ANNUAL REPORT 2012

MAURITIUS UNION GROUP

Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of The Mauritius Union Assurance Cy. Ltd for the year ended 31 December 2012.

The report was approved by the Board of Directors on 10th May 2013.

Dominique Galea
Chairman

Lakshmana Lutchmenarraidoo
Chief Executive Officer

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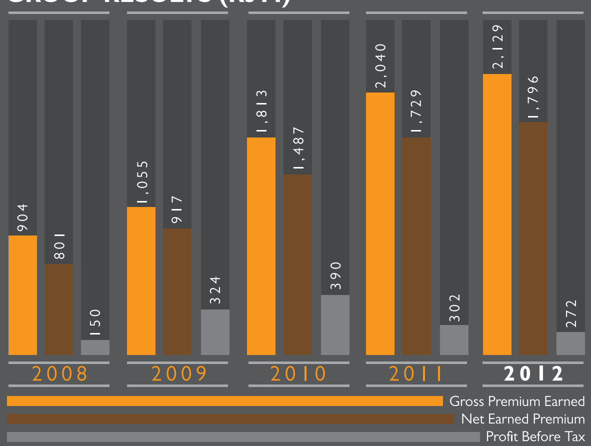
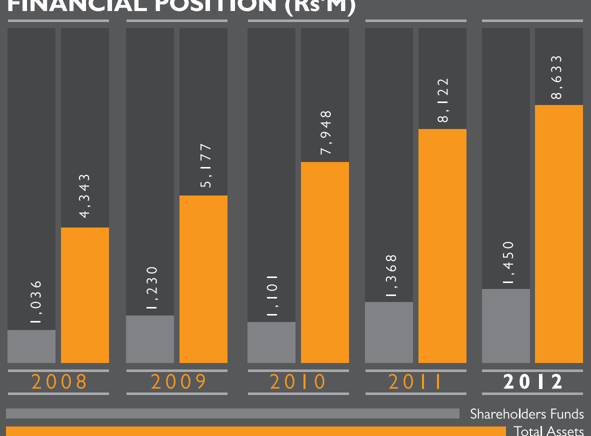
FINANCIAL HIGHLIGHTS

GROUP RESULTS (Rs'M)



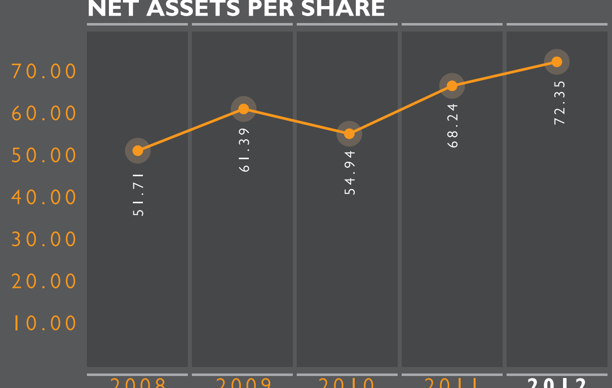
GROUP RESULTS (Rs'M)	2008	2009	2010	2011	2012
Gross Premium Earned	904	1,055	1,813	2,040	2,129
Net Earned Premium	801	917	1,487	1,729	1,796
Profit Before Tax	150	324	390	302	272

FINANCIAL POSITION (Rs'M)



FINANCIAL POSITION (Rs'M)	2008	2009	2010	2011	2012
Shareholders Funds	1,036	1,230	1,101	1,368	1,450
Total Assets	4,343	5,177	7,948	8,122	8,633

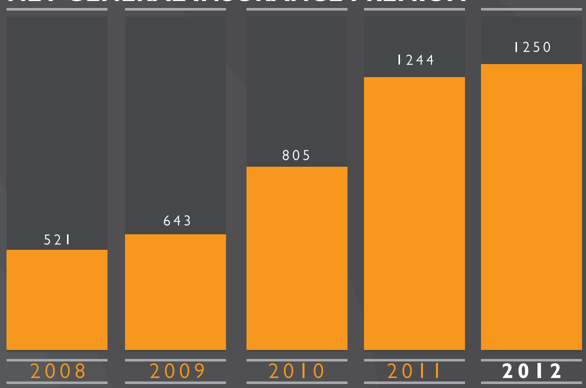
NET ASSETS PER SHARE



GROUP NET ASSETS PER SHARE (Rs)	2008	2009	2010	2011	2012
Net assets per share	51.71	61.39	54.94	68.24	72.35

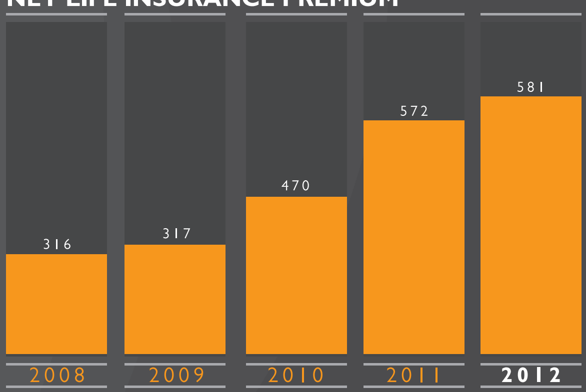
FINANCIAL HIGHLIGHTS

NET GENERAL INSURANCE PREMIUM



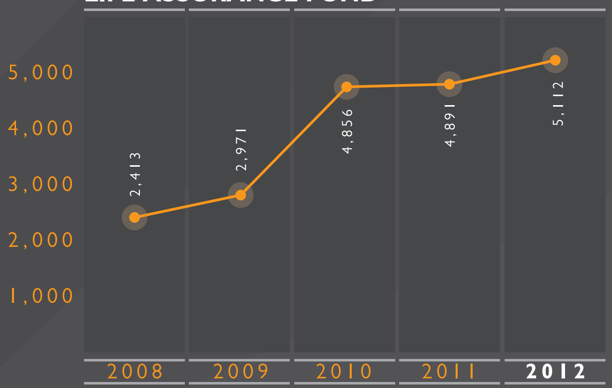
NET GENERAL INSURANCE PREMIUM (Rs'M)	2008	2009	2010	2011	2012
Net Insurance Premium	521	643	805	1244	1250

NET LIFE INSURANCE PREMIUM



NET PREMIUM LIFE ASSURANCE (Rs'M)	2008	2009	2010	2011	2012
Net Insurance Premium	316	317	470	572	581

LIFE ASSURANCE FUND



LIFE ASSURANCE FUND (Rs'M)	2008	2009	2010	2011	2012
Life Assurance Fund	2,413	2,971	4,856	4,891	5,112


MAURITIUS
GROUP

About the Mauritius Union Group

The Mauritius Union Assurance Cy. Ltd (MUA) was incorporated in 1948 and has been listed on the Stock Exchange of Mauritius since 1993. The company has grown both organically and through acquisitions to become one of the leading players in the insurance industry in Mauritius. In 2008, MUA acquired the National Mutual Fund Ltd, a leading Collective Investment Scheme (CIS) manager providing investment solutions through unit trusts to both retail and institutional investors.

In 2010, MUA acquired La Prudence Mauricienne Assurances Ltée (LPM), a composite insurance company which has grown steadily since it started its operations in 1989. Following the implementation of the Insurance Act 2005 on 1st January 2011, the General Insurance business is conducted by the MUA while the Life & Pension (Long-Term) business is transacted by LPM.

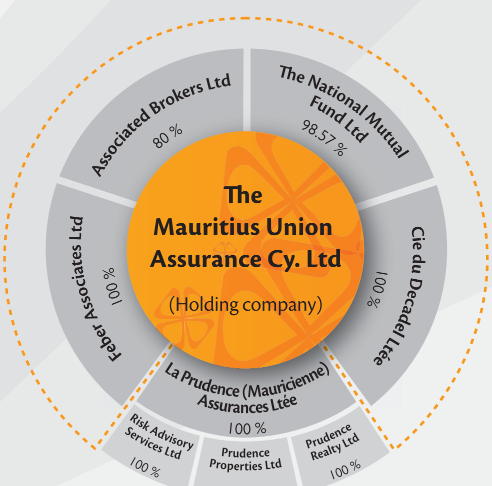
Our Mission Statement

We are committed to delivering value to our customers with passion, excellence and integrity.

Our Values

Passion, Excellence, Trust, Integrity & Team work.

Group structure



Registered Office

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Fax : + (230) 212 2962
Email : info@mauritiusunion.com
Website : www.mauritiusunion.com

Auditors

Ernst & Young

Actuaries

Deloitte & Touche, Republic of 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
Investec Bank (Mauritius) Ltd
Mauritius Commercial Bank Ltd
SBI (Mauritius) Ltd
Standard Bank (Mauritius) Limited
State Bank of Mauritius Ltd

Secretary

ECS Secretaries Ltd.

Share Registry

Abax Corporate Administrators Ltd

BOARD OF DIRECTORS

BOARD OF DIRECTORS

The following directors were in office at 31 December 2012

Dominique GALEA (Chairman)

Lakshmana LUTCHMENARRAIDOO (CEO)

Vincent AH CHUEN

Priscilla BALGOBIN-BHOYRUL

Bertrand DE CHAZAL

Bruno de FROBERVILLE

Mélanie FAUGIER

Lawrence POISSON

Gérard de RAUVILLE

Arjoon SUDDHOO

Gilbert POISSON (resigned on 31 December 2012)

Olivier MAUREL (alternate to Melanie Faugier)

Mr Dominique Galea
Chairman
Director – appointed in 2010

Mr Dominique Galea, born in 1952, holds a "Hautes Etudes Commerciales" (HEC) degree. He started his career in the textile industry in the early 1980s by setting up an agency business, Kasa Textile & Co Ltd. He has since diversified his activities by acquiring a majority interest in Ducray Lenoir Ltd in 1988, and in Rey & Lenferna Ltd in 1998. The latter subsequently took over Forges Tardieu Ltd in early 2005. Mr Galea was appointed to the Board of The Mauritius Union Assurance Cy. Ltd in June 2010 and was elected Chairman. He is also a member of MUA's Corporate Governance, Nomination and Remuneration Committee. Furthermore, he is the chairman of La Prudence (Mauricienne) Assurances Ltée, of United Docks Ltd, of Rey & Lenferna Ltd and of Forges Tardieu Ltd. He equally serves as a director of Associated Brokers Ltd.

Mr Lakshmana Lutchmenarraidoo
Chief Executive Officer
Executive Director – appointed in 2011

Mr Lakshmana Lutchmenarraidoo, born in 1951, holds a Banking Diploma from Finafrica Institute. He worked for the State Bank of Mauritius from 1973 to 1986. He was promoted to a managerial position in 1978 and subsequently acted as the Assistant General Manager of the bank from 1982 to 1986. In 1987 he joined the Mauritius Leasing Company Ltd as General Manager prior to 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 later joined La Prudence (Mauricienne) Assurances Ltée in September 2007 as General Manager of the general insurance department and was appointed as a board member on 28th May 2010.

Mr Lutchmenarraidoo was appointed Chief Executive Officer of The Mauritius Union Assurance Cy. Ltd in January 2011. He became a member of the MUA board of directors in April 2011. He is also a director of La Prudence Leasing Finance Ltd, of The National Mutual Fund Ltd, of Associated Brokers Ltd and of Feber Associates Ltd.

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 and is a member of its Corporate Governance, Nomination and Remuneration Committee. He is the Chairman of Associated Brokers Ltd and serves as a Director of La Prudence (Mauricienne) Assurances Ltée.

Mr Ah Chuen is also a Director of Les Moulins de La Concorde Ltée, of POLICY Ltd, of ABC Motors Co. Ltd, of New Goodwill Investment Ltd and of ABC Banking Corporation Ltd.

Mrs Priscilla Balgobin-Bhoyrul
Director - appointed in 2008

Mrs Priscilla Balgobin- Bhoyrul, born in 1975, is a barrister-at-law attached to Balgobin Chambers. She holds an LLB (Hons) degree from the London School of Economics and Political Science and was called to the Bar of England and Wales in 1998 and to the Mauritian Bar in 1999. She is a member of the Middle Temple. Her main areas of practice are international, commercial, civil and industrial law.

Mrs Balgobin- Bhoyrul is also a Director of the Mauritius Commercial Bank Ltd. She was appointed to the Board of the Mauritius Union Assurance Co. Ltd in August 2008 and is a member of its Audit Committee.

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 and a Major in Marketing from Louisiana State University.

Mr Gérard de Rauville
Director - appointed in 2011

Mr Gérard de Rauville, born in 1941, practised as a chartered accountant before becoming involved in the business world. He has recently retired from the board of Zurich SA after serving on their board for 29 years. He was board member of a number of companies listed on the Johannesburg Stock Exchange and holds numerous appointments on boards of trustees and of unlisted companies. He is a member of the credit committee of Grindrod Bank Ltd, a subsidiary of the Grindrod Group which is listed on the Johannesburg Stock Exchange.

Mr de Rauville was appointed to the Board of The Mauritius Union Assurance Cy. Ltd in June 2011 and is a member of its Audit & Risk Committee and serves as Chairman of its Investment Committee.

DIRECTORS' PROFILE

Mrs Mélanie Faugier
Director – appointed in 2010

Mrs Mélanie Faugier, born in 1980, is the Managing Director of Cottons Trading Ltd. From June 2004 to July 2007 she was the Trading Manager of Thon des Mascareignes, a company in 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 and is a member of the Audit & Risk Committee. She is also the chairperson of the National Mutual Fund Ltd and of Feber Associates Ltd.

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

Mr Lawrence Poisson
Director – appointed in 2010

Mr Lawrence Poisson, born in 1952, holds a Diploma in Agriculture and Sugar Technology and a Diplôme Supérieur en Administration des Enterprises. He is a Fellow of the Institute of Chartered Secretaries and Administrators. He currently works for Illovo Group Holdings Ltd. He was appointed to the Board of The Mauritius Union Assurance Cy. Ltd in July 2010, and to that of La Prudence (Mauricienne) Assurances Ltée in September 2010. Mr. Poisson is the Chairman of the Corporate Governance, Nomination & Remuneration Committee of The Mauritius Union Assurance Cy. Ltd.

He is also a director of Associated Brokers Ltd and of Fondation Mauritius Union Limited.

Mr Olivier Maurel
Alternate director – appointed in 2011

Mr Olivier Maurel, born in 1982, holds a BSc in Marine Biology from James Cook University of Queensland and a BSc in Surveying from Curtin University of Perth. He started his career as a Marine Biologist working in the Seychelles. In June 2010, he co-founded Merestone Ltd, a land and engineering survey company. Mr Maurel is also the director of Multibox Ltd.

Mr Arjoon Suddhoo
Director – appointed in 2010

Mr Arjoon Suddhoo, born in 1958, holds a BSc (1st Class Hons) in aeronautical engineering and a PhD in computational mathematics from the University of Manchester and an MBA (Distinction) from the University of Liverpool. He is a member of the Mauritius Institute of Management, a Fellow of the Mauritius Academy of Science and Technology and of the Mauritius Institute of Directors. Mr Suddhoo started his career in 1986 as a research scientist at Rolls Royce Aerospace Ltd, UK which he left in 1993 having occupied the position of Research and Development Manager. From 1994 to 1998, he was the head of Research and Planning at the Tertiary Education Commission in Mauritius. 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. He served as Chairman of Air Mauritius Ltd from 2001 to 2005. In 2006, Mr Suddhoo was appointed visiting Professor at Queen's University in Northern Ireland. He is also the author of various publications. He was appointed to the Board of The Mauritius Union Assurance Cy. Ltd in August 2010 and is a member of its Corporate Governance, Nomination & Remuneration Committee.

Mr Bertrand de Chazal
Director – appointed in 2012

Mr Bertrand de Chazal is a fellow member of the Institute of Chartered Accountants of England and Wales. He served as a senior financial analyst with the World Bank from 1986 to 2003 and was a senior manager with Touche Ross in France and West Africa. Mr de Chazal has a wide experience as director of listed companies and has been actively involved as Chairman of several audit committees.
Mr de Chazal was appointed to the Board of Mauritius Union Assurance Cy. Ltd in June 2012 and is the chairman of the Audit and Risk Committee.

He is also the Chairman of the MCB Equity Fund and serves as director of Promotion and Development Ltd, of Caudan Development Ltd and of MCB Capital Markets Ltd.

Mr Gilbert Poisson
Deputy Chief Executive Officer and Company Secretary

Mr Poisson, born in 1953, has been a chartered insurer from the Chartered Insurance Institute, London, since 2008. He became a Fellow Member of the Association of Chartered Certified Accountants (UK) in 1979 and an Associate Member of the Chartered Insurance Institute (UK) in 1986. He was an auditor with the accounting firm De Chazal Du Mée & Co until 1978 and Assistant Audit Manager on Lloyds Syndicate audit with Futcher, Head & Gilberts, Chartered Accountants in the United Kingdom until 1981. He joined The Mauritius Union Assurance Cy. Ltd (MUA) in 1981 as accountant and became Group Finance Manager in 1998. He was appointed Head of Finance and Planning/Assistant to the CEO in July 2005 and has been the Company Secretary since 31st July 2006.

Mr Poisson was appointed as Deputy CEO in January 2011. He was also a director of La Prudence (Mauricienne) Assurances Ltée (LPM) and of the National Mutual Fund Ltd (NMF).

Mr Poisson resigned on 31 December 2012.

COMMITTEES OF THE BOARD

Audit & Risk Committee

Chairman	Bertrand DE CHAZAL
Members	Priscilla BALGOBIN Gerard de RAUVILLE Bruno de FROBERVILLE

Corporate Governance Nomination & Remuneration Committee

Chairman	Lawrence POISSON
Members	Dominique GALEA Arjoon SUDDHOO Vincent AH CHUEN Lakshmana LUTCHMENARRAIDOO

Investment Committee

Chairman	Gerard de RAUVILLE
Members	Dominique GALEA Lakshmana LUTCHMENARRAIDOO Laval FOO-KUNE Marc HARDY (Independent Consultant)

SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT PROFILE

Mr Bertrand Casteres
CEO Designate

Mr Casteres, born in 1978, is an engineer in Applied Mathematics. He holds a Master's degree in Applied Mathematics, Actuarial Science and Finance.

Mr Casteres has worked for major insurance companies in Europe. He joined Generali, Paris in 2004 as an actuarial analyst in the Life Reserving department. From 2007 to 2009, he worked for the French Insurance Association (FFSA) as Economic and Financial Manager lobbying regulators and the European Commission on behalf of French insurers, in particular in relation to the implementation of the European Solvency II Directive.

Before joining the Mauritius Union Group in January 2012 as Head of Internal Audit, Mr. Casteres 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 (Spain, Ireland, Poland, France and Italy). He was also involved in setting up Solvency II within the Aviva Group and its European subsidiaries. He led internal audits on capital management, life insurance and general insurance product development and pricing processes, life and general reserving and life insurance risk management process.

Mrs Delphine Ahnee
Senior Manager, Claims

Mrs Ahnee, born in 1972, holds an LLB (Honours) from the University of Mauritius and was Major de Promotion for her master's thesis on The Conflict of Laws in Private International Law.

She worked at the Chambers of the late Mr. Edwin Venchard, QC, in the field of legal consultancy and contributed to the updating of the Statutory Laws of Mauritius, of the Mauritius Reports and of the Code de Commerce 1997. She has successfully completed the Quality Management System Auditor/Lead Auditor training course.

Mrs. Ahnee joined LPM in 2000 as Claims Manager and gradually assumed higher responsibilities within the company. She was in charge of the General Business Claims unit until 2004 when the Medical Insurance Claims section was also entrusted to her. She is also a director of Fondation Mauritius Union Limited.

Mr Surendranath Ancharaz
Senior Manager, Business Development

Mr Ancharaz, born in 1977, holds a Bachelor`s Degree in Economics from the University of Delhi.

He joined MUA in September 2000 and worked in various sub-departments of the General Branch.

He was appointed Underwriting Manager in January 2007. He is currently responsible for the development of the Branches and Salesperson/Agency Networks.

Mr Laval Foo-Kune
Senior Manager Finance and Accounting

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 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 LPM as Financial Manager. In 2010, when MUA acquired LPM, he was appointed Senior Manager in charge of the Finance and Accounting department of the Group.

Mr Naresh Gokulsing
Head of Group Strategy and Financial Services

Mr Gokulsing, born in 1970, holds a BA in Accounting & Finance from the University of Leeds (UK) and an MBA from Warwick Business School (UK). He is also a Fellow Member of the Association of Chartered Certified Accountants (FCCA). He started his career in the audit and business advisory services division of PriceWaterhouse in 1993. In 1997, he joined Cim Stockbrokers as Head of Research and became General Manager from 2000 to 2002.

Mr Gokulsing moved within the Cim group as Head of Finance of Albatross Insurance from 2002 to 2007 and as Chief Operating Officer 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, the first commercial property fund in Mauritius.

Mr Gokulsing served as a Director of the Stock Exchange of Mauritius Ltd from 2000 to 2002. He is currently a director of the National Mutual Fund Ltd.

Mr Clarel Marie
Senior Manager, La Prudence Life Assurance

Mr Marie, born in 1960, holds an MBA and is 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 LPM in August 2006 as Technical Manager of the Life and Pension department. Since January 2013 he is the General Manager of La Prudence Life Insurance. Mr. Marie is also a director of Fondation Mauritius Union Limited.

SENIOR MANAGEMENT PROFILE

Mr Ashraf Musbally
Senior Manager, Underwriting

Mr Musbally, born in 1969, graduated in 1993 from City University, London, with a BSc. (Honours) in insurance and investment. He also holds an MBA from Imperial College, London, and is a Fellow of the Chartered Insurance Institute, London. He worked for some time as a management consultant at Kemp Chatteris Deloitte & Touche.

He joined LPM in 1997 to manage and develop its Health Insurance department, a post held until 2004 when he was appointed Chief Operations Officer – General Insurance. In 2010, he took charge of the Health, Travel & Product Development department.

In January 2012 his duties were extended to include the management of the underwriting department of the motor and non-motor businesses.

Mr Iswurduth Sewnundun
Senior Manager, IS and Business Projects

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.

Mr Kenny WONG
Senior Manager – Technical Reinsurance

Mr. Wong, born in 1982, graduated with First Class Honours from the London School of Economics and Political Science, and is also a Fellow of the Royal Statistical Society of London, with GradStat Status. His fields of study included Risk Theory, Actuarial Mathematics, Applied Statistics and Structured Finance.

He joined MUA in January 2009 as Reinsurance Manager and was appointed Senior Manager – Technical Reinsurance in July 2012. In his current role, he is a member of the Executive Committee and heads the Reinsurance, Financial, and Special Risks department as well as the Seychelles branch.

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

Ms Vanisha Pursun
Life Operations Manager, Group Actuary

Ms Pursun, born in 1975, holds an Honours degree in Mathematics from the University of Delhi and is a Fellow of the Institute and Faculty of Actuaries.

She started working in IT consulting with De Chazal Du Mée & Co Ltd. She subsequently embarked on a career in Pensions and Employee Benefits actuarial consulting in 1999 with Bacon Woodrow and Legris Ltd (now Aon Hewitt) and qualified as an Actuary in 2008. She left Aon in 2008 to join Novilis Pensions Ltd, then administrators of the Sugar Industry Pension Fund (SIPF), as Consulting Actuary. She joined the Mauritius Union Group in 2011 as a Consulting Actuary with Feber Associates Ltd and took on the responsibility of the Group Actuarial department as from July 2012. Since January 2013, she has been managing the operations at La Prudence Mauricienne Assurances Ltd in addition to her actuarial function.

CHAIRMAN'S REVIEW

Dear Shareholder

On behalf of the Board, I am pleased to submit to you the annual report of the Mauritius Union Group for the year ended 31st December 2012.

Overview

Global growth for 2012 averaged around 3%. The main force that boosted growth has been accommodative monetary policy, with Central Banks maintaining very low policy and experimenting with programs aimed at decreasing rates in specific markets or at providing support to the banking system.

The year frothed with uncertainty due to the fiscal crisis and elections in the United States, concerns over a hard-landing in China, long-running European debt crisis and weakening of activity in emerging markets. Despite these headwinds, stock markets posted double digit gains. The MSCI All Country World Index, a benchmark for global equities, rose by 13% in USD terms.

Economic losses from natural catastrophes and man-made disasters amounted to USD186bn in 2012, down from USD403bn in 2011, the year with the highest losses on record. Most losses in 2012 arose in the wake of Hurricane Sandy, the summer drought and several thunderstorms in the US. In Europe, Italy suffered from a series of seismic shocks that caused considerable damage in the northern part of the country. On the other hand, those events did not lead to a hardening of the reinsurance market as global reinsurance supply remains plentiful.

Results

The Mauritius economy continued to experience a challenging period throughout 2012, dominated by macroeconomic concerns over the Euro zone economies. Real GDP growth receded from 3.5% to 3.3%. Against this testing environment, the local financial sector showed good resilience, driven primarily by prudence in capital utilisation. In the insurance sector, the claims environment remained relatively benign with no natural disasters and fewer claims. This has led to a softening of the market and an aggressive price competition among the insurance industry players.

