

Annual Report 2006

strength

Strong for life ... Mauritius Union's strength is built on a rock-solid foundation made of trust, integrity, innovation and a commitment to the highest quality service standards.



security

Financial security has the exhilarating power to give people the confidence to pursue their dreams.

Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of The Mauritius Union Assurance Company Limited for the year ended December 31, 2006.

The report was approved by the Board of Directors on April 10, 2007.



Bernard Mayer
Chairman



Jacques de Navacelle
Managing Director

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Who we are

The Mauritius Union Assurance Company Limited (MUA) is the oldest Mauritian composite insurance company operating today. It was incorporated in 1948. MUA is a public limited liability company and its shares are listed on the Official List of the Stock Exchange of Mauritius since 1993.

Being amongst the leaders in the insurance sector, MUA conducts both life and general insurance business. The Company also grants secured loans and invests in shares and property.

Our vision

The vision of MUA is to be recognised as a leading insurance company in Mauritius, providing superior financial protection and investment services with integrity and professionalism.

The Group achieved a satisfactory performance in 2006.

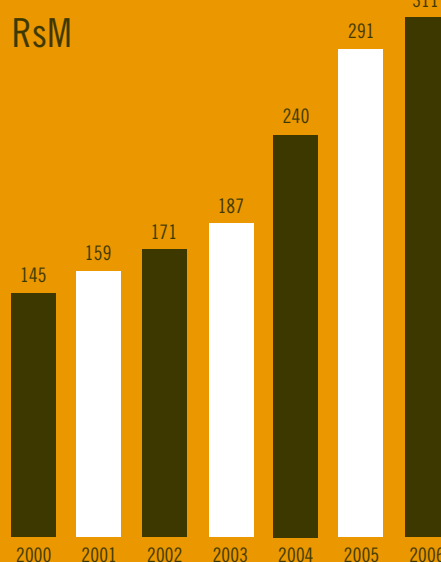
7% Increase in net earned premiums general business

11% Increase in net premiums life assurance

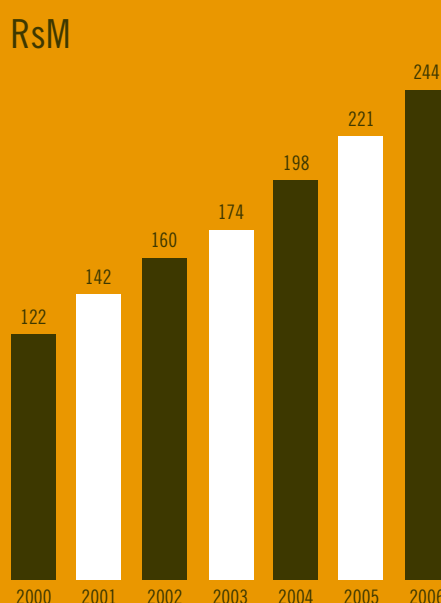
40% Increase in life assurance fund

34% Increase in group net assets per share

Net Earned Premiums
General Business

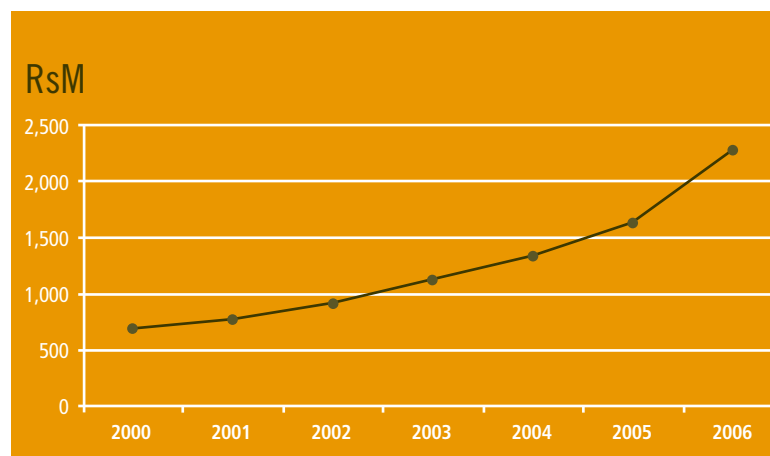


Net Premiums Life Assurance

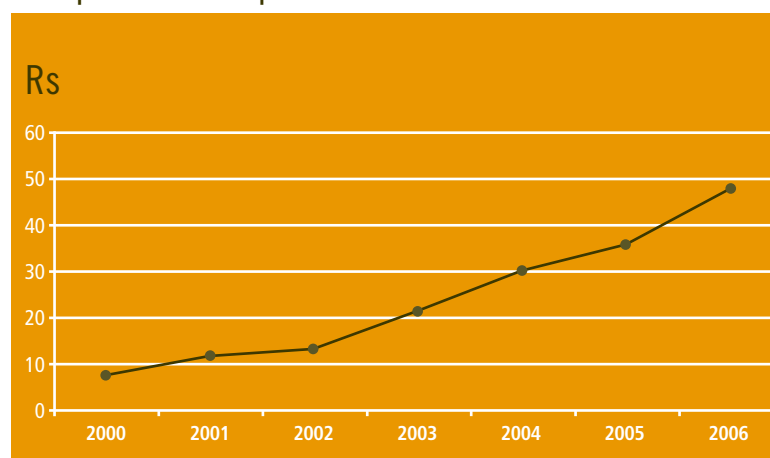


Financial Highlights

Life Assurance Fund



Group Net Assets per Share



Our General Business
and Life Assurance Funds
have increased from
Rs1.8 bn to Rs 2.4 bn.

Principal Activities & Administration

Principal activities

The Company transacts all classes of insurance business, both Long-term (Life Assurance) and Short-term (General Business). There has been no change in the nature of its business.

Administration

Registered office

4, Léoville L'Homme Street
Port Louis, Mauritius
Telephone: (230) 207-5500
Fax: (230) 212-2962
Email: info@mauritiusunion.com
Website: www.mauritiusunion.com

Auditors

BDO De Chazal Du Mée
(Chartered Accountants)

Independent Actuaries

Deloitte & Touche
Actuarial & Insurance Solutions
Cape Town, Republic of South Africa

Bankers

State Bank of Mauritius Ltd
The Mauritius Commercial Bank Limited
HSBC Limited
Barclays Bank Plc
Banque des Mascareignes

Secretary

A P Gilbert Poisson
(as from July 31, 2006)
ConSec Ltd
(up to July 31, 2006)

Share Registry

Abacus Corporate Services Ltd
(as from April 30, 2006)
MCB Registry and Securities Ltd
(Up to April 30, 2006)



flexibility

Adapting quickly to market changes, offering well-tailored products and services to customers... Flexibility is a necessity to stay competitive..



experience

The Mauritius Union Assurance Company Limited is the oldest composite insurance company operating today⁸

Board of Directors

The following directors were in office at December 31, 2006:

- Bernard Marie Joseph MAYER (Chairman)
- Vincent AH CHUEN
- Jean Maurice Richard ARLOVE
- Pierre Yves BIGAIGNON
- Pierre Arthur DE CHASTEIGNER DU MÉE
- Jacques Pierre Christian Gaëtan CADY ROUSTAND DE NAVACELLE DE COUBERTIN
- Marie Danielle LAGESSE (resigned on February 6, 2007)
- Marie François Pierre-Yves POUGNET
- Georges André ROBERT

Directors' Profile

Vincent Ah Chuen

Director - appointed in 1992

Vincent Ah Chuen, 62 years old, is the Managing Director of the ABC Group of Companies. He is a Director of Les Moulins de La Concorde Ltée, ABC Motors Co. Ltd, New Goodwill Investment Ltd and POLICY Ltd.

Richard Arlove

Director - appointed in 2005

Richard Arlove, born in 1963, is a fellow member of the Association of Chartered Certified Accountants since 1992. He is currently the Chief Executive Officer of Abacus Management Solutions Ltd, a Management Company with 100 employees that offers financial services.

Pierre Yves Bigaignon

Director - appointed in 2005

Pierre Yves Bigaignon is a Barrister at Law practising in Reunion Island and specialised in 'Droit des Affaires' - Mercantile Law. He is 53 years of age.

Pierre de Chasteigner du Mée

Director - appointed in 2003 / Vice Chairman since June 2005

Pierre de Chasteigner du Mée, born in 1953, is the Estate General Manager of Constance La Gaieté Co. Ltd., which is mainly involved in sugar cane and other agricultural activities. He is an active Stockbroker on the Stock Exchange of Mauritius, a licensed Company Secretary and a member of the Chartered Management Institute (England). He is also a Director of POLICY Ltd. and of Investec Bank (Mauritius) Ltd. Since completion of his Chartered Accountancy studies in the U.K., he has served in various positions namely as Group Financial Controller of the Constance Group and Executive Director of Constance Hotels Services Ltd.

Jacques de Navacelle

Executive Director - appointed in 2006

Jacques de Navacelle, 60, started a banking career in Paris in 1971. In 1978, he joined Barclays Bank with whom he worked for twenty years, occupying various managerial positions with increasing responsibilities within the bank in Europe. In 1998, he was appointed Managing Director of Barclays Bank PLC, Mauritius. Mr. de Navacelle joined The Mauritius Union Assurance Company Limited on May 1, 2005 as Chief Executive Officer, and was appointed Managing Director in May 2006. He is presently the Chairman of Transparency Mauritius and the President of the Joint Economic Council.

Directors' Profile

Danielle Lagesse

Director - appointed in 2005 and resigned in February 2007

Danielle Lagesse is an Attorney at Law in practice since 1980. She presently advises building consortiums, commercial groups, a sugar estate, management and leasing companies, commercial partnerships, medical schemes and clinics, as well as foreign consultancy firms and clients. Mrs. Lagesse is 53.

Bernard Mayer

Director - appointed in May 2006 / Chairman since November 2006

Bernard Mayer was born in 1953. He qualified as a Certified Accountant in 1980 and has 28 years experience in industry and practice. Mr. Mayer was a partner of PricewaterhouseCoopers in Mauritius from 1984 until his retirement on December 31, 2005.

Pierre Yves Pougnet

Director - appointed in 1982

Pierre Yves Pougnet, 64, accountant by profession, is the Vice-President and Executive Director of the Food and Allied Group of companies. He was appointed to the Board of The Mauritius Union Assurance Company Limited in 1982 and is a member of its Audit & Risk Committee. Mr. Pougnet also sits on the Boards of Livestock Feed Ltd, Les Moulins de La Concorde Ltée, Tropical Paradise Co Ltd and POLICY Ltd.

Georges André Robert

Director – appointed in 2001, chairman from June 2005 to November 2006

Georges André Robert, 68 years old, has been practising as an Attorney at Law since 1966. He was made Senior Attorney in 1995 and was awarded an honorary O.B.E. in 2004. His main area of practice was in civil and commercial matters. He has advised sugar estates, banks, insurance, trading and offshore companies. He is no longer into litigations; he has restricted his professional activities to legal advice and consultancy.

