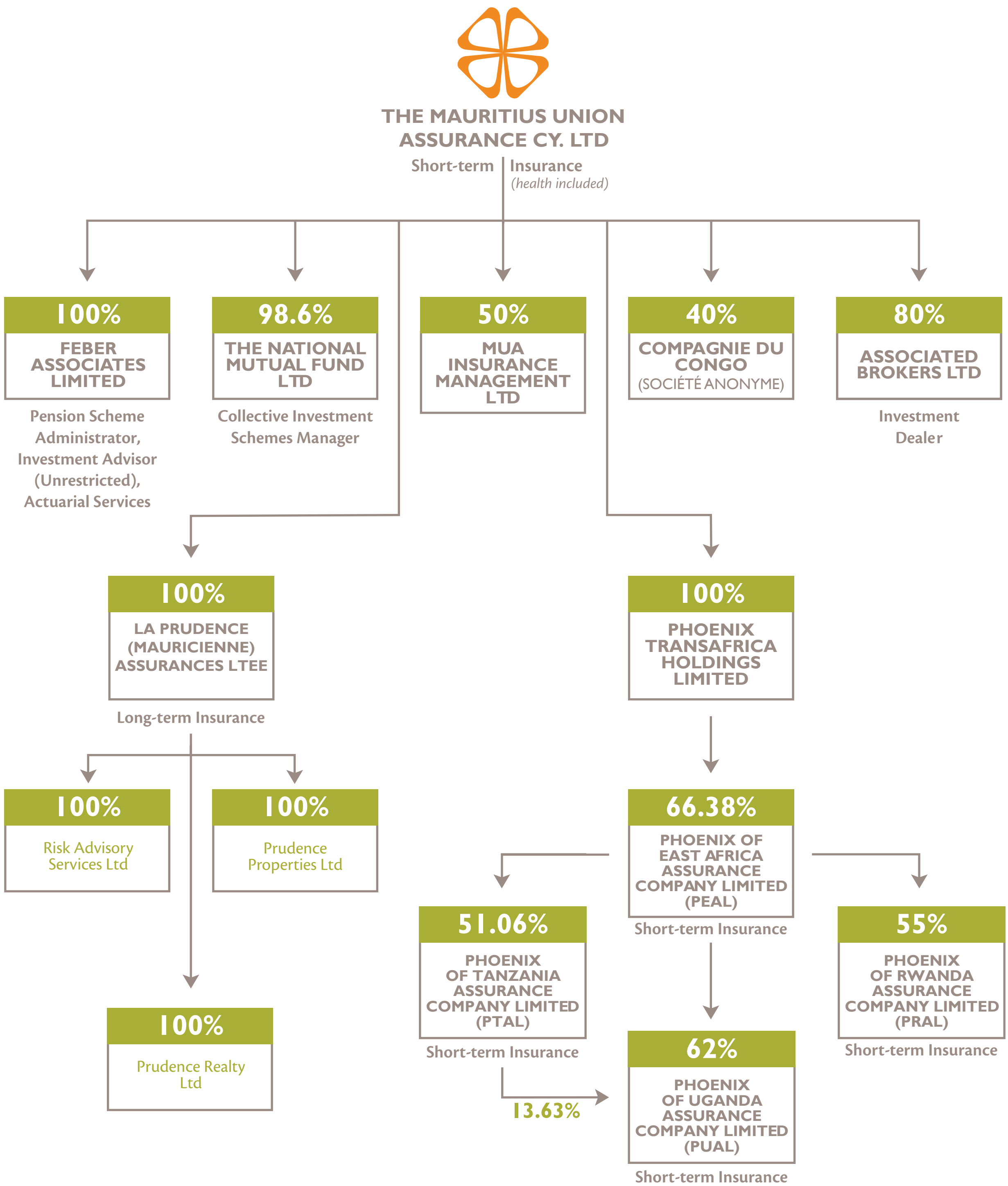
*Head of Reinsurance, Financial & Special Risks*

Mr Wong, born in 1982, is a graduate of the London School of Economics and Political Science. He is a Fellow and Graduate Statistician of the Royal Statistical Society of London, and a Certified Insurance Professional and Associate of the Australian and New Zealand Institute of Insurance and Finance.

He joined the Mauritius Union Assurance Cy. Ltd in January 2009 as Reinsurance Manager and was promoted Senior Manager in July 2012. Mr Wong was appointed as one of the two Executive Directors of MUA Insurance Management Limited, the captive management arm of Mauritius Union Group, and was appointed Practice Group Manager of the Globus Financial Lines Centre of Excellence in October 2016.

Prior to joining Mauritius Union, he held various positions in reinsurance broking, investment banking and marketing both in Mauritius and London.

## GROUP STRUCTURE




### Principal 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.

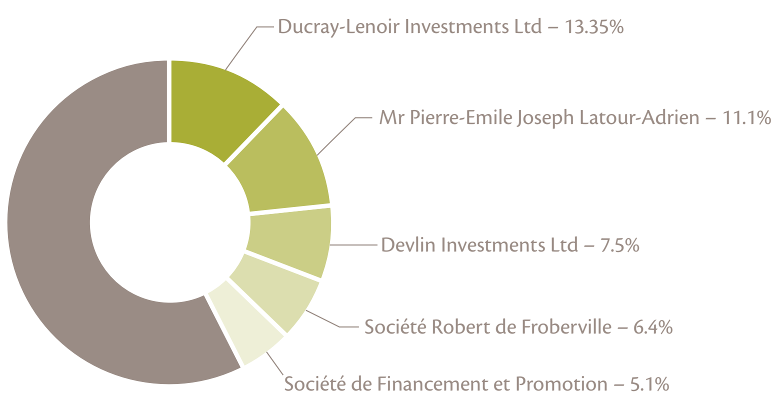
# CORPORATE GOVERNANCE

## Common Directors and Directors of subsidiaries at 31 December 2017

| | LEGAL ENTITY | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Mauritius Union Assurance Cy. Ltd | La Prudence (Mauricienne) Assurances Ltée | Associated Brokers Ltd | Feber Associates Ltd | National Mutual Fund Ltd | Fondation Mauritius Union Ltd | Cie du Decadel Ltée | Risk Advisory Services Ltd | Prudence Properties Ltd | Prudence Realty Ltd | Phoenix Transafrica Holdings Ltd | Phoenix of East Africa Assurance Co Ltd | Phoenix of Uganda Assurance Co Ltd | Phoenix of Tanzania Assurance Co Ltd | Phoenix of Rwanda Assurance Co Ltd |
| Mr Vincent Ah Chuen | • | • | • | | | | | | | | • | • | • | • | |
| Mr Alfred Bouckaert | • | • | | | | | | | | | | | | | |
| Mr Bertrand Casteres | • | • | • | • | • | • | • | • | • | • | | • | • | • | • |
| Mr François Cayeux | | | • | | | | | | | | | | | | |
| Mr Pierre de Chasteigner du Mée | | | • | | | | | | | | | | | | |
| Mrs Mélanie Faugier | • | | | | | | | | | | • | | | | |
| Mr Sin Cham (Laval) Foo-Kune | | | | | • | | | | | | | | | | |
| Mr Bruno de Froberville | • | • | | • | • | | | | | | | | | | |
| Mr Dominique Galea | • | • | • | • | | | | | | | • | | | | |
| Mr Naresh Gokulsing | | • | | • | • | | | | | | | | | | |
| Mr Jérôme Katz | | | | • | • | • | | | | | | | | | |
| Mr Angelo Létimier | • | | | | | | | | | | | | | | |
| Mrs Catherine McIlrath | • | • | | | | | | | | | | | | | |
| Mr Ashraf Musbally | • | | | | | | | | | | | • | | | |
| Mr Mushtaq Oosman | • | • | | | | | | | | | | | | | |
| Mr Axel Roussety | | • | | | | | | | | | | | | | |

## SHAREHOLDING

As at 31 December 2017, the following shareholders owned more than 5% of the issued share capital:



Distribution of Shareholding at 31 December 2017:

| No. of Shares | No. of Shareholders | No. of Shares | % of shares issued |
|---|---|---|---|
| 1 - 500 | 465 | 81,902 | 0.1816 |
| 501 – 1,000 | 171 | 133,166 | 0.2953 |
| 1,001 – 5,000 | 490 | 1,215,910 | 2.6966 |
| 5,001 – 10,000 | 156 | 1,133,006 | 2.5128 |
| 10,001 – 50,000 | 214 | 4,635,204 | 10.2799 |
| 50,001 – 100,000 | 50 | 3,652,164 | 8.0997 |
| 100,001 – 250,000 | 43 | 6,947,805 | 15.4087 |
| 250,001 – 500,000 | 13 | 4,364,353 | 9.6792 |
| Above 500,000 | 10 | 22,926,490 | 50.8461 |
| **TOTAL** | **1,612** | **45,090,000** | **100** |

## Constitution

The Constitution of the Company is in conformity with the Companies Act 2001 and the Listing Rules of the Stock Exchange of Mauritius Ltd. In accordance with the Constitution of the Company, no shareholder can hold more than 5% of the issued share capital of the Company, without the prior authorisation of the Board of Directors.

## Shareholders' Agreement

There is no shareholders' agreement.

## Management Agreement

The Group has not entered into any management agreement with third parties.

## Dividend Policy

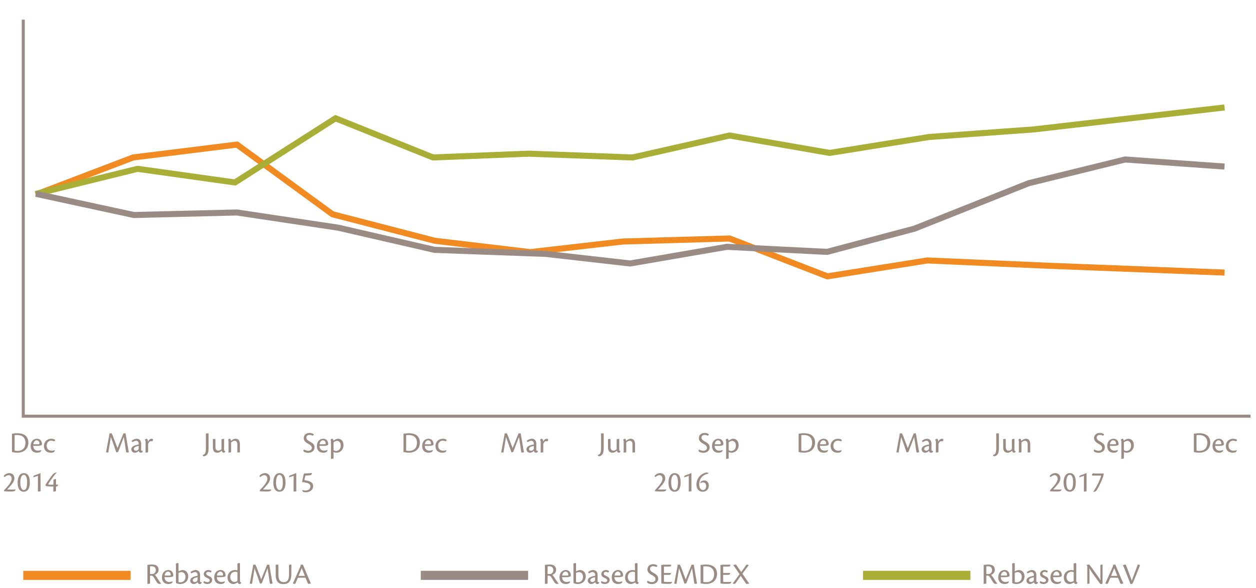
The payment of dividends is subject to the profitability of the Company, to its cash flow and to its capital expenditure requirements.

## Share Option

The Company has no share option plan.

## Share Price Information

The chart below shows the evolution of The Mauritius Union Assurance Cy. Ltd share price as compared to the Mauritius Stock Exchange Index (Semdex) and the company's Net Asset Value (NAV) per share over a three year period.



# CORPORATE GOVERNANCE

## INTERNAL AUDIT

Group Audit's mission is to provide reliable independent assurance to the Board and the Group Audit Committee on the adequacy and effectiveness of the internal control frameworks which include governance and risk management.

The Mauritius Union Group Audit Methodology sets out the mandatory standards to be followed by all Group Auditors which should allow Group Audit to achieve its mission.

The Mauritius Union Group Audit Methodology is fully risk based.

As the third line of defence of the "three lines of defence model", the Internal Audit 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:

### *Internal Control System*


Our in-house internal audit team carries out the internal audit. The scope of their work encompasses:

- Identification of risk areas and the evaluation of the level of risk for each risk area.
- Review of internal control processes and recommendations thereon to the Audit & Risk Committee and to the Management.
- Monitoring of the implementation of the recommendations and reporting on these to the audit committee.

The team carried out 5 internal audit reviews during 2017.

### Reporting Lines

The internal audit derives its authority from the Board through the Audit Committee. 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 Board. 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.

### Donations

*Charitable Donations 2017*

Charitable donations made by the Company during the year amounted to Rs 1,443,779 - as compared to Rs 1,159,342 in 2016. These donations were channelled through the Fondation Mauritius Union Ltd which handles the Group's CSR activities. The projects supported in 2017 are detailed in the Sustainability Report.

This year's actions focused primarily on the education, welfare and development of children from vulnerable groups. Health awareness campaigns and education initiatives for the most vulnerable are vital if we are to tackle the causes of poverty and provide sustainable opportunities in our communities.

| Category | Number of projects 2017 | Total Spend 2017 | Number of projects 2016 | Total Spend 2016 |
|---|---|---|---|---|
| Advocacy, awareness and prevention campaigns | 1 | 50,000 | 3 | 230,000 |
| Education, welfare and development of vulnerable children | 8 | 1,068,779 | 4 | 663,254 |
| Poverty alleviation, community development and capacity building | 3 | 210,000 | 2 | 116,088 |
| Protection, health and social integration of vulnerable groups | 4 | 65,000 | 3 | 150,000 |
| Sustainable development & environment | 1 | 50,000 | - | - |
| GRAND TOTAL | 17 | 1,443,779 | 12 | 1,159,342 |

The Fondation's actions in 2017 continued to be guided by an open-source approach, conducted in a three-phase process: hear, create and deliver.

Once again we have seen a significant involvement of our employees in community development and community support projects throughout the year.

Following a period of uncertainty in the distribution of CSR funding, the National CSR Foundation has taken up its activities. We are hopeful that the NGOs will be duly supported in their important work. Our Fondation continues to support the work of the NCSRF and contribute to the debate to improve the process of CSR disbursement and the upliftment of communities across the country.

## Political Donations

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

## Risk Management

Risk management is outlined in the Risk Management Report on page 55.

# AUDITORS' REMUNERATION

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **AUDIT FEES PAID TO:** | | | | |
| Ernst & Young | 6,471 | 7,194 | 1,727 | 1,693 |
| Deloitte | 535 | - | - | |
| **FEES PAID FOR OTHER SERVICES PROVIDED BY** | | | | |
| Ernst & Young | 2,048 | 2,261 | 640 | 435 |
| Details: | | | | |
| Tax Computation Fees | 1,024 | 1,238 | 88 | 86 |
| Review Of The Annual Statutory Return To The FSC | 556 | 203 | 293 | 116 |
| Advisory Services | 468 | 820 | 259 | 233 |
| Deloitte | | | | |
| Tax Computation Fees | 40 | - | - | - |
| **TOTAL** | 9,094 | 9,455 | 2,367 | 2,128 |

Fees paid for audit and non-audit services for the Group and the Company are detailed in the table above. The external auditors, Ernst & Young, also provided the following additional services: tax computation services, review of the annual statutory return to the Financial Services Commission and advisory services. Deloitte provided audit services and tax computation services.

# CORPORATE GOVERNANCE

## SUSTAINABILITY REPORTING & ETHICS

### Sustainability Reporting

The Company recognises that it operates within a broader social and economic community. Consequently, when it takes decisions and carries out its activities, it is committed to considering not only economic viability but also environmental consequences and social implications. The Company recognises its key role regarding job and wealth creation in the Mauritian society. Reporting sustainability is generally recognised as a way for a company to strike the right balance between economic, environmental and social integration, often through commitment and activities that extend beyond mere compliance with legislation.

A detailed Sustainability Report is presented on page 69.

The Fondation Mauritius Union Limited was incorporated on 14 October 2010. It received official Corporate Social Responsibility (CSR) Accreditation from the National Empowerment Foundation in December 2010. Using the Fondation as a special purpose vehicle, we are now able to execute our CSR projects in a more efficient and structured manner, thereby contributing to the betterment of the community.

### Ethics

Recognizing that our reputation is priceless, we demonstrated no compassion for any ethical compromise in our operations as well as in service to our customers, communities and stakeholders.

Our code of ethics defines the standards for every Mauritius Union employee in his or her daily business practices. Our code was revamped in 2015 to comprise of a gift acceptance policy. All gifts received from suppliers and well-wishers are pooled into a lucky draw, giving employees an equal chance of receiving one of the items.

Recent alleged cases of financial scams reported within the financial services sector in Mauritius, make us recognize the importance of being alert and sensitive to situations that may be illegal, unethical, in violation with ethical standards and/ or termed otherwise as improper.

We reinforced our employees' obligation to report any questionable situations or suspicious activity with a spirit of responsible business practices at every level of the Group to ensure compliance and good governance. A Whistle Blowing Policy was introduced in the Group in 2016. Transparency Mauritius conducted a series of workshops with most of the staff.

### Environment, Health & Safety

Mauritius Union Group appreciates the value of a positive safety culture. In our quest for excellence, safety plays a pivotal role in all our activities. Safety objectives area mandatory component in the annual business plan, placing legislative requirements as a minimum standard.

The Group has defined a health and safety framework, adopting industry best practices, to effectively control risks and prevent accidents in the work place. The implementation of a management system for health and safety has proved to be an effective tool to organise and focus the Group's efforts towards minimizing work-related hazards and risks.

During 2017 the Group focused on addressing the most important health and safety priorities:

(a) Implementation of a building safety inspection plan where all safety aspects of the building are systematically check, on a monthly basis, to ensure that employees have the optimal environment to perform their work efficiently.

(b) Emergency preparedness to promptly respond to a variety of safety crisis scenarios (e.g fire, accident, major power failure or national catastrophe).

(c) The wellbeing of our employees is also of great importance. We organised a company-wide team-building event in July, and weekly football matches for a group of employees. The Group also sponsored the Ferney Trail for the second time in 2017. Over 40 employees participated in the race, and another 30 volunteers assisted with logistical aspects of the race.

Health and safety is a way of working, a way of doing business. It is not the responsibility of a single person or department but a collective effort where every employee is responsible for playing their part. The Executive Committee continues to take a sensible and proportionate approach to health and safety management, providing visible leadership to achieve the Group's goals.

## Corporate Social Responsibility

CSR activities conducted were in line with the Company's three year strategic plan, that of community partnership.

Initiatives in that context were geared towards environment, education, and poverty alleviation in specific parts of the island.

CSR activities for the year 2017 included the following:

- Education and poverty alleviation
- Health & Wellness
- Training and empowerment/Development
- Assisting NGOs with the write-up of their projects
- Employee Involvement

The successful implementation of our CSR strategy in 2017 was mainly due to the engagement of our employees and building sustainable partnerships with NGOs and the communities they support.

We have committed ourselves to build on the support we have given to communities over the years. Our primary aim is to have a positive impact on the daily lives of the less privileged, through small but meaningful actions that make a real difference.

*Timetable of important upcoming events*

| | |
|---|---|
| **DEC** | Financial year end ***(31 December 2017)*** |
| **MAR** | Publication of yearly group abridged financial statements ***(End of March)*** |
| **MAY** | Publication of unaudited accounts first quarter to 31 March ***(Mid-May)***<br>Declaration of interim dividend ***(Mid-May)*** |
| **JUN** | Payment of interim dividend ***(Mid-June)***<br>Annual Meeting of Shareholders ***(End of June)*** |
| **AUG** | Publication of unaudited accounts second quarter to 30 June ***(Mid-August)*** |
| **NOV** | Publication of unaudited accounts third quarter to 30 September ***(Mid-November)***<br>Declaration of final dividend ***(Mid-November)*** |
| **DEC** | Payment of final dividend ***(Mid-December)*** |

# 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 30 March 2018 and signed on its behalf by:

**Dominique GALEA**
Chairman

**Bertrand CASTERES**
Chief Executive Officer

# CORPORATE GOVERNANCE

## 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 2017** |

We, the Directors of The Mauritius Union Assurance Cy. Ltd, confirm that, to the best of our knowledge, the Company has endeavoured to comply with the obligations and requirements under the Code of Corporate Governance in all material aspects, except for Section 2.8.2 of the Code (with respect to the disclosure of directors' individual remuneration) for which the necessary explanations have been provided in the Corporate Governance Report.

**Dominique GALEA**
Chairman

**Bertrand CASTERES**
Chief Executive Officer

**30 March 2018**

# RISK MANAGEMENT

# RISK MANAGEMENT

## RISK MANAGEMENT PHILOSOPHY AND OBJECTIVES

As a financial services company active in investments, life insurance, retirement services, long-term and short-term insurance, the Mauritius Union Group is naturally exposed in its daily business activities and strategic planning to numerous types of risk, like change in mortality rates, undergoing losses due to man-made or natural catastrophes, losing income ability through operational disruptions, outliving of assets and so on. Where there is a risk, there is improbability, and where there is improbability, there is exposure to volatility.

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:

- To manage the business's exposure to prospective earnings and capital capriciousness.
- To capitalize value for the organization's different stakeholders.
- Ensuring risk arising from our exposure in the East Africa Market are identified, monitored, quantified and adequately managed.

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.

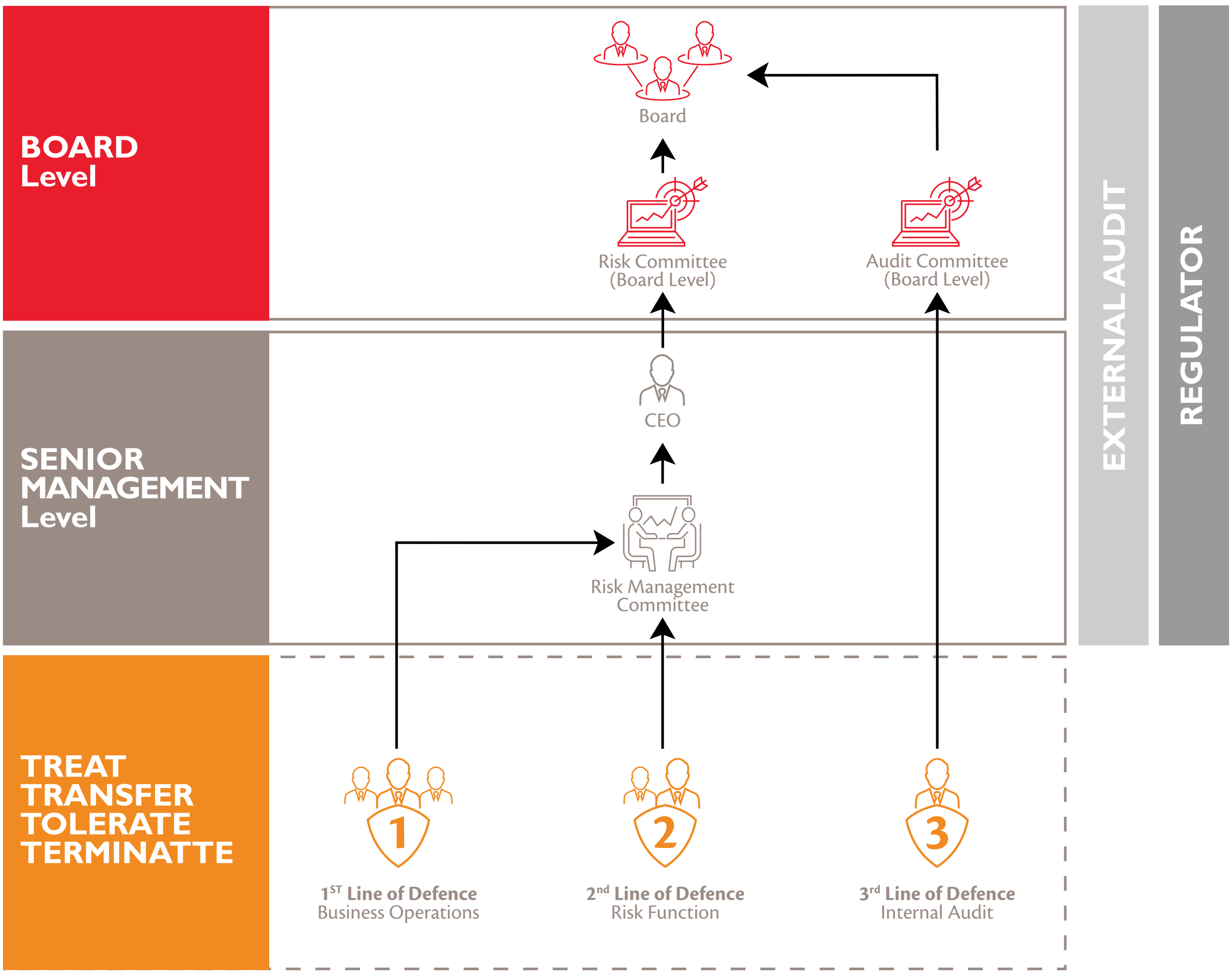
Our sustainability and financial strength are buttressed by an effective risk management process which helps us identify major risks to which we may be exposed, while instituting appropriate controls and taking mitigating actions for the benefit of our customers and shareholders. The Mauritius Union Group's risk strategy is to invest its available capital to optimize the balance between return and risk whilst maintaining an appropriate level of economic capital and regulatory capital in accordance with its risk appetite.