Despite that very competitive environment with increasing pressure on premium rates, the Company (MUA) managed to post a strong set of operational results, driven primarily by a judicious approach to underwriting discipline and risk management. The company registered a profit after tax of Rs236m compared with Rs354m for the previous year. However, the results of 2011 were positively impacted by a one-off tax credit of Rs117m, in contrast with a tax expense of Rs36m in 2012.

With regard to life insurance business, the gross written premiums increased by 2% to Rs635m, while management expenses increased by 2% to Rs116m. The investment income line was boosted by exceptional dividend income and it increased from Rs219m to Rs332m. On the other hand, the investment portfolio of La Prudence Mauricienne Assurances Ltée (LPM) registered an unrealised loss on revaluation at 31st December 2012 as local equity market fell during the year. Coupled with an increase in actuarial liabilities, this has resulted in a net profit of Rs1m. This is a commendable performance given the difficult investment climate.

Overall, the Group's assets increased from Rs8.1bn to Rs8.6bn.

Dividend

In the light of this good performance and in keeping with our strategy of favouring sustainable growth, the Board has again declared a total dividend of Rs100.2m, representing Rs5.00 per share, whilst the capital adequacy ratio remained comfortably above the regulatory limit.

Although the share price remained flat in 2012, MUA outperformed the Semdex which fell by 8% at the end of the year under review.

Board changes

In December, Mr Gilbert Poisson, who has been with the Mauritius Union Group for more than 30 years, went on retirement. I would like to thank him for his invaluable contribution and support to the development of the Group over the past three decades.

The Board also welcomed the appointment of Mr Bertrand de Chazal who brings to the Group his wide experience and expertise, especially in the area of audit and risk management.

Appointment

As our CEO, Mr Lakshmana Lutchmenarraidoo, will be retiring at the end of 2014, the Board has appointed Mr Bertrand Casteres as CEO Designate as from 1st January 2013 in order to ensure a smooth transition in the Company's top management.

Celebrating 65 years

2013 is a special year for the Group as MUA celebrates its 65 years of existence in Mauritius. This event will be duly celebrated and will give us an opportunity to meet our main stakeholders and exchange views with them.

Economic Outlook

Following the trough experienced by export-oriented sectors in 2012, the Mauritian economy is generally expected to fare better and grow at slightly higher rate of 3.2% to 3.7% in 2013. In fact, support factors to growth in 2013 consist of a more competitive local currency, increased exposure of local companies to the region, continued diversification of export markets out of traditional zones and higher government payroll keeping consumption on the upside. A subdued inflationary environment might be difficult to maintain in Mauritius in 2013, especially following the recent increase in the price of petrol and relatively high commodity prices.

In its latest report, the International Monetary Fund (IMF) projects a gradual pick-up of global growth to 3.5% in 2013. Most of this growth is predicted to come from developing economies rather than from the developed countries which are still emerging from recession.

Growth in the United States is forecasted to average 2%, mainly on the back of a supportive financial environment and the turnaround in the housing market which have helped to improve household financial conditions. This should underpin consumption growth in 2013.

Despite recent progress by European leaders, the short-term outlook for the euro zone has been revised downwards and the region is expected to contract by 0.2% in 2013, reflecting high uncertainty about the ultimate resolution of the crisis. In fact, the euro zone debt crisis remains the most obvious threat to the global outlook. Looking forward, fiscal tightening and the banking sector consolidation will continue to weigh on European growth.

Low growth and uncertainty in advanced economies are likely to impact emerging markets and developing economies, both through trade and financial channels.These economies are still dependent on exports to mature economies, despite efforts to increase trading activity among similar economies. IMF predicts a growth rate of 5.5% for the emerging economies in 2013.

Prospect

Preliminary estimates for 2013 point to a real GDP growth in the range of 3.2% to 3.7% since many sectors continue to expand below their output potential. On a positive note, finance and insurance activities are set to maintain their growth at 5.5%, as in 2012. On the company level, the insurance sector will continue to feel the pressure on premium rates. Furthermore long-term business continues to face a challenging investment environment amidst a low interest rate backdrop.

However, through our disciplined approach to underwriting and on the back of our quality of distribution across various channels, we shall be able to capitalise on new opportunities

During the year we have consolidated our Risk Management framework with a view to ensuring a better control of our operations while improving efficiency levels.

The Company has already embarked on a major IT project to offer a higher quality of service to our Customers.

March 2013 Floods

On 30th March 2013, a flash flood in the city of Port Louis caused the death of 11 people and considerable damage to large number of properties and motor vehicles. It is estimated that this natural catastrophe will cost the insurance industry close to Rs500m. Although this will have an impact on the Company's results for 2013, the effect will be largely mitigated by our reinsurance covers.

I wish to avail myself of this opportunity to present our heartfelt sympathy to the bereaved families and assure the victims of this tragic event of our support.

Conclusion

I take this opportunity to express my sincere thanks to all my colleagues on the Board of Directors for their professional support throughout the past year.

I would like to thank all the employees of the Mauritius Union Group for their contribution during 2012. Their enthusiasm and sense of belonging to the Group have provided the best possible service to our customers.

My thanks also go to our intermediaries – Brokers, Accredited Agents and Sales Persons – who have been a permanent link between our Group and the market.

Last but not least, I thank our Customers for continuing to trust us. I reassure them that we have their interest at heart.

Dominique Galea
10 May 2013

CHIEF EXECUTIVE OFFICER'S REPORT

It is my pleasure to present to you the report on the performance of the Group and the Company for Financial Year 2012. The year was a challenging one, as some operators have taken advantage of the soft market conditions to cut down on premium rates, whilst the cost of claims remained under strong inflationary pressure.

Group's performance

Rs 000	2012	2011
Gross Earned Premium	2,129,259	2,040,096
Net Claims and Benefits	(1,222,768)	(1,088,457)
Operations and Administrative Expenses	(658,669)	(617,953)
Profit from Operations	288,709	312,123
Profit before Tax	271,715	301,580
Income tax (expense)/credit	(38,532)	153,965
Profit after Tax	233,183	455,545

The gross earned premiums for the Group increased by 4% to Rs2.1bn. Net earned premiums after cession to reinsurers grew by 4% to Rs1.8bn. Net claims and benefits paid to policyholders rose by 12% to Rs1.2bn.

Net profit from operations stood at Rs288.7m, whilst net profit after tax amounted to Rs233.7m. The figures for the year 2011 were boosted on account of a tax credit of Rs154.0m, as compared to a tax expense of Rs38.5m in 2012.

General insurance review

Rs 000	2012	2011
Gross Earned Premium	1,493,868	1,418,537
Net Claims and Benefits	(631,309)	(707,955)
Operations and Administrative Expenses	(478,002)	(428,039)
Impairment of Subsidiaries	-	(379,435)
Profit from Operations	288,361	247,650
Profit before Tax	271,488	237,269
Income tax (expense)/credit	(35,761)	117,173
Profit after Tax	235,727	354,442
Net Loss Ratio	52%	61%

Financial year 2012 was not marked by any natural catastrophes. The market remained soft and all classes of business experienced a downward pressure on premium rates. However, in spite of a general uneventful backdrop, gross earned premiums grew by 5% to Rs1.5bn. The Company maintained its disciplined approach towards underwriting and this resulted in all lines of business generating underwriting profits. Thus the overall loss ratio (net claims and benefits/net earned premiums) decreased markedly from 61% to 52%.

Initiatives to contain operating costs have started to bear fruits. But management expenses increased by 9% to Rs329m. This is explained by some one-off non-recurring items of expenditure.

One of our strategies is to maintain our leading position in motor insurance business. Despite strong competition, we have an edge in this sector. In fact, the motor portfolio grew by 6% in 2012 since we continued to improve the quality thereof. The guidelines for underwriting motor business were strengthened to achieve this objective. In addition, the claims handling process of the motor department was re-engineered. These initiatives resulted in an appreciable improvement of the underwriting results for this line of activity.

CHIEF EXECUTIVE OFFICER'S REPORT

On the other hand, health business continued to incur increasing claims' costs which cannot always be passed on to the customer. But we systematically enforced a strict underwriting discipline and claims management. We also carried a review of our pricing policy as well as our terms and conditions whilst consolidating our relationship with brokers. This was translated into an enhanced profitability.

A sustained development of the financial and special risks sector was equally observed as we enhanced relationship with a number of international brokers. Furthermore, we capitalised on our competence and leadership in this class of business and finalised a treaty for the financial lines. Personal lines also showed good results.

Overall profit from operations in 2012 grew by 17% to Rs288m and profit before tax rose by 14% to Rs271m. The tax expense amounted to Rs36m whilst for FY 2011 a one-off tax credit of Rs117m was recorded in the accounts. The profit after tax reached Rs236m.

Life insurance review

Rs 000	2012	2011
GWP	**635,391**	**621,559**
Net Claims	**370,618**	**345,176**
Net Underwriting results	**206,212**	**219,255**
Management expenses	**116,077**	**131,644**
Investment income	**332,467**	**218,756**
Expense ration (%)	**18.3%**	**21.2%**
Life Fund (Rs m)	**5,112**	**4,891**
Shareholder Fund (Rs m)	**195.6**	**194,6**

For LPM and for the long-term insurance industry as a whole, FY 2012 has been one of the most challenging years ever. The unpredictable economic outcome of the global financial situation over the last few years continues to create a lot of instability. This called for prompt reaction in order to ensure the sustainability of the business. Fortunately, a clear vision of our responsibilities towards our stakeholders, coupled with the implementation of a prompt and a well-defined investment strategy helped us to maximise value for our policyholders.

Moreover, we maintained our focus on customers whilst creating and developing the right tools and training programs for our employees so as to increase productivity. Pursuing that strategy, we reviewed our operating structure in order to generate higher efficiency through a more rational deployment of our human resources. Also, recognising that our growth is heavily dependent on the quality of sales intermediaries, we endeavoured to provide them with guidelines and relevant training at regular intervals to help them keep abreast of latest regulatory developments.

Indeed, there are fresh challenges arising from the enactment of new laws and the ensuing rules and regulations issued by the Financial Services Commission. The overarching objective of these pieces of legislation is the promotion of Mauritius as a stable and sound financial centre with specific concern about the protection of consumers of financial products.

We, therefore, welcome the enactment of the new Private Pension Scheme Act which aims at promoting confidence in the pensions industry and protecting beneficiaries of pension funds. This new law will, however, imply important changes to the corporate pension funds currently set up under the Insurance Act.

Even though the realized profit did not attain the forecasted level for 2012, yet our team rose to the challenge in controlling our expenses and we succeeded in increasing the size of the life funds to a total of Rs5.1 bn, in spite of a difficult economic situation.

Seychelles Operations

The business in the Seychelles has taken off and is picking up momentum. During the year under review, we moved to our modern premises to enhance the experience of our Seychellois customers whilst providing our staff with a more convivial atmosphere to serve them better.

Information Systems

With regard to Information Systems, FY 2012 marked a turning point for Mauritius Union. A new IT strategic plan was rolled out with a view to supporting operational exigencies while gearing up to address business challenges for the coming years. Our aim is to streamline and harmonize processes for improved efficiency, reduce the go-to-market cycle for new products, develop new distribution channels, ease access to information for effective decision making and provide on-line facilities to partners and customers, amongst others.

The implementation of this IT strategy started in 2012 with the introduction of two new on-line e-commerce portals (www.mauritiusunion.com), namely I-Go for Travel Insurance, Click-&-Go for Motor Insurance. Early in 2013, Click-For-Life for LPM joined the cluster of on-line applications to provide customers with facilities to buy life insurance on-line.

Mauritius Union is the first mover to provide such innovative services on the local market. We will continue to set the pace by gradually bringing all our products on-line. As a matter of fact, customers can now buy insurance covers at leisure given that the website is accessible 24/7, with fully-secured payment facilities. Customers who do not yet have a credit card can choose to make payments at the branch nearest to them.

Distribution

Concerning distribution, we continued to strengthen and upgrade our network during the year. We opened a new branch in Goodlands. Our Flacq branch has been relocated in the new shopping centre. We also moved our Grand Baie branch to new and more spacious premises in the Grand-Baie La Croisette complex. These moves form part of a proximity approach to better serve our customers through our extended presence in branches located in the most strategic agglomerations across the country.

Furthermore, on the ground floor at our Head Office, we have set up a new Customer Service Hall where our clients now have access to all the products of the Group in a customer-friendly atmosphere.

FEBER ASSOCIATES

Feber Associates, founded in 1985, is a pioneer in all corporate pension needs (administration, actuarial and investments). On the back of the strength of the Group, the development of its pension activities and its foreign partnerships, Feber Associates has significantly increased the number of its institutional clients. In 2012, Feber together with a foreign partner were appointed to provide actuarial services to the National Pension Fund.

We are confident that the new legal environment, the broad array of pension capabilities and constant commitment to client service will continue to place Feber among industry leaders.

NATIONAL MUTUAL FUND

The National Mutual Fund, founded in 1990, is a pioneer in mutual funds investment, being the first Mauritian player to engage in unit trust activities. It is currently licensed as a CIS manager. It posted a profit before tax of Rs2.3m for a turnover of Rs9m. This is indeed a commendable performance against the difficult investment environment that prevailed in 2012. NMF Ltd returned back capital to its shareholders through a share buy-back.

NMF is the Fund Manager of two exclusive and well-performing funds, namely the NMF General Fund and the NMF Property Trust. Both funds significantly outperformed the Semdex during the year and paid dividends above banks' savings rate. New application money from subscriptions continued to exceed redemptions resulting in a net inflow of Rs7m.

The NMF General Fund's size as at 31st December 2012 was MUR 546.0m, whereas the NMF Property Trust stood at Rs97m. The key objective of the Company is to maintain an efficient and a competitive risk / return approach for both funds.

ASSOCIATED BROKERS

Associated Brokers Ltd which provides stock broking services both to individuals and institutions experienced another difficult year. The total market turnover fell in 2012 as investors generally stayed on the sidelines. Increasing competition in a market characterised by overcapacity continued to exert a downward pressure on margins of stock broking companies.

Human Resources

Regarding our human capital, the main focus was to build on the solid and thorough groundwork that was laid in 2011, following the merger of LPM and MUA in 2010. Thus in 2012, training and professional development targeting talent management and resource optimisation were accelerated. Consequently, our staff participated in a number of overseas technical workshops while in-house training was conducted by external professional trainers in connection with customer service and cross selling. Our supervisors are strongly encouraged to follow management courses to further develop their soft skills. Besides, our performance management system is being refined to include constructive feedback and individual career development plan.

Investment

The Mauritian economy slowed down in 2012 to an estimated 3.3% compared to 3.5% in 2011, mainly due to stagnation in major export-oriented industries and marked contraction in the construction sector which together contribute around 18% to the country's gross domestic product. For the second year in a row, the financial services sector was the largest contributor to economic growth, expanding over 5% on the back of higher value-adding products and services and diversification of markets. Unsurprisingly, the broad equity market reflected the trend in growth rates, with most liquid banking and hotel stocks moving sideways.

Banking stocks resisted the bearish mood on the back of earnings resilience, strong balance sheets and strong cash flows, while hotel stocks were adversely impacted by declining earnings and cash flows. The hard landing of hotel stocks was the main catalyst to a generally bearish market sentiment throughout the year. This left SEMDEX down 8.3% by end December 2012.

On the yield side, a substantial fall in ten-year government bond yields, between the last issue in 2011 and 2012, respectively, did not support equity markets as investors turned conservative and overbought treasuries. The General Business portfolio achieved a 5% return, amidst declining short-term yields and equity prices. Long-term portfolios returned 2.9%, mostly affected by local equity performance. A major re-balancing of portfolios to enhance asset-liability matching was carried out during the year. This is expected to bear positive results as from the current financial year, in the absence of any correction in market prices globally.

Prospects

The local insurance market is again likely to be impacted by pressure on rates on both the demand and supply sides.

On the supply side, competition among insurance players, in a market which is not showing significant signs of expansion, is bound to remain strong, thereby putting pressure on premium rates. On the reinsurance side, the markets are set to remain soft and there is no indication of rates firming up amidst available capacity.

Nevertheless, our strategy remains clearly focused with the launching of a set of well-defined initiatives. Furthermore, MUA continues to explore expansion opportunities outside of Mauritius in order to ensure sustained long-term growth.

Concluding Remarks

Financial Year 2012 has been a very challenging one as we were under constant pressure from the market.

The results reported were achieved thanks to the dedication and unflinching support of our Employees, and also thanks to the trust placed in us by our Customers. We can only assure them of our best services and attention in 2013, and in the years to come.

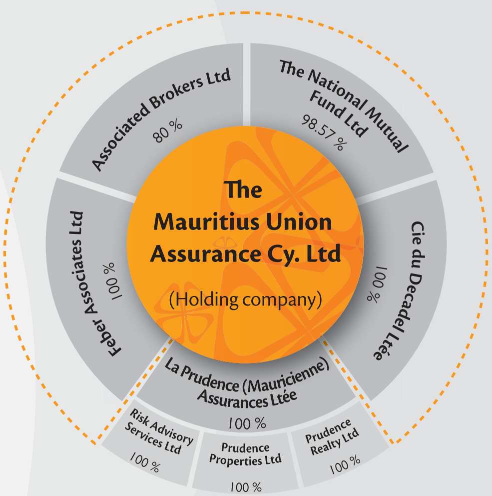
Lakshmana Lutchmenarraidoo
Chief Executive Officer

Statement of Compliance

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.

1. Company Structure



2. Board of Directors

The Company has a unitary Board consisting of eleven directors, five of whom are independent non-executives, four non-executives and two executives, namely the Chief Executive Officer and the Deputy Chief Executive Officer as at 31 December 2012.

This composition aims at achieving a balanced Board that has the appropriate skills, experience, knowledge and independence required for it to discharge its duties and responsibilities effectively.

The Board is ultimately responsible for the corporate policy and strategy of the Company and its subsidiaries. It is governed by a Board Charter and Code of Good Conduct that were reviewed and adopted on 11th November 2010.

The Board must, every year, hold a minimum of six scheduled meetings during which it 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.

The Board met nine times during the year under review.

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 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. They are clear of any conflicting business interest or other relationships which could materially affect their ability to exercise independent judgement.

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. Meetings are organised with senior staff in order to familiarise the new director with the Company's operations, products and business environment.

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. During the year under review, all board members attended conferences organised on various topics.

The Board has agreed to a formal evaluation of its own performance and that of its directors. This task has been entrusted to an independent consultant. The objective of the exercise is to assess the performance of the Board as a whole, its individual members including the chairman, and to identify areas requiring improvement.

2. Board of Directors (Continued)

Board members' profiles are set out on pages 11 and 15.

As recommended by the Code of Corporate Governance, all directors will stand for re-election at the annual meeting of shareholders.

1.1 Executive Director's Service Contract

The Chief Executive Officer, Mr Lakshmana (Kris) Lutchmenarraidoo has a two-year fixed term contract ending on 31st December 2014.

1.2 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.

1.3 Changes in Directorship

- Mr Bertrand de Chazal was appointed as director in June 2012.
- Mr Gilbert Poisson, also appointed as director in June 2012, resigned on 31st December 2012.

1.4 Directorships in other Listed Companies and subsidiaries of listed companies

The directorships held by the Board Members of MUA in other listed companies are shown in the table below:

Director	Listed Companies and/or subsidiaries of listed companies
Mr. Vincent Ah Chue n	POLICY Ltd, Les Moulins de La Concorde Ltée, ABC Motors Co Ltd, ABC Banking Corporation Ltd
Mrs. Priscilla Balgobin-Bhoyrul	The Mauritius Commercial Bank Ltd
Mr. Bertrand de Chazal	Promotion and Development Ltd, Caudan Development Ltd, MCB Capital Markets Ltd, MCB Equity Fund
Mr. Bruno de Froberville	Mauritius Freeport Development Co Ltd
Mr. Dominique Galea	Ascensia Ltd, United Docks Ltd, Forges Tardieu Ltd
Mr. Gérard de Rauville	Zurich Insurance Company South Africa Limited

Mrs. Mélanie Faugier, Messrs. Lakshmana Lutchmenarraidoo, Gilbert Poisson, Lawrence Poisson and Arjoon Suddhoo do not serve as directors in other listed companies or subsidiaries of other listed companies.

1.5 Directors' Interests in Shares of the Company

The direct and indirect interests of the directors in the ordinary shares of the Company as at 31st December 2012, together with the category they fall in, are set out in the table below:

Directors	Category	Category	
		Direct	Indirect
Mr Vincent Ah-Chuen	Non-executive	158,387	165,753
Mrs Priscilla Balgobin-Bhoyrul	Independent Non-executive	500	-
Mr Bertrand de Chazal	Independent Non-executive	500	-
Mr Bruno de Froberville	Non-executive	500	358,859
Mr Gérard de Rauville	Independent Non-Executive	11,000	-
Mrs Mélanie Faugier	Non-executive	500	1,087,830
Mr Dominique Galea	Non-executive	17,200	2,064,950
Mr Lakshmana Lutchmenarraidoo	Executive	7,500	-
Mr Gilbert Poisson	Executive	1,039	3,343
Mr Lawrence Poisson	Independent Non-executive	200,905	-
Mr Arjoon Suddhoo	Independent Non-executive	500	-

1.6 Related Party Transactions

For related party transactions, please refer to Note 35 of the Financial Statements.

1.7 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, the directors dealt in the shares of the Company as follows:

- Mr Dominique Galea purchased 16,700 shares
- Mr Gérard de Rauville purchased 10,000 shares
- Mr Lakshmana Lutchmenarraidoo purchased 4,500 shares

2 Committees of the Board

Three committees of the Board have been constituted, namely an Audit & Risk Committee, an Investment Committee and a Corporate Governance, Nomination & Remuneration Committee.

These committees were set up in order to 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.

2.1 Audit & Risk Committee

Members of the Audit & Risk Committee as at 31 December 2012 were:

- Mr Bertrand de Chazal (Chairperson)
- Mrs Priscilla Balgobin-Bhoyrul
- Mr Bruno de Froberville
- MrGérard de Rauville.
- Mr. Gilbert Poisson - secretary.

The Board has established formal terms of reference for the Audit & Risk Committee. The Committee confirms that it has discharged its responsibilities for the year in compliance with these terms of reference.

The Audit & Risk 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 both financial and non-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.

2.2 Corporate Governance, Nomination & Remuneration Committee

The Corporate Governance, Nomination & Remuneration Committee is appointed by the Board and consists of a Chairman who is an independent non-executive director and at least two members. The committee must have a majority of independent non-executive directors.

(a) It is responsible for implementing the Code of Corporate Governance for Mauritius (the Code) throughout the Company 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 executives, 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.

(b) The committee makes recommendations regarding the company's general policy pertaining to executive, non-executive, independent non-executive directors fees and senior management remuneration.

Members of the Corporate Governance, Nomination & Remuneration Committee as at 31st December 2012 were :

- Mr Lawrence Poisson (Chairperson)
- Mr Vincent Ah Chue n
- Mr Dominique Galea
- Mr Lakshmana Lutchmenarraidoo
- Mr Arjoon Sud dhoo
- Mr Gilbert Poisson – Secretary

2.3 Investment Committee

The objectives of the Investment Committee are to:

- Devise the Group 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 with the broader guidelines set by the MUA Risk Policy and the Board
- Determine capital allocation criteria
- Determine appropriate benchmarks for the measurement of 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 Investment Committee 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 Investment Committee, 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.

The Committee met six times in 2012. Its members as at 31 December 212 were:

- Mr Gérard de Rauville (Chairperson)
- Mr Dominique Galea
- Mr Lakshmana Lutchmenarraidoo
- Mr Laval Foo-Kune
- Mr Gilbert Poisson – Secretary

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

Directors	Board Meetings	Audit & Risk Committee	Corporate Governance Committee	Investment Committee
Mr Vincent Ah Chuen	9 out of 9	4 out of 4	1 out of 1	-
Mrs Priscilla Balgobin-Bhoyrul	8 out of 9	2 out of 2	-	-
Mr Bertrand de Chazal	3 out of 5	1 out of 2	-	-
Mr Bruno de Froberville	9 out of 9	6 out of 6	-	-
Mr Gérard de Rauville	3 out of 9	3 out of 6	-	3 out of 6
Mrs Mélanie Faugier	7 out of 9	2 out of 4	-	-
Mr Dominique Galea	9 out of 9	-	3 out of 3	6 out of 6
Mr Lakshmana Lutchmenarraidoo	9 out of 9	-	3 out of 3	6 out of 6
Mr Gilbert Poisson	5 out of 5	-	-	-
Mr Lawrence Poisson	9 out of 9	-	3 out of 3	-
Mr Arjoon Suddhoo	9 out of 9	-	3 out of 3	-

2.5 Directors' Remuneration whilst in office

Directors	Remuneration from the Company Rs '000		Remuneration from Subsidiaries Rs '000	
	2012	2011	2012	2011
Mr Vincent Ah Chue n	411	280	-	-
Mrs Priscilla Balgobin-Bhoyrul	328	180	-	-
Mr Bertrand de Chazal	158	-	-	-
Mr Jacques de Navacelle	-	65	-	-
Mr Bruno de Froberville	386	180	-	-
Mrs Mélanie Faugier	328	250	-	45
Mr Dominique Galea	951	550	-	-
Mr Lakshmana Lutchmenarraidoo	5,990	5,495	-	-
Mr Gilbert Poisson	3,779	-	-	-
Mr Lawrence Poisson	436	280	-	-
Mr Gerard de Rauville	552	90	-	-
Mr Arjoon Sud dhoo	386	215	-	-
TOTAL	**13,705**	**7,585**	**-**	**45**

3. 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 organisational culture.