Senior Management Team

Jacques DE NAVACELLE
(Maîtrise en philosophie, Diplômé de l'Institut
de Commerce International, Diplômé de
l'Institut Technique de Banque)
Managing Director

Dean Ah Low (B.Econ.Sc)
Manager
Treasury & Accounting, Finance & Planning

Gaël Aliphon (ACII, AMABE)
Head of Life Branch

Kiran Ancharaz (B.Econ)
Manager
Operations Motor & Non-Motor, General Branch

Ackbaree Aumeerally-Arekion
(BSc Engineering, MSc Human Resources)
Head of Human Resources

Christine Chung Pak Chung (MSc Management)
Head of Marketing

Gaëtan Jacques
Head of Logistics

Gérard Lok Ok Choo (ACII)
Operations Manager - General Branch
Head of Business Development

Deeya Mohabeer (LLB (Hons.), Attorney)
Head of Legal and Debt Recovery Unit

Solange Ng Kwing King
Head of Loans Unit

Gilbert Poisson (FCCA, ACII)
Head of Finance & Planning,
Assistant to the Managing Director, Company Secretary

Percy Rose (ACII)
Technical Manager
General Branch

Rishi Sewnundun (B.Tech., MBA)
Head of Information Systems

Yung Fee (Ben) That Fong (FCCA)
Manager
Statutory Reporting, Finance & Planning



network

An extended network of branches, agents and brokers is synonymous to the constant need to develop even better and closer relationships with customers.



Innovation

Identifying new markets, elaborating new products, adding new values... Sustainability does not go without innovation.

Senior Management Profile

Dean Ah-Low

Manager Treasury & Accounting, Finance and Planning

Dean (45) joined the company in 1991. He holds a Bachelor's degree in Economic Science from the University of Witwatersrand of Johannesburg. He became Manager of the Accounts department in 2003 and was appointed Finance and Planning Manager in 2005.

Gaël Aliphon

Head of Life Branch

Gaël (29) worked for Albatross Insurance Company Ltd. from 1997 to 2004 as technical and commercial assistant and then for Mauritian Eagle Insurance Company Ltd. as Life Technical Manager until 2006. He joined Mauritius Union in April 2006 and was responsible for the long-term business and product development and training. He was appointed Head of Life Branch in January 2007. Gaël is an associate of the Chartered Insurance Institute (A.C.I.I) and of the Association of Business Executives (AMABE).

Kiran Ancharaz

Manager, Operations Motor & Non-Motor – General Branch

Kiran (29) holds a Bachelor's Degree in Economics from the University of Delhi. He joined Mauritius Union in September 2000 and worked in various sub-departments of the General Branch before being appointed Manager of the General Branch in January 2007.

Ackbaree Aumeerally-Arékion

Head of Human Resources

Ackbaree (34) joined the Company in June 2006. Prior to joining Mauritius Union, she worked at General Construction Company Ltd. and Air Mauritius Limited. Ackbaree holds a first degree in Engineering from the Massachusetts Institute of Technology and a Masters in Human Resources Management from the University of Mauritius, and is presently studying for CFA Level 1.

Christine Chung Pak Chung

Head of Marketing

Christine (32) holds a "Maîtrise de Sciences de Gestion" from the University of Paris – Sorbonne. She joined the Company as Head of Marketing in February 2006 and has more than 10 years experience in the marketing sector. She served in various positions at De Chazal Du Mée, PricewaterhouseCoopers and Goupille & Company Ltd, a member of the Rogers Group.

Senior Management Profile

Gaëtan Jacques

Head of Logistics

Gaëtan (45) joined in November 2005 after more than 20 years at the Esquel Group of Companies (Textile Industries Ltd.) where he held the position of Manager - Finishing Department. Gaëtan is also the chairman of the Health and Safety Committee. He monitors all the Company's administrative projects and looks after the non-clerical staff.

Gérard Lok Ok Choo

Operations Manager – General Branch, Head of Business Development

Gérard, born in 1956, qualified as an associate of the Chartered Insurance Institute in 1984 and became a Chartered Insurer in 1995. He joined the Company in 1976 and was appointed Head of Life and Agency department in January 2006. He became the Operations Manager - General Branch in July 2006 and also the Head of Business Development in January 2007.

Deeya Mohabeer

Head of Legal and Debt Recovery Unit

Deeya (40) is an Attorney at Law and holds a Bachelor's Degree in Law from the University of Mauritius. She started private practice in 1994 and was appointed by the Bank of Mauritius to assist in recovery of MCCB. She joined the Mauritius Housing Company as in-house attorney in 2001 and set up the Debt Recovery Department. She joined Mauritius Union in March 2006 as Head of the Legal and Debt Recovery Unit. She was recently appointed as Complaints Coordinator.

Solange Ng Kwing King

Head of Loans Unit

Solange joined Mauritius Union in 1977. She became Manager of the Loans Department in 1996. In May 2005, she was appointed Head of Loans Unit and became a member of the Investment Committee in September 2006.

Senior Management Profile

Gilbert Poisson

Head of Finance & Planning,
Assistant to the Managing Director, Company Secretary

Gilbert, born in 1953, became a member of the Association of Chartered Certified Accountants UK in 1980 and an Associate Member of the Chartered Insurance Institute UK in 1986. He was an auditor with De Chazal Du Mée & Co, Chartered Accountants, until 1978 and assistant audit manager on Lloyds Syndicate audit with Fitcher, Head & Gilberts, Chartered Accountants in UK until 1981. He joined the Company in 1981 as Accountant and became Group Finance Manager in 1998. He was appointed Head of Finance & Planning /Assistant to the CEO in July 2005 and is the Company Secretary since July 31, 2006.

Percy Rose

Technical Manager – General Branch

Percy (59) started his career with Mauritius Union in September 1967 and qualified as an Associate of the Chartered Insurance Institute in 1979. He left in 1980 to take up various positions starting from Mauritian Eagle Insurance Company Ltd., through Stella Insurance Company Ltd to end at Island Insurance Company Ltd. as Senior Manager. He came back to Mauritius Union in April 2006, as Technical Manager - General Branch.

Rishi Sewnundun

Head of Information Systems

Rishi (33) graduated in Computer Science & Engineering at the University of Mauritius. He also holds an MBA in Marketing from the same university. He joined J. Kalachand & Company 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.

Ben That Fong

Manager - Statutory Reporting, Finance and Planning

Ben (39) worked with Deloitte & Touche and Lamusse Sek Sum & Co. as auditor. He moved to Jubilee Insurance (Mauritius) Company Ltd as Accountant in 1997 before joining the Company in 2000. He was appointed Manager - Statutory Reporting, Finance and Planning in January 2007. Ben is a Fellow Member of the Association of Chartered Certified Accountants UK.

Chairman's Review

Dear Shareholder

Overall Performance

The Group achieved a satisfactory performance in 2006 with an overall surplus of Rs 294.6m – performance largely attributable to the equity market.

However, the general underwriting business, which is strongly influenced by motor insurance, is still not performing satisfactorily with a surplus of only Rs 26m. Your Board is not satisfied with this result and has set itself the task of improving it.

This year's net profit - Rs51.6m (Rs102.4m in 2005) - was negatively impacted mainly by 1) exceptional legal costs of Rs70.6m to defend the MCB case, and 2) early retirement compensation to former employees of Rs9.5m.

Life Assurance

The Life Assurance Fund's performance has also been satisfactory. It has increased by Rs 652.5m compared to increases of Rs 290.4m in 2005 and Rs 213m in 2004.

The removal of tax benefits on life assurance premiums and pensions following the Finance Act 2006 has prompted the Company to revamp its commercial strategy and to develop a number of new products.

Dividends

The performance for the year has allowed your Board to improve the dividends paid from Rs 2.20 per share to Rs 2.60 per share.

The MCB Case

Last year, the Chairperson reported that the claim of The Mauritius Commercial Bank Limited had taken up much of your Board members' time. This has again been the case this year.

We reported in the 2005 financial statements that no liability towards the MCB had been recognised as the legal advisors were of the opinion that the MCB claim was not valid.

Your Board still maintains this position, further encouraged by the judgment of the High Court of London, confirming that the insurance contracts between the Company and MCB do not respond to the MCB claim as pleaded before the Supreme Court of Mauritius. A copy of the communiqué published by the Company following the judgment has been included in pages 45 and 46.

Chairman's Review

The Industry

The great disappointment of the Insurance industry has been the failure of the "Constat à l'amiable" which has led to abuses in motor accident reporting. Moreover, the process of referring disputes to the Motor Vehicle Insurance Arbitration Committee (MVIAC) has become an additional hurdle in claim processing and recovery instead of a mechanism for fast-tracking the process as the findings of the MVIAC are not executory.

The Company is presently working with the Insurers' Association of Mauritius and with the Financial Services Commission to find solutions to these problems.

Board Changes

Georges André Robert who took over as Chairperson on June 1, 2005 retired in that function on November 22, 2006 but remained as a director. We would like to pay special tribute to Georges for guiding the Company over this period and are delighted he remains as a director. Stéphane Henry who joined the Board on January 28, 2005, resigned on July 4, 2006 in order to avoid possible conflicts of interest between long-term insurance business and his responsibilities as Fund Manager.

Danielle Lagesse who joined the Board on June 24, 2005 resigned on February 6, 2007 to be able to appear in lieu and instead of Mrs Christine Sauzier (who has taken employment elsewhere) as attorney in the MCB Case.

We would like to thank Stéphane and Danielle for their valued contribution to the work of the Company.

Looking Ahead

We have invested heavily in people and information technology over the last 2 years. The investments have had an adverse impact on our short-term results, but improvements in the underwriting results of the General Business, and increases in gross premiums in Life Assurance, are the first positive signs from those investments.

In 2007, your Board will consider a corporate restructuring of the Group with the view of separating Life Assurance from General Business, in anticipation of the promulgation of the Insurance Act 2005.

Conclusion

On behalf of the Board, I would like to thank all staff, and all our agents, for their commitment to improving the overall performance of the Group.



Bernard Mayer
Chairman

"The Group achieved a satisfactory performance in 2006 with an overall surplus of Rs 294.6m."

Managing Director's Report

**“Shareholders’
wealth nears
the one billion
rupee mark which
is positioning
Mauritius
Union as the
No1 General
Insurance player
in the market.”**

I am pleased to report to and update our shareholders about what we, as a team, managed to achieve during the year 2006.

Overall our group performance has improved this year with better results posted on short term insurance underwriting and excellent returns on investments compared with last year. As a result, shareholders’ wealth nears the one billion rupee mark which is positioning The Mauritius Union Assurance Company Limited as the n°1 General Insurance player in the market.

The main asset of our company is our human resources. Last year we put in place a new culture of performance where everyone in the Company had agreed to an individual set of targets which, when reached or overtaken, gave right to attractive performance bonuses. Measurement of performance is based on numbers but also on non-quantitative elements such as attitude, team spirit and initiative. I am pleased to see that our people have very willingly adhered to this approach and the results are visible.