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 whilst meeting 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 the Group's overall business objectives subject to a rigorous monitoring.

## *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

# RISK MANAGEMENT

## 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.

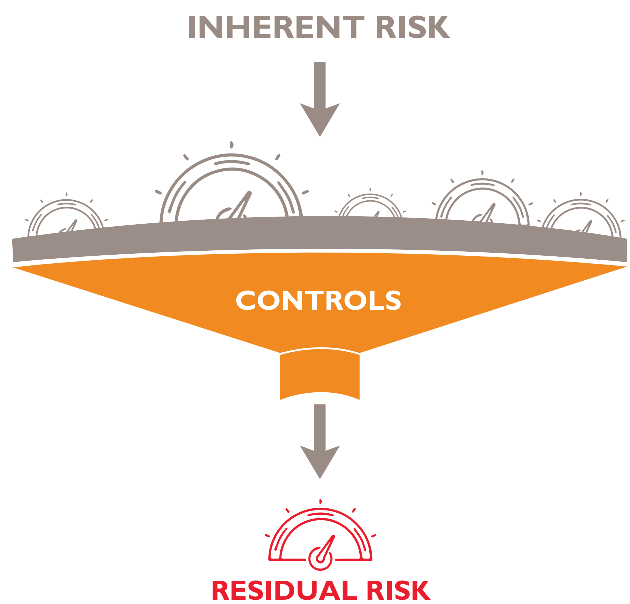
The residual risk is also known as "vulnerability" or "exposure". It is the risk that remains after the company has attempted to mitigate the inherent risk.

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*

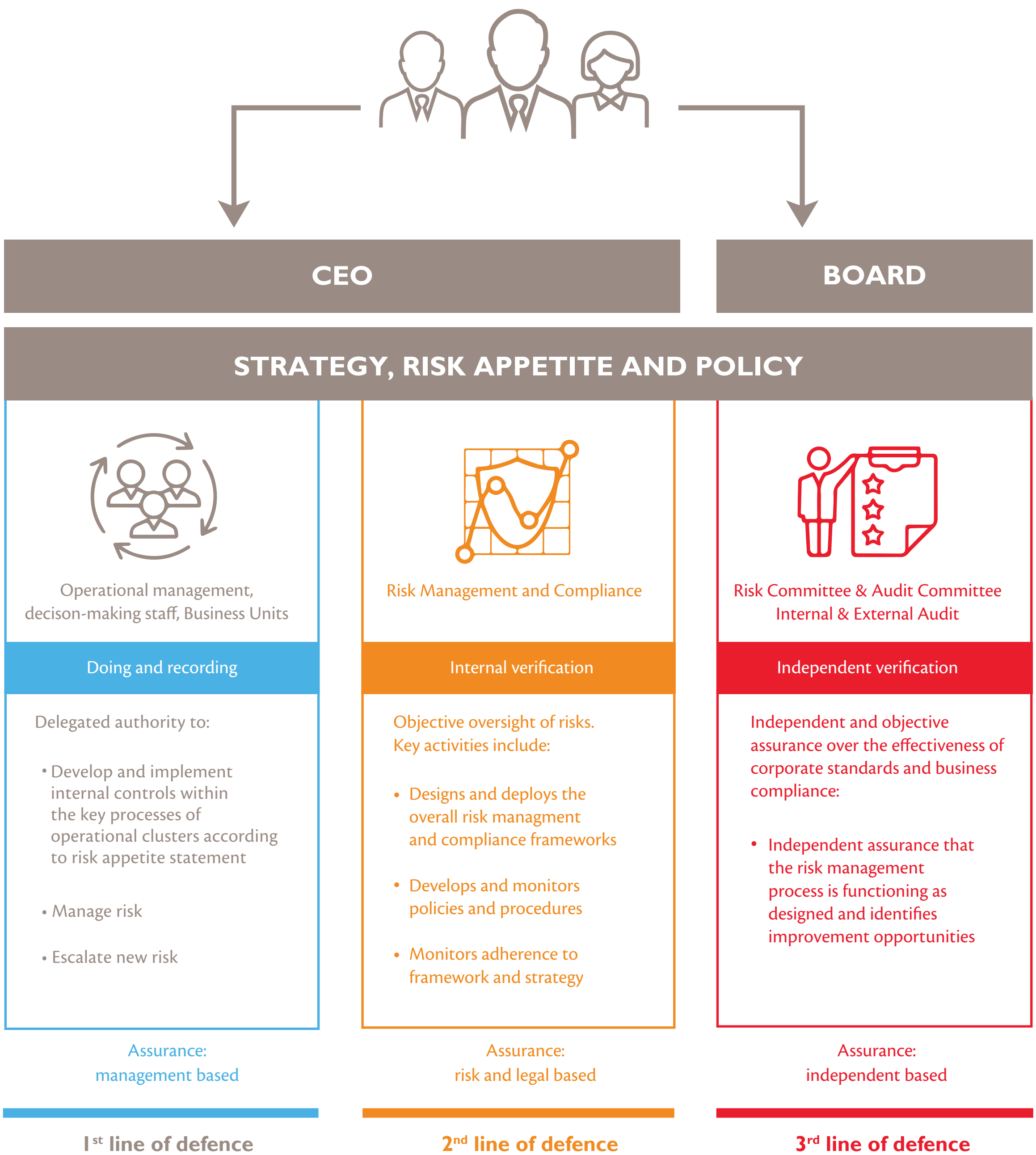



| INHERENT RISK | MITIGATION/CONTROLS | OUTCOME | RESIDUAL RISK |
| --- | --- | --- | --- |
| Catastrophe (Fire, Cyclone, Flood) | Business Continuity Management Plan | Different site, business continues/resumes | Phased resumption of operations |
| (Virus, Hackers) Cyber Threats | Cyber Security Framework | 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 | Compliance framework | Compliance with applicable laws and regulations | Different interpretations of laws and regulations |
| Lack of well-trained staff | Training policy | Adequately trained staff | Trained staff turnover |

# RISK MANAGEMENT

## RISK MANAGEMENT RESPONSIBILITIES

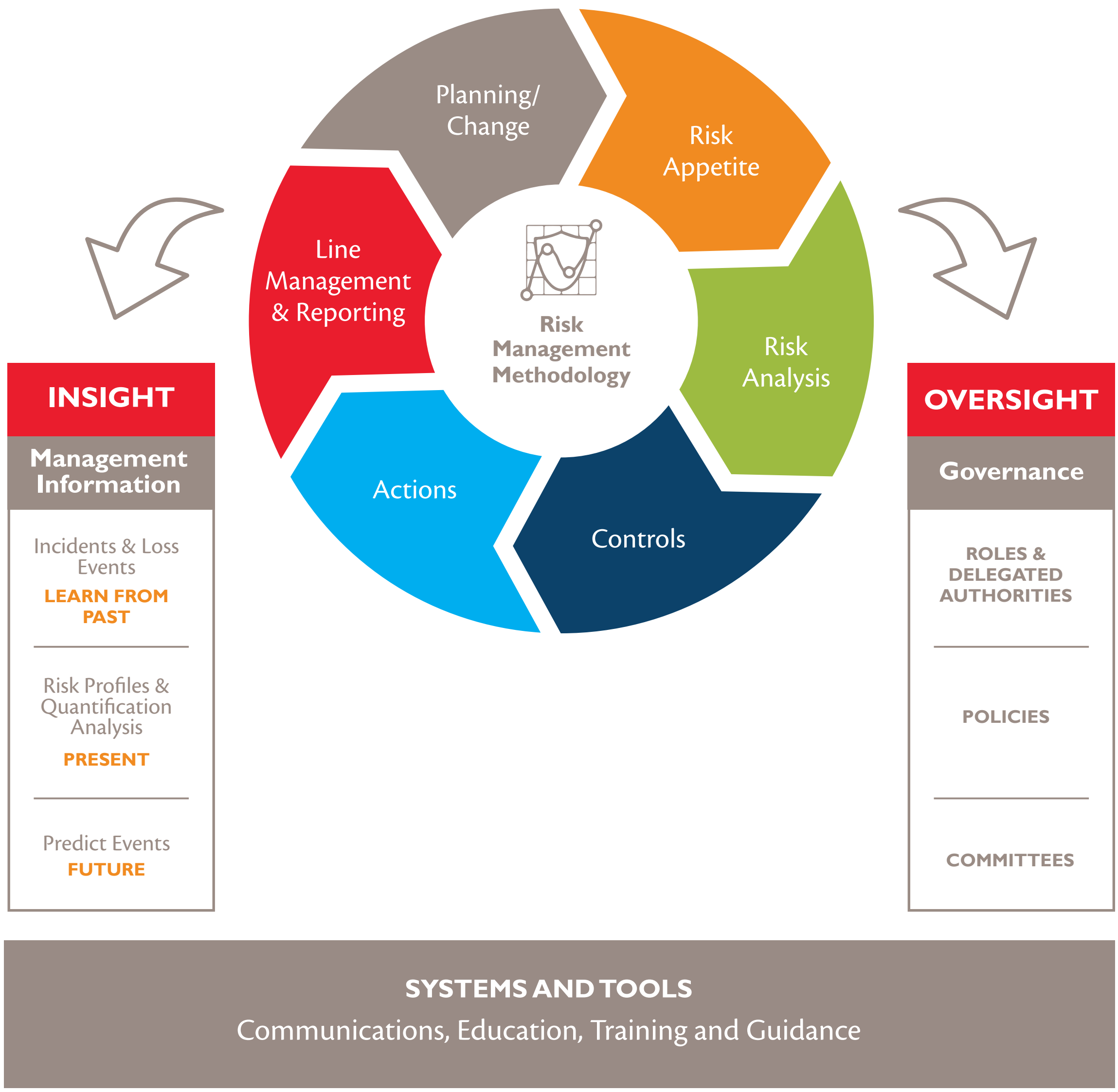
The Mauritius Union Group has adopted the ‘three-lines-of-defence’ model where ownership for risk is taken at all levels in the Group. This model is widely adopted by financial services companies globally. It clearly sets out the risk management responsibilities across the business and is consistent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



## THE RISK MANAGEMENT FRAMEWORK

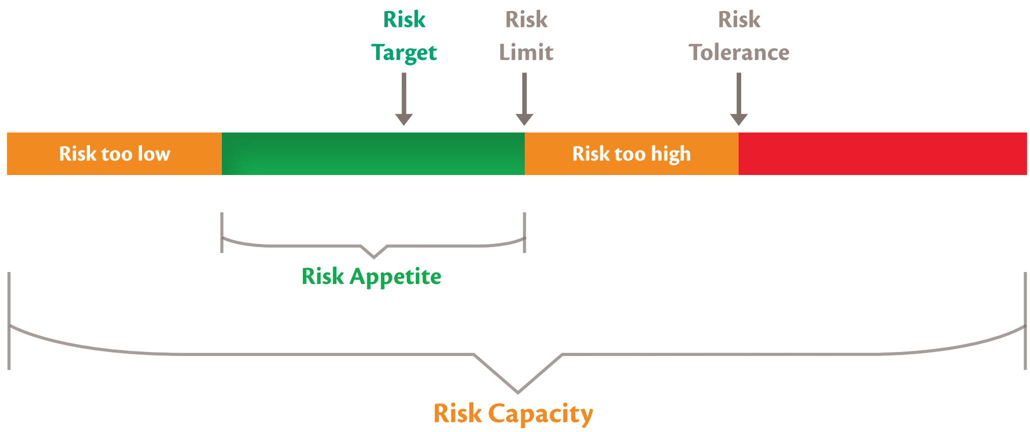
The Group Audit and Risk Methodology is fully risk-based and aligned on COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management (ERM) Framework. The COSO ERM Framework is the broadly accepted standard against which organizations can benchmark their internal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

The Mauritius Union Group'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 MANAGEMENT

## RISK APPETITE




> ***"Designing risk management without defining your risk appetite is like designing a bridge without knowing which river it needs to span. Your bridge will be too long or too short, too high or too low, and certainly not the best solution to cross the river in question."***
>
> TJ Koekemoer,
> Ernst & Young Risk Managment Report, May 2012

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.

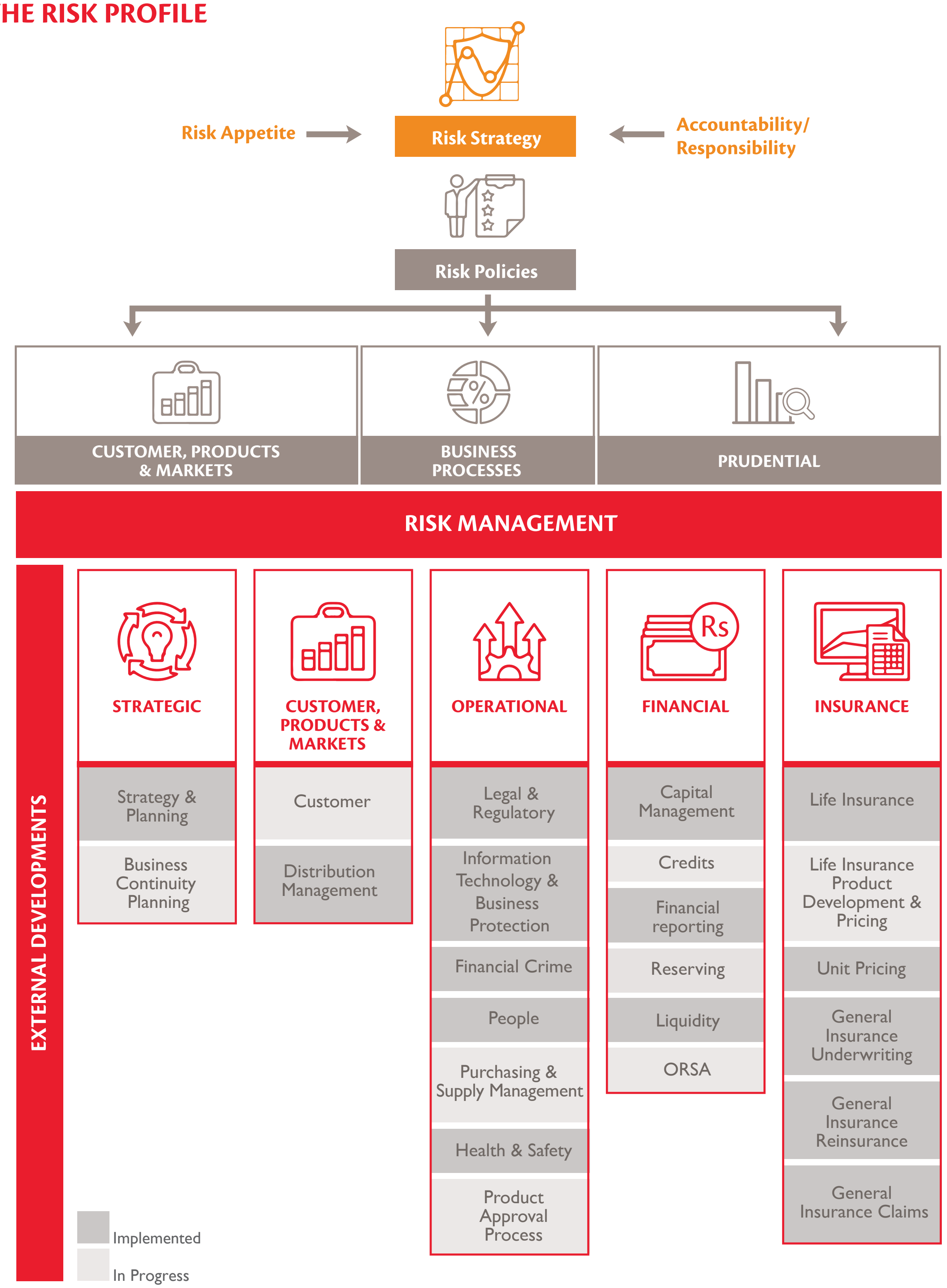
The group's business plan, capital allocation and business targets are therefore a key component of the group's risk appetite. Risk appetite will accordingly continually evolve and be reviewed.

## 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



# RISK MANAGEMENT

| 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.<br>**Owner: Chief Executive Officer** | |
| *Strategy & Planning* | • We agree, monitor and manage Strategic Targets.<br>• 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.<br>**Owner: Chief Executive Officer** | |
| *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 Mauritius Union group'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.<br>**Owner: Heads of Support Functions** | |

| CRITICAL RISKS | MANAGEMENT AND MITIGATIONS EXAMPLES |
|---|---|
| **Operational Risk** | |
| *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. |
| *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.<br><br>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 continously 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 cashflow forecasts, asset allocation and maturity profile and run scenario testings. |

# RISK MANAGEMENT

| 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.<br>**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 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 FSC Mauritius published the "Insurance (Risk Management) Rules 2016 and relevant returns rules" on 31 October 2016, which have been in force since 1 July 2017.

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.

The rules require the insurer to submit all documentation relating to its Risk Management Framework not later than 3 months after the company's financial year end.

As at 31 March 2018, we have complied with the requirements by submitting the following documents to the FSC:

- Risk Appetite Statements for MUA and LPM in the required FSC format (including group risks and risk management strategies).
- Risk Management Framework (including roles and responsibilities of stakeholders involved in risk management).
- The group's Risk Register (including RAG status of each risk policy).
- ORSA template.
- Liquidity Policy.
- The group's business plan.

In compliance with Section 5 (4), our external auditors have also 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 and our Compliance Framework.

The group's Compliance Framework has also been added to the company's intranet, making it accessible to all staff needing to consult the document. The framework consists of a compilation of all laws and regulations impacting the industry, and details of the clusters responsible for ensuring compliance with these laws and regulations.

# SUSTAINABILITY

# SUSTAINABILITY

## SUSTAINABILITY – Investing in our tomorrow

Sustainability has been one of the key features of the Mauritius Union Group's Ambition 2017 strategy. Over the past three years we have made positive progress in all the areas of the business closely concerned with sustainability. The sustainability of our business continues to rest on three primary pillars:

**SUSTAINABILITY**

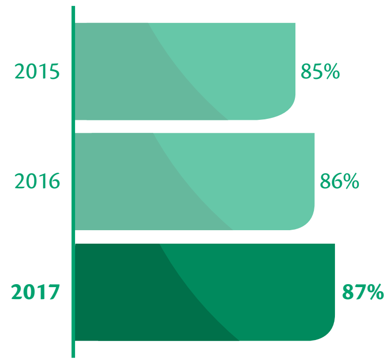
| BUSINESS RESILIENCE | SHARED VALUE | ENVIRONMENTAL IMPACT |
|---|---|---|
| Sound Governance | Staying customer focused | Digital efficiencies |
| Robust risk management | Empowering our employees | Reduced carbon footprint |
| Responsive market research | Being engaged in our community | Convert to E-Document |
| Regular shareholder reporting | Keeping shareholders informed | Prevention campaigns |

The importance of each of these three pillars continues to shape many key aspects of our group strategy, business development goals, human resources plans, marketing initiatives, and particularly our corporate social responsibility programmes. Sustainability adds a vital dimension to each sector of our business, covered at length in the three previous sections of this Annual Report - **Management Review, Corporate Governance Report and Risk Management Report.**

## INVESTING IN OUR CUSTOMERS

Our Customer Care team continued to drive a series of initiatives in 2017 to ensure a smoother client journey and deliver more efficient service through all our channels.

### *Customer Satisfaction Score:**




* All surveys were conducted by Synthèses.

### Actions

- **CARE**: we continued to work with our teams to sustain the efforts undertaken over the previous two years to **sensitise** and **empower** them in their customer service interactions. This included a refresher programme and online test on our CARE values.

- **Loyalty**: we implemented a number of initiatives in 2017 to thank our customers for their loyalty. General Insurance clients who have been insured with us for six years or more received a Rs 500 discount voucher for a general insurance product of their choice. We also launched a **client referral programme**, whereby existing clients could refer a contact to us. Should their contact subscribe to an insurance policy, the referring client gets a Rs 500 shopping voucher and the referred client gets one month free on their insurance policy.

- **Telephony**: we conducted an audit of the telephone system in our claims department and implemented **benchmark technology** to improve efficiency, specifically to reduce call waiting time and lost calls.

- **Accident guide**: improved communication around the procedures clients need to follow in the event of a car accident, through an **online accident guide**, with helpful information.

- **E-document**: currently **8% of our clients** receive their correspondence electronically, which is in line with EU standards of between 8 – 10%. We also extended an offer to our shareholders in 2017, giving them the possibility of receiving all their shareholder documentation electronically. A very encouraging **25% of shareholders converted** to E-Document, and we will continue with this initiative in 2018.

- **Happy or Not**: one of our most visible and innovative initiatives in 2017 was the installation of the "Happy or Not" **client satisfaction terminals** in all our branches and two offices in Mauritius. The system is used globally by large companies to gauge the satisfaction levels of their clients instantly and simply, by way of smiley terminals. We have maintained positive **satisfaction levels in excess of 95%** since implementation. The immediacy of the client feedback and the efficiency of the technology allow greater reactivity by our customer care team. Moreover it underlines our commitment to continuously improve customer service and engagement.

## INVESTING IN OUR COMMUNITY

The work of the Fondation Mauritius Union continued to be hampered by the uncertainty surrounding national CSR funding, particularly in the first half of 2017. The government finally settled on 50/50 formula, whereby half the company's CSR funds would be handed over to the Mauritius Revenue Authority (MRA) to fund national programmes. The reduced budget meant added pressure on our teams to continue funding programmes we were already committed to. The **hard work and energy** of our CSR committee, principal coordinator and all our staff volunteers ensured that **we achieved our goals**. We continue to **diversify the focus of CSR initiatives**, to include more educational and environmental projects.

The projects funded during the course of 2017 were principally centred on **education** and the **welfare & development of children**, as these initiatives impact positively on poverty alleviation in the communities involved.