4. Shareholding

- 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.
- As at 31st December 2012, the following shareholders owned more than 5% of the issued share capital:
    - Ducray-Lenoir Investments Ltd – 11.57%
    - Devlin Investments Ltd – 7.5%
    - Société Robert de Froberville – 7.16%
    - Mr Pierre-Emile Joseph Latour-Adrien – 6.16%
- There are no restrictions on the transfer of fully paid-up shares.

4.1 Distribution of Shareholding at 31 December 2012

No. of shares	No. of Shareholders	No. of Shares Owned	% of Total Issued Shares
1 – 5,000	1,066	1,086,758	5.42%
5,001 – 50,000	239	3,650,521	18.22%
50,001 – 100,000	32	2,352,518	11.74%
100,001 – 250,000	18	2,515,497	12.55%
250,001 – 500,000	4	1,326,385	6.62%
500,001 – 20,040,000	7	9,108,321	45.45%
TOTAL	**1,366**	**20,040,000**	**100.00%**

5. Common Directors at 31st December 2012

	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**
Mr Vincent Ah Chuen	⊕	⊕	⊕							
Mr Dominique Autard		⊕								
Mrs Priscilla Balgobin-Bhoyrul	⊕									
Mr Manickchand Beejan		⊕		⊕	⊕		⊕	⊕	⊕	⊕
Mr Bertrand de Chazal	⊕	⊕								
Mrs Mélanie Faugier	⊕			⊕	⊕					
Mr Bruno de Froberville	⊕									
Mr Dominique Galea	⊕	⊕	⊕							
Mr Lakshmana Lutchmenarraidoo	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
Mr Gilbert Poisson	⊕	⊕			⊕					
Mr Lawrence Poisson	⊕	⊕	⊕			⊕				
Mr Gérard de Rauville	⊕									
Mr Axel Roussety		⊕								
Mr Arjoon Suddhoo	⊕									

6. Shareholders' Agreement

The Company is not aware of any shareholders' agreement.

7. Management Agreement

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

8. Dividend Policy

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

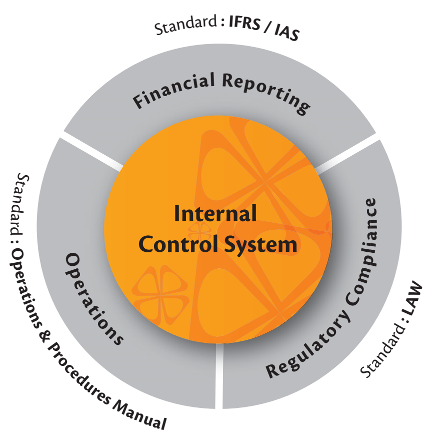
9. Share Option

The Company has no share option plan.

10. Internal Audit

The function of the internal audit is to provide assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management. Internal auditors are independent appraisers of existing controls. For this reason, the department recommends but does not design or implement controls.

It should be noted that part of its responsibility, namely regulatory compliance and effectiveness of operations, has been delegated to the Risk & Compliance department while the Internal Audit department focuses on financial reporting, efficiency of operations and auditing of risk & compliance activities. An overview of the company's internal control system is illustrated hereunder:



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 nine internal audit reviews during 2012.

10.1 Reporting Lines

The internal audit derives its authority from the Board through the Audit & Risk Committee. Internal auditors have a direct reporting line to the Audit & Risk 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.

10.2 Coverage

The Internal Audit plan, which is approved by the Audit & Risk 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.

10.3 Restrictions

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

11. Risk Management

Risk Management refers to the process used by the company to monitor and mitigate its exposure to risk. The objective of risk management is not to eliminate risk altogether but to reduce it to an acceptable level taking into account the objectives of the Company.

While the Board is responsible for the overall risk management and internal control systems, oversight of the Company's risk management process, with the exception of the legal risk, has been delegated to the Audit & Risk Committee.

To strengthen control, a Risk Management Framework has been implemented to ensure that:

- all material risks are identified and reported to management, to the Audit & Risk Committee, and to the Board
- mitigation activities are developed, communicated, agreed upon and measured to ensure objectives are achieved
- potential risks are identified so as to implement preventive mitigating controls

The following risk areas have been identified for the Company:

11.1 Insurance Risks

The main activity of the Company is the acceptance of risk under an insurance contract 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, or of a certain future event where the timing of the occurrence is uncertain.

The main risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. Risks are mainly associated with the Company's underwriting, reinsurance and claims handling activities.

The Company's underwriting strategy attempts to ensure that the underwritten risks are acceptable, well priced and diversified in type, magnitude of risk and industry. The processing of statistics by specialised computer software proves of considerable help in assessing and reviewing risks and the Company reserves the right not to renew policies and/or to impose deductibles.

The Company determines the extent of risks retainable and transfers, through reinsurance led by top-rated reinsurers, risks in excess of its capacity. The maximum loss for a given risk that the Company may suffer in any one year is thus predetermined through effective proportional, excess of loss, catastrophe and facultative reinsurance covers.

Claims handling is closely monitored so as to ensure that the loss reported is covered and properly assessed. Where relevant, the Company may sue third parties for payment of some or all liabilities (subrogation). The Company ensures that claims provisions are determined using the best information available about 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.

11.2 Financial Risks

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

The main risks to which the Group and the Company are exposed include:

- Foreign exchange risk
- Credit risk
- Liquidity risk
- Market risk
- Reinsurers' default

11.2 Financial Risks (Continued)

(i) Foreign exchange risk

The Company holds a number of deposits, equity investments, property investments and bank balances denominated in foreign currencies and is exposed to fluctuations of the foreign currencies. Exposure to foreign currency is not hedged but closely monitored by management.

(ii) Credit risk

The Group's credit risk is primarily attributable to debtors for insurance premiums and to secured loans granted in the normal course of business. Loans granted are closely monitored by the Credit Committee chaired by the Chief Executive Officer. The Legal Department closely monitors payment procedures and debt recovery through appropriate legal action, if necessary.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet short-term debts. Liquidity risk is considered to be very low.

(iv) Market risk

Market risk is the risk that the value of 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 Investment Committee ensures that investments are sufficiently diversified in order to match assets and liabilities and liquidity requirements.

(v) Reinsurers' default

The Company is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already settled. Management monitors the financial strength of its reinsurers and the Company's set procedures ensure that risks are only ceded to top-rated and credit-worthy reinsurers.

11.3 Operational Risks

Operational risks are risks of loss and/or opportunity gain foregone resulting from inadequate or failed internal processes, people and systems or from external events. One or more of the following may cause such losses:

(a) Human Resources Risk

Such risk stems from the fact that staff members entrusted with the management and control of various stages of the business process chain lack the requisite knowledge, skills and experience to ensure that critical business objectives are achieved and that significant business risks are reduced to an acceptable level. An internal training programme has been initiated to minimise such risk while external training is also provided with the same objective in mind.

(b) Compliance Risk

Compliance risk, also referred to as non-conformance risk, results in lower quality, higher costs, lost revenues and unnecessary delays. Non-conformance also gives rise to product/service failure risk because if not detected and corrected before a product or service is delivered to the customer, a product or performance failure could ensue. A compliance department monitors such matters.

(c) Business Interruption Risk

The Company's capability to operate normally is highly dependent on the availability of information technology, skilled labour and other resources. If staff with the requisite experience and skills or other key resources were unavailable or if critical systems happened to break down, the Company would experience difficulty in transacting business. A business continuity plan has been devised which is based on the duplication of our records and information systems on back-up servers at a remote location. Insurance transactions are updated daily on these servers through the Mauritius Telecom frame relay network. Full customer service can be delivered from that remote location.

11.3 Operational Risks (Continued)

(d) Product/Service Failure Risk

During insurance operations, there may be a risk of customers receiving faulty insurance policies or service. These failures would result in customer complaints, litigated claims, cancelled policies, increased claim frequency or severity. Such events can cause significant damage to the Company's reputation, profitability, future business and market share. The Customer Complaints Handling Unit oversees these risks.

(e) Health and Safety Risk

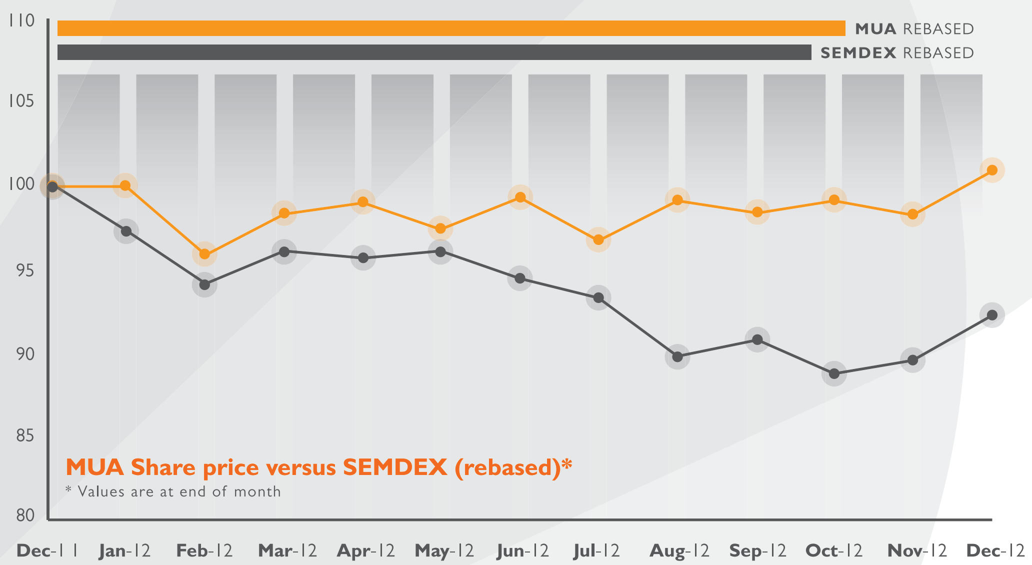
Worker health and safety risks are significant if unchecked because they can expose the Company to substantial liability in respect of workers' compensation. Non-compliance with Health and Safety Legislation may result in heavy fines. The Health and Safety Committee ensures that these risks are minimised through control, follow-up and communication procedures. The Human Resources Department ensures compliance with labour laws.

With regard to the operational risks, appropriate rating methods based on the recurring nature of the risk and of its financial and operational impact are applied.

Under the risk management framework that has been established, a priority action plan aimed at developing and implementing mitigating controls has been prepared. Clear responsibilities and targets have been established and are closely monitored.

12. Share Price Information

The chart below shows the evolution of the MUA share price as compared to the Mauritius Stock Exchange Index (Semdex)



13. Charitable Donations

Charitable donations made by the Company during the year amounted Rs 2,485,438 as compared to Rs 834,445 in 2011. These donations were channeled through the Fondation Mauritius Union Limited which handles the Group's CSR activities, as detailed in section 16.3.

This year's actions were centered on education and poverty alleviation, health and sport, training and empowerment as well as the protection of the environment.

No charitable donations were made by subsidiaries.

14. Political Donations

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

15. Auditors' Remuneration

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Audit fees paid to:				
- Ernst & Young	**2,256**	2,294	**1,289**	995
Fees paid for other services provided by				
- Ernst & Young	**780**	581	**341**	196
Details:				
• *Tax computation fees*	**330**	380	**126**	81
• *Review of the annual statutory return to the FSC*	**248**	201	**115**	115
• *Advisory services*	**202**	-	**100**	-

16. Sustainability Reporting

The Company recognises that it operates within a broader social and economic community. Consequently it is committed, when taking decisions and carrying out its activities, to take into account 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 compliance with legislation.

In this respect, the *Fondation Mauritius Union Limited* was incorporated on 14th October 2010 and 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.

16.1 Ethics

The Company has adopted a Code of Ethics which goes beyond minimum legal requirements and outlines core principles that should guide business conduct. It is based on our corporate values which are essential for us to maintain the trust and reliability that have been earned over the years. The Code of Ethics establishes standards for behaviour and provides guidance as to ethical dilemmas or conflicts of interest faced at work.

All employees have taken cognizance of the Code and have pledged to abide by its contents.

16.2 Environment, Health & Safety

Environmental implications are taken into account before operational and strategic decisions are taken, even if these may necessitate additional costs for the Company.

A Health and Safety procedure has been formulated and posted on MUA's intranet system. It explains and demonstrates the Company's attitude towards health and safety as well as the steps, arrangements and systems the Company has put in place to ensure compliance with health and safety legislation.

As required by the health and safety legislation, a corporate Safety, Health and Welfare Committee has been constituted. It meets once every two months and one of its main objectives is to create greater awareness among staff of the need for a safe and healthy work environment.

The security and comfort of employees posted in branches is also taken into account. There are regular visits to branches. Risk assessment and ergonomics reports are generated to ensure that the working environment remains safe and wholesome.

Employees also follow regular training on the handling of fire extinguishers, on evacuation simulation exercises and first-aid care.

Activities such as a blood donation and free eye check-up were organized for the benefit of both the Blood Bank and our staff.

16.3 Corporate Social Responsibility

CSR activities were planned for the most part as per the Company's corporate mission statement and values.

Initiatives in that context were once again geared towards poverty alleviation and the fight against exclusion in specific parts of the island. We also extended our support to needy constituents living in Rodrigues through Caritas Rodrigues.

Some of the CSR activities for 2012 are given below:

- Education and poverty alleviation
  - Stanley ZEP Government School - Support for educational materials and activities
  - Pointes aux Sables ZEP Government School
  - CARITAS Rodrigues - Projet d'accompagnement scolaire
  - Sa Nou Vize Centre - Educational programmes for more than 60 needy children attending school
  - L'Etoile Du Berger

- Health and Sport
  - EDYCS - Logistical support to the Epilepsy Educational Centre and Rehabilitation centre
  - Trust Fund For Excellence in Sport

- Training and Empowerment
  - St Gabriel College – contributing towards college fees to enable 6 students living in absolute poverty to pursue prevocational courses
  - Association Des Malades et Handicapés de L'Est Centre Joie de Vivre through the Circle Charitable trust
  - Centre de solidarité pour une nouvelle vie

Actions by the *Fondation Mauritius Union Limited* in 2012 were based on an open-source approach by conducting a three-phase process: **hear, create and deliver**. We shall raise awareness of every employee with regard to CSR and continually work to positively impact the daily life of less privileged people of our community through small actions that make a great difference.

17. Time-table of important upcoming events

20th June 2013	Payment of Interim Dividends
28th June 2013	Annual Meeting of Shareholders
15th August 2013	Publication of unaudited accounts for quarter ended 30th June 2013
14th November 2013	Declaration of Final Dividends
14th November 2013	Publication of unaudited accounts for quarter ended 30th September 2013
20th December 2013	Payment of Final Dividends

18. Directors' Statement of Responsibilities

18.1 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 and of 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:

(i) Selected suitable accounting policies that are compliant with International Financial Reporting Standards and applied them consistently

(ii) Made judgments and estimates that are reasonable and prudent

(iii) Prepared the financial statements on a going concern basis

(iv) Kept proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company

(v) Taken appropriate measures to safeguard the assets of the Company through the application of appropriate internal control and risk management systems and procedures

(vi) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

18.2 Internal Control

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

18.3 Risk Management

Through the Audit & 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 10th May 2013 and signed on its behalf by:

Dominique Galea	**Lakshmana Lutchmenarraidoo**	**ECS Secretaries Ltd**
Chairman	Chief Executive Officer	Company Secretary

RISK MANAGEMENT REPORT

Risk Management is an integral part of our business processes. The key elements of our risk- management framework are:

- Promotion of a strong risk-management culture supported by a robust risk-governance structure.
- Integration of risk considerations into management and decision-making processes through the attribution of risk to the various segments.

Our Risk Model consists of three levels, comprising categories or risk types that are listed in a business-risk register. Within each category, risk definitions have been developed to describe the types of risks to be included in each one.

Level 1	4 Categories of risk, supporting the Group Corporate Governance structure and aligned with the UK Financial Services Authority (FSA) Risk Model
Level 2	35 Sub-Categories of risk, supported by the Risk Management policies in which the management of inherent risk is detailed. These policies accommodate external developments as appropriate categories.
Level 3	Detailed risk categories designed to accommodate all inherent risks to the Group.

We regroup Level 1 Categories of risk under 4 main headings:

- Insurance
- Financial
- Operational and Resource Management
- Strategy and Planning

Close risk monitoring allows us to detect potential deviations from our risk tolerance at an early stage at both the Group and operating entity levels.

1. INSURANCE

The main activity of the Group is the acceptance of risk under an insurance contract 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, or of a certain future event where the timing of the occurrence is uncertain.

Underwriting risk is defined as the risk of insured losses in our general insurance business being higher than our expectations. Underwriting risk comprises premium and reserve risks for General Insurance and Biometric Risk for long-term business.

1.1 Premium Risk

As part of our general insurance business, we receive premiums from our customers and provide insurance protection in return. Changes in profitability are measured on the basis of loss ratios and their fluctuations. We face the risk that underwriting profitability is lower than expected. In other words, total premiums charged to customers might not be enough to cover total claims paid.

Premium Risk is closely monitored by the Company and can be sub-divided into 3 categories:

(i) Premium Risk Attritional Losses (normal "small" claims arising during the course of business)

(ii) Premium Risk due to Large Losses (exceptional large claims for single risks)

(iii) Premium Risk due to Catastrophe Losses (Accumulation of small and large losses due to a catastrophe, natural or otherwise)

Underwriting Guidelines

During 2012, a complete review of the underwriting guidelines has been undertaken to take into account the changing market environment, new distribution channels and to ease operation between the Underwriting Department and the various sales outlets to ensure a rapid and an efficient service to our clients, while maintaining strict underwriting discipline.

The underwriting guidelines lay the rules with respect to underwriting factors and criteria, with respective underwriting delegation authority, for all classes of general insurance business. In this respect, it is also an invaluable tool for training.

Pricing Tools and Methodologies

The role of risk selection and pricing are important factors. The Company has set underwriting capacity limits and other considerations for the size and extent of risk for each insurance line and risk concentration. The Company has a database and analysis applications in place to support risk selection and pricing. Insurance terms and conditions serve as a vital tool in mitigating risks. In addition, risk analyses are performed on a "per customer" or "per class of business" basis to mitigate risks.

Insurance pricing methods can vary in terms of the types of variables considered when determining pricing rates. Methods used may consider risk factors, probability factors and individual claims histories depending on the type of insurance involved. As a general rule, premium rates involve calculation methods that incorporate the costs of insuring a person or business while generating a margin in the process.

1.1 Premium Risk (Continued)

Pricing Tools and Methodologies (Continued)

Depending on the type of business being underwritten, 3 rating methods are currently being used:

Schedule Rating Method

The schedule rating method uses baseline rates as a starting point and then factors in other variables depending on the degree of risk involved. Schedule rating methods are used within the commercial property insurance industry, where factors like location, size and business purpose provide baseline indicators for determining pricing rates. Baseline indicators rely on identified risk factors found within a group or class of policyholders that have similar characteristics such as age, sex and line of work. These indicators provide the starting points, or baseline rates, used to calculate a premium rate for individual policyholders.

Retrospective Rating Method

This method caters for risks which are less predictable. The retrospective rating method relies more on a policyholder's actual claims experience when setting pricing rates as opposed to baselines, or standard pricing rates.

Experience Rating Method

Experience rating pricing methods rely more heavily on a policyholder's past claim history when determining what premium rates to charge. The types of insurance that use this method include motor, health, workers compensation and general liability insurance. Price rates are determined according to a credibility factor, which uses a person's past claim history as an indication of the level of risk involved and the likelihood that future claims will be filed. Once a risk level is determined, the credibility factor is measured against a baseline pricing rate that represents the average rate charged to a class of policyholders that have similar characteristics. Adjustments are then made to the baseline pricing rate based on each policyholder's credibility rating.

To improve efficiency while maintaining underwriting discipline in our motor portfolio, we have initiated a project at the end of 2012 to develop a motor quote master module. This tool will enable all our sales force, including brokers, to provide quick quotes to our prospective clients and to ensure pricing consistency.

Diversification of Portfolio

Despite the fact that Motor and Health insurances contribute largely to the company's profitability, our aim for 2012 was to diversify into other lines of business and, more specifically, into non-motor portfolio to reduce the volatility associated with that class of business. Such diversification strategy would allow us to stabilize the underwriting results over time while reinforcing our position as leader in the health and motor insurance sectors.

Monitoring of Accumulations and Concentrations

As part of the risk-management framework at the underwriting level for General insurance, risk accumulation* and concentration remain a key function of risk selection.

The Company takes into account risk concentrations in specific locations in its Estimated Maximum Loss* (EML for property risks, and, through EML breakthrough, makes necessary arrangements for any additional reinsurance cover that may be required.

Our operating region is not subject to any major risks of earthquake. With respect to risks associated with other natural disasters, such as cyclones and floods, the Company has protection against catastrophe accumulation losses through an extensive catastrophe reinsurance cover whose size has been dimensioned to correspond to the calculated size of a catastrophe loss occurring once every 200 years. The catastrophe accumulation cover applies to property damage and personal injuries.

*Accumulation is the risk for a loss involving risk concentration, e.g. via multiple insurance objects being so closely correlated that the Company runs the risk of incurring a loss on all or more than one of these objects as the result of a single event.

**EML (Estimated Maximum Loss): the maximum loss from a single event that could affect an insurance object (or multiple objects in the event of accumulation),

***EML breakthrough: a loss larger than expected based on the EML calculation.

Role of Underwriting & Reinsurance Committee

The role of the Underwriting and Reinsurance Committee (URC) is to oversee the development of, and compliance with, underwriting and reinsurance guidelines, and to monitor procedures relating to exceptions thereto. The URC also has the responsibility for formulating the Company's underwriting and reinsurance strategies, in line with the Board's vision.

The 6 main responsibilities and duties of the URC are:

1. To receive and approve report regarding operational activities of the Underwriting and Reinsurance departments so as to ensure that the set strategies are respected;

2. To establish, review and maintain underwriting criteria, limits, guidelines, policies and processes;

3. To review reports with respect to compliance with the underwriting guidelines and policies, and to make recommendations to the Executive Committee for approval relating to cases where risks deviate from set criteria;

4. To review and make recommendations on entry into new lines of insurance and reinsurance businesses;

1.1 Premium Risk (Continued)

Role of Underwriting & Reinsurance Committee (Continued)

5. To review existing lines of insurance and reinsurance business and to make recommendations on continued writing or withdrawal of such businesses;

6. To perform such other responsibilities regarding the Company's underwriting and reinsurance activities or other matters as the Executive Committee may assign to the URC from time to time.

Reinsurance

We further mitigate premium risk by making use of reinsurance.

Reinsurance is the process of transferring to other insurance companies (the "reinsurers") the proportion of the Company's underwriting exposure that it is unwilling or unable to retain.

Reinsurers may either be professional reinsurers, specialising only in reinsurance, or other insurance companies.

In order to determine our optimal reinsurance arrangement (the proportion of our underwriting exposure which should be retained and the proportion which should be reinsured), we make use of Dynamic Financial Analysis, which is outsourced to Willis Re, UK.

Willis Re, using its own in-house actuarial skills and proprietary model (Willis iFM), has completed and delivered to the Company a robust risk probability and economic capital assessment of the Insurance liabilities the Company runs on its balance sheet.

These liabilities have been stress-tested both before and after various reinsurance structures, and the exercise established that we are adequately reinsured at a certain level of Confidence Interval.

The derived model expresses the potential "worst case" amount in economic value that we might lose at a certain level of confidence. However, statistically there is a low probability of 0.50% that actual losses could exceed this threshold.

We also assume that model and scenario parameters derived from historical data, where available, are a useful approximation to characterise future possible risk events. If future market conditions differ substantially from the past, then the model may be too conservative or too liberal in ways that are too difficult to predict.

Our current reinsurance arrangements provide both Per Risk and Per Event (Catastrophe) protection, by way of Treaty and Facultative Reinsurance. The maximum loss for a given risk that the Company may suffer in any one year is thus predetermined through effective proportional, excess of loss, catastrophe and facultative covers.

