MAURITIUS UNION
GROUP

2016
ANNUAL REPORT

CONTENTS

“After another positive and fulfilling year, it is fitting for me to pay tribute to our teams across six countries, for their dedication and remarkable effort.”

INTRODUCTION

Chairman's Review
by Dominique Galea

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to submit the Annual Report of The Mauritius Union Assurance Cy. Ltd for the year ended 31 December 2016.

+8%

Turnover Growth

The Group turnover grew by 8% to reach a new threshold of Rs 3,760 billion

3,652 billion

Group Premiums

The gross earned premiums for the Group increased by 8% to Rs 3,652 billion

1,905 million

Gross Written Premiums

The Mauritian short-term business saw gross written premiums rise by 7% from Rs 1,789m to reach Rs 1,905m

+14%

Gross Premiums

Our local long-term business grew its gross premiums by a solid 14% to Rs 779m

OVERVIEW OF 2016

The challenging and competitive environment which had marked the previous year persisted in the local insurance market, as the Group embarked on the second phase of its African strategy.

On the international front, the continued sluggish global recovery and the added financial volatility weighed on investors. GDP growth recovered from the previous year to reach 3.1% in 2016.

Nonetheless, world growth is projected to reach 3.4% in 2017, supported by increased economic activity in advanced economies and emerging markets. Advanced economies are projected to grow by 1.9%, surpassed by growth of 4.5% in emerging markets.

In our review of the 2016 global insurance sector, the low-yield interest environment continues to impact on the profitability of insurance companies. The challenging local market conditions notwithstanding, insurance companies have continued to support their underwriting profits through new businesses and greater cost efficiencies.

In Mauritius, the real GDP growth was around 3.4% in 2016, unchanged from the previous year. Inflation was at a subdued 1% and the repo rate was stable at 4%. The financial services sector posted satisfactory results in 2016, in similar market conditions to those experienced in 2015.

RESULTS

The Mauritian market continued to be characterised by fierce competition in 2016, most particularly in the motor insurance segment. This business line has suffered from a substantial increase in the number and severity of road accidents, notably in the first three months of the year.

Despite the challenging market conditions, The Group maintained its solid performance with a stronger balance sheet, driven by good growth from Mauritius Union General Insurance and La Prudence Life Insurance in Mauritius. The Group turnover grew by 8% to reach a new threshold of Rs 3,760 billion.

The gross earned premiums for the Group increased by 8% to Rs 3,652 billion and the profit before tax reached Rs 167m.

CHAIRMAN'S REVIEW

Group profit after tax was Rs 120m, representing a decrease of 65% from 2015, impacted to a large extent by the derecognition of a deferred tax asset and goodwill for an amount of Rs 84m. This had no impact on cash flow, but contributed positively to the solvency position.

In contrast, the Mauritian short-term business saw gross written premiums rise by 7% from Rs 1,789m to reach Rs 1,905m, supported by **prudent risk selection** and a **cautious pricing strategy**. On the other hand, the net claims incurred increased by 11% to Rs 917m. **Investment and other income increased by 39% to reach Rs 113m**, explained by an increase in the fair value of bonds and increased interest income following a review of our investment strategy. Taking into account the unfavourable claims expenses, the results reflect a 15% increase in profit before tax, before the partial derecognition of our investment in Phoenix Transafrica Holdings Ltd. Profit after tax decreased from Rs 125m to Rs 57m. These results are satisfying, especially in light of the increasingly competitive and crowded local market, and the increase in road accidents.

Our local long-term business grew its gross premiums by a solid 14% to Rs 779m, driven by continued growth in new business. Additionally, despite the poor performance of the local equity markets, **investment income increased from Rs 347m in 2015 to Rs 398m in 2016**. The appreciable performance of our long-term business has led to a profit after tax of Rs 112m, a 10% increase from the previous year. The Life business has been guided by a clear strategy aimed at maximising capital, and reducing risk for both shareholders and policyholders.

The gross earned premiums for our African subsidiaries collectively amounted to Rs 1,028m, representing a 5% increase, with strong increase from Tanzania and Rwanda. Satisfactory operating results in Rwanda, Tanzania and Uganda were negated by disappointing results in Kenya, leading to the derecognition of Rs 104m of our African investment.

The Group has made some ambitious choices in Africa aimed at long term growth, which we are confident will bear fruit in the coming years.

DIVIDEND

The Board has declared a total dividend of Rs 112.7m, equivalent to a dividend of Rs 2.50 per share.

OUR INVESTMENT IN EAST AFRICA

It has been two years since the Group expanded into Africa with the takeover of Phoenix TransAfrica Holdings Ltd (PTHL). We have entered the second phase of our acquisition strategy by implementing an integration plan aimed at harmonising the African subsidiaries to the Mauritian structure, unlocking further synergies and economies of scale. We have a **long term vision of our investment on the African continent**, confident in the region's growth potential, and our ability to further develop the strong foundations already in place.

SUSTAINABILITY & INTEGRATED REPORTING

For the fourth year, we have incorporated a comprehensive Sustainability section in our Annual Report. We are committed to the principles of greater transparency and robust monitoring around issues of sustainability, as these inevitably touch many aspects of our operations.

The Group continues to work towards adhering to the guidelines laid out in the International Integrated Reporting Framework and the Principles for Sustainable Insurance (PSI) of the UNEP-FI, reviewing and improving key aspects of its reporting every year. We acknowledge the value this approach will ultimately unlock for all our stakeholders.

ACKNOWLEDGEMENTS

We welcomed two new board members in 2016, reinforcing our already considerable collective experience in terms of accounting, audit and insurance.

Mr Mushtaq Oosman is a Chartered Accountant with over 25 years' professional experience in audit and financial advice. He retired from PwC at the end of 2015, and we are pleased to have the benefit of his extensive experience. Our second appointee, **Ashraf Musbally**, has a 20 year career with La Prudence and Mauritius Union. He was appointed Group Managing Director of Phoenix of East Africa Assurance Company Limited (PEAL) in April 2016 and will report on our African business, as second executive director.

Mr Lakshamana (Kris) Lutchmenarraidoo resigned from the board in December 2016. This brings to a close ten years of service within the Group, where he has shown outstanding leadership and dedication. We thank him for all these excellent years of service. I would also like to take this opportunity to thank all my fellow board members for their time, insight, commitment and support throughout this past year.

After another positive and fulfilling year, it is fitting for me to pay tribute to the staff of the Mauritius Union Group for their dedication and remarkable effort. Our teams across six countries have been instrumental in achieving the significant goals outlined in this year's Annual Report.

Finally I would like to recognise the **significant contribution of all our key partners, the brokers, accredited agents and salespersons** who continue to accompany our clients on their insurance journey. Your collaboration strengthens our business and you have our gratitude.

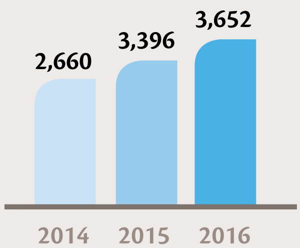
DOMINIQUE GALEA
Chairman

"Our results for 2016 were in large part due to a focused strategic plan that continues to bear fruit, adding value to each aspect of our operations. Our African operations, although challenging, continue to grow significantly, forming an ever increasing part of our Group revenue."

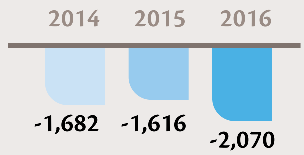
COMPANY PROFILE

FINANCIAL HIGHLIGHTS

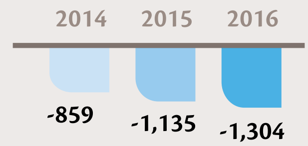
Gross Earned Premium - Rs M



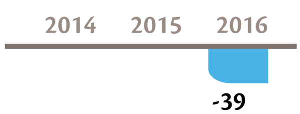
Net Claims & Benefits - Rs M



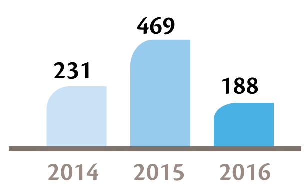
Operations & Administrative Expenses - Rs M



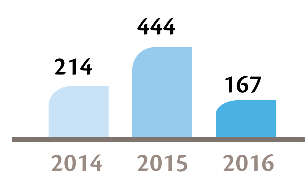
Impairment of goodwill - Rs M



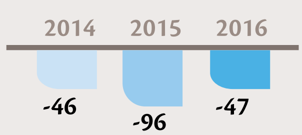
Profit from Operations - Rs M



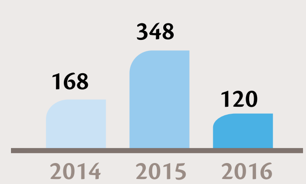
Profit before Tax - Rs M



Income Tax Expense Rs M

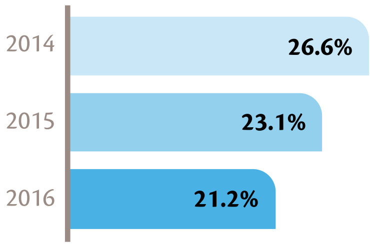


Profit after Tax Rs M

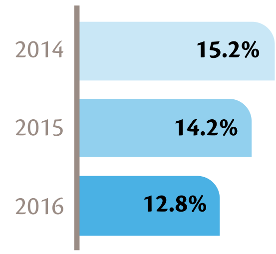


KEY PERFORMANCE INDICATORS

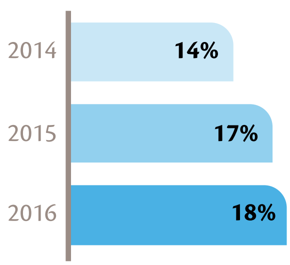
EXPENSE RATIO - General Insurance



EXPENSE RATIO - Life Insurance

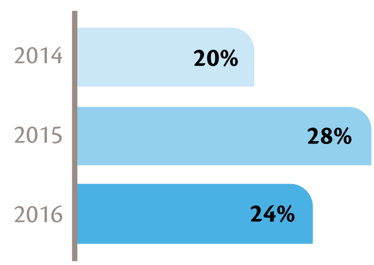


RETURN ON EQUITY - General Insurance
(Adjusted)*

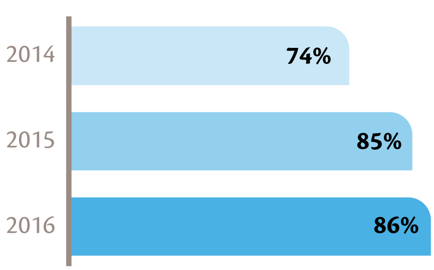


* Return on Equity (Adjusted):
- MUA General Insurance operations only
- Excludes subsidiaries
- Adjusted for Rs 104m impairment in 2016

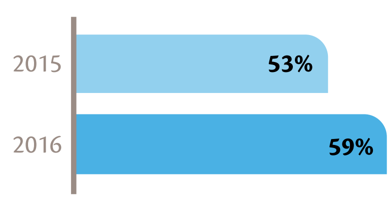
RETURN ON EQUITY - Life Insurance



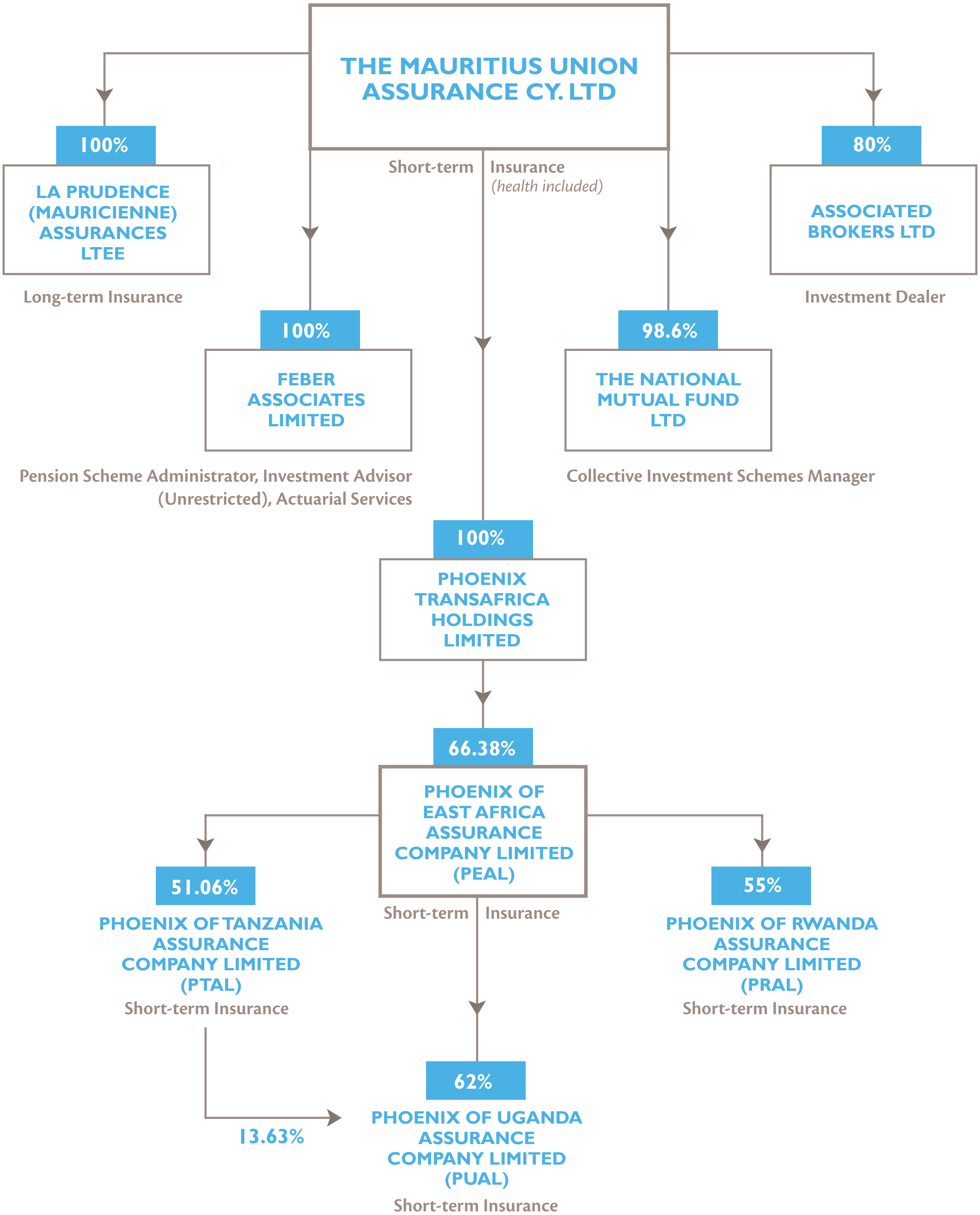
CUSTOMER SATISFACTION



EMPLOYEE ENGAGEMENT



OUR GROUP


THE MAURITIUS UNION ASSURANCE CY. LTD
Short-term Insurance
(health included)
100%
LA PRUDENCE (MAURICIENNE) ASSURANCES LTEE
Long-term Insurance
80%
ASSOCIATED BROKERS LTD
Investment Dealer
100%
FEBER ASSOCIATES LIMITED
Pension Scheme Administrator, Investment Advisor (Unrestricted), Actuarial Services
98.6%
THE NATIONAL MUTUAL FUND LTD
Collective Investment Schemes Manager
100%
PHOENIX TRANSAFRICA HOLDINGS LIMITED
66.38%
PHOENIX OF EAST AFRICA ASSURANCE COMPANY LIMITED (PEAL)
Short-term Insurance
51.06%
PHOENIX OF TANZANIA ASSURANCE COMPANY LIMITED (PTAL)
Short-term Insurance
55%
PHOENIX OF RWANDA ASSURANCE COMPANY LIMITED (PRAL)
Short-term Insurance
13.63%
62%
PHOENIX OF UGANDA ASSURANCE COMPANY LIMITED (PUAL)
Short-term Insurance

CORPORATE INFORMATION

REGISTERED OFFICE

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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

Abax Corporate Services Ltd

Management Review

by Bertrand Casteres, Chief Executive Officer

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 2016.

Mauritius General & Life Business

+29%

General Insurance Profits

General insurance profits rose to 29%

+18%

Health Portfolio

Our health portfolio continues to contribute significantly to the overall general insurance results, posting double digit growth of 18% in gross written premium

+10%

Gross Written Premiums

The non-motor business posted good growth of 10% in gross written premium

779million

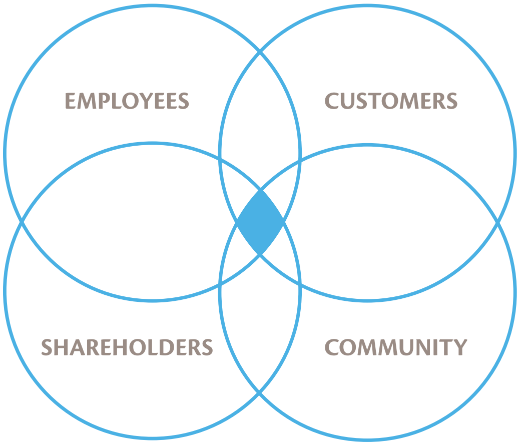
Gross Written Premiums

Our Life Insurance business posted a healthy increase of 14% in gross written premiums to Rs 779m

The 2016 year has yielded some encouraging results for the Group, driven primarily by the General and Life Insurances businesses in Mauritius. The results were in large part due to an ambitious strategic plan that continues to bear fruit, adding value to each aspect of our operations.

MUA Ambition 2017

2016 marked the second year of the company's 3-year strategic plan, aimed at creating shared value for all our Mauritian stakeholders – our employees, our customers, our shareholders and the community in which our business operates.



This value creation is measured using a number of key performance indicators: efficiency (measured by our Expense Ratio) and the Return on Equity for our **shareholders**; continuous improvement in **customer** satisfaction; the engagement of our **employees**. After two years, we have already reached our goals in 4 out of 5 metrics, well ahead of schedule. We are confident to reach all our targets in the plan's final year, delivering greater value for our stakeholders at the end of 2017.

Group premium earned was up 8% in 2016, reaching a new threshold of Rs 3.7 billion. The Mauritian operations posted positive growth despite continued soft market conditions.

General and life business profits rose 29% and 10% respectively before exceptional items, with stronger balance sheets for both local business units.

MANAGEMENT REVIEW

The overall performance of our African subsidiaries has been adversely impacted by the reversal of deferred tax assets and some major exceptional claims from our Kenyan operations (PEAL), that was partly mitigated by encouraging operating performance from our Ugandan, Tanzanian and Rwandan operations.

As part of the streamlining process involving our African subsidiaries, the Board has agreed to partially de-recognise our investment in Phoenix Transafrica Holdings Ltd by Rs 104m. Our earnings per share (EPS) fell from Rs 5.88 to Rs 3.52. However we remain fully confident in the long term contribution of our African subsidiaries, and the potential this investment represents for our shareholders.

We present below an appraisal of the main achievements and strategic intent of the local General Insurance and Life Insurance businesses of the Group:

FINANCIAL HIGHLIGHTS - GENERAL INSURANCE REVIEW

Rs M	2014	2015	2016
Gross Written Premium	1,661	1,789	**1,905**
Net Claims and Benefits	-740	-828	**-917**
Operations and Administrative Expenses	-523	-557	**-629**
Impairment of subsidiaries	-	-	**-104**
Profit from Operations	198	175	**90**
Profit before Tax	180	150	**69**
Income Tax Expense	-39	-25	**-12**
Profit After Tax	141	125	**57**

Despite an increasingly competitive local general insurance market, we have achieved **6% growth in gross written premiums in 2016, to reach Rs 1,905m**. We have steadfastly maintained a two pronged strategy of careful risk selection and cautious pricing. However the underwriting results fell by 3%, due to the continued increase in road accidents in Mauritius.

All lines of business continued their positive contribution to the overall underwriting results. The continued strict underwriting of risks on all lines of business, contributed to the improved underwriting results. The main drivers of growth came in the form of corporate business and significant new health business. With a focus towards greater efficiency, our lean culture implemented in the company in 2015 has continued to bear fruits as the Management expenses remained on par with 2015, contributing to reducing our management expense ratio.

The motor segment remains one of the most significant lines of business in our general insurance portfolio in terms of turnover. However this sector remains highly competitive, particularly in terms of pricing. The added increase of net claims by 8%, due to the continued increase in road accidents, impacted negatively this line of business. Our underwriting, marketing and sales teams have worked in concert to enhance our product offering, adjust the positioning of our products and services, in order to increase our sales volumes and our profitability in this segment.

Our health portfolio continues to contribute significantly to the overall general insurance results, posting **double digit growth of 18% in gross written premium**. The solid and encouraging increase in new business, in particular in the corporate sector, is due to customized product offering and efficient claims handling.

The non-motor business posted good growth of 10% in gross written premium. A strict underwriting strategy coupled with a better understanding and analysis of our commercial risks contributed to these positive results. Our task as a responsible insurer is to pursue the principles of prevention and rigorous risk assessment, most notably in this strategically significant line of business. As the economies of our home market and those of our subsidiaries continue to grow, we will play an ever greater role in providing adequate cover and expert risk advice.

LIFE INSURANCE REVIEW

The investment climate remained lacklustre throughout the year. The Semdex moved sideways and ended 2016 almost flat, whilst excess liquidity in the banking system continued to put downward pressure on yields of government bonds. Overall sentiment in the insurance sector did not improve following the collapse of the BAI group in 2015.

Against this negative backdrop, our Life Insurance business posted a healthy increase of **14% in gross written premiums to Rs 779m**. This was driven by strong performance of protection and unit-linked products. Despite the low rates of overall savings in Mauritius, we continue to underline the importance of investing in solid yet dynamic savings vehicles, whilst protecting the assets of clients.

Inflows from LPM Multi-Employer Fund, which was established as a trust under the Private Pension Scheme Act, **reached Rs 60m or an increase of 18%**. These inflows are accounted as investment contracts. Investment income rose by 9% to Rs 399m, helped by higher investment in government bonds. Expense ratio improved further and stood at 12.8%. The solvency level of the company stood comfortably above the regulatory requirement.

EAST AFRICA SUBSIDIARIES

2016 performance

The Mauritius Union Group operates general insurance business across East Africa in Kenya, Rwanda, Uganda and Tanzania since its acquisition of Phoenix Transafrica Holding Ltd (PTHL) in 2014. The maturity of the four markets and the position that each subsidiary occupies in each market varies.

Kenya

The performance of Phoenix Kenya in 2016 didn't meet our expectations. The unsatisfactory results were due to a number of factors, i.e, major claims in aviation and an extensive review of claims reserving for the past financial years, leading to a derecognition of a deferred tax asset.

Our Kenyan operations have clear strengths to build on and we are implementing several measures to improve the results. The industry has posted robust growth of around 10%. We have a well-diversified portfolio, strong technical foundations, the support of the Group and its global distribution reach. However, we need to reinforce underwriting discipline and reduce exposure to large losses. We have embarked on a sustainable cost saving program in the first quarter of 2017, the results of which will be appreciable the following year. The management team has also been actively consolidating our distribution channels in collaboration with our business partners. With the support of MUA, Phoenix Kenya has initiated the underwriting of risks outside of Kenya.

Finally, 2016 has been marked by several senior appointments in Phoenix Kenya. **Ashraf Musbally was appointed Group Managing Director of PEAL** in May and Anil Chopra joined the company in September as Head of General Insurance of the Kenyan operations.