# SUSTAINABILITY

## *List of Projects financed in 2017*

TOTAL SPENT IN 2017 = **Rs 1,443,779**

### Education, Welfare & Development of vulnerable children

| Organisation | Project | Funding (Rs) |
|---|---|---|
| Association D'Alphabétisation de Fatima | Supporting the annual salary of a teacher | 250,000 |
| Atélier Sa Nou Vize under "Mouvement Forces Vives" Quartier EDC Rose Belle | Supporting the salary of five teachers running the remedial classes at Primary Level and the Supply of school equipment | 325,000 |
| Kolektif Riviere NWAR (KRN) | Special support to children at risk and the family in Cité EDC Grande Riviere Noire and Camp Robinet | 50,000 |
| SOS Children's Village | Residential family-based care for abandoned and neglected children at SOS Children's Village in Bambous | 100,000 |
| Foyer Pere Laval | Support to Vulnerable Children entrusted by CDU | 55,000 |
| Etoile de Berger | Renovation of the kitchen at the centre | 50,000 |
| Fondation Own Project | Distribution of School Materials and Christmas Gifts in 3 regions (Batimarais, Baie du Tombeau and Labraserie) | 153,226 |
| Fondation Own Project | Food distribution to 50 families living in absolute poverty in Roche Bois | 85,553 |

### Advocacy awareness and preventive campaigns

| Organisation | Project | Funding (Rs) |
|---|---|---|
| Pedostop | A contribution towards the psychological and medical assistance given to the beneficiaries | 50,000 |

### Poverty alleviation community development and capacity building

| Organisation | Project | Funding (Rs) |
|---|---|---|
| Association Passerelle | Contribution towards a project providing emergency night shelter for homeless women | 50,000 |
| Mouvement Social de la Jeunesse Mauricienne (MSJM) | Supporting the annual school fees of the four students attending St. Joseph Vocational School of Beau Bassin / Rose-Hill | 60,000 |
| L'Association Mo'zar Espace Artistic | Contribution towards the running cost José Thérese Mo'zar Project | 100,000 |

### Sustainable Development/Environment

| Organisation | Project | Funding (Rs) |
|---|---|---|
| Mauritius Wildlife Foundation | Ile aux Aigrettes habitat restoration project: weeding and planting new vegetation, with the support of 30 Mauritius Union staff | 50,000 |

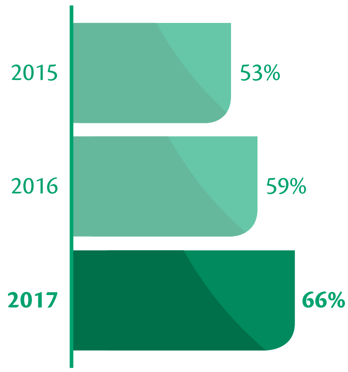
### Protection health and social integration of vulnerable groups

| Organisation | Project | Funding (Rs) |
|---|---|---|
| Association Alzheimer | Day Care Centre Project | 50,000 |
| Medical Assistance to Individuals | Assistance given to three children (aged 2,4 and 9), two suffering from Leukemia and one from profound hearing problems | 15,000 |

## INVESTING IN OUR STAFF

Our human resources' projects and initiatives strive to **up-skill** and **empower our staff**, to better deliver on that ultimate goal of shared values to all of our stakeholders. Our objective is to **attract** and **retain** the very best talent in our industry, whilst providing our teams with an optimal organisational structure, enhanced career opportunities and the possibility of expanding the breadth and depth of their experience. The positive results of these initiatives are evident in the scores achieved in our employee engagement survey, conducted over the past three years by AON Hewitt.

### *Employee Engagement*




With a score of 66%, the Group falls into the category of high performance organisations.

The top drivers of our Engagement Survey are:

- Relationship with colleague
- Work Life Balance
- Organisation Reputation
- The Manager

**Dream Workshop 2030**: all employees were involved in a comprehensive process of defining the company's vision and strategy until 2030. Employees were given the opportunity of imagining how they would like their company and work environment to evolve over the next 12 years.

### Actions

- **Training Programmes**: We continue providing development and skills enhancement training programmes to employees across the group. Our focus remains on ensuring that our teams are adequately skilled and trained to adapt to the changes within the sector and their particular field. A number of employees were sent for training outside **Mauritius**, including **South Africa, Slovenia** and **Bahrain**.

- **MUA Studies Allocation Scheme**: In our on-going efforts to recognise and nurture the potential of our employees, we continue contributing towards their studies. As they invest time and energy in their studies, we recognise and reward those initiatives that will benefit **their career development** and the quality of their contribution to our organisation.

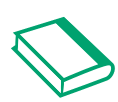
- **Employee Welfare Activity**: Our Employee Welfare Team was highly engaged in 2017, delivering a wide variety of events and initiatives that were greatly appreciated by the staff. The highlight was no doubt the Funtastic Day, team-building at its very best held in Tamarin in July. The team also organised the following activities: energising Tai Chi and Zumba classes; a sophisticated Employee Welfare Night inspired by James Bond; and the tradition blessings and celebrations of Independence Day.

### Investment

The group spent Rs 18.5M towards employee welfare and development in 2017. Some Rs 5.5M was spent on employee training and development programmes.

### *Results:*

Highlights of the training courses offered in 2017:



7 Habits of
Highly Effective people

Making Collegiate
Leadership Happen

Mauritius Code of
Corporate Governance
(EXCO and directors)

CII courses

# SUSTAINABILITY

| Type of training | Number of staff |
|---|---|
| External | 122 |
| Internal (with external facilitators) | 65 |
| In-house | 250 |
| Overseas | 11 |
| Professional | 34 |
| Membership Renewal | 39 |
| **Total** | **521** |

## TRAINING HOURS

TOTAL HOURS: **7279**

HOURS PER EMPLOYEE: **13.9**

As at December 2017, we had 452 members of staff working full-time across our various operations in Mauritius. Our long service records remain the most powerful testament of the strong team built over many decades:

| Years of Service | 10 - 19 years | 20 - 19 years | 30 - 39 years | 40+ years |
|---|---|---|---|---|
| | 124 | 28 | 1 | 4 |

## INVESTING IN OUR ENVIRONMENT

We remain conscious of the threats of **climate change** and poor **environmental conservation** on our island. We take our role as a responsible insurer and corporate citizen very seriously.

To this end, we are acutely aware of the responsibility we have to invest judiciously, manage our resources carefully and reduce the impact we have on the environment.

We continue to invest in a number of initiatives across the Group to **reduce our overall carbon footprint**.

The measures taken during 2017 to curb wasteful consumption of paper, fuel and energy have helped to lower some key indicators during the year, illustrated in the table below:

| | PAPER CONSUMPTION | | FUEL CONSUMPTION | | ELECTRICITY CONSUMPTION | |
|---|---|---|---|---|---|---|
| | Types of Paper most commonly used across the Group | No. of Sheets | No. of Vehicles | No. of Litres | No. of KWh | Total Cost (Rs) |
| **2015** | 10 | 3,974,570 | 78 | 146,679 | 1,375,561 | 10,731,625 |
| **2016** | 10 | 3,438,750 | 76 | 144,593 | 1,115,764 | 9,746,650 |
| **2017** | 9 | 3,365,560 | 86 | 147,856 | 968,119 | 9,681,192 |
| **2017 V/S 2016** | **−10** | **−2%** | **13%** | **2%** | **−13%** | **−1%** |

Gallery Video QR Code


# AGENTS & PARTNERS

AGENT AWARD NIGHT 2017
TRAVEL AWARDS 2017








# EMPLOYEE EVENTS

EMPLOYEE NIGHT 2017
END OF YEAR PARTY 2017
FUNTASTIC DAY
INDEPENDENCE DAY MAURITIUS



# EVENTS & SPONSORSHIPS

COLONEL DRAPER CUP 2017
FERNEY TRAIL 2017


# CORPORATE SOCIAL RESPONSIBILITY

CSR - ILE AUX AIGRETTES
CSR EVENTS


# ROAD SAFETY INITIATIVES

DISTRIBUTION OF ALCO-TESTS
DISTRIBUTION OF MOTORCYCLE SAFETY VESTS
ROAD SAFETY CHARTER - LAUNCH EVENT


# FINANCIAL STATEMENTS

# SECRETARY'S CERTIFICATE FOR THE YEAR ENDED 31 DECEMBER 2017

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

**30 March 2018**

# 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 12 to 95 which comprise the statements of financial position as at 31 December 2017, 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 2017, 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 |
|---|---|
| ***Recoverability of goodwill and investment in subsidiaries***<br><br>As detailed in Note 39 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. These assumptions and estimates can have a material impact on the valuations and impairment decisions reflected in the consolidated financial statements of the Group.<br><br>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 208M in its local subsidiaries and Rs 615M 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 the same complex judgments and estimates. | We assessed and tested the design and 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.<br><br>In relation to the particular matters set out above, our substantive testing procedures included the following:<br><br>• Corroborated the justification of the CGUs defined by management for goodwill allocation.<br>• 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;<br>• We tested the reasonableness of the 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 analyses to determine the impact of those assumptions; and<br>• We included a specialist on our team to assist in the testing of the discount factor. |
| ***Valuation of insurance contract liabilities-short term insurance***<br><br>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.<br><br>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.<br><br>Refer to Note 13 to the consolidated financial statements. | We assessed and tested the design and 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.<br><br>In relation to the particular matters set out above, our substantive testing procedures included the following:<br><br>• 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 for reasonableness. Where appropriate we requested legal confirmation to corroborate management's assessment.<br>• 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;<br>• We evaluated whether the actuarial assumptions used by management are reasonable based on the analysis of the experience to date, industry practice and the financial and regulatory requirements;<br>• We evaluated the reasonableness of the methodology and assumptions against actuarial practices and industry standards; and<br>• 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 |
|---|---|
| ***Valuation of Insurance Contract Liabilities – long term insurance***<br><br>Actuarial 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. Additionally, the valuation of insurance contract liabilities is dependent on the quality, integrity and accuracy of the data used in the valuations.<br><br>We have therefore identified the following areas of focus in relation to the valuation of insurance contract liabilities:<br><br>• Appropriateness of actuarial assumptions, models and methodology; and<br>• Data processes and controls relevant to the actuarial valuation.<br><br>Refer to note 2.5 (ii) to the consolidated financial statements.<br><br>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.<br><br>Refer to Note 13 to the consolidated financial statements.<br><br>The assumptions that we consider to have the most significant impact on the actuarial valuations are:<br><br>• Mortality, longevity, disability and morbidity;<br>• Expenses; and<br>• Risk discount rates<br><br>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:<br><br>• We assessed the valuation methodology and assumptions for compliance with the latest actuarial guidance, legislation and approved company policy.<br>• We assessed the design and operating effectiveness of the key controls of the actuarial valuation process for the setting and updating of actuarial assumptions and the process for model and methodology changes;<br>• We analysed management's key assumptions around mortality, longevity, disability, morbidity and expenses and assessed the results of management's experience analyses;<br>• We assessed the economic basis, including the risk discount rates, by independently validating the risk free yield curve;<br>• We evaluated, on a sample basis, whether model and methodology changes have been appropriately implemented;<br>• 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;<br>• 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;<br>• We considered the level of margins held, management's justification for holding these margins and how these will be released in future;<br>• We performed procedures over the conversion of participating Personal Pension Plan to Unit linked Managed Pension Plan; and<br>• 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. |

# INDEPENDENT AUDITORS' REPORT

**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 processes and controls relevant to the actuarial valuation:*<br><br>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 systems for accurate and complete data. A breakdown of these processes and systems could result in a misstatement of the value of insurance contracts.<br><br>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:<br><br>• We assessed the design and 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;<br>• 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<br>• We obtained the data pack from the external actuary and compared with the data which management has sent to the actuary for the valuation. |

*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 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.

*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.

# INDEPENDENT AUDITORS' REPORT

**Report on the Audit of the Financial Statements (continued)**

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

# INDEPENDENT AUDITORS' REPORT

**Report on the Audit of the Financial Statements (continued)**

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

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.

*Other matter*

This report is made solely for 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.

# INDEPENDENT AUDITORS' REPORT

**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.

*Financial Reporting Act 2004*

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and whether the disclosure is consistent with the requirement of the Code.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

*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**
Ebene, Mauritius

**PATRICK NG TSEUNG, A.C.A**
Licensed by FRC

**30 March 2018**

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## STATEMENTS OF FINANCIAL POSITION as at 31 December 2017

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2017 | 2016 | 2017 | 2016 |
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property and equipment | 5 | **342,702** | 333,941 | **239,648** | 229,535 |
| Investment properties | 6 | **472,902** | 497,184 | **79,000** | 79,000 |
| Intangible assets | 7 | **604,052** | 623,579 | **286,898** | 294,112 |
| Investment in subsidiary companies | 8 | **-** | - | **823,167** | 823,167 |
| Investment in associated company | 9 | **1,544** | - | **1,544** | - |
| Investment in joint ventures | 9(a) | **16,988** | 14,893 | **495** | - |
| Financial assets at fair value through other comprehensive income | 10(a) | **461,489** | 460,039 | **410,151** | 349,683 |
| Financial assets at fair value through profit or loss | 10(b) | **3,073,696** | 2,481,772 | **-** | - |
| Financial assets at amortised cost | 10(c) | **4,993,479** | 4,290,882 | **599,800** | 541,173 |
| Loans and receivables at amortised cost | 11 | **691,450** | 683,778 | **201,572** | 168,917 |
| Deferred tax assets | 16(b) | **38,316** | 31,712 | **14,875** | 16,329 |
| | | **10,696,618** | 9,417,780 | **2,657,150** | 2,501,916 |
| **Current assets** | | | | | |
| Financial assets at fair value through profit or loss | 10(b) | **209,036** | 193,507 | **209,036** | 193,507 |
| Financial assets at amortised cost | 10(c) | **692,950** | 866,707 | **19,938** | 80,000 |
| Loans and receivables at amortised cost | 11 | **128,076** | 126,323 | **81,139** | 71,651 |
| Insurance and other receivables | 12 | **1,042,411** | 1,067,507 | **590,016** | 531,350 |
| Prepayments | | **7,582** | 5,155 | **3,569** | 1,350 |
| Deferred acquisition costs receivable | 13(b) | **106,668** | 103,669 | **68,134** | 65,830 |
| Current tax assets | 20(b) | **3,136** | 7,731 | **-** | - |
| Amount receivable from subsidiary | | **-** | - | **14,228** | 13,867 |
| Reinsurance assets | 13(a) | **1,327,681** | 766,867 | **574,324** | 436,093 |
| Cash and short term deposits | 38(b) | **625,990** | 561,673 | **159,345** | 121,528 |
| | | **4,143,530** | 3,699,139 | **1,719,729** | 1,515,176 |
| **Total assets** | | **14,840,148** | 13,116,919 | **4,376,879** | 4,017,092 |

The notes on pages 100 to 199 form an integral part of these financial statements.
Auditors' report on pages 85 to 91.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## STATEMENTS OF FINANCIAL POSITION as at 31 December 2017

| | Notes | THE GROUP 2017 Rs'000 | THE GROUP 2016 Rs'000 | THE COMPANY 2017 Rs'000 | THE COMPANY 2016 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 | | **1,708,418** | 1,507,830 | **1,103,226** | 1,005,913 |
| Non-distributable share of Life surplus | | **15,535** | 6,196 | **-** | - |
| Total ordinary shareholders' equity | | **2,447,921** | 2,237,994 | **1,827,194** | 1,729,881 |
| Non-controlling interests | | **560,032** | 568,565 | **-** | - |
| **Total equity** | | **3,007,953** | 2,806,559 | **1,827,194** | 1,729,881 |
| **Technical Provisions** | | | | | |
| Life assurance fund | 15 | **6,791,287** | 6,051,588 | **-** | - |
| Investment contract liabilities | 15(a) | **774,876** | 663,777 | **-** | - |
| Insurance contract liabilities | 13(a) | **3,161,455** | 2,598,332 | **1,969,331** | 1,766,243 |
| | | **10,727,618** | 9,313,697 | **1,969,331** | 1,766,243 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities*** | | | | | |
| Borrowings | 18 | **300,000** | 300,000 | **300,000** | 300,000 |
| Deferred tax liabilities | 16(b) | **98,973** | 94,916 | **-** | - |
| Employee benefit obligations | 17 | **11,761** | 8,788 | **11,761** | 8,788 |
| | | **410,734** | 403,704 | **311,761** | 308,788 |
| **Current liabilities*** | | | | | |
| Trade and other payables | 19 | **648,403** | 561,004 | **220,049** | 167,983 |
| Deferred acquisition costs payable | 13(c) | **45,440** | 31,955 | **35,078** | 31,955 |
| Amount due to subsidiaries | | **-** | - | **3,823** | - |
| Current tax liabilities | 20(b) | **-** | - | **9,643** | 12,242 |
| | | **693,843** | 592,959 | **268,593** | 212,180 |
| **Total equity and liabilities** | | **14,840,148** | 13,116,919 | **4,376,879** | 4,017,092 |

* exclude technical provisions

These financial statements have been approved for issue by the Board of Directors on 30 March 2018.

**DOMINIQUE GALEA**
Chairman

**BERTRAND CASTERES**
Chief Executive Officer

The notes on pages 100 to 199 form an integral part of these financial statements.
Auditors' report on pages 85 to 91.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## STATEMENTS OF PROFIT AND LOSS for year ended 31 December 2017

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2017 | 2016 | 2017 | 2016 |
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Gross premium earned | 21(a) | 3,895,158 | 3,651,893 | 2,088,102 | 1,899,718 |
| Premium ceded to reinsurers | 21(b) | (978,648) | (933,257) | (461,540) | (380,632) |
| **Net earned premiums** | 21(b) | 2,916,510 | 2,718,636 | 1,626,562 | 1,519,086 |
| Fees and commission income | 22 | 234,131 | 250,877 | 100,841 | 109,433 |
| Investment income | 23 | 581,612 | 555,130 | 103,665 | 82,141 |
| Net realised gains | 24 | 1,143 | 3,354 | 1,030 | 1,650 |
| Net unrealised gains | 25 | 427,619 | 14,707 | 15,178 | 15,189 |
| Other operating income | 26 | 90,212 | 84,957 | 4,092 | 12,123 |
| **Total revenue** | | 4,251,227 | 3,627,661 | 1,851,368 | 1,739,622 |
| Gross claims paid | 13(a) | (1,871,177) | (1,964,683) | (1,029,717) | (1,040,733) |
| Claims ceded to reinsurers | 13(a) | 200,937 | 342,790 | 95,141 | 151,242 |
| Gross change in contract liabilities | 13(a) | (1,256,184) | (364,222) | (98,516) | 38,648 |
| Change in contract liabilities ceded to reinsurers | 13(a) | 523,001 | (84,464) | 68,458 | (65,953) |
| **Net claims and benefits** | | (2,403,423) | (2,070,579) | (964,634) | (916,796) |
| Change in investment contract liabilities | 15(a) | (58,056) | (26,477) | - | - |
| Commission and brokerage fees paid | 27 | (494,204) | (417,663) | (318,938) | (264,149) |
| Other operating and administrative expenses | 28 | (897,201) | (886,261) | (385,112) | (364,648) |
| Impairment of goodwill | 39 | - | (38,570) | - | - |
| Impairment of subsidiaries | 8(a) | - | - | - | (104,129) |
| Total claims, benefits and other expenses | | (3,852,884) | (3,439,550) | (1,668,684) | (1,649,722) |
| **Profit from operations** | | 398,343 | 188,111 | 182,684 | 89,900 |
| Finance costs | 29 | (18,214) | (21,291) | (17,387) | (21,183) |
| Share of profit from a joint venture | 9(a) | 2,614 | 603 | - | - |
| **Profit before tax** | | 382,743 | 167,423 | 165,297 | 68,717 |
| Income tax expense | 20 | (61,107) | (47,865) | (18,823) | (11,797) |
| **Profit for the year** | | 321,636 | 119,558 | 146,474 | 56,920 |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | 281,886 | 158,606 | | |
| Non-controlling interests | | 39,750 | (39,048) | | |
| | | 321,636 | 119,558 | | |
| **Earnings per share (basic and diluted)** | | | | | |
| Attributed to equity holders of the parent (Rs/cs) | 37 | 6.25 | 3.52 | | |

The notes on pages 100 to 199 form an integral part of these financial statements.
Auditors' report on pages 85 to 91.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## STATEMENTS OF COMPREHENSIVE INCOME for year ended 31 December 2017

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2017 | 2016 | 2017 | 2016 |
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **Profit for the year** | | **321,636** | 119,558 | **146,474** | 56,920 |
| **Other comprehensive Income** | | | | | |
| *Items to be reclassified to profit or loss in subsequent periods:* | | | | | |
| Exchange difference on translating foreign operations | | **(83,857)** | (24,200) | **1,133** | (243) |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | | **(83,857)** | (24,200) | **1,133** | (243) |
| *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) | **67,392** | (28,012) | **59,765** | (1,729) |
| Tax effect | | **(147)** | 229 | **-** | - |
| | | **67,245** | (27,783) | **59,765** | (1,729) |
| Re-measurement of defined benefit obligations | 17 | **(1,886)** | (2,561) | **(1,886)** | (2,561) |
| 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** | | **84,222** | (30,344) | **66,489** | (4,290) |
| **Other comprehensive income for the year - net of tax** | | **365** | (54,544) | **67,622** | (4,533) |
| **Total comprehensive income for the year** | | **322,001** | 65,014 | **214,096** | 52,387 |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | **326,710** | 129,144 | **214,096** | 52,387 |
| Non-controlling interests | | **(4,709)** | (64,130) | **-** | - |
| | | **322,001** | 65,014 | **214,096** | 52,387 |

The notes on pages 100 to 199 form an integral part of these financial statements.
Auditors' report on pages 85 to 91.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## STATEMENTS OF CHANGES IN EQUITY for year ended 31 December 2017

| | | Attributable to owners of the Parent | | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | Share Capital | Share Premium | Revaluation reserves | Currency translation reserves | Investment revaluation reserve | Retained earnings |
| **THE GROUP** | | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **Balance at 1 January 2016** | | **450,900** | **273,068** | **35,250** | **(10,132)** | **(19,444)** | **1,460,631** |
| Transfer of gains on disposal of financial assets at fair value through other comprehensive income | | - | - | - | - | (43,337) | 43,337 |
| Profit for the year | | - | - | - | - | - | 158,606 |
| Other comprehensive income | | - | - | - | (9,907) | (16,994) | (2,561) |
| Total comprehensive income | | - | - | - | (9,907) | (16,994) | 156,045 |
| Movement in reserves* | | - | - | - | - | - | (14,918) |
| Transfer of distributable share of Life Surplus | 35 | - | - | - | - | - | 607 |
| Dividends | 32 | - | - | - | - | - | (112,725) |
| **Balance at 31 December 2016** | | **450,900** | **273,068** | **35,250** | **(20,039)** | **(79,775)** | **1,532,977** |
| **Balance at 1 January 2017** | | 450,900 | 273,068 | 35,250 | (20,039) | (79,775) | 1,532,977 |
| 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 |
| Other comprehensive income | | - | - | 18,301 | (36,624) | 65,033 | (1,886) |
| Total comprehensive income | | - | - | 18,301 | (36,624) | 65,033 | 280,000 |
| Movement in reserves* | | - | - | - | - | - | (3,513) |
| Transfer of distributable share of Life Surplus | 35 | - | - | - | - | - | (9,339) |
| Dividends | 32 | | | | | | (116,783) |
| **Balance at 31 December 2017** | | **450,900** | **273,068** | **53,551** | **(56,663)** | **(36,443)** | **1,705,043** |