1.2 Reserve Risk

We estimate and hold reserves for past claims that have not yet been settled. If the reserves were not sufficient to cover the claims to be settled in the future due to unexpected changes, we would experience losses.

Claims handling is closely monitored so as to ensure that the loss reported is covered and properly assessed. Where relevant, the Company may sue third parties for payment of some or all liabilities (subrogation). The Company ensures that claims provisions are determined using the best information available about 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.

Biometric Risk

We consider mortality, morbidity and longevity risks within biometric risk as they can cause variability in policyholder benefits resulting from the unpredictability of the timing and incidence of death or illness.

As per the guidelines for demonstrating statutory solvency of long-term insurance companies, we are required to carry out a number of stress tests. These tests assess the impact of various insurance risks such as mortality, morbidity and longevity being higher than expected, adverse investment returns and higher than anticipated surrenders and lapses. The capital requirement takes into account the impact of these various risks.

2. FINANCIAL

2.1 Credit Risk

Credit Risk is linked to the facilities which are given to clients for paying their insurance premium over a period of time, and is the risk that such clients are unable or unwilling to pay their debts to the Company.

Reinsurance Credit Risk

Reinsurance Credit Risk is defined as the unwillingness or inability from reinsurers to honour financial obligations towards the Company. A dedicated unit selects the Company's reinsurance partners and only reinsurers with strong credit profiles are considered. We may also require evidence of parental guarantee, details of retrocession arrangements, or other financial measures to further mitigate our exposure to Reinsurance Credit Risk.

The unit monitors and manages the concentration of risk to each reinsurer as well as their credit rating and solvency movements, with the objective of diversifying our reinsurance placements such that the financial impact of default by any one reinsurer is limited.

As of 31st December 2012, the reinsurance of the Company was distributed among 29 different reinsurers (for the purpose of classification, Lloyd's Syndicates are considered as 1 reinsurer).

The unit also performs Back-to-Back verifications for facultative placements in order to ensure that there are no discrepancies between the insurance and reinsurance contracts.

Investment Credit Risk

The group invests in debt instruments and there are risks that the issuer of debt securities defaults on capital or interest payments. The bulk of the group's investment portfolio is in local government bonds. Investment in foreign debt securities should carry at least a BBB rating.

Loans Credit Risk

Both MUA and LPM grant loans in their normal course of business. Loan credit risk is the risk that a borrower defaults on capital or interest payments. This risk is mitigated through holding appropriate security against all loans granted, which are closely monitored, by the credit committee chaired by the Chief Executive Officer. The legal department monitors payment procedures and debt recovery through appropriate legal action, if necessary.

Debtors Credit Risk

This risk is attributable to the inability of debtors for insurance premiums to pay amounts in full when due. The group has in place a policy for granting credit and maintains records of the payment history for contract holders with whom it conducts regular business. The credit terms are based on the client payment history. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. A deposit premium payable in advance is also requested upfront to minimise the risk of default. The receivables are closely monitored, reminders are sent to policy holders when their accounts are overdue and the policies are cancelled if payments are not received following the reminders.

2.2 Foreign exchange risk

The Group holds a number of deposits, equity investments, property investments and bank balances denominated in foreign currencies and is primarily exposed to fluctuations of the United States dollar, the Euro and the British Pound. Exposure to foreign currency is not hedged but closely monitored by management.

The bulk of the insurance contracts written by the group are in rupees. The reinsurance treaties have also the local currency as its base. There is only one treaty which is denominated in USD.

2.3 Capital Management

The Company is required to maintain a minimum capital requirement ratio of 150% at all times (with a minimum of Rs25m) as required by the Insurance Act 2005. The amount of capital required takes into account investment concentration limits, policy liabilities risks, catastrophe risks and reinsurance cession risks. The Company's capital requirement ratio has been maintained well above the minimum statutory limit of 150%.

On the long-term side, the minimum capital requirement is determined by the external actuary after taking into account stress test requirements. In order to demonstrate solvency, LPM must have assets in excess of liabilities which cover the minimum capital requirement by at least a multiple of one. LPM has also satisfied the minimum capital requirements under the Insurance Act 2005.

2.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet short-term debts. Liquidity risk is considered to be very low.

On the general side, the liabilities are generally short-term in nature, with most classes of business estimated to have 60% of liabilities falling due within 1 year. Our actuary has confirmed that there are appropriate assets in place to match the liabilities in nature and term.

2.5 Interest rate risk

Interest rate risk refers to the risk that the value of future cash flows from financial instrument backing the liabilities would be insufficient to fund guaranteed benefits payable, especially under long-term Life Assurance contracts. This risk is mitigated through a well-diversified portfolio of fixed income securities and equity investments.

Under General Insurance contracts, liabilities are not directly sensitive to the level of market interest rates as they are contractually non-interest bearing. In case of bodily injury claims which are settled over long periods, these long-tail liabilities are hedged by the equity portion of the investment portfolio of the general business.

2.6 Market risk

Market risk is the risk that the value of 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 Investment Committee ensures that investments are sufficiently diversified in order to match assets and liabilities and liquidity requirements.

3. OPERATIONAL AND RESOURCE MANAGEMENT RISK

Operational risks are risks of loss and/or opportunity gain foregone resulting from inadequate or failed internal processes, people and systems or from external events. One or more of the following may cause such losses:

3.1 Human Resources Risk

Such risk stems from the fact that staff members entrusted with the management and control of various stages of the business process chain lack the required knowledge, skills and experience to ensure that critical business objectives are achieved and that significant business risks are reduced to an acceptable level. An internal training programme has been initiated to minimise such risk and external training is also provided with the same objective in mind.

3.2 Compliance Risk

Compliance risk, also referred to as non-conformance risk, results in lower quality, higher costs, lost revenues and unnecessary delays. Non-conformance also gives rise to product/service failure risk because, if not detected and corrected before a product or service is delivered to the customer, a product or performance failure could result. The legal and compliance department monitors such matters.

3.3 Business Interruption Risk

The Company's capability to operate normally is highly dependent on the availability of information technology, skilled labour and other resources. If people with the required experience and skills, or other key resources were unavailable or if critical systems happened to break down, the Company would experience difficulty in transacting business. A business continuity plan has been devised which is based on the duplication of our records and information systems on back-up servers at a remote location. Insurance transactions are updated daily on these servers, through the Mauritius Telecom frame relay network. Full customer service can be delivered from the remote location.

3.4 Product/Service Failure Risk

During insurance operations, there may be a risk of customers receiving faulty insurance policies or service. These failures would result in customer complaints, litigated claims, cancelled policies, increased claim frequency or severity. Such events can cause significant damage to the Company's reputation, profitability, future business and market share. The Customer Complaints Handling Unit oversees these risks.

3.5 Health and Safety Risk

Workers' health and safety risks are significant if unchecked because they can expose the Company to substantial liability in respect of workers' compensation. Non-compliance with Health and Safety Legislation may result in heavy fines. The Health and Safety Committee ensures that these risks are minimised through control, follow-up and communication procedures. The Human Resources Department ensures compliance with labour laws.

4 STRATEGY AND PLANNING RISK

Strategy and Planning risk is the risk of an unexpected negative change in the company value, arising from the adverse effect of management decisions regarding business strategies and their implementation. This risk reflects the compatibility between strategic goals, the business strategies and the resources deployed to achieve those goals. Strategic risk also includes the lack of management's ability to effectively analyse and react to external factors (e. g. market conditions), which could affect the future direction of the relevant operating entity or the Group as a whole.

The strategic planning process hinges on the development of a three-year strategic plan which is reviewed annually during the budgetary exercise to ensure that strategic initiatives are on track and/or have to be amended in light of changes, both within the Group and in the external environment.

All strategic projects are regrouped within a project register to facilitate implementation and progress monitoring.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SECRETARY'S CERTIFICATE - 31ST DECEMBER 2012

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

Date : March 29, 2013

AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MAURITIUS UNION ASSURANCE COMPANY LIMITED

Report on the Financial Statements

We have audited the consolidated financial statements of The Mauritius Union Assurance Company Limited (the "Company") and its subsidiaries (together referred to as the "Group") on pages 64 to 141 which comprise the statements of financial position as at December 31, 2012 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 64 to 141 give a true and fair view of the financial position of the Group and of the Company as at December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Other matter

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Company or any of its subsidiaries, other than in our capacity 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 and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). Our responsibility is to report on these disclosures.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirement 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
Ebène, Mauritius
Date: March 29, 2012..

PATRICK NG TSEUNG, A.C.A.
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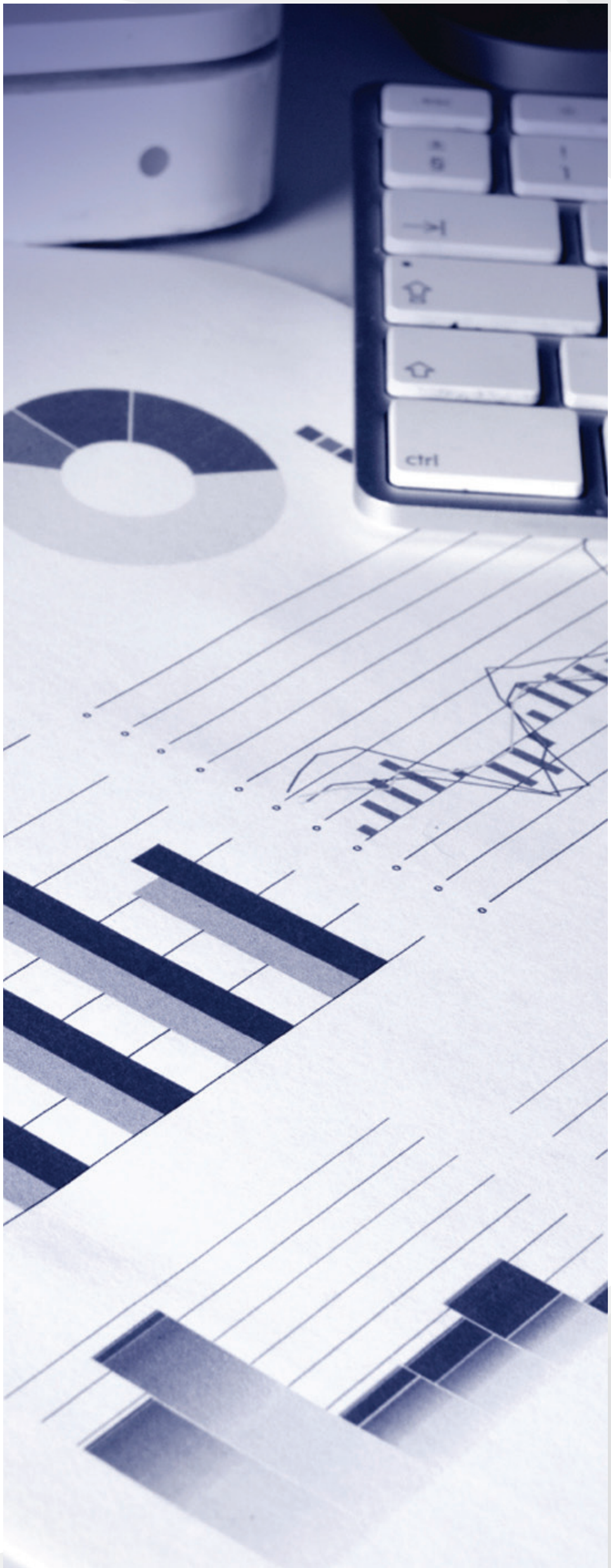


PRINCIPAL ACTIVITIES

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 subsidiaires were as follows :

- Directors of The Mauritius Union Assurance Company Limited

	From the Company		From Subsidiaries	
	2012	2011	**2012**	2011
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Executive Directors				
Full-time	**9,769**	5,595	-	45
Non-executive Directors	**3,936**	2,000	-	-
	13,705	7,595	-	45

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 Rs 2,485,438 as compared to Rs 834,445 in 2011.

No charitable donations were made by subsidiaries.

Political donations

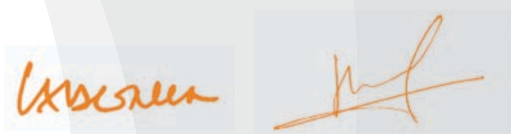
In line with Group's policy, no political donations were made during the year under review.

AUDITORS' FEES

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

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Audit fees paid to:				
- Ernst & Young	**2,256**	2,294	**1,289**	995
Fees paid for other services provided by				
- Ernst & Young	**780**	581	**341**	196

Approved by the Board of Directors on March 29, 2013.
and signed on its behalf by:



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) Directors
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Date: March 29, 2013

STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2012

		THE GROUP		THE COMPANY	
		2012	2011	**2012**	2011
	Notes	**Rs' 000**	Rs' 000	**Rs' 000**	Rs' 000
ASSETS					
Non-current assets					
Property and equipment	5	**294,817**	299,496	**219,207**	211,328
Investment properties	6	**196,578**	190,053	**74,000**	74,000
Intangible assets	7	**546,022**	567,750	**344,096**	354,270
Investment in subsidiary companies	8	**-**	-	**208,042**	217,900
Available-for-sale financial assets	9(a)	**-**	772,632	**-**	756,227
Financial assets at fair value through other comprehensive income	9(b)	**484,521**	-	**471,316**	-
Financial assets at fair value through profit or loss	9(c)	**2,365,120**	3,158,200	**2,845**	-
Held-to-maturity investments	9(d)	**-**	781,376	**-**	132,619
Financial assets at amortised cost	9(e)	**1,487,008**	-	**112,713**	-
Loans and receivables at amortised cost	10	**912,279**	856,485	**188,927**	146,545
Deferred tax assets	15 (b)	**96,520**	119,059	**96,520**	119,059
		6,382,865	6,745,051	**1,717,666**	2,011,948
Current assets					
Held-to-maturity investments	9(d)	**-**	58,741	**-**	10,800
Financial assets at amortised cost	9(e)	**44,935**	-	**19,998**	-
Loans and receivables at amortised cost	10	**99,526**	89,598	**47,038**	36,248
Insurance and other receivables	11	**456,684**	462,719	**372,056**	353,046
Prepayments		**2,748**	4,031	**2,584**	4,031
Deferred acquisition costs receivable		**55,791**	57,752	**55,791**	57,752
Amount receivable from subsidiary		**-**	-	**11,813**	10,732
Reinsurance assets	12	**414,910**	292,875	**414,910**	292,875
Cash and cash equivalents	34(b)	**1,175,410**	411,193	**612,357**	179,433
		2,250,004	1,376,909	**1,536,547**	**944,917**
Total a ssets		**8,632,869**	8,121,960	**3,254,213**	2,956,865

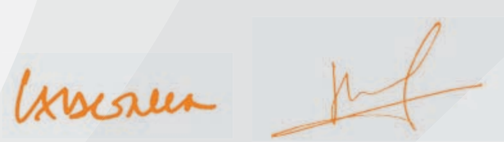
The notes on pages 74 to 141 form an integral part of these financial statements.
Auditors' report on page 61

STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2012

	Notes	THE GROUP 2012 Rs' 000	THE GROUP 2011 Rs' 000	THE COMPANY 2012 Rs' 000	THE COMPANY 2011 Rs' 000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Issued share capital	13	**200,400**	200,400	**200,400**	200,400
Total reserves		**1,239,853**	1,147,712	**1,049,578**	965,412
Non-distributable share of Life surplus		**9,615**	19,450	**-**	-
Total ordinary shareholders' equity		**1,449,868**	1,367,562	**1,249,978**	1,165,812
Non-controlling interests		**4,766**	5,784	**-**	-
Total equity		**1,454,634**	1,373,346	**1,249,978**	1,165,812
Technical Provisions					
Life assurance fund	14	**5,111,815**	4,890,975	**-**	-
Insurance contract liabilities	12	**1,599,184**	1,434,276	**1,599,184**	1,434,276
		6,710,999	6,325,251	**1,599,184**	1,434,276
Non-current liabilities*					
Borrowings	17	**163,282**	180,993	**163,282**	180,993
Deferred tax liabilities	15 (b)	**19,619**	18,735	**-**	-
Retirement benefit obligations	16	**11,105**	7,006	**11,105**	7,006
		194,006	206,734	**174,387**	187,999
Current liabilities*					
Borrowings	17	**18,056**	24,297	**17,711**	16,248
Trade and other payables	18	**212,515**	155,820	**170,720**	116,400
Deferred acquisition costs payable		**32,213**	30,476	**32,213**	30,476
Current tax liabilities	19(b)	**10,446**	6,036	**10,020**	5,654
		273,230	216,629	**230,664**	168,778
Total equity and liabilities		**8,632,869**	8,121,960	**3,254,213**	2,956,865

* exclude technical provisions

These financial statements have been approved for issue by the Board of Directors on : March 29, 2013



) DIRECTORS
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STATEMENTS OF COMPREHENSIVE INCOME FOR YEAR ENDED DECEMBER 31, 2012

		THE GROUP		THE COMPANY	
		2012	2011	**2012**	2011
	Notes	**Rs' 000**	Rs' 000	**Rs' 000**	Rs' 000
Continuing operations:					
Gross premiums earned	20	**2,129,259**	2,040,096	**1,493,868**	1,418,537
Premiums ceded to reinsurers	20	**(333,545)**	(310,849)	**(279,481)**	(261,575)
Net earned premiums	20	**1,795,714**	1,729,247	**1,214,387**	1,156,962
Fees and commission income		**99,581**	98,213	**81,905**	79,736
Investment income	21	**393,971**	308,460	**73,688**	506,118
Realised gains	22	**9,650**	18,508	**14,971**	18,366
Unrealised losses	23	**(184,770)**	(174,855)	**(433)**	-
Other operating income	24	**56,000**	38,960	**13,154**	1,897
Total revenue		**2,170,146**	2,018,533	**1,397,672**	1,763,079
Gross claims paid	12	**(1,042,021)**	(1,326,759)	**(659,299)**	(969,356)
Claims ceded to reinsurers	12	**47,680**	121,172	**35,577**	108,946
Gross change in contract liabilities	12	**(339,628)**	235,716	**(118,788)**	271,041
Change in contract liabilities ceded to reinsurers	12	**111,201**	(118,586)	**111,201**	(118,586)
Net claims and benefits		**(1,222,768)**	(1,088,457)	**(631,309)**	(707,955)
Commission and brokerage fees paid		**(170,718)**	(151,516)	**(148,537)**	(125,186)
Other operating and administrative expenses	25	**(487,951)**	(466,437)	**(329,465)**	(302,853)
Impairment of subsidiaries	8	**-**	-	**-**	(379,435)
Total claims, benefits and other expenses		**(1,881,437)**	(1,706,410)	**(1,109,311)**	(1,515,429)
Profit from operations		**288,709**	312,123	**288,361**	247,650
Finance costs	26	**(16,994)**	(10,543)	**(16,873)**	(10,381)
Profit before tax		**271,715**	301,580	**271,488**	237,269
Income tax (expense)/credit	19	**(38,532)**	153,965	**(35,761)**	117,173
Profit for the year		**233,183**	455,545	**235,727**	354,442
Attributable to :					
Equity holders of the parent		**233,209**	454,888		
Non-controlling interests		**(26)**	657		
		233,183	455,545		
Basic and diluted earnings per share (Rs/cs)	33	**11.64**	22.70		

The notes on pages 74 to 141 form an integral part of these financial statements.
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STATEMENTS OF COMPREHENSIVE INCOME FOR YEAR ENDED DECEMBER 31, 2012

		THE GROUP		THE COMPANY	
		2012	2011	**2012**	2011
	Notes	**Rs' 000**	Rs' 000	**Rs' 000**	Rs' 000
Profit for the year		**233,183**	455,545	**235,727**	354,442
Other comprehensive Income:					
Decrease in fair value of available-for-sale financial assets	9(a)	**-**	(72,663)	**-**	(71,509)
Decrease arising on revaluation of financial assets at fair value through other comprehensive income	9(b)	**(48,596)**	-	**(47,421)**	-
Release from fair value reserve on disposal of available-for-sale financial assets		**-**	(16,761)	**-**	(15,811)
Revaluation of property and equipment		**-**	3,475	**-**	2,460
Deferred tax on revaluation of property, plant and equipment		**-**	(2,666)	**-**	-
Other comprehensive income for the year - net of tax		**(48,596)**	(88,615)	**(47,421)**	(84,860)
Total comprehensive income for the year		**184,587**	366,930	**188,306**	269,582
Attributable to :					
Equity holders of the parent		**184,870**	366,727	**188,306**	269,582
Non-controlling interests		**(283)**	203	**-**	-
		184,587	366,930	**188,306**	269,582

The notes on pages 74 to 141 form an integral part of these financial statements.
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STATEMENTS OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2012

		Attributable to owners of the Parent								
		Issued Share capital	Revaluation reserves	Fair value reserve on available-for-sale financial assets	Investment revaluation reserve	Retained earnings	Total reserve	Non distributable share of Life Surplus*	Non-controlling interests	Total
THE GROUP	**Notes**	**Rs' 000**	**Rs' 000**	**Rs' 000**	**Rs' 000**	**Rs' 000**	**Rs' 000**	**Rs' 000**	**Rs' 000**	**Rs' 000**
Balance at January 1, 2012		200,400	1,142	(47,359)	-	1,193,929	1,147,712	19,450	5,784	1,373,346
Effect of change in accounting policy for classification and measurement of financial assets		-	-	47,359	(14,899)	(32,460)	-	-	-	-
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	(18,615)	18,607	(8)	-	8	-
Release arising on disposal of financial assets at fair value through other comprehensive income		-	-	-	(2,366)	-	(2,366)	-	-	(2,366)
Profit for the year		-	-	-	-	233,209	233,209	-	(26)	233,183
Other comprehensive income		-	-	-	(48,339)	-	(48,339)	-	(257)	(48,596)
Total comprehensive income		-	-	-	(48,339)	233,209	184,870	-	(283)	184,587
Movement in reserves		-	-	-	10	-	10	-	3	13
Share buy back		-	-	-	-	-	-	-	(143)	(143)
Transfer of distributable share of Life Surplus	31	-	-	-	-	9,835	9,835	(9,835)	-	-
Dividends	29	-	-	-	-	(100,200)	(100,200)	-	(603)	(100,803)
Balance at December 31, 2012		200,400	1,142	-	(84,209)	1,322,920	1,239,853	9,615	4,766	1,454,634
Balance at January 1, 2011		200,400	333	41,685	-	812,478	854,496	46,129	6,095	1,107,120
Profit for the year		-	-	-	-	454,888	454,888	-	657	455,545
Other comprehensive income		-	809	(88,970)	-	-	(88,161)	-	(454)	(88,615)
Total comprehensive income		-	809	(88,970)	-	454,888	366,727	-	203	366,930
Movement in reserves		-	-	(74)	-	84	10	-	3	13
Transfer of distributable share of Life Surplus	31	-	-	-	-	26,679	26,679	(26,679)	-	-
Dividends	29	-	-	-	-	(100,200)	(100,200)	-	(517)	(100,717)
Balance at December 31, 2011		200,400	1,142	(47,359)	-	1,193,929	1,147,712	19,450	5,784	1,373,346

The notes on pages 74 to 141 form an integral part of these financial statements.
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STATEMENTS OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2012

THE COMPANY	Notes	Issued Share capital Rs' 000	Revaluation reserves Rs' 000	Fair value reserve on available-for-sale financial assets Rs' 000	Investment revaluation reserve Rs' 000	Retained earnings Rs' 000	Total reserve Rs' 000	Non distributable share of Life Surplus* Rs' 000	Total Rs' 000
Balance at January 1, 2012		200,400	2,460	(20,403)	-	983,355	965,412	-	1,165,812
Effect of change in accounting policy for classification and measurement of financial assets		-	-	20,403	12,057	(32,460)	-	-	-
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	(18,079)	18,079	-	-	-
Release arising on disposal of financial assets at fair value through other comprehensive income		-	-	-	(3,940)	-	(3,940)	-	(3,940)
Profit for the year		-	-	-	-	235,727	235,727	-	235,727
Other comprehensive income		-	-	-	(47,421)	-	(47,421)	-	(47,421)
Total comprehensive income		-	-	-	(47,421)	235,727	188,306	-	188,306
Dividends	29	-	-	-	-	(100,200)	(100,200)	-	(100,200)
Balance at December 31, 2012		200,400	2,460	-	(57,383)	1,104,501	1,049,578	-	1,249,978
Balance at January 1, 2011		200,400	-	66,917	-	736,094	803,011	46,129	1,049,540
Profit for the year		-	-	-	-	354,442	354,442	-	354,442
Other comprehensive income		-	2,460	(87,320)	-	-	(84,860)	-	(84,860)
Total comprehensive income		-	2,460	(87,320)	-	354,442	269,582	-	269,582
Transfer to subsidiary *		-	-	-	-	-	-	(46,129)	(46,129)
Restructuring adjustment	29	-	-	-	-	(6,981)	(6,981)	-	(6,981)
Dividends		-	-	-	-	(100,200)	(100,200)	-	(100,200)
Balance at December 31, 2011		200,400	2,460	(20,403)	-	983,355	965,412	-	1,165,812

(*) As from January 1, 2011, the Company operates only in the General Insurance business. Consequently the Non distributable share of Life Surplus relating to the Life Insurance business as at December 31, 2010 had been transferred to its subsidiary La Prudence Mauricienne Assurance Limitee.