Rwanda

Phoenix Rwanda outperformed the market with a **31% growth in gross written premiums** compared to an industry growth of 7%. Investment management delivered a break-out year with investment income up by a robust 54%. Consequently, **net profits after tax are up by 190%**, with a strengthened balance sheet. This is in sharp contrast to the market, where several insurance companies have been requested by the regulator to recapitalise their operations.

On the basis of this strong financial position, Phoenix Rwanda is now gearing up to launch a new phase in its development, with an intensive capital expenditure plan to upgrade its IT infrastructure. Phoenix Rwanda is now the third largest player in the market and is engaged in an investment process for its future development.

Uganda

The general insurance industry in Uganda registered a mere 3% growth in 2016. Against this backdrop, **Phoenix Uganda achieved a 90% increase in profits after tax**, despite a stable gross written premium. Given the limited growth in the industry, Phoenix Uganda has re-evaluated its commercial priorities, with a particular focus on the underwriting of unprofitable portfolios and exiting those deemed unattractive.

Nevertheless, with insurance penetration rates at less than 1% - amongst the lowest in the region - the market is expected to expand in the coming years. Business development is one of our key priorities. Latimer Mukasa has recently joined us as the new CEO of Phoenix Uganda. He is the Founding Chairman of the East African Insurance Brokers Association (EAIBA) and the Vice Chairman for the Forum of South African Businesses in Uganda (FOSABU). He will be responsible for strengthening our presence in the local market.

MANAGEMENT REVIEW

Tanzania

Phoenix Tanzania achieved a **27% growth in gross written premiums in 2016**, backed by a 10% growth in the general insurance industry. However, profit after tax declined compared to 2015 with lower investment income, due to a major property asset owned by Phoenix Tanzania remaining vacant. The multi-storeyed building, located in the centre of Dar es Salaam, was vacated by its principal tenant at the end of 2015. The building has been renovated and management is looking into various options to optimise revenue of this property.

As we look to 2017, we welcome the appointment of Pradeep Srivastava as the new CEO of Phoenix Tanzania. With his extensive experience on the Tanzanian market, Phoenix Tanzania will continue consolidating its distribution channels, by revamping its network of branches and strengthening the relationships the company has with its key business partners.

2017 way forward

Since our entrance into East African market in 2014, we have endeavoured to understand customer needs and behaviours and to adapt to the local markets. We have now launched the second phase of our expansion strategy with **an integration plan** which is being rolled out since early 2017. The aim of this integration plan is to standardize processes throughout the organisation and to get synergies in operations and management in order to work more efficiently and share specialised competencies across the organisation.

Our objective is to become a prominent player in these **four high-potential African markets** where we have foothold. We want our local teams to focus on business development and quality of our customers' experience, with the full support of the specialist teams at MUA. We are focusing on specific segments for value creation and taking measures to grow our market share. We are also **strengthening our support capabilities** that underpin our ambitions. This means enabling transfer knowledge and expertise across the organisation, investing in efficient and cost-effective operations and technology, and building our brand and reputation in East Africa.

FINANCIAL SERVICES

Our Financial Services business continued on its positive growth path, with a 2% increase in revenue compared to 2015. This was primarily driven by an **11% growth at Feber Associates**, our pension scheme specialist. This business unit ended 2016 on a high note with the **integration of the Sugar Industry Pension Fund** into its operations and the management of this key pension fund. The SIPF management team and staff were fully integrated into Feber's offices at the Caudan Waterfront.

Associated Brokers (ABL) and the National Mutual Fund (NMF) both had a more challenging year. Revenue and profits were under pressure for ABL off the back of an exceptional year in 2015 Lower investment returns and assets under management negatively affected the NMF's results. Better prospects for the SEM and more buoyant domestic economic forecasts, should benefit both these business units in 2017.

PROSPECTS

As 2016 drew to a close, we noted very similar market trends that marked our Mauritian over the last few years: increased competition, continued pressure on premiums and the higher number and severity of vehicle accidents. These market conditions justify our prudent underwriting approach and cautious pricing strategy.

Despite a mixed bag of results from our African subsidiaries, we remain confident that our expansion strategy into four key markets will provide us with the required impetus to sustain our growth rate over the long term.

The close of 2016 also marks the end of the second year of our three-year strategic plan, **'MUA Ambition 2017'**. It has been a **year of strategic consolidation and maturation**, in terms of our markets and our overall management plan. In many areas, we are well ahead of projections in terms of our strategic goals, which bodes well for the last year of this plan. We will soon be preparing the foundations for our next three-year plan towards 2020, building on the achievements of our previous plan and the potential of our diversified business units.

BERTRAND CASTERES
Chief Executive Officer

"The Board advocates the conduct of business practices that display characteristics of good corporate governance - discipline, transparency, independence, accountability, fairness and social responsibility."

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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 striven to comply, in all material respects, with the principles of the Code and has provided the necessary explanations where appropriate.

BOARD OF DIRECTORS

The Company has a Board consisting of ten directors, four of whom are independent non-executives, four non-executives and two executives, as at 31 December 2016.

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 strong executive management presence, as recommended by the Code, is ensured by the Chief Executive Officer, who is an appointed member of the Board, the Group Chief Finance Officer and the Managing Director of Life Insurance who, although not appointed members of the Board, attend all meetings and contribute actively to its deliberations. Other Senior Managers are invited to attend board meetings as and when deemed necessary.

The Board is ultimately responsible for the corporate policy and strategy of the Company and its subsidiaries and 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, strives 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 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 whereby they receive a pack of materials containing basic information on the Company such as contained in its constitution and its code of good conduct and 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 its directors was performed in November 2015 by an external consultant. 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 REPORT

DIRECTORS' PROFILE

Mr Dominique Galea
Chairman
Director – appointed in 2010

Mr Dominique Galea, born in 1952, holds a degree from HEC (Hautes Etudes Commericales, 77). 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, United Docks Ltd, Rey & Lenferna Ltd, Forges Tardieu Ltd and Phoenix Transafrica Holdings Ltd, Phoenix of East Africa Assurance Company Limited, and is a director of its three subsidiaries. He is also a director of Ascencia 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 Designate of the Mauritius Union Assurance Cy. Ltd on 1 January 2013 and CEO in January 2015.

Mr Vincent Ah Chuen
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

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

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.

Mrs Mélanie Faugier

Director – appointed in 2010

Mrs Mélanie Faugier, born in 1980, is the Managing Director of Cottons Trading Ltd and Senior Homes Ltd. From June 2004 to July 2007, she was the Trading Manager of Thon des Mascareignes (which belongs to the 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, of Phoenix of East Africa Assurance Co Ltd and two of its subsidiaries.

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.

CORPORATE GOVERNANCE REPORT

DIRECTORS' PROFILE

Mr Angelo Letimier
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).

Mr Lakshmana (Kris) Lutchmenarraidoo
Executive Director – appointed in 2011, resigned on 14 November 2016

Mr Lakshmana (Kris) Lutchmenarraidoo, born in 1951, worked for the State Bank of Mauritius from 1973 to 1986 and holds a Banking Diploma from Finafrica Institute. He was promoted to management level in 1978 and was the Assistant General Manager of the bank from 1982 to 1986. In 1987, he joined the Mauritius Leasing Company Ltd as General Manager before being appointed Managing Director in 1997 and President of the Financial Services arm of the British American Group from 1999 to 2002. He joined Mauritius Post Ltd in July 2002 as Executive Chairman and was appointed Chief Executive Officer of the Mauritius Post and Cooperative Bank Ltd in May 2003. In September 2005, he left the bank to join Mauritours Ltd as General Manager. He joined La Prudence (Mauricienne) Assurances Ltée in September 2007 as General Manager of the general insurance department and was appointed to the board on 28 May 2010.

Mr Lutchmenarraidoo has been the Chief Executive Officer of The Mauritius Union Assurance Cy. Ltd from 2011 to 2014. He was appointed as Managing Director of Phoenix of East Africa Assurance Company Limited in July 2014 up to April 2016, and he is also a Board Member of Phoenix of Rwanda Assurance Company 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 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.

Mr Mushtaq Oosman

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.

Mr Arjoon Suddhoo

Director – appointed in 2010

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.

He was appointed to the Board of The Mauritius Union Assurance Cy. Ltd in August 2010.

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

DIRECTORS' PROFILE

Mr. Brian Ah-Chuen
Alternate Director

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. Brian Ah-Chuen is the Alternate Director of Mr Vincent Ah-Chuen since 2016.

Mr. Antoine Galea
Alternate Director

Mr Antoine Galea, born in 1986, is currently Customer Experience Manager at Rey & Lenferna Ltd. Before joining Rey & Lenferna Ltd, from 2012 to 2016, he occupied various positions at Labelling Industries Ltd, Berque Ltee 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.

Mr. Antoine Galea is the Alternate Director of Mr Dominique Galea since 2016.

Executive Director's Service Contract

Mr. Bertrand Casteres has no fixed term contract. Mr. Ashraf Musbally was appointed Group Managing Director of Phoenix of East Africa Assurance Company Limited (PEAL) in April 2016 and 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

Messrs Mushtaq Oosman and Ashraf Musbally were appointed as independent non-executive and executive directors in April 2016; appointments re-conducted by the shareholders of the Company during the annual meeting in June 2016.

Mr Lakshmana Lutchmenarraidoo submitted his resignation from the Board and its Committees on 14 November 2016.

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 2016, together with the category they fall in, are set out in the table below:

DIRECTORS	CATEGORY	NO. OF SHARES	
		Direct	Indirect
Mr Vincent Ah-Chuen	Non-Executive	356,370	360,679
Mr Alfred Bouckaert	Independent Non-Executive	1,125	-
Mr Bertrand Casteres	Executive	1,325	-
Mr Bruno de Froberville	Non-Executive	52,999	718,027
Mrs Mélanie Faugier	Non-Executive	1,310	2,405,215
Mr Dominique Galea	Non-Executive	283,137	6,128,929
Mr Angelo Letimier	Independent Non-Executive	2,125	-
Mr Ashraf Musbally	Executive	1,400	-
Mr Mushtaq Oosman	Independent Non-Executive	8,437	-
Mr Arjoon Suddhoo	Independent Non-Executive	1,000	-

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 Direct	Acquired Associates	Disposed of Associates
Mr Vincent Ah Chuen	-	-	(2,040)
Mr Dominique Galea	243,437	251,832	-

COMMITTEES OF THE BOARD

During the course of 2016, the Audit & Risk Committee was split into two committees, namely the Audit Committee and the Risk Committee to enhance focus on each function separately. As a result, there are now four committees - Audit Committee; Risk Committee; Assets and Liabilities Committee; and Corporate Governance, Nomination and Remuneration Committee.

These four committees assist the directors in the discharge of their duties through a comprehensive evaluation of specific issues. They may seek information from any employee of the Company in order to correctly perform their duties.

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 Melanie Faugier
Non-Executive

Mr Bruno de Froberville
Non-Executive

Mr Angelo Letimier
Independent Non-Executive

Members of the Committee as at 31 December 2016

The terms of reference of the Audit Committee were reviewed and updated further to the creation of the Risk Committee.

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.

(2) Corporate Governance, Nomination & Remuneration Committee

Mr Arjoon Suddhoo
Chairperson
Independent Non-Executive

Mr Vincent Ah Chuen
Non-Executive

Mr Bertrand Casteres
Executive

Mr Dominique Galea
Non-Executive

Members of the Committee as at 31 December 2016

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 fulfills 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 Ltee 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 senior management 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 as at 31 December 2016

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.

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 Dominique Galea	Mr Laval Foo-Kune	Mr Marc Hardy
Chairperson *Independent Non-Executive*	*Executive*	*Non-Executive*	*Non-Executive*	*Chief Finance Officer*	*Independent consultant*

Members of the Committee as at 31 December 2016

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

- Devise the Group's investment strategy
- 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 & Risk Committee (up to April 2016)	Audit Committee (As from May 2016)	Risk Committee (As from May 2016)	Corporate Governance Committee	Assets and Liabilities Committee
Mr Vincent Ah Chuen	7 out of 7	-	-	-	3 out of 3	-
Mr Alfred Bouckaert	5 out of 7	-	-	2 out of 2	-	4 out of 4
Mr Bertrand Casteres	7 out of 7	-	-	2 out of 2	3 out of 3	4 out of 4
Mrs Melanie Faugier	6 out of 7	2 out of 2	2 out of 2	-	-	-
Mr Bruno de Froberville	6 out of 7	2 out of 2	2 out of 2	-	-	4 out of 4
Mr Dominique Galea	7 out of 7	-	-	1 out of 1	3 out of 3	4 out of 4
Mr Angelo Letimier	6 out of 7	2 out of 2	2 out of 2	-	-	-
Mr Lakshmana Lutchmenarraidoo (up to 14 November 2016)	5 out of 6	-	-	-	2 out of 3	4 out of 4
Mr Ashraf Musbally	4 out of 6	-	-	2 out of 2	-	-
Mr Mushtaq Oosman	4 out of 6	1 out of 1	1 out of 2	2 out of 2	-	-
Mr Arjoon Suddhoo	5 out of 7	-	-	-	3 out of 3	-

Directors' Remuneration whilst in office

DIRECTORS	Remuneration from the Company Rs '000		Remuneration from the Subsidiaries Rs '000	
	2016	**2015**	**2016**	**2015**
Executive Directors	7,279	5,483	22,815	20,544
Non-Executive Directors	4,383	4,208	1,501	1,450
TOTAL	**11,662**	**9,691**	**24,316**	**21,994**

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.

The remuneration philosophy is based on transparency and merit while performance-based reward is at the heart of organizational culture.

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

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.

CORPORATE GOVERNANCE REPORT

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:

Delphine Ahnee

Head of Group Risk, Legal, Compliance and Customer Care

Mrs Delphine Ahnee holds a LLB (Hons.) degree from the University of Mauritius where she was 'Major de Promotion' for her master's thesis. She has qualified as Quality Management System Auditor and followed an executive education programme from ESSEC Business School.

Mrs Ahnee joined La Prudence (Mauricienne) Assurances Ltée in 2000 as Claims Manager of the General Business. After the merger of the activities of La Prudence (Mauricienne) Assurances Ltée and The Mauritius Union Assurance Cy Ltd in 2010 she was responsible for the Health and Non-Motor Claims business. In 2011 she was also entrusted the responsibility of the Motor Claims of the General Insurance.

She was promoted to Head of Group Risk, Legal, Compliance and Customer Care in January 2014. She is responsible for the implementation of Process Efficiency Projects across the Group and is the Group Money Laundering Reporting Officer.

She is also a Director of Fondation Mauritius Union Ltd and a member of the Group's Corporate Social Responsibility committee.

Mehtab Aly

Head of Mergers & Acquisitions

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.

Mekraj Baldowa
Group Head of Human Resources

Mr. Baldowa born in 1972, holder of a degree in Business Management, has been in the insurance industry since 1992 when he joined The Mauritius Union Assurance Cy. Ltd and where he held number of positions. He is a Certified Practitioner of Neuro-Linguistic Programming approved by the American Board of NLP, USA.

Mr Baldowa was appointed as the Group Human Resources Manager in May 2013 and he was promoted to the position of Group Head of Human Resources in January 2015.

Significantly involved in our Corporate Social Responsibility (CSR), Mr Baldowa is a director of Fondation Mauritius Union Ltd (FMU). He was, in the past, President of MACOSS, an umbrella organization of NGOs in Mauritius.

As from January 2017, Mr Baldowa is on leave without pay.

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.

CORPORATE GOVERNANCE REPORT

SENIOR MANAGEMENT

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 also 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 served as Director of the Stock Exchange of Mauritius Ltd 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 Operations Officer and Executive Director of Cim Insurance and Cim Life from 2009 to 2011. He also spent one year as Managing Director of Cim Property Fund Management in 2008 to launch Ascencia Ltd.

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

Jérôme Katz
Head of Strategy & Financial Services

Mr Katz, born in 1983, holds a Master in Management and a Diplome de Grande Ecole from ESCP Europe (Ecole Supérieure de Commerce de Paris). He started his career in 2006 with the American bank JPMorgan in Paris as an Analyst in Investment Management for family-owned businesses and high networth individuals.

He 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. While still being the Manager of Feber Associates, Mr Katz has been progressively given increasing responsibilities within the Mauritius Union Group. In 2013, he was appointed as the Manager of the National Mutual Fund, and in 2014, he became in charge of the Strategic Marketing. Beginning 2015, Mr Katz was appointed as the Head of Strategy & Financial Services for the Mauritius Union Group. He is also a Director of Feber Associates Limited, 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.

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 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 was recruited in May 2005 as Head of Information Systems and appointed Senior Manager in January 2008.

Kenny Wong

Head of Reinsurance, Financial & Special Risks

Mr Wong, born in 1982, graduated with First Class Honours from the London School of Economics and Political Science. His fields of study included Risk Theory, Actuarial Mathematics, Applied Statistics and Structured Finance. 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 appointed Senior Manager – Technical Reinsurance in July 2012.

He served as a Council Member of the Insurance Institute of Mauritius between 2009 and 2010, and was appointed Practice Group Manager of the Globus Trade Credit & Bonds Centre of Excellence in October 2016.

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

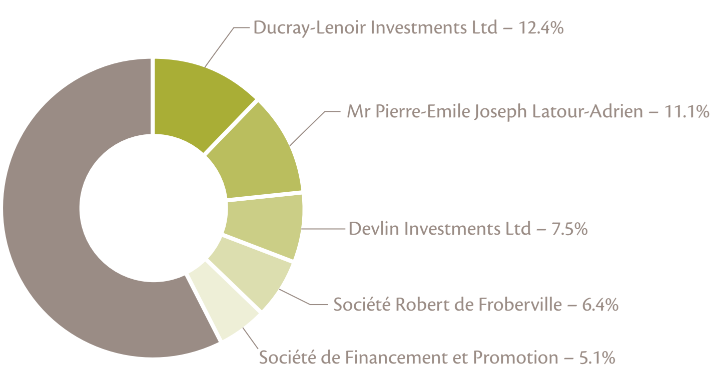
Common Directors and Directors of subsidiaries at 31 December 2016

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 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 Manickchand Beejan		•		•	•		•	•	•	•				
Mr Alfred Bouckaert	•	•												
Mr Bertrand Casteres	•	•	•	•	•	•	•	•	•	•				
Mr François Cayeux			•											
Mr Pierre de Chasteigner du Mée			•											
Mrs Melanie Faugier	•													
Mr Bruno de Froberville	•	•		•	•									
Mr Dominique Galea	•	•	•								•	•	•	•
Mr Naresh Gokulsing		•			•									
Mr Jérôme Katz				•	•	•								
Mr Angelo Létimier	•													
Mr Lakshmana Lutchmenarraidoo											•	•	•	•
Mr Ashraf Musbally	•										•			
Mr Mushtaq Oosman	•	•												
Mr Axel Roussety		•												
Mr Arjoon Suddhoo	•													

SHAREHOLDING

As at 31 December 2016, the following shareholders owned more than 5% of the issued share capital:



Distribution of Shareholding at 31 December 2016:

No. of Shares	No. of Shareholders	No. of Shares	% of shares issued
1 - 500	450	77,666	0.172
501 – 1,000	169	130,906	0.290
1,001 – 5,000	461	1,126,469	2.498
5,001 – 10,000	157	1,134,802	2.517
10,001 – 50,000	213	4,716,472	10.460
50,001 – 100,000	47	3,315,373	7.353
100,001 – 250,000	48	7,869,279	17.452
250,001 – 500,000	13	4,306,333	9.551
Above 500,000	10	22,412,700	49.707
TOTAL	**1,568**	**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. 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

The Company is not aware of any 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.

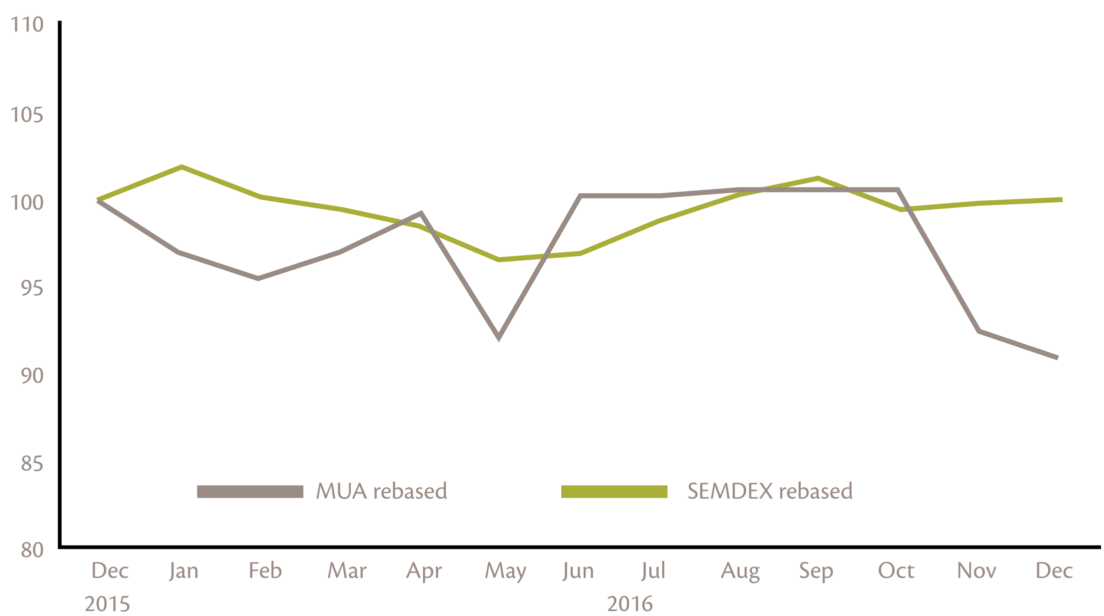
Share Option

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) during the year under review.

*MUA share price versus SEMDEX (rebased)**



* Values are at end of month

CORPORATE GOVERNANCE REPORT

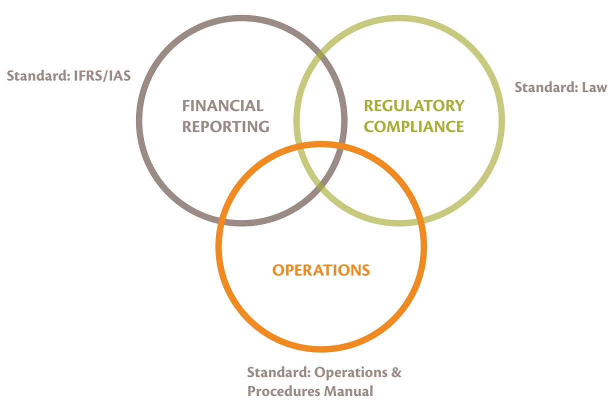
INTERNAL AUDIT

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 10 internal audit reviews during 2016.

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 2016

Charitable donations made by the Company during the year amounted to Rs 1,159,342 - as compared to Rs 994,422 - in 2015. These donations were channelled through the Fondation Mauritius Union Ltd which handles the Group's CSR activities, as detailed in Sustainability Report.

This year's actions focused on the **education, welfare and development of children from vulnerable groups**. We believe that health awareness campaigns and education are key in tackling the causes of poverty and ultimately, providing practical solutions.