But we could not carry on our business without reviewing our operations and in early 2006 we took the decision to implement a completely new IT system to cater for the General Insurance business. The system known as GIIIS was operational in an exceptionally short time. From the decision to implement to the going live it took the Company only 6 months, which is extremely rare in our industry. I am grateful to those colleagues who did not spare their time and effort to make this critical change a success and have been working late evenings and week ends to make this happen. The new system will not only increase the speed and the productivity of our operations but also provide management with comprehensive statistical information, extremely useful for an in-depth analysis of our portfolio as well as for the development of new products.

We have not reduced the pace of our product innovation and the success of our Travel Insurance has made it the leader in the market. Our campaigns on household insurance (Assurance La Caze) and on our special loan schemes were a success. During the last quarter of 2006 we have concluded a distribution contract with Momentum Africa (a member of the First Rand Group) for their “Bonne Santé” medical insurance. This scheme is extremely performing, and we foresee it as a market leader in the not too distant future.

In order to make sure that all our initiatives are aligned with the long-term interest of the Company, we have designed a four years strategic plan which was agreed by the Board in November 2006.

I shall now review the main sectors of activities:

General Insurance (Short Term)

Short-term contracts indemnify the insured for injury, sickness, damage to property, loss of earnings resulting from the occurrence of an insured (unexpected) event, or a claim following an insured event made during the insurance period which is usually one year.

Motor insurance still represents about 70% of the portfolio although an appreciable growth of 12 % has been registered on the non-motor side.

Managing Director's Report

Underwriting results closed with a surplus of Rs26m (Rs10m in 2005), confirming the right remedial actions initiated last year. This improvement is mainly due to non-motor insurance, since the motor insurance, as everywhere in the market place, is suffering from a persistent poor loss ratio.

	GROSS PREMIUMS		UNDERWRITING SURPLUS/(DEFICIT)	
	2005 Rs '000	2006 Rs '000	2005 Rs '000	2006 Rs '000
Motor	270,126	277,476	(12,151)	(13,186)
Non-Motor	106,870	119,870	21,944	39,177
	376,996	397,346	9,793	25,991

The motor insurance business is still suffering from strong inadequacies between the premiums charged and the claims presented. This is due to unreasonable competition during the past 5 years with, at the same time, a substantial rise in costs of repairs and frauds. Some small insurance companies do not have the means to reimburse their share of claims and tend to litigate systematically in order to delay their payment obligations. Despite raising the issue on several occasions with the Regulator, no market improvement has been noticed.

In the meantime we have initiated strong actions to correct the situation. We have progressively increased our premiums. We have been more selective in the underwriting process and we have done a lot of work to reduce the costs of repairs, essentially through the accreditation of a limited number of garages. I am confident that in 2007 such actions will produce positive results.

The non-motor business has progressed by 12% especially in travel assistance, household insurance, marine and yacht. The trend should continue in 2007 and reduce the relative proportion of our motor insurance business. Our aim is to increase the share of our non-motor business within the overall general insurance portfolio. We see for example very good prospects in household insurance.

Long Term Insurance (Life Assurance)

These contracts insure events associated with human life, i.e. death, disability or survival after a long term. Some contain a discretionary participation feature (DPF), which entitles the holder to receive, in supplement to a guaranteed amount, a contractual right to additional profits or bonuses.

After an excellent start of year in terms of new business, the overall mood for contracting long-term plans slowed down following the coming into force of the Finance Act 2006, which removed tax allowances on life and pension premiums. After a temporary upsurge of surrendered policies, a reasonable overall growth of 10.5% was nevertheless achieved.

The commercial strategy was revamped. Continuous training of our sales force and staff was carried out so as to leverage the service level and advice that our clients receive from any point of contact within the Company. The concept of need-based selling has been introduced and long-term insurance policies sold after a thorough analysis process.



Managing Director's Report

New unit-linked products have been developed offering a wide range of insurance solutions where savings and protection elements are unbundled and tailored to match customers' needs.

Information technology facilities were also stepped up to enhance customer relationship building and bring sustainable growth.

Apart from the surrenders referred to above, and an exceptional increase in pension payments following the early retirement of some staff, death and maturity claims fell within expected levels.

Investments

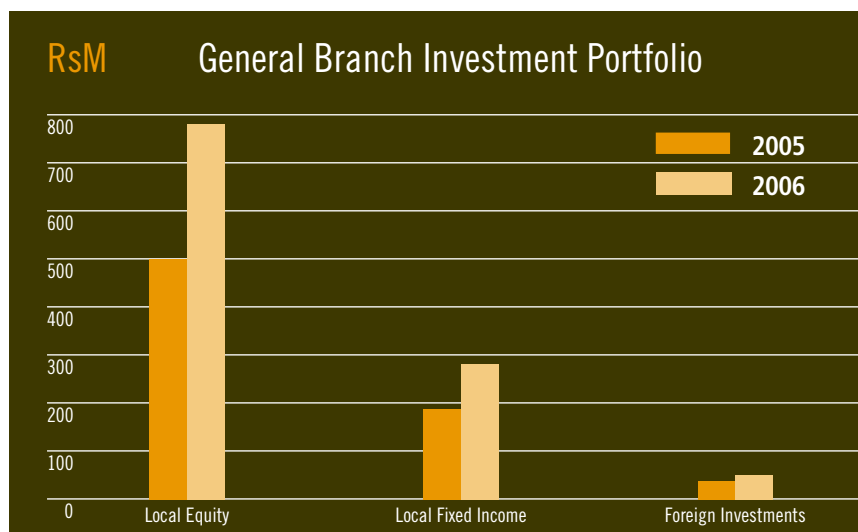
The Company has a strong financial position and this is due to the professional management of the cash flow generated over the years from premiums received from customers. As at December 31, 2006, out of Rs3.9 billion of group total assets, Rs3.5 billion were in the form of income-generating assets. The group-managed assets are split between life policyholders' funds of Rs2.3 billion and general business & subsidiaries of Rs1.2 billion.

During 2006, the Investment Committee met monthly to review the investment policy and make sure that the right investment products were chosen. We maintained our efforts to adapt our investment strategy to the risks of both sectors of activity that is short-term and long-term insurance. We have also improved the ratio between local and foreign investments, following the recommendations of fund management experts. I am pleased to report that we have reached a situation where our investment mix is at par with what we consider as best practice in our type of business. It is extremely important for a company of our size to show a strong financial situation. It protects us from unexpected accidents and, at the same time, contributes significantly to the generation of profit.

The Investment Committee upheld its primary objective of providing support to the investment decision-making process, and was thus fully dedicated to create reasonable basis and develop a totally independent team-based opinion when faced with investment opportunities. The objective behind a decision to dispose of some investments is the judicious realisation of revaluation reserves and profit to achieve capital growth through re-investment; hence optimising shareholders' return and consolidating life policyholders' fund.

Local equity investment for the **General Branch** registered an annual return of 60.6%; local fixed income assets yielded a weighted average return of 9%, while foreign investments in rupee terms generated a return of 20.9%. The overall portfolio return reached 48.7% for 2006.

Fixed income investments rose from Rs190.8m in 2005 to Rs279.7m in 2006. In view of the high exposure to equity asset class, it is expected that investments in fixed income instruments will be stepped up in the coming year.

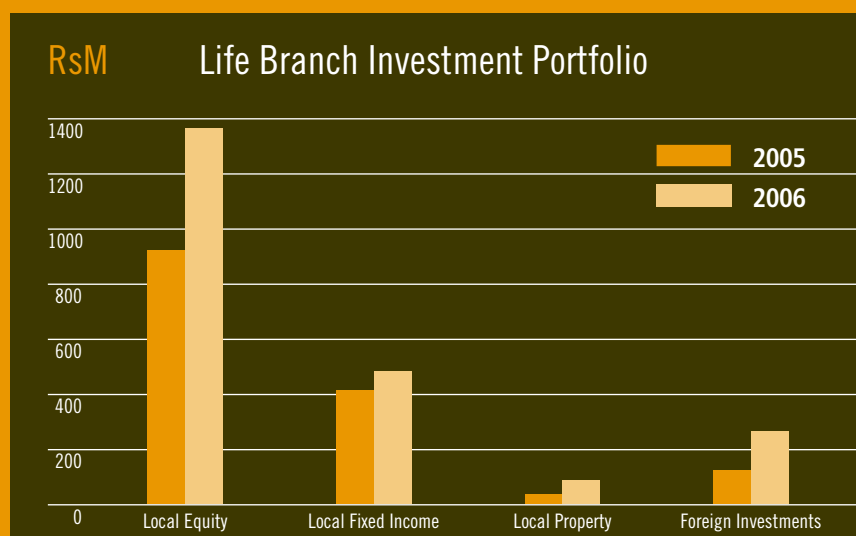


Managing Director's Report

Investments represented 95% of Life Branch total assets compared to 92% for 2005.

62.2% of the portfolio of Rs2.3 billion has been invested in local equities, 21.8% in local fixed income securities and loans, 4% in properties. Foreign investments represent 12%.

Local equity investment for the Life Branch recorded an annual return of 60.9%, fixed income assets yielded a weighted average return of 11.4%, while all classes of foreign holdings in rupee terms generated a return of 24.8%. The overall portfolio return reached 43.6% in 2006.



The Finance Act 2006 abolished the deduction of mortgage interest from taxable income, which caused a temporary slow down on our lending activity. There is, nevertheless, still a demand from our customers for housing loans. In spite of prevailing fierce competition from other financing institutions, and as a result of actions initiated last year, the loans portfolio grew by 13.74%. The granting of loans is usually accompanied by a life assurance contract and a contractor's all risk and/or a fire policy on the house. The loan activity therefore not only yields interest but also triggers cross-selling of insurance products compared to other fixed income instruments where capital can only be re-invested at maturity.

Information Systems

As explained above, the implementation of a new software in an exceptionally short time is a milestone in the development of our Company. Unlike the previous application, this new system automates all general-insurance business processes, is user-friendly and enables the extraction of valuable statistics for timely and effective decision-making.

An internal software development team has been set up to maintain and enhance the new General Insurance Information System. This team will also be responsible to monitor the work of the external software service providers who are maintaining other application systems, which will in time be phased out.

Managing Director's Report

The IT infrastructure upgrade started in 2005 was completed this year. Critical servers and communication equipment were replaced, back-end and operating systems were upgraded, and a robust external data storage was put in place to enhance performance, reliability, security and availability of our systems.

The e-mail security system has been strengthened to fight the ever-growing number of spam that are eroding business efficiency and pushing down productivity in many organisations round the globe.

Regulatory Framework

In the interest of policyholders and shareholders and due to the different nature and risk attached to the Company's main activities, procedures have been initiated to eventually separate the long-term insurance business from the general insurance business in line with the Insurance Act 2005 which has not yet been promulgated.