The notes on pages 74 to 141 form an integral part of these financial statements.
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STATEMENT OF CASH FLOWS FOR YEAR ENDED DECEMBER 31, 2012

	Notes	THE GROUP 2012 Rs' 000	THE GROUP 2011 Rs' 000	THE COMPANY 2012 Rs' 000	THE COMPANY 2011 Rs' 000
Operating activities					
Net cash generated from operations	34(a)	**476,967**	264,848	**319,448**	27,190
Dividend received		**168,921**	103,883	**28,685**	422,219
Interest received		**211,720**	176,806	**52,760**	40,840
Interest paid		**(18,319)**	(10,543)	**(17,752)**	(10,381)
Income tax paid	19	**(10,202)**	(1,961)	**(8,805)**	-
Net cash generated from operating activities		**829,087**	533,033	**374,336**	479,868
Investing activities					
Proceeds on disposal of property and equipment		**3,454**	43,451	**3,429**	42,871
Proceeds on disposal/maturity of financial assets	9	**1,171,709**	487,687	**280,897**	137,116
Proceeds on disposal of investment property		**-**	1,601	**-**	70,753
Proceeds on shares redemption	8 (a)	**-**	-	**9,858**	-
Purchase of property and equipment	5	**(32,466)**	(32,693)	**(30,905)**	(189,469)
Purchase of investment property		**-**	-	**-**	(74,000)
Purchase of intangible assets	7	**(8,240)**	(11,061)	**(7,497)**	(7,191)
Purchase of financial assets	9	**(1,017,172)**	(991,596)	**(35,017)**	(199,802)
Purchase of investment in subsidiary company	8	**-**	-	**-**	(425)
Loans recovered		**216,919**	179,833	**65,398**	36,250
Loans granted		**(284,410)**	(356,069)	**(120,370)**	(135,952)
Amount granted to subsidiary				**(1,081)**	-
Loan paid		**(16,248)**	(25,000)	**(16,248)**	(25,000)
Net cash generated from /(used in) investing activities		**33,546**	(703,847)	**148,464**	(344,849)
Financing activities					
Dividends - Owners of the Parent	29	**(100,200)**	(100,200)	**(100,200)**	(100,200)
- Non-controlling interest		**(603)**	(143)	**-**	-
Redemption of shares		**(143)**	-	**-**	-
Net cash used in financing activities		**(100,946)**	(100,343)	**(100,200)**	(100,200)
Net increase/(decrease) in cash and cash equivalents		**761,687**	(271,157)	**422,600**	34,819
Movement in cash and cash equivalents					
At January 1,		**403,144**	677,662	**179,433**	145,747
Net increase/(decrease) in cash and cash equivalents		**761,687**	(271,157)	**422,600**	34,819
Exchange gains /(losses) on cash and cash equivalents		**10,234**	(3,361)	**10,324**	(1,133)
At December 31,	34(b)	**1,175,065**	403,144	**612,357**	179,433

The notes on pages 74 to 141 form an integral part of these financial statements.
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NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND ACTIVITIES

The Mauritius Union Assurance Company Limited 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 non life business (short term), as from January 1, 2011, the company's principal activity was to transact only in short term insurance business. The life business of the Company was transferred to La Prudence Mauricienne Limitee , (LPM) one of the company's subsidiary companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for the revaluation of land and buildings, available for sale investments, 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 rupees (Rs)rouded 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 Mauritius Union Assurance Company Limited and its subsidiaries as at December 31, 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a change 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 interest
- 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 other comprehensive income to profit or loss.

2.2 Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS adopted in the year commencing January 1, 2012:

IFRS 9,'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities.

IFRS 9 was issued in November 2009 and October 2010. It was amended in December 2011.

It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories:

Those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

The Group has adopted IFRS 9 (issued in 2009) for financial assets as from January 1, 2012.The new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions and election made, comparative figures have not been restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2 Changes in accounting policy and disclosures

New and amended standards and interpretations

The Group's management has assessed the financial assets and financial liabilities held by the Group at the date of initial application of IFRS 9 (January 1, 2012). The main effects resulting from this assessment were :

Investments in corporate bonds (i.e. debt securities) previously classified as available for sale, do not meet the criteria to be classified as at amortised cost in accordance with IFRS 9. They are now therefore classified as financial assets at fair value through profit or loss.

As a result, on January 1, 2012 assets with a fair value of Rs 124.53m (Company: Rs 124.53m) were transferred to investments held at fair value through profit or loss; the related fair value loss of Rs 32.46m (Company: loss Rs 32.46m) was reclassified from fair value revaluation on the available-for-sale investments financial assets to retained earnings. In 2012, the decrease in fair value related to these investments amounting to Rs 186.2m (Company Rs 433,000) was recognised in profit or loss.

Equity investments and Open Ended Mutual Funds not held for trading that were previously measured at fair value and classified as available for sale have been designated as at fair value through other comprehensive income. As a result, fair value loss of Rs 14.90m (Company: Gain Rs 12.06m) were reclassified from fair value reserve on the available-for-sale financial assets to the investment revaluation reserve at January 1, 2012. These equity investments at fair value for through other comprehensive income were all classified as non-current.

Unlisted debt securities which were classified as Held to Maturity investments have been reclassified as financial assets at amortised cost. There was no difference between the previous carrying amount (IAS 39) and the revised carrying amount (IFRS 9) of the financial assets at January 1, 2012 to be recognised in opening retained earnings.

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS adopted in the year commencing January 1, 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures (Amendments)
- IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after January 1, 2012 .The application of the amendments to IAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after July 1, 2011. The amendment had no impact to the Group.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after July 1, 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt applicable standards when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets. The amendment becomes effective for annual periods beginning on or after July 1, 2012, and will therefore be applied in the Group's first annual report after becoming effective. The Group has asessed that items presented in Other comprehensive Income (OCI) will not be recycled to profit or loss

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. However, the amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The Group is still busy assessing the impact of these amendments.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after January 1, 2013. This standard will not have any impact on the Group's financial position as the Group does not have any investment in Associates and Joint ventures.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after January 1, 2014.

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after January 1, 2013.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

This standard becomes effective for annual periods beginning on or after January 1, 2013.

Investment entity

The Amendment to IFRS 10 provides an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 interests in Joint Ventures and SIC 13 Jointly controlled Entities Non monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 will not have any impact on Group's financial position, as the Group is not party to any Joint Arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Company's financial position or performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3 Standards issued but not yet effective

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after January 1, 2013.

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after January 1, 2013.

2.4 Significant accounting policies

(a) Business combinations and goodwill

Basis of consolidation prior to January 1, 2010

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 noncontrolling 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 until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

2.4 Significant accounting policies

(a) Business combinations and goodwill

Basis of consolidation prior to January 1, 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(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.

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.

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% (2011: 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% (2011: 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 is now allocated to shareholders.

The Subsidiary Company, La Prudence (Mauricienne) Assurance Limited does not sell with-profit policies.

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

2.4 Significant accounting policies

(c) Insurance contracts

(i) Classification of insurance contracts

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

These types of insurance contracts contain a DPF which entitles the contract holder, in supplement to 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 are however at the discretion of the Group. The Group has an obligation to eventually pay to contract holders 93.5% (2011: 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% (2011: 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 shareholders' equity.

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.

(c) Insurance contracts

(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 derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(iii) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss.

(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 recognises 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Significant accounting policies

(c) Insurance contracts

(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 not incurred but not recorded (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.

(vi) Incurred but not reported claims (IBNR)

IBNR calculation is calculated 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.

(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.

(c) Insurance contracts

(viii) Deferred Acquisition Costs

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

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

(ix) Provision for unearned premiums

The provision for unearned premiums represents the portion of premiums written on short-term insurance contracts relating to periods of insurance risks subsequent to the reporting date. It is calculated on the inception basis (daily method). The movement on the provision is taken to profit or loss in order for revenue to be recognised over the period of the risk. The provision is derecognised 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. Assets relate mainly to investment that is held by LPM, the subsidiary dealing in Life insurance. Any deficiency is immediately charged to profit or loss and a provision is established for losses arising from the liability adequacy test (the unexpired risk provision).

Long-term insurance

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Significant accounting policies

(d) Financial instruments - initial recognition and subsequent measurement prior to January 1, 2012

Financial assets

Initial recognition and measurement

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity investments, available-for-sale , loans and receivables financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of the investments at initial recognition and re-evaluates this designation at every reporting date. Financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value though profit or loss where transaction costs are taken to profit or loss.

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. Investments are initially measured at fair value plus transaction costs.

(i) At fair value through profit or loss

A financial asset is classified as 'financial assets at fair value through profit or loss category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

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

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

(d) Financial instruments - initial recognition and subsequent measurement prior to January 1, 2012

Financial assets

Initial recognition and measurement (Continued)

Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in profit or loss within 'investment income', in the period in which they arise.

(ii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, held to maturity financial assets are measured at amortised cost using the effective interest method. Interests on held-to-maturity investments are included in profit or loss as 'investment income. In the case of an impairment, it has been reported as deduction for the carrying value of an investment and recognised in profit or loss.

Interest on held-to-maturity investments are included in profit or loss as 'investment income'. In the case of an impairment, it has been reported as deduction for the carrying value of an investment and recognised in profit or loss.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within twelve months of the end of the financial reporting period.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income while assets backing up the life fund are recognised in the Life Assurance Fund . The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arms' length transactions, reference to other instruments that are substantially the same and discounted cash flows analysis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Significant accounting policies

(d) Financial instruments - initial recognition and subsequent measurement prior to January 1, 2012

Financial assets

Initial recognition and measurement (Continued)

(iii) Available-for-sale financial assets (Continued)

When financial assets classifed as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are recycled through other comprehensive income to profit or loss.

Dividends on available for sale equity instruments are recognised in profit or loss when the Group's right to receive payments is establised.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, or services directly to a debtor with no intention of trading the receivable. They are included in current assets when maturity is within twelve months of the end of the financial reporting period or non-current assets for maturities greater than twelve months. They are measured at amortised cost using the effective interest rate method.

(v) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in profit or loss.

(e) Impairment of financial assets

Available -for- sale financial assets

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

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

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Financial assets carried at amortised cost (applicable under IAS 39 and IFRS 9)

If there is objective evidence that an impairment loss on assets carried at amortised 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Significant accounting policies

(e) Impairment of financial assets (Continued)

Financial assets carried at amortised cost (applicable under IAS 39 and IFRS 9) (Continued)

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 amortised cost at the reversal date.

Loan receivables

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 reorganisation 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.

(f) Financial instruments - initial recognition and subsequent measurement as from January 1, 2012

Financial assets

As from January 1, 2012, the group classifies its financial assets in the following measurement categories: those measured at fair value and those measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

Debt investments

(a) Financial assets at amortised cost

A debt investment is classified as 'amortised 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.

(b) 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.

(f) Financial instruments - initial recognition and subsequent measurement as from January 1, 2012 (Continued)

Financial assets (Continued)

Equity investments

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 derecognised 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.

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 recognise 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 'other (losses)/gains - net' in the period in which they arise.

A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation 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 unrealised 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Significant accounting policies

(g) Financial liabilites

Initial recognition and measurement

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

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

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

Subsequent measurement

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised 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 amortisation is included as finance costs in profit or loss.

(h) 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 derecognised 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.

(h) Derecognition of financial instruments

Financial liabilities

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

(i) 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 realise 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.

(j) Investment in subsidiary companies

Subsidiaries are those entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Company controls another entity.

(k) Separate financial statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Significant accounting policies

(l) Equity instruments

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

(m) Equity movements

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

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

(n) Property and equipment

Poperty and equipment is initially stated at cost, net of accumulated depreciation and accumulated impiarment losses, if any. Cost excludes the cost of day to day servicing. Replacement or major inspection cost are capitalised 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. All other property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

(n) Property and equipment

belonging to the life business are credited/debited to the Life Assurance Fund.

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	1% - 2%
Office equipment, fixtures and fittings	10 - 33.33%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed and adjusted prospectively if appropriate, at each financial reporting period end. The residual value of all property and equipment is nil.

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.

(o) Investment properties

Properties held to earn rentals or capital appreciation or both and not occupied by the Group is 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 evaluation performed by an accredited external, independent valuer.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Significant accounting policies

(o) Investment properties (Continued)

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

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.

(p) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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.

(q) Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation 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 derecognised.

Acquisition of client portfolio

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

Computer software

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

(r) Impairment of non -financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Significant accounting policies

(s) Cash and cash equivalents

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

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

(t) Provisions

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

(u) Segment reporting

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

(v) Taxes

Current income tax

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

Deferred income tax

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

(v) Taxes

Deferred income tax (Continued)

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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 utilised. Unrecognised 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Significant accounting policies

(v) Taxes (Continued)

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.

Corporate Social Responsibility

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

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

Alternative Minimum Tax (AMT)

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

(w) Revenue recognition

(i) Premiums earned

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

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

(ii) Consideration for annuities

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

(w) Revenue recognition (Continued)

(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.

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

The Group recognises the shareholders' share of the DPF eligible surplus on an annual basis and transfers this amount from/to the Life Assurance Fund to/from the shareholders' share of Life surplus in equity. The non-distributable share of the surplus is transferred annually from retained earnings to a non-distributable reserve in the equity. Whenever bonuses are paid/credited to policyholders, an amount representing 7% (2011: 7%) of these bonuses is transferrred from the non-distributable reserve to retained earnings in the Statement of Changes in Equity.

(y) 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 7% (2011: 7%) 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 7% (2011: 7%) of these bonuses is transferred from the non-distributable surplus to retained earnings in the Statement of Changes in Equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Significant accounting policies

(z) Retirement benefit obligations

(i) Defined Contribution Pension Scheme

Retirement benefits to employees of the Group are provided by a Defined Contribution Pension Scheme, the Mauritius Union Group Pension Scheme, which is funded by contributions from the Group and the employees. Payments made by the Group are charged to profit or loss /Life Assurance Fund in the year in which they are payable. The assets of this scheme are internally managed by the Life Branch of the Company.

Defined Benefit Pension Scheme

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.

The liability recognised in the statement of financial position in respect of the NWOG is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Treasury Bills and recent corporate debenture issues.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are charged or credited to profit or loss over the employees' expected average remaining working lives.

Past service costs are recognised immediately in profit or loss/Life Assurance Fund unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

(aa) Lease

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

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance cost in profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

Group as a lessor

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

Contingent rents are recognised as revenue in the period in which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5 Significant accounting judgements, estimates and assumptions

The preparation of these financial statement 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 asumptions 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 liabilities for unearned premiums, 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.

(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. 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. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

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

(ii) Long term insurance

Estimates of future benefit payments under long-term insurance contracts are provided for, based on estimates made by the Group's Independent Actuaries. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. Estimates are based on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate, to reflect the Country's and Group's own experience.

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 estimates of future experience and are used to recalculate the liabilities.

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 in the variable. (Also see note 3.1.2).

	THE GROUP				
	Basic liability	Future bonus reserve	Total Life Fund	Change in basic liability	Impact on Profit or loss
Variable	**Rs'000**	**Rs'000**	**Rs'000**		
Base run	4,973,463	138,351	511,814	0.00%	-0.00%
Future mortality 10% worse	4,991,015	125,954	5,116,969	0.35%	-0.54%
Future lapses 10% higher	4,967,800	145,883	5,113,683	-0.11%	0.70%
Future investment returns 1% lower	5,218,714	5,319	5,224,054	4.93%	-5.10%
Future inflation 1% higher	5,021,714	102,476	5,124,190	0.97%	-1.15%
Future maintenance expenses 10% higher	5,041,515	85,609	5,127,124	1.37%	-1.64%

For 10% worse mortality assumption, annuitant, deferred child and educassurance and deferred annuitant mortality has been taken as 10% lighter. For all other business, future mortality is assumed to be 10% higher.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5 Significant accounting judgements, estimates and assumptions

(ii) Long term insurance (Continued)

Held-to-maturity investments (applicable to comparative period)

The Group applied International Accounting Standard IAS 39, Financial Instruments: Recognition and Measurement, on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than in the specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would then be measured at fair value and not at amortised cost.

Impairment of available-for-sale financial assets (applicable to comparative period)

The Group follows the guidance of IAS 39 in determining when an investment is impaired.This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operating and financing cash flows.

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.

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.

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 MUA 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5 Significant accounting judgements, estimates and assumptions

(ii) Long term insurance (Continued)

Estimated impairment of goodwill (Continued)

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.

Classification and recognition of financial assets (applicable to current period)

Management has evaluated that all its equity securities except for the corporate bonds 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 is 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 amortised 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 realise their fair value changes. They were therefore reclassified from available for sale to financial assets at fair value through profit or loss upon adoption of IFRS 9.

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 utilised. Significant management judgement 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.

Classification and recognition of financial instruments assets (Continued)

The unlisted debt securities still meet the objective of the business model and is to hold the financial asset for the collection of the cash flows which represent only principal and interest on that principal. Consequently they remain at amortised cost.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

The Group's activities expose it to a variety of insurance and financial risks. A description of the significant risk factors is given below together with the risk management policies applicable.

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.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

3.1.1 Insurance liabilities (Continued)

(a) Short-term Insurance (Continued)

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 are 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.

3.1.2 Concentration of insurance risk

(a) Short-term Insurance

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

THE GROUP AND THE COMPANY	Outstanding claims 2012			
Class of Business	No. of claims	Gross liabilities	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	**12,461**	**425,963**	**(15,698)**	**410,265**
Fire	**147**	**123,580**	**(108,792)**	**14,788**
Personal Accident	**146**	**29,395**	**(25,694)**	**3,701**
Transport	**105**	**19,451**	**(7,001)**	**12,450**
Miscellaneous	**1,248**	**233,210**	**(136,716)**	**96,494**
IBNR	**-**	**54,656**	**(1,908)**	**52,748**
Total	**14,107**	**886,255**	**(295,809)**	**590,446**

THE GROUP AND THE COMPANY	Outstanding claims 2011			
Class of Business	No. of claims	Gross liabilities	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	12,950	419,712	(11,862)	407,850
Fire	132	22,592	(5,272)	17,320
Personal Accident	127	32,803	(24,116)	8,687
Transport	81	12,924	(4,501)	8,423
Miscellaneous	1,149	219,150	(131,377)	87,773
IBNR	-	60,287	(7,480)	52,807
Total	14,439	767,468	(184,608)	582,860

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.

Benefits assured per life assured at the end of 2012	**THE GROUP Total benefits insured**				**THE COMPANY Total benefits insured**			
	Before reinsurance		**After reinsurance**		**Before reinsurance**		**After reinsurance**	
Rs'000	**Rs'000**	**%**	**Rs'000**	**%**	**Rs'000**	**%**	**Rs'000**	**%**
0 - 50	**186,516**	**1**	**203,376**	**3**	**-**	**-**	**-**	**-**
50 - 100	**398,205**	**3**	**453,936**	**6**	**-**	**-**	**-**	**-**
100 - 150	**732,989**	**6**	**819,106**	**11**	**-**	**-**	**-**	**-**
150 - 200	**816,378**	**7**	**2,523,696**	**34**	**-**	**-**	**-**	**-**
200 - 250	**760,635**	**6**	**360,691**	**5**	**-**	**-**	**-**	**-**
250 - 300	**776,279**	**6**	**397,469**	**5**	**-**	**-**	**-**	**-**
More than 300	**8,856,874**	**71**	**2,772,960**	**36**	**-**	**-**	**-**	**-**
Total	**12,527,876**	**100**	**7,531,234**	**100**	**-**	**-**	**-**	**-**

Benefits assured per life assured at the end of 2011	**THE GROUP** Total benefits insured				**THE COMPANY** Total benefits insured			
	Before reinsurance		After reinsurance		Before reinsurance		After reinsurance	
Rs'000	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
0 - 50	344,308	3	380,546	4	-	-	-	-
50 - 100	663,998	5	709,915	8	-	-	-	-
100 - 150	895,656	7	996,717	11	-	-	-	-
150 - 200	924,746	7	3,007,060	34	-	-	-	-
200 - 250	988,056	7	532,163	6	-	-	-	-
250 - 300	680,611	5	244,980	3	-	-	-	-
More than 300	8,787,376	66	3,051,041	34	-	-	-	-
Total	13,284,751	100	8,922,422	100	-	-	-	-

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 Company does not hold any reinsurance contracts against the liabilities carried for these contracts.

Annuities payable per annum per life insured at end of 2012	**THE GROUP**				**THE COMPANY**			
	Total annuities payable per annum							
	2012		2011		**2012**		2011	
Rs'000	**Rs'000**	**%**	Rs'000	%	**Rs'000**	**%**	Rs'000	%
0 - 10	**1,211**	**4**	1,068	4	**-**	**-**	-	-
10 - 20	**2,338**	**7**	1,847	7	**-**	**-**	-	-
20 - 50	**6,089**	**18**	4,635	17	**-**	**-**	-	-
50 - 100	**6,767**	**20**	5,210	19	**-**	**-**	-	-
100 - 150	**4,437**	**13**	3,860	14	**-**	**-**	-	-
More than 150	**12,833**	**38**	10,134	38	**-**	**-**	-	-
Total	**33,675**	**100**	26,754	100	**-**	**-**	-	-

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (Continued)

3.1 Insurance risks (Continued)

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.

(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.

	THE GROUP AND THE COMPANY				
2012	**Change in assumptions**	**Impact on gross liabilities**	**Impact on net liabilities**	**Impact on profit before tax**	**Impact on equity**
		Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Average claim cost	**10%**	**83,160**	**53,770**	**(29,390)**	**(24,982)**

	THE GROUP AND THE COMPANY				
2011	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost	10%	70,718	53,560	(17,158)	(14,584)

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (Continued)

3.1 Insurance risks (Continued)

3.1.4 Claims development tables

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 have changed at successive year ends and reconciles the cumulative claims to the amount appearing in the statement of financial position.

THE GROUP AND THE COMPANY	Underwriting year				
Net estimate of ultimate claim costs	2008	2009	2010	2011	**2012**
	Rs'000	Rs'000	Rs'000	Rs'000	**Rs'000**
- At end of claim year	74,604	62,110	275,855	123,260	**100,562**
- one year later	56,012	58,550	89,143	101,543	**-**
- two years later	48,253	70,414	65,481	-	**-**
- three years later	61,456	63,196	-	-	**-**
- four years later	51,611	-	-	-	**-**

Long-term Insurance

Financial Liabilities	**2012**	2011
Long term insurance contracts	**Rs'000**	Rs'000
No stated Maturity	**1,750,311**	1,897,082
0 - 1 yr	**143,911**	105,676
1 - 2 yrs	**137,956**	117,175
2 - 3 yrs	**146,754**	122,816
> 3 yrs	**2,932,883**	2,648,225
	5,111,815	4,890,974

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 have changed at successive year ends and reconciles the cumulative claims to the amount appearing in the statement of financial position.

THE GROUP AND THE COMPANY	2008	2009	2010	2011	**2012**	**Total**
	Rs'000	Rs'000	Rs'000	Rs'000	**Rs'000**	**Rs'000**
Current estimates of cumulative claims	312,578	442,310	551,584	687,338	**422,415**	**2,416,225**
Cumulative payments	(260,967)	(379,114)	(486,103)	(585,795)	**(321,853)**	**(2,033,832)**
Liability	51,611	63,196	65,481	101,543	**100,562**	**382,393**
Liability in respect of prior years						**155,305**
Incurred but not reported (IBNR)						**52,748**
Total liability (net)						**590,446**

Note : For reasons of practicability and due to lack of adequate information, net estimate of ultimate claim costs has been disclosed for Company only and claims development tables disclose net claims only.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (Continued)

3.2 Financial risks

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

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

The main risks to which the Group is exposed include:

- Market risk (which includes foreign exchange risk, interest rate risk and equity price risk);
- Credit risk;
- Liquidity risk;
- Capital management; and
- Fair value estimation.

3.2.1 Market risk

Market risk is the risk of adverse financial impact due to changes in fair value of future cash flows of financial instruments from fluctuations in foreign currency exchange rates, interest rates and equity prices.

(i) Foreign exchange risk

Currency risks that the fair value of future cashflows will fluctuate because of changes in foreign exchange rates.
Exposure to foreign currency is not hedged but closely monitored by management.