Category	Number of Projects	Total Spent (Rs)
Advocacy, awareness and prevention campaigns	3	230,000
Education, welfare and development of vulnerable children	4	663,254
Poverty alleviation, community development and capacity building	2	116,088
Protection, health and social integration of vulnerable groups	3	150,000
GRAND TOTAL	**12**	**1,159,342**

The Fondation's actions in 2016 were once again guided by an open-source approach, conducted in a three-phase process: **hear, create and deliver**.

There has been a significant involvement of our employees in community development and community support projects.

It must be noted that following the 2016 Budget, the government proposed a series of changes to the way CSR funds will be disbursed. Please refer to the Sustainability Report for a detailed explanation of these changes and the possible consequences for the Foundation's projects.

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 51.

AUDITORS' REMUNERATION

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
AUDIT FEES PAID TO :				
Ernst & Young	**7,194**	7,058	**1,693**	1,662
FEES PAID FOR OTHER SERVICES PROVIDED BY				
Ernst & Young	**2,261**	3,553	**435**	930
Details:				
Tax Computation Fees	**1,238**	1,164	**86**	81
Review Of The Annual Statutory Return To The FSC	**203**	201	**116**	115
Advisory Services	**820**	2,188	**233**	734
TOTAL	**9,455**	10,611	**2,128**	2,592

CORPORATE GOVERNANCE REPORT

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 65.

The **Fondation Mauritius Union Limited** was incorporated on 14th 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. Same has been revamped in 2015 to comprise of a gift acceptance policy, thereby creating a pool of gifts received from suppliers and well-wishers for employees to have an equal chance of participating in a draw as lucky winners.

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**.

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 2016 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. Two outdoor trekking activities have been organised for employees, combining team building, fun and physical activity. Moreover, the MUA sponsored the Ferney Trail in 2016, with over 40 employees participating.

Health and safety is a way of working, a way of doing business. It's 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 2016 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 for the year 2016 with the engagement of our employees, focused on employee engagement and building community partnerships.

We continued to build on the support we give communities, which is aimed at having a **positive impact on the daily lives** of the less privileged, through small but meaningful actions that make a real difference.

CORPORATE GOVERNANCE REPORT

Timetable of important upcoming events

DECEMBER	Financial year end ***(31st December 2016)***
MARCH	Publication of yearly group abridged financial statements ***(End of March)***
MAY	Publication of unaudited accounts first quarter to 31 March ***(Mid-May)*** Declaration of interim dividend ***(Mid-May)***
JUNE	Payment of interim dividend ***(Mid-June)*** Annual Meeting of Shareholders ***(End of June)***
AUGUST	Publication of unaudited accounts second quarter to 30 June ***(Mid-August)***
NOVEMBER	Publication of unaudited accounts third quarter to 30 September ***(Mid-November)*** Declaration of final dividend ***(Mid-November)***
DECEMBER	Payment of final dividend ***(Mid-December)***

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 ongoing 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 31 March 2017 and signed on its behalf by:

DOMINIQUE GALEA
Chairman

BERTRAND CASTERES
Chief Executive Officer

CORPORATE GOVERNANCE REPORT

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 2016**

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 for which the necessary explanations have been provided in the Corporate Governance Report.

DOMINIQUE GALEA
Chairman

BERTRAND CASTERES
Chief Executive Officer

31 March 2017

"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."

RISK MANAGEMENT REPORT

RISK MANAGEMENT REPORT

RISK MANAGEMENT PHILOSOPHY AND OBJECTIVES

As a financial services company active in investments, life insurance, retirement services and long-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.

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.

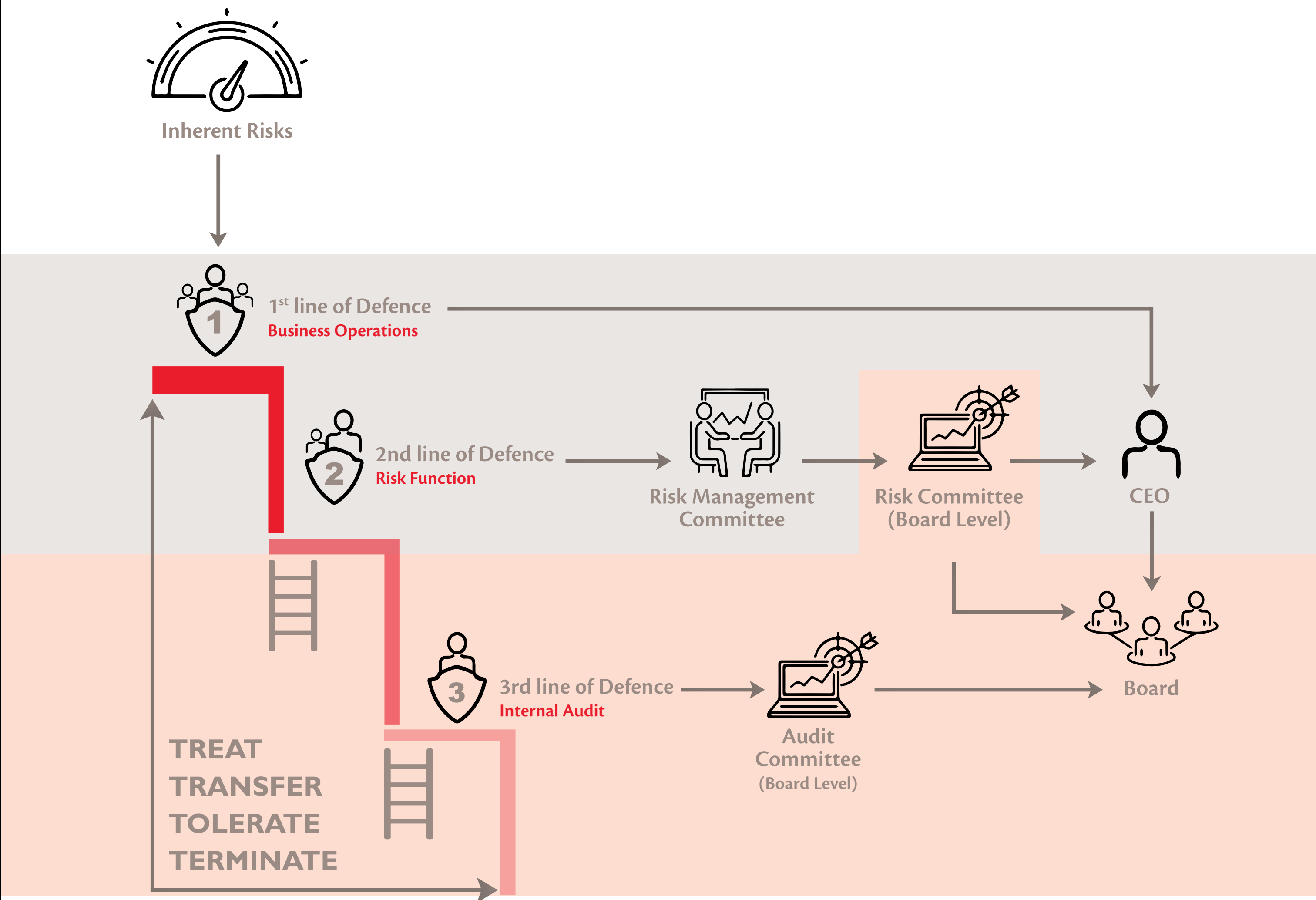
Our sustainability and financial strength are buttressed by an effective risk management process which helps us identify major risks to which we may be exposed, while instituting appropriate controls and taking mitigating actions for the benefit of our customers and shareholders. The Mauritius Union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

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.

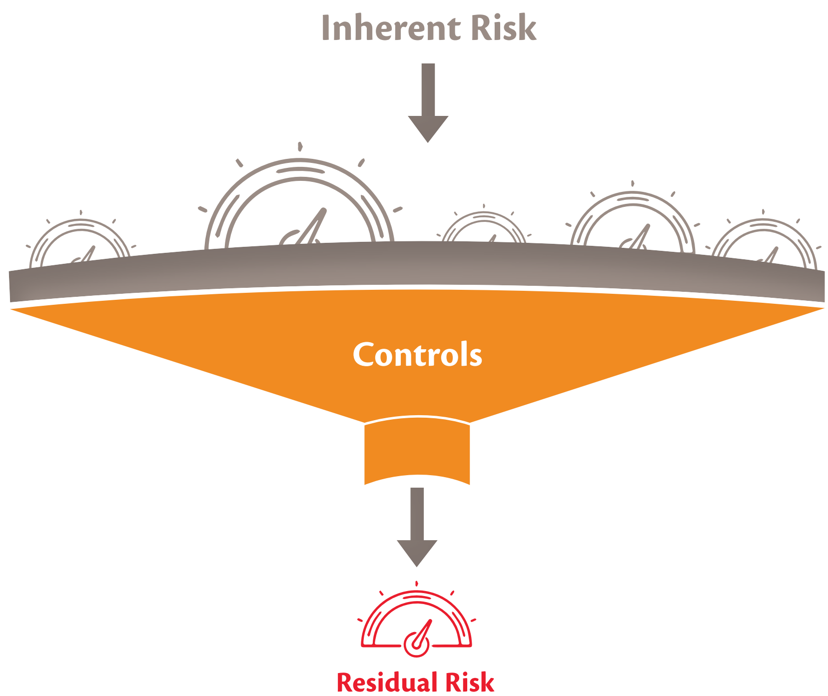
The residual risk is also known as "vulnerability" or "exposure". It is the risk that remains after the company has attempted to mitigate the inherent risk.

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

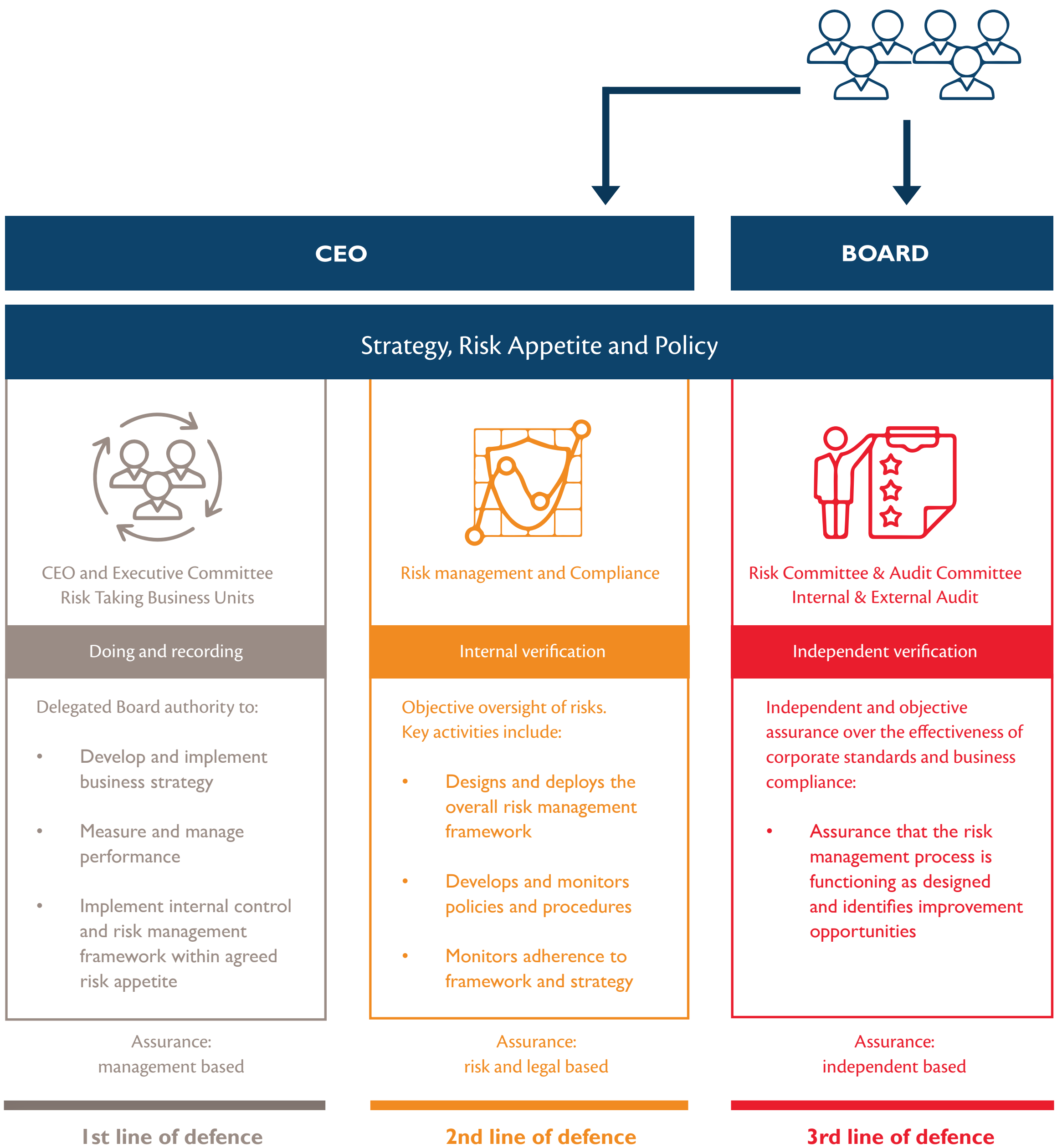


Inherent Risk	Mitigation/Controls	Outcome	Residual Risk
Catastrophe (Fire, Cyclone, Flood)	Business Continuity Management Plan	Different site, business continues/resumes	Phased resumption of operations
Cyber Threats (Virus, Hackers)	CyberSecurity Framework	Prevention from loss of data, protection (downtime)	Unknown future cyber threats

RISK MANAGEMENT REPORT

RISK MANAGEMENT RESPONSIBILITIES

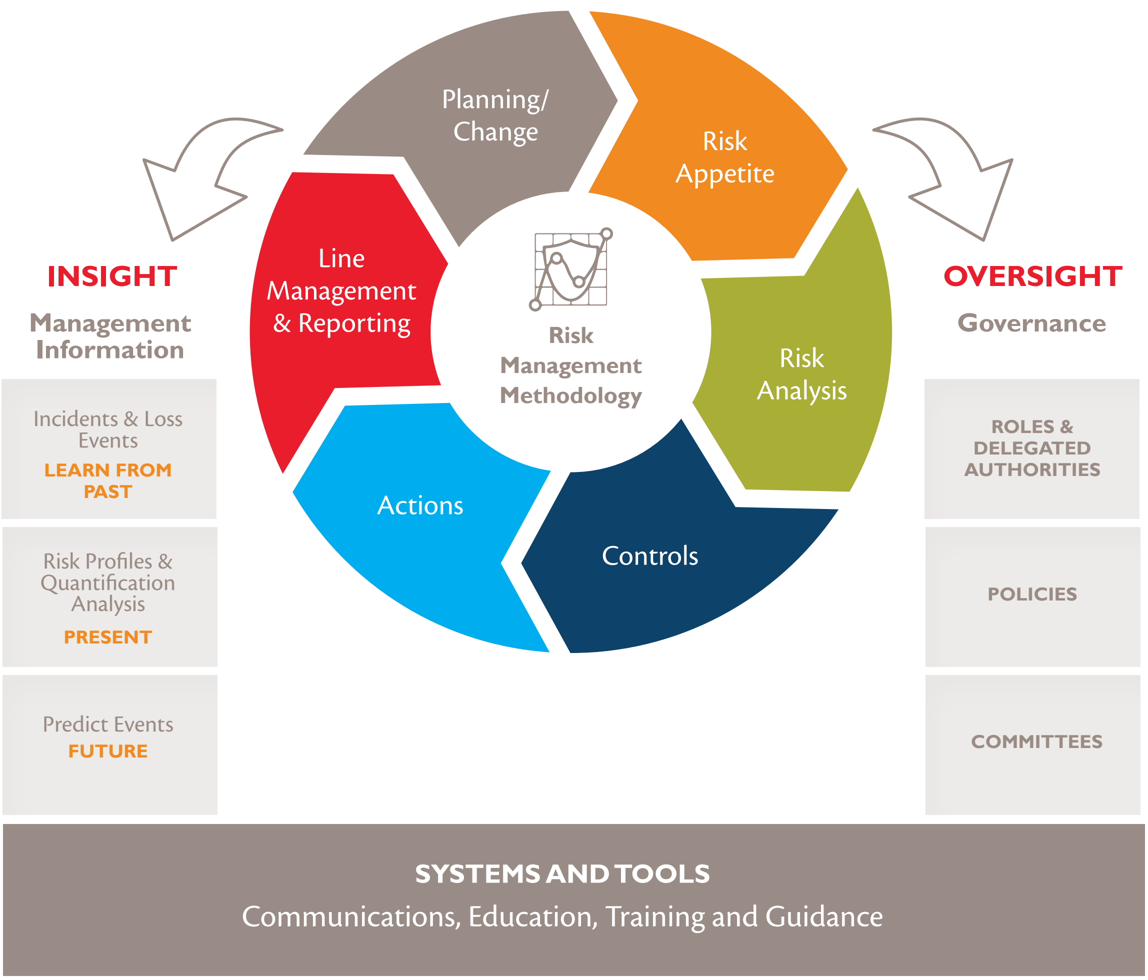
The Mauritius Union Group has adopted the 'three-lines-of-defence' model where ownership for risk is taken at all levels in the Group. This model is widely adopted by financial services companies globally. It clearly sets out the risk management responsibilities across the business and is consistent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



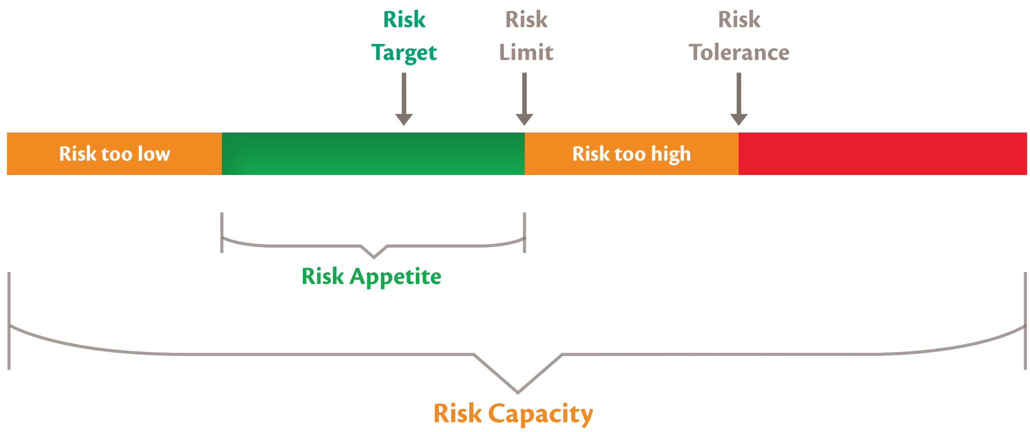
THE RISK MANAGEMENT FRAMEWORK

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 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.

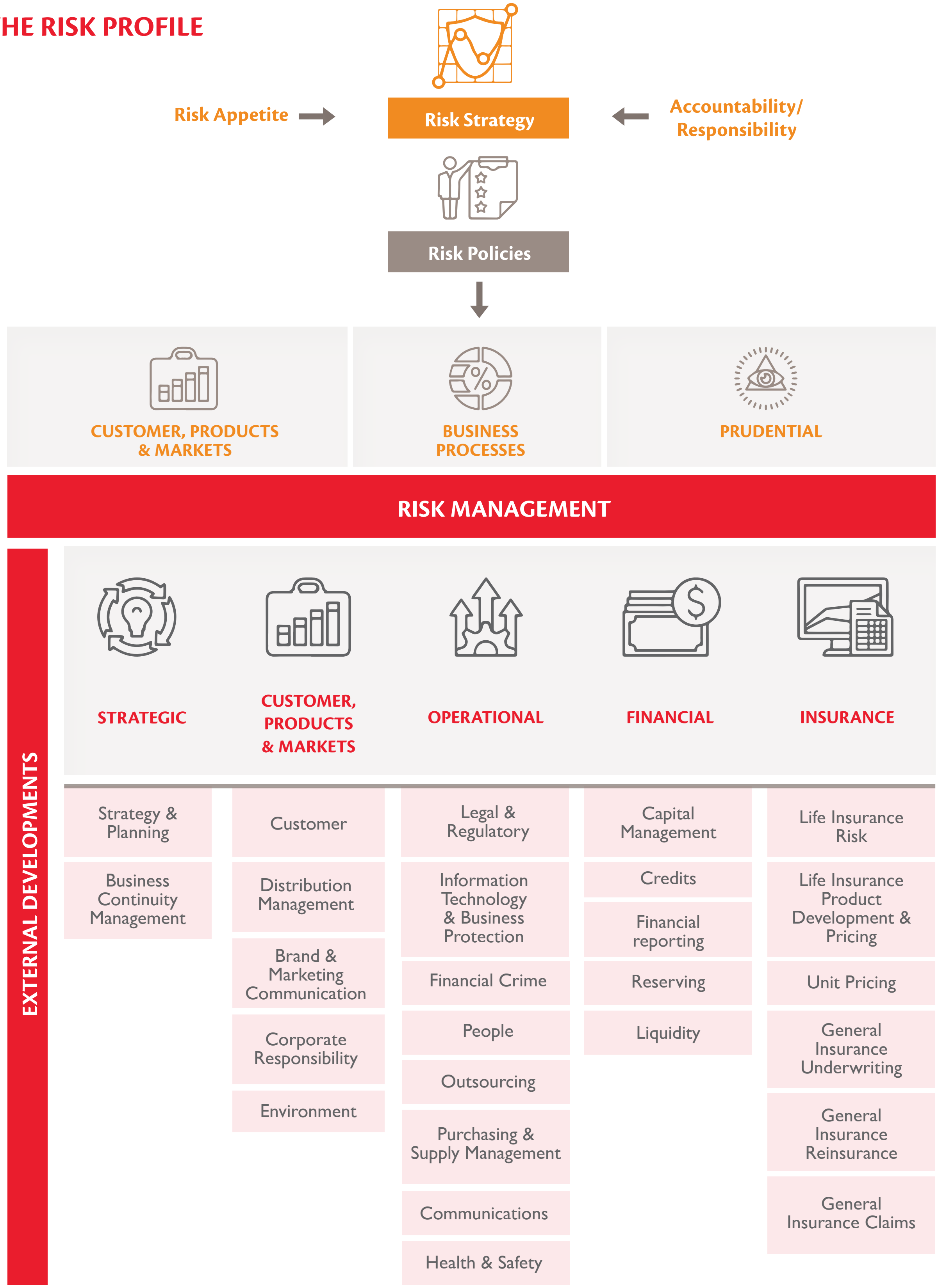
The group's business plan, capital allocation and business targets are therefore a key component of the group's risk appetite. Risk appetite will accordingly continually evolve and be reviewed.

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 REPORT

PRINCIPAL RISKS	OWNER	MANAGEMENT AND MITIGATIONS EXAMPLES
Strategic Risk	**Chief Executive Officer**	
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 analyze 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.		
• ***Strategy & Planning***		• We agree, monitor and manage Strategic Targets. • Emerging risks are identified and managed using established Risk Management Framework.
• ***Business Continuity Management***		• We are in the process of implementing a Business Continuity Pan.
Customer, Products & Markets Risk	**Heads of Business Lines**	
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.		
• ***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	**Heads of Support Functions**	
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.		• We work towards efficient and customer friendly processes while having a strong risk based approach to minimise exposure and ensure robustness of processes.