* 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 100 to 199 form an integral part of these financial statements.
Auditors' report on pages 85 to 91.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## STATEMENTS OF CHANGES IN EQUITY for year ended 31 December 2017

| | | Attributable to owners of the Parent | | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | Contingency reserve | Non distributable reserves | Total reserves | Non distributable share of Life Surplus * | Non-controlling interests | Total |
| **THE GROUP** | | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **Balance at 1 January 2016** | | **24,256** | **243** | **1,490,804** | **6,803** | **633,084** | **2,854,659** |
| Transfer of gains on disposal of financial assets at fair value through other comprehensive income | | - | - | - | - | - | - |
| Profit for the year | | - | - | 158,606 | - | (39,048) | 119,558 |
| Other comprehensive income | | - | - | (29,462) | - | (25,082) | (54,544) |
| Total comprehensive income | | - | - | **129,144** | - | **(64,130)** | **65,014** |
| Movement in reserves* | | 14,918 | - | - | - | - | - |
| Transfer of distributable share of Life Surplus | 35 | - | - | 607 | (607) | - | - |
| Dividends | 32 | - | - | (112,725) | - | (389) | (113,114) |
| **Balance at 31 December 2016** | | **39,174** | **243** | **1,507,830** | **6,196** | **568,565** | **2,806,559** |
| **Balance at 1 January 2017** | | 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 | | - | - | - | - | - | - |
| Profit for the year | | - | - | 281,886 | - | 39,750 | 321,636 |
| Other comprehensive income | | - | - | 44,824 | - | (44,459) | 365 |
| Total comprehensive income | | - | - | 326,710 | - | (4,709) | 322,001 |
| Movement in reserves* | | 3,513 | - | - | - | - | - |
| Transfer of distributable share of Life Surplus | 35 | - | - | (9,339) | 9,339 | - | - |
| Dividends | 32 | | - | (116,783) | - | (3,824) | (120,607) |
| **Balance at 31 December 2017** | | **42,687** | **243** | **1,708,418** | **15,535** | **560,032** | **3,007,953** |

* 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 100 to 199 form an integral part of these financial statements.
Auditors' report on pages 85 to 91.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## STATEMENTS OF CHANGES IN EQUITY for year ended 31 December 2017

| THE COMPANY | Notes | Issued share capital Rs'000 | Share Premium Rs'000 | Revaluation reserves Rs'000 | Currency translation reserves Rs'000 | Investment revaluation reserve Rs'000 | Retained earnings Rs'000 | Total reserves Rs'000 | Total Rs'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2016** | | **450,900** | **273,068** | **29,993** | **2,002** | **710** | **1,033,546** | **1,066,251** | **1,790,219** |
| Transfer of gain on disposal of financial assets at fair value through other comprehensive income | | - | - | - | - | (16,492) | 16,492 | - | - |
| Profit for the year | | - | - | - | - | - | 56,920 | 56,920 | 56,920 |
| Other comprehensive income | | - | - | - | (243) | (1,729) | (2,561) | (4,533) | (4,533) |
| Total comprehensive income | | - | - | - | (243) | (1,729) | 54,359 | 52,387 | 52,387 |
| Dividends | 32 | - | - | - | - | - | (112,725) | (112,725) | (112,725) |
| **Balance at 31 December 2016** | | **450,900** | **273,068** | **29,993** | **1,759** | **(17,511)** | **991,672** | **1,005,913** | **1,729,881** |
| **Balance at 1 January 2017** | | **450,900** | **273,068** | **29,993** | **1,759** | **(17,511)** | **991,672** | **1,005,913** | **1,729,881** |
| Transfer of gains 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 31 December 2017** | | **450,900** | **273,068** | **38,603** | **2,892** | **41,194** | **1,020,537** | **1,103,226** | **1,827,194** |

The notes on pages 100 to 199 form an integral part of these financial statements.
Auditors' report on pages 85 to 91.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## STATEMENT OF CASH FLOWS for year ended 31 December 2017

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2017 | 2016 | 2017 | 2016 |
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **Operating activities** | | | | | |
| Net cash generated from operations | 38(a) | **404,417** | 67,926 | **164,085** | 141,236 |
| Dividend received | | **85,716** | 108,344 | **31,633** | 41,364 |
| Interest received | | **471,886** | 451,193 | **72,288** | 60,095 |
| Interest paid | | **(29,241)** | (36,879) | **(17,651)** | (41,242) |
| Income tax paid | 20(b) | **(45,858)** | (28,760) | **(19,968)** | (1,809) |
| **Net cash generated from operating activities** | | **886,920** | 561,824 | **230,387** | 199,644 |
| **Investing activities** | | | | | |
| Proceeds on disposal of property and equipment | | **2,114** | 4,462 | **1,712** | 2,820 |
| Proceeds on disposal/maturity of financial assets | | **1,376,824** | 954,551 | **83,049** | 60,521 |
| Purchase of property and equipment | 5 | **(26,190)** | (35,116) | **(20,050)** | (18,082) |
| Purchase of intangible assets | 7 | **(14,743)** | (4,944) | **(10,957)** | (3,255) |
| Purchase of financial assets | 10 | **(2,079,846)** | (1,420,669) | **(83,734)** | (124,628) |
| Investment in Joint Venture and Associates | | **(2,039)** | - | **(2,039)** | - |
| Loans and receivables disbursed | | **(206,726)** | (160,793) | **(140,915)** | (115,222) |
| Loans and receivables repaid | | **191,401** | 215,659 | **98,674** | 94,602 |
| Change in investment in contract liabilities | | **53,043** | 59,555 | **-** | - |
| **Net cash used in investing activities** | | **(706,162)** | (387,295) | **(74,260)** | (103,244) |
| **Financing activities** | | | | | |
| Borrowings paid | | **-** | (22,936) | **-** | (22,936) |
| Dividends - Owners of the Parent | 32 | **(116,783)** | (112,275) | **(116,783)** | (112,725) |
| - Non-controlling interest | | **(3,824)** | (58,222) | **-** | - |
| **Net cash used in from financing activities** | | **(120,607)** | (193,433) | **(116,783)** | (135,661) |
| **Net decrease in cash and cash equivalents** | | **60,151** | (18,904) | **39,344** | (39,261) |
| **Movement in cash and cash equivalents** | | | | | |
| At 1 January, | | **561,673** | 560,562 | **121,528** | 156,546 |
| Net decrease in cash and cash equivalents | | **60,151** | (18,904) | **39,344** | (39,261) |
| Exchange gains on cash and cash equivalents | | **4,166** | 20,015 | **(1,527)** | 4,243 |
| **At 31 December** | 38(b) | **625,990** | 561,673 | **159,345** | 121,528 |

The notes on pages 100 to 199 form an integral part of these financial statements.
Auditors' report on pages 85 to 91.

## 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 1 January 2011, the company's principal activity is to transact only in short term insurance business. The life business of the Company was transferred to La Prudence Mauricienne Limitee (LPM), 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 31 December 2017. 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, and
- 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 1 January 2017:

| | Effective for accounting period beginning on or after |
|---|---|
| **Amendments** | |
| IAS 7 Disclosure Initiative - Amendments to IAS 7 | 1 January 2017 |
| IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 | 1 January 2017 |
| IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12 | 1 January 2017 |

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

## 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 except for IFRS 9. 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 9 Financial Instruments | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |
| IFRS 17 Insurance Contracts | 1 January 2021 |
| **Amendments** | |
| Transfers of Investment Property (Amendments to IAS 40) | 1 January 2018 |
| Prepayment Features with Negative Compensation - Amendments to IFRS 9 | 1 January 2019 |
| Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 | 1 January 2019 |
| **New or revised standards** | |
| IAS 12 – Income Taxes – Income tax consequences of payments on financial instruments classified as equity | 1 January 2019 |
| IAS 23 – Borrowing Costs – Borrowing costs eligible for capitalisation | 1 January 2019 |
| IFRS 11 – Joint Arrangements – Previously held interests in joint | 1 January 2019 |

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 9 Financial Instruments - effective 1 January 2018***

Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however there are differences in the requirements applying to the measurement of an entity's own credit risk.

The 2014 version of IFRS9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. A new hedge model is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

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

Moreover the Group has made an assessment of the impairment requirement based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; loan receivables and trade receivables. Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised. The impact of the ECL model for trade receivables and loan receivables are not materially different to that under incurred loss model. For trade receivables there is an overprovision of Rs 2M and for loan receivables Rs 0.8M and for financial assets at amortised cost no impairment under both ELC model and IAS 39 incurred loss model.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**IFRS 15 Revenue from Contracts with Customers - effective 1 January 2018**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Given insurance contracts are scoped out of IFRS 15, it will not have any impact of the performance of the Group for fee and commission income relating to insurance contracts. For other income in respect of management fees and administration fees, the group performed an assessment of the application of IFRS 15. No significant impact is expected from the adoption of IFRS 15. The Group intends to adopt IFRS 15 when it becomes effective.

**IFRS 16 Leases – effective 1 January 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 1 January 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.

**Transfers of Investment Property (Amendments to IAS 40) – effective 1 January 2018**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate diversity in practice.

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

**Prepayment Features with Negative Compensation - Amendments to IFRS 9 - effective 1 January 2019**

A debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9.

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement.

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

**Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 - effective 1 January 2019**

The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate ambiguity in the wording of the standard.

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)

### 2.4 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)

*Long-term 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% (2016: 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% (2016: 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.

*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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(b) Insurance contracts (continued)

(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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(b) Insurance contracts (continued)

(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.

(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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(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 1 January 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

**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:

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(c) Financial instruments (continued)

**Classification and measurement (continued)**

*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 other comprehensive income or fair value through profit or loss. The Group has not designated any debt investment as 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 reasonbale 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 classify 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.

*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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(d) Impairment of financial assets

*Financial assets carried at amortized cost*

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.

*Financial assets through other comprehensive income*

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

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)

(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.

(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) Derecognition of financial instruments

*Financial assets*

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

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Group'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 Group could be required to repay.

*Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(h) 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.

(i) 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.

(j) 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(k) 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.

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.

(l) 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.

(m) 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(n) Property and equipment

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. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(o) 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.

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.

(p) 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.

(q) 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)

(r) 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.

(s) 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.

(t) 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.

(u) Segment reporting

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

(v) 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.

*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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(v) Taxes (continued)

*Deferred income tax (continued)*

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 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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(v) Taxes (continued)

*Deferred income tax (continued)*

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.

*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.

(w) Revenue recognition

(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.

(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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(x) 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% (2016: 6.5%) of these bonuses is transferred from the non-distributable reserve to retained earnings in the Statement of Changes in Equity.

(y) 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.

(z) 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.

(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 returned 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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(z) Retirement benefit obligations (continued)

(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.

(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 33.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(aa) Fair value measurement (continued)

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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Significant accounting policies (continued)

(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.

### 2.5 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Significant accounting judgments, estimates and assumptions (continued)

***Valuation of insurance contract liabilities (continued)***

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, disability, 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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Significant accounting judgments, estimates and assumptions (continued)

***Valuation of insurance contract liabilities (continued)***

(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.

*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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Significant accounting judgments, estimates and assumptions (continued)

***Valuation of insurance contract liabilities (continued)***

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

*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.

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 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.

*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 2017. (2016: Rs 104M). Refer to Note 8 (a).

*Classification and recognition of financial assets*

Management has evaluated that all its equity securities are held for strategic reason rather than for trading purposes. Consequently these do not qualify as financial assets at fair value through profit or loss. The impact of such a decision is that changes in fair value are recognised in other comprehensive income rather through profit or loss. Similarly the concept of impairment will no longer apply to these investments. This decision is irrevocable.

On the other hand, the corporate bonds (i.e. debt securities) were not considered to meet the criteria to be classified at amortized cost in accordance with IFRS 9, because the objective of the Group's business model is not to hold these debt securities in order to collect their contractual cash flows but rather to sell the instrument prior to its contractual maturity to realize their fair value changes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Significant accounting judgments, estimates and assumptions (continued)

***Valuation of insurance contract liabilities (continued)***

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

*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.

*Control over subsidiaries*

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.

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

### 3.1 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.

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.1 Insurance risks (continued)

#### 3.1.1 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.

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.1 Insurance risks (continued)

#### *3.1.2 Concentration of insurance risk (continued)*

*(a) Short-term Insurance*

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

**THE GROUP**

| | Outstanding claims 2017 | | | |
|---|---|---|---|---|
| **Class of business** | No. of claims | 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**

| | Outstanding claims 2017 | | | |
|---|---|---|---|---|
| **Class of business** | No. of claims | 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** |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.1 Insurance risks (continued)

#### *3.1.2 Concentration of insurance risk (continued)*

*(a) Short-term Insurance (continued)*

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

**THE GROUP**

| Class of business | Outstanding claims 2016 | | | |
|---|---|---|---|---|
| | No. of claims | Gross liabilities | Reinsurance of liabilities | Net |
| | | Rs'000 | Rs'000 | Rs'000 |
| Motor | 13,726 | 608,957 | (25,337) | 583,620 |
| Fire | 374 | 85,768 | (65,631) | 20,137 |
| Personal Accident | 248 | 59,476 | (21,399) | 38,077 |
| Transport | 241 | 88,389 | (33,275) | 55,114 |
| Miscellaneous | 2,401 | 452,725 | (282,891) | 169,834 |
| IBNR | - | 129,248 | (25,566) | 103,682 |
| **Total** | **16,990** | **1,424,563** | **(454,099)** | **970,464** |

**THE COMPANY**

| Class of business | Outstanding claims 2016 | | | |
|---|---|---|---|---|
| | No. of claims | Gross liabilities | Reinsurance of liabilities | Net |
| | | Rs'000 | Rs'000 | Rs'000 |
| Motor | 11,545 | 459,203 | (3,906) | 455,297 |
| Fire | 166 | 54,085 | (42,158) | 11,927 |
| Personal Accident | 122 | 12,078 | (9,775) | 2,303 |
| Transport | 130 | 15,532 | (1,244) | 14,288 |
| Miscellaneous | 1,336 | 367,561 | (241,094) | 126,467 |
| IBNR | - | 69,253 | (6,837) | 62,416 |
| **Total** | **13,299** | **977,712** | **(305,014)** | **672,698** |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.1 Insurance risks (continued)

#### *3.1.2 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 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** | **-** | **-** | **-** | **-** |

| | THE GROUP Total benefits insured | | | | THE COMPANY Total benefits insured | | | |
|---|---|---|---|---|---|---|---|---|
| **Benefits assured per life assured at the end of 2016** | Before reinsurance | | After reinsurance | | Before reinsurance | | After reinsurance | |
| **Rs'000** | Rs'000 | % | Rs'000 | % | Rs'000 | % | Rs'000 | % |
| 0 - 50 | 598,298 | 2 | 614,636 | 4 | - | - | - | - |
| 50 - 100 | 986,180 | 3 | 1,032,596 | 6 | - | - | - | - |
| 100 - 150 | 1,191,069 | 4 | 1,234,798 | 8 | - | - | - | - |
| 150 - 200 | 1,142,269 | 3 | 1,298,668 | 8 | - | - | - | - |
| 200 - 250 | 1,622,955 | 5 | 1,541,847 | 9 | - | - | - | - |
| 250 - 300 | 1,469,918 | 4 | 6,741,924 | 41 | - | - | - | - |
| More than 300 | 25,936,067 | 79 | 3,883,665 | 24 | - | - | - | - |
| **Total** | **32,946,756** | **100** | **16,348,134** | **100** | **-** | **-** | **-** | **-** |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.1 Insurance risks (continued)

#### *3.1.2 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.

| | THE GROUP Total annuities payable per annum | | | | THE COMPANY Total annuities payable per annum | | | |
|---|---|---|---|---|---|---|---|---|
| **Annuities payable per annum per life insured at end of 2017** | **2017** | | 2016 | | **2017** | | 2016 | |
| **Rs'000** | **Rs'000** | % | Rs'000 | % | Rs'000 | % | Rs'000 | % |
| 0 - 10 | **2,206** | **3** | 2,071 | 3 | - | - | - | - |
| 10 - 20 | **4,382** | **6** | 3,835 | 5 | - | - | - | - |
| 20 - 50 | **15,322** | **20** | 14,054 | 20 | - | - | - | - |
| 50 - 100 | **17,146** | **22** | 14,911 | 21 | - | - | - | - |
| 100 - 150 | **10,093** | **13** | 9,260 | 14 | - | - | - | - |
| More than 150 | **28,556** | **36** | 25,747 | 37 | - | - | - | - |
| **Total** | **77,705** | **100** | 69,878 | 100 | - | - | - | - |

#### *3.1.3 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 | | | | |
|---|---|---|---|---|---|
| **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 |
| **Average claim cost** | **10%** | **174,284** | **88,134** | **(86,150)** | **(73,228)** |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.1 Insurance risks (continued)

#### *3.1.3 Sources of uncertainty (continued)*

*(a) Short-term Insurance (continued)*

**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)** |

**THE GROUP**

| 2016 | 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% | 130,713 | 43,327 | (87,386) | (74,278) |

**THE COMPANY**

| 2016 | 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% | 90,846 | 29,818 | (61,028) | (51,874) |

*(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 below 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.

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.1 Insurance risks (continued)

#### *3.1.3 Sources of uncertainty (continued)*

*(b) Long-term Insurance (continued)*

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% |

THE GROUP

| 2016 | 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 | 5,962,406 | 89,181 | 6,051,587 | 0.0% | 0.0% |
| Future mortality 10% worse | 6,001,007 | 83,185 | 6,084,192 | 0.6% | -5.7% |
| Future lapses 10% higher | 5,963,851 | 92,587 | 6,056,438 | 0.0% | -0.8% |
| Future investment returns 1% lower | 6,063,364 | 38,716 | 6,102,080 | 1.7% | -8.8% |
| Future inflation 1% higher | 6,004,630 | 76,437 | 6,081,067 | 0.7% | -5.2% |
| Future maintenance expense 10% higher | 6,027,305 | 63,919 | 6,091,224 | 1.1% | -6.9% |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.1 Insurance risks (continued)

#### *3.1.4 Claims development tables*

| | Underwriting Year | | | | |
|---|---|---|---|---|---|
| **THE GROUP (2017)** | 2013 | 2014 | 2015 | 2016 | 2017 |
| **Net estimate of ultimate claim costs** | 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 | - | - | - | - |

| | Underwriting Year | | | | |
|---|---|---|---|---|---|
| **THE COMPANY (2017)** | 2013 | 2014 | 2015 | 2016 | 2017 |
| **Net estimate of ultimate claim costs** | 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 | - | - | - | - |

| | Underwriting Year | | | | |
|---|---|---|---|---|---|
| **THE GROUP (2016)** | 2012 | 2013 | 2014 | 2015 | 2016 |
| Net estimate of ultimate claim costs | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| - At end of claim year | 100,563 | 92,041 | 144,018 | 256,551 | 322,461 |
| - One year later | 102,880 | 48,344 | 95,964 | 207,596 | - |
| - Two years later | 66,442 | 46,863 | 62,219 | - | - |
| - Three years later | 57,324 | 36,860 | - | - | - |
| - Four years later | 51,810 | - | - | - | - |

| | Underwriting Year | | | | |
|---|---|---|---|---|---|
| **THE COMPANY (2016)** | 2012 | 2013 | 2014 | 2015 | 2016 |
| Net estimate of ultimate claim costs | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| - At end of claim year | 100,563 | 92,041 | 144,018 | 168,854 | 180,118 |
| - One year later | 102,880 | 48,344 | 95,964 | 134,999 | - |
| - Two years later | 66,442 | 46,863 | 62,222 | - | - |
| - Three years later | 57,324 | 36,860 | - | - | - |
| - Four years later | 51,809 | - | - | - | - |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.1 Insurance risks (continued)

#### *3.1.4 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 (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** |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.1 Insurance risks (continued)

#### *3.1.4 Claims development tables (continued)*

| **THE GROUP (2016)** | 2012 | 2013 | 2014 | 2015 | 2016 | Total |
|---|---|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Current estimates of cumulative claims | 780,212 | 433,989 | 758,856 | 1,155,281 | 973,264 | 4,101,602 |
| Cumulative payments | (728,402) | (397,129) | (696,637) | (947,685) | (650,803) | (3,420,656) |
| Liability | 51,810 | 36,860 | 62,219 | 207,596 | 322,461 | 680,946 |
| Liability in respect of prior years | | | | | | 185,836 |
| Incurred but not reported (IBNR) | | | | | | 103,682 |
| **Total Liability (Net)** | | | | | | **970,464** |

| **THE COMPANY (2016)** | 2012 | 2013 | 2014 | 2015 | 2016 | Total |
|---|---|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Current estimates of cumulative claims | 780,212 | 433,989 | 758,859 | 935,016 | 652,575 | 3,560,651 |
| Cumulative payments | (728,403) | (397,129) | (696,637) | (800,017) | (472,457) | (3,094,643) |
| Liability | 51,809 | 36,860 | 62,222 | 134,999 | 180,118 | 466,008 |
| Liability in respect of prior years | | | | | | 144,274 |
| Incurred but not reported (IBNR) | | | | | | 62,416 |
| **Total Liability (Net)** | | | | | | **672,698** |

| *Long-term Insurance* | **THE GROUP** | |
|---|---|---|
| **Financial Liabilities** | **2017** | 2016 |
| Long term insurance contracts | **Rs'000** | Rs'000 |
| **No stated Maturity** | **3,330,152** | 3,086,148 |
| 0 - 1 yr | **298,192** | 262,285 |
| 1 - 2 yrs | **237,412** | 186,986 |
| 2 - 3 yrs | **240,503** | 202,898 |
| > 3 yrs | **3,555,856** | 3,050,324 |
| | **7,662,115** | 6,788,641 |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.2 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.

The main risks to which the Group is exposed include:
- Market risk (which includes foreign exchange risk, interest rate risk and equity price risk);
- Credit and liquidity risks.

**Concentration risk**
The Group has no significant concentration of currency risk.

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 | | | |
|---|---|---|---|---|---|---|
| | | | **31 December 2017** | | 31 December 2016 | |
| **Financial statements caption** | | Changes in variables | **Impact on profit before tax Rs'000** | **Impact on equity Rs'000** | Impact on profit before tax Rs'000 | Impact on equity Rs'000 |
| Financial assets at fair value through other comprehensive income<br>Financial assets at fair value through profit or loss<br>Cash and short-term deposits | USD | +2.5% | **434** | **326** | 1,721 | 301 |
| Financial assets at fair value through other comprehensive income<br>Cash and short-term deposits | EUR | +2.5% | **60** | **335** | 152 | 327 |
| Financial assets at fair value through profit or loss<br>Cash and short-term deposits | GBP | +2.5% | **33** | **-** | 30 | - |
| 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% | **10** | **-** | 46 | - |
| Cash and short-term deposits | SCR | +2.5% | **182** | **-** | 621 | - |
| Financial assets at fair value through other comprehensive income<br>Insurance and other receivables<br>Reinsurance assets<br>Cash and short-term deposits | RWF | +10.0% | **6,505** | **-** | 15,892 | 107 |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.2 Financial risks (continued)

| | | | THE GROUP | | | |
|---|---|---|---|---|---|---|
| | | | 31 December 2017 | | 31 December 2016 | |
| **Financial statements caption** | | Changes in variables | **Impact on profit before tax Rs'000** | **Impact on equity Rs'000** | Impact on profit before tax Rs'000 | Impact on equity Rs'000 |
| Financial assets at fair value through other comprehensive income | KSHS | +10.0% | **10,702** | - | 796 | 1,393 |
| 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% | **52,581** | - | 1,798 | 609 |
| 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% | **5,549** | - | 1,795 | 146 |
| 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% | **(434)** | **(326)** | (1,721) | (301) |
| | EUR | -2.5% | **(60)** | **(335)** | (152) | (327) |
| | GBP | -2.5% | **(33)** | - | (30) | - |
| | SGD | -2.5% | - | - | - | - |
| | AUD | -2.5% | - | - | - | - |
| | ZAR | -2.5% | **(10)** | - | (46) | - |
| | SCR | -2.5% | **(182)** | - | (621) | - |
| | RWF | -10.0% | **(6,505)** | - | (15,892) | (107) |
| | KSHS | -10.0% | **(10,702)** | - | (796) | (1,393) |
| | TZSHS | -10.0% | **(52,581)** | - | (1,798) | (609) |
| | USHS | -10.0% | **(5,549)** | - | (1,795) | (146) |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.2 Financial risks (continued)

#### *3.2.1 Market Risk*

*(i) Foreign exchange risk*

| | | THE COMPANY | | | |
|---|---|---|---|---|---|
| | | **31 December 2017** | | 31 December 2016 | |
| | Changes in variables | **Impact on profit before tax Rs'000** | **Impact on equity Rs'000** | Impact on profit before tax Rs'000 | Impact on equity Rs'000 |
| USD | +2.5% | **54** | **326** | 375 | 301 |
| EUR | +2.5% | **34** | **335** | 9 | 327 |
| GBP | +2.5% | **30** | **-** | 3 | - |
| SGD | +2.5% | **-** | **-** | - | - |
| AUD | +2.5% | **-** | **-** | - | - |
| ZAR | +2.5% | **1** | **-** | 2 | - |
| SCR | +2.5% | **182** | **-** | 621 | - |

| | | THE COMPANY | | | |
|---|---|---|---|---|---|
| | | **31 December 2017** | | 31 December 2016 | |
| | Changes in variables | **Impact on profit before tax Rs'000** | **Impact on equity Rs'000** | Impact on profit before tax Rs'000 | Impact on equity Rs'000 |
| USD | -2.5% | **(54)** | **(326)** | (375) | (301) |
| EUR | -2.5% | **(34)** | **(335)** | (9) | (327) |
| GBP | -2.5% | **(30)** | **-** | (3) | - |
| SGD | -2.5% | **-** | **-** | - | - |
| AUD | -2.5% | **-** | **-** | - | - |
| ZAR | -2.5% | **(1)** | **-** | (2) | - |
| SCR | -2.5% | **(182)** | **-** | (621) | - |

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.