Concentration of financial assets and liabilities

THE GROUP - 2012	USD	EUR	GBP	SGD	AUD	ZAR	SCR	MUR	TOTAL
ASSETS	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets at fair value through other comprehensive income	11,654	13,910	7,912	-	4,721	-	-	446,321	484,518
Financial assets at fair value through profit or loss	46,934	-	26,858	8,607	4,329	-	-	2,278,394	2,365,122
Financial assets at amotised cost	-	-	-	-	-	-	-	1,531,944	1,531,944
Loans and receivables at amortised cost	-	-	-	-	-	-	-	1,011,433	1,011,433
Insurance and other receivables	-	-	-	-	-	-	-	456,684	456,684
Reinsurance assets	-	-	-	-	-	-	-	414,910	414,910
Cash and cash equivalents	541,834	1,290	1,648	-	73	256	4,200	626,109	1,175,410
	541,834	1,290	1,648	-	73	256	4,200	6,765,795	6,765,795
LIABILITIES									
Borrowings	-	-	-	-	-	-	-	181,338	181,338
Trade and other payables	200	-	-	-	-	6,946	-	205,369	212,515
	200	-	-	-	-	6,946	-	386,707	393,853

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (Continued)

3.2 Financial risks (Continued)

3.2.1 Market risk (Continued)

(i) Foreign exchange risk (Continued)

THE GROUP - 2011	USD	EUR	GBP	SGD	AUD	ZAR	SCR	MUR	TOTAL
ASSETS	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Available-for-sale financial assets	81,176	31,228	49,951	6,227	8,159	3,929	-	591,962	772,632
Financial assets at fair value through profit or loss	309,628	49,765	107,267	9,469	29,869	10,783	-	2,641,419	3,158,200
Held-to-maturity investments	-	-	-	-	-	-	-	840,117	840,117
Loans and receivables at amortised cost	-	-	-	-	-	-	-	946,083	946,083
Insurance and other receivables	-	-	-	-	-	-	-	462,719	462,719
Reinsurance assets	-	-	-	-	-	-	-	292,875	292,875
Cash and cash equivalents	48,239	53,681	14,231	-	29,087	796	4,848	260,311	411,193
	439,043	134,674	171,449	15,696	67,115	15,508	4,848	6,035,486	6,883,819
LIABILITIES									
Borrowings	-	-	-	-	-	-		205,290	205,290
Trade and other payables	88	-	-	-	-	5,235		150,497	155,820
	88	-	-	-	-	5,235	-	355,787	361,110

Concentration of financial assets and liabilities

THE COMPANY - 2012	USD	EUR	GBP	SGD	AUD	ZAR	SCR	MUR	TOTAL
ASSETS	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Financial assets at fair value through other comprehensive income	**11,654**	**13,910**	**7,912**	**-**	**4,721**	**-**	**-**	**433,119**	**471,316**
Financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,845**	**2,845**
Financial assets at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**132,711**	**132,711**
Loans and receivables at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**235,965**	**235,965**
Insurance and other receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**372,056**	**372,056**
Reinsurance assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**414,910**	**414,910**
Amount receivable from subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,813**	**11,813**
Cash and cash equivalents	**512,165**	**1,064**	**1,384**	**-**	**73**	**167**	**4,200**	**93,304**	**612,357**
	523,819	**14,974**	**9,296**	**-**	**4,794**	**167**	**4,200**	**1,696,723**	**2,253,973**
LIABILITIES									
Borrowings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**180,993**	**180,993**
Trade and other payables	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**170,720**	**170,720**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**351,713**	**351,713**

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (Continued)

3.2 Financial risks (Continued)

3.2.1 Market risk (Continued)

(i) Foreign exchange risk (Continued)

THE COMPANY - 2011	USD	EUR	GBP	SGD	AUD	ZAR	SCR	MUR	TOTAL
ASSETS	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Available-for-sale financial assets	77,164	31,229	49,951	6,227	8,159	3,930	-	579,567	756,227
Held-to-maturity investments	-	-	-	-	-	-	-	143,419	143,419
Loans and receivables at amortised cost	-	-	-	-	-	-	-	182,793	182,793
Insurance and other receivables	-	-	-	-	-	-	-	353,046	353,046
Reinsurance assets	-	-	-	-	-	-	-	292,875	292,875
Amount receivable from subsidiary	-	-	-	-	-	-	-	10,732	10,732
Cash and cash equivalents	27,803	24,695	5,051	-	10,888	361	4,848	105,787	179,433
	104,967	55,924	55,002	6,227	19,047	4,291	4,848	1,668,219	1,918,525
LIABILITIES									
Borrowings	-	-	-	-	-	-	-	197,241	197,241
Trade and other payables	-	-	-	-	-	-	-	116,400	116,400
	-	-	-	-	-	-	-	313,641	313,641

The Group has no singificant concentration of currency risk.

The analysis that follows is performed for reasonably possible movements in key vairables 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 signifcant effect in determining the ultimate impact on the market risk, but to demonstrate the impact due to changes in variables,variables had to be changed on an individual basis.

		THE GROUP			
		December 31, 2012		December 31, 2011	
	Changes in variables	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
		Rs'000	**Rs'000**	Rs'000	Rs'000
USD	**+2.5%**	**14,719**	**291**	9,074	1,899
EUR	**+2.5%**	**32**	**-**	2,914	453
GBP	**+2.5%**	**713**	**198**	3,227	1,059
SGD	**+2.5%**	**215**	**-**	283	109
AUD	**+2.5%**	**110**	**118**	1,585	92
ZAR	**+2.5%**	**6**	**-**	159	98
SCR	**+2.5%**	**105**	**-**	121	-
USD	**-2.5%**	**(14,719)**	**(291)**	(9,074)	(1,899)
EUR	**-2.5%**	**(32)**	**-**	(2,914)	(453)
GBP	**-2.5%**	**(713)**	**(198)**	(3,227)	(1,059)
SGD	**-2.5%**	**(215)**	**-**	(283)	(109)
AUD	**-2.5%**	**(110)**	**(118)**	(1,585)	(92)
ZAR	**-2.5%**	**(6)**	**-**	(159)	(98)
SCR	**-2.5%**	**(105)**	**-**	(121)	-

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (Continued)

3.2 Financial risks (Continued)

3.2.1 Market risk (Continued)

(i) Foreign exchange risk (Continued)

		THE COMPANY			
		December 31, 2012		December 31, 2011	
	Changes in variables	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
		Rs'000	**Rs'000**	Rs'000	Rs'000
USD	**+2.5%**	**12,804**	**291**	824	1,799
EUR	**+2.5%**	**27**	**348**	945	453
GBP	**+2.5%**	**35**	**198**	316	1,059
SGD	**+2.5%**	**-**	**-**	47	109
AUD	**+2.5%**	**2**	**118**	384	92
ZAR	**+2.5%**	**4**	**-**	9	98
SCR	**+2.5%**	**105**	**-**	121	-

		THE COMPANY			
		December 31, 2012		December 31, 2011	
	Changes in variables	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
		Rs'000	**Rs'000**	Rs'000	Rs'000
USD	**-2.5%**	**(12,804)**	**(291)**	(824)	(1,799)
EUR	**-2.5%**	**(27)**	**(348)**	(945)	(453)
GBP	**-2.5%**	**(35)**	**(198)**	(316)	(1,059)
SGD	**-2.5%**	**-**	**-**	(47)	(109)
AUD	**-2.5%**	**(2)**	**(118)**	(384)	(92)
ZAR	**-2.5%**	**(4)**	**-**	(9)	(98)
SCR	**-2.5%**	**(105)**	**-**	(121)	-

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

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (Continued)

3.2 Financial risks (Continued)

3.2.1 Market risk (Continued)

(i) Interest rate risk

Interest rate risk refers to the risk that the value or future cash flows from financial instrument backing the liabilities because of changes in market interest rates would be insufficient to fund 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 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.

	THE GROUP			
	December 31, 2012		December 31, 2011	
Changes in variables	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
	Rs'000	**Rs'000**	Rs'000	Rs'000
+ 250 basis points	**39,733**	**-**	35,405	-
- 250 basis points	**(39,733)**	**-**	(35,405)	-

	THE COMPANY			
	December 31, 2012		December 31, 2011	
Changes in variables	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
	Rs'000	**Rs'000**	Rs'000	Rs'000
+ 250 basis points	**(2,180)**	**-**	12,220	-
- 250 basis points	**2,180**	**-**	(12,220)	-

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 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			
	December 31, 2012		December 31, 2011	
Changes in variables	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
	Rs'000	**Rs'000**	Rs'000	Rs'000
+2.5%	**59,128**	**12,113**	78,995	19,316
-2.5%	**(59,128)**	**(12,113)**	(78,995)	(19,316)

	THE COMPANY			
	December 31, 2012		December 31, 2011	
Changes in variables	**Impact on profit before tax**	**Impact on equity**	Impact on profit before tax	Impact on equity
	Rs'000	**Rs'000**	Rs'000	Rs'000
+2.5%	**71**	**11,783**	-	18,906
-2.5%	**(71)**	**(11,783)**	-	(18,906)

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 enable to pay 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 contractholders 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.

Financial instruments	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs'000	Rs'000	**Rs'000**	Rs'000
Financial assets at fair value through other comprehensive income	**484,521**	-	**471,316**	-
Financial assets at fair value through profit or loss	**2,365,120**	3,158,200	**2,845**	-
Financial assets at amotised cost	**1,531,943**	-	**132,711**	-
Available-for-sale financial assets	**-**	772,632	**-**	756,227
Held-to-maturity investments	**-**	840,117		143,419
Loans and receivables at amortised cost	**1,011,805**	946,083	**235,965**	182,793
Insurance and other receivable	**456,684**	462,719	**372,056**	353,046
Amount receivable from subsidiary	**-**	-	**11,813**	10,732
Reinsurance assets	**414,910**	292,875	**414,910**	292,875
Bank balances and cash	**1,175,410**	411,193	**612,357**	179,433
	7,440,393	6,883,819	**2,253,973**	1,918,525

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 December 31, 2012 based on contractual undiscounted payments.

2012	**THE GROUP**					
	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	**345**	**-**	**25,000**	**185,417**	**-**	**210,762**
Trade and other payables	**179,896**	**393**	**32,224**	**-**	**-**	**212,513**
	180,241	**393**	**57,224**	**185,417**	**-**	**423,275**

2011	**THE GROUP**					
	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	8,048	-	25,000	210,417	-	243,465
Trade and other payables	120,081	210	35,513	5,815	-	161,619
	128,129	210	60,513	216,232	-	405,084

2012	**THE COMPANY**					
	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	**-**	**-**	**25,000**	**185,417**	**-**	**210,417**
Trade and other payables	**170,720**	**-**	**-**	**-**	**-**	**170,720**
	170,720	**-**	**25,000**	**185,417**	**-**	**381,137**

2011	**THE COMPANY**					
	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	-	-	25,000	210,417	-	235,417
Trade and other payables	116,400	-	-	-	-	116,400
	116,400	-	25,000	210,417	-	351,817

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (Continued)

3.2.4 Fair values

The Group's financial assets and liabilities include available-for-sale, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, held-to-maturity investments, financial assets at amotised cost, loan and receivables at amotised cost, insurance and other receivables, amount receivable from subsidiary, cash and cash equivalents, other financial assets, trade and other payables, and borrowings. Except where otherwise stated, the carrying amounts of these financial assets and liabilities approximate their fair values.

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 met the Minimum Capital Requirement at December 31, 2012 for both life and general businesses.

	THE COMPANY	
	2012	2011
	Rs'000	Rs'000
Total Capital Available	**934,018**	813,838
Excess capital available over capital required	**499,210**	364,762
Capital requirement ratio	**215%**	181%

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 jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (eg: capital adequacy) to minimise the risk of default and insolvency on the part of MUA to meet unforseen liabiities. In reporting financial strength , capital and solvency is measured using the rules prescibed by the Insurance Act .Per the Insurance Rules 2007, a general insurer shall have at all times a capital requirement ratio of 150% and a solvency margin of at least 100% of the minimum requirements. The Group and regulated entities within it have met all these requirements.

3.3 Fair value Hierarchy

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

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

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

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.3 Fair value Hierarchy (Continued)

	THE GROUP			
	Level 1	Level 2	Level 3	Total
2012	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Financial assets at fair value through profit or loss				
- Trading securities	**2,072,477**	**96,887**	**195,756**	**2,365,120**
Financial assets at fair value through other comprehensive income				
- Equity securities	**407,204**	**58,517**	**18,800**	**484,521**
	2,479,681	**155,404**	**214,556**	**2,849,641**

	THE GROUP			
	Level 1	Level 2	Level 3	Total
2011	Rs 000	Rs 000	Rs 000	Rs 000
Financial assets at fair value through profit or loss				
- Trading securities	2,344,962	359,645	453,593	3,158,200
Available-for-sale financial assets				
- Equity securities	557,036	199,484	16,112	772,632
	2,901,998	559,129	469,705	3,930,832

	THE COMPANY			
	Level 1	Level 2	Level 3	Total
2012	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Financial assets at fair value through profit or loss				
- Corporate bonds	**2,845**	**-**	**-**	**2,845**
Financial assets at fair value through other comprehensive income				
- Equity securities	**394,599**	**57,929**	**18,788**	**471,316**
	397,444	**57,929**	**18,788**	**474,161**

	THE COMPANY			
	Level 1	Level 2	Level 3	Total
2011	Rs 000	Rs 000	Rs 000	Rs 000
Available-for-sale financial asset				
- Equity securities	541,202	198,923	16,102	756,227
	541,202	198,923	16,102	756,227

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.3 Fair value Hierarchy (Continued)

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:

	2012 THE GROUP			2011 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	Available-for-sale financial assets	Total
	Rs 000	**Rs 000**	**Rs 000**	Rs 000	Rs 000	Rs 000
At January 1,	**453,593**	**-**	**453,593**	64,448	217,028	281,476
Balance transferred from AFS	**-**	**16,112**	**16,112**	-	-	-
Total gains/(loss) in profit or loss*	**33,618**	**-**	**33,618**	(53,088)	-	(53,088)
Total gains/(loss) in other comprehensive income	**-**	**908**	**34,526**	-	(34,216)	(34,216)
Purchases	**12,683**	**1,780**	**14,463**	158,999	9,937	168,936
Disposals	**(304,138)**	**-**	**(304,138)**	(40,300)	(52,328)	(92,628)
Transfer from merging activities	**-**	**-**	**-**	323,534	-	323,534
	195,756	**18,800**	**248,174**	453,593	140,421	594,014
Reclassification to Level 2	**-**	**-**	**-**	-	(124,309)	(124,309)
	195,756	**18,800**	**248,174**	453,593	16,112	469,705

The transfer from Level 3 to Level 2 is mainly because the inputs to the valuation model used to fair value the investment became observable.

* This is accounted under 'realised gains' caption - refer to note 22.

THE COMPANY	**2012**		**2011**	
	Financial assets at fair value through other comprehensive income	**Total**	**Available-for-sale financial assets**	**Total**
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**
At January 1,	**-**	**-**	15,419	15,419
Balance transferred from AFS	**16,102**	**16,102**	-	-
Fair value movement	**908**	**908**	(2,764)	(2,764)
Purchases	**1,778**	**1,778**	3,447	3,447
Disposal	**-**	**-**	-	-
At December 31,	**18,788**	**18,788**	16,102	16,102

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.4 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial reporting period. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at end of financial reporting period.

The Group has used the dividend yield basis and NAV which is made up of mainly working capital and cash to determine the fair value of these unquoted investments.

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 unforseen 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 activites, 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 unforseen liabilities as these arise.

5. PROPERTY AND EQUIPMENT

(a) THE GROUP

2012	Land and Buildings				
	Freehold land	Buildings on freehold land	Office equipment, fixtures & fittings	Motor vehicles	Total
COST OR VALUATION	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
At January 1, 2012	**40,000**	**181,143**	**196,244**	**53,230**	**470,617**
Additions	**-**	**-**	**28,749**	**3,717**	**32,466**
Transfer to investment property	**-**	**(5,095)**	**-**	**-**	**(5,095)**
Disposals	**-**	**-**	**(237)**	**(4,679)**	**(4,916)**
At December 31, 2012	**40,000**	**176,048**	**224,756**	**52,268**	**493,072**
DEPRECIATION					
At January 1, 2012	**-**	**-**	**153,680**	**17,441**	**171,121**
Charge for the year	**-**	**3,481**	**16,241**	**9,245**	**28,967**
Disposals	**-**	**-**	**(97)**	**(1,736)**	**(1,833)**
At December 31, 2012	**-**	**3,481**	**169,824**	**24,950**	**198,255**
CARRYING AMOUNT					
At December 31, 2012	**40,000**	**172,567**	**54,932**	**27,318**	**294,817**

2011	Land and Buildings				
	Freehold land	Buildings on freehold land	Office equipment, fixtures & fittings	Motor vehicles	Total
COST OR VALUATION	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At January 1, 2011	20,000	123,318	186,359	52,361	382,038
Additions	-	369	11,346	20,978	32,693
Transfer from investment property	20,000	61,200	-	-	81,200
Transfer to investment property	-	(3,625)	-	-	(3,625)
Disposals	-	-	(1,461)	(20,109)	(21,570)
Revaluation adjustment	-	(3,594)	-	-	(3,594)
Revaluation surplus	-	3,475	-	-	3,475
At December 31, 2011	40,000	181,143	196,244	53,230	470,617
DEPRECIATION					
At January 1, 2011	-	-	138,146	25,308	163,454
Charge for the year	-	3,594	16,525	7,209	27,328
Disposals	-	-	(991)	(15,076)	(16,067)
Revaluation adjustment	-	(3,594)	-	-	(3,594)
At December 31, 2011	-	-	153,680	17,441	171,121
CARRYING AMOUNT					
At December 31, 2011	40,000	181,143	42,564	35,789	299,496

5. PROPERTY AND EQUIPMENT

(a) THE COMPANY

2012

	Land and Buildings				
	Freehold land	**Buildings on freehold land**	**Office equipment, fixtures & fittings**	**Motor vehicles**	**Total**
COST OR VALUATION	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
At January 1, 2012	**40,000**	**123,369**	**69,886**	**47,336**	**280,591**
Additions	**-**	**-**	**28,514**	**2,391**	**30,905**
Disposals	**-**	**-**	**(217)**	**(4,673)**	**(4,890)**
At December 31, 2012	**40,000**	**123,369**	**98,183**	**45,054**	**306,606**
DEPRECIATION					
At January 1, 2012	**-**	**-**	**53,213**	**16,050**	**69,263**
Charge for the year	**-**	**2,467**	**9,591**	**7,904**	**19,962**
Disposals	**-**	**-**	**(76)**	**(1,750)**	**(1,826)**
At December 31, 2012	**-**	**2,467**	**62,728**	**22,204**	**87,399**
CARRYING AMOUNT					
At December 31, 2012	**40,000**	**120,902**	**35,455**	**22,850**	**219,207**

2011

	Land and Buildings				
	Freehold land	Buildings on freehold land	Office equipment, fixtures & fittings	Motor vehicles	Total
COST OR VALUATION	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At January 1, 2011	-	-	20,637	36,954	57,591
Effect on transfer of LPM General operations on January 1, 2011	-	-	40,969	10,292	51,261
Additions	40,000	123,369	8,712	17,388	189,469
Disposals	-	-	(432)	(17,298)	(17,730)
Revaluation adjustment	-	(2,460)	-	-	(2,460)
Revaluation surplus	-	2,460	-	-	2,460
At December 31, 2011	40,000	123,369	69,886	47,336	280,591
DEPRECIATION					
At January 1, 2011	-	-	15,263	14,843	30,106
Effect on transfer of LPM General operations on January 1, 2011	-	-	30,820	7,377	38,197
Charge for the year	-	2,460	7,515	6,290	16,265
Disposals	-	-	(385)	(12,460)	(12,845)
Revaluation adjustment	-	(2,460)	-	-	(2,460)
At December 31, 2011	-	-	53,213	16,050	69,263
CARRYING AMOUNT					
At December 31, 2011	40,000	123,369	16,673	31,286	211,328

5. PROPERTY AND EQUIPMENT

(c) The land and building, which is presently occupied by the Group, was last revalued at December 31, 2011 by independent valuers on an open market basis, by reference to market evidence of transaction prices for similar properties.

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Cost	**195,153**	116,312	**163,369**	123,369
Accumulated depreciation	**(6,442)**	(2,961)	**(4,927)**	(2,460)
Net book values	**188,711**	113,351	**158,442**	120,909

6. INVESTMENT PROPERTIES - AT FAIR VALUE

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
At January 1,	**190,053**	257,000	**74,000**	-
Acquisition from subsidiary	**-**	-	**-**	74,000
Transfer to property and equipment	**-**	(81,200)	**-**	-
Transfer from property and equipment	**5,095**	3,625	**-**	-
Transfer from property held for sale	**-**	4,953	**-**	-
Increase in fair value	**1,430**	5,675	**-**	-
At December 31,	**196,578**	190,053	**74,000**	74,000

The Group's investment properties were last revalued on December 31, 2011 by an external professional valuer. The directors performed a valuation of its investment properties and believe that there has been no significant change in the fair value of the investment property pertaining to the parent company since last independent valuation. The valuation was carried out at that date by Messrs JPW International. The rental income arising during the year amounted to Rs 945,000 (2011 – Rs 448,140), which is included in investment income. Direct operating expense arising in respect of this property during the year amounted to Rs 99,425.(2011- Rs 55,860).

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	Total
2012	Rs 000	Rs 000	Rs 000	Rs 000
COST				
At January 1, 2012	206,165	376,978	109,614	692,757
Additions	-	-	8,240	8,240
At December 31, 2012	**206,165**	**376,978**	**117,854**	**700,997**
AMORTISATION				
At January 1, 2012	-	48,606	76,401	125,007
Charge for the year	-	17,770	12,198	29,968
At December 31, 2012	**-**	**66,376**	**88,599**	**154,975**
CARRYING AMOUNT				
At December 31, 2012	**206,165**	**310,602**	**29,255**	**546,022**

	THE GROUP			
	Goodwill	Client portfolio	Computer software	Total
2011	Rs 000	Rs 000	Rs 000	Rs 000
COST				
At January 1, 2011	206,165	376,978	98,553	681,696
Additions	-	-	11,061	11,061
At December 31, 2011	206,165	376,978	109,614	692,757
AMORTISATION				
At January 1, 2011	-	30,836	61,981	92,817
Charge for the year	-	17,770	14,420	32,190
At December 31, 2011	-	48,606	76,401	125,007
CARRYING AMOUNT				
At December 31, 2011	206,165	328,372	33,213	567,750

7. INTANGIBLE ASSETS (CONTINUED)

THE COMPANY

	2012				2011			
	Goodwill	**Client portfolio**	**Computer software**	**Total**	Goodwill	Client portfolio	Computer software	Total
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**	Rs 000	Rs 000	Rs 000	Rs 000
COST								
At January 1,	**133,188**	**245,478**	**54,751**	**433,417**	-	-	26,008	26,008
Additions	**-**	**-**	**7,497**	**7,497**	-	-	7,191	7,191
Effect on transfer of LPM General operations on January 1, 2011	**-**	**-**	**-**	**-**	71,048	26,478	21,552	119,078
Restructuring adjustment *	**-**	**-**	**-**	**-**	62,140	219,000	-	281,140
At December 31,	**133,188**	**245,478**	**62,248**	**440,914**	133,188	245,478	54,751	433,417
AMORTISATION								
At January 1,	**-**	**39,401**	**39,746**	**79,147**	-	-	16,407	16,407
Effect on transfer of LPM General operations on January 1, 2011	**-**	**-**	**-**	**-**	-	18,678	17,885	36,563
Restructuring adjustment *	**-**	**-**	**-**	**-**	-	8,213	-	8,213
Charge for the year	**-**	**12,510**	**5,161**	**17,671**	-	12,510	5,454	17,964
At December 31,	**-**	**51,911**	**44,907**	**96,818**	-	39,401	39,746	79,147
CARRYING AMOUNT								
At December 31,	**133,188**	**193,567**	**17,341**	**344,096**	133,188	206,077	15,005	354,270

* As a results of the transfer of LPM General operations, goodwill and client portfolio attributable to the LPM General business have been transferred to the Company.

8. INVESTMENT IN SUBSIDIARY COMPANIES

	THE COMPANY	
	2012	2011
(a) UNQUOTED	**Rs 000**	Rs 000
At January 1,	**217,900**	877,299
Effect on transfer of LPM General operations on January 1, 2011	**-**	750
Transfer from La Prudence Mauricienne Assurance Limitee	**-**	425
Redemption of shares (note(iii))	**(9,858)**	-
Restructuring adjustment (note(i))	**-**	(281,139)
Impairment (note (ii))	**-**	(379,435)
At December 31,	**208,042**	217,900

(i) Following the transfer of LPM General business on January 1, 2011, the cost of investment have been reduced by a restructuring adjustment of Rs281.1M.

(ii) Impairment amounting to Rs 351.5m and Rs 27.9m relate to dividend distribution made by La Prudence (Mauricienne) Assurances Limitee and The National Mutual Fund Ltd respectively.

(iii) Redemption during the year represents sale of 987,720 shares in The National Mutual Fund Ltd under buy back scheme for a sale consideration of Rs 9,857,142 which is equivalent to the cost.