Conditions imposed by the Company in granting credit facilities as well as the treatment meted to defaulting clients are fair and equitable to all parties and comply with the requirements of The Borrowers Protection Act 2007. For the past year, arrears reached only 1.75% of overall loan balances and no seizure procedure has been initiated.

Prevention of money laundering procedures including reporting of suspicious transactions comply with the requirements of the Financial Intelligence and Anti Money Laundering Act 2002.

We have recruited a full time compliance officer who has contributed to the implementation of internal procedures and is playing a central role in the following up of and controlling the adherence to our internal rules as well as the regulations in place for the insurance industry.

I am pleased to report that Mauritius Union was in the limelight recently explaining the importance of complaint handling procedures on television. A complaint handling procedure has been initiated as recommended by the Financial Services Commission.

Business Development

We have taken initiatives to improve on our conservative behaviour of good operators to move to a more commercial and business development approach. This is why we have set up during the last quarter of 2006 a business development team in charge of managing at the same time the full range of products of the Company and the various distribution channels available. The team has made a very good start and I am confident that during 2007 we will see good results.

“We have set up a business development team in charge of managing at the same time the full range of products and the various distribution channels.”

Managing Director's Report

New Products

As mentioned above the Travel and Assistance insurance, which was launched in late 2005, became the market leader in early 2006. It includes a worldwide assistance with CEGA, a UK-based provider of medical and emergency assistance. Most travel agents have adopted the product and sales have increased threefold compared with the preceding period. In July 2006, two new plans, the Business Frequent Flyer plan and the Student plan, have been successfully launched.

We have also finalised an exclusive partnership with Air Mauritius for selling our Travel Insurance products at their counters.

The "Bonne Santé" healthcare plan has been officially launched in February 2007. It is exclusively marketed by the Company and administered by Momentum Mauritius Ltd, which is a wholly-owned subsidiary of Momentum Africa which is a subsidiary of the First Rand Group, one of the largest financial institutions of South Africa. Momentum Africa is a health risk management and administration organisation specialising in medical schemes. It is present in eight major African countries.

The scheme provides for three types of plans and provides for unique innovative features like the Medical Savings Account and the accumulation of bonus points awarded if there are no claims.

We see very good potential in 2007 for the development of our business. I am pleased to mention our decision to reinforce our presence in Trianon Shopping Park with the acquisition of additional space to accommodate the expansion of our business in that area.

Human Resources

The focus in 2006 was to expand on the founding blocks set in the previous year, namely the need to have a skilled and committed team to consistently work towards the realisation of Corporate Objectives.

The most important approach to this guiding philosophy was to inculcate a Performance Culture to the staff. A valid and fair Performance Management System (PMS) was set up last year and in December 2006, the entire staff was able to measure their individual and collective contributions throughout the year towards the success/profitability of the Company. Performance bonuses were distributed accordingly.

"I am pleased to mention our decision to reinforce our presence in Trianon Shopping Park with the acquisition of additional space to accommodate the expansion of our business."

Managing Director's Report

We have also emphasised the need for professional training. Requests for in-house training have flooded and the HR department has organised many sessions, conducted both by our internal resources as well as external course providers. The Company has maintained at the same time its policy of sponsoring courses in insurance, finance and accounting, among others, to employees desirous to acquire more technical knowledge. Besides, this year, the Company will take this initiative a step further by putting in place an incentive/ reward system to motivate candidates at the ACII examinations.

When recruiting new staff to cater for the expanding activities of the Company, management seeks to attract, recruit, and retain the most talented employees on the basis of their capacity to adapt to the Company's culture as one major yardstick. Besides academic excellence, the Company ensures that it does not discriminate against any applicant on the basis of religion, creed, colour, race, social origin, sex or ethnic classification for selection.

Corporate Social Responsibility

In the course of 2006, the HR department has set up a committee consisting of members from all departments to act as a constructive and dynamic forum for exchange of ideas and views.

Thus in 2006, the Company contributed to several projects concerning children and this coming year will contribute to the cause of Women in Distress.

We are deeply convinced that through concerted effort of all stakeholders, the Society will be a better place to live in. Mauritius Union is whole-heartedly a proponent of this motto and endeavours to play its role fully in that sense.

I am very happy to see that 2006 has shown some significant improvement in the performance of our Company. I would like to thank all our people for their commitment to the success of Mauritius Union. Our Company has been since its inception an example of unity among the people of Mauritius and I know that it will still show the way for the years to come. I also want to thank my fellow board members and especially my chairmen, Georges Robert and Bernard Mayer, for their support.



Jacques de Navacelle
Managing Director

**“In 2006 the
Company
contributed to
several projects
concerning
children.”**



efficient streamlining

The need to improve and to be more efficient. And to improve efficiency is to reach greater achievement.



transparency

A better future is based on greater
transparency, good governance and integrity.

Corporate Governance Report

Statement of Compliance

The Code of Corporate Governance for Mauritius encourages all companies to apply, where appropriate the principles contained in the Report and the Code.

The Board of The Mauritius Union Assurance Company Limited recognises that the Code is seen as best practice and ensures that its operations are conducted in a way that displays characteristics of good governance, namely discipline, transparency, independence, accountability, fairness and social responsibility.

1. 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 previous authorisation of the Board of Directors.
- As at April 4, 2007, no individual shareholder owned more than 5% of the issued share capital.
- There are no restrictions on the transfer of fully paid-up shares.
- There are no pre-emptive rights attached to the shares.

Analysis of shareholders at December 31, 2006.

No. of shareholders	No. of shares	No. of shares owned	% of total issued shares
252	1 – 500	45,477	0.227%
115	501 – 1,000	87,934	0.439%
357	1,001 – 5,000	935,170	4.667%
132	5,001 – 10,000	923,514	4.608%
152	10,001 – 50,000	3,239,647	16.166%
37	50,001 – 100,000	2,549,609	12.723%
25	100,001 – 250,000	3,871,296	19.318%
4	250,001 – 500,000	1,332,603	6.650%
9	500,001 – 1,000,000	7,054,750	35.203%
1,083	TOTAL	20,040,000	100.000%

Corporate Governance Report

2. Common Directors

	The Mauritius Union Assurance Company Limited	MUA Commercial Vehicles Agency Ltd.	Associated Brokers Ltd.
Vincent Ah Chuen	*	*	*
Richard Arlove	*		
Pierre Yves Bigaignon	*		
Pierre de Chasteigner du Mée	*		*
Jacques de Navacelle	*	*	*
Danielle Lagesse	*		*
Bernard Mayer	*		
Pierre-Yves Pougnnet	*	*	*
Georges Robert	*	*	*

3. Shareholders' Agreement

The Company is not aware of any shareholders' agreement.

4. Management Agreement

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

5. Dividend Policy

The Company has no formal dividend policy. Payment of dividends is subject to the profitability of the Company, its cash flow and its capital-expenditure requirements.

6. Board of Directors

The Board is composed of nine directors, two of whom are executives and seven are independent non-executives.

The Board met on ten occasions during the year under review.

On March 28, 2006, the Board adopted a Charter which sets out its responsibilities.

There is a clear separation between the roles of the Chairman and Managing Director. The Chairman leads the Board, ensuring that all directors participate fully and constructively in the functioning and decision-making process of the Board. He monitors, with the participation of the Secretary, the information submitted to the Board to ensure that the directors are able to reach informed decisions. The Managing Director is responsible for the day-to-day management of the Company, and the implementation of strategies and policies agreed by the Board.

The independent non-executive directors bring to the Board a wide range of experience and skills. They are free from any business or other relationships, which could materially affect their ability to exercise independent judgment.

Board members' profiles are set out on pages 12 and 13.

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

Corporate Governance Report

6.1 Executive Directors' Service Contracts

- Jacques de Navacelle has a fixed term contract of three years from May 1, 2005.
- Pierre de Chasteigner du Mée has no fixed term contract.

6.2 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.

6.3 Changes in Directorship

- Stéphane Henry resigned on July 4, 2006.
- Georges Robert resigned as Chairperson on November 22, 2006.
- Bernard Mayer, alternate to Richard Arlove from May 5, to September 25, 2006, was appointed to the Board on August 11, 2006 and elected Chairperson on November 30, 2006.
- Danielle Lagesse resigned on February 6, 2007.

6.4 Directorships in Other Listed Companies

The directorships held by the Board Members of MUA in other listed companies as at December 31, 2006 are shown below:

Directors	Policy Ltd	Les Moulins de La Concorde Ltée	Others	Others
Vincent Ah Chuen	*	*	ABC Motors Co Ltd	
Richard Arlove	*			
Pierre Yves Bigaignon				
Pierre de Chasteigner du Mée	*			
Jacques de Navacelle			Harel Frères Ltd	Mon Trésor Mon Désert Ltd
Danielle Lagesse				
Bernard Mayer	*			
Pierre-Yves Pougnat	*	*	Livestock Feed Ltd	Tropical Paradise Co. Ltd
Georges Robert	*		Robert Le Maire Ltd	

Corporate Governance Report

6.5 Directors' Interests in Shares of the Company

The direct and indirect interests of the directors in the ordinary shares of the Company as at December 31, 2006, together with their classification, are set out in the table below:

Directors	Classification	No. of Shares	
		Direct	Indirect
Vincent Ah Chuen	Independent Non-executive	132,287	10,563
Richard Arlove	Independent Non-executive	1,500	-
Pierre Yves Bigaignon	Independent Non-executive	1,500	-
Pierre de Chasteigner du Mée	Executive	1,125	33,270
Jacques de Navacelle	Executive	1,000	-
Danielle Lagesse	Independent Non-executive	1,000	1,500,000
Bernard Mayer	Independent Non-executive	84,375	2,490,472
Pierre-Yves Pougnet	Independent Non-executive	138,151	-
Georges A. Robert	Independent Non-executive	137,812	-

6.6 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:

- Vincent Ah Chuen purchased 3,276 shares
- Jacques de Navacelle purchased 1,000 shares
- Pierre-Yves Pougnet sold 6,800 shares

7. Committees of the Board

Two committees of the Board have been constituted; an Audit & Risk Committee and a Corporate Governance, Remuneration and Nomination Committee, in order to assist the directors in discharging their duties through a more comprehensive evaluation of specific issues.

These committees may seek any information they may require from any employee of the Company in order to perform their duties.

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

7.1 Audit & Risk Committee

The Audit & Risk Committee is chaired by Richard Arlove. Vincent Ah Chuen and Pierre-Yves Pougnet are the other members. All three members have substantial accounting and financial expertise. External and Internal Auditors attend meetings when invited.

The Audit & Risk Committee has adopted formal terms of reference and the Committee has confirmed that it has discharged its responsibilities for the year, in compliance with its terms of reference.