PRINCIPAL RISKS	OWNER	MANAGEMENT AND MITIGATIONS EXAMPLES
Operational Risk	**Heads of Support Functions**	
• *Information Technology*		• Improved performance of our IT systems across the board, while focussing on the development of future system capability is key for us. With significant changes underway, we are monitoring risks associated with out IT systems' stability, cyber security and internal control environment.
• *Legal & Regulatory*		• We work towards efficient and customer friendly processes while having a strong risk based approach to minimise exposure and ensure robustness of processes.
• *Financial Crime*		• We have established procedures in place for money-laundering and fraud management. We provide continuous training to our employees with regards to the inherent risks faced by our business. These include: Proper reporting processes to the Money Laundering Reporting Officer; processes in case of Suspicious transactions; Politically Exposed Persons; and a Whistleblowing Policy.
• *People*		• We make sure that the objectives of our employees are aligned with the company's business objectives and are reviewed annually.
• *Outsourcing*		• We monitor performance of our outsourced activities
• *Health & Safety*		• We have a Health & Safety committee in place to promote cooperation between the employer and employees in instigating, developing and carrying out measures to ensure the health and safety of employees.
• *Purchasing & Supply Management*		• We have a procurement policy and committee in place.
• *Communications*		• Information shared to internal and external stakeholders is well structured and managed.
Financial Risk	**Chief Financial Officer** **Head of Investment / Actuarial**	
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.		
• *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 on-goingly our liquidity risks through cashflow forecasts, asset allocation and maturity profile and run scenario testings.

RISK MANAGEMENT REPORT

PRINCIPAL RISKS	OWNER	MANAGEMENT AND MITIGATIONS EXAMPLES
Insurance Risk	**Heads of Business Lines Actuarial**	
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.		
• *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

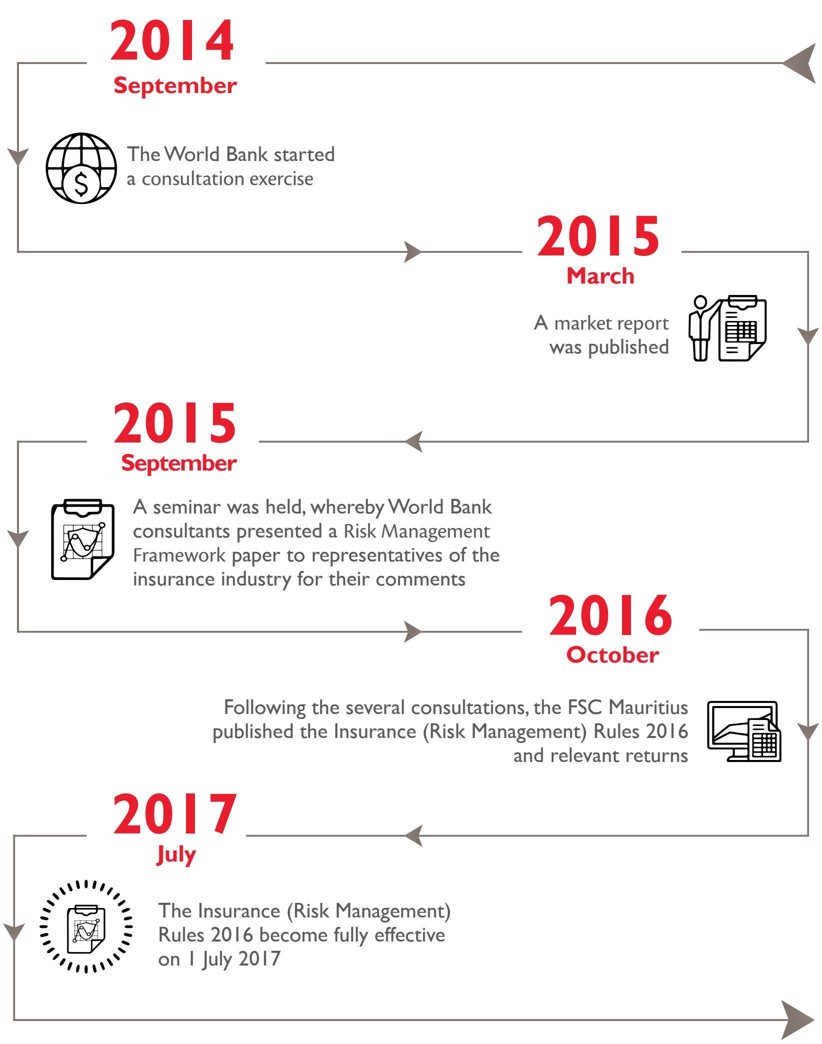
The Financial Services Commission (the 'FSC Mauritius') with the collaboration of the World Bank embarked on a project in 2014 aimed at strengthening prudential regulations, risk-based supervisory and resolution frameworks for the insurance sector.

The World Bank started a consultation exercise in September 2014 and subsequently published a market report in March 2015. A seminar was held on 08 September 2015, whereby World Bank consultants presented a Risk Management Framework paper to representatives of the insurance industry for their comments. Following the several consultations, the FSC Mauritius published the "Insurance (Risk Management) Rules 2016 and relevant returns rules" on 31st October 2016, which shall be fully effective on 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 this since the last couple of years, ensuring that our business practices are aligned with the new rules as they become clearer. ORSA, however, is fundamentally a new regime and there will be inevitably further developments as regulatory understanding of its practical operation evolves.



"The Sustainability of our company rests on three key pillars - Business Resilience, Shared Value and our Environmental Impact."

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

SUSTAINABILITY – Investing in tomorrow

Sustainability has been one of the central tenets of the Mauritius Union Group's **Ambition 2017** strategy, launched at the beginning of 2015. The Group is well placed to understand the inherent and residual risks businesses and all its stakholders face in the short, medium and long term. Ultimately the Sustainability of our business rests on three key pillars:

We have recognised the importance of each of these pillars and have incorporated **measurable actions into our company strategies**, business development plans, staff initiatives, marketing campaigns, corporate social responsibility programmes and the value we deliver our shareholders. Our Sustainability Report complements the various aspects of our business resilience covered in the previous sections of this Annual Report, notably our **Management Review, Corporate Governance Report and Risk Management Report**.

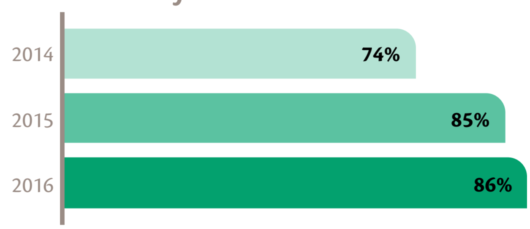
SUSTAINABILITY

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

INVESTING IN OUR CUSTOMERS

A central pillar of the principle of **Shared Value** is a concerted focus on our customers and the daily interactions our teams have with them. A number of initiatives in 2016 have reinforced this vision, ensuring that our clients are treated: in a fair and respectful manner; that they have clear access to information and suitable advice; that the products and services offered meet their requirements and that they have good levels of service once they have subscribed to one of policies. **The aim is to accompany our clients at each stage of their insurance journey**.

*Customer Satisfaction Score:**



*** Survey conducted by TNS Analysis (2014) and Synthèses (2015 & 2016).**

Values: we are committed to investing in customer initiatives that improve our **efficiency, transparency, and levels of service**, whilst reducing waste and driving our digital conversion.

Actions

- **CARE**: Our major customer initiative in 2016 reinforced a number of our founding principles. Our entire Mauritian staff complement, led by our CEO and Executive Committee, underwent three hours of customer awareness and skills training. We adopted a Customer Charter, whose cardinal points will guide all our interactions with our customers and stakeholders: **Competent, Attentive, Respectful and Efficient.**

- **Health Portal**: The launch of our client health portal was an important step towards the digitalisation of our processes. This new client-driven tool allows clients to view their policies, benefits, claims history and limits. Clients are also able to make claims, track their progress and pay any outstanding balances online. We aim to deliver greater client convenience, whilst reducing printed paperwork.

- **E-Document**: In May we launched E-Document, designed to simplify the lives of our customers by proposing a paperless documentation system. No more piles of insurance documents and correspondence. By going digital, we are also partnering with our customers to help the planet by cutting down on paper consumption and unnecessary waste.

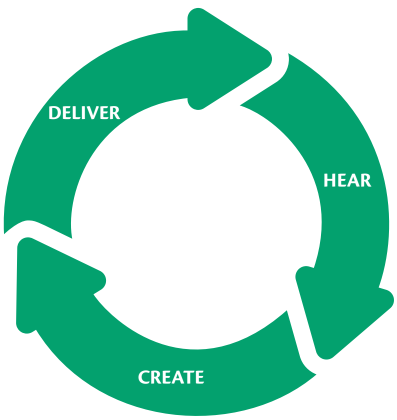
- **Client Checklist**: In order to control the quality of our service, we have begun implementing a series of checklists that ensure clients are being given good levels of guidance, information and explanations when they are finalising their policies. This ensures better client understanding, more transparency and enhanced trust.

INVESTING IN OUR COMMUNITY

Our Corporate social Investment activities were marked by increased uncertainty following significant changes to government legislation and their global CSR strategy. Reduced budgets meant added pressure on our teams to maintain adequate levels of support to the programmes we are already committed to. However, a source of great satisfaction that been the **high level of staff engagement in our CSR initiatives**. The hard work and efforts of our coordinating team and volunteers ensured we achieved our goals. Finally we note an **important diversification of our CSR focus**, to include more educational and environmental projects.

Values: Fondation Mauritius Union Limited is committed towards bringing a positive change in the lives of the less privileged members of the society. We believe that besides the financial contributions, the successful implementation of our CSR strategy lies with the engagement of our employees towards making the Group CSR initiatives a success.

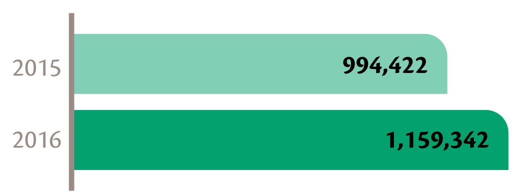
ACTIONS : The initiatives of the **Fondation Mauritius Union** in 2016 were based on the three-phase process: hear, create and deliver.

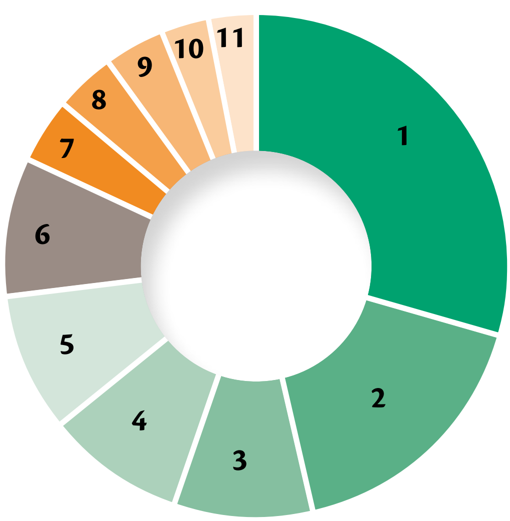


This year's actions were mainly focused on education and the welfare & development of children, as we believe that education is a stepping stone towards poverty alleviation. Some of our main actions during the year were:

- **Sponsoring of 'ABAIM'**: part of our initiatives to help promote arts and culture in Mauritius, the Foundation financed the cost of production and distribution of a handbook on how to play the ravann, with an accompanying DVD version.
- **Remedial classes and empowerment programme** at Bethlehem Rose-Belle. Our continuous support has assisted the beneficiaries in Bethlehem to enjoy a better standard of living and even to secure employment within the group in 2016.
- **Distribution of school materials, food and gifts** to those in need through our Employee Participative Support Programme. Around 300 needy children received school materials and some 65 vulnerable families received food items and gifts during the festive season.

Investment: **For the year 2016, donations amounted to Rs. 1,159,342, an increase of 16.6 % compared to 2015.**



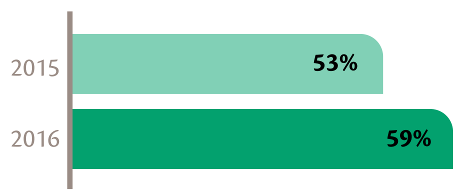


	Name of NGOs	% Distribution
1	Atélier Sa Nou Vize under "Mouvement Forces Vives" Quartier EDC Rose Belle (N/1317)	30%
2	Fondation Own Project	17%
3	Les amis de Serge Constantin	9%
4	Civic Action Team	9%
5	Association D'Alphabétisation de Fatima	9%
6	ABAIM -Association pour le bien etre des Aveugles à L'Ile Maurice	9%
7	Tidiams	4%
8	Physically Handicapped Welfare Association (PHWA)	4%
9	Etoile du Berger	4%
10	Sa Nou Vize	3%
11	Pedostop	3%

INVESTING IN OUR STAFF

All the HR projects and initiatives aimed at training and empowering our staff, enabling them to deliver greater shared value. We aim to attract and retain the very best talent, whilst providing our teams with a sound organisational structure, **career opportunities** and the possibility of **developing their skills and experience**. We are seeing the fruits of our investment through the improvement in our employee engagement scores (survey conducted by AON Hewitt).

Employee Engagement



Values: An important aspect of our training in 2016 centred on our clients and the way our teams interact with them, through our CARE initiative. The CARE values underpin our global company **values of integrity, honesty, respect and acting responsibly**. We strive for greater professionalism and excellence in our everyday interactions, in order to deliver ever greater value for all our stakeholders.

Actions

- **MUA Studies Allocation Scheme**: In an effort to recognise the merits of our employees and to inspire them to a dynamic and challenging career progression within the organisation, MUA contributes towards the studies of its employees.

- **Training Programmes**: Viewed as a long-term investment, emphasis is laid on providing continuous development and skills enhancement training programmes to employees across departments. The main focus is to ensure that the employees are adequately equipped with the skills and competencies needed to take the Group to greater heights. A number of employees were sent for training outside Mauritius, including South Africa, South Korea, Switzerland and the UK.

- **Employee Welfare Activity**: The Employee Welfare Team came up with several activities during the year all focus towards employee welfare. Some of the activities organised by team were: Free eye check-up, cancer screening, Green Cross Medical Test, Tai Chi classes, Employee Welfare Night, celebration of Independence Day to name a few. Regular meetings were also organised with management to discuss the employee concerns and come up with effective solutions all focused towards the wellbeing of the staff.

Investment

The Human Resources department spent over Rs 7.4m towards employees and their welfare in 2016. Around 69% of the amount spent was geared towards employee training and development programs which will in turn help towards achieving the company's long term goals and sustainability.

RESULTS:

- For the year 2016, the company sponsored the tertiary education and professional training of 50 employees;
- As we focused on continuous improvement, a greater number of employees were able to attend trainings this year. **A total of 5793 hours of training was completed during the year, involving 892 participants**.

As at December 2016, we had 432 persons working for us full-time. A sign of the good health of the working environment of the organisation, **116 of our staff members (26%) have stayed loyal to us for over 10 years** and are the living ambassadors of our brand.

INVESTING IN OUR ENVIRONMENT

Island nations are perhaps most conscious of the direct impact of global warming and poor environmental management on our planet and the daily lives of our communities.

Values: We take our role as a responsible insurer and citizen very seriously. In our interconnected world, the value we create and most importantly the savings we achieve will be felt by our staff, clients, shareholders and the communities in which we operate.

Actions: We are acutely aware of the responsibility we have to invest judiciously, manage our resources carefully and reduce the impact we collectively have on the environment. To this end a number of initiatives are on-going across the Group to reduce our overall carbon footprint namely:

Results: The measures taken over 2016 to curb all excessive and wasteful consumption of paper, fuel and energy have helped towards lowering our carbon footprint during the year. This can be illustrated in the table below:

Paper Consumption

- Close monitoring on monthly deliveries
- Tendering process every 2 years so as to benefit from bulk discount
- A second level of negociation was made with our suppliers

Fuel Consumption

- Fuel ceiling was implemented
- Made use of personalised and magnetic shell card

Electricity Consumption

- Replacement of halogen bulbs by LED ones
- Switch off of A/C earlier and switch off lights when not in use
- Replacement of power factor

	Paper Consumption		Fuel Consumption		Electricity Consumption	
	Types of Paper	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	84	140,253	1,115,764	9,746,650
2016 v/s 2015	0%	-13%	8%	-4%	-19%	-9%

Paper Consumption

Reduced by

13%

Fuel Consumption

Reduced by

4%

Electricity Consumption

Reduced by

9%

THE WAY FORWARD

The principles that drive an organisation's Sustainability touch every aspect of the value chain and its stakeholders, both internal and external. As our planet and our communities face ever increasing challenges, we appreciate the example we must set and the role we need to play in Mauritius, the Indian Ocean region and in our East African markets. As we prepare the way for our next 3-year strategy, we acknowledge the work that lies ahead to integrate more sustainability initiatives into more aspects of our business. It is inevitably a process of continuous improvement, remaining flexible in our approach and open to new solutions adapted to fast evolving environmental concerns. We are confident that as a responsible corporate citizen, Mauritius Union Group will be able to contribute positively to the sustainable development of our society and its people, through sound, responsible and ethical business principles and practices.

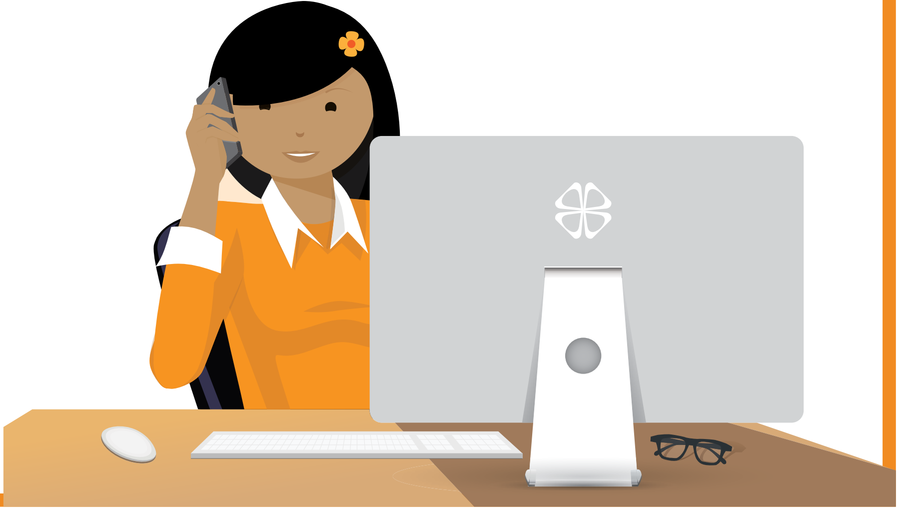
COMMUNITY

CUSTOMERS & STAKEHOLDERS

EVENTS & SPONSORSHIP

STAFF

"Group premium earned was up 8% in 2016, reaching a new threshold of Rs 3.760 billion. The Mauritian operations posted positive growth despite continued soft market conditions."



FINANCIAL STATEMENTS

STATUTORY DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors have pleasure in submitting the Annual Report of The Mauritius Union Assurance Company Limited together with the audited financial statements for the year ended December 31, 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year comprised the transacting of all classes of insurance business. The Company also granted secured loans and invested in shares. There has been no change in the nature of its business.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS

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

	From the Company		**From the Subsidiaries**	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Executive Directors				
Full-time	**7,279**	5,483	**22,815**	20,544
Non-executive Directors	**4,383**	4,208	**1,501**	1,450
	11,662	9,691	**24,316**	21,994

CONTRACTS OF SIGNIFICANCE

There was no contract of significance subsisting during the year to which the company, or one of its subsidiary was a party to or in which a director was materially interested, either directly or indirectly.

DONATIONS

Charitable donations

Charitable donations made by the Company during the year amounted to Rs 1,267,434 as compared to Rs 994,422 in 2015. These donations were channelled through the Fondation Mauritius Union Ltd which handles the Group's CSR activities.

Political Donations

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

STATUTORY DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016

AUDITORS' FEES

The fees paid to the auditors, for audit and other services were:

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
AUDIT FEES PAID TO:				
Ernst & Young	**7,194**	7,058	**1,693**	1,662
FEES PAID FOR OTHER SERVICES PROVIDED BY				
Ernst & Young	**2,261**	3,553	**435**	930

Approved by the Board of Directors on 31 March 2017 and signed on its behalf by:

DOMINIQUE GALEA
Chairman

BERTRAND CASTERES
Chief Executive Officer

SECRETARY'S CERTIFICATE FOR THE YEAR ENDED 31 DECEMBER 2016

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

31 March 2017

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 90 to 197 which comprise the statements of financial position as at 31 December 2016, 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 2016, 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.

Recoverability of goodwill and investment in subsidiaries

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 judgements 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.

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 judgements and estimates.

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Recoverability of goodwill and investment in subsidiaries (Continued)

How the matter was addressed in the audit

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.

In relation to the particular matters set out above, our substantive testing procedures included the following:

- Corroborated the justification of the CGUs defined by management for goodwill allocation.
- 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.
- 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.
- Engaged our internal valuation experts to assist in the testing of the discount factor.

Valuation of insurance contract liabilities-short term insurance

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 judgement 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 judgement needed in estimating general insurance loss reserves.

Refer to Note 13 to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Valuation of insurance contract liabilities -short term (Continued)

How the matter was addressed in the audit (Continued)

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.

In relation to the particular matters set out above, our substantive testing procedures included the following:

- We reviewed the documentation around outstanding claims which are high in value and involving longer settlement periods and tested management best estimates of the settlement outcome for reasonableness. Where appropriate we requested legal confirmation to corroborate management's assessment.
- We tested the completeness and accuracy of underlying claims data that are sent to the actuary in estimating general insurance loss reserves. This includes the testing of information sent to the actuary for the determination of IBNR.
- We determined that 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.
- We evaluated the reasonableness of the methodology and assumptions against actuarial practices and industry standards.
- We assessed the integrity of the actuary by ensuring that the actuary has the relevant expertise and experience in this field.

Valuation of Insurance Contract Liabilities –long term insurance

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.

We have therefore identified the following areas of focus in relation to the valuation of insurance contract liabilities:

- Appropriateness of actuarial assumptions, models and methodology; and
- Data processes and controls relevant to the actuarial valuation

Refer to note 2.5 (ii) to the consolidated financial statements.

Appropriateness of actuarial assumptions, models and methodology:

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.

Refer to Note 13 to the consolidated financial statements.

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Valuation of Insurance Contract Liabilities –long term insurance (Continued)

Appropriateness of actuarial assumptions, models and methodology (Continued)

The assumptions that we consider to have the most significant impact on the actuarial valuations are:

• Mortality, longevity, disability and morbidity;
• Expenses;
• Risk discount rates; and

The integrity and appropriateness of models and methodology are also considered to be critical in the overall valuation of insurance contract liabilities.