(b) The financial statements of the following subsidiary companies, incorporated in Mauritius, have been included in the consolidated financial statements. The subsidiaries have the same reporting date as the holding company, and operate on the local market.

	Main Activities	Nominal value of investment		Class of shares held	% of ownership interest and voting power held	
		2012	2011		**2012**	2011
Direct shareholding		**Rs 000**	Rs 000			
La Prudence (Mauricienne) Assurances Limitee	Insurance	**167,327**	167,327	Ordinary	**100%**	100%
The National Mutual Fund Ltd	Fund management	**28,561**	38,419	Ordinary	**98.6%**	98.6%
Associated Brokers Ltd	Stock broker	**10,979**	10,979	Ordinary	**80%**	80%
Compagnie du Decadel Limitée	Property holding	**675**	675	Ordinary	**100%**	100%
Feber Associates Limited	Manager and consultants of pension fund	**500**	500	Ordinary	**100%**	100%
Indirect shareholding						
Risk Advisory Services Limited	Property holding	**75**	75	Ordinary	**100%**	100%

9. FINANCIAL ASSETS

(a) Available-for-sale financial assets (applicable for the comparative period)

	THE GROUP Rs 000	THE COMPANY Rs 000
At January 1, 2011	3,013,781	594,946
Effect of transfer of LPM General operations on January 1, 2011	-	244,757
Additions	84,386	82,384
Disposals	(124,059)	(94,351)
Reclassification	(2,128,813)	-
Decrease in fair value	(72,663)	(71,509)
At December 31, 2011	772,632	756,227

Anaysed as follows :	THE GROUP Rs 000	THE COMPANY Rs 000
Quoted securities	553,526	537,923
Unquoted securities	16,112	16,102
Corporate bonds	124,528	124,528
Open Ended Mutual Funds	78,466	77,674
Total	772,632	756,227

(b) Financial assets at fair value through other comprehensive income (applicable for the current period)

	THE GROUP Rs 000	THE COMPANY Rs 000
(i) **At January 1, 2012 ***	-	-
Balance transferred from AFS *	**648,104**	**631,699**
Additions	**36,974**	**34,925**
Disposals	**(151,961)**	**(147,887)**
Decrease in fair value	**(48,596)**	**(47,421)**
At December 31, 2012	**484,521**	**471,316**

Anaysed as follows :	THE GROUP Rs 000	THE COMPANY Rs 000
Quoted securities	**403,086**	**394,598**
Unquoted securities	**23,506**	**18,789**
Open Ended Mutual Funds	**57,929**	**57,929**
Total financial assets at fair value through other comprehensive income	**484,521**	**471,316**

(*) The opening balance for financial assets at fair value through other comprehensive income does not include equity instruments that were previously classified as available-for-sale under IAS 39. These equity instruments have been captured in the balance transferred from AFS line. Furthermore, the balance transferred from AFS line excludes the corporate bonds instruments that have been reclassified from AFS to financial assets at fair value through profit or loss upon early adoption of IFRS 9.

Upon first application of IFRS 9 the Group has designated the above equity investments at fair value through other comprehensive income because they are held for long-term investment rather than for trading. Accordingly, the whole portfolio is classified as non-current.

9. FINANCIAL ASSETS (CONTINUED)

(b) Financial assets at fair value through other comprehensive income (applicable for the current period) (Continued)

(ii) Reconciliation - (The Group)

Measurement category	IAS 39 carrying amount December 31, 2011 Rs 000	Reclassifications Rs 000	**IFRS9 carrying amount January 1, 2012 Rs 000**	**Retained earnings effect on January 1, 2012 Rs 000**
Available-for-sale financial assets	772,632	-	**772,632**	**-**
Available-for-sale financial assets (IAS 39) to financial assets at fair value through profit or loss (IFRS 9) - corporate bonds	-	(124,528)	**(124,528)**	**-**
Total change to financial assets at fair value through other comprehensive income	772,632	(124,528)	**648,104**	**-**

(iii) Reconciliation - (The Company)

Measurement category	IAS 39 carrying amount December 31, 2011 Rs 000	Reclassifications Rs 000	**IFRS9 carrying amount January 1, 2012 Rs 000**	**Retained earnings effect on January 1, 2012 Rs 000**
Available-for-sale financial assets	756,227	-	**756,227**	**-**
Available-for-sale financial assets (IAS 39) to financial assets at fair value through profit or loss (IFRS 9) - corporate bonds	-	(124,528)	**(124,528)**	**-**
Total change to financial assets fair value through other comprehensive income	756,227	(124,528)	**631,699**	**-**

Reconciliation - (The Group)

During 2012, the group disposed of investments with a cost of Rs 121m from investments in equity instruments measured at fair value through other comprehensive income. The investments were sold to maintain the Group's desired balance of investments between different industries. The fair value of these investments at the date of derecognition was Rs 142 m. The cumulative gain on disposal was Rs 18.6 m. As these investments were disposed after the date of application of IFRS 9 the gain on disposal was not transferred to profit or loss but reclassified from the investment revaluation reserve to retained earnings within equity .

Dividends recognised during 2012 related to these equity investments amounts to Rs 715,265.

9. FINANCIAL ASSETS (CONTINUED)

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

(i) Reconciliation - (The Group)

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
At January 1,*	**3,158,200**	1,061,310	**-**	-
Balance transferred from AFS *	**124,528**	-	**124,528**	-
Additions	**195,234**	425,189	**-**	-
Disposals	**(926,642)**	(276,581)	**(121,250)**	-
Reclassifications**	**-**	2,128,812	**-**	-
Decrease in fair value	**(186,200)**	(180,530)	**(433)**	-
At December 31,	**2,365,120**	3,158,200	**2,845**	-
Analysed as follows:				
Local - Listed	**2,169,364**	2,525,385	**2,845**	-
Foreign - Listed	**-**	163,759	**-**	-
Others	**195,756**	469,056	**-**	-
	2,365,120	3,158,200	**2,845**	-

(*) The opening balance for financial assets at fair value through profit or loss does not include corporate bonds instruments that were previously classified as available-for-sale financial assets under IAS 39. These have been captured in the balance transferred from available-for-sale financial assets upon adoption of IFRS 9.

(**) As a result of the transfer of LPM General Operations to MUA and the investment belonging to the Life Operation were transferred to LPM.

(ii) Reconciliation - (The Group)

Measurement category	IAS 39 carrying amount December 31, 2011 Rs 000	Reclassifications Rs 000	**IFRS9 carrying amount January 1, 2012** **Rs 000**	**Retained earnings effect on January 1, 2012** **Rs 000**
Financial assets at fair value through profit or loss	3,158,200	-	**3,158,200**	**-**
Additions:				
From available-for-sale financial assets (IAS 39) to fair value through profit or loss (IFRS 9) - corporate bonds*	-	124,528	**124,528**	**(32,460)**
Total change to financial assets at fair value through profit or loss	3,158,200	124,528	**3,282,728**	**(32,460)**

(iii) Reconciliation - (The Company)

Measurement category	IAS 39 carrying amount December 31, 2011 Rs 000	Reclassifications Rs 000	**IFRS9 carrying amount January 1, 2012** **Rs 000**	**Retained earnings effect on January 1, 2012** **Rs 000**
Financial assets at fair value through profit or loss	-	-	**-**	**-**
Additions:				
From available-for-sale financial assets (IAS 39) to fair value through profit or loss (IFRS 9) - corporate bonds *	-	124,528	**124,528**	**(32,460)**
Total change to financial assets fair value through profit or loss	-	124,528	**124,528**	**(32,460)**

(*) The retained earnings adjustment relates to fair value measurement on corporate bonds instruments that were previously classified as available-for-sale financial assets under IAS 39 and now have been reversed.

9. FINANCIAL ASSETS (CONTINUED)

(d) Held-to maturity investments

Held-to-maturity (applicable for the comparative period)

	THE GROUP Rs 000	THE COMPANY Rs 000
At January 1, 2011	488,182	56,636
Effect of transfer of LPM General operations on January 1, 2011	-	16,088
Additions	482,021	117,418
Disposals	(131,914)	(46,723)
Amortisation of discount on Treasury Bills	1,828	-
At December 31, 2011	840,117	143,419
Analysed as follows:		
Non-current	781,376	132,619
Current portion	58,741	10,800
	840,117	143,419

Held-to-maturity investments comprise treasury notes, bonds, fixed deposits with interest rate of 3% to 13.25% with maturity dates ranging between 4 months to 15 years from reporting date.

(e) Financial assets at amortised cost (applicable for the current period)

	THE GROUP Rs 000	THE COMPANY Rs 000
(i) **At 1 January 2012 ***	-	-
Balance transferred from HTM *	840,117	143,419
Additions	784,964	92
Disposals	(95,900)	(10,800)
Amortisation of discount on treasury bills	2,762	-
At 31 December 2012	**1,531,943**	**132,711**
Analysed as follows:		
Non-current	1,487,008	112,713
Current portion	44,935	19,998
	1,531,943	**132,711**

*Under IFRS 9, held-to-maturity investments are eliminated and are now categorised as financial assets at amortised cost. Loans and receivables at amortised cost which are classified as financial asset at amortised cost have been disclosed separately under note 10.

9. FINANCIAL ASSETS (CONTINUED)

(e) Financial assets at amortised cost (applicable for the current period) (Continued)

(ii) Reconciliation - (The Group)

Measurement category	IAS 39 carrying amount December 31, 2011 Rs 000	IFRS9 carrying amount January 1, 2012 Rs 000	Retained earnings effect on January 1, 2012 Rs 000
Held-to-maturity investments	840,117	840,117	-
Total change to financial assets at amortised cost	840,117	840,117	-

(iii) Reconciliation - (The Company)

Measurement category	IAS 39 carrying amount December 31, 2011 Rs 000	IFRS9 carrying amount January 1, 2012 Rs 000	Retained earnings effect on January 1, 2012 Rs 000
Held-to-maturity investments	143,419	143,419	-
Total change to financial assets at amortised cost	143,419	143,419	-

(h) The currency analysis of the financial assets is disclosed under note 3.2.1.

10. LOANS AND RECEIVABLES AT AMORTISED COST

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Mortgage Loans	**789,051**	681,260	**41,762**	25,695
Loans on Life policies	**25,534**	38,918	**-**	-
Secured Loans	**208,468**	174,372	**194,059**	153,285
Unsecured Loans	**4,517**	65,665	**3,286**	5,156
CDS guarantee fund	**372**	349	**-**	-
Provision for impairment:				
- Mortgage Loans	**(11,166)**	(11,898)	**(327)**	(128)
- Loan on Life policies	**(843)**	(1,019)	**-**	-
- Secured Loans	**(3,887)**	(1,236)	**(2,799)**	(1,189)
- Unsecured Loans	**(241)**	(328)	**(16)**	(26)
	1,011,805	946,083	**235,965**	182,793
Analysed as follows:				
Non-current	**912,279**	856,485	**188,927**	146,545
Current	**99,526**	89,598	**47,038**	36,248
	1,011,805	946,083	**235,965**	182,793

(a) All impaired loans and receivables at amortised cost were overdue more than 90 days. Other balances of loans and receivables are neither past due nor impaired.

The ageing analysis of loan and receivables is as follows:

	2012			
	Neither past due nor impaired	**Past dues but not impaired**	**Impaired**	**Total**
GROUP	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Loans and advances to customers	**780,759**	**224,001**	**7,045**	**1,011,805**

	2011			
	Neither past due nor impaired	Past dues but not impaired	Impaired	Total
GROUP	Rs 000	Rs 000	Rs 000	Rs 000
Loans and advances to customers	588,196	345,542	12,345	946,083

10. LOANS AND RECEIVABLES AT AMORTISED COST (CONTINUED)

	2012			
	Neither past due nor impaired	**Past dues but not impaired**	**Impaired**	**Total**
Company	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Loans and advances to customers	**207,268**	**26,535**	**2,162**	**235,965**

	2011			
	Neither past due nor impaired	Past dues but not impaired	Impaired	Total
Company	Rs 000	Rs 000	Rs 000	Rs 000
Loans and advances to customers	102,451	79,390	952	182,793

(b) Movement in provision for impairment of loans

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
At January 1,	**(14,481)**	(19,559)	**(1,343)**	(1,487)
Recoveries	**281**	4,067	**281**	144
Charge for the year	**(2,878)**	-	**(2,080)**	-
Write off during the year	**941**	1,011	**-**	-
At December 31,	**(16,137)**	(14,481)	**(3,142)**	(1,343)

(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.

(e) All loans and receivables at amortised cost are denominated in Mauritian rupees.

(f) The carrying amounts of loans and receivables approximate their fair values.The fair value of the collateral of loans that are past due but not impaired are considered as greater than the carrying value of the loans.

11. INSURANCE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Premium debtors and agents' balances	**356,234**	334,661	**353,878**	311,885
Provision for credit impairment	**(16,258)**	(20,358)	**(16,258)**	(20,358)
	339,976	314,303	**337,620**	291,527
Amount due by reinsurers	**10,120**	28,648	**10,120**	28,648
Other receivables	**106,588**	119,768	**24,316**	32,871
	456,684	462,719	**372,056**	353,046

(a) Premium debtors and agents' balances that are less than three months past due are not considered impaired. As at December 31, 2012, the Group had Rs 88.2m, and the Company had Rs 88.2m (2011: The Group Rs 84.5m, the Company Rs76.3m) that were more than 3 months past due but not impaired. The ageing analysis of these premium debtors is as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Up to 3 months	**251,763**	229,780	**249,407**	215,203
3 to 6 months	**62,775**	62,381	**62,775**	54,182
6 to 12 months	**25,438**	22,142	**25,438**	22,142
> 12 months	**-**	-	**-**	-
	339,976	314,303	**337,620**	291,527

(b) Movement in provision for credit impairment

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
At January 1,	**20,358**	21,826	**20,358**	4,314
Effect on transfer of LPM General operations on January 1, 2011	**-**	-	**-**	17,512
Amounts written off during the year	**-**	(4,621)	**-**	(4,621)
Charge during the year	**-**	3,153	**-**	-
Release during the year	**(4,100)**	-	**(4,100)**	3,153
At December 31,	**16,258**	20,358	**16,258**	20,358

(c) The other classes within insurance and other receivables do not include impaired assets.

(d) The Group does not hold any collateral as security in respect of insurance and other receivables.

(e) All insurance and other receivables are denominated in Mauritian rupees.

(f) The carrying amounts of insurance and other receivables approximate their fair values.

(g) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

12. REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Gross				
- Claims reported and loss adjustment expenses	**831,599**	707,181	**831,599**	707,181
- Claims incurred but not reported (IBNR)	**54,656**	60,287	**54,656**	60,287
- Unearned premiums	**712,929**	666,808	**712,929**	666,808
Total gross insurance contract liabilities	**1,599,184**	1,434,276	**1,599,184**	1,434,276
Recoverable from reinsurers				
- Claims reported and loss adjustment expenses	**293,901**	177,128	**293,901**	177,128
- Claims incurred but not reported (IBNR)	**1,908**	7,480	**1,908**	7,480
- Unearned premiums	**119,101**	108,267	**119,101**	108,267
Total reinsurers' share of insurance contract liabilities	**414,910**	292,875	**414,910**	292,875
Net				
- Claims reported and loss adjustment expenses	**537,698**	530,053	**537,698**	530,053
- Claims incurred but not reported (IBNR)	**52,748**	52,807	**52,748**	52,807
- Unearned premiums	**593,828**	558,541	**593,828**	558,541
Total net insurance contract liabilities	**1,184,274**	1,141,401	**1,184,274**	1,141,401

THE GROUP

	2012			2011		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
(i) Claims	**Rs 000**	**Rs 000**	**Rs 000**	Rs 000	Rs 000	Rs 000
At January 1,	**767,468**	**(184,608)**	**582,860**	1,038,509	(303,194)	735,315
Claims incurred during the year	**778,086**	**(146,778)**	**631,308**	698,315	9,640	707,955
Cash paid for claims settled during the year	**(659,299)**	**35,577**	**(623,722)**	(969,356)	108,946	(860,410)
At December 31,	**886,255**	**(295,809)**	**590,446**	767,468	(184,608)	582,860
Recognised notified claims	**831,599**	**(293,901)**	**537,698**	707,181	(177,128)	530,053
Incurred but not reported (IBNR)	**54,656**	**(1,908)**	**52,748**	60,287	(7,480)	52,807
	886,255	**(295,809)**	**590,446**	767,468	(184,608)	582,860
Movement in outstanding claims	**118,788**	**(111,201)**	**7,587**	(271,041)	118,586	(152,455)
Increase in value of Life policy liabilities	**220,840**	**-**	**220,840**	35,325	-	35,325
Movement during the year	**339,628**	**(111,201)**	**228,427**	(235,716)	118,586	(117,130)
Total claims and benefits paid						
Claims-Non Life	**659,299**	**(35,577)**	**623,722**	969,356	(108,946)	860,410
Claims and benefits-Life	**382,722**	**(12,103)**	**370,619**	357,403	(12,226)	345,177
	1,042,021	**(47,680)**	**994,341**	1,326,759	(121,172)	1,205,587

	2012			2011		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
(ii) Provision for unearned premiums	**Rs 000**	**Rs 000**	**Rs 000**	Rs 000	Rs 000	Rs 000
At January 1,	**666,808**	**(108,267)**	**558,541**	565,275	(93,864)	471,411
Premium written during the year	**1,539,989**	**(290,315)**	**1,249,674**	1,520,070	(275,978)	1,244,092
Premium earned during the year	**(1,493,868)**	**279,481**	**(1,214,387)**	(1,418,537)	261,575	(1,156,962)
At December 31,	**712,929**	**(119,101)**	**593,828**	666,808	(108,267)	558,541

12. REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES

THE COMPANY

(i) Claims

	2012			2011		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	Rs 000	**Rs 000**	**Rs 000**	Rs 000	Rs 000	Rs 000
At January 1,	**767,468**	**(184,608)**	**582,860**	687,645	(154,876)	532,769
Effect on transfer of LPM General operations on January 1, 2011	-	-	-	350,864	(148,318)	202,546
Claims incurred during the year	**778,086**	**(146,778)**	**631,308**	698,315	9,640	707,955
Cash paid for claims settled during the year	**(659,299)**	**35,577**	**(623,722)**	(969,356)	108,946	(860,410)
At December 31,	**886,255**	**(295,809)**	**590,446**	767,468	(184,608)	582,860
Recognised notified claims	**831,599**	**(293,901)**	**537,698**	707,181	(177,128)	530,053
Incurred but not reported	**54,656**	**(1,908)**	**52,748**	60,287	(7,480)	52,807
	886,255	**(295,809)**	**590,446**	767,468	(184,608)	582,860
Movement during the year	**118,788**	**(111,201)**	**7,587**	(271,041)	118,586	(152,455)

(ii) Provision for unearned premiums

	2012			2011		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	Rs 000	**Rs 000**	**Rs 000**	Rs 000	Rs 000	Rs 000
At January 1,	**666,808**	**(108,267)**	**558,541**	415,110	(64,639)	350,471
Effect on transfer of LPM General operations on January 1, 2011	-	-	-	150,165	(29,225)	120,940
Premium written during the year	**1,539,989**	**(290,315)**	**1,249,674**	1,520,070	(275,978)	1,244,092
Premium earned during the year	**(1,493,868)**	**279,481**	**(1,214,387)**	(1,418,537)	261,575	(1,156,962)
At December 31,	**712,929**	**(119,101)**	**593,828**	666,808	(108,267)	558,541

13. SHARE CAPITAL

THE GROUP AND THE COMPANY	Authorised	Issued and fully paid	
	2012 & 2011	**2012**	2011
	Rs 000	**Rs 000**	Rs 000
Ordinary shares of Rs.10 each	**500,000**	**200,400**	200,400
Number of ordinary shares ('000)	**50,000**	**20,040**	20,040

14. LIFE ASSURANCE FUND

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
At January 1, 2012	**4,890,975**	4,855,650	**-**	-
Surplus for the year	**220,840**	35,325	**-**	-
At December 31, 2012	**5,111,815**	4,890,975	**-**	-

15. DEFERRED TAX

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	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
At January 1,	**100,324**	(53,399)	**119,059**	-
Transferred from liability of disposal group	**-**	3,257	**-**	-
Deferred tax on revaluation of property and equipment	**-**	2,666	**-**	-
Amortisation of client portfolio	**-**	32,850	**-**	-
Deferred tax credit/(charge) for the year (note 19)	**(23,423)**	114,950	**(22,539)**	119,059
At December 31,	**76,901**	100,324	**96,520**	119,059

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	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Deferred tax liabilities	**(19,619)**	(18,735)	**-**	-
Deferred tax assets	**96,520**	119,059	**96,520**	119,059
	76,901	100,324	**96,520**	119,059

15. DEFERRED TAX (Continued)

Deferred tax assets and liabilities are attributable to the following :

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
Deferred tax liabilities	**Rs 000**	Rs 000	**Rs 000**	Rs 000
Revaluation of property and equipment	**-**	2,841	**-**	-
Transferred from liability	**-**	750	**-**	-
Deferred tax on client portfolio	**(17,555)**	(18,344)	**-**	-
Provision for impairment of receivables	**-**	(765)	**-**	-
Difference between capital allowances and depreciation	**(2,064)**	(3,217)	**-**	-
	(19,619)	(18,735)	**-**	-

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
Deferred tax assets	**Rs 000**	Rs 000	**Rs 000**	Rs 000
Difference between capital allowances and depreciation	**24,912**	14,630	**24,912**	14,630
Provision for bad debts	**647**	647	**647**	647
Provision for impairment of receivables	**2,961**	2,961	**2,961**	2,961
Retirement benefit obligations	**1,666**	1,051	**1,666**	1,051
Provision for legal costs	**(7,645)**	(7,645)	**(7,645)**	(7,645)
Tax losses carried forward	**73,979**	107,415	**73,979**	107,415
	96,520	119,059	**96,520**	119,059

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. 492m (2011: Rs.769m) to carry forward against future taxable income.

16. RETIREMENT BENEFIT OBLIGATIONS

Pension schemes

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

(i) The assets of the Mauritius Union Group Pension Scheme are administered by its subsidiary Company "La Prudence Mauricienne Assurance Limitee". The Board of Directors has approved the separation of the assets of the Company earmarked for the provision of pension obligations for employees. These assets have been placed in a Unit Account and will eventually be transferred to a Trust distinct from the Company.

The pension plan of one subsidiary is a final salary Defined contribution Pension Scheme administered by the Company.

(ii) The assets of the fund are held independently and administered by an insurance company (or by a superannuation fund)

16. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The liabilities in respect of the defined benefit schemes (i) and (ii) above are analysed as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Funded obligation (note a)	**1,538**	1,344	**1,538**	1,344
Unfunded obligation (note b)	**9,567**	5,662	**9,567**	5,662
	11,105	7,006	**11,105**	7,006

(a) Funded obligation

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Present value of funded obligation	**5,478**	4,236	**5,478**	4,236
Fair value of plan assets	**(2,246)**	(2,240)	**(2,246)**	(2,240)
	3,232	1,996	**3,232**	1,996
Unrecognised actuarial losses	**(1,694)**	(652)	**(1,694)**	(652)
Benefit liability	**1,538**	1,344	**1,538**	1,344

Movement in the liability recognised in the statements of financial position:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
At January 1,	**1,344**	1,237	**1,344**	1,237
Total expenses	**194**	107	**194**	107
At December 31,	**1,538**	1,344	**1,538**	1,344

The amounts recognised in profit or loss in respect of funded obligations are as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Interest cost	**382**	343	**382**	343
Expected return on assets	**(202)**	(236)	**(202)**	(236)
Net acturial losses	**14**	-	**14**	-
Net benefit expenses	**194**	107	**194**	107
Actual return on plan asset	**6**	**(246)**	**6**	**(246)**

16. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Funded obligation (Continued)

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
Plan assets and plan liabilities:	**Rs 000**	Rs 000	**Rs 000**	Rs 000
Present value of obligation at January 1,	**4,236**	3,612	**4,236**	3,612
Interest cost	**382**	343	**382**	343
Actuarial loss on obligation	**860**	281	**860**	281
Present value of obligation at December 31,	**5,478**	4,236	**5,478**	4,236
Reconciliation of fair value of plan assets:				
Fair value of plan assets at January 1,	**2,240**	2,486	**2,240**	2,486
Expected return on plan assets	**202**	236	**202**	236
Actuarial loss on plan assets	**(196)**	(482)	**(196)**	(482)
Fair value of plan assets at December 31,	**2,246**	2,240	**2,246**	2,240

Amounts for the current and previous four periods are as follows:

	2012	2011	2010	2009	2008
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Present value of defined benefit obligations	**(5,478)**	(4,236)	(3,612)	-	-
Plan assets	**2,246**	2,240	2,486	-	-
Deficit	**(3,232)**	(1,996)	(1,126)	-	-
Experience adjustments on:					
Plan liabilities (defined benefit obligations)	**-**	18	301	-	-
Plan assets	**(196)**	(482)	22	-	-

The main categories of plan assets are as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	%	%	%	%
Local equities	**56%**	56%	**56%**	56%
Local -Debt Maturity >=12 months	**26%**	26%	**26%**	26%
Local-Cash and Debt Maturity	**8%**	8%	**8%**	8%
Overseas equities	**5%**	5%	**5%**	5%
Overseas-Debt Maturity >=12 months	**3%**	3%	**3%**	3%
Overseas- Cash and Debt Maturity	**2%**	2%	**2%**	2%
	100%	100%	**100%**	100%

The principal acturial assumptions used for accounting purposes were:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	%	%	%	%
Discount rate	**8%**	9%	**8%**	9%
Expected rate of return on plan assets	**8%**	9%	**8%**	9%
Future salary increases	**0%**	0%	**0%**	0%
Future pension increases	**3%**	3%	**3%**	3%
Deferred pension increases	**0%**	0%	**0%**	0%

Acturial table for employee mortality **PMA 92-PFA**

16. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Funded obligation (Continued)

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 2013.