Corporate Governance Report

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 in the scope 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

7.2 Corporate Governance, Remuneration and Nomination Committee

Members of the Corporate Governance, Remuneration and Nomination Committee are:

- Bernard Mayer (Chairman as from November 30, 2006)
- Georges A. Robert (Chairman up to November 30, 2006)
- Pierre de Chasteigner du Mée
- Danielle Lagesse (up to February 6, 2007)

The Corporate Governance, Remuneration and Nomination Committee is responsible for implementing the Code of Corporate Governance throughout the Company and ensuring that the reporting requirements on corporate governance are made in accordance with the principles enunciated in the Code.

This Committee is responsible for recommendations with regard to the Company's general policy on remuneration for directors and senior management and for the establishment of the criteria necessary to measure the performance of Directors.

The Committee also has the responsibility for Board and senior executives nominations.

(a) Board Appraisal

The Committee has carried out a Board Appraisal exercise; the findings have been discussed and recommendations made to the Board.

(b) Board Induction

An induction training session has been carried out on December 18, 2006 and directors have been briefed on the following aspects concerning the Company:

- The historical background
- An overview of the economic environment in the context of the insurance market
- Supervision of and legislation regulating insurance business
- Company's performance and benchmarking within the market
- Nature and operation of insurance and reinsurance
- Description of the organisation, distinguishing production units and service departments
- Product development and marketing
- Future developments

“The Corporate Governance, Remuneration and Nomination Committee is responsible for implementing the Code of Corporate Governance throughout the Company.”

Corporate Governance Report

7.3 Directors' Attendance at Board Meetings and Committees of the Board, and Remuneration whilst in office

Directors	Board Meetings	Audit & Risk Committees	Corporate Governance Committees	Remuneration from the Company Rs ('000)		Remuneration from Subsidiaries Rs ('000)	
				2006	2005	2006	2005
Jean-Paul Adam				-	125	-	-
Vincent Ah Chuen	7 out of 10	3 out of 4		120	98	-	-
Richard Arlove	9 out of 10	4 out of 4		120	60	-	-
Pierre Yves Bigaignon	4 out of 10			120	60	-	-
Pierre de Chasteigner du Mée	8 out of 10		3 out of 3	240	208	285	169
Jacques de Navacelle	7 out of 7			2,953	-	-	-
Stéphane Henry	5 out of 5			60	60	-	-
Danielle Lagesse	10 out of 10		3 out of 3	120	60	-	-
Sir Maurice Latour-Adrien				-	230	-	-
Bernard Mayer	4 out of 4			87	-	-	-
Pierre-Yves Pougnet	7 out of 10	4 out of 4		120	133	-	-
Georges A. Robert	10 out of 10		3 out of 3	560	373	-	-
				4,500	1,407	285	169

8. Remuneration Policy

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 Committee of the Board.

9. Share Option

The Company has no share option plan.

10. Internal Audit

The mission of the internal audit is to provide independent, objective assurance services, designed to add value and improve the Company's operations. It derives its authority from the Board through the Audit & Risk Committee.

The internal audit is carried out by Messrs Ernst & Young, Public Accountants. The scope of their work encompasses:

- identifying risk areas and evaluating the level of risk for each risk area,
- reviewing internal control processes and making appropriate recommendations to the Audit & Risk Committee and the Management,
- monitoring the implementation of the recommendations and reporting on these implementations to the Audit & Risk Committee

They have carried out four audit reviews during 2006.

Corporate Governance Report

10.1 Reporting lines

The 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 Chairman 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 the scope of work aligns with the degree of risk attributable to the area being audited.

10.3 Restrictions

The Internal Auditors have unrestricted access to the Company's accounting 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 having regard to 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 is being implemented to:

- ensure all material risks are identified and reported to management, to the Audit & Risk Committee and to the Board
- ensure mitigation activities are developed, communicated, agreed and measured to ensure objectives are achieved
- ensure continuous identification of new risks that may arise so as to implement 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.

“Risk Management refers to the process used by the Company to monitor and mitigate its exposure to risk.”

Corporate Governance Report

“Claims handling is closely monitored so as to ensure loss reported is covered and properly assessed”

(a) Short-term Insurance

The Company's underwriting strategy attempts to ensure that the underwritten risks are acceptable, well priced and diversified in type, amount of risk and industry. Statistics captured and analysed by computer software are extensively used to assess and review 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. Thus, through effective proportional, excess of loss, catastrophe and facultative reinsurance covers, the maximum loss for a given risk that the Company may suffer in any one year is predetermined.

Claims handling is closely monitored so as to ensure that the loss reported is covered and properly assessed. Where relevant, the Company may pursue third parties for payment of some or all liabilities (subrogation). The Company 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.

(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 and changes in lifestyle, such as eating habits, smoking and lack of exercise, resulting in higher and earlier than expected claims being submitted to the Company. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. Underwriting involves medical examination of proposed life assured and the application of an appropriate actuarially determined premium. Death cover above a pre-determined retention limit is reinsured. Liabilities in terms of long-term insurance contracts are based on actuarial valuations.

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

Corporate Governance Report

(i) Foreign exchange risk

The Company holds foreign investments through an Associate Company whose net assets are exposed to currency translation risk. The Company also holds a number of deposits, equity investments, property investments and bank balances denominated in foreign currencies and is exposed to fluctuations of the United States Dollar, European Euro and Great Britain Pounds. 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 premium payable and to secured loans granted in the normal course of business. Loans granted are closely monitored by the Credit Committee which is chaired by the Managing Director. The Legal Department, which is headed by an in-house lawyer, 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 by it. 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. These losses may be caused by one or more of the following:

(a) Human Resources Risk

That the personnel responsible for managing and controlling different sectors of the organisation or a business process do not possess the requisite knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risks are reduced to an acceptable level. An internal training programme has been initiated to minimise that risk and external training is also provided.

“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.”

Corporate Governance Report

(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 result. A Compliance Department has been set up to monitor these issues.

(c) Business Interruption Risk

The Company's capability to continue critical operations and processes is highly dependent on availability of information technologies, skilled labour and other resources. If people with the requisite experience and skills or other critical resources were unavailable or if critical systems broke down, the Company would experience difficulty in continuing operations. A business interruption plan has been set up involving the duplication of our records and information systems on standby servers at a distant location, and insurance transactions are updated daily, through the Mauritius Telecom frame relay network. Full customer service can be delivered from this location.

(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. These can significantly affect the Company's reputation, profitability, future business written and market share. A Customers' Complaints Handling Unit has been implemented involving both Compliance and Legal staff.

(e) Health and Safety Risk

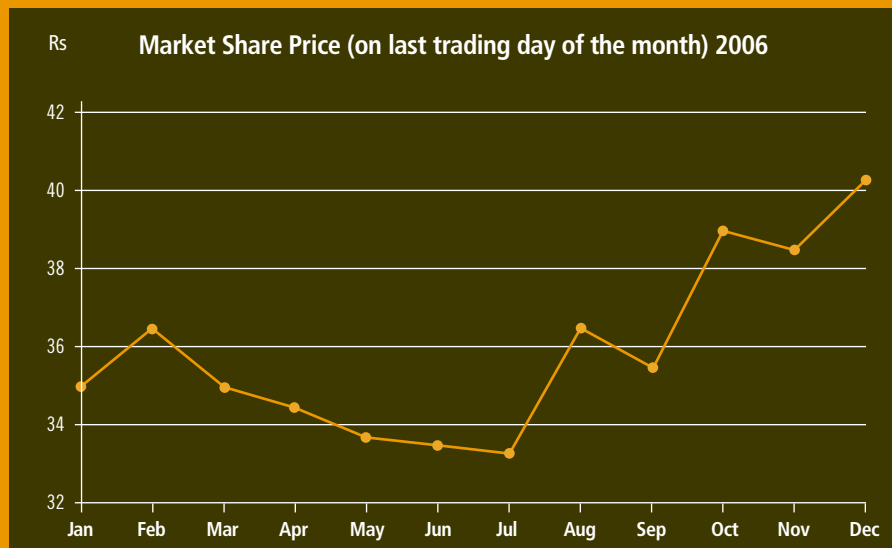
Worker health and safety risks are significant if not controlled because they can expose the Company to substantial liability in respect of workers' compensation. Non-compliance with Health & Safety Legislation may result in heavy fines. The Health & Safety Committee ensures that these risks are minimised through control, follow-up and communication procedures. The Human Resources Department ensures compliance with labour laws.

With regards to the operational risks, management is currently rating the risks by applying appropriate methods based on the recurring nature of the risk and the financial and operational impact of the risk.

Under the risk management framework that is currently being established, a priority plan of action aimed at developing and implementing mitigating controls will be prepared. Clear responsibilities and targets will be established and monitored. The overall effort to establish a risk management framework is being undertaken under the close supervision of the Audit & Risk Committee.

Corporate Governance Report

12. Share Price Information



13. Charitable Donations

Charitable donations made by the Company during the year to 17 recipients amounted to Rs 669,600 (2005: Rs 338,231).

The theme was centred around Children's needs, but the Company also entertained requests which had to do with social causes, for instance poverty and housing.

None of the subsidiaries made any charitable donations.

14. Political Donations

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

15. Auditors' Remuneration

	GROUP		COMPANY	
	2006 Rs'000	2005 Rs'000	2006 Rs'000	2005 Rs'000
Audit fees paid to:				
- BDO De Chazal Du Mée	568	638	523	500
- Other firms	80	69	-	-
Fees paid for other services provided by				
- BDO De Chazal Du Mée	753	1,191	741	1,169
- Other firms	7	8	-	-
Details of NON-AUDIT FEES:				
	2006 Rs '000	2005 Rs '000		
NON-AUDIT FEES PAID TO BDO DE CHAZAL DU MÉE				
Survey on insurance claims	277	706		
Advisory services	337	339		
Tax computation fees	70	77		
Audit of the annual statutory return to the FSC	69	69		
	753	1,191		

Corporate Governance Report

16. Sustainability Reporting

The Company recognises that it operates within a social and economic community and as such is committed, when taking decisions and carrying out its activities, to take into account not only the economic viability but also the environmental consequences and social implications. The Company recognises its key role on job and wealth creation in the Mauritian society. Reporting sustainability is generally understood to be the way for a company to strike a right balance between economic, environmental, and social integration, often through commitment and activities that extend beyond the foundation of compliance with legislation.

16.1 Ethics

The Company has adopted a Code of Ethics in order to:

- Define accepted/acceptable behaviours
- Promote high standards of practice
- Provide a benchmark for staff members to use for self evaluation
- Establish a framework for professional behaviour and responsibilities

All employees have taken cognisance of the Code and individually 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 it is at added cost for the Company.

A Health and Safety procedure has been set out and posted on MUA's intranet, to explain and demonstrate the Company's attitude towards health and safety as well as the steps, arrangements and systems the Company has 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.

Moreover, staff have been trained on handling fire equipment, evacuation simulation exercise and first aid care.