How the matter was addressed in the audit

Appropriateness of actuarial assumptions, models and methodology:

Our audit of these assumptions, models and methodology applied in the valuation of insurance liabilities, included the following audit procedures that were executed with the assistance of our actuarial experts, across the areas considered material:

• We assessed the valuation methodology and assumptions for compliance with the latest actuarial guidance, legislation and approved company policy.
• We 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;
• We focused our analysis on management's key assumptions around mortality, longevity, disability, morbidity and expenses and assessed the results of management's experience analyses;
• We assessed the economic basis, including the risk discount rates, by independently validating the risk free yield curve;
• We confirmed, on a sample basis, that model and methodology changes have been appropriately implemented;
• We evaluated the assumptions and methodology against expectations based on our knowledge of the Group, industry practice, and regulatory and reporting requirements. This included an independent evaluation through enquiries with the external actuary and review by EY internal experts;
• We evaluated the key sources of profit and loss and assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements;
• We considered the level of margins held, management's justification for holding these margins and how these will be released in future;
• We performed procedures over the conversion of participating Personal Pension Plan to Unit linked Managed Pension Plan; and
• We performed procedures over the Minimum Capital Requirements (MCR) calculation to ensure that it is in line 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)

Valuation of Insurance Contract Liabilities –long term insurance (Continued)

Data processes and controls relevant to the actuarial valuation:

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.

How the matter was addressed in the audit

In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we, inter alia, performed the following audit procedures:

- We 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;
- 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 the actuarial valuation; and
- We obtained the data pack from the external actuary and cross verified 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 corporate governance report, risk management 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.

Report on the Audit of the Financial Statements (Continued)

Responsibilities of the Directors for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 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

31 March 2017

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENTS OF FINANCIAL POSITION as at 31 December 2016

		THE GROUP		THE COMPANY	
	Notes	2016	2015	2016	2015
		Rs'000	Rs'000	Rs'000	Rs'000
ASSETS					
Non-current assets					
Property and equipment	5	**333,941**	341,164	**229,535**	235,505
Investment properties	6	**497,184**	523,155	**79,000**	79,000
Intangible assets	7	**623,579**	691,711	**294,112**	308,843
Investment in subsidiary companies	8	**-**	-	**823,167**	927,296
Investment in joint venture in Kenya Motor Insurance Pool	9	**14,893**	14,325	**-**	-
Financial assets at fair value through other comprehensive income	10(a)	**460,039**	564,469	**349,683**	399,502
Financial assets at fair value through profit or loss	10(b)	**2,481,772**	2,566,280	**-**	178,318
Financial assets at amortised cost	10(c)	**4,290,882**	4,607,148	**541,173**	501,901
Loans and receivables at amortised cost	11	**683,778**	750,573	**168,917**	153,320
Deferred tax assets	16 (b)	**31,712**	59,270	**16,329**	15,644
		9,417,780	10,118,095	**2,501,916**	2,799,329
Current assets					
Financial assets at fair value through profit or loss	10(b)	**193,507**	-	**193,507**	-
Financial assets at amortised cost	10(c)	**866,707**	107,137	**80,000**	8,000
Loans and receivables at amortised cost	11	**126,323**	108,215	**71,651**	70,083
Insurance and other receivables	12	**1,067,507**	894,338	**531,350**	529,128
Prepayments		**5,155**	5,394	**1,350**	2,808
Current tax assets	20(b)	**7,731**	16,353	**-**	-
Deferred acquisition costs receivable	13(b)	**103,669**	111,461	**65,830**	64,508
Amount receivable from subsidiary		**-**	-	**13,867**	16,644
Reinsurance assets	13(a)	**766,867**	827,769	**436,093**	508,706
Cash and short term deposits	38(b)	**561,673**	561,264	**121,528**	156,546
		3,699,139	2,631,931	**1,515,176**	1,356,423
Total assets		**13,116,919**	12,750,026	**4,017,092**	4,155,752

The notes on pages 98 to 197 form an integral part of these financial statements.
Auditors' report on pages 81 to 88.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENTS OF FINANCIAL POSITION as at 31 December 2016

	Notes	THE GROUP 2016 Rs'000	THE GROUP 2015 Rs'000	THE COMPANY 2016 Rs'000	THE COMPANY 2015 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		**1,507,830**	1,490,804	**1,005,913**	1,066,251
Non-distributable share of Life surplus		**6,196**	6,803	-	-
Total ordinary shareholders' equity		**2,237,994**	2,221,575	**1,729,881**	1,790,219
Non-controlling interests		**568,565**	633,084	-	-
Total equity		**2,806,559**	2,854,659	**1,729,881**	1,790,219
Technical Provisions					
Life assurance fund	15	**6,051,588**	5,716,232	-	-
Investment contract liabilities	15 (a)	**663,777**	577,745	-	-
Insurance contract liabilities	13 (a)	**2,598,332**	2,533,380	**1,766,243**	1,799,391
		9,313,697	8,827,357	**1,766,243**	1,799,391
LIABILITIES					
Non-current liabilities*					
Borrowings	18	**300,000**	300,000	**300,000**	300,000
Deferred tax liabilities	16 (b)	**94,916**	116,674	-	-
Employee benefit obligations	17	**8,788**	5,749	**8,788**	5,749
		403,704	422,423	**308,788**	305,749
Current liabilities*					
Borrowings	18	-	23,638	-	22,936
Trade and other payables	19	**561,004**	587,145	**167,983**	201,084
Deferred acquisition costs payable	13 (c)	**31,955**	34,804	**31,955**	34,804
Current tax liabilities	20(b)	-	-	**12,242**	1,569
		592,959	645,587	**212,180**	260,393
Total equity and liabilities		**13,116,919**	12,750,026	**4,017,092**	4,155,752

* exclude technical provisions

These financial statements have been approved for issue by the Board of Directors on 31 March 2017.

DOMINIQUE GALEA
Chairman

BERTRAND CASTERES
Chief Executive Officer

The notes on pages 98 to 197 form an integral part of these financial statements.
Auditors' report on pages 81 to 88.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENTS OF PROFIT AND LOSS for year ended 31 December 2016

		THE GROUP		THE COMPANY	
	Notes	2016	2015	2016	2015
		Rs'000	Rs'000	Rs'000	Rs'000
Gross premium earned	21	3,651,893	3,395,555	1,899,718	1,759,161
Premium ceded to reinsurers	21	(933,257)	(907,854)	(380,632)	(377,243)
Net earned premiums	21	2,718,636	2,487,701	1,519,086	1,381,918
Fees and commission income	22	250,877	226,225	109,433	95,911
Investment income	23	555,130	515,664	82,141	85,176
Realised gains/(losses)	24	3,354	3,052	1,650	(16,528)
Unrealised gains/(losses)	25	14,707	(146,362)	15,189	-
Other operating income	26	84,957	150,210	12,123	13,295
Total revenue		3,627,661	3,236,490	1,739,622	1,559,772
Gross claims paid	13	(1,964,683)	(1,773,610)	(1,040,733)	(943,747)
Claims ceded to reinsurers	13	342,790	257,444	151,242	134,187
Gross change in contract liabilities	13	(364,222)	(174,735)	38,648	(91,047)
Change in contract liabilities ceded to reinsurers	13	(84,464)	75,318	(65,953)	72,214
Net claims and benefits		(2,070,579)	(1,615,583)	(916,796)	(828,393)
Change in investment contract liabilities	15(a)	(26,477)	(17,201)	-	-
Commission and brokerage fees paid	27	(417,663)	(299,568)	(264,149)	(187,420)
Other operating and administrative expenses	28	(886,261)	(835,605)	(364,648)	(369,345)
Impairment of goodwill	39	(38,570)	-	-	-
Impairment of subsidiaries	8(a)	-	-	(104,129)	-
Total claims, benefits and other expenses		(3,439,550)	(2,767,957)	(1,649,722)	(1,385,158)
Profit from operations		188,111	468,533	89,900	174,614
Finance costs	29	(21,291)	(24,778)	(21,183)	(24,568)
Share of profit/ (losses) from a joint venture	9 (a)	603	(136)	-	-
Profit before tax		167,423	443,619	68,717	150,046
Income tax expense	20	(47,865)	(95,618)	(11,797)	(24,742)
Profit for the year		119,558	348,001	56,920	125,304
Attributable to :					
Equity holders of the parent		158,606	248,902		
Non-controlling interests		(39,048)	99,099		
		119,558	348,001		
Earnings per share (basic and diluted)					
Attributed to equity holders of the parent (Rs/cs)		3.52	5.88		

The notes on pages 98 to 197 form an integral part of these financial statements.
Auditors' report on pages 81 to 88.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENTS OF COMPREHENSIVE INCOME for year ended 31 December 2016

	Notes	THE GROUP 2016	THE GROUP 2015	THE COMPANY 2016	THE COMPANY 2015
		Rs'000	Rs'000	Rs'000	Rs'000
Profit for the year		**119,558**	348,001	**56,920**	125,304
Other comprehensive Income					
Items to be reclassified to profit or loss in subsequent periods:					
Exchange difference on translating foreign operations		**(24,200)**	(42,042)	**(243)**	2,817
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(24,200)**	(42,042)	**(243)**	2,817
Items that will not be reclassified to profit or loss in subsequent periods:					
Decrease arising on revaluation of financial assets at fair value through other comprehensive income	10 (a)	**(28,012)**	(69,553)	**(1,729)**	(42,260)
Re-measurement of defined benefit obligations	17	**(2,561)**	(536)	**(2,561)**	(536)
Tax effect		**229**	-	**-**	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(30,344)**	(70,089)	**(4,290)**	(42,796)
Other comprehensive income for the year - net of tax		**(54,544)**	(112,131)	**(4,533)**	(39,979)
Total comprehensive income for the year		**65,014**	235,870	**52,387**	85,325
Attributable to :					
Equity holders of the parent		**129,144**	177,363	**52,387**	85,325
Non-controlling interests		**(64,130)**	58,507	**-**	-
		65,014	235,870	**52,387**	85,325

The notes on pages 98 to 197 form an integral part of these financial statements.
Auditors' report on pages 81 to 88.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENTS OF CHANGES IN EQUITY for year ended 31 December 2016

		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 2015		**400,800**	**-**	**35,250**	**1,958**	**40,324**	**1,327,237**
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	(855)	855
Profit for the year		-	-	-	-	-	248,902
Other comprehensive income		-	-	-	(12,090)	(58,913)	(536)
Total comprehensive income		-	-	-	(12,090)	(58,913)	248,366
Movement in reserves		-	-	-	-	-	(14,200)
Transfer of distributable share of Life Surplus	35	-	-	-	-	-	7,341
Right issue	14	50,100	275,550	-	-	-	-
Issue costs		-	(2,482)	-	-	-	-
Dividends	32	-	-	-	-	-	(108,968)
Balance at 31 December 2015		450,900	273,068	35,250	(10,132)	(19,444)	1,460,631
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**

The notes on pages 98 to 197 form an integral part of these financial statements.
Auditors' report on pages 81 to 88.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENTS OF CHANGES IN EQUITY for year ended 31 December 2016

		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 2015		**10,056**	**243**	**1,415,068**	**14,144**	**600,033**	**2,430,045**
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-			-
Profit for the year		-	-	248,902	-	99,099	348,001
Other comprehensive income		-	-	(71,539)	-	(40,592)	(112,131)
Total comprehensive income		-	-	177,363	-	58,507	235,870
Movement in reserves		14,200	-	-	-	-	-
Transfer of distributable share of Life Surplus	35	-	-	7,341	(7,341)	-	-
Right issue	14	-	-	-	-	-	325,650
Issue costs		-	-	-	-	-	(2,482)
Dividends	32	-	-	(108,968)	-	(25,456)	(134,424)
Balance at 31 December 2015		24,256	243	1,490,804	6,803	633,084	2,854,659
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**

* 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 98 to 197 form an integral part of these financial statements.
Auditors' report on pages 81 to 88.

STATEMENTS OF CHANGES IN EQUITY for year ended 31 December 2016

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 2015		**400,800**	-	**29,993**	**(815)**	**42,037**	**1,018,679**	**1,089,894**	**1,490,694**
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	933	(933)	-	-
Profit for the year		-	-	-	-	-	125,304	125,304	125,304
Other comprehensive income		-	-	-	2,817	(42,260)	(536)	(39,979)	(39,979)
Total comprehensive income		-	-	-	2,817	(42,260)	124,768	85,325	85,325
Right issue of shares	14	50,100	275,550	-	-	-	-	-	325,625
Issue costs		-	(2,482)	-	-	-	-	-	(2,482)
Dividends	32	-	-	-	-	-	(108,968)	(108,968)	(108,968)
Balance at 31 December 2015		450,900	273,068	29,993	2,002	710	1,033,546	1,066,251	1,790,219
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 gains 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**

The notes on pages 98 to 197 form an integral part of these financial statements.
Auditors' report on pages 81 to 88.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF CASH FLOWS for year ended 31 December 2016

		THE GROUP		THE COMPANY	
	Notes	2016	2015	2016	2015
		Rs'000	Rs'000	Rs'000	Rs'000
Operating activities					
Net cash generated from operations (refer to page 193)	38(a)	65,993	204,540	140,013	195,213
Dividend received		108,344	79,419	41,364	21,451
Interest received		451,193	392,285	60,095	33,915
Interest paid		(36,879)	(24,778)	(41,242)	(24,568)
Income tax paid	20(b)	(28,760)	(61,786)	(1,809)	(10,020)
Net cash generated from operating activities		559,891	589,680	198,421	215,991
Investing activities					
Proceeds on disposal of property and equipment		4,462	11,491	2,820	9,875
Proceeds on disposal/maturity of financial assets		954,551	712,589	60,521	51,846
Purchase of property and equipment	5	(35,116)	(36,380)	(18,082)	(10,530)
Purchase of intangible assets	7	(4,944)	(7,678)	(3,255)	(2,427)
Purchase of financial assets	10	(1,420,669)	(2,411,863)	(124,628)	(615,202)
Net movement in loans and receivables		56,799	59,135	(19,397)	4,171
Change in investment in contract liabilities		59,555	50,814	-	-
Net cash used in investing activities		(385,362)	(1,621,892)	(102,021)	(562,267)
Financing activities					
Issue of shares/issue cost	14	-	323,168	-	323,168
Borrowings paid		(22,936)	(21,042)	(22,936)	(21,042)
Dividends - Owners of the Parent	32	(112,275)	(108,968)	(112,725)	(108,968)
- Non-controlling interest		(58,222)	(25,456)	-	-
Net cash (used in)/generated from financing activities		(193,433)	167,702	(135,661)	193,158
Net decrease in cash and cash equivalents		(18,904)	(864,510)	(39,261)	(153,118)
Movement in cash and cash equivalents					
At 1 January,		560,562	1,332,450	156,546	303,174
Net decrease in cash and cash equivalents		(18,904)	(864,510)	(39,261)	(153,118)
Exchange gains on cash and cash equivalents		20,015	92,622	4,243	6,490
At 31 December	38(b)	561,673	560,562	121,528	156,546

The notes on pages 98 to 197 form an integral part of these financial statements.
Auditors' report on pages 81 to 88.

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.

On 31 May 2014, The Mauritius Union Assurance CY Ltd acquired 100% of Phoenix TransAfrica Holdings Ltd, a company incorporated in the Republic of Kenya with subsidiaries in Kenya, Tanzania, Uganda and Rwanda duly licensed to carry out general insurance business.

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 2016. 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)

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 and IFRIC interpretations adopted in the year commencing 1 January 2016:

	Effective for accounting period beginning on or after
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments	
IFRS 11 Joint Arrangements: Accounting for Acquisition of Interest	1 January 2016
IAS 16and IAS 38 : Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41 Agriculture: Bearer Plants	1 January 2016
IAS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to IAS 1 Disclosure Initiative	1 January 2016
Amendments to IFRS 10,IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
Annual Improvements 2010-2016 Cycle	
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations	1 January 2016
IFRS 7 Financial Instruments: Disclosures	1 January 2016
IAS 19 Employee Benefits	1 January 2016
IAS 34 Interim Financial Reporting	1 January 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

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, its impact is described below:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
This amendment is applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 12 Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements	1 January 2018
IFRS 16 Leases	1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters	1 January 2018
IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice	1 January 2018
Amendments	
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date postponed indefinitely
Amendments to IAS 7 - Disclosure initiative	1 January 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018

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 IFRS9 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. Moreover the Group is still assessing the impact of the full adoption of IFRS 9, which it intends to adopt on the effective date, on the financial statements.

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.

The Group is still assessing the impact of this new standard.

IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal Company that is classified) as held for sale.

The amendments are effective from 1 January 2017 and must be applied retrospectively.

These amendments will not have an impact on the Group's financial statements.

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.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (Continued)

(i) The beginning of the reporting period in which the entity first applies the interpretation
Or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Early application of interpretation is permitted and must be disclosed. First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency.

These amendments will not have an impact on the Group's financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose.

The amendment is effective from 1 January 2018.

These amendments will not have an impact on the Group's financial statements.

IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice

The amendments clarify that:

An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

These amendments will not have an 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 (Continued)

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IAS 7 Disclosure Initiative – Amendments to IAS 7 –effective 1 January 2017

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Application of amendments will result in additional disclosure provided by the Group.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 –effective January 2017

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

Transfers of Investment Property (Amendments to IAS 40)

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.

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 amendments are effective for annual periods beginning on or after 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured and accounted for in equity once it is finally settled.

Goodwill is initially measured at cost being the excess of the aggregate of the fair value of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IFRS 8 Segment Reporting.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(b) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using Mauritian rupees, the currency of the primary economic environment in which the entities operate ("functional currency"). The consolidated financial statements are presented in Mauritian rupees.

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 profit or loss 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.

(c) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(c) Insurance contracts (continued)

(i) Classification of insurance contracts (Continued)

Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life, i.e. death, disability or survival over a long term. A liability for contractual benefits that are expected to be incurred in future is recorded once the first premium under such a contract has been recognised. The liability is based on best estimates assumptions regarding future mortality, persistency, maintenance expenses and investment income that are determined at each valuation date based on an analysis of recent experience modified by expectation of future trends. The best estimate assumptions are adjusted to include a margin for prudence.

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 % (2015: 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% (2015: 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(c) Insurance contracts (continued)

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

(vi) Incurred but not reported claims (IBNR)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(c) Insurance contracts (continued)

(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, a liability adequacy test is performed to ensure 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.

Life Assurance Fund

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risk

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life time, even if insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment can, however, be classified as insurance contracts after inception if insurance risk becomes significant.

(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)

(d) Financial instruments

Financial assets

As from 1 January 2012, the Group classifies its financial assets in the following measurement categories: those measured at fair value and those measured at amortized cost. 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	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 and government loan stocks	Amortised cost

Debt investments

(i) Financial assets at amortized cost

A debt investment is classified as 'amortized cost' only if both of the following criteria are met: the objective of the group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

(ii) Financial assets at fair value

If either of the two criteria above is not met, the debt instrument is classified as 'fair value through profit or loss'.

The Group has not designated any debt investment as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(d) Financial instruments (continued)

Equity investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, 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.

A gain or loss on a debt investment that is subsequently measured at fair value is recognised in profit or loss and presented as part of 'realised gains/losses- net' in the period in which they arise.

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.

The Group subsequently measures all equity investments at fair value. 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.

The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

(e) 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.

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)

(f) 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.

(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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(j) Investment in joint venture (continued)

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

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

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

(k) Equity instruments

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

(l) Equity movements

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

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

(m) Property and equipment

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

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

Revaluations are done with sufficient regularity to ensure that the carrying amount does not differ materially from that would be determined using fair value at the end of the reporting date. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated by the revalued amount of the asset. 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. Increases and decreases in the carrying amounts arising on revaluation of land and buildings belonging to the life business are credited/debited to the Life Assurance Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(m) Property and equipment (continued)

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

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

Freehold land are not depreciated.

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

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

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

(n) Investment properties

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

When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(o) Non–Controlling Interest

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

(p) Intangible assets

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

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

Acquisition of client portfolio

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

Computer software

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

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

Goodwill

Goodwill is not amortised but tested for impairment annually as described in note 2.4(a).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(q) Impairment of non-financial assets

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

(r) Cash and cash equivalents

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

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

(s) Provisions

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

(t) Segment reporting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(u) Taxes

Current income tax

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

Deferred income tax

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(u) Taxes (continued)

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

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

- 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.

(v) 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)

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

The Group recognizes 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 in the equity. Whenever bonuses are paid/credited to policyholders, an amount representing 6.5 % (2015: 6.5 %) of these bonuses is transferred from the non-distributable reserve to retained earnings in the Statement of Changes in Equity.

(x) Life Assurance Fund

The increase in the Life Assurance Fund represents the increase in the value of policy liabilities. The adequacy of the liabilities is determined annually by actuarial valuation. At the end of every year, a valuation of the assets and liabilities, and therefore of the DPF eligible surplus, is performed. In the light of this valuation a final bonus is set for policyholders. The cost of this bonus is met in full at the end of every year. The amount of the DPF eligible surplus distributable to shareholders is limited to 6.5 % (2015: 6.5%) of the cost to the final bonuses allocated to policyholders. The shareholders' share of the DPF eligible surplus is recognised annually and transferred from the Life Assurance Fund to the Non-distributable share of Life surplus in equity when there is a surplus or from Non-distributable Share of Life Assurance Fund when there is a deficit. The non-distributable share of the surplus is transferred annually from the retained earnings to a non-distributable reserve in the Statement of Changes in Equity. Whenever bonuses are paid/credited to policyholders, an amount representing 6.5 % (2015: 6.5%) of these bonuses is transferred from the non-distributable surplus to retained earnings in the Statement of Changes in Equity.

(y) Retirement benefit obligations

(i) Defined Contribution Pension Scheme

Retirement benefits to employees of the Group are provided by a Defined Contribution Pension Scheme, the Mauritius Union Group Pension Scheme, which is funded by contributions from the Group and the employees. Payments made by the Group are charged to profit or loss /Life Assurance Fund 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)

(y) 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.

(z) 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 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)

(z) 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.

(aa) 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)

2.5 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. In 2014 the Group acquired an insurance business operating in Eastern African countries. As a result, management have made a number of significant estimates in the accounting for the business combination.

These estimates are described below.

(i) Non Life 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting judgments, estimates and assumptions (continued)

(ii) Long term insurance

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

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on the Ultimate Table (UK) which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

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.

(iii) Other significant, estimates and judgements

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.

Revaluation of property and equipment

The Group measures its land and buildings at revalued amounts with changes in fair value being recognised in Other Comprehensive Income. The Group engaged an independent professional valuer to determine the fair value. These estimates have been based on the market data regarding current yield on 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting judgments, estimates and assumptions (continued)

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

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.

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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting judgments, estimates and assumptions (continued)

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

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 and an impairment of Rs 104M has been recorded in the accounts. 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.

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 even though the latter has only 36.51%, 33.89% and 45.78% effective ownership interest and voting rights.

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.