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.2 Financial risks (continued)

#### *3.2.1 Market Risk (continued)*

*(ii) Interest rate risk (continued)*

**THE GROUP**

| Changes in interest rate | 31 December 2017 Impact on profit before tax Rs'000 | 31 December 2017 Impact on equity Rs'000 | 31 December 2016 Impact on profit before tax Rs'000 | 31 December 2016 Impact on equity Rs'000 |
|---|---|---|---|---|
| + 250 basis points | 28,324 | - | 29,108 | - |
| - 250 basis points | (28,324) | - | (29,108) | - |

**THE COMPANY**

| Changes in interest rate | 31 December 2017 Impact on profit before tax Rs'000 | 31 December 2017 Impact on equity Rs'000 | 31 December 2016 Impact on profit before tax Rs'000 | 31 December 2016 Impact on equity Rs'000 |
|---|---|---|---|---|
| + 250 basis points | 9,766 | - | 7,058 | - |
| - 250 basis points | (9,766) | - | (7,058) | - |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.2 Financial risks (continued)

#### 3.2.1 *Market Risk (continued)*

*(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 | | | |
|---|---|---|---|---|
| | **31 December 2017** | | 31 December 2016 | |
| **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% | **82,068** | **11,537** | 66,882 | 11,501 |
| - 2.5% | **(82,068)** | **(11,537)** | (66,882) | (11,501) |

| | THE COMPANY | | | |
|---|---|---|---|---|
| | **31 December 2017** | | 31 December 2016 | |
| **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% | **5,226** | **10,254** | 4,838 | 8,742 |
| - 2.5% | **(5,226)** | **(10,254)** | (4,838) | (8,742) |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.2 Financial risks (continued)

#### 3.2.2 *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.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| **Financial instruments** | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Financial assets at fair value through profit or loss* | **561,659** | 545,144 | **209,036** | 193,507 |
| Financial assets at amortised cost | **5,686,429** | 5,157,589 | **619,738** | 621,173 |
| Loans and receivables at amortised cost | **819,526** | 810,101 | **282,711** | 240,568 |
| Insurance and other receivable | **1,042,411** | 1,067,507 | **590,016** | 531,350 |
| Amount receivable from subsidiary | **-** | - | **14,228** | 13,867 |
| Reinsurance assets | **1,327,681** | 766,867 | **574,324** | 436,093 |
| Bank balances and cash | **625,990** | 561,673 | **159,345** | 121,528 |
| | **10,063,696** | 8,908,881 | **2,449,398** | 2,158,086 |

* Excludes equity instruments.

| | Carrying value | Value of collaterals held | Net credit exposure |
|---|---|---|---|
| **The Group** | | | |
| 2017 | | | |
| Loans and receivable | **819,526** | **2,242,654** | **-** |
| 2016 | | | |
| Loans and receivable | 810,101 | 2,190,903 | - |
| **The Company** | | | |
| 2017 | | | |
| Loans and receivable | **282,711** | **674,268** | **-** |
| 2016 | | | |
| Loans and receivable | 240,568 | 571,938 | - |

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.2 Financial risks (continued)

#### 3.2.3 *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 31 December 2017 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

| **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 GROUP

| 2016 | 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 | - | - | 189,007 | 389,884 | 3,050,324 | 2,422,372 | 6,051,587 |
| Insurance contract liabilities* | - | - | 1,424,563 | - | - | - | 1,424,563 |
| Investment contract liabilities | - | - | | - | - | 663,777 | 663,777 |
| Interest bearing loans and borrowings | - | - | - | 206,155 | 208,622 | - | 414,777 |
| Trade and other payables | 510,959 | - | - | - | - | - | 510,959 |
| | 510,959 | - | 1,613,570 | 596,039 | 3,258,946 | 3,086,149 | 9,065,663 |

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** |

THE COMPANY

| 2016 | 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* | - | - | 977,712 | - | - | - | 977,712 |
| Interest bearing loans and borrowings | - | - | 10,790 | 195,365 | 208,622 | - | 414,777 |
| Trade and other payables | 140,207 | - | - | - | - | - | 140,207 |
| | 140,207 | - | 988,502 | 195,365 | 208,622 | - | 1,532,696 |

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.

## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

### 3.2 Financial risks (continued)

#### *3.2.4 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 33 for fair value disclosures.

#### *3.2.5 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 31 December 2017 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. 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 |
|---|---|---|---|---|---|
| **2017** | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **COST OR VALUATION** | | | | | |
| At 1 January 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 31 December 2017** | **40,000** | **217,956** | **236,711** | **33,899** | **528,566** |
| **DEPRECIATION** | | | | | |
| At 1 January 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 31 December 2017** | **-** | **(1)** | **168,654** | **17,211** | **185,864** |
| **CARRYING AMOUNT** | | | | | |
| **At 31 December 2017** | **40,000** | **217,957** | **68,057** | **16,688** | **342,702** |
| **2016** | | | | | |
| **COST OR VALUATION** | | | | | |
| At 1 January 2016 | 40,000 | 211,676 | 301,075 | 36,166 | 588,917 |
| Additions during the year | - | - | 18,387 | 16,729 | 35,116 |
| Reclassification from intangible assets | - | - | 183 | - | 183 |
| Disposals during the year | - | - | (66,215) | (12,149) | (78,364) |
| Write off | - | - | (33,617) | - | (33,617) |
| Exchange differences | - | - | (1,428) | (500) | (1,928) |
| At 31 December 2016 | 40,000 | 211,676 | 218,385 | 40,246 | 510,307 |
| **DEPRECIATION** | | | | | |
| At 1 January 2016 | - | 3,924 | 222,318 | 21,511 | 247,753 |
| Charge for the year | | 4,464 | 28,458 | 7,207 | 40,129 |
| Disposals | - | - | (65,847) | (11,780) | (77,627) |
| Write off | - | - | (32,867) | - | (32,867) |
| Exchange differences | - | - | (778) | (244) | (1,022) |
| At 31 December 2016 | - | 8,388 | 151,284 | 16,694 | 176,366 |
| **CARRYING AMOUNT** | | | | | |
| At 31 December 2016 | 40,000 | 203,288 | 67,101 | 23,552 | 333,941 |

## 5. PROPERTY AND EQUIPMENT (CONTINUED)

| (b) THE COMPANY | Land and Buildings | | | | |
|---|---|---|---|---|---|
| | Freehold land | Buildings on freehold land | Office equipment, computers, fixtures & fittings and other electrical | Motor Vehicles | Total |
| **2017** | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **COST OR VALUATION** | | | | | |
| At 1 January 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 31 December 2017** | **40,000** | **143,500** | **139,391** | **24,599** | **347,490** |
| **DEPRECIATION** | | | | | |
| At 1 January 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 31 December 2017** | **-** | **-** | **94,218** | **13,624** | **107,842** |
| **CARRYING AMOUNT** | | | | | |
| **At 31 December 2017** | **40,000** | **143,500** | **45,173** | **10,975** | **239,648** |
| 2016 | | | | | |
| **COST OR VALUATION** | | | | | |
| At 1 January 2016 | 40,000 | 143,500 | 148,984 | 27,232 | 359,716 |
| Additions during the year | - | - | 5,473 | 12,609 | 18,082 |
| Write off | - | - | (33,617) | - | (33,617) |
| Disposals during the year | - | - | (873) | (10,665) | (11,538) |
| **At 31 December 2016** | **40,000** | **143,500** | **119,967** | **29,176** | **332,643** |
| **DEPRECIATION** | | | | | |
| At 1 January 2016 | - | 2,870 | 102,205 | 19,136 | 124,211 |
| Charge for the year | - | 2,870 | 15,524 | 4,496 | 22,890 |
| Write off | - | - | (32,867) | - | (32,867) |
| Disposals during the year | - | - | (831) | (10,295) | (11,126) |
| **At 31 December 2016** | **-** | **5,740** | **84,031** | **13,337** | **103,108** |
| **CARRYING AMOUNT** | | | | | |
| **At 31 December 2016** | **40,000** | **137,760** | **35,936** | **15,839** | **229,535** |

(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 31 December 2017 and the revaluation surplus was recorded under revaluation reserves.

## 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 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Cost | **207,154** | 195,153 | **163,369** | 163,369 |
| Accumulated depreciation | **(18,918)** | (15,849) | **(17,262)** | (14,795) |
| **Net book values** | **188,236** | 179,304 | **146,107** | 148,574 |

## 6. INVESTMENT PROPERTIES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 January | **497,184** | 523,155 | **79,000** | 79,000 |
| Impairment | **-** | (22,621) | **-** | - |
| Exchange differences | **(24,282)** | (3,350) | **-** | - |
| **At 31 December** | **472,902** | 497,184 | **79,000** | 79,000 |

The fair value of the Group's investment properties as at 31 December 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 rental income arising during the year amounted to Rs 12,153,000 (2016: Rs 10,674,000) for the Group and Rs Nil (2016: 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 (2016: 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 | Goodwill | Client portfolio | Computer software | Work in Progress | Total |
|---|---|---|---|---|---|
| **2017** | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **COST** | | | | | |
| At 1 January 2017 | 345,441 | 439,570 | 143,030 | - | 928,041 |
| Additions during the year | - | - | 13,574 | 1,169 | 14,743 |
| Exchange differences | - | - | (248) | - | (248) |
| **At 31 December 2017** | **345,441** | **439,570** | **156,356** | **1,169** | **942,536** |
| **AMORTISATION AND IMPAIRMENT** | | | | | |
| At 1 January 2017 | 38,570 | 148,414 | 117,478 | - | 304,462 |
| Charge for the year | - | 22,469 | 11,680 | - | 34,149 |
| Exchange differences | - | - | (127) | - | (127) |
| **At 31 December 2017** | **38,570** | **170,883** | **129,031** | **-** | **338,484** |
| **CARRYING AMOUNT** | | | | | |
| **At 31 December 2017** | **306,871** | **268,687** | **27,325** | **1,169** | **604,052** |

For Goodwill impairment assessement, refer to note 39.

| THE GROUP | Goodwill | Client portfolio | Computer software | Work in Progress | Total |
|---|---|---|---|---|---|
| **2016** | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **COST** | | | | | |
| At 1 January 2016 | 345,441 | 439,570 | 155,027 | 185 | 940,223 |
| Reclassification | - | - | - | (183) | (183) |
| Additions during the year | - | - | 4,944 | - | 4,944 |
| Write off | - | - | (16,760) | - | (16,760) |
| Exchange differences | - | - | (181) | (2) | (183) |
| **At 31 December 2016** | **345,441** | **439,570** | **143,030** | **-** | **928,041** |
| **AMORTISATION AND IMPAIRMENT** | | | | | |
| At 1 January 2016 | - | 125,945 | 122,567 | - | 248,512 |
| Charge for the year | - | 22,469 | 11,735 | - | 34,204 |
| Impairment during the year | 38,570 | - | - | - | 38,570 |
| Write off | - | - | (16,738) | - | (16,738) |
| Exchange differences | - | - | (86) | - | (86) |
| **At 31 December 2016** | **38,570** | **148,414** | **117,478** | **-** | **304,462** |
| **CARRYING AMOUNT** | | | | | |
| **At 31 December 2016** | **306,871** | **291,156** | **25,552** | **-** | **623,579** |

For Goodwill impairment assessement, refer to note 39.

## 7. INTANGIBLE ASSETS (CONTINUED)

| THE COMPANY | Goodwill | Client portfolio | Computer software | Work in Progress | Total |
|---|---|---|---|---|---|
| **2017** | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **COST** | | | | | |
| At 1 January, | 133,188 | 245,478 | 77,708 | - | 456,374 |
| Write off | - | - | - | - | - |
| Additions during the year | - | - | 9,788 | 1,169 | 10,957 |
| **At 31 December 2017** | **133,188** | **245,478** | **87,496** | **1,169** | **467,331** |
| **AMORTISATION AND IMPAIRMENT** | | | | | |
| At 1 January, | - | 100,391 | 61,871 | - | 162,262 |
| Write off | - | - | - | - | - |
| Charge for the year | - | 10,950 | 7,221 | - | 18,171 |
| **At 31 December 2017** | **-** | **111,341** | **69,092** | **-** | **180,433** |
| **CARRYING AMOUNT** | | | | | |
| **At 31 December 2017** | **133,188** | **134,137** | **18,404** | **1,169** | **286,898** |

Capital work in progress represents the implementation of a new software.

| THE COMPANY | Goodwill | Client portfolio | Computer software | Total |
|---|---|---|---|---|
| **2016** | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **COST** | | | | |
| At 1 January, | 133,188 | 245,478 | 84,123 | 462,789 |
| Write off | - | - | (9,670) | (9,670) |
| Additions during the year | - | - | 3,255 | 3,255 |
| **At 31 December 2016** | **133,188** | **245,478** | **77,708** | **456,374** |
| **AMORTISATION AND IMPAIRMENT** | | | | |
| At 1 January, | - | 89,441 | 64,505 | 153,946 |
| Write off | - | - | (9,662) | (9,662) |
| Charge for the year | - | 10,950 | 7,028 | 17,978 |
| **At 31 December 2016** | **-** | **100,391** | **61,871** | **162,262** |
| **CARRYING AMOUNT** | | | | |
| **At 31 December 2016** | **133,188** | **145,087** | **15,837** | **294,112** |

Capital work in progress represents the implementation of a new software.

## 8. INVESTMENT IN SUBSIDIARY COMPANIES

| | THE COMPANY | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| At 1 January, | **823,167** | 927,296 |
| Impairment during the year | **-** | (104,129) |
| **At 31 December** | **823,167** | 823,167 |

Out of the Rs 823M (2016: Rs 927M), Rs 615M (2016: Rs 719M) relates to investment in foreign subsidiaries.
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 39.

(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 000's |
|---|---|---|---|---|
| **Direct shareholding** | | | | |
| La Prudence (Mauricienne) Assurances Limitee | Life Insurance | Mauritius | Mauritian Rupees | 25,000 |
| The National Mutual Fund Ltd | Fund management | Mauritius | Mauritian Rupees | 4,000 |
| Associated Brokers Ltd | Stock broker | Mauritius | Mauritian Rupees | 9,500 |
| Compagnie du Decadel Limitée | Property holding | Mauritius | Mauritian Rupees | 25 |
| Feber Associates Limited | Manager and consultants of pension fund | Mauritius | Mauritian Rupees | 2,000 |
| Phoenix Transafrica Holdings Limited | Investment holdings | Kenya | Kenya Shillings | 5,000 |
| **Indirect shareholding** | | | | |
| Risk Advisory Services Limited** | Property holding | Mauritius | Mauritian Rupees | 25,000 |
| Phoenix East Africa Assurance Company Limited** | General Insurance business | Kenya | Kenya Shillings | 300,000 |
| Phoenix of Rwanda Assurance Company Limited* | General Insurance business | Rwanda | Rwanda Francs | 1,000,000 |
| Phoenix of Tanzania Assurance Company Limited* | General Insurance business | Tanzania | Tanzania Shillings | 8,000,000 |
| Phoenix of Uganda Assurance Company Limited* | General Insurance business | Uganda | Uganda Shillings | 4,000,000 |

(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 | 2017 Rs'000 | 2016 Rs'000 |
|---|---|---|---|
| Associated Brokers Ltd | Mauritius | 20.00% | 20.00% |
| Phoenix East Africa Assurance Company Limited | Kenya | 33.62% | 33.62% |
| Phoenix of Rwanda Assurance Company Limited | Rwanda | 63.49% | 63.49% |
| Phoenix of Tanzania Assurance Company Limited | Tanzania | 66.11% | 66.11% |
| 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.

| Nominal value of investment | | Class of shares held | % of ownership interest | | % of ownership interest by NCI | |
|---|---|---|---|---|---|---|
| 2017 | 2016 | | 2017 | 2016 | 2017 | 2016 |
| Rs'000 | Rs'000 | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| 167,327 | 167,327 | Ordinary | 100% | 100% | - | - |
| 28,561 | 28,561 | Ordinary | 98.6% | 98.6% | 1.40% | 1.40% |
| 10,979 | 10,979 | Ordinary | 80% | 80% | 20% | 20% |
| 675 | 675 | Ordinary | 100% | 100% | - | - |
| 500 | 500 | Ordinary | 100% | 100% | - | - |
| - | - | Ordinary | 100% | 100% | - | - |
| 75 | 75 | Ordinary | 100% | 100% | - | - |
| 143,807 | 143,807 | Ordinary | 66.38% | 66.38% | 33.62% | 33.62% |
| - | - | Ordinary | 36.51% | 36.51% | 63.49% | 63.49% |
| - | - | Ordinary | 33.89% | 33.89% | 66.11% | 66.11% |
| - | - | Ordinary | 45.78% | 45.78% | 54.22% | 54.22% |

## 8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(c) Summarised financial information on subsidiaries with material non-controlling interests (continued)

| **2017** | Associated Brokers Ltd | Phoenix East Africa Assurance Company Limited | Phoenix of Tanzania Assurance Company Limited | Phoenix of Uganda Assurance Company Limited | 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 | - |

| 2016 | Associated Brokers Ltd | Phoenix East Africa Assurance Company Limited | Phoenix of Tanzania Assurance Company Limited | Phoenix of Uganda Assurance Company Limited | 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 | 33,513 | 352,822 | 741,782 | 268,297 | 228,375 |
| Non current assets | 27,015 | 313,819 | 332,349 | 28,631 | 34,639 |
| Current liabilities | 33,189 | 27,650 | 139,550 | 62,999 | 45,400 |
| Non current liabilities | - | 245,536 | 422,806 | 109,985 | 129,392 |
| **Net assets** | **27,339** | **393,455** | **511,775** | **123,944** | **88,222** |
| Carrying amounts of non-controlling interests | **5,468** | **132,280** | **338,334** | **67,202** | **56,012** |
| Revenue | 9,189 | 136,595 | 236,867 | 146,969 | 180,613 |
| Profit/(Losses) for the year | 2,015 | (136,927) | (6,147) | 18,693 | 21,443 |
| Other comprehensive losses | (574) | (20,090) | (10,436) | (8,493) | (10,552) |
| **Total comprehensive income/(losses)** | **1,441** | **(157,017)** | **(16,583)** | **10,200** | **10,891** |
| Profit/(losses) allocated to non-controlling interest | 403 | (46,035) | (4,064) | 10,135 | 13,614 |
| Total comprehensive income allocated to non-controlling interest | 288 | (37,449) | (10,962) | 5,531 | 6,915 |
| Dividend paid to non-controlling interest | 360 | - | - | - | - |

## 8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(c) Summarised financial information on subsidiaries with material non-controlling interests (continued)
Summarised cash flow information:

| **2017** | Associated Brokers Ltd | Phoenix East Africa Assurance Company Limited | Phoenix of Rwanda Assurance Company Limited | Phoenix of Tanzania Assurance Company Limited | Phoenix of Uganda Assurance Company Limited |
|---|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| 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)** |
| 2016 | | | | | |
| Operating activities | 25,586 | (145,752) | 27,344 | (39,074) | (18,346) |
| Investing activities | (2,348) | (39,433) | (19,200) | 51,704 | (9,047) |
| Financing activities | (1,800) | (31,509) | - | - | - |
| Net increase in cash and cash equivalents | 21,438 | (216,694) | 8,144 | 12,630 | (27,393) |

## 9. INVESTMENT IN ASSOCIATED COMPANY

The Group has acquired 40% interest in Compagnie du Congo (Societe Anonyme) on 10 May 2017 which trades as an investment holding company. The registered office is Boulevard Bischoffsheim, 33 boite 1, 1000, Bruxelles.

| | THE GROUP AND COMPANY | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| At 1 January | - | - |
| Additions | **1,544** | - |
| **At 31 December** | **1,544** | - |

The Group's interest in Compagnie du Congo is accounted for using the equity method in the consolidated financial statements.

## 9. INVESTMENT IN ASSOCIATED COMPANY (CONTINUED)

The following table illustrates the summarised financial information of the Group's investment in Compagnie du Congo.

| | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Current assets | 3,860 | - |
| Equity | 3,860 | - |
| Group's carrying amount of the investment | 1,544 | - |

No disclosure has been provided for group's share of results for the year ended 31 December 2017 as the company has not yet started trading.

## (a) INVESTMENT IN JOINT VENTURE

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 1 January | 14,893 | 14,325 | - | - |
| Additions | 495 | - | 495 | - |
| Share of profit | 2,614 | 603 | - | - |
| Exchange differences | (1,014) | (35) | - | - |
| **At 31 December** | 16,988 | 14,893 | 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 | | | |
|---|---|---|---|---|---|---|
| | | | 2017 | | 2016 | |
| | | | 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 | 50% | - | - | - |

| Summarised financial information of joint ventures | 2017 | 2016 |
|---|---|---|
| | Rs'000 | Rs'000 |
| Current assets (including cash - Rs'000 1,415) | 318,381 | 322,656 |
| Non current assets | - | - |
| Current liabilities | (16,689) | (30,636) |
| Non current liabilities | - | - |
| Equity | 301,692 | 292,020 |
| % holding | 50% - 5.1% | 5.10% |
| Group's share in equity | 16,988 | 14,893 |

## 9. (b) INVESTMENT IN JOINT VENTURE IN KENYA MOTOR INSURANCE POOL

**Summarised financial information of joint ventures (continued)**

| | 2017 Rs'000 | 2016 Rs'000 |
|---|---|---|
| Revenue | 31,333 | 2,278 |
| Expenses | (1,598) | - |
| Profit before tax | 29,735 | 2,278 |
| Income tax | (65) | - |
| Profit for the year | 29,670 | 2,278 |
| Total comprehensive for the period | - | - |
| Group's share of profit | 2,614 | 611 |

The joint venture had no other contingent liabilities or commitments as at 31 December 2017 and 2016.

## 10. FINANCIAL ASSETS

The breakdown of fair value measurements is shown in note 33.