Corporate Governance Report

16.3 Social

The Company is very sensitive to the needs of children and last year its contribution to their cause took numerous forms. Sponsoring activities of the T1-Diams Group (children suffering from T1 diabetes), contribution to the housing project of Camp Lacolle, active participation in the ZEP Scheme (Zone d'Education Prioritaire) with Stanley Government School were undertaken, among others.

This coming year, the Company proposes to direct its efforts to the cause of Women in Distress. Resources allocated under a "Corporate Social Responsibility" budget, which amounts to Rs 500,000 this year, will be geared towards *SOS Femmes*, and *Etoile d'Espérance* and other similar institutions. A number of visits has already been organised and others will be carried out to those institutions with a view to identify their immediate needs. A thorough audit is usually carried out before extending any support to the earmarked "Non-Governmental Organisations".

17. Time-table of important upcoming events

May 2007	Annual Meeting of Shareholders Declaration of Interim Dividends
June 2007	Payment of Interim Dividends
August 2007	Submission of financial statements for the six months ending June 30, 2007
October 2007	Declaration of Final Dividends
December 2007	Payment of Final Dividends

Corporate Governance Report

18. Directors' Statement of Responsibilities

18.1 Financial Statements

The directors of The Mauritius Union Assurance Company Limited are required by The Companies Act 2001 to prepare financial statements for each financial year, 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 integrity of these financial statements and for the objectivity of any other information presented therein.

The directors confirm that, in preparing these financial statements, they have:

1. Selected suitable accounting policies that are compliant with International Financial Reporting Standards and applied them consistently
2. Made judgments and estimates that are reasonable and prudent
3. Prepared the financial statements on a going concern basis
4. Kept proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company
5. Taken appropriate measures to safeguard the assets of the Company through the application of appropriate internal control systems and procedures
6. 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 function has been established to assist management in the effective discharge of its responsibilities. Internal audit reviews business controls on an on-going basis, is independent of management and reports directly to the Audit & Risk Committee.

18.3 Risk Management

Through the Audit & Risk Committee, directors are made aware of the risk areas which 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 April 10, 2007 and signed on its behalf by:



Bernard Mayer
Chairperson



Jacques de Navacelle
Managing Director



Gilbert Poisson
Secretary

Communiqué – MCB Case

The following communiqué was published on February 7, 2007, pursuant to Listing Rule 11.3, following the judgment of the High Court of London.

1. Between June 30, 2002 and June 30, 2003, The Mauritius Union Assurance Company Limited ('MUA') underwrote insurance for The Mauritius Commercial Bank Ltd ('MCB'). MUA issued three insurance policies (the 'Insurance Policies') to MCB, namely one primary policy and two excess policies. The primary policy covered a number of risks including infidelity, premises and transit. The first excess policy covered various risks including infidelity, but excluded cover for premises and transit. The second excess policy (the 'Second Excess Policy') covered losses relating to premises and transit under an 'All Risks of Physical Loss or Damage'. The Second Excess Policy contained a 'condition' which extended coverage 'to include infidelity - 72 hour discovery period'. The Second Excess Policy contained an excess of Rs 50,500,000 per loss.
2. MUA fully reinsured each of the above risks with reinsurers (the 'Reinsurers') in the London market. The wording of each reinsurance contract between MUA and the Reinsurers replicated that of the insurance contracts between MUA and MCB.
3. On February 14, 2003, MCB announced that it had discovered a large-scale fraud which had resulted in the misappropriation of funds over a period of some 11 years between 1991 and 2002.
4. On September 30, 2004, MCB began proceedings in the Supreme Court of Mauritius against MUA claiming losses of Rs 737 million under the premises cover under the Second Excess Policy.
5. On February 3, 2005, the Reinsurers entered an action before the High Court of London seeking declarations that they were not liable under the reinsurance contracts in respect of the losses pleaded by MCB before the Supreme Court of Mauritius for the following reasons:
 - (a) the losses averred did not qualify as losses relating to premises under the excess 'All Risks of Physical Loss or Damage' policy (the 'Excess Reinsurance');
 - (b) the losses were not discovered within the '72-hour discovery period' applicable to losses covered by the Excess Reinsurance;
 - (c) with the exception of one loss, none of the losses over the 11-year period exceeded the excess of Rs 50,500,000 applicable to each loss relating to premises under the Excess Reinsurance.

Communiqué – MCB Case

6. On February 6, 2007, the High Court of London, after finding that the principles of interpretation under Mauritius law and English law are similar, reached the conclusion that:
 - (a) the losses pleaded by MCB before the Supreme Court of Mauritius are not covered by the Excess Reinsurance;
 - (b) the misappropriations of funds from bank accounts as alleged by MCB before the Supreme Court of Mauritius are not losses relating to premises under the Excess Reinsurance;
 - (c) the various misappropriations of funds over a period of 11 years separated 'by days or months or years' could not be regarded as a single loss but were well and truly separate losses;
 - (d) even if MCB could have claimed under the premises cover under the Excess Reinsurance, all the losses pleaded by MCB before the Supreme Court of Mauritius were less than the excess of Rs 50,500,000 except for one loss (which exceeded the deductible by Rs 4,500,000) that was sustained on December 19, 1994, that is well before June 1999 when MUA started to underwrite insurance for MCB;
 - (e) on MCB's own pleadings before the Supreme Court of Mauritius, because no misappropriation had taken place after the end of 2002, none of the losses alleged in the Mauritius proceedings was discovered within 72 hours of having been sustained.
7. For those reasons, the Excess Reinsurance could not and did not respond to MCB's claim. In the circumstances, the Judge also ordered that MCB should pay the costs of MUA in the proceedings before the High Court of London.
8. The direct effect of the judgment of the High Court of London is that MUA does not have Excess Reinsurance cover for MCB's claim for losses relating to premises under the Second Excess Policy.
9. The judgment of the High Court of London, however, confirms the view of MUA that the insurance contracts between MUA and MCB which replicate the terms of the reinsurance contracts between MUA and the Reinsurers do not respond to MCB's claim as pleaded before the Supreme Court of Mauritius.
10. MUA is comforted in its view that MCB's claim for Rs 737 million for losses relating to premises under the Insurance Policies is misconceived.



deep rooted wealth

More than merely an indication of past performance, financial strength provides an excellent indication of how the Company will perform in the future.

trust

A black and white photograph of a plant, possibly a mimosa, with several open seed pods. The pods are arranged in a star-like pattern, with each pod containing a single seed. The background is blurred, showing more of the plant's structure.

Trust is the essential precondition
upon which success depends.

Secretary's Certificate

(pursuant to Section 166(d) of the Companies Act 2001)

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

A handwritten signature in black ink, appearing to read 'Gilbert Poisson', with a stylized flourish extending from the end.

Gilbert Poisson
Secretary

April 10, 2007

Independent auditors' report to the members

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

Report on the Financial Statements

We have audited the financial statements of The Mauritius Union Assurance Company Limited and its subsidiaries (the "Group") and the Company's separate financial statements on pages 52 to 103 which comprise the balance sheets at December 31, 2006, the income statements, life assurance fund movements, statements of changes in equity and cash flow statements 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. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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' judgment, 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.

Independent auditors' report to the members

MCB Case

In forming our opinion, we have considered the adequacy of the disclosures made in Note 39 to the financial statements. The claim is for an amount of Rs 737m compared to Net Assets of the General Branch Business of Rs 842m at the balance sheet date. Our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements on pages 52 to 103 give a true and fair view of the financial position of the Group and of the Company at December 31, 2006, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

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 and business advisers and dealings in the ordinary course of business.

We have obtained all 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 requirements of the Code.

BDO DE CHAZAL DU MEE
Chartered Accountants

Port Louis,
Mauritius.

April 10, 2007

Balance Sheets

December 31, 2006

		THE GROUP		THE COMPANY			
	Notes	2006 Total Rs'000	2005 Total Rs'000	Life Rs'000	2006 General Rs'000	Total Rs'000	2005 Total Rs'000
ASSETS							
Non-Current Assets							
Property and Equipment	5	192,393	199,334	95,029	90,656	185,685	192,648
Investment Properties	6	61,298	26,850	61,298	-	61,298	26,850
Intangible Assets	7	15,999	9,934	1,944	9,476	11,420	5,226
Statutory Deposits	8	16,000	16,000	8,000	8,000	16,000	16,000
Investments in subsidiary companies	9	-	-	-	11,979	11,979	112,979
Investments in associated companies	10	99,480	77,200	34,308	28,032	62,340	62,340
Financial assets	11	2,345,257	1,654,899	1,570,176	562,221	2,132,397	1,359,472
Loans and receivables	12	505,821	572,524	394,564	221,692	616,256	467,801
Deferred tax assets	13	20,704	10,324	-	20,765	20,765	10,324
		3,256,952	2,567,065	2,165,319	952,821	3,118,140	2,253,640
Current Assets							
Financial assets	11	5,628	430,205	-	-	-	-
Loans and receivables	12	35,740	36,099	32,491	3,249	35,740	36,099
Trade and other receivables	14	157,115	240,868	36,841	114,699	151,540	173,319
Claims recoverable from reinsurers	15&16	237,764	256,538	-	237,764	237,764	256,538
Bank balances and cash	36	188,568	168,786	37,859	146,894	184,753	120,973
		624,815	1,132,496	107,191	502,606	609,797	586,929
Non-current assets held for sale	17	25,599	8,164	25,599	-	25,599	8,164
Total Assets		3,907,366	3,707,725	2,298,109	1,455,427	3,753,536	2,848,733
EQUITY AND LIABILITIES							
Capital and Reserves (attributable to equity holders of the parent company)							
Share Capital	18	200,400	200,400	-	200,400	200,400	200,400
Share Premium	19	-	-	-	-	-	-
Revaluation and Other Reserves	20	515,367	272,800	-	410,694	410,694	195,030
Retained Earnings		205,401	208,790	-	167,598	167,598	169,673
Statutory Reserve Fund		36,117	33,515	-	36,117	36,117	33,515
Equity holders' interest		957,285	715,505	-	814,809	814,809	598,618
Minority interest		2,600	1,855	-	-	-	-
Total Equity		959,885	717,360	-	814,809	814,809	598,618
Technical Liabilities							
General Business Fund	15/21	157,808	149,692	-	157,808	157,808	149,692
Life Assurance Fund		2,280,946	1,628,412	2,280,946	-	2,280,946	1,628,412
		2,438,754	1,778,104	2,280,946	157,808	2,438,754	1,778,104
Non-Current Liabilities							
Borrowings	23	-	463,847	-	-	-	-
Retirement benefit obligations	24	816	4,280	408	408	816	4,280
		816	468,127	408	408	816	4,280
Current Liabilities							
Borrowings	23	-	260,652	-	-	-	-
Outstanding claims	15&16	396,174	391,206	618	395,556	396,174	391,206
Trade and other payables	25	111,541	76,132	16,137	86,846	102,983	60,493
Current tax liabilities	26	196	112	-	-	-	-
Dividend proposed	27	-	16,032	-	-	-	16,032
		507,911	744,134	16,755	482,402	499,157	467,731
Total Equity and Liabilities		3,907,366	3,707,725	2,298,109	1,455,427	3,753,536	2,848,733

These financial statements have been approved for issue by the Board of Directors on April 10, 2007 and are signed on its behalf by:

Bernard Mayer
Chairman

Pierre de Chasteigner du Mée
Vice Chairman

The notes on pages 59 to 103 form an integral part of these financial statements.
Auditors' report on pages 50 and 51.