(b) Unfunded obligation

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Present value of unfunded obligation	**9,567**	5,662	**9,567**	5,662

Movement in the liability recognised in the statements of financial position:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
At January 1,	**5,662**	-	**5,662**	-
Total expenses	**3,905**	5,662	**3,905**	5,662
At December 31,	**9,567**	5,662	**9,567**	5,662

The amounts recognised in prfoit or loss in respect of unfunded obligations are as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Interest cost	**785**	-	**785**	-
Net acturial losses	**3,120**	5,662	**3,120**	5,662
Net benefit expenses	**3,905**	5,662	**3,905**	5,662

Amounts for the current and previous four periods are as follows:

	THE GROUP AND THE COMPANY				
	2012	2011	2010	2009	2008
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Present value of defined benefit obligation	**9,567**	5,662	683	399	-
Deficit	**9,567**	5,662	683	399	-

16. RETIREMENT BENEFIT OBLIGATIONS

(b) Unfunded obligation (Continued)

The principal actuarial assumptions used for accounting purposes were:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
Discount rate	**8.0%**	9.0%	**8.0%**	9.0%
Future salary increase	**7.0%**	8.0%	**7.0%**	8.0%
Future pension increase	**0.0%**	0.0%	**0.0%**	0.0%
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A

The Group does not expect any contribution in 2013 as the person who was under this scheme has already retired.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at reporting date.

Expected returns on equity reflect the long-term real rates of return experienced in the respective markets.

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.

17. BORROWINGS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Preference share capital (i)	**100,000**	100,000	**100,000**	100,000
Other borrowings (ii)	**80,993**	97,241	**80,993**	97,241
Bank overdraft (iii)	**345**	8,049	**-**	-
	181,338	205,290	**180,993**	197,241
Analysed as follows:				
Non-current	**163,282**	180,993	**163,282**	180,993
Current	**18,056**	24,297	**17,711**	16,248
	181,338	205,290	**180,993**	197,241

The Mauritius Commercial Bank has discharged of its claims amounting to Rs250m against the Company in exchange of Rs100m redeemable preference share of Rs1,000 each and Rs150m interest free loan.

(i) A preferential cummulative dividend of 3% per annum, calculated on the issue price, is payable to the preference shareholder. These preference shares are redeemable on May 30, 2016 but the Company has the option to defer the redemption of these shares until 2021. A preferential cummulative dividend of 5% will then be payable as from the initial redemption date.

(ii) The Rs150m shall be paid in 6 equal yearly instalment of Rs25m each starting on May 31, 2011 through May 31, 2016. The fair values of the borrowings amount to Rs 98 m.

(iii) The bank overdraft is secured by floating charges on the assets of one of its subsidiary company.

18. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Loans repaid in advance	**1,265**	528	**1,265**	528
Premiums prepaid	**37,309**	27,803	**37,309**	27,803
Amounts due to reinsurers	**45,593**	22,275	**45,593**	20,640
Other payables and accruals	**128,348**	105,214	**86,553**	67,429
Total	**212,515**	155,820	**170,720**	116,400

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

19. CURRENT TAX L IABILITIES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
(a) In the statements of comprehensive income	**Rs 000**	Rs 000	**Rs 000**	Rs 000
Income tax provision for the year at 15%	**1,354**	510	**-**	-
Alternative Minimum Tax	**10,020**	10,020	**10,020**	10,020
CSR tax	**3,337**	161	**2,804**	-
Amortisation of client portfolio	**-**	(32,850)	**-**	-
(Over)/under provision in previous year	**398**	(16,856)	**398**	(8,134)
Deferred tax charge /(credit) (Note 15)	**23,423**	(114,950)	**22,539**	(119,059)
Tax charge /(credit) for the year	**38,532**	(153,965)	**35,761**	(117,173)

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
(b) Statement of financial position	**Rs 000**	Rs 000	**Rs 000**	Rs 000
At January 1,	**6,036**	6,715	**5,654**	5,365
Payment	**(10,182)**	(1,961)	**(8,805)**	-
Tax withheld	**-**	(20)	**-**	-
Over provision of income tax in previous year	**347**	(9,731)	**347**	(9,731)
Income tax expenses	**888**	1,013	**-**	-
CSR tax	**3,337**	-	**2,804**	-
Alternative Minimum Tax	**10,020**	10,020	**10,020**	10,020
At December 31,	**10,446**	6,036	**10,020**	5,654

19. CURRENT TAX LIABILITIES (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	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Profit before taxation	**271,715**	301,580	**271,488**	237,269
Tax thereon (15%)	**40,757**	45,237	**40,723**	35,590
Tax effect of :				
Income not subject to tax	**(101,076)**	(32,776)	**(10,062)**	(6,616)
Expenses not deductible for tax purposes	**68,832**	87,143	**4,004**	58,429
Income exempt for tax	**-**	(76,136)	**-**	(65,796)
Deferred tax assets not recognised	**26,699**	9,366	**-**	6,608
Under provision of income tax	**(12,162)**		**(13,853)**	
Loss recognised following business combination	**-**	(147,274)	**-**	(147,274)
Underprovision in previous year	**398**	(16,856)	**398**	(8,134)
Unutilised tax losses lapsed	**1,727**	-	**1,727**	-
Amortisation of client portfolio reversed	**-**	(32,850)	**-**	-
CSR contribution	**3,337**	161	**2,804**	-
Alternative Minimum Tax	**10,020**	10,020	**10,020**	10,020
	38,532	(153,965)	**35,761**	(117,173)

20. NET EARNED PREMIUMS

(a) Gross Premium earned is as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Non Life insurance	**1,539,989**	1,520,070	**1,539,989**	1,520,070
Life insurance	**635,391**	621,559	**-**	-
Change in unearned premiums provision	**(46,121)**	(101,533)	**(46,121)**	(101,533)
	2,129,259	2,040,096	**1,493,868**	1,418,537

(b) Premium ceded to reinsurers is as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Non Life insurance	**(290,315)**	(275,978)	**(290,315)**	(275,978)
Life insurance	**(54,064)**	(49,274)	**-**	-
Change in unearned premiums provision	**10,834**	14,403	**10,834**	14,403
	(333,545)	(310,849)	**(279,481)**	(261,575)
Net earned premiums	**1,795,714**	1,729,247	**1,214,387**	1,156,962

21. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Rental income from investment property	**945**	1,543	**-**	-
Dividend income	**165,024**	86,096	**24,788**	430,235
Interest on loans and financial assets	**200,430**	196,590	**38,635**	66,870
Interest on bank accounts	**27,572**	24,231	**10,265**	9,013
	393,971	308,460	**73,688**	506,118

22. REALISED GAINS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Property and equipment				
Realised gain	**426**	2,148	**426**	2,186
Financial assets				
Realised gains	**9,224**	15,684	**14,545**	16,180
Investment property	**-**	676	**-**	-
	9,650	18,508	**14,971**	18,366

23. UNREALISED LOSSES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Fair value gains on investment properties	**1,430**	5,675	**-**	-
Fair value on fair value through profit or loss financial instruments	**(186,200)**	(180,530)	**(433)**	-
	(184,770)	(174,855)	**(433)**	-

24. OTHER OPERATING INCOME

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Brokerage fees	**5,960**	5,982	**-**	-
Unit link fees	**-**	7,128	**-**	-
Administration fees	**16,508**	16,378	**-**	-
Management fees	**7,913**	8,474	**-**	-
Exchange gain/(loss)	**10,234**	(4,573)	**10,234**	(1,942)
Other income	**15,385**	5,571	**2,920**	3,839
	56,000	38,960	**13,154**	1,897

25. OTHER OPERATING AND ADMINSTRATIVE EXPENSES

		THE GROUP		THE COMPANY	
		2012	2011	**2012**	2011
	Notes	**Rs 000**	Rs 000	**Rs 000**	Rs 000
Management expenses		**429,016**	406,919	**291,832**	268,624
Depreciation	5	**28,967**	27,328	**19,962**	16,265
Amortisation	7	**29,968**	32,190	**17,671**	17,964
		487,951	466,437	**329,465**	302,853

26. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Interest expense:	**7,873**	5,131	**7,873**	5,131
- Notional interest on interest free loan	**9,000**	5,250	**9,000**	5,250
- Dividend on redeemable preference shares	**121**	162	**-**	-
- Interest on bank overdraft	**16,994**	10,543	**16,873**	10,381

27. PROFIT BEFORE TAX

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
The profit before tax has been arrived at				
After crediting:				
Investment income				
- dividend income	**165,024**	86,096	**24,788**	430,235
- interest on financial assets	**228,002**	220,821	**48,900**	75,883
Profit on disposal on financial assets (note 22)	**9,224**	15,684	**14,545**	16,180
Gain on sale of property and equipment	**426**	2,148	**426**	2,186
And charging:				
Auditors' fees	**2,256**	2,294	**1,289**	995
Employee benefit expenses (note 28)	**234,802**	220,739	**157,879**	147,081
Depreciation on property and equipment (note 5)	**28,967**	27,328	**19,962**	16,265
Amortisation of intangible assets (note 7)	**29,968**	32,190	**17,671**	17,964

28. EMPLOYEE BENEFIT EXPENSES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Wages and salaries	**211,522**	198,865	**139,099**	129,860
Social Security costs	**7,517**	6,902	**5,376**	4,910
- Defined contributions	**1,013**	7,607	**-**	6,542
- Defined benefits	**9,305**	5,769	**9,305**	5,769
Other benefits	**5,445**	1,596	**4,099**	-
Total	**234,802**	220,739	**157,879**	147,081

29. DIVIDENDS PAID

	THE GROUP AND THE COMPANY	
	2012	2011
	Rs 000	Rs 000
Paid		
Interim ordinary dividend of 15% (2011 -15%)	**30,060**	30,060
Final ordinary dividend 35 % (2011 - 35%)	**70,140**	70,140
	100,200	100,200

30. 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.

30. SEGMENT INFORMATION (CONTINUED)

THE GROUP

2012	Casualty Rs 000	Property Rs 000	Total General Rs 000	Life Rs 000	Other Rs 000	Consolidated adjustments Rs 000	Total Rs 000
Income							
Net earned premium	1,097,657	116,730	1,214,387	581,327	-	-	1,795,714
Fee and commission income	38,409	43,496	81,905	17,676	-	-	99,581
Brokerage fees	-	-	-	-	5,960	-	5,960
Investment and other income	83,893	17,919	101,812	332,468	29,833	(10,452)	453,661
Segment income	1,219,959	178,145	1,398,104	931,471	35,793	(10,452)	2,354,916
Expenses							
Gross claims and benefits	600,450	58,849	659,299	382,722	-	-	1,042,021
Claims recovered from Reinsurers	(11,688)	(23,889)	(35,577)	(12,103)	-	-	(47,680)
Movement in outstanding claims	4,580	3,007	7,587	220,840	-	-	228,427
Commission and brokerage fee paid	114,257	34,280	148,537	22,181	-	-	170,718
Management expenses	240,530	51,302	291,832	116,077	22,215	(1,108)	429,016
Finance costs	13,903	2,970	16,873	-	121	-	16,994
Depreciation	16,450	3,512	19,962	7,978	1,027	-	28,967
Amortisation	14,561	3,110	17,671	6,749	288	5,260	29,968
Fair value gains and losses	357	76	433	185,767	-	(1,430)	184,770
	993,400	133,217	1,126,617	930,211	23,651	2,722	2,083,201
Segment profit before tax	226,559	44,928	271,487	1,260	12,142	(13,174)	271,715
Profit before taxation							271,715
Taxation							(38,532)
Profit for the year							233,183

THE GROUP

2011	Casualty Rs 000	Property Rs 000	Total General Rs 000	Life Rs 000	Other Rs 000	Consolidated adjustments Rs 000	Total Rs 000
Income							
Net earned premium	1,039,543	117,419	1,156,962	572,285	-	-	1,729,247
Fee and commission income	38,089	41,647	79,736	18,477	-	-	98,213
Brokerage fees	-	-	-	-	5,982	-	5,982
Investment and other income	120,141	26,805	146,946	218,755	50,071	(55,826)	359,946
Segment income	1,197,773	185,871	1,383,644	809,517	56,053	(55,826)	2,193,388
Expenses							
Gross claims and benefits	917,505	51,851	969,356	357,403	-	-	1,326,759
Claims recovered from Reinsurers	(87,968)	(20,978)	(108,946)	(12,226)	-	-	(121,172)
Movement in outstanding claims	(157,784)	5,329	(152,455)	35,325	-	-	(117,130)
Commission and brokerage fees paid	96,477	28,709	125,186	26,330	-	-	151,516
Management expenses	219,623	49,001	268,624	113,670	27,577	(2,952)	406,919
Finance costs	8,487	1,894	10,381	-	162	-	10,543
Depreciation	13,298	2,967	16,265	9,683	1,380	-	27,328
Amortisation	14,687	3,277	17,964	8,291	675	5,260	32,190
Fair value gains and losses	-	-	-	174,855	-	-	174,855
	1,024,325	122,050	1,146,375	713,331	29,794	2,308	1,891,808
Segment profit before tax	173,448	63,821	237,269	96,186	26,259	(58,134)	301,580
Profit before taxation							301,580
Taxation							153,965
Profit for the year							455,545

30. SEGMENT INFORMATION (CONTINUED)

	THE GROUP						
	Casualty	Property	Total General	Life	Other	Consolidated adjustments	Total
2012	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Segment assets	2,681,457	572,756	3,254,213	5,351,414	60,107	(32,865)	8,632,869
Segment liabilities	333,760	71,291	405,051	44,033	17,394	758	467,236
Technical liabilities							
- Unearned premium reserve							712,929
- Life assurance fund							5,111,815
- Outstanding claims							886,255
Total equity							1,454,634
Capital expenditure							
Property, plant and equipment	25,466	5,439	30,905	1,594	28	-	32,527
Intangible assets	6,177	1,320	7,497	744	-	-	8,241
Depreciation	16,450	3,512	19,962	7,978	1,027	-	28,967
Amortisation	14,561	3,110	17,671	6,749	288	5,260	29,968

	THE GROUP						
	Casualty	Property	Total General	Life	Other	Consolidated adjustments	Total
2011	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Segment assets	2,417,490	539,375	2,956,865	5,128,418	75,862	(39,185)	8,121,960
Segment liabilities	291,696	65,081	356,777	42,882	22,404	1,300	423,363
Technical liabilities							
- Unearned premium reserve							666,808
- Life assurance fund							4,890,975
- Outstanding claims							767,468
Total equity							1,373,346
Capital expenditure							
Property, plant and equipment	21,641	4,828	26,469	36,369	2,030	-	64,868
Intangible assets	5,897	1,294	7,191	3,867	3	-	11,061
Depreciation	13,298	2,967	16,265	9,683	1,380	-	27,328
Amortisation	14,687	3,277	17,964	8,291	675	5,260	32,190

31. SHAREHOLDERS SHARE OF LIFE SURPLUS

In accordance with the accounting policy in Note 2 the independent actuaries have assessed the amount of the Discretionary Participating Feature (DPF) eligible surplus to be transferred to/(from) the Life Assurance Fund (from)/to Profit or Loss at Rs.9.8m (2011 - Rs.26.7m). Assets and liabilities of the Company's subsidiary and owed by the shareholders and policyholders. Surplus for the year attributable to the policyholders are then transerred ot the Lfe Assurance Fund.

32. OUTSTANDING FINANCIAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
Loans approved by the Board of Directors but not yet disbursed	**72,055**	182,292	**1,649**	11,653

33. BASIC AND DILUTED EARNINGS PER SHARE

	THE GROUP	
	2012	2011
Earnings per share is based on the following:	**Rs 000**	Rs 000
Profit attributable to equity holders of the parent	**233,209**	454,888
Number of ordinary shares in issue and ranking for dividends	**20,040,000**	20,040,000
Earnings per share	**11.64**	22.70

34. NOTES TO CASH FLOW STATEMENTS

		THE GROUP		THE COMPANY	
		2012	2011	**2012**	2011
	Notes	**Rs 000**	Rs 000	**Rs 000**	Rs 000
(a) **Cash generated from operations**					
Profit before taxation		**271,715**	301,580	**271,488**	237,269
Decrease/(increase) in fair value of investment		**186,200**	180,530	**433**	-
Increase in fair value of investment properties	6	**(1,430)**	(5,675)	**-**	-
Exchange (gains)/losses on cash and cash equivalents	24	**(10,234)**	3,361	**(10,324)**	1,133
Provision for retirement benefit obligations		**4,100**	7,566	**4,099**	5,769
Impairment of subsidiary		**-**	-	**-**	379,435
Provision for credit impairment		**(2,445)**	(1,924)	**(2,301)**	3,009
Dividend income	10/11	**(165,024)**	(86,096)	**(24,788)**	(430,235)
Interest income	21	**(228,001)**	(220,821)	**(48,900)**	(75,883)
Interest payable	21	**16,995**	10,543	**16,873**	10,381
Depreciation	26	**28,967**	27,328	**19,962**	16,265
Amortisation	5	**29,968**	32,190	**17,671**	17,964
Profit on sale of property and equipment	7	**(426)**	(2,148)	**(426)**	(2,186)
Profit on disposal of financial assets	22	**(9,224)**	(15,684)	**(14,545)**	(16,180)
Profit on disposal of investment property	22	**-**	(676)	**-**	-
	22	**121,161**	230,074	**229,242**	146,741
Change in unearned premium		**35,287**	87,130	**35,287**	87,130
Change in insurance and other receivables		**35,908**	(76,588)	**(7,845)**	(7,655)
Change in outstanding claims		**228,427**	(117,130)	**7,586**	(152,455)
Change in trade and other payables		**56,184**	141,362	**55,178**	178,857
Operating cash flows from merging of LPM (*)		**-**	-	**-**	(225,428)
Net cash generated from operations (refer to page 70)	34(b)	**476,967**	264,848	**319,448**	27,190

34. NOTES TO CASH FLOW STATEMENTS (CONTINUED)

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	Rs 000	Rs 000	**Rs 000**	Rs 000
(b) **Cash and cash equivalents**				
Interest bearing bank balances	**1,175,410**	411,193	**612,357**	179,433
Less: Bank overdraft (note 17)	**(345)**	(8,049)	**-**	-
	1,175,065	403,144	**612,357**	179,433

The bank overdraft is secured by floating charges on the assets of the company.

* Effect on transfer of LPM General operations on January 1, 2011

	2011
	Rs 000
Intangible assets	82,515
Investment property	70,753
Property and equipment	48,864
Financial assets	260,845
Investments in subsidiaries	750
Insurance and other receivables	154,079
Reinsurance assets	177,542
Insurance contract liabilities	(501,028)
Deferred tax liability	(306)
Retirement benefit obligations	(1,237)
Trade and other payables	(67,224)
Taxation	(125)
	225,428

35. RELATED PARTY TRANSACTIONS

		THE GROUP		THE COMPANY	
		2012	2011	**2012**	2011
	Relationship	**Rs 000**	Rs 000	**Rs 000**	Rs 000
(b) **Loans granted to**					
Directors and key management personnel		**7,246**	4,410	**501**	425
Amount owed by					
Directors and key management personnel		**85,305**	97,354	**946**	1,258
Receivables from:					
NMF Property Trust	Sister company	**75**	79	**-**	-
NMF General Fund	Sister company	**709**	618	**-**	-
La Prudence Mauricienne Assurance Ltee	Subsidiary	**-**	-	**11,813**	10,732
Decadel Ltee	Subsidiary	**-**	-	**4,566**	5,801
Feber Associates Ltd	Subsidiary	**-**	-	**420**	508
Other related parties		**-**	3,734	**-**	3,734
Payables to:					
La Prudence Mauricienne Assurance Ltee	Subsidiary	**-**	365	**-**	-
Other related parties		**-**	2,833	**-**	2,833
Purchase of goods and services from					
Subsidiary company		**742**	753	**231**	128
Other related parties		**22,410**	25,338	**22,410**	25,338
Sale of services to					
Directors and key management personnel		**20,181**	19,314	**15,585**	18,341
Income receivable from:					
Subsidiary companies		**-**	-	**6,414**	413,660
Remuneration of key management personnel					
Salaries and short-term employee benefits		**58,164**	32,764	**35,116**	17,809
Post-employments benefits		**4,356**	2,841	**2,490**	1,640

Key management personnel consist of Chief Executive Offficers, Senior managers and Deputy senior managers.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free 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.

36. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
Operating lease	**Rs 000**	Rs 000	**Rs 000**	Rs 000
The future minimum lease payments under non cancellable operating leases are as follows:				
Not later than one year	**2,658**	3,556	**-**	-

37. EVENTS AFTER THE REPORTING DATE

There is no significant event after the balance sheet date which needs disclosure in or amendments to the December 31,2012.

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 28 June 2013 at 10.00 hours to transact the following business:-

AGENDA

1. To consider the Annual Report for the year ended 31 December 2012
2. To receive the Auditor's report
3. To consider and adopt the Annual Financial Statements for the year ended 31 December 2012.
4. To re-appoint under separate resolution the following persons as director of the Company:
   (a) Vincent AH CHUEN
   (b) Priscilla BALGOBIN-BHOYRUL
   (c) Bruno de FROBERVILLE
   (d) Mélanie FAUGIER
   (e) Dominique GALEA
   (f) Lakshmana LUTCHMENARRAIDOO
   (g) Lawrence POISSON
   (h) Arjoon SUDDHOO
5. In accordance with Section 138(6) of the Companies Act 2001 to re-appoint under separate resolution the following persons as director of the Company:
   (a) Bertrand DE CHAZAL
   (b) Gerard de RAUVILLE
6. To take note of the automatic reappointment of Messrs. Ernst & Young as auditors of the Company in compliance with Section 40(3) of the Insurance Act 2005 and to authorise the Board of Directors to fix their remuneration for the year ending 31 December 2013.

By order of the Board

ECS Secretaries Ltd
per Marie-Anne Adam, ACIS
Company Secretary
10 May 2013

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 Administrators Ltd, 6th floor, Tower A, 1 Cybercity, Ebène, Mauritius at latest on Thursday 27 June 2013 at 10.00 hours 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 Mrs. Nisha Proag-Dookun, 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 share registry, Abax Corporate Administrators Ltd, 6th floor, Tower A, 1 Cybercity, Ebène, Mauritius at latest on Wednesday 26 June 2013 at 10.00 hours, 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 2013.

The profiles of the Directors are set out on pages 11 to 15 of the Annual Report.

PROXY / CASTING POSTAL VOTE FORM

APPOINTMENT OF PROXY (see notes a and b overleaf)

I/We ....

of ....

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

of .... or failing him, ...

of .... as my/our proxy to vote for me/us and on my/our behalf at the Annual Meeting of Shareholders of the Company to be held on Friday 28 June 2013 at 10.00 hours 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 overleaf)

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 28 June 2013 and at any adjournment thereof:

AS ORDINARY RESOLUTIONS	FOR	AGAINST	ABSTAIN
3. To consider and adopt the Annual Financial Statements for the year ended 31 December 2012.			
4. To re-appoint under separate resolution the following persons as director of the Company:			
a. Vincent AH CHUEN			
b. Priscilla BALGOBIN-BHOYRUL			
c. Bruno de FROBERVILLE			
d. Mélanie FAUGIER			
e. Dominique GALEA			
f. Lakshmana LUTCHMENARRAIDOO			
g. Lawrence POISSON			
h. Arjoon SUDDHOO			
5. In accordance with Section 138(6) of the Companies Act 2001 to re-appoint under separate resolution the following persons as director of the Company:			
a. Bertrand DE CHAZAL			
b. Gerard de RAUVILLE			
6. To take note of the automatic reappointment of Messrs. Ernst & Young as auditors of the Company in compliance with Section 40(3) of the Insurance Act 2005 and to authorise the Board of Directors to fix their remuneration for the year ending 31 December 2013.			

PROXY / CASTING POSTAL VOTE FORM

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www.mauritiusuniongroup.com