(a) Financial assets at fair value through other comprehensive income

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2017 Rs'000 | 2016 Rs'000 | 2017 Rs'000 | 2016 Rs'000 |
| **At 1 January 2017** | 460,039 | 564,469 | 349,683 | 399,502 |
| Additions during the year | 9,633 | 8,908 | 3,752 | 4,431 |
| Disposals during the year | (68,338) | (83,573) | (3,049) | (52,521) |
| Increase/(Decrease) in fair value | 67,245 | (27,783) | 59,765 | (1,729) |
| Exchange differences | (7,090) | (1,982) | - | - |
| **At 31 December 2017** | 461,489 | 460,039 | 410,151 | 349,683 |

| **Analysed as follows:** | 2017 Rs'000 | 2016 Rs'000 | 2017 Rs'000 | 2016 Rs'000 |
|---|---|---|---|---|
| Quoted equity securities | 351,253 | 354,737 | 325,487 | 271,631 |
| Unquoted securities | 49,435 | 51,436 | 26,325 | 26,382 |
| Open ended mutual funds | 60,801 | 53,866 | 58,339 | 51,670 |
| Total financial assets at fair value through other comprehensive income | 461,489 | 460,039 | 410,151 | 349,683 |

## 10. FINANCIAL ASSETS (CONTINUED)

(b) Financial assets at fair value through profit or loss

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **At 1 January** | **2,675,279** | 2,566,280 | **193,507** | 178,318 |
| Additions during the year | **421,594** | 118,956 | **351** | - |
| Disposals during the year | **(241,760)** | (24,844) | **-** | - |
| Increase in fair value | **427,619** | 14,887 | **15,178** | 15,189 |
| **At 31 December** | **3,282,732** | 2,675,279 | **209,036** | 193,507 |

| **Analysed as follows:** | **2017** | 2016 | **2017** | 2016 |
|---|---|---|---|---|
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Local - Listed | **2,512,037** | 2,173,116 | **-** | - |
| Others | **770,695** | 502,163 | **209,036** | 193,507 |
| Total financial assets at fair value through profit or loss | **3,282,732** | 2,675,279 | **209,036** | 193,507 |

| **Analysed as follows:** | **2017** | 2016 | **2017** | 2016 |
|---|---|---|---|---|
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Non-current | **3,073,696** | 2,481,772 | **-** | - |
| Current | **209,036** | 193,507 | **209,036** | 193,507 |
| | **3,282,732** | 2,675,279 | **209,036** | 193,507 |

(c) Financial assets at amortised cost

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **At 1 January** | **5,157,589** | 4,714,285 | **621,173** | 509,901 |
| Additions during the year | **1,648,619** | 1,292,805 | **79,631** | 120,197 |
| Matured during the year | **(1,066,726)** | (845,733) | **(80,000)** | (8,000) |
| Amortisation during the year | **9,231** | 11,508 | **(1,066)** | (925) |
| Exchange differences | **(62,284)** | (15,276) | **-** | - |
| **At 31 December** | **5,686,429** | 5,157,589 | **619,738** | 621,173 |

| **Analysed as follows:** | **2017** | 2016 | **2017** | 2016 |
|---|---|---|---|---|
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Non-current | **4,993,479** | 4,290,882 | **599,800** | 541,173 |
| Current | **692,950** | 866,707 | **19,938** | 80,000 |
| | **5,686,429** | 5,157,589 | **619,738** | 621,173 |

Refer to note 33 for details of the type of investment.

## 11. LOANS AND RECEIVABLES AT AMORTISED COST

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Mortgage Loans | 463,452 | 560,421 | 3,032 | 2,998 |
| Loans on Life policies | 16,268 | 16,566 | - | - |
| Secured Loans | 354,714 | 240,240 | 281,152 | 238,223 |
| Unsecured Loans | 2,710 | 3,969 | 2,710 | 3,104 |
| CDS guarantee fund | 3,034 | 3,683 | - | 335 |
| *Provision for impairment :* | | | | |
| - Mortgage Loans | (16,023) | (10,348) | (15) | (15) |
| - Loan on Life policies | (83) | (99) | - | - |
| - Secured Loans | (4,532) | (4,316) | (4,154) | (4,062) |
| - Unsecured Loans | (14) | (15) | (14) | (15) |
| | 819,526 | 810,101 | 282,711 | 240,568 |

The movement in loans and receivables at amortised cost is as follows:

| | 2017 | 2016 | 2017 | 2016 |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **At 1 January** | 824,879 | 881,678 | 244,660 | 225,263 |
| Loans disbursed | 206,726 | 160,793 | 140,915 | 115,222 |
| Loans repaid | (191,401) | (215,659) | (98,674) | (94,602) |
| Loans written off | (26) | (1,933) | (7) | (1,223) |
| | 840,178 | 824,879 | 286,894 | 244,660 |
| Less provision for impairment of loans | (20,652) | (14,778) | (4,183) | (4,092) |
| **At 31 December** | 819,526 | 810,101 | 282,711 | 240,568 |

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| **Analysed as follows:** | | | | |
| Non-current | 691,450 | 683,778 | 201,572 | 168,917 |
| Current | 128,076 | 126,323 | 81,139 | 71,651 |
| | 819,526 | 810,101 | 282,711 | 240,568 |

## 11. LOANS AND RECEIVABLES AT AMORTISED COST (CONTINUED)

(a) All loans and receivables at amortised cost are considered impaired and overdue when they are more than 90 days old. Other balances of loans and receivables are neither past due nor impaired. Unsecured loans comprises loan to staffs and amounted to Rs 2,709,693.

The ageing analysis of loan and receivables is as follows:

| THE GROUP | 2017 | 2016 | 2017 | 2016 |
|---|---|---|---|---|
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Neither past due nor impaired | **676,932** | 647,767 | **252,136** | 211,214 |
| Past due but not impaired | **124,208** | 132,598 | **30,391** | 27,145 |
| Past due and impaired | **39,038** | 44,514 | **4,368** | 6,301 |
| **Gross:** | **840,178** | 824,879 | **286,895** | 244,660 |
| Less: provision for impairment | **(20,652)** | (14,778) | **(4,183)** | (4,092) |
| | **819,526** | 810,101 | **282,712** | 240,568 |

| | | | Past due but not impaired | | Past due and impaired |
|---|---|---|---|---|---|
| THE GROUP | Total | Neither past due nor Impaired | < 30 days | 30- 90 days | 91-180 days |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | |
| **2017** | **840,178** | **676,932** | **61,285** | **62,923** | **39,038** |
| 2016 | 824,879 | 647,767 | 81,193 | 51,405 | 44,514 |

| | | | Past due but not impaired | | Past due and impaired |
|---|---|---|---|---|---|
| THE COMPANY | Total | Neither past due nor Impaired | < 30 days | 30- 90 days | 91-180 days |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | |
| **2017** | **286,894** | **252,136** | **16,562** | **13,828** | **4,368** |
| 2016 | 244,660 | 211,214 | 14,210 | 12,935 | 6,301 |

(b) Movement in provision for impairment of loans

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **At 1 January** | **14,778** | 22,890 | **4,092** | 1,860 |
| Recoveries | **(1,436)** | (10,345) | **(1,436)** | - |
| Charge for the year | **7,310** | 2,233 | **1,527** | 2,232 |
| **At 31 December** | **20,652** | 14,778 | **4,183** | 4,092 |

(c) There is no concentration of risk with respect to loans and receivables at amortised cost since balances are widely spread.

(d) Loans and receivables at amortised cost are secured by life insurance policies and fixed charges, except for those which are unsecured, for unsecured loan is mainly given to staff and the risk of default is remote as the repayment is directly deductible from the salaries. The fair value of the collateral of loans are considered greater than the carrying value of the loans. (Refer to note 3.2.2).

(e) The terms and conditions for loan receivables vary on factors like market rates at the time the loan was granted, the credit risk of the borrower and the security provided. Interest rate varies between 4.07% to 14.93%. Repayment can go up to 360 months.

## 12. INSURANCE AND OTHER RECEIVABLES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Premium debtors and agents' balances | 777,402 | 749,050 | 556,364 | 470,929 |
| Provision for credit impairment | (90,755) | (104,151) | (20,515) | (16,045) |
| | 686,647 | 644,899 | 535,849 | 454,884 |
| Amount due by reinsurers | 108,056 | 153,684 | 19,396 | 26,044 |
| Investment income receivable | 114,028 | 105,171 | 12,621 | 12,742 |
| Other receivables | 133,680 | 163,753 | 22,150 | 37,680 |
| | 1,042,411 | 1,067,507 | 590,016 | 531,350 |

(a) Premium debtors and agents' balances that are less than three months past due are not impaired. As at 31 December 2017, the Group had Rs 304.8M, and the Company had Rs 204M (2016: The Group had Rs 303.2M, and the Company had Rs 137.8M) that were more than 3 months past due but not impaired. The ageing analysis of these premium debtors is as follows:

| | 2017 | 2016 | 2017 | 2016 |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Up to 3 months | 382,806 | 341,739 | 331,888 | 317,058 |
| 3 to 6 months | 173,798 | 205,980 | 139,704 | 86,866 |
| 6 to 12 months | 109,958 | 89,943 | 64,257 | 50,960 |
| > 12 months | 20,085 | 7,237 | - | - |
| | 686,647 | 644,899 | 535,849 | 454,884 |

(b) Movement in provision for credit impairment

| | 2017 | 2016 | 2017 | 2016 |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 1 January | 104,151 | 98,271 | 16,045 | 16,587 |
| Charge during the year | (7,147) | 7,655 | 4,470 | - |
| Release during the year | - | (542) | - | (542) |
| Exchange difference | (6,249) | (1,233) | - | - |
| **At 31 December** | 90,755 | 104,151 | 20,515 | 16,045 |

(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.

(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 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **Gross** | | | | |
| - Claims reported and loss adjustment expenses | **1,742,841** | 1,307,126 | **1,002,590** | 908,459 |
| - Claims incurred but not reported (IBNR) | **198,205** | 129,248 | **73,639** | 69,253 |
| - Unearned premiums | **1,295,584** | 1,186,092 | **893,102** | 788,531 |
| - Exchange differences | **(75,175)** | (24,134) | **-** | - |
| Total gross insurance contract liabilities | **3,161,455** | 2,598,332 | **1,969,331** | 1,766,243 |
| **Recoverable from reinsurers** | | | | |
| - Claims reported and loss adjustment expenses | **881,342** | 433,269 | **366,635** | 298,177 |
| - Claims incurred but not reported (IBNR) | **95,758** | 25,566 | **6,837** | 6,837 |
| - Unearned premiums | **388,643** | 316,382 | **200,852** | 131,079 |
| - Exchange differences | **(38,062)** | (8,350) | **-** | - |
| Total reinsurers' share of insurance contract liabilities | **1,327,681** | 766,867 | **574,324** | 436,093 |
| **Net** | | | | |
| - Claims reported and loss adjustment expenses | **861,499** | 873,857 | **635,955** | 610,282 |
| - Claims incurred but not reported (IBNR) | **102,447** | 103,682 | **66,802** | 62,416 |
| - Unearned premiums | **906,941** | 869,710 | **692,250** | 657,452 |
| - Exchange differences | **(37,113)** | (15,784) | **-** | - |
| Total net insurance contract liabilities | **1,833,774** | 1,831,465 | **1,395,007** | 1,330,150 |

## 13. (a) REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES (CONTINUED)

| THE GROUP | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| **(i) Claims** | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 1 January | 1,424,563 | (454,099) | 970,464 | 1,407,508 | (543,300) | 864,208 |
| Claims incurred during the year | 1,839,834 | (704,478) | 1,135,356 | 1,455,828 | (217,830) | 1,237,998 |
| Cash paid for claims settled during the year | (1,323,351) | 181,477 | (1,141,874) | (1,426,962) | 302,295 | (1,124,667) |
| Exchange differences | (44,362) | 23,123 | (21,239) | (11,811) | 4,736 | (7,075) |
| **At 31 December** | 1,896,684 | (953,977) | 942,707 | 1,424,563 | (454,099) | 970,464 |
| Recognised notified claims | 1,698,479 | (858,219) | 840,260 | 1,295,315 | (428,533) | 866,782 |
| Incurred but not reported (IBNR) | 198,205 | (95,758) | 102,447 | 129,248 | (25,566) | 103,682 |
| | 1,896,684 | (953,977) | 942,707 | 1,424,563 | (454,099) | 970,464 |
| Movement in outstanding claims | 516,483 | (523,001) | (6,518) | 28,866 | 84,464 | 113,330 |
| Movement in insurance contract liabilities (Note15) | 739,701 | - | 739,701 | 335,356 | - | 335,356 |
| Movement during the year recognised in the profit and loss | 1,256,184 | (523,001) | 733,183 | 364,222 | 84,464 | 448,686 |
| **Total claims and benefits paid** | | | | | | |
| Claims-Non Life | 1,323,351 | (181,477) | 1,141,874 | 1,426,962 | (302,295) | 1,124,667 |
| Claims and benefits-Life | 547,826 | (19,460) | 528,366 | 537,721 | (40,495) | 497,226 |
| | 1,871,177 | (200,937) | 1,670,240 | 1,964,683 | (342,790) | 1,621,893 |
| **(ii) Provision for unearned premiums** | | | | | | |
| At 1 January | 1,173,769 | (312,768) | 861,001 | 1,125,872 | (284,469) | 841,403 |
| Premium written during the year | 3,140,200 | (959,871) | 2,180,329 | 2,933,324 | (891,920) | 2,041,404 |
| Premium earned during the year | (3,018,385) | 883,996 | (2,134,389) | (2,873,104) | 860,007 | (2,013,097) |
| Exchange differences | (30,813) | 14,938 | (15,875) | (12,323) | 3,614 | (8,709) |
| **At 31 December** | 1,264,771 | (373,705) | 891,066 | 1,173,769 | (312,768) | 861,001 |

## 13. (a) REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES (CONTINUED)

| THE COMPANY | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| **(i) Claims** | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 1 January | 977,712 | (305,014) | 672,698 | 1,016,360 | (370,967) | 645,393 |
| Claims incurred during the year | 1,128,234 | (163,599) | 964,635 | 1,002,085 | (85,289) | 916,796 |
| Cash paid for claims settled during the year | (1,029,717) | 95,141 | (934,576) | (1,040,733) | 151,242 | (889,491) |
| **At 31 December** | 1,076,229 | (373,472) | 702,757 | 977,712 | (305,014) | 672,698 |
| Recognised notified claims | 1,002,590 | (366,635) | 635,955 | 908,459 | (298,177) | 610,282 |
| Incurred but not reported | 73,639 | (6,837) | 66,802 | 69,253 | (6,837) | 62,416 |
| | 1,076,229 | (373,472) | 702,757 | 977,712 | (305,014) | 672,698 |
| Movement during the year recognised in the profit and loss | 98,516 | (68,458) | 30,059 | (38,648) | 65,953 | 27,305 |
| **(ii) Provision for unearned premiums** | | | | | | |
| At 1 January | 788,531 | (131,079) | 657,452 | 783,031 | (137,739) | 645,292 |
| Premium written during the year | 2,192,673 | (531,313) | 1,661,360 | 1,905,218 | (373,972) | 1,531,246 |
| Premium earned during the year | (2,088,102) | 461,540 | (1,626,562) | (1,899,718) | 380,632 | (1,519,086) |
| **At 31 December** | 893,102 | (200,852) | 692,250 | 788,531 | (131,079) | 657,452 |

(b) Deferred Acquisition Costs Receivable

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 1 January | 103,669 | 111,461 | 65,830 | 64,508 |
| Movement | 2,999 | (7,792) | 2,304 | 1,322 |
| **At 31 December** | 106,668 | 103,669 | 68,134 | 65,830 |

(c) Deferred Acquisition Costs Payable

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 1 January | 31,955 | 34,804 | 31,955 | 34,804 |
| Movement | 13,485 | (2,849) | 3,123 | (2,849) |
| **At 31 December** | 45,440 | 31,955 | 35,078 | 31,955 |

## 14. ISSUED SHARE CAPITAL

| THE GROUP AND THE COMPANY | Authorised | | Issued and fully paid | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **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 (2016: 50 million shares).

| | THE GROUP AND COMPANY | |
|---|---|---|
| | **2017** | 2016 |
| | **No. of shares (000)** | No. of shares (000) |
| **At 1 January and 31 December** | **450,900** | 450,900 |

| | THE GROUP AND COMPANY | | | |
|---|---|---|---|---|
| | **2017** | **2017** | 2016 | 2016 |
| | **Per value** | **Share Premium** | Per value | Share Premium |
| | **Rs'000** | **Rs'000** | Rs'000 | Rs'000 |
| **At 1 January and 31 December** | **450,900** | **273,068** | 450,900 | 273,068 |

## 15. LIFE ASSURANCE FUND

| | THE GROUP | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| At 1 January | **6,051,588** | 5,716,232 |
| Transfer of surplus from the Life business revenue account | **739,699** | 335,356 |
| **At 31 December** | **6,791,287** | 6,051,588 |

See accounting policy note 2.4 (c).

The actuaries of LPM are Deloitte, South Africa. The latest actuarial valuation of the Life assurance fund was done at 31 December 2017. 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 135,215,396 (2016: Rs 111,940,911) has been transferred to profit or loss. This portion is calculated by LPM 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 | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| Life fund 1 January | **6,051,588** | 5,716,232 |
| Premium (net of reinsurance) | **782,121** | 705,539 |
| Interest, dividends and rent | **351,423** | 398,355 |
| Realised capital loss | **(141)** | 401 |
| Unrealised capital gain | **412,440** | (302) |
| Disposal of asset | **(36)** | (107) |
| Death and disability claims (net of reinsurance) | **(23,324)** | (10,728) |
| Maturity claims | **(247,719)** | (241,836) |
| Surrenders | **(142,209)** | (136,611) |
| Annuities and pensions | **(110,577)** | (88,660) |
| Other benefits | **(4,537)** | (19,390) |
| Commissions (net of reinsurance) | **(18,032)** | (18,284) |
| Management expenses | **(117,429)** | (107,191) |
| Depreciation and amortisation of assets | **(7,066)** | (7,412) |
| Transfer to investment contracts | **-** | (26,477) |
| Transfer to revenue account | **(135,215)** | (111,941) |
| Life fund 31 December | **6,791,287** | 6,051,588 |

## 15. (a) INVESTMENT CONTRACT LIABILITIES

| | THE GROUP | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| At 1 January | **663,777** | 577,745 |
| Contributions | **83,751** | 65,524 |
| Withdrawals | **(30,708)** | (5,969) |
| Investment fair value adjustment | **58,056** | 26,477 |
| | **774,876** | 663,777 |

Following a change in the Private Pension Scheme Act effective from 1 January, 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 31 December 2017 and 2016 represent fair value of investments.

## 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 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 January | **(63,204)** | (57,404) | **16,329** | 15,644 |
| Over provision of deferred tax (note 20) | **8,514** | 3,592 | **1,870** | 10,218 |
| Deferred tax charge for the year (note 20) | **(10,185)** | (8,575) | **(3,324)** | (9,533) |
| Effect of exchange differences | **4,218** | (817) | **-** | - |
| **At 31 December** | **(60,657)** | (63,204) | **14,875** | 16,329 |

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 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Deferred tax liabilities | **(98,973)** | (94,916) | **-** | - |
| Deferred tax assets | **38,316** | 31,712 | **14,875** | 16,329 |
| | **(60,657)** | (63,204) | **14,875** | 16,329 |

Deferred tax assets and liabilities are attributable to the following:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| **Deferred tax liabilities** | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Deferred tax on client portfolio | **(19,725)** | (19,725) | **-** | - |
| Deferred tax on revalaution of investment property | **(73,372)** | (75,147) | **-** | - |
| Provisions | **(5,876)** | - | **-** | - |
| Difference between capital allowances and depreciation | **-** | (44) | **-** | - |
| | **(98,973)** | (94,916) | **-** | - |

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| **Deferred tax assets** | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Difference between capital allowances and depreciation | **13,069** | 17,750 | **8,989** | 11,413 |
| Provision for bad debts | **15,473** | 4,351 | **3,487** | 2,726 |
| Provision for impairment of loan receivables | **712** | 696 | **712** | 696 |
| Retirement benefit obligations | **1,687** | 1,494 | **1,687** | 1,494 |
| Tax losses carried forward | **7,375** | 7,421 | **-** | - |
| | **38,316** | 31,712 | **14,875** | 16,329 |
| | **(60,657)** | (63,204) | **14,875** | 16,329 |

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 1.093M (2016: Rs 772M) to carry forward against future taxable income. Out of the Rs 1.093M, Rs 45M has been recognised as deferred assets. 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 | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| Funded obligation (note a) | **8,331** | 5,901 |
| Unfunded obligation (note b) | **3,430** | 2,887 |
| | **11,761** | 8,788 |

(a) Funded obligation

**The amounts recognised in the statements of financial position in respect of funded obligation are as follows:**

| | THE GROUP AND COMPANY | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| Defined benefit of funded obligation | **10,881** | 8,197 |
| Fair value of plan assets | **(2,550)** | (2,296) |
| Benefit liability | **8,331** | 5,901 |

**(i) Movement of defined benefit of funded obligations:**

| | THE GROUP AND COMPANY | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| At 1 January | **8,197** | 7,516 |
| Benefits paid | **-** | (104) |
| ***Amount recognised in profit or loss:*** | | |
| Interest cost | **574** | 560 |
| ***Amount recognised in other comprehensive income:*** | | |
| Actuarial changes arising from changes in financial assumptions | **2,110** | 225 |
| **At 31 December** | **10,881** | 8,197 |

## 17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(a) Funded obligation (continued)

**(ii) Movement of fair value of plan assets:**

| | THE GROUP AND COMPANY | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| At 1 January | **2,296** | 2,677 |
| Benefits paid | **-** | (104) |
| ***Amount recognised in profit or loss:*** | | |
| Interest income | **161** | 197 |
| ***Amount recognised in other comprehensive income:*** | | |
| Actuarial changes arising from changes in financial assumptions | **93** | (474) |
| **At 31 December** | **2,550** | 2,296 |

**The main categories of plan assets are as follows:**

| | THE GROUP AND COMPANY | |
|---|---|---|
| | **2017** | 2016 |
| | **%** | % |
| Local equities | **46** | 46 |
| Local - Debt Maturity >=12 months | **34** | 34 |
| Local - Cash and Debt Maturity | **9** | 9 |
| Overseas equities | **11** | 11 |
| | **100** | 100 |

**The principal actuarial assumptions used for accounting purposes were:**

| | THE GROUP AND COMPANY | |
|---|---|---|
| | **2017** | 2016 |
| Discount rate | **5.6%** | 7.0% |
| Expected rate of return on plan assets | **5.6%** | 7.0% |
| 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** | |

* No increase in future salary as the pension plan is frozen.

## 17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(a) Funded obligation (continued)

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 |
| **2017** | | | | |
| **Impact on defined benefit obligation** | **(1,607)** | 2,031 | **1,345** | 1,145 |
| 2016 | | | | |
| Impact on defined benefit obligation | **(1,151)** | 1,422 | **946** | (810) |

| 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 |
| **2017** | **135** | (134) | **156** | (155) |
| 2016 | **84** | (84) | **100** | (100) |

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 (2016: 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 | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| Present value of unfunded obligation | **3,430** | 2,887 |

## 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 | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| At 1 January | **2,887** | 910 |
| ***Amount recognised in profit or loss:*** | | |
| Interest cost | **562** | 115 |
| ***Amount recognised in other comprehensive income:*** | | |
| Actuarial (gains)/losses* | **(131)** | 1,862 |
| Benefit paid | **-** | - |
| **At 31 December** | **3,318** | 2,887 |

**The principal actuarial assumptions used for accounting purposes were:**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Discount rate | **4.8%** | 5.3% | **4.8%** | 5.3% |
| Future salary increase | **4.0%** | 4.3% | **4.0%** | 4.3% |
| 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.

## 17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

| 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 |
| **2017** | | | | |
| **Impact on defined benefit obligation** | **(1,591)** | 2,653 | **N/A** | N/A |
| 2016 | | | | |
| Impact on defined benefit obligation | **(1,188)** | 2,073 | **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 |
| **2017** | | | | |
| **Impact on defined benefit obligation** | **249** | (244) | **98** | (99) |
| 2016 | | | | |
| Impact on defined benefit obligation | **223** | (202) | **79** | (80) |

## 18. BORROWINGS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| **Non-current** | **2017** | 2016 | **2017** | 2016 |
| | **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 |
| 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 30 May 2016. The preference share shall be redeemed on the deferred 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 22 January 2015. The maturity date is 24 September 2024. Interest rate until 23 September 2019 has been determined at weighted average of Repo +1.85% pa and from 24 September 2019 to 23 September 2024, will be weighted average of Repo rate +2.10% pa.