Income Statements

Year Ended December 31, 2006

	Notes	THE GROUP		THE COMPANY	
		2006	2005	2006	2005
		Rs'000	Rs'000	Rs'000	Rs'000
Continuing operations					
Revenue	28	316,416	294,265	310,505	291,196
Underwriting surplus (page 54)		25,991	9,793	25,991	9,793
Investment and other income	29(a)	134,685	156,989	146,674	159,883
		160,676	166,782	172,665	169,676
Legal costs	31(a)	70,586	20,907	70,586	20,907
Management expenses		60,624	51,139	57,468	44,087
Depreciation	5	8,836	8,006	8,443	7,485
Amortisation	7	1,478	849	1,478	828
		141,524	80,901	137,975	73,307
Share of results of associated companies	10(a)	19,152	85,881	34,690	96,369
		17,103	7,139	-	-
Transfer from Life Assurance Fund (page 55)	30	36,255	93,020	34,690	96,369
		7,500	8,000	7,500	8,000
Profit before taxation	31	43,755	101,020	42,190	104,369
Taxation	26	10,082	11,760	10,441	11,796
Profit from continuing operations		53,837	112,780	52,631	116,165
Discontinued operations					
Income/(loss) from discontinued operations	33	298	(10,380)	-	-
Loss on disposal of subsidiary	34	(2,528)	-	-	-
Net Profit for the year		51,607	102,400	52,631	116,165
Attributable to:					
Equity holders of the company		51,317	101,961	52,631	116,165
Minority interest		290	439	-	-
		51,607	102,400	52,631	116,165
Earnings per share from continuing operations (Rs/cs)	35	2.67	5.68		
Loss per share from discontinued operations (Rs/cs)	35	(0.11)	(0.53)		

The notes on pages 59 to 103 form an integral part of these financial statements.
Auditors' report on pages 50 and 51.

General Business Revenue Account

Year ended December 31, 2006

	Notes	THE COMPANY	
		2006 Rs'000	2005 Rs'000
Gross Premiums		397,346	376,996
Premiums ceded to Reinsurers		(78,725)	(77,611)
Change in unearned premiums	16(ii)/21	(8,116)	(8,189)
Net earned premiums	2(k)	310,505	291,196
Gross claims paid	16(i)	260,911	289,131
Claims recovered from Reinsurers	16(i)	(21,662)	(45,017)
Movement in outstanding claims		23,769	11,210
Net claims incurred		263,018	255,324
Commissions receivable from Reinsurers		16,707	13,500
Commissions paid to agents and brokerage fees		(38,203)	(39,579)
Net Commissions		(21,496)	(26,079)
Underwriting surplus (page 53)		25,991	9,793

*The notes on pages 59 to 103 form an integral part of these financial statements.
Auditors' report on pages 50 and 51.*

Life Assurance Fund

Year ended December 31, 2006

	Notes	THE COMPANY	
		2006 Rs'000	2005 Rs'000
Gross Premiums		263,976	238,023
Ceded to Reinsurers		(20,054)	(17,341)
Net insurance premiums	28	243,922	220,682
Consideration for annuities	28	23,692	20,875
Investment and other income	29(b)	94,131	84,349
Profit on disposal of property and equipment		223	463
		118,046	105,687
		361,968	326,369
LESS:			
Gross death and disablement claims		10,544	14,139
Recoverable from reinsurers		(6,881)	(8,665)
Net death and disablement claims		3,663	5,474
Commissions payable		20,629	19,802
Commissions recoverable from reinsurers		(3,498)	(3,440)
Net commissions		17,131	16,362
Maturity claims		116,828	116,171
Surrenders		13,270	7,598
Other benefits		8,611	1,991
Annuities and pensions		34,665	22,797
Management expenses		49,103	49,332
		222,477	197,889
		118,697	106,644
Depreciation	5	(8,668)	(8,398)
Increase in fair value of investment properties	6	16,981	3,513
Decrease in fair value of non-current assets held for sale	17	(9,415)	(8,836)
Increase in fair value of available-for-sale financial assets		543,191	174,219
Revaluation during the year		-	31,910
Amortisation of intangible assets	7	(752)	(618)
Surplus for the year before taxation		660,034	298,434
Taxation	26	-	-
Surplus for the year		660,034	298,434
Transfer to Income Statement (page 53)	30	(7,500)	(8,000)
Net surplus for the year		652,534	290,434
Fund at January 1,		1,628,412	1,337,978
Fund at December 31,		2,280,946	1,628,412

The notes on pages 59 to 103 form an integral part of these financial statements.
Auditors' report on pages 50 and 51.

Statements of changes in Equity

Year ended December 31, 2006

Attributable to equity holders of the Parent Company									
Notes	Share Capital		Revaluation		Statutory		Minority		TOTAL
	Fully paid Rs'000	Partly paid Rs'000	Share Premium Rs'000	Reserves Rs'000	Retained Earnings Rs'000	Reserve Fund Rs'000	Total Rs'000	Interest Rs'000	
THE GROUP									
Balance at January 1, 2006	200,400	-	-	272,800	208,790	33,515	715,505	1,855	717,360
Increase in fair value of available-for-sale-financial assets	-	-	-	317,713	-	-	317,713	452	318,165
Release from fair value reserve on disposal of available-for-sale financial assets	-	-	-	(80,337)	-	-	(80,337)	-	(80,337)
Movement in reserves of associates	-	-	-	5,177	-	-	5,177	-	5,177
Movement in reserves of subsidiary	-	-	-	14	-	-	14	3	17
Net profit for the year	-	-	-	-	51,317	-	51,317	290	51,607
Transfer to Statutory Reserve Fund from profit for the year	-	-	-	-	(2,602)	2,602	-	-	-
Dividends	-	-	-	-	(52,104)	-	(52,104)	-	(52,104)
Balance at December 31, 2006	200,400	-	-	515,367	205,401	36,117	957,285	2,600	959,885
Balance at January 1, 2005	107,600	11,916	25,835	272,615	114,693	29,539	562,198	-	562,198
Rights issue	26,000	(11,916)	14,084	-	-	-	28,168	-	28,168
Share issue costs	-	-	(322)	-	-	-	(322)	-	(322)
Bonus issue	66,800	-	(39,597)	(27,203)	-	-	-	-	-
Increase in fair value of available-for-sale-financial assets	-	-	-	104,780	-	-	104,780	-	104,780
Release from fair value reserve on disposal of available-for-sale financial assets	-	-	-	(82,593)	-	-	(82,593)	-	(82,593)
Release from fair value reserve on distribution of dividend in specie	-	-	-	(29,028)	29,028	-	-	-	-
Revaluation of land and buildings	-	-	-	31,912	-	-	31,912	-	31,912
Acquisition of subsidiary	-	-	-	-	-	-	-	1,414	1,414
Movement in reserves of associates	-	-	-	2,308	-	-	2,308	-	2,308
Movement in reserves of subsidiary	-	-	-	9	-	-	9	2	11
Net profit for the year	-	-	-	-	101,961	-	101,961	439	102,400
Transfer to Statutory Reserve Fund from profit for the year	-	-	-	-	(3,976)	3,976	-	-	-
Dividends	-	-	-	-	(32,916)	-	(32,916)	-	(32,916)
Balance at December 31, 2005	200,400	-	-	272,800	208,790	33,515	715,505	1,855	717,360

The notes on pages 59 to 103 form an integral part of these financial statements.
Auditors' report on pages 50 and 51.

Statements of changes in Equity

Year ended December 31, 2006

	Notes	Share Capital		Share Premium	Revaluation and Other Reserves		Retained Earnings	Statutory Reserve Fund	TOTAL
		Fully paid	Partly paid		Rs'000	Rs'000			
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
THE COMPANY									
Balance at January 1, 2006		200,400	-	-	-	195,030	169,673	33,515	598,618
Increase in fair value of available for-sale-financial assets	20	-	-	-	-	222,100	-	-	222,100
Release from fair value reserve on disposal of available-for-sale financial assets	20	-	-	-	-	(6,436)	-	-	(6,436)
Net profit for the year		-	-	-	-	-	52,631	-	52,631
Transfer to Statutory Reserve Fund from profit for the year		-	-	-	-	-	(2,602)	2,602	-
Dividends	27	-	-	-	-	-	(52,104)	-	(52,104)
Balance at December 31, 2006		200,400	-	-	-	410,694	167,598	36,117	814,809
Balance at January 1, 2005		107,600	11,916	25,835	173,280	-	90,400	29,539	438,570
Rights issue		26,000	(11,916)	14,084	-	-	-	-	28,168
Share issue costs		-	-	(322)	-	-	-	-	(322)
Bonus issue		66,800	-	(39,597)	(27,203)	-	-	-	-
Increase in fair value of available for-sale-financial assets	20	-	-	-	-	62,095	-	-	62,095
Release from fair value reserve on disposal of available-for-sale financial assets	20	-	-	-	-	(45,054)	-	-	(45,054)
Revaluation of land and buildings		-	-	-	-	31,912	-	-	31,912
Net profit for the year		-	-	-	-	-	116,165	-	116,165
Transfer to Statutory Reserve Fund from profit for the year		-	-	-	-	-	(3,976)	3,976	-
Dividends	27	-	-	-	-	-	(32,916)	-	(32,916)
Balance at December 31, 2005		200,400	-	-	-	195,030	169,673	33,515	598,618

The notes on pages 59 to 103 form an integral part of these financial statements.
Auditors' report on pages 50 and 51.