3.1.1 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 2016			
Class of business	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

	Outstanding claims 2016			
Class of business	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)

(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

	Outstanding claims 2015			
Class of business	No. of claims	Gross liabilities	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	13,579	612,240	(45,539)	566,701
Fire	368	123,600	(96,112)	27,488
Personal Accident	299	74,980	(51,597)	23,383
Transport	248	47,982	(22,444)	25,538
Miscellaneous	2,649	437,206	(305,354)	131,852
IBNR	-	111,500	(22,254)	89,246
Total	**17,143**	**1,407,508**	**(543,300)**	**864,208**

THE COMPANY

	Outstanding claims 2015			
Class of business	No. of claims	Gross liabilities	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	11,486	461,616	(9,658)	451,958
Fire	205	76,077	(58,316)	17,761
Personal Accident	159	34,639	(30,401)	4,238
Transport	153	17,146	(1,327)	15,819
Miscellaneous	1,602	364,142	(264,987)	99,155
IBNR	-	62,740	(6,278)	56,462
Total	**13,605**	**1,016,360**	**(370,967)**	**645,393**

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 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**	**-**	**-**	**-**	**-**

	THE GROUP Total benefits insured				THE COMPANY Total benefits insured			
Benefits assured per life assured at the end of 2015	Before reinsurance		After reinsurance		Before reinsurance		After reinsurance	
Rs'000	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
0 - 50	228,982	1	243,667	2	-	-	-	-
50 - 100	503,183	2	542,715	4	-	-	-	-
100 - 150	907,711	3	1,024,309	8	-	-	-	-
150 - 200	941,281	4	1,031,899	8	-	-	-	-
200 - 250	1,355,877	5	1,298,504	10	-	-	-	-
250 - 300	1,196,750	4	5,096,840	38	-	-	-	-
More than 300	21,139,306	81	3,541,913	30	-	-	-	-
Total	**26,273,090**	**100**	**12,779,847**	**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 2016	**2016**		2015		**2016**		2015	
Rs'000	**Rs'000**	**%**	Rs'000	%	Rs'000	%	Rs'000	%
0 - 10	**2,071**	**3**	1,830	3	-	-	-	-
10 - 20	**3,835**	**5**	3,434	6	-	-	-	-
20 - 50	**14,054**	**20**	11,484	19	-	-	-	-
50 - 100	**14,911**	**21**	12,127	21	-	-	-	-
100 - 150	**9,260**	**14**	8,143	14	-	-	-	-
More than 150	**25,747**	**37**	21,779	37	-	-	-	-
Total	**69,878**	**100**	58,797	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				
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)

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

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)

THE GROUP

2015	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%	129,601	52,105	(77,496)	(65,872)

THE COMPANY

2015	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%	95,362	36,469	(58,893)	(50,059)

(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 indicates 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

2016 Variable	Basic liability Rs'000	Future bonus reserve Rs'000	Total life fund Rs'000	Change in basic liability	Impact on profit or loss
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%

THE GROUP

2015 Variable	Basic liability Rs'000	Future bonus reserve Rs'000	Total life fund Rs'000	Change in basic liability	Impact on profit or loss
Base run	5,618,322	97,909	5,716,231	0.00%	0.00%
Future mortality 10% worse	5,648,912	91,328	5,740,240	0.50%	-5.20%
Future lapses 10% higher	5,618,429	101,554	5,719,983	-0.80%	-0.80%
Future investment returns 1% lower	5,759,966	(40,838)	5,719,128	2.50%	-0.60%
Future inflation 1% higher	5,664,324	81,427	5,745,751	0.80%	-6.40%
Future maintenance expense 10% higher	5,684,896	68,131	5,753,027	1.20%	-8.00%

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.4 Claims development tables

	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	62,222	-	-
- 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	134,997	-
- two years later	66,442	46,863	62,222	-	-
- three years later	57,324	36,860	-	-	-
- four years later	51,810	-	-	-	-

	Underwriting Year				
THE GROUP (2015)	2011	2012	2013	2014	2015
Net estimate of ultimate claim costs	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
- At end of claim year	123,260	100,563	92,041	220,876	265,512
- one year later	101,542	102,880	48,344	163,540	-
- two years later	67,784	66,442	46,863	-	-
- three years later	59,995	57,324	-	-	-
- four years later	50,195	-	-	-	-

	Underwriting Year				
THE COMPANY (2015)	2011	2012	2013	2014	2015
Net estimate of ultimate claim costs	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
- At end of claim year	123,260	100,563	92,041	144,018	168,854
- one year later	101,542	102,880	48,344	95,964	-
- two years later	67,784	66,442	46,863	-	-
- three years later	59,995	57,324	-	-	-
- four years later	50,195	-	-	-	-

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.4 Claims development tables (continued)

(b) Long-term Insurance (THE GROUP)

	THE GROUP	
Financial Liabilities	**2016**	2015
Long term insurance contracts	**Rs'000**	Rs'000
No stated Maturity	**3,086,148**	2,689,180
0 - 1 yr	**262,285**	254,660
1 - 2 yrs	**186,986**	171,042
2 - 3 yrs	**202,898**	176,899
> 3 yrs	**3,050,324**	3,073,145
	6,788,641	6,364,926

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 (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**

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.4 Claims development tables (continued)

THE GROUP (2015)	2011	2012	2013	2014	2015	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	661,378	780,855	442,049	994,527	888,851	3,767,660
Cumulative payments	(611,183)	(723,531)	(395,186)	(830,987)	(623,339)	(3,184,226)
Liability	50,195	57,324	46,863	163,540	265,512	583,434
Liability in respect of prior years						191,528
Incurred but not reported (IBNR)						89,246
Total Liability (Net)						**864,208**

THE COMPANY (2015)	2011	2012	2013	2014	2015	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	661,378	780,855	442,049	769,243	610,253	3,263,778
Cumulative payments	(611,183)	(723,531)	(395,186)	(673,280)	(441,398)	(2,844,578)
Liability	50,195	57,324	46,863	95,963	168,855	419,200
Liability in respect of prior years						169,731
Incurred but not reported (IBNR)						56,462
Total Liability (Net)						**645,393**

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.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (continued)

				THE GROUP			
				31 December 2016		31 December 2015	
Financial statements caption		Closing exchange rate	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 Financial assets at fair value through profit or loss Cash and short-term deposits	USD	36.26	+2.5%	**1,721**	**301**	1,592	255
Financial assets at fair value through other comprehensive income Cash and short-term deposits	EUR	38.16	+2.5%	**152**	**327**	146	417
Financial assets at fair value through profit or loss Cash and short-term deposits	GBP	44.51	+2.5%	**30**	**-**	30	-
Cash and short-term deposits	SGD	25.15	+2.5%	**-**	**-**	7	-
Financial assets at fair value through profit or loss	AUD	26.18	+2.5%	**-**	**-**	-	-
Cash and short-term deposits	ZAR	2.67	+2.5%	**46**	**-**	49	-
Cash and short-term deposits	SCR	2.69	+2.5%	**621**	**-**	535	-
Financial assets at fair value through other comprehensive income Insurance and other receivables Reinsurance assets Cash and short-term deposits	RWF	0.0431	+10.0%	**15,892**	**107**	15,725	148

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (continued)

				THE GROUP			
				31 December 2016		31 December 2015	
Financial statements caption		Closing exchange rate	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	0.3501	+10.0%	**796**	**1,393**	2,211	2,329
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	0.0165	+10.0%	**1,798**	**609**	1,797	1,022
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	0.00996	+10.0%	**1,795**	**146**	2,939	175
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%	**(1,721)**	**(301)**	(1,592)	(255)
	EUR		-2.5%	**(152)**	**(327)**	(146)	(417)
	GBP		-2.5%	**(30)**	**-**	(30)	-
	SGD		-2.5%	**-**	**-**	(7)	-
	AUD		-2.5%	**-**	**-**	-	-
	ZAR		-2.5%	**(46)**	**-**	(49)	-
	SCR		-2.5%	**(621)**	**-**	(535)	-
	RWF		-10.0%	**(15,892)**	**(107)**	(15,725)	(148)
	KSHS		-10.0%	**(796)**	**(1,393)**	(2,211)	(2,329)
	TZSHS		-10.0%	**(1,798)**	**(609)**	(1,797)	(1,022)
	USHS		-10.0%	**(1,795)**	**(146)**	(2,939)	(175)

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 2016		31 December 2015	
	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%	**375**	**301**	245	255
EUR	+2.5%	**9**	**327**	3	-
GBP	+2.5%	**3**	-	3	-
SGD	+2.5%	-	-	7	-
AUD	+2.5%	-	-	-	-
ZAR	+2.5%	**2**	-	6	-
SCR	+2.5%	**621**	-	535	-

	THE COMPANY				
		31 December 2016		31 December 2015	
	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%	**(375)**	**(301)**	(245)	(255)
EUR	-2.5%	**(9)**	**(327)**	(3)	-
GBP	-2.5%	**(3)**	-	(3)	-
SGD	-2.5%	-	-	(7)	-
AUD	-2.5%	-	-	-	-
ZAR	-2.5%	**(2)**	-	(6)	-
SCR	-2.5%	**(621)**	-	(535)	-

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 and bank overdrafts.

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			
	31 December 2016		31 December 2015	
Changes in interest rate	**Impact on profit before tax Rs'000**	**Impact on equity Rs'000**	Impact on profit before tax Rs'000	Impact on equity Rs'000
+ 250 basis points	**29,308**	-	35,237	-
- 250 basis points	**(29,308)**	-	(35,237)	-

	THE COMPANY			
	31 December 2016		31 December 2015	
Changes in interest rate	**Impact on profit before tax Rs'000**	**Impact on equity Rs'000**	Impact on profit before tax Rs'000	Impact on equity Rs'000
+ 250 basis points	**7,258**	-	9,528	-
- 250 basis points	**(7,258)**	-	(9,528)	-

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

Changes in share price	31 December 2016 Impact on profit before tax Rs'000	31 December 2016 Impact on equity Rs'000	31 December 2015 Impact on profit before tax Rs'000	31 December 2015 Impact on equity Rs'000
+ 2.5%	66,882	11,501	64,157	14,112
- 2.5%	(66,882)	(11,501)	(64,157)	(14,112)

THE COMPANY

Changes in share price	31 December 2016 Impact on profit before tax Rs'000	31 December 2016 Impact on equity Rs'000	31 December 2015 Impact on profit before tax Rs'000	31 December 2015 Impact on equity Rs'000
+ 2.5%	4,838	8,742	4,458	9,988
- 2.5%	(4,838)	(8,742)	(4,458)	(9,988)

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. 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 table shows the maximum exposure to credit risk for the components of the financial position.

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
Financial instruments	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Financial assets at fair value through other comprehensive income*	**51,671**	53,818	**51,670**	53,818
Financial assets at fair value through profit or loss*	**545,144**	178,318	**193,507**	178,318
Financial assets at amortised cost	**5,157,589**	4,714,285	**621,173**	509,901
Loans and receivables at amortised cost	**810,101**	858,788	**240,568**	223,403
Insurance and other receivable	**1,067,507**	894,338	**531,350**	529,128
Amount receivable from subsidiary	**-**	-	**13,867**	16,644
Reinsurance assets**	**454,099**	543,300	**305,014**	370,967
Bank balances and cash	**561,673**	560,562	**121,528**	156,546
	8,647,784	7,803,409	**2,078,677**	2,038,725

* Excludes equity instruments.
** Excludes the reinsurer's of share of unearned premium as it is not a financial asset.

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 2016 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

2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest bearing loans and borrowings	-	-	10,790	195,365	208,622	414,777
Trade and other payables	533,890	-	-	-	-	533,890
	533,890	-	10,790	195,365	208,622	948,667

THE GROUP

2015	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest bearing loans and borrowings	-	-	28,526	142,962	277,774	449,262
Trade and other payables	551,363	-	-	-	-	551,363
	551,363	-	28,526	142,962	277,774	1,000,625

THE COMPANY

2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest bearing loans and borrowings	-	-	10,790	195,365	208,622	414,777
Trade and other payables	140,869	-	-	-	-	140,869
	140,869	-	10,790	195,365	208,622	555,646

THE COMPANY

2015	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest bearing loans and borrowings	-	-	158,241	12,962	212,962	384,165
Trade and other payables	169,599	-	-	-	-	169,599
	169,599	-	158,241	12,962	212,962	553,764

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 2016 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

Governance Framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognised the critical importance of having efficient and effective risk management systems in place.

The board of directors approves the Company risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are subject to regulatory requirements within the jurisdictions in which 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 insurance companies to meet unforeseen liabilities as these arise.

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
2016	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
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**
2015					
COST OR VALUATION					
At 1 January 2015	40,000	211,676	278,212	46,894	576,782
Additions during the year	-	-	30,799	5,581	36,380
Disposals during the year	-	-	(4,678)	(15,810)	(20,488)
Write off	-	-	(1,296)	(44)	(1,340)
Exchange differences	-	-	(1,962)	(455)	(2,417)
At 31 December 2015	**40,000**	**211,676**	**301,075**	**36,166**	**588,917**
DEPRECIATION					
At 1 January 2015	-	-	201,469	27,955	229,424
Charge for the year	-	3,924	26,451	7,696	38,071
Disposals	-	-	(3,891)	(13,780)	(17,671)
Write off	-	-	(497)	(23)	(520)
Exchange differences	-	-	(1,214)	(337)	(1,551)
At 31 December 2015	**-**	**3,924**	**222,318**	**21,511**	**247,753**
CARRYING AMOUNT					
At 31 December 2015	**40,000**	**207,752**	**78,757**	**14,655**	**341,164**

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
2016	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
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
Reclassification from intangible assets	-	-	(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**
2015					
COST OR VALUATION					
At 1 January 2015	40,000	143,500	145,670	33,255	362,425
Additions during the year	-	-	6,239	4,291	10,530
Write off	-	-	(1,296)	-	(1,296)
Disposals during the year	-	-	(1,629)	(10,314)	(11,943)
At 31 December 2015	**40,000**	**143,500**	**148,984**	**27,232**	**359,716**
DEPRECIATION					
At 1 January 2015	-	-	87,279	23,266	110,545
Charge for the year	-	2,870	16,721	4,446	24,037
Write off	-	-	(497)	-	(497)
Disposals during the year	-	-	(1,298)	(8,576)	(9,874)
At 31 December 2015	**-**	**2,870**	**102,205**	**19,136**	**124,211**
CARRYING AMOUNT					
At 31 December 2015	**40,000**	**140,630**	**46,779**	**8,096**	**235,505**

(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 last revalued in December 2014 by 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. Management did not carry another independent valuation this year and they have assessed that the carrying amount has not changed significantly over the year.

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	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cost	**195,153**	195,153	**163,369**	163,369
Accumulated depreciation	**(15,849)**	(13,382)	**(14,795)**	(12,328)
Net book values	**179,304**	181,771	**148,574**	151,041

6. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	**523,155**	514,752	**79,000**	79,000
Impairment	**(22,621)**	(6,130)	**-**	-
Increase in fair value	**-**	41,441	**-**	-
Exchange differences	**(3,350)**	(26,908)	**-**	-
At 31 December	**497,184**	523,155	**79,000**	79,000

The fair value of the Group's investment properties as at 31 December 2016 has been arrived at on the basis of a valuation carried out by independent valuers 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 10,674,000 (2015 – Rs 35,814,000) for the Group and Rs Nil (2015: 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 (2015: 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
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.

THE GROUP	Goodwill	Client portfolio	Computer software	Work in Progress	Total
2015	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST					
At 1 January 2015	345,441	439,570	144,840	32,074	961,925
Transfer			12,619	(12,619)	-
Additions during the year	-	-	7,678	-	7,678
Write off	-	-	(10,192)	(19,263)	(29,455)
Exchange differences	-	-	82	(7)	75
At 31 December 2015	**345,441**	**439,570**	**155,027**	**185**	**940,223**
AMORTISATION AND IMPAIRMENT					
At 1 January 2015	-	101,916	113,096	-	215,012
Charge for the year	-	24,029	15,274	-	39,303
Write off	-	-	(5,972)	-	(5,972)
Exchange differences	-	-	169	-	169
At 31 December 2015	**-**	**125,945**	**122,567**	**-**	**248,512**
CARRYING AMOUNT					
At 31 December 2015	**345,441**	**313,625**	**32,460**	**185**	**691,711**

7. INTANGIBLE ASSETS (CONTINUED)

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)
Transfer	-	-	-	-
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**

THE COMPANY	Goodwill	Client portfolio	Computer software	Work in Progress	Total
2015	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST					
At 1 January 2015	133,188	245,478	79,077	32,074	489,817
Write off	-	-	(10,192)	(19,263)	(29,455)
Transfer	-	-	12,811	(12,811)	-
Additions during the year	-	-	2,427	-	2,427
At 31 December 2015	**133,188**	**245,478**	**84,123**	**-**	**462,789**
AMORTISATION AND IMPAIRMENT					
At 1 January 2015	-	76,931	60,309	-	137,240
Charge for the year	-	-	(5,972)	-	(5,972)
Write off	-	12,510	10,168	-	22,678
At 31 December 2015	**-**	**89,441**	**64,505**	**-**	**153,946**
CARRYING AMOUNT					
At 31 December 2015	**133,188**	**156,037**	**19,618**	**-**	**308,843**

Capital work in progress represents the implementation of a new software in 2015.

8. INVESTMENT IN SUBSIDIARY COMPANIES

		THE COMPANY	
		2016	2015
		Rs'000	Rs'000
(a)	At 1 January and 31 December	**927,296**	927,296
	Impairment during the year	**(104,129)**	-
	At 31 December	**823,167**	927,296

Out of the Rs 823m, Rs 615m 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	2,315,000

(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	2016 Rs'000	2015 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.

Nominal value of investment		Class of shares held	% of ownership interest		% of ownership interest by NCI	
2016	2015		2016	2015	2016	2015
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)

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	**93,717**	**939,827**	**1,636,487**	**469,912**	**437,806**
Carrying amounts of non-controlling interests	18,743	315,970	1,081,882	254,786	277,963
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	-	-	-	-

2015	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	17,246	259,530	303,799	195,608	237,769
Non current assets	25,308	544,727	726,651	112,939	13,057
Current liabilities	(14,112)	(56,893)	(129,786)	(63,885)	(63,302)
Non current liabilities	(8)	(196,894)	(372,507)	(130,919)	(110,219)
Net assets	**28,434**	**550,470**	**528,157**	**113,743**	**77,305**
Carrying amounts of non-controlling interests	5,687	**185,068**	**349,165**	**61,671**	**49,081**
Revenue	11,556	185,300	379,781	151,394	140,775
Profit for the year	4,712	26,593	112,810	18,294	7,399
Other comprehensive losses	(1,648)	(17,483)	(46,883)	(5,938)	(269)
Total comprehensive income	**3,064**	**9,110**	**65,927**	**12,356**	**7,130**
Profit allocated to non-controlling interest	942	8,941	74,579	9,920	4,698
Total comprehensive income allocated to non-controlling interest	613	3,063	45,584	6,700	4,527
Dividend paid to non-controlling interest	1,000	10,844	13,583	-	-

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

2016	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	26,129	(111,060)	34,538	(39,980)	(2,848)
Investing activities	(2,890)	(74,125)	(26,616)	40,013	(5,522)
Financing activities	(1,800)	(31,509)	-	-	-
Net increase in cash and cash equivalents	21,439	(216,694)	7,922	33	(8,370)
2015					
Operating activities	(25,131)	(32,342)	19,637	125,489	24,789
Investing activities	(13)	71,057	(5,598)	(137,359)	103,980
Financing activities	(4,999)	(48,384)	-	(20,816)	-
Net (decrease)/increase in cash and cash equivalents	(30,143)	(9,669)	14,039	(32,686)	128,769

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

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	**14,325**	14,397	-	-
Share of profit/(loss)	**603**	(136)	-	-
Exchange differences	**(35)**	64	-	-
At 31 December	**14,893**	14,325	-	-

(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**			
			2016		2015	
			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%

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

Summarised financial information of joint ventures

	2016 Rs'000	2015 Rs'000
Current assets	322,656	311,980
Non current assets	-	-
Current liabilities	30,636	31,000
Non current liabilities	-	-
Equity	292,020	280,980
% holding	5.10%	5.10%
Proportion of group 's ownership carrying amount of investment	14,893	14,325
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	33,069	47,452
Revenue	2,278	5,565
Profit/(loss) for the year	11,997	(2,245)
Other comprehensive for the period	-	-
Interest	-	-
Depreciation	-	-
Income tax	-	-
Dividend received from the joint venture	-	1,203

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	
	2016 Rs'000	2015 Rs'000	2016 Rs'000	2015 Rs'000
At 1 January 2016	564,469	658,836	399,502	461,608
Additions during the year	8,908	29,057	4,431	14,653
Disposals during the year	(83,573)	(51,831)	(52,521)	(34,499)
Decrease in fair value	(28,012)	(69,553)	(1,729)	(42,260)
Exchange differences	(1,753)	(2,040)	-	-
At 31 December 2016	460,039	564,469	349,683	399,502

Analysed as follows:	2016 Rs'000	2015 Rs'000	2016 Rs'000	2015 Rs'000
Quoted equity securities	356,932	459,827	271,631	316,248
Unquoted securities	51,436	50,824	26,382	29,436
Open ended mutual funds	51,671	53,818	51,670	53,818
Total financial assets at fair value through other comprehensive income	460,039	564,469	349,683	399,502

10. FINANCIAL ASSETS (CONTINUED)

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

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	**2,566,280**	2,578,317	**178,318**	-
Additions during the year	**118,956**	229,465	**-**	178,318
Disposals during the year	**(24,844)**	(53,699)	**-**	-
Increase/(decrease) in fair value	**14,887**	(187,803)	**15,189**	-
At 31 December	**2,675,279**	2,566,280	**193,507**	178,318

	2016	2015	2016	2015
Analysed as follows:	Rs'000	Rs'000	Rs'000	Rs'000
Local - Listed	**2,030,135**	2,052,170	**-**	-
Others	**645,144**	514,110	**193,507**	178,318
Total financial assets at fair value through profit or loss	**2,675,279**	2,566,280	**193,507**	178,318

	2016	2015	2016	2015
Analysed as follows:	Rs'000	Rs'000	Rs'000	Rs'000
Non-current	**2,481,772**	2,566,280	**-**	178,318
Current	**193,507**	-	**193,507**	-
	2,675,279	2,566,280	**193,507**	178,318

(c) Financial assets at amortised cost

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	**4,714,285**	3,181,954	**509,901**	105,863
Additions during the year	**1,292,805**	2,154,188	**120,197**	422,231
Matured during the year	**(845,733)**	(637,666)	**(8,000)**	(17,347)
Amortisation during the year	**11,508**	(2,408)	**(925)**	(846)
Exchange differences	**(15,276)**	18,217	**-**	-
At 31 December	**5,157,589**	4,714,285	**621,173**	509,901

	2016	2015	2016	2015
Analysed as follows:	Rs'000	Rs'000	Rs'000	Rs'000
Non-current	**4,290,882**	4,607,148	**541,173**	501,901
Current	**866,707**	107,137	**80,000**	8,000
	5,157,589	4,714,285	**621,173**	509,901

11. LOANS AND RECEIVABLES AT AMORTISED COST

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Mortgage Loans	560,421	584,828	2,998	6,134
Loans on Life policies	16,566	18,732	-	-
Secured Loans	240,240	270,561	238,223	214,344
Unsecured Loans	3,969	5,767	3,104	4,220
CDS guarantee fund	3,683	1,790	335	565
Provision for impairment :				
- Mortgage Loans	(10,348)	(20,475)	(15)	(31)
- Loan on Life policies	(99)	(129)	-	-
- Secured Loans	(4,316)	(1,985)	(4,062)	(1,718)
- Unsecured Loans	(15)	(301)	(15)	(111)
	810,101	858,788	240,568	223,403

	2016	2015	2016	2015
Analysed as follows:	Rs'000	Rs'000	Rs'000	Rs'000
Non-current	683,778	750,573	168,917	153,320
Current	126,323	108,215	71,651	70,083
	810,101	858,788	240,568	223,403

(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.