## 19. TRADE AND OTHER PAYABLES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Loans repaid in advance | 12,383 | 1,201 | 1,498 | 1,201 |
| Premiums prepaid | 39,976 | 25,913 | 22,735 | 25,913 |
| Amounts due to reinsurers | 209,016 | 162,063 | 71,703 | 30,454 |
| Commission payables | 92,568 | 66,427 | 61,744 | 54,594 |
| Accruals | 75,789 | 67,069 | 50,091 | 44,318 |
| Stale cheques | 36,229 | 32,361 | 2,007 | 1,614 |
| FSC charges | 13,273 | 13,741 | 2,060 | 1,879 |
| VAT payable | 6,516 | 774 | 1,130 | 662 |
| Interest payable | 7,080 | 18,107 | 7,081 | 7,348 |
| Cash held guarantee | 6,247 | 4,776 | - | - |
| Salaries & wages payable | 3,766 | 4,824 | - | - |
| Payables to suppliers | 3,813 | 9,715 | - | - |
| Payables to garages and clients | 28,974 | 33,333 | - | - |
| Rent security deposit and advances | 8,587 | 22,157 | - | - |
| Client monies | 37,010 | 29,531 | - | - |
| Other payables | 67,176 | 69,012 | - | - |
| | 648,403 | 561,004 | 220,049 | 167,983 |

The carrying amounts of trade and other payables approximate their fair values and are repayable within one year.

Trade and other payables are non-interest bearing and are repayable within one year.

## 20. TAX CHARGE

(a) In the statements of profit or loss

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Income tax provision at applicable rate | **53,083** | 41,688 | **16,159** | 12,398 |
| CSR tax | **2,498** | 1,888 | **2,155** | 1,653 |
| Tax withheld on dividend received | **1,301** | 1,561 | **-** | - |
| Under/(over) provision of income tax | **2,554** | (2,255) | **(945)** | (1,569) |
| (Over)/Under provision of deferred tax | **(8,514)** | (3,592) | **(1,870)** | (10,218) |
| Deferred tax charge (Note 16) | **10,185** | 8,575 | **3,324** | 9,533 |
| Foreign tax credit | **-** | - | **-** | - |
| Tax charge for the year | **61,107** | 47,865 | **18,823** | 11,797 |

(b) In the statements of financial position

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 1 January, | **(7,731)** | (16,353) | **12,242** | 1,569 |
| Payment | **(45,858)** | (28,760) | **(19,968)** | (1,809) |
| Tax withheld | **(1,301)** | (4,614) | **-** | - |
| Under/(over) provision of income tax | **2,554** | (2,255) | **(945)** | (1,569) |
| Income tax expenses | **53,083** | 41,688 | **16,159** | 12,398 |
| CSR tax | **2,498** | 1,888 | **2,155** | 1,653 |
| Exchange differences | **(6,381)** | 675 | **-** | - |
| | **(3,136)** | (7,731) | **9,643** | 12,242 |

## 20. TAX CHARGE (CONTINUED)

(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 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Profit before taxation | **382,743** | 167,423 | **165,297** | 68,717 |
| Tax thereon at applicable rate* | **64,484** | 54,700 | **24,795** | 10,308 |
| Corporate Social Responsibility at the rate of 2% | **3,634** | 2,932 | **3,306** | 1,374 |
| | **68,118** | 57,632 | **28,101** | 11,681 |
| ***Tax effect of :*** | | | | |
| Income not subject to tax | **(5,401)** | (9,753) | **-** | - |
| Expenses not deductible for tax purposes | **1,975** | 80,164 | **1,342** | 15,419 |
| Income exempt for tax | **(15,181)** | (95,457) | **(5,218)** | (3,516) |
| Non taxable income | **(2,587)** | - | **(2,587)** | - |
| Deferred tax assets not recognised | **18,842** | 19,565 | **-** | - |
| (Over)/under provision of deferred tax in prior years | **(8,514)** | (3,592) | **(1,870)** | (10,218) |
| Under/(over) provision of income tax | **2,554** | (2,255) | **(945)** | (1,569) |
| Tax withheld on dividend received | **1,301** | 1,561 | **-** | - |
| | **61,107** | 47,865 | **18,823** | 11,797 |

* 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 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Non Life insurance | **3,140,200** | 2,933,324 | **2,192,673** | 1,905,218 |
| Life insurance | **876,773** | 778,789 | **-** | - |
| Change in unearned premiums provision | **(121,815)** | (60,220) | **(104,571)** | (5,500) |
| | **3,895,158** | 3,651,893 | **2,088,102** | 1,899,718 |

## 21. NET EARNED PREMIUMS (CONTINUED)

(b) Premium ceded to reinsurers is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Non Life insurance | **(959,871)** | (891,920) | **(531,313)** | (373,972) |
| Life insurance | **(94,652)** | (73,250) | **-** | - |
| Change in unearned premiums provision | **75,875** | 31,913 | **69,773** | (6,660) |
| | **(978,648)** | (933,257) | **(461,540)** | (380,632) |
| Net earned premiums | **2,916,510** | 2,718,636 | **1,626,562** | 1,519,086 |

## 22. FEES AND COMMISSION INCOME

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Reinsurance commission | **215,908** | 233,302 | **82,842** | 91,858 |
| Policy fees | **17,713** | 17,129 | **17,489** | 17,129 |
| Other fees | **510** | 446 | **510** | 446 |
| | **234,131** | 250,877 | **100,841** | 109,433 |

## 23. INVESTMENT INCOME

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Rental income from investment property | **12,551** | 10,674 | **-** | - |
| Dividend income | **87,948** | 94,438 | **31,264** | 21,283 |
| Interest on loans and financial assets | **459,465** | 416,675 | **70,134** | 58,777 |
| Interest on bank accounts | **21,648** | 33,343 | **2,267** | 2,081 |
| | **581,612** | 555,130 | **103,665** | 82,141 |

## 24. REALISED GAINS/(LOSSES)

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **Property and equipment** | | | | |
| Gain on disposal | **1,284** | 3,725 | **1,030** | 2,408 |
| Write off of property and equipment | **-** | (750) | **-** | (750) |
| Write off of intangible asset | **-** | (22) | **-** | (8) |
| **Financial assets** | | | | |
| Realised (loss)/gains | **(141)** | 401 | **-** | - |
| | **1,143** | 3,354 | **1,030** | 1,650 |

## 25. UNREALISED (LOSSES)/GAINS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Gain/(loss) on fair value through profit or loss (note 10(b)) | **427,619** | 14,707 | **15,178** | 15,189 |
| | **427,619** | 14,707 | **15,178** | 15,189 |

## 26. OTHER OPERATING INCOME

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Brokerage fees | **6,796** | 8,261 | **-** | - |
| Administration fees | **40,301** | 26,811 | **-** | - |
| Management fees | **7,379** | 7,066 | **-** | - |
| Exchange gains | **12,434** | 20,015 | **-** | 4,486 |
| Adjustment to purchase price consideration | **-** | 2,704 | **-** | 2,704 |
| Rental of GIIS | **1,311** | 1,450 | **1,311** | 1,450 |
| Actuarial fee | **5,697** | 3,542 | **-** | - |
| Stale cheques | **1,220** | 1,783 | **1,220** | 1,783 |
| Loan fees | **1,187** | 1,086 | **1,187** | 1,086 |
| Other income | **13,887** | 12,239 | **374** | 614 |
| | **90,212** | 84,957 | **4,092** | 12,123 |

## 27. COMMISSION AND BROKERAGE FEES PAID

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Commission paid | **489,140** | 414,615 | **313,874** | 261,101 |
| Other charges | **5,064** | 3,048 | **5,064** | 3,048 |
| | **494,204** | 417,663 | **318,938** | 264,149 |

## 28. OTHER OPERATING AND ADMINSTRATIVE EXPENSES

| | Notes | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Exchange loss | | 8,268 | 1,084 | 1,941 | - |
| Management expenses | | 821,431 | 788,223 | 347,135 | 323,780 |
| Depreciation | 5 | 33,353 | 40,129 | 17,865 | 22,890 |
| Impairment on investment properties | 6 | - | 22,621 | - | - |
| Amortisation | 7 | 34,149 | 34,204 | 18,171 | 17,978 |
| | | 897,201 | 886,261 | 385,112 | 364,648 |

## 29. FINANCE COSTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Interest expense: | | | | |
| - Notional interest on interest free loan | - | 860 | - | 860 |
| - Dividend on redeemable preference shares | 6,000 | 7,250 | 6,000 | 7,250 |
| - Interest on subordinated bonds | 11,387 | 13,073 | 11,387 | 13,073 |
| - Interest on bank overdraft | 827 | 108 | - | - |
| | 18,214 | 21,291 | 17,387 | 21,183 |

## 30. PROFIT BEFORE TAX

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| The profit before tax has been arrived at | | | | |
| **After crediting:** | | | | |
| Investment income | | | | |
| - Dividend income | 87,948 | 94,438 | 31,264 | 21,283 |
| - Interest on financial assets and loans | 481,113 | 450,018 | 72,401 | 60,858 |
| (Loss)/Profit on disposal of financial assets (note 24) | (141) | 401 | - | - |
| Gain on sale of property and equipment | 1,284 | 3,725 | 1,030 | 2,408 |
| **And charging:** | | | | |
| Auditors' fees | 7,006 | 9,853 | 1,727 | 1,577 |
| Employee benefit expenses (note 31) | 441,835 | 391,894 | 208,121 | 193,819 |
| Depreciation on property and equipment (note 5) | 33,353 | 40,129 | 17,865 | 22,890 |
| Amortisation of intangible assets (note 7) | 34,149 | 34,204 | 18,171 | 17,978 |

## 31. EMPLOYEE BENEFIT EXPENSES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Wages and salaries | **375,508** | 333,678 | **177,595** | 163,779 |
| Social Security costs | **9,990** | 9,199 | **7,355** | 6,935 |
| - Defined contributions | **26,015** | 18,184 | **13,734** | 12,060 |
| - Defined benefits | **2,006** | 2,103 | **-** | - |
| Other costs | **28,316** | 28,730 | **9,437** | 11,045 |
| Total | **441,835** | 391,894 | **208,121** | 193,819 |

## 32. DIVIDENDS PAID

| | THE GROUP AND COMPANY | |
|---|---|---|
| | **2017** | 2016 |
| **Paid** | | |
| Interim ordinary dividend | **33,817** | 33,817 |
| Final ordinary dividend | **82,966** | 78,908 |
| | **116,783** | 112,725 |

Dividend per share: Interim Rs 0.75 (2016: Rs 0.75).
Dividend per share: Final Rs 1.84 (2016: Rs 1.75).

## 33. 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).

| | Fair value as at | | Fair Value Hierarchy | |
|---|---|---|---|---|
| **THE GROUP** | **31 December 2017** | 31 December 2016 | | |
| Assets / Liabilities | **Rs'000** | Rs'000 | **2017** | 2016 |
| **Investment properties:** | | | | |
| Land | **79,000** | 79,000 | Level 2 | Level 2 |
| Building | **393,902** | 418,184 | Level 2 | Level 2 |
| **Property and equipment:** | | | | |
| Land | **40,000** | 40,000 | Level 2 | Level 2 |
| Building | **217,957** | 188,371 | Level 2 | Level 2 |
| **Financial assets at fair value through other comprehensive income:** | | | | |
| *Quoted securities:* | | | | |
| Banks and Insurance | **125,706** | 102,704 | Level 1 | Level 1 |
| Commerce | **2,452** | 1,656 | Level 1 | Level 1 |
| Industry | **-** | - | Level 1 | Level 1 |
| Investments | **58,306** | 53,939 | Level 1 | Level 1 |
| Leisure and Hotels | **98,472** | 75,204 | Level 1 | Level 1 |
| Sugar | **-** | - | Level 1 | Level 1 |
| Others | **66,317** | 121,234 | Level 1 | Level 1 |
| *Unquoted securities:* | | | | |
| **Foreign Equities** | **25,673** | 25,121 | Level 3 | Level 3 |
| Commerce | **69** | 86 | Level 3 | Level 3 |
| Others | **23,693** | 26,229 | Level 3 | Level 3 |
| *Open Ended Mutual Funds:* | | | | |
| Local | **60,801** | 53,866 | Level 2 | Level 2 |

| | Fair value as at | | |
|---|---|---|---|
| **Type** | **31 December 2017** | 31 December 2016 | Valuation Approach |
| | **Rs'000** | Rs'000 | |
| Foreign equities - Leisure and hotels | **14,248** | 13,080 | Comparable EV/EBITDA |
| Foreign equities - Leisure and hotels | **11,425** | 12,041 | Dividend discount model |
| Commerce and others | **23,762** | 26,315 | Net Assets Value |

| Valuation technique(s) and key input(s) | | Significant unobservable input(s) | | Relationship of unobservable inputs to fair value | |
|---|---|---|---|---|---|
| 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Sales comparison approach and selling price | | N/A | N/A | N/A | N/A |
| Sales comparison approach and selling price | | N/A | N/A | N/A | N/A |
| Sales comparison approach and selling price | | N/A | N/A | N/A | N/A |
| Sales comparison approach and selling price | | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| See disclosure for Level 3 below -refer to note (i) | | | | | |
| Net Assets Value | Net Assets Value | N/A | N/A | N/A | N/A |

| Key unobservable inputs | Range of unobservable inputs (probability – weighted average) | Relationship of unobservable inputs to fair value |
|---|---|---|
| Discount due to lack of marketability | 20% - 40% | An 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 0.7M (2016: Rs 1.3M) in fair value. |
| Discount due to lack of marketability | 10% - 20% | An 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 0.5M (2016: Rs 0.51M) in fair value. |
| Discount due to lack of marketability | 20% - 30% | An 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 0.99M (2016: Rs1.1M) in fair value. |

## 33. FAIR VALUE MEASUREMENTS (CONTINUED)

| THE GROUP<br>Assets /Liabilities | Fair value as at<br>31 December 2017<br>Rs'000 | 31 December 2016<br>Rs'000 | Fair Value Hierarchy<br>2017 | 2016 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss:** | | | | |
| *Quoted securities:* | | | | |
| Banks and Insurance | **1,231,006** | 1,057,133 | Level 1 | Level 1 |
| Commerce | **85,713** | 148,920 | Level 1 | Level 1 |
| Industry | **53,031** | 42,514 | Level 1 | Level 1 |
| Investments | **782,731** | 276,918 | Level 1 | Level 1 |
| Leisure and Hotels | **213,695** | 273,559 | Level 1 | Level 1 |
| Sugar | **81,873** | 314,345 | Level 1 | Level 1 |
| Others | **63,988** | 59,727 | Level 1 | Level 1 |
| *Unquoted securities:* | | | | |
| Investment | **69,832** | 67,498 | Level 3 | Level 3 |
| Leisure and Hotels | **7,222** | 7,222 | Level 3 | Level 3 |
| Open Ended Mutual Funds: | | | | |
| Local | **30,060** | 127,567 | Level 2 | Level 2 |
| Foreign | **454,545** | 106,369 | Level 2 | Level 2 |
| Local corporate debt | **209,036** | 193,507 | Level 2 | Level 2 |
| Investment contract liabilities (a) | **774,876** | 663,777 | Level 1 | Level 1 |

(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<br>31 December 2017<br>Rs'000 | 31 December 2016<br>Rs'000 | Valuation Approach |
|---|---|---|---|
| Foreign equities - Leisure and hotels | **7,222** | 7,222 | Comparable EV/EBITDA |
| Foreign equities: Investment | **69,832** | 67,498 | NAV |

(a) Investment contract liabilities has been classified as level 1 as they are directly linked to listed equity prices.

| THE COMPANY<br>Assets /Liabilities | Fair value as at<br>31 December 2017<br>Rs'000 | 31 December 2016<br>Rs'000 | Fair Value Hierarchy<br>2017 | 2016 |
|---|---|---|---|---|
| **Investment properties:** | | | | |
| Land | **75,000** | 75,000 | Level 2 | Level 2 |
| Building | **4,000** | 4,000 | Level 2 | Level 2 |
| **Property and equipment:** | | | | |
| Land | **40,000** | 40,000 | Level 2 | Level 2 |
| Building | **143,500** | 143,500 | Level 2 | Level 2 |

| Valuation technique(s) and key input(s) 2017 | Valuation technique(s) and key input(s) 2016 | Significant unobservable input(s) 2017 | Significant unobservable input(s) 2016 | Relationship of unobservable inputs to fair value 2017 | Relationship of unobservable inputs to fair value 2016 |
|---|---|---|---|---|---|
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| See disclosure below for Level 3 - refer to Note (i) | | | | | |
| Net Assets Value | Net Assets Value | N/A | N/A | N/A | N/A |
| Net Assets Value | Net Assets Value | N/A | N/A | N/A | N/A |
| Net Assets Value | Net Assets Value | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |

| Key unobservable inputs | Range of unobservable inputs (probability – weighted average) | Relationship of unobservable inputs to fair value |
|---|---|---|
| Discount due to lack of marketability | 20% - 30% | An increase/decrease in discount factor will lead to a decrease/increase of Rs 0.372M (2016: Rs 0.0371M) in fair value. |
| FV of underlying property | 5% | An increase/decrease in FV of property will lead to an increase/decrease of Rs 3.5M (2016: Rs 3.3M) in fair value. |

| Valuation technique(s) and key input(s) 2017 | Valuation technique(s) and key input(s) 2016 | Significant unobservable input(s) 2017 | Significant unobservable input(s) 2016 | Relationship of unobservable inputs to fair value 2017 | Relationship of unobservable inputs to fair value 2016 |
|---|---|---|---|---|---|
| Sales comparison approach and selling price | | N/A | N/A | N/A | N/A |
| Sales comparison approach and selling price | | N/A | N/A | N/A | N/A |
| Sales comparison approach and selling price | | N/A | N/A | N/A | N/A |
| Sales comparison approach and selling price | | N/A | N/A | N/A | N/A |

## 33. FAIR VALUE MEASUREMENTS (CONTINUED)

| | Fair value as at | | | |
|---|---|---|---|---|
| **THE COMPANY** | **31 December 2017** | 31 December 2016 | Fair Value Hierarchy | |
| Assets / Liabilities | **Rs'000** | Rs'000 | **2017** | 2016 |
| **Financial assets at fair value through other comprehensive income:** | | | | |
| *Quoted securities:* | | | | |
| Banks and Insurance | **114,600** | 93,541 | Level 1 | Level 1 |
| Commerce | **2,452** | 1,656 | Level 1 | Level 1 |
| Investments | **58,306** | 53,939 | Level 1 | Level 1 |
| Leisure and Hotels | **98,472** | 75,204 | Level 1 | Level 1 |
| Sugar | **-** | - | Level 1 | Level 1 |
| Others | **51,657** | 47,291 | Level 1 | Level 1 |
| *Unquoted securities:* | | | | |
| Foreign Equities | **25,673** | 25,121 | Level 3 | Level 3 |
| Commerce | **69** | 86 | Level 3 | Level 3 |
| Others | **583** | 1,175 | Level 3 | Level 3 |
| Open Ended Mutual Funds: | | | | |
| Local | **58,339** | 51,670 | Level 2 | Level 2 |
| **Financial assets at fair value through profit or loss:** | | | | |
| Local corporate debt | **209,036** | 193,507 | Level 2 | Level 2 |

(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.

| | Fair value as at | | |
|---|---|---|---|
| **Type** | **31 December 2017** | 31 December 2016 | Valuation Approach |
| | **Rs'000** | Rs'000 | |
| Foreign equities - Leisure and hotels | **14,248** | 13,080 | Comparable EV/EBITDA |
| Foreign equities - Leisure and hotels | **11,425** | 12,041 | Dividend discount model |
| Commerce and others | **652** | 1,261 | Net Assets Value |

(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.

| Valuation technique(s) and key input(s) | | Significant unobservable input(s) | | Relationship of unobservable inputs to fair value | |
|---|---|---|---|---|---|
| 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| | | See disclosure in Note (i) | | | |
| Net Assets Value | Net Assets Value | N/A | N/A | N/A | N/A |
| Net Assets Value | Net Assets Value | N/A | N/A | N/A | N/A |

| Key unobservable inputs | Range of unobservable inputs (probability – weighted average) | Relationship of unobservable inputs to fair value |
|---|---|---|
| Discount due to lack of marketability | 20% - 40% | An 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 0.7M (2016: Rs 1.3M) in fair value. |
| Discount due to lack of marketability | 10% -20% | An 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 0.5M (2016: Rs 0.51) in fair value. |
| Discount due to lack of marketability | 20% - 30% | An 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 0.021M (2016: Rs 0.042) in fair value. |

## 33. FAIR VALUE MEASUREMENTS (CONTINUED)

| THE GROUP | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **Loans and receivables:** | | | | |
| Mortgage Loans | **447,429** | 550,073 | **466,091** | 508,335 |
| Loans on Life policies | **16,185** | 16,467 | **17,811** | 17,337 |
| Secured Loans | **350,182** | 235,924 | **370,387** | 292,125 |
| Unsecured Loans | **2,696** | 3,954 | **2,807** | 3,953 |
| CDS guarantee fund | **3,034** | 3,683 | **2,751** | 3,788 |
| **Financial assets at amortised cost:** | | | | |
| Deposits and corporate bonds | **1,004,016** | 522,200 | **198,091** | 520,200 |
| Government loan stocks | **4,682,413** | 4,635,389 | **4,734,681** | 4,247,030 |
| **Financial liabilities:** | | | | |
| Preference share capital | **100,000** | 100,000 | **122,455** | 118,386 |
| Subordinate bonds | **200,000** | 200,000 | **202,935** | 204,814 |

| THE COMPANY | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **Loans and receivables:** | | | | |
| Mortgage Loans | **3,017** | 2,983 | **3,177** | 3,142 |
| Secured Loans | **276,998** | 234,161 | **291,743** | 242,195 |
| Unsecured Loans | **2,696** | 3,089 | **2,807** | 3,088 |
| CDS guarantee fund | **-** | 335 | **-** | 338 |
| **Financial assets at amortised cost:** | | | | |
| Deposits and corporate bonds | **230,450** | 260,200 | **198,091** | 260,200 |
| Government loan stocks | **389,288** | 360,973 | **408,994** | 361,840 |
| **Financial liabilities:** | | | | |
| Preference share capital | **100,000** | 100,000 | **122,455** | 118,386 |
| Subordinate bonds | **200,000** | 200,000 | **202,935** | 204,814 |
| Interest free loan | **-** | - | **-** | - |

## 33. FAIR VALUE MEASUREMENTS (CONTINUED)

| THE GROUP | Fair value hierarchy as at 31 December 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Loans and receivables:** | | | | |
| Mortgage Loans | - | 466,091 | - | 466,091 |
| Loans on Life policies | - | 17,811 | - | 17,811 |
| Secured Loans | - | 370,387 | - | 370,387 |
| Unsecured Loans | - | 2,807 | - | 2,807 |
| CDS guarantee fund | - | 2,751 | - | 2,751 |
| **Financial assets 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 |

| THE GROUP | Fair value hierarchy as at 31 December 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Loans and receivables:** | | | | |
| Mortgage Loans | - | 508,335 | - | 508,335 |
| Loans on Life policies | - | 17,337 | - | 17,337 |
| Secured Loans | - | 292,125 | - | 292,125 |
| Unsecured Loans | - | 3,953 | - | 3,953 |
| CDS guarantee fund | - | 3,788 | - | 3,788 |
| **Financial assets at amortised cost:** | | | | |
| Deposits and corporate bonds | - | 520,200 | - | 520,200 |
| Government loan stocks | - | 4,247,030 | - | 4,247,030 |
| **Financial liabilities:** | | | | |
| Preference share capital | - | 118,386 | - | 118,386 |
| Subordinate bonds | 204,814 | - | - | 204,814 |

## 33. FAIR VALUE MEASUREMENTS (CONTINUED)

| | Fair value hierarchy as at 31 December 2017 | | | |
|---|---|---|---|---|
| **THE COMPANY** | Level 1 | Level 2 | Level 3 | Total |
| **Loans and receivables:** | | | | |
| Mortgage Loans | - | 3,177 | - | 3,177 |
| Secured Loans | - | 291,743 | - | 291,743 |
| Unsecured Loans | - | 2,807 | - | 2,807 |
| CDS guarantee fund | - | - | - | - |
| **Financial assets 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 |

| | Fair value hierarchy as at 31 December 2016 | | | |
|---|---|---|---|---|
| **THE COMPANY** | Level 1 | Level 2 | Level 3 | Total |
| **Loans and receivables:** | | | | |
| Mortgage Loans | - | 3,142 | - | 3,142 |
| Secured Loans | - | 242,195 | - | 242,195 |
| Unsecured Loans | - | 3,088 | - | 3,088 |
| CDS guarantee fund | - | 338 | - | 338 |
| **Financial assets at amortised cost:** | | | | |
| Deposits and corporate bonds | - | 260,200 | - | 260,200 |
| Government loan stocks | - | 361,840 | - | 361,840 |
| **Financial liabilities:** | | | | |
| Preference share capital | - | 118,386 | - | 118,386 |
| Subordinate bonds | 204,814 | - | - | 204,814 |

The valuation technique used to fair value the above instruments is discounted cash flow with observable yield for similar instruments.

## 33. 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.

| | 2017 THE GROUP | | | 2016 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 1 January | **74,720** | **51,436** | **126,156** | 74,229 | 54,460 | 128,689 |
| Unrealised gains | **2,334** | **(2,054)** | **280** | - | - | - |
| Total gains in other comprehensive income | **-** | **63** | **63** | 491 | (3,024) | (2,533) |
| Purchases | **-** | **-** | **-** | - | - | - |
| At 31 December | **77,054** | **49,445** | **126,499** | 74,720 | 51,436 | 126,156 |

| | 2017 THE COMPANY | | | 2016 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 1 January | **-** | **26,382** | **26,382** | - | 29,436 | 29,436 |
| Total (loss)/ gains in other comprehensive income | **-** | **(57)** | **(57)** | - | (3,054) | (3,054) |
| At 31 December | **-** | **26,325** | **26,325** | - | 26,382 | 26,382 |

## 34. 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**

| **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/(loss) 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.

### 34. SEGMENT INFORMATION (CONTINUED)

| | THE GROUP | | | | | | |
|---|---|---|---|---|---|---|---|
| **2016** | 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 | 1,717,775 | 295,323 | 2,013,098 | 705,538 | - | - | 2,718,636 |
| Fee and commission income | 83,440 | 144,500 | 227,940 | 22,937 | - | - | 250,877 |
| Brokerage fees | - | - | - | - | 8,261 | - | 8,261 |
| Share of profit from joint venture | - | 603 | 603 | - | - | - | 603 |
| Investment and other income | 158,500 | 66,321 | 224,821 | 398,442 | 40,725 | (12,072) | 651,916 |
| Segment income | 1,959,715 | 506,747 | 2,466,462 | 1,126,917 | 48,986 | (12,072) | 3,630,293 |
| **Expenses** | | | | | | | |
| Gross claims and benefits | 1,140,551 | 286,411 | 1,426,962 | 537,721 | - | - | 1,964,683 |
| Claims recovered from Reinsurers | (114,474) | (187,820) | (302,294) | (40,496) | - | - | (342,790) |
| Movement in outstanding claims | 112,725 | 605 | 113,330 | 361,833 | - | - | 475,163 |
| Commission and brokerage fee paid | 238,183 | 138,261 | 376,444 | 41,219 | - | - | 417,663 |
| Management expenses | 538,562 | 134,486 | 673,048 | 107,285 | 35,284 | (1,660) | 813,957 |
| Finance costs | 17,660 | 3,523 | 21,183 | - | 108 | - | 21,291 |
| Depreciation | 28,647 | 6,684 | 35,331 | 3,956 | 842 | - | 40,129 |
| Amortisation | 15,617 | 3,603 | 19,220 | 3,456 | 9 | 11,519 | 34,204 |
| Impairment of subsidiary | 32,155 | 6,415 | 38,570 | - | - | - | 38,570 |
| | 2,009,626 | 392,168 | 2,401,794 | 1,014,974 | 36,243 | 9,859 | 3,462,870 |
| Segment profit before tax | (49,911) | 114,579 | 64,668 | 111,943 | 12,743 | (21,931) | 167,423 |
| Profit before taxation | | | | | | | 167,423 |
| Taxation | | | | | | | (47,865) |
| **Profit for the year** | | | | | | | 119,558 |

* Amount represents that of The Mauritius Union Assurance Company Limited and its African Subsidiaries. It is made up of Casualty and Property businesses.

## 34. 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 |
| 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.

THE GROUP

| 2016 | 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 | 5,085,887 | 1,302,485 | 6,388,372 | 7,360,681 | 119,373 | (751,507) | 13,116,919 |
| Segment liabilities | 691,591 | 180,608 | 872,199 | 73,278 | 40,963 | 10,223 | 996,663 |
| **Technical liabilities** | | | | | | | |
| - Unearned premium reserve | | | | | | | 1,173,769 |
| - Life assurance fund | | | | | | | 6,051,588 |
| - Investment contract liabilities | | | | | | | 663,777 |
| - Outstanding claims | | | | | | | 1,424,563 |
| Total equity | | | | | | | 2,806,559 |
| **Capital expenditure** | | | | | | | |
| Property, plant and equipment | 26,159 | 7,056 | 33,215 | 1,344 | 577 | - | 35,136 |
| Intangible assets | 2,798 | 572 | 3,370 | 1,574 | - | - | 4,944 |

* Amount represents that of The Mauritius Union Assurance Company Limited and its African Subsidiaries.
It is made up of Casualty and Property businesses.

## 34. SEGMENT INFORMATION (CONTINUED)

| GEOGRAPHIC INFORMATION | Income from external customers | | Non current assets | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Mauritius | **3,554,673** | 2,926,617 | **10,095,760** | 8,709,262 |
| Kenya | **149,608** | 136,595 | **215,304** | 312,900 |
| Tanzania | **217,508** | 236,867 | **291,521** | 332,349 |
| Uganda | **127,891** | 146,969 | **40,570** | 28,631 |
| Rwanda | **201,547** | 180,613 | **53,463** | 34,638 |
| | **4,251,227** | 3,627,661 | **10,696,618** | 9,417,780 |

## 35. 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 9,338,595 (2016: Rs 607,000). 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.

## 36. COMMITMENTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| **Outstanding financial commitments:** | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Loans approved by the Board of Directors but not yet disbursed | **23,077** | 62,140 | **11,124** | 43,530 |

## 37. BASIC AND DILUTED EARNINGS PER SHARE

| | THE GROUP | |
|---|---|---|
| | **2017** | 2016 |
| 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 | **281,886** | 158,606 |
| Weighted average number of ordinary shares ranking for dividend | **45,090,000** | 45,090,000 |
| Earnings per share - Basic and diluted | **6.25** | 3.52 |

## 38. NOTES TO CASH FLOW STATEMENTS

| (a) Cash generated from operations | Notes | THE GROUP 2017 | THE GROUP 2016 | THE COMPANY 2017 | THE COMPANY 2016 |
|---|---|---|---|---|---|
| | | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Profit before taxation | | **382,743** | 167,423 | **165,297** | 68,717 |
| Increase in financial assets at fair value through profit or loss | 10(b) | **(427,619)** | (14,887) | **(15,178)** | (15,189) |
| Increase in fair value of investment properties | 6 | **-** | - | **-** | - |
| Impairment of subsidiary | 8(a) | **-** | - | **-** | 104,129 |
| Impairment of goodwill | 39 | **-** | 38,570 | **-** | - |
| Impairment of investment properties | 6 | **-** | 22,621 | **-** | - |
| Assets written off | 5/7 | **-** | 772 | **-** | 758 |
| Foreign exchange (gains)/losses | 26/28 | **(4,166)** | (20,015) | **1,941** | (4,486) |
| Provision for retirement benefit obligations | | **975** | 478 | **975** | 478 |
| Provision for credit impairment (net) | 11/12 | **(1,273)** | (2,232) | **4,561** | 1,690 |
| Loans and receivables written off | 11 | **26** | 1,933 | **7** | 1,223 |
| Dividend income | 23 | **(87,948)** | (94,438) | **(31,264)** | (21,283) |
| Interest income | 23 | **(481,113)** | (450,018) | **(72,401)** | (60,858) |
| Interest expense | 29 | **18,214** | 21,291 | **17,387** | 21,183 |
| Depreciation of property and equipment | 5 | **33,353** | 40,129 | **17,865** | 22,890 |
| Amortisation of intangible assets | 7 | **34,149** | 34,204 | **18,171** | 17,978 |
| Amortisation of financial assets | 10(c) | **(9,231)** | (11,508) | **1,066** | 925 |
| Profit on sale of property and equipment | 24 | **(1,284)** | (3,725) | **(1,030)** | (2,408) |
| Loss/(profit) on disposal of financial assets | 24 | **141** | (401) | **-** | - |
| Share of profit from Joint Venture | 9 | **(2,614)** | (603) | **-** | - |
| | | **(545,647)** | (270,406) | **107,397** | 135,747 |
| Change in unearned premium | | **45,940** | 28,307 | **34,798** | 12,160 |
| Change in insurance and other receivables | | **44,922** | (197,217) | **(63,948)** | (13,914) |
| Net change in deferred acquisition costs | | **10,486** | 4,943 | **819** | (4,171) |
| Change in outstanding claims | | **792,210** | 475,164 | **30,059** | 27,305 |
| Change in trade and other payables | | **56,506** | 27,135 | **54,960** | (15,891) |
| Net cash generated from operations (refer to page 99) | | **404,417** | 67,926 | **164,085** | 141,236 |

| (b) Cash and short term deposits<br>For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December: | THE GROUP 2017 | THE GROUP 2016 | THE COMPANY 2017 | THE COMPANY 2016 |
|---|---|---|---|---|
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Cash at banks and on hand | **277,990** | 163,673 | **144,345** | 80,528 |
| Short-term deposits | **348,000** | 398,000 | **15,000** | 41,000 |
| | **625,990** | 561,673 | **159,345** | 121,528 |

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.

## 39. 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 shown below:

| | La Prudence Mauricienne Assurance Limitee (Life insurance) | National Mutual Fund Ltd (Management services ) | The MauritiusUnion Assurance Company limited (non life insurance) | Phoenix of East Africa Assurance Company Limited (non life insurance) | Phoenix of Uganda Assurance Company Limited (non life insurance) | Phoenix of Tanzania Assurance Company Limited (non life insurance) | 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 | 38,570 | 28,543 | 48,725 | 23,438 | 345,441 |
| Client porfolio | 95,996 | - | 145,087 | - | 17,286 | 23,577 | 9,210 | 291,156 |
| | 147,193 | 21,780 | 278,275 | 38,570 | 45,829 | 72,302 | 32,648 | 636,597 |
| Impairment | - | - | - | (38,570) | - | - | - | (38,570) |
| | **147,193** | **21,780** | **278,275** | **-** | **45,829** | **72,302** | **32,648** | **598,027** |

The recoverable amounts of the cash generating units are determined on the basis of value in use calculations. At 31 December 2017, 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% (2016: 7%).
- Risk-adjusted discount rates used for calculation of embedded value are calculated using a risk margin of 4% (2016: 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% (2016: 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% (2016: 8.75%) is used to discount expected profits from future new business.

## 39. GOODWILL (CONTINUED)

**Investment Management serivces 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% (2016:10%) is used. The applied long-term growth rate is 5% (2016: 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% (2016: 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% (2016: 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 | La Prudence Mauricienne Assurance Limitee (Life insurance) | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| Discount factor +1% | **(57,820)** | (31,925) |
| Discount factor -1% | **63,361** | 34,905 |
| Growth rate +1% | **64,739** | 36,235 |
| Growth rate -1% | **(60,180)** | (33,717) |

| Life insurance CGU | National Mutual Fund Ltd (Management services) | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs'000** | Rs'000 |
| Discount factor +1% | **(10,046)** | (3,803) |
| Discount factor -1% | **15,121** | 5,694 |
| Growth rate +1% | **7,072** | 544 |
| Growth rate -1% | **6,826** | (401) |

## 39. GOODWILL (CONTINUED)

| **2017**<br>**Non-Life insurance** | The Mauritius Union Assurance Cy. Ltd (non life insurance) | Phoenix of East Africa Assurance Company Limited (non life insurance) | Phoenix of Uganda Assurance Company Limited (non life insurance) | Phoenix of Tanzania Assurance Company Limited (non life insurance) | Phoenix of Rwanda Assurance Company Limited (non life insurance) |
|---|---|---|---|---|---|
| | 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)** |

| 2016<br>**Non-Life insurance** | The Mauritius Union Assurance Cy. Ltd (non life insurance) | Phoenix of East Africa Assurance Company Limited (non life insurance) | Phoenix of Uganda Assurance Company Limited (non life insurance) | Phoenix of Tanzania Assurance Company Limited (non life insurance) | Phoenix of Rwanda Assurance Company Limited (non life insurance) |
|---|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Discount factor +1% | (386,312) | (9,163) | (12,759) | (16,275) | (6,894) |
| Discount factor -1% | 497,012 | 9,640 | 17,074 | 13,384 | 7,236 |
| Claim ratio +1% | (222,778) | (9,573) | (6,960) | (11,528) | (9,006) |
| Claim ratio -1% | 222,778 | 9,573 | 6,960 | 9,926 | 9,006 |
| Growth rate +1% | 211,010 | 10,140 | 13,118 | 12,820 | 5,404 |
| Growth rate -1% | (205,444) | (9,809) | (11,732) | (14,083) | 5,404 |

## 40. RELATED PARTY TRANSACTIONS

| | Relationship | THE GROUP 2017 Rs'000 | THE GROUP 2016 Rs'000 | THE COMPANY 2017 Rs'000 | THE COMPANY 2016 Rs'000 |
|---|---|---|---|---|---|
| **Loans granted to** | | | | | |
| Directors and key management personnel | | **4,970** | 12,871 | **4,270** | 352 |
| **Amount owed by** | | | | | |
| Directors and key management personnel | | **49,006** | 50,982 | **6,022** | 3,748 |
| **Receivables from:** | | | | | |
| NMF Property Trust | Sister company | **73** | 69 | - | - |
| NMF General Fund | Sister company | **648** | 609 | - | - |
| La Prudence Mauricienne Assurance Ltee | Subsidiary | - | - | - | 168 |
| Decadel Ltee | Subsidiary | - | - | **3,119** | 3,683 |
| Feber Associates Ltd | Subsidiary | - | - | **253** | 368 |
| National Mutual Fund | Subsidiary | - | - | - | 26 |
| PTHL | Subsidiary | - | - | **10,856** | 9,622 |
| **Payables to** | | | | | |
| La Prudence Mauricienne Assurance Ltee | Subsidiary | - | - | **3,809** | - |
| National Mutual Fund | Subsidiary | - | - | **14** | - |
| **Purchase of goods and services from** | | | | | |
| Subsidiary company | | **768** | 191 | **23** | 122 |
| Other related party - Accredited agent | | **23,204** | 19,647 | **23,204** | 19,647 |
| **Sale of services to** | | | | | |
| Directors and key management personnel | | **10,154** | 9,053 | **9,433** | 7,120 |
| **Income receivable from** | | | | | |
| Subsidiary companies | | - | - | **21,168** | 10,411 |
| **Remuneration of key management personnel** | | | | | |
| Salaries and short-term employee benefits | | **142,528** | 155,947 | **31,261** | 27,451 |
| Post-employments benefits | | **11,178** | 13,250 | **2,055** | 1,882 |

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% (2016: 7.5% to 13%).

## 41. OPERATING LEASE COMMITMENTS

**Group as lessee**

Future minimum lease payments under operating leases as at 31 December are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Within one year | **25,122** | 25,598 | **16,499** | 16,232 |
| After one year but not more than five years | **14,555** | 4,413 | **-** | - |
| | **39,677** | 30,011 | **16,499** | 16,232 |

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 | | THE COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Within one year | **18,545** | 18,049 | **-** | - |
| After one year but not more than five years | **-** | - | **-** | - |
| | **18,545** | 18,049 | **-** | - |

The Group has entered into operating leases on some of its investment properties. The leases are on a yearly basis and are renewable annually.

## 42. 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.

## 43. EVENTS AFTER THE REPORTING DATE

There have been no material events after the reporting date which would require disclosures or adjustments to the 31 December 2017 financial statements.

# NOTICE OF MEETING TO SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders of The Mauritius Union Assurance Cy. Ltd will be held at the Registered Office of the Company, 4 Léoville L'Homme Street, Port-Louis, Mauritius, on Friday 29 June 2018 at 10h00 to transact the following business:-

## AGENDA

1. To consider the Annual Report for the year ended 31 December 2017.
2. To receive the Auditor's report.
3. To consider and adopt the Annual Financial Statements for the year ended 31 December 2017.
4. To re-appoint under separate resolution the following persons as director of the Company:
   (a) Bertrand CASTERES
   (b) Bruno de FROBERVILLE
   (c) Mélanie FAUGIER
   (d) Dominique GALEA
   (e) Ashraf MUSBALLY
   (f) Mushtaq OOSMAN
5. In accordance with Section 138(6) of the Companies Act 2001 to re-appoint Mr Vincent AH CHUEN as director of the Company.
6. In accordance with Section 138(6) of the Companies Act 2001 to re-appoint Mr Alfred BOUCKAERT as director of the Company.
7. In accordance with Section 138(6) of the Companies Act 2001 to re-appoint Mr Angelo LETIMIER as director of the Company.
8. To appoint Mrs Catherine MCILRAITH as independent non-executive director of the Company. (please refer to Note (f) below)
9. To take note of the automatic reappointment of Messrs. Ernst & Young as auditors of the Company in compliance with Section 200 of the Companies Act 2001 and conformably with section 40(3) of the Insurance Act 2005, and to authorize the Board of Directors to fix their remuneration.
10. Shareholders' question time.

By order of the Board
**ECS Secretaries Ltd**
**per Marie-Anne Adam, ACIS**
Company Secretary
15 May 2018

## NOTES:

(a) A member of the Company, entitled to attend and vote at this Meeting, may appoint a proxy (whether a shareholder or not) to attend and vote on his behalf, or may cast his vote by post. If no specific direction as to voting is given, the proxy will exercise his/her discretion as to how he/she votes.

(b) Any power of attorney appointing a proxy shall be deposited with the share registry, SBM Fund Services Ltd, Level 10, Hennessy Tower, Pope Hennessy Street, Port-Louis, Mauritius at latest on Thursday 28 June 2018 at 10h00 and in default, the instrument of proxy shall not be treated as valid.

(c) The notice for casting a postal vote must be made in writing on the attached form and sent to the attention of the Company Secretary, the person authorized by the board of directors of the Company to receive and count the postal votes at the Annual Meeting. The document should reach the registered office of The Mauritius Union Assurance Cy. Ltd, 4 Léoville L'Homme Street, Port-Louis, Mauritius at latest on Wednesday 27 June 2018 at 10h00, and in default, the notice of postal vote shall not be treated as valid.

(d) For the purpose of this Meeting, the Directors have resolved, in compliance with section 120 of the Companies Act 2001, that the shareholders who are entitled to receive notice and attend the Meeting, shall be those shareholders whose names are registered in the share register of the Company as at 4 June 2018.

(e) Profiles of the Directors are set out on pages 28 to 33 of the annual report.

(f) The board of directors appointed Mrs Catherine McIlraith as independent on-executive director of the Company on the 20 October 2017 until the forthcoming annual meeting to be held on 29 June 2018 where, as recommended by the Corporate Governance, Nomination and Remuneration Committee and by the Board of Directors, her appointment will be proposed to the shareholders of the Company. Profile of Mrs McIlraith is found on page 31 of the annual report.

# PROXY / CASTING POSTAL VOTE FORM

## APPOINTMENT OF PROXY (see notes a and b overleaf)

I/We

of

being a member of The Mauritius Union Assurance Cy. Ltd, hereby appoint

of or failing him,

of as my/our proxy to vote for me/us and on my/our behalf at the Annual Meeting of Shareholders of the Company to be held on Friday 29 June 2018 at 10h00 at the Registered Office of the Company, 4 Léoville L'Homme Street, Port-Louis, and at any adjournment thereof. The proxy will vote on the under-mentioned resolutions, as indicated:

**CASTING POSTAL VOTES (see note c)**

I/We

of

being a member of The Mauritius Union Assurance Cy. Ltd, desire my/our vote/s to be cast as indicated on the under-mentioned resolutions at the Annual Meeting of Shareholders of the Company to be held on Friday 29 June 2018 and at any adjournment thereof:

| AS ORDINARY RESOLUTIONS | FOR | AGAINST | ABSTAIN |
|---|---|---|---|
| 3. To adopt the Annual Financial Statements for the year ended 31 December 2017. | ☐ | ☐ | ☐ |
| 4. To re-appoint under separate resolution the following persons as director of the Company: | | | |
| (a) Bertrand CASTERES | ☐ | ☐ | ☐ |
| (b) Bruno de FROBERVILLE | ☐ | ☐ | ☐ |
| (c) Mélanie FAUGIER | ☐ | ☐ | ☐ |
| (d) Dominique GALEA | ☐ | ☐ | ☐ |
| (e) Ashraf MUSBALLY | ☐ | ☐ | ☐ |
| (f) Mushtaq OOSMAN | ☐ | ☐ | ☐ |
| 5. In accordance with Section 138(6) of the Companies Act 2001 to re-appoint Mr Vincent AH CHUEN as director of the Company. | ☐ | ☐ | ☐ |
| 6. In accordance with Section 138(6) of the Companies Act 2001 to re-appoint Mr Alfred BOUCKAERT as director of the Company. | ☐ | ☐ | ☐ |
| 7. In accordance with Section 138(6) of the Companies Act 2001 to re-appoint Mr Angelo LETIMIER as director of the Company. | ☐ | ☐ | ☐ |
| 8. To appoint Mrs Catherine MCILRAITH as independent non-executive director of the Company. | ☐ | ☐ | ☐ |
| 9. To authorise the Board of Directors to fix the remuneration of the external auditors, Ernst & Young. | ☐ | ☐ | ☐ |

**SIGNATURE**

**DATE**

# PROXY / CASTING POSTAL VOTE FORM
## APPOINTMENT OF PROXY

**NOTES :**

(a) A member of the Company, entitled to attend and vote at this Meeting, may appoint a proxy (whether a shareholder or not) to attend and vote on his behalf, or may cast his vote by post. If no specific direction as to voting is given, the proxy will exercise his/her discretion as to how he/she votes.

(b) Any power of attorney appointing a proxy shall be deposited with the share registry, SBM Fund Services Ltd, Level 10, Hennessy Tower, Pope Hennessy Street, Port-Louis, Mauritius at latest on Thursday 28 June 2018 at 10h00 and in default, the instrument of proxy shall not be treated as valid.

(c) The notice for casting a postal vote must be made in writing on the attached form and sent to the attention of the Company Secretary, the person authorized by the board of directors of the Company to receive and count the postal votes at the Annual Meeting. The document should reach the registered office of The Mauritius Union Assurance Cy. Ltd, 4 Léoville L'Homme Street, Port-Louis, Mauritius at latest on Wednesday 27 June 2018 at 10h00, and in default, the notice of postal vote shall not be treated as valid.

(d) For the purpose of this Meeting, the Directors have resolved, in compliance with section 120 of the Companies Act 2001, that the shareholders who are entitled to receive notice and attend the Meeting, shall be those shareholders whose names are registered in the share register of the Company as at 4 June 2018.

(e) The minutes of proceedings of the Annual Meeting of the shareholders held on 30 June 2017 are available for inspection at the Registered Office during normal trading office hours.

4, Léoville L'Homme Street,
Port Louis, Mauritius

+230 207 5500

mauritiusunion.com

info@mauritiusunion.com

BRN: C07000714