The ageing analysis of loan and receivables is as follows :

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Neither past due nor impaired	647,767	845,334	211,214	221,497
Past due but not impaired	132,598	9,176	27,145	1,330
Past due and impaired	44,514	27,168	6,301	2,436
Gross:	824,879	881,678	244,660	225,263
Less: provision for impairment	(14,778)	(22,890)	(4,092)	(1,860)
	810,101	858,788	240,568	223,403

11. LOANS AND RECEIVABLES AT AMORTISED COST (CONTINUED)

THE GROUP	Total	Neither past due nor Impaired	Past due but not impaired < 30 days	Past due but not impaired 30- 90 days	Past due and impaired 91-180 days
	Rs'000	Rs'000	Rs'000	Rs'000	
2016	**824,879**	**647,767**	**81,193**	**51,405**	**44,514**
2015	881,678	845,334	4,986	4,190	27,168

THE COMPANY	Total	Neither past due nor Impaired	Past due but not impaired < 30 days	Past due but not impaired 30- 90 days	Past due and impaired 91-180 days
	Rs'000	Rs'000	Rs'000	Rs'000	
2016	**244,660**	**211,214**	**14,210**	**12,935**	**6,301**
2015	225,263	221,497	905	425	2,436

(b) Movement in provision for impairment of loans

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	**22,890**	14,663	**1,860**	1,627
Recoveries	**(10,345)**	(94)	**-**	(94)
Charge for the year	**2,233**	8,321	**2,232**	327
At 31 December	**14,778**	22,890	**4,092**	1,860

(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. The fair value of the collateral of loans are considered greater than the carrying value of the loans.

(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	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Premium debtors and agents' balances	749,050	666,075	470,929	432,987
Provision for credit impairment	(104,151)	(98,271)	(16,045)	(16,587)
	644,899	567,804	454,884	416,400
Amount due by reinsurers	153,684	122,497	26,044	42,247
Investment income receivable	105,171	123,193	12,742	31,827
Other receivables	163,753	80,844	37,680	38,654
	1,067,507	894,338	531,350	529,128

(a) Premium debtors and agents' balances that are less than three months past due are not impaired. As at 31 December 2016, the Group had Rs 303.2 M, and the Company had Rs137.8M (2015: The Group had Rs 160.0M, and the Company had Rs 121.9M) that were more than 3 months past due but not impaired. The ageing analysis of these premium debtors is as follows :

	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Up to 3 months	341,739	407,817	317,058	294,526
3 to 6 months	205,980	93,649	86,866	78,027
6 to 12 months	89,943	60,665	50,960	43,847
> 12 months	7,237	5,673	-	-
	644,899	567,804	454,884	416,400

(b) Movement in provision for credit impairment

	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	98,271	74,189	16,587	14,292
Charge during the year	7,655	25,986	-	2,295
Release during the year	(542)	-	(542)	-
Exchange difference	(1,233)	(1,904)	-	-
At 31 December	104,151	98,271	16,045	16,587

(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. REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Gross				
- Claims reported and loss adjustment expenses	1,307,126	1,311,583	908,459	953,620
- Claims incurred but not reported (IBNR)	129,248	111,500	69,253	62,740
- Unearned premiums	1,186,092	1,140,953	788,531	783,031
- Exchange differences	(24,134)	(30,656)	-	-
Total gross insurance contract liabilities	2,598,332	2,533,380	1,766,243	1,799,391
Recoverable from reinsurers				
- Claims reported and loss adjustment expenses	433,269	529,037	298,177	364,689
- Claims incurred but not reported (IBNR)	25,566	22,254	6,837	6,278
- Unearned premiums	316,382	290,492	131,079	137,739
- Exchange differences	(8,350)	(14,014)	-	-
Total reinsurers' share of insurance contract liabilities	766,867	827,769	436,093	508,706
Net				
- Claims reported and loss adjustment expenses	873,857	782,546	610,282	588,931
- Claims incurred but not reported (IBNR)	103,682	89,246	62,416	56,462
- Unearned premiums	869,710	850,461	657,452	645,292
- Exchange differences	(15,784)	(16,642)	-	-
Total net insurance contract liabilities	1,831,465	1,705,611	1,330,150	1,290,685

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

THE GROUP	2016			2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
(i) Claims	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	1,407,508	(543,300)	864,208	1,322,868	(475,973)	846,895
Claims incurred during the year	1,455,828	(217,830)	1,237,998	1,375,863	(320,514)	1,055,349
Cash paid for claims settled during the year	(1,426,962)	302,295	(1,124,667)	(1,275,648)	245,196	(1,030,452)
Exchange differences	(11,811)	4,736	(7,075)	(15,575)	7,991	(7,584)
At 31 December	1,424,563	(454,099)	970,464	1,407,508	(543,300)	864,208
Recognised notified claims	1,295,315	(428,533)	866,782	1,296,008	(521,046)	774,962
Incurred but not reported (IBNR)	129,248	(25,566)	103,682	111,500	(22,254)	89,246
	1,424,563	(454,099)	970,464	1,407,508	(543,300)	864,208
Movement in outstanding claims	28,866	84,464	113,330	100,215	(75,318)	24,897
Movement in insurance contract liabilities 15(a)	335,356	-	335,356	74,520	-	74,520
Movement during the year recognised in the profit and loss	364,222	84,464	448,686	174,735	(75,318)	99,417
Total claims and benefits paid						
Claims-Non Life	1,426,962	(302,295)	1,124,667	1,275,648	(245,196)	1,030,452
Claims and benefits-Life	537,721	(40,495)	497,226	497,962	(12,248)	485,714
	1,964,683	(342,790)	1,621,893	1,773,610	(257,444)	1,516,166

(ii) Provision for unearned premiums						
At 1 January	1,125,872	(284,469)	841,403	1,126,264	(312,810)	813,454
Premium written during the year	2,933,324	(891,920)	2,041,404	2,726,350	(868,661)	1,857,689
Premium earned during the year	(2,873,104)	860,007	(2,013,097)	(2,711,661)	890,979	(1,820,682)
Exchange differences	(12,323)	3,614	(8,709)	(15,081)	6,023	(9,058)
At 31 December	1,173,769	(312,768)	861,001	1,125,872	(284,469)	841,403

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

THE COMPANY	2016			2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
(i) Claims	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	1,016,360	(370,967)	645,393	925,313	(298,753)	626,560
Claims incurred during the year	1,002,085	(85,289)	916,796	1,034,794	(206,401)	828,393
Cash paid for claims settled during the year	(1,040,733)	151,242	(889,491)	(943,747)	134,187	(809,560)
At 31 December	977,712	(305,014)	672,698	1,016,360	(370,967)	645,393
Recognised notified claims	908,459	(298,177)	610,282	953,620	(364,689)	588,931
Incurred but not reported	69,253	(6,837)	62,416	62,740	(6,278)	56,462
	977,712	(305,014)	672,698	1,016,360	(370,967)	645,393
Movement during the year recognised in the profit and loss	(38,648)	65,953	27,305	91,047	(72,214)	18,833
(ii) Provision for unearned premiums						
At 1 January	783,031	(137,739)	645,292	753,257	(141,753)	611,504
Premium written during the year	1,905,218	(373,972)	1,531,246	1,788,935	(373,229)	1,415,706
Premium earned during the year	(1,899,718)	380,632	(1,519,086)	(1,759,161)	377,243	(1,381,918)
At 31 December	788,531	(131,079)	657,452	783,031	(137,739)	645,292

(b) Deferred Acquisition Costs Receivable

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	111,461	95,767	64,508	58,587
Movement	(7,792)	15,694	1,322	5,921
At 31 December	103,669	111,461	65,830	64,508

(c) Deferred Acquisition Costs Payable

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	34,804	35,531	34,804	35,531
Movement	(2,849)	(727)	(2,849)	(727)
At 31 December	31,955	34,804	31,955	34,804

14. ISSUED SHARE CAPITAL

THE GROUP AND THE COMPANY	Authorised		Issued and fully paid	
	2016	2015	**2016**	2015
	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 (2015: 50 million shares).

	THE GROUP AND COMPANY	
	2016	2015
	No. of shares (000)	No. of shares (000)
At 1 January	**45,090**	40,080
Right issue made during the year	-	5,010
At 31 December	**45,090**	45,090

	THE GROUP AND COMPANY			
	2016	**2016**	2015	2015
	Per value	**Share Premium**	Per value	Share Premium
	Rs'000	**Rs'000**	Rs'000	Rs'000
At 1 January	**450,900**	**273,068**	400,800	-
Right issue made during the year	-	-	50,100	273,068
At 31 December	**450,900**	**273,068**	450,900	273,068

During the financial year 2015, the Company has made a right issue in the ratio of 1 new ordinary share for every 8 ordinary shares held on August 21, 2015.The new share of par value of Rs 10 at an issue price of Rs 65 per share. Issue costs amounting to Rs 2.48 M has been offset against the share premium.

15. (a) LIFE ASSURANCE FUND

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	**5,716,232**	6,151,442	-	-
Investment fair value adjustments transferred to investment contracts	-	(509,730)	-	-
Transfer of surplus from the Life business revenue account	**335,356**	74,520	-	-
At 31 December	**6,051,588**	5,716,232	-	-

See accounting policy note 2.4 (x).

15. (b) INVESTMENT CONTRACT LIABILITIES

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	**577,745**	-	**-**	-
Transfer from insurance contract liabilities	**-**	509,730	**-**	-
Deposits	**65,524**	67,248	**-**	-
Withdrawals	**(5,969)**	(16,434)	**-**	-
Investment fair value adjustment	**26,477**	17,201	**-**	-
	663,777	577,745	**-**	-

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 2016 and 2015 represent fair value of investments.

15. (c)

	2016	2015
	Rs'000	Rs'000
Life fund 1 January	**5,716,232**	6,151,442
Premium (net of reinsurance)	**705,539**	622,383
Interest, dividends and rent	**398,355**	347,543
Realised capital loss	**401**	18,563
Unrealised capital gain	**(302)**	(187,803)
Disposal of asset	**(107)**	(107)
Death and disability claims (net of reinsurance)	**(10,728)**	(15,121)
Maturity claims	**(241,836)**	(257,633)
Surrenders	**(136,611)**	(132,334)
Annuities and pensions	**(88,660)**	(79,611)
Other benefits	**(19,390)**	(1,015)
Commissions (net of reinsurance)	**(18,284)**	(8,483)
Management expenses	**(107,191)**	(104,020)
Depreciation and amortisation of assets	**(7,412)**	(9,086)
Transfer to investment contracts	**(26,477)**	(526,931)
Transfer to revenue account	**(111,941)**	(101,555)
Life fund 31 December	**6,051,588**	5,716,232

The actuaries of LPM are Deloitte, South Africa. The latest actuarial valuation of the Life assurance fund was done at 31 December 2016. 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 111,940,911 (2015: Rs 101,554,603) has been transferred to profit or loss. This portion is calculated by the external actuaries and approved by the board of LPM, on the basis that sufficient reserves are held to maintain the solvency of the Life assurance fund over the long term.

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	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	**(57,404)**	(23,074)	**15,644**	38,394
(Over)/ under provision of deferred tax (note 20)	**3,592**	(1,222)	**10,218**	(1,172)
Deferred tax charge for the year (note 20)	**(8,575)**	(41,837)	**(9,533)**	(21,578)
Effect of exchange differences	**(817)**	8,729	**-**	-
At 31 December	**(63,204)**	(57,404)	**16,329**	15,644

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	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Deferred tax liabilities	**(94,916)**	(116,674)	**-**	-
Deferred tax assets	**31,712**	59,270	**16,329**	15,644
	(63,204)	(57,404)	**16,329**	15,644

Deferred tax assets and liabilities are attributable to the following :

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
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	**(75,147)**	-	**-**	-
Provision for legal costs	**-**	(6,696)	**-**	(8,664)
Difference between capital allowances and depreciation	**(44)**	(90,253)	**-**	-
	(94,916)	(116,674)	**-**	(8,664)

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
Deferred tax assets	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Difference between capital allowances and depreciation	**17,750**	33,121	**11,413**	20,196
Provision for bad debts	**4,351**	8,908	**2,726**	2,820
Provision for impairment of loan receivables	**696**	316	**696**	316
Retirement benefit obligations	**1,494**	976	**1,494**	976
Tax losses carried forward	**7,421**	15,949	**-**	-
	31,712	59,270	**16,329**	24,308
	(63,204)	(57,404)	**16,329**	15,644

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 772m (2015 : Rs 423m) to carry forward against future taxable income. These can be carried forward over the next 5 years.

17. EMPLOYEE BENEFIT OBLIGATIONS

Pension schemes

The benefits of employees of the Group and the Company fall under the following different types of arrangements:

(i) A defined benefit scheme which is funded. The plan assets are held independently by La Prudence Mauricienne Assurance Limitee.
(ii) Unfunded defined benefit scheme which is entitled to a No Worse Off Guarantee ('NWOG')

The liabilities in respect of the defined benefit schemes above are analysed as follows:

	THE GROUP AND COMPANY	
	2016	2015
	Rs'000	Rs'000
Funded obligation (note a)	**5,901**	4,839
Unfunded obligation (note b)	**2,887**	910
	8,788	5,749

(a) Funded obligation

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

	THE GROUP AND COMPANY	
	2016	2015
	Rs'000	Rs'000
Defined benefit of funded obligation	**8,197**	7,516
Fair value of plan assets	**(2,296)**	(2,677)
Benefit liability	**5,901**	4,839

(i) Movement of defined benefit of funded obligations:

	THE GROUP AND COMPANY	
	2016	2015
	Rs'000	Rs'000
At 1 January	**7,516**	6,924
Benefits paid	**(104)**	-
Amount recognised in profit or loss:		
Interest cost	**560**	520
Amount recognised in other comprehensive income:		
Actuarial changes arising from changes in financial assumptions	**225**	72
At 31 December	**8,197**	7,516

17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(a) Funded obligation (Continued)

(ii) Movement of fair value of plan assets:

	THE GROUP AND COMPANY	
	2016	2015
	Rs'000	Rs'000
At 1 January	**2,677**	2,630
Benefits paid	**(104)**	-
Amount recognised in profit or loss:		
Interest cost	**197**	197
Amount recognised in other comprehensive income:		
Actuarial changes arising from changes in financial assumptions	**(474)**	(150)
At 31 December	**2,296**	2,677

The main categories of plan assets are as follows:

	THE GROUP AND COMPANY	
	2016	2015
	%	%
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	
	2016	2015
Discount rate	**7.0%**	7.5%
Expected rate of return on plan assets	**7.0%**	7.5%
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**	

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
2016				
Impact on defined benefit obligation	**(1,151)**	1,422	**946**	(810)
2015				
Impact on defined benefit obligation	**(1,053)**	1,317	**840**	(723)

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
2016	**84**	(84)	**100**	(100)
2015	**67**	(68)	**91**	(92)

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 11 years (2015: 13 yrs).

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 .

The Group does not expect any contribution in 2017.

(b) Unfunded obligation

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

	THE GROUP AND COMPANY	
	2016	2015
	Rs'000	Rs'000
Present value of unfunded obligation	**2,887**	910

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	
	2016	2015
	Rs'000	Rs'000
At 1 January	**910**	577
Amount recognised in profit or loss:		
Interest cost	**115**	19
Amount recognised in other comprehensive income:		
Actuarial losses	**1,862**	314
Benefit paid	**-**	-
At 31 December	**2,887**	910

The principal actuarial assumptions used for accounting purposes were:

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
Discount rate	**5.3%**	6.5%	**5.3%**	6.5%
Future salary increase	**4.3%**	5.5%	**4.3%**	5.5%
Future pension increase	**0.0%**	0.0%	**0.0%**	0.0%

The Group does not expect any contribution in 2016.

No sensitivity analysis for the unfunded obligation has been made as the balance is insignificant.

18. BORROWINGS

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Preference share capital (i)	**100,000**	100,000	**100,000**	100,000
Interest free borrowings (ii)	**-**	22,936	**-**	22,936
Bank overdraft (iii)	**-**	702	**-**	-
Subordinated bonds (iv)	**200,000**	200,000	**200,000**	200,000
	300,000	323,638	**300,000**	322,936
Analysed as follows:				
Non-current	**300,000**	300,000	**300,000**	300,000
Current	**-**	23,638	**-**	22,936
	300,000	323,638	**300,000**	322,936

18. BORROWINGS (CONTINUED)

(i) The Mauritius Commercial Bank has discharged its claims amounting to Rs 250M against the Company in exchange of Rs100M redeemable preference share of Rs1,000 each and Rs150M interest free loan.
A preferential cumulative 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 30 m 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 redmption date at the issue price.

(ii) The Rs 150 M interest free loan shall be paid in 6 equal yearly instalment of Rs 25M each starting on 31 May 2011 through 31 May 2016. The loan has been repaid in 2016.

(iii) The bank overdraft bears interest at libor 1 month +3% and payable on demand.

(iv) The Company issued 20,000 floating rate subordinated notes of a nominal value of Rs 10,000 each by way of a private placement. The first day of listing and trading was 22nd January 2015. The maturity date is 24th September 2024. Interest rate until 23rd September 2019 has been determined at weighted average of Repo +1.85% pa and from 24th September 2019 to 23rd September 2024, will be weighted average of Repo rate +2.10% pa.

19. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Loans repaid in advance	**1,201**	1,435	**1,201**	1,435
Premiums prepaid	**25,913**	34,347	**25,913**	30,050
Amounts due to reinsurers	**162,063**	185,260	**30,454**	45,131
Dividend payable	**-**	58,222	**-**	-
Commission payables	**66,427**	57,134	**54,594**	40,384
Accruals	**67,069**	57,656	**44,318**	45,787
Stale cheques	**32,361**	20,675	**1,614**	2,054
FSC charges	**13,741**	14,248	**1,879**	1,348
VAT payable	**774**	3,915	**662**	807
Interest payable	**18,107**	33,695	**7,348**	33,695
Cash held guarantee	**4,776**	3,532	**-**	-
Salaries & wages payable	**4,824**	7,176	**-**	-
Payables to suppliers	**9,715**	10,627	**-**	-
Payables to garages and clients	**33,333**	31,923	**-**	-
Rent security deposit and advances	**22,157**	19,653	**-**	-
Client monies	**29,531**	7,712	**-**	393
CDS Current account	**-**	4,115	**-**	-
Other payables	**69,012**	35,820	**-**	-
	561,004	587,145	**167,983**	201,084

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

20. TAX CHARGE

(a) In the statements of profit or loss

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Income tax provision at applicable rate	41,688	53,726	12,398	4,268
CSR tax	1,888	720	1,653	569
Tax withheld on dividend received	1,561	2,950	-	1,992
Over provision of income tax	(2,255)	-	(1,569)	-
(Over)/Under provision of deferred tax	(3,592)	1,222	(10,218)	1,172
Deferred tax charge (Note 16)	8,575	41,837	9,533	21,578
Foreign tax credit	-	(4,837)	-	(4,837)
Tax charge for the year	47,865	95,618	11,797	24,742

(b) In the statements of financial position

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	(16,353)	3,168	1,569	11,589
Payment	(28,760)	(61,786)	(1,809)	(10,020)
Tax withheld	(4,614)	(7,344)	-	-
Over provision of income tax	(2,255)	-	(1,569)	-
Income tax expenses	41,688	53,726	12,398	4,268
CSR tax	1,888	720	1,653	569
Foreign tax credit	-	(4,837)	-	(4,837)
Exchange differences	675	-	-	-
At 31 December	(7,731)	(16,353)	12,242	1,569

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	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Profit before taxation	**167,423**	443,619	**68,717**	150,046
Tax thereon at applicable rate*	**54,700**	111,726	**10,308**	22,507
Corporate Social Responsibility at the rate of 2%	**2,932**	3,152	**1,374**	3,001
	57,632	114,878	**11,681**	25,508
Tax effect of :				
Income not subject to tax	**(9,753)**	(1,928)	**-**	(2,063)
Expenses not deductible for tax purposes	**80,164**	30,509	**15,419**	6,741
Income exempt for tax	**(97,345)**	(42,573)	**(3,516)**	(3,771)
Utilitsation of tax losses on which deferred tax not recognised	**-**	(5,323)	**-**	-
Deferred tax assets not recognised	**19,568**	-	**-**	-
(Over)/under provision of deferred tax in prior years	**(3,592)**	1,222	**(10,218)**	1,172
Over provision of income tax	**(2,255)**	-	**(1,569)**	-
CSR contribution	**1,888**	720	**-**	-
Foreign tax credit	**-**	(4,837)	**-**	(4,837)
Tax withheld on dividend received	**1,561**	2,950	**-**	1,992
	47,868	95,618	**11,797**	24,742

* 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	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Non Life insurance	**2,933,324**	2,726,350	**1,905,218**	1,788,935
Life insurance	**778,789**	683,894	**-**	-
Change in unearned premiums provision	**(60,220)**	(14,689)	**(5,500)**	(29,774)
	3,651,893	3,395,555	**1,899,718**	1,759,161

21. NET EARNED PREMIUMS (CONTINUED)

(b) Premium ceded to reinsurers is as follows:

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Non Life insurance	**(891,920)**	(868,661)	**(373,972)**	(373,229)
Life insurance	**(73,250)**	(61,511)	**-**	-
Change in unearned premiums provision	**31,913**	22,318	**(6,660)**	(4,014)
	(933,257)	(907,854)	**(380,632)**	(377,243)
Net earned premiums	**2,718,636**	2,487,701	**1,519,086**	1,381,918

22. FEES AND COMMISSION INCOME

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Reinsurance commission	**233,302**	211,386	**91,858**	80,024
Policy fees	**17,129**	14,204	**17,129**	15,252
Other fees	**446**	635	**446**	635
	250,877	226,225	**109,433**	95,911

23. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Rental income from investment property	**10,674**	35,814	**-**	-
Dividend income	**94,438**	83,619	**21,283**	42,103
Interest on loans and financial assets	**416,675**	334,403	**58,777**	38,329
Interest on bank accounts	**33,343**	61,828	**2,081**	4,744
	555,130	515,664	**82,141**	85,176

24. REALISED GAINS/(LOSSES)

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Property and equipment				
Gain on disposal	**3,725**	8,792	**2,408**	7,754
Write off of property and equipment	**(750)**	(820)	**(750)**	(799)
Write off of intangible asset	**(22)**	(23,483)	**(8)**	(23,483)
Financial assets				
Realised gains	**401**	18,563	**-**	-
	3,354	3,052	**1,650**	(16,528)

25. UNREALISED (LOSSES)/GAINS

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Fair value gains on investment properties (note 6)	**-**	41,441	**-**	-
Gain /(loss) on fair value through profit or loss (note 10(b))	**14,707**	(187,803)	**15,189**	-
	14,707	(146,362)	**15,189**	-

26. OTHER OPERATING INCOME

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Brokerage fees	**8,261**	10,149	**-**	-
Administration fees	**26,811**	24,020	**-**	-
Management fees	**7,066**	7,836	**-**	-
Exchange gains	**20,015**	92,622	**4,486**	6,490
Adjustment to purchase price consideration	**2,704**	-	**2,704**	-
Rental of GIIS	**1,450**	3,389	**1,450**	3,389
Acturial fee	**3,542**	3208	**-**	-
Stale cheques	**1,783**	2211	**1,783**	2,211
Loan fees	**1,086**	879	**1,086**	879
Other income	**12,239**	5,896	**614**	326
	84,957	150,210	**12,123**	13,295

27. COMMISSION AND BROKERAGE FEES PAID

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Commission paid	**414,615**	296,140	**261,101**	183,992
Other charges	**3,048**	3,428	**3,048**	3,428
	417,663	299,568	**264,149**	187,420

28. OTHER OPERATING AND ADMINSTRATIVE EXPENSES

	Notes	THE GROUP		THE COMPANY	
		2016	2015	2016	2015
		Rs'000	Rs'000	Rs'000	Rs'000
Exchange loss		1,084	-	-	-
Management expenses		788,223	752,101	323,780	322,630
Depreciation	5	40,129	38,071	22,890	24,037
Impairment on investment properties	6	22,621	6,130	-	-
Amortisation	7	34,204	39,303	17,978	22,678
		886,261	835,605	364,648	369,345

29. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Interest expense:				
- Notional interest on interest free loan	860	2,853	860	2,853
- Dividend on redeemable preference shares	7,250	9,000	7,250	9,000
- Interest on subordinated bonds	13,073	12,715	13,073	12,715
- Interest on bank overdraft	108	210	-	-
	21,291	24,778	21,183	24,568

30. PROFIT BEFORE TAX

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
The profit before tax has been arrived at				
After crediting:				
Investment income				
- dividend income	94,438	83,619	21,283	42,103
- interest on financial assets and loans	450,018	396,231	60,858	43,073
Profit on disposal of financial assets (note 24)	401	18,563	-	-
Gain on sale of property and equipment	3,725	8,792	2,408	7,754
And charging:				
Auditors' fees	7,194	7,058	1,693	1,662
Employee benefit expenses (note 31)	391,894	351,520	193,819	195,084
Depreciation on property and equipment (note 5)	40,129	38,071	22,890	24,037
Amortisation of intangible assets (note 7)	34,204	39,303	17,978	22,678

31. EMPLOYEE BENEFIT EXPENSES

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Wages and salaries	**333,678**	299,650	**163,779**	167,557
Social Security costs	**9,199**	8,958	**6,935**	6,749
- Defined contributions	**18,184**	19,478	**12,060**	11,369
- Defined benefits	**2,103**	539	**-**	539
Other costs	**28,730**	22,895	**11,045**	8,870
Total	**391,894**	351,520	**193,819**	195,084

32. DIVIDENDS PAID

	THE GROUP AND COMPANY	
	2016	2015
Paid		
Interim ordinary dividend	**33,817**	30,060
Final ordinary dividend	**78,908**	78,908
	112,725	108,968

Dividend per share : Interim Rs 0.75 (2015 :Rs 0.75).
Dividend per share : Final Rs 1.75 (2015 :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			
THE GROUP	**31 December 2016**	31 December 2015	Fair Value Hierarchy	
Assets /Liabilities	**Rs'000**	Rs'000	**2016**	2015
Investment properties :				
Land	**208,253**	208,253	Level 2	Level 2
Building	**413,429**	314,902	Level 2	Level 2
Property and equipment :				
Land	**40,000**	40,000	Level 2	Level 2
Building	**188,371**	211,676	Level 2	Level 2
Financial assets at fair value through other comprehensive income:				
Quoted securities:				
Banks and Insurance	**161,718**	183,887	Level 1	Level 1
Commerce	**12,330**	30,385	Level 1	Level 1
Industry	**4,047**	12,230	Level 1	Level 1
Investments	**45,776**	58,565	Level 1	Level 1
Leisure and Hotels	**75,204**	70,675	Level 1	Level 1
Sugar	**17,108**	424	Level 1	Level 1
Others	**62,920**	103,661	Level 1	Level 1
Unquoted securities:				
Foreign Equities	25,121	28,288	Level 3	Level 3
Commerce	**86**	141	Level 3	Level 3
Others	**1,861**	22,395	Level 3	Level 3
Open Ended Mutual Funds :				
Local	**53,868**	53,818	Level 2	Level 2

** A 3% change in dividend ratio will have an impact of Rs 0.2M (2015: Rs 0.3M) on equity for financial assets at fair value through other comprehensive income.

Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
2016	2015	2016	2015	2016	2015
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
Dividend discount model	Dividend discount model	Dividend yield	Dividend ratio	**	**
Dividend discount model	Dividend discount model	Dividend yield	Dividend ratio	**	**
Dividend discount model	Dividend discount model	Dividend yield	Dividend ratio	**	**
NAV	NAV	N/A	N/A	N/A	N/A

** A 3% change in dividend ratio will have an impact of Rs 0.2M (2015: Rs 0.3M) on equity for financial assets at fair value through other comprehensive income.

33. FAIR VALUE MEASUREMENTS (CONTINUED)

	Fair value as at		Fair Value Hierarchy	
THE GROUP	**31 December 2016**	31 December 2015		
Assets /Liabilities	**Rs'000**	Rs'000	**2016**	2015
Financial assets at fair value through profit or loss:				
Quoted securities:				
Banks and Insurance	**1,057,133**	1,044,737	Level 1	Level 1
Commerce	**148,920**	76,398	Level 1	Level 1
Industry	**42,514**	33,676	Level 1	Level 1
Investments	**276,918**	574,192	Level 1	Level 1
Leisure and Hotels	**273,559**	159,703	Level 1	Level 1
Sugar	**171,365**	98,132	Level 1	Level 1
Others	**59,726**	65,335	Level 1	Level 1
Unquoted securities :				
Investment	**67,498**	67,008	Level 3	Level 3
Leisure and Hotels	**7,222**	7,221	Level 3	Level 3
Open Ended Mutual Funds :				
Local	**27,568**	29,546	Level 2	Level 2
Foreign	**542,856**	232,017	Level 2	Level 2
Local corporate debt	**25,857**	178,318	Level 2	N/A
Investment contract liabilities (a)	**663,777**	577,745	Level 1	-

* An increase/ (decrease) in FV of the underlying property by 5% will lead to an increase/(decrease) of Rs3.37M (2015:Rs 3.35M) on the fair value of the investment.

** An increase of 5% in the discount rate will lead to fall of Rs 0.7M (2015: Rs 3 M) in the fair value of the investment. A fall of 5% in discount rate will lead to an increase of Rs 0.7M (2015: Rs 2.16 M) in the fair value of the investment.

Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
2016	2015	2016	2015	2016	2015
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
NAV	NAV	FV of the underlying property based on sales comparison		*	*
PE Multiple	PE Multiple	Comparable PE ratio		**	**
Net Assets Value	Net Assets Value	-	N/A	N/A	N/A
Net Assets Value	Net Assets Value	-	N/A	N/A	N/A
DCF	N/A	N/A	N/A	N/A	N/A
N/A	-	N/A	-	N/A	-

* An increase/ (decrease) in FV of the underlying property by 5% will lead to an increase/(decrease) of Rs3.37M (2015:Rs 3.35M) on the fair value of the investment.

** An increase of 5% in the discount rate will lead to fall of Rs 0.7M (2015: Rs 3 M) in the fair value of the investment. A fall of 5% in discount rate will lead to an increase of Rs 0.7M (2015: Rs 2.16 M) in the fair value of the investment.

33. FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Fair value as at		Fair Value Hierarchy	
THE COMPANY	**31 December 2016**	31 December 2015		
Assets /Liabilities	**Rs'000**	Rs'000	**2016**	2015
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	**140,630**	140,630	Level 2	Level 2
Financial assets at fair value through other comprehensive income:				
Quoted securities:				
Banks and Insurance	**93,541**	140,669	Level 1	Level 1
Commerce	**1,656**	1,181	Level 1	Level 1
Investments	**37,294**	54,141	Level 1	Level 1
Leisure and Hotels	**75,204**	70,675	Level 1	Level 1
Sugar	**16,645**	-	Level 1	Level 1
Others	**47,291**	49,582	Level 1	Level 1
Unquoted securities :				
Foreign Equities	**25,121**	28,287	Level 3	Level 3
Commerce	**86**	141	Level 3	Level 3
Others	**1,175**	1,008	Level 3	Level 3
Open Ended Mutual Funds :				
Local	**51,670**	53,818	Level 2	Level 2
Financial assets at fair value through profit or loss:				
Local corporate debt	**193,507**	178,318	Level 2	N/A

* A 3% change in dividend ratio will have an impact of Rs 0.2 M (2015: Rs 0.2M) on equity for financial assets at fair value through other comprehensive income.
** An increase of 5% in the discount rate will lead to fall of Rs 1.8M (2015: Rs 3M) in the fair value of the investment. A fall of 5% in discount rate will lead to an increase of Rs 1.8M (2015: Rs2.16M) in the fair value of the investment.

(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	
2016	2015	2016	2015	2016	2015
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
Dividend discount model	Dividend discount model	Dividend ratio	Dividend ratio	**	**
Dividend discount model	Dividend discount model	Dividend ratio	Dividend ratio	**	**
Dividend discount model	Dividend discount model	Dividend ratio	Dividend ratio	**	**
NAV	NAV	N/A	N/A	N/A	N/A
DCF	N/A	N/A	N/A	N/A	N/A

* A 3% change in dividend ratio will have an impact of Rs 0.2 M (2015: Rs 0.2M) on equity for financial assets at fair value through other comprehensive income.

** An increase of 5% in the discount rate will lead to fall of Rs 1.8M (2015: Rs 3M) in the fair value of the investment. A fall of 5% in discount rate will lead to an increase of Rs 1.8M (2015: Rs2.16M) in the fair value of the investment.

33. FAIR VALUE MEASUREMENTS (CONTINUED)

THE GROUP	Carrying amount		Fair value	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Loans and receivables:				
Mortgage Loans	**550,073**	564,353	**508,335**	589,645
Loans on Life policies	**16,467**	18,603	**17,337**	19,688
Secured Loans	**235,924**	268,576	**292,125**	261,703
Unsecured Loans	**3,954**	5,466	**3,953**	4,256
CDS guarantee fund	**3,683**	1,790	**3,788**	1,427
Financial assets at amortised cost:				
Deposits and corporate bonds	**522,200**	988,503	**520,200**	988,503
Government loan stocks	**4,635,389**	3,725,782	**4,247,030**	4,114,263
Financial liabilities:				
Preference share capital	**100,000**	100,000	**118,386**	128,918
Subordinate bonds	**200,000**	200,000	**204,814**	210,357
Interest free loan	**-**	22,936	**-**	24,027

THE COMPANY	Carrying amount		Fair value	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Loans and receivables:				
Mortgage Loans	**2,983**	6,103	**3,142**	11,231
Secured Loans	**234,161**	212,626	**242,195**	225,897
Unsecured Loans	**3,089**	4,109	**3,088**	4,256
CDS guarantee fund	**335**	565	**338**	596
Financial assets at amortised cost:				
Deposits and corporate bonds	**260,200**	218,200	**260,200**	218,200
Government loan stocks	**360,973**	291,700	**361,840**	286,552
Financial liabilities:				
Preference share capital	**100,000**	100,000	**118,386**	128,918
Subordinate bonds	**200,000**	200,000	**204,814**	210,357
Interest free loan	**-**	22,936	**-**	24,027

33. FAIR VALUE MEASUREMENTS (CONTINUED)

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

THE GROUP	Fair value hierarchy as at 31 December 2015			
	Level 1	Level 2	Level 3	Total
Loans and receivables:				
Mortgage Loans	-	589,645	-	589,645
Loans on Life policies	-	19,688	-	19,688
Secured Loans	-	261,703	-	261,703
Unsecured Loans	-	4,256	-	4,256
CDS guarantee fund	-	1,427	-	1,427
Financial assets at amortised cost:				
Deposits and corporate bonds	-	988,503	-	988,503
Government loan stocks	-	4,114,263	-	4,114,263
Financial liabilities:				
Preference share capital	-	128,918	-	128,918
Subordinate bonds	210,357	-	-	210,357
Interest-free loan	-	22,936	-	22,936

33. FAIR VALUE MEASUREMENTS (CONTINUED)

	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

	Fair value hierarchy as at 31 December 2015			
THE COMPANY	Level 1	Level 2	Level 3	Total
Loans and receivables:				
Mortgage Loans	-	11,231	-	11,231
Secured Loans	-	225,897	-	225,897
Unsecured Loans	-	4,256	-	4,256
CDS guarantee fund	-	596	-	596
Financial assets at amortised cost:				
Deposits and corporate bonds	-	218,200	-	218,200
Government loan stocks	-	286,552	-	286,552
Financial liabilities:				
Preference share capital	-	128,918	-	128,918
Subordinate bonds	210,357	-	-	210,357
Interest-free loan	-	22,936	-	22,936

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.

	2016 THE GROUP			2015 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	74,229	50,824	125,053	72,146	46,329	118,475
Unrealised gains	491	-	491	2,083	-	2,083
Total gains in other comprehensive income	-	612	612	-	1,189	1,189
Purchases	-	-	-	-	3,306	3,306
At 31 December	74,720	51,436	126,156	74,229	50,824	125,053

	2016 THE COMPANY			2015 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	-	29,436	29,436	-	25,874	25,874
Purchases	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Total (loss)/ gains in other comprehensive income	-	(3,054)	(3,054)	-	3,562	3,562
At 31 December	-	26,382	26,382	-	29,436	29,436

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 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.

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	134,489	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	392,171	2,401,794	1,014,974	36,243	9,859	3,462,870
Segment profit/(loss) before tax	(49,911)	114,576	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						
2015	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	1,612,426	252,893	1,865,319	622,382	-	-	2,487,701
Fee and commission income	73,615	134,340	207,955	18,270	-	-	226,225
Brokerage fees	-	-	-	-	10,346	(197)	10,149
Investment and other income	275,259	68,490	343,749	178,195	38,228	(47,757)	512,415
Segment income	1,961,300	455,723	2,417,023	818,847	48,574	(47,954)	3,236,490
Expenses							
Gross claims and benefits	1,065,143	210,505	1,275,648	497,962	-	-	1,773,610
Claims recovered from Reinsurers	(99,575)	(145,621)	(245,196)	(12,248)	-	-	(257,444)
Movement in outstanding claims	(7,011)	31,907	24,896	91,721	-	-	116,617
Commission and brokerage fee paid	194,029	78,786	272,815	26,753	-	-	299,568
Management expenses	471,971	151,186	623,157	104,020	32,950	(1,895)	758,232
Share of loss from joint venture	-	-	-	-	136	-	136
Finance costs	20,275	4,293	24,568	-	210	-	24,778
Depreciation	26,635	6,486	33,121	4,331	619	-	38,071
Amortisation	18,918	4,049	22,967	4,755	69	11,512	39,303
	1,690,385	341,591	2,031,976	717,294	33,984	9,617	2,792,871
Segment profit before tax	270,915	114,132	385,047	101,553	14,590	(57,571)	443,619
Profit before taxation							443,619
Taxation							(95,618)
Profit for the year							348,001

* 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
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.

THE GROUP

2015	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	5,599,696	979,857	6,579,553	6,824,725	75,613	(729,865)	12,750,026
Segment liabilities	816,990	148,207	965,197	70,651	21,371	10,791	1,068,010
Technical liabilities							
- Unearned premium reserve							1,125,872
- Life assurance fund							5,716,232
- Investment contract liabilities							577,745
- Outstanding claims							1,407,508
Total equity							2,854,659
Capital expenditure							
Property, plant and equipment	31,448	4,932	36,380	-	-	-	36,380
Intangible assets	6,637	1,041	7,678	-	-	-	7,678

* 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	
	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Mauritius	**2,928,646**	2,379,240	**8,709,262**	8,720,721
Kenya	**136,595**	185,300	**312,900**	544,727
Tanzania	**236,867**	379,781	**332,349**	726,651
Uganda	**146,969**	151,394	**28,631**	112,939
Rwanda	**180,613**	140,775	**34,638**	13,057
	3,629,690	3,236,490	**9,417,780**	10,118,095

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. 607,000 (2015 - Rs.7.3 M). 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:	2016	2015	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000
Loans approved by the Board of Directors but not yet disbursed	**62,140**	44,477	**43,530**	24,647

37. BASIC AND DILUTED EARNINGS PER SHARE

	THE GROUP	
	2016	2015
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	**158,606**	248,902
Weighted average number of ordinary shares ranking for dividend	**45,090,000**	42,354,540
Earnings per share - Basic and diluted	**3.52**	5.88

On 21 August 2015, the Company made a right issue in the ratio of 1 new ordinary shares for every 8 ordinary shares held. The new share with a par value of Rs 10 was issued at a price of Rs 65 per share.

38. NOTES TO CASH FLOW STATEMENTS

(a) Cash generated from operations	Notes	THE GROUP 2016	THE GROUP 2015	THE COMPANY 2016	THE COMPANY 2015
		Rs'000	Rs'000	**Rs'000**	Rs'000
Profit before taxation		**167,423**	443,619	**68,717**	150,046
(Increase)/decrease in financial assets at fair value through profit or loss	10(b)	**(14,887)**	187,803	**(15,189)**	-
Increase in fair value of investment properties	6	**-**	(41,441)	**-**	-
Impairment of subsidiary	8	**-**	-	**104,129**	-
Impairment of goodwill	39	**38,570**	-	**-**	-
Impairment of investment properties	6	**22,621**	6,130		-
Assets written off	5/7	**772**	24,303	**758**	24,282
Foreign exchange (gains)/losses	26	**(20,015)**	(92,622)	**(4,486)**	(6,490)
Provision for retirement benefit obligations		**478**	878	**478**	878
Provision for credit impairment (net)	11/12	**(2,232)**	32,309	**1,690**	2,528
Dividend income	23	**(94,438)**	(83,619)	**(21,283)**	(42,103)
Interest income	23	**(450,018)**	(396,231)	**(60,858)**	(42,226)
Interest expense	29	**21,291**	24,778	**21,183**	24,568
Depreciation of property and equipment	5	**40,129**	38,071	**22,890**	24,037
Amortisation of intangible assets	7	**34,204**	39,303	**17,978**	22,678
Amortisation of financial assets	10('c)	**(11,508)**	-	**925**	-
Profit on sale of property and equipment	24	**(3,725)**	(8,792)	**(2,408)**	(7,754)
Profit on disposal of financial assets	24	**(401)**	(18,563)	**-**	-
Share of (profit)/ loss from Joint Venture	9	**(603)**	136	**-**	-
		(272,339)	156,062	**134,524**	150,444
Change in unearned premium		**28,307**	37,007	**12,160**	33,789
Change in insurance and other receivables		**(192,274)**	(85,610)	**(18,085)**	(42,989)
Change in outstanding claims		**475,164**	24,897	**27,305**	18,834
Change in trade and other payables		**27,135**	72,184	**(15,891)**	35,135
Net cash (used in)/ generated from operations (refer to page 97)		**65,993**	204,540	**140,013**	195,213

(b) Cash and short term deposits

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	THE GROUP 2016	THE GROUP 2015	THE COMPANY 2016	THE COMPANY 2015
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cash at banks and on hand	**561,673**	561,264	**121,528**	156,546
Less: Bank overdraft (note 18)	**-**	(702)	**-**	-
	561,673	560,562	**121,528**	156,546

Included are deposits maturing within 90 days.
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.

Included in short term deposit in 2015 is an amount made by the African subsidiaries with financial institutions, with a weighted average effective interest of 8.22%. (2015 : 8.22%).

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 show 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 2016, the value in use of each cash generating units exceeds its carrying amount for six GCUS except for PEALwhere the value in use is lower than that of its carrying value. An impairment of Rs 38.6M has been recorded for the year ended 31 December 2016.

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% (2015: 8%).
- Risk-adjusted discount rates used for calculation of embedded value are calculated using a risk margin of 4% (2015: 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 % (2015: 10%), which is in line with the average growth rate of life insurance industry.

A pre-tax Group-specific risk-adjusted discount rate of 8.75% (2015: 10%) 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% (2015:11%) is used. The applied long-term growth rate is 4% (2015: 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% 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. Different growth rate has been applied to the different class of business and a growth rate varies between 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)
	Rs'000
Discount factor +1%	(31,925)
Discount factor -1%	34,905
Growth rate +1%	36,235
Growth rate -1%	(33,717)

Life insurance CGU	National Mutual Fund Ltd (Management services)
	Rs'000
Discount factor +1%	(3,803)
Discount factor -1%	5,694
Growth rate +1%	544
Growth rate -1%	(401)

39. GOODWILL (CONTINUED)

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 2016	THE GROUP 2015	THE COMPANY 2016	THE COMPANY 2015
		Rs'000	Rs'000	**Rs'000**	Rs'000
Loans granted to					
Directors and key management personnel		**12,871**	28,848	**352**	4,727
Amount owed by					
Directors and key management personnel		**50,982**	47,443	**3,748**	5,631
Receivables from:					
NMF Property Trust	Sister company	**69**	109		-
NMF General Fund	Sister company	**609**	686		-
La Prudence Mauricienne Assurance Ltee	Subsidiary	**-**	-	**168**	5,737
Decadel Ltee	Subsidiary	**-**	-	**3,683**	3,571
Feber Associates Ltd	Subsidiary	**-**	-	**368**	911
National Mutual Fund	Subsidiary	**-**	-	**26**	77
PTHL	Subsidiary	**-**	-	**9,622**	6,348
Purchase of goods and services from					
Subsidiary company		**191**	197	**122**	93
Other related party -Accredited agent		**19,647**	22,664	**19,647**	22,664
Sale of services to					
Directors and key management personnel		**9,053**	522	**7,120**	130
Income receivable from:					
Subsidiary companies		**-**	-	**10,411**	31,886
Remuneration of key management personnel					
Salaries and short-term employee benefits		**155,947**	140,292	**27,451**	21,055
Post-employments benefits		**13,250**	10,380	**1,882**	2,083

Key management personnel consist of Chief Executive Officers and Senior managers.

40. RELATED PARTY TRANSACTIONS (CONTINUED)

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.

Intercompany balances are settled within the next month. Loans are repaid on a monthly basis by standing order at arm's length at market rates ranging from 7.5 % to 13 % (2015: 7.5% to 13%).

41. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2016	2015
	Rs'000	Rs'000
Within one year	**8,369**	11,624
After one year but not more than five years	**4,600**	7,583
	12,969	19,207

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 December 31 ,2016 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 30 June 2017 at 10h00 to transact the following business:-

AGENDA

1. To consider the Annual Report for the year ended 31 December 2016.
2. To receive the Auditor's report.
3. To consider and adopt the Annual Financial Statements for the year ended 31 December 2016.
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. Angelo LETIMIER
   f. Ashraf MUSBALLY
   g. Mushtaq OOSMAN
   h. Arjoon SUDDHOO
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. 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.
8. Shareholders' question time.

By order of the Board
ECS Secretaries Ltd
per Marie-Anne Adam, ACIS
Company Secretary
12 May 2017

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, Abax Corporate Services Ltd, 6th floor, Tower A, 1 Cybercity, Ebène, Mauritius at latest on Thursday 29 June 2017 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 28 June 2017 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 6 June 2017.

(e) Profiles of the Directors are set out on pages 26 to 30 of the annual report.

PROXY / CASTING POSTAL VOTE FORM

APPOINTMENT OF PROXY

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 30 June 2017 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 30 June 2017 and at any adjournment thereof:

AS ORDINARY RESOLUTIONS	FOR	AGAINST	ABSTAIN
3. To adopt the Annual Financial Statements for the year ended 31 December 2016.			
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. Angelo LETIMIER			
f. Ashraf MUSBALLY			
g. Mushtaq OOSMAN			
h. Arjoon SUDDHOO			
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. 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, Abax Corporate Services Ltd, 6th floor, Tower A, 1 Cybercity, Ebène, Mauritius at latest on Thursday 29 June 2017 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 28 June 2017 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 6 June 2017.

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