Cash Flow Statements

Year ended December 31, 2006

	Notes	THE GROUP		THE COMPANY		
		2006 Total	2005 Total	2006 Life General	2006 Total	2005 Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Operating Activities						
Net cash generated from continuing operations	36(a)	144,963	223,157	105,475	127,959	233,434
Operating cash flows from discontinued activities	33(c)	12,624	(12,470)	-	-	-
Income tax paid		(215)	(659)	-	-	(219)
Net cash generated from operating activities		157,372	210,028	105,475	127,959	233,434
Investing Activities						
Disposal of property and equipment		3,539	2,993	1,662	1,877	3,539
Disposal of intangible assets		-	57	-	-	-
Disposal/maturity of financial assets		157,858	184,769	78,705	11,417	90,122
Disposal of investments in subsidiary company, net of cash and cash equivalents disposed of	34	(76,873)	-	-	101,000	101,000
Purchase of property and equipment	5	(14,345)	(19,190)	(6,445)	(7,318)	(13,763)
Acquisition of intangible assets	7	(8,424)	(2,975)	(668)	(7,756)	(8,424)
Purchase of financial assets	11	(231,466)	(270,267)	(88,132)	(7,888)	(96,020)
Investment in subsidiary companies		-	(11,524)	-	-	-
Loans recovered		170,256	112,180	89,676	80,580	170,256
Loans granted/repaid		(228,015)	(153,512)	(137,307)	(155,060)	(292,367)
Purchase of investment properties		(21,941)	(13,426)	(21,941)	-	(21,941)
Net change in loans and receivables		(33,920)	(17,000)	(9,920)	(24,000)	(33,920)
Investing cash flows from discontinued activities	33(c)	226,393	135,866	-	-	-
Net cash used in investing activities		(56,938)	(52,029)	(94,370)	(7,148)	(101,518)
Financing Activities						
Issue of shares		-	28,168	-	-	-
Share issue costs		-	(322)	-	-	-
Dividends	27	(68,136)	(16,884)	-	(68,136)	(68,136)
Financing cash flows from discontinued activities	33(c)	(12,219)	(184,719)	-	-	-
Net cash (used in)/generated from financing activities		(80,355)	(173,757)	-	(68,136)	(68,136)
Net increase/(decrease) in cash and cash equivalents		20,079	(15,758)	11,105	52,675	63,780
Movement in cash and cash equivalents						
At January 1,		168,489	184,247	26,754	94,219	120,973
Increase/(decrease)		20,079	(15,758)	11,105	52,675	63,780
At December 31,	36(b)	188,568	168,489	37,859	146,894	184,753

The notes on pages 59 to 103 form an integral part of these financial statements.
Auditors' report on pages 50 and 51.

Notes to the Financial Statements

Year ended December 31, 2006

1. General information

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.

The principal activity of the Company is the transaction of short term and long term insurance business and has remained unchanged during the year. The activities of the subsidiary companies are disclosed in note 9(b).

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements comply with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with changes in presentation and disclosure in the current year.

The financial statements are prepared under the historical cost convention, except that:

- (i) land and buildings are stated at fair value;
- (ii) available-for-sale financial assets are stated at their fair values;
- (iii) investment properties are stated at fair value; and
- (iv) held-to-maturity investments, loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost.

Amendments to published Standards, and Standards and Interpretations issued but not yet effective.

Certain Standards, amendments to published Standards and Interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2007 or later periods but which the Group/Company has not early adopted.

Except for IFRS 7, Financial Instruments: Disclosures, the Amendments to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective January 1, 2007), and IFRS 8, Operating segments (effective January 1, 2009), these Standards, amendments and Interpretations are not relevant to the Group's/Company's operations.

IFRS 7, IFRS 8 and the Amendment to IAS 1 are disclosure requirements only and will not when adopted, affect the results of the Group/Company.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(b) Property and equipment

All property and equipment is initially recorded at cost. Land and buildings are subsequently shown at market value, based on valuations by external independent valuers less subsequent depreciation for property. All other property and equipment is stated at historical cost less depreciation. 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.

Increases in the carrying amount arising on revaluation are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement.

Notes to the Financial Statements

Year ended December 31, 2006

2. Significant accounting policies (continued)

(b) Property and equipment (continued)

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

	Rate per annum
Buildings	2%
Office equipment, fixtures and fittings	10 - 33.3%
Motor vehicles	20%

Land is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. 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. On disposal of revalued assets, amounts in revaluation reserve relating to that asset are transferred to retained earnings.

(c) Investment properties

Property held to earn rentals or capital appreciation or both and not occupied by the Group is classified as investment properties. Investment properties are stated at fair value, representing open-market value determined by independent valuers. Gains and losses arising from changes in the fair value of investment properties are included in the Life Assurance Fund in the period in which they arise.

(d) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Any net excess of the Group's interest in the net fair value of the acquiree's net identifiable assets over cost is recognised in the income statement.

Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gains or losses on disposal.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Computer software

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

Notes to the Financial Statements

Year ended December 31, 2006

2. Significant accounting policies (continued)

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(f) Investment in subsidiaries

Separate financial statements

Investments in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to December 31, each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of their acquisition or up to the date of their disposal.

The consolidated financial statements have been prepared in accordance with the purchase method. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement in the year of acquisition.

All significant intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(g) Investments in associates

Separate financial statements

Investments in associated companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements

An associate is an entity over which the Group has significant influence but not control, or joint control.

Investments in associates are accounted for by the equity method. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the group's share of the net assets of the associate less any impairment in the value of individual investments.

When the group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Financial Statements

Year ended December 31, 2006

2. Significant Accounting Policies *(continued)*

(h) Financial instruments

Categories of financial assets

The Group and the Company classify their financial assets in the following categories: loans and receivables, held-to-maturity investments and available-for-sale 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.

(a) 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 and the Company provide 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 balance sheet date or non-current assets for maturities greater than twelve months.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group and the Company have the positive intention and ability to hold to maturity.

(c) 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 balance sheet date.

Initial measurement

Purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs.

Subsequent measurement

Available-for-sale financial assets are subsequently carried at their fair values. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale and forming part of the 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 and the Company establish fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flows analysis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and the Company have also transferred substantially all risks and rewards of ownership.

Notes to the Financial Statements

Year ended December 31, 2006

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(c) Available-for-sale financial assets (continued)

Impairment of financial assets

The Group and the Company assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement for a financial asset classified as available-for-sale are not reversed through the income statement.

(d) Long term receivables

Long term receivables with fixed maturity terms are measured at amortised cost using the effective interest rate method, less provision for impairment. The carrying amount of the asset is reduced by the difference between the asset's carrying amount and the present value of estimated cash flows discounted using the effective interest rate. The amount of loss is recognised in the income statement. Long term receivables without fixed maturity terms are measured at cost. If there is objective evidence that an impairment loss has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated cash flows discounted at the current market rate of return for similar financial assets.

(e) 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 and the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(f) Trade payables

Trade payables are stated at their nominal values.

The carrying amounts of trade receivables and trade payables approximate their fair values.

(g) Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Notes to the Financial Statements

Year ended December 31, 2006

2. Significant Accounting Policies *(continued)*

(i) Insurance Contracts - classification

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that 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. Investment contracts issued by the Company are in respect of investment business of the staff pension scheme and are not considered material compared to insurance contracts.

Some insurance contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses.

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

(a) Short-term insurance contracts

Short-term insurance contracts are mainly in respect of motor business but the Company also sells fire and allied perils, health, marine, engineering and other miscellaneous insurance contracts. These contracts protect the Company'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.

(b) 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.

(c) 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 profit or bonuses. The magnitude of the profit or bonuses as well as the timing of the payments are however at the discretion of the Company. The Company has an obligation to eventually pay to contract holders up to 90% of the DPF eligible surplus (i.e. all interest and realised gains and losses arising from the assets backing these contracts). The remaining 10% is payable to the shareholders. Any portion of the DPF eligible surplus that is not declared as a profit or bonus is retained as a liability under the Life Assurance Fund, until declared and credited to contract holders in future periods.

(j) Reinsurance contracts

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

Notes to the Financial Statements

Year ended December 31, 2006

2. Significant Accounting Policies (continued)

(j) Reinsurance contracts (continued)

Reinsurance contracts used by the Company 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 Company 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 Company falling under the terms and limits of the treaties are reinsured automatically.

Reinsurance assets primarily include balances due from reinsurance companies for ceded insurance liabilities.

Short-term balances due from reinsurers are classified within trade and other receivables and longer term receivables are classified as reinsurance assets under loans and receivables. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contracts.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as expenses when due.

Impairment of reinsurance assets

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in the Income Statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

(k) Revenue recognition

(a) Premiums earned

(i) Short-term insurance

Premiums on short-term insurance contracts represent gross premiums net of premiums ceded to reinsurers and are recognised as revenue (net earned premiums) on a half-yearly pro-rata basis (50th method) over the period of coverage.

(ii) Long-term insurance

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

(b) Consideration for annuities

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

(c) Lease income

Lease income consists of rental income under finance leases.

(d) Other revenues

Other revenues are recognised on the following bases:

- Brokerage and commission receivable - on an accrual basis in accordance with the substance of the relevant agreements.
- Interest income - as it accrues unless collectibility is in doubt.
- Dividend income - when the shareholder's right to receive payment is established.

Notes to the Financial Statements

Year ended December 31, 2006

2. Significant Accounting Policies *(continued)*

(l) Unearned premiums - Short-term insurance

Unearned premiums (General Business Fund) represent the proportion of premiums written relating to periods of insurance risks subsequent to the balance sheet date calculated on a half yearly pro-rata basis (50th method).

The change in this liability is taken to the Income Statement.

(m) Claims expenses and outstanding claims provisions - short-term insurance

Outstanding claims provisions are based on the ultimate costs of all claims incurred but not settled at the balance sheet date, whether reported or not (IBNR). Notified claims are only recognised when the Company considers that it has a contractual liability to settle the claims. Claims expenses are charged to the Income Statement 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 balance sheet date. 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.

(n) 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.

(o) Liability adequacy test

(a) Short-term insurance

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of the contract liabilities. In performing the test, current best estimates of future contractual cash flows (including claims handling and administration expenses) and expected investment returns on assets backing such liabilities are used. Any deficiency is immediately charged to the Income Statement and a provision is established for losses arising from the liability adequacy test (the unexpired risk provision).

(b) Long-term insurance

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

Notes to the Financial Statements

Year ended December 31, 2006

2. Significant Accounting Policies *(continued)*

(p) 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 each 3 year period, 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 the 3 year period. The amount of the DPF eligible surplus distributable to shareholders is limited to 1/9th of the cost of the final bonuses allocated to policyholders. One-third of this amount, plus 1/9th of any interim bonuses credited on claims arising during the previous year, is distributed to shareholders every year over the ensuing 3 year period.

(q) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

(r) Alternative Minimum Tax (AMT)

Alternative Minimum Tax (AMT) is provided for if the Company has a tax liability of less than 5% of its book profit and pays a dividend. AMT is calculated as the lower of 10% of the dividend paid and 7.5% of book profit.

(s) Retirement benefit obligations

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 the income statement 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 Pension Scheme, who were previously members of the MUA Staff Pension Scheme, a Defined Benefit Pension 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 balance sheet in respect of the ("NWOG") is the present value of the defined benefit obligation at the balance sheet 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 income over the employees' expected average remaining working lives.

Notes to the Financial Statements

Year ended December 31, 2006

2. Significant Accounting Policies (continued)

(t) Foreign currencies

(i) Functional and presentation currency

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, which is the company's functional and presentation currency.

(ii) 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 the income statement. 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.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

On consolidation, exchange differences arising from the translation of the investment in an associate whose functional currency is the United States Dollar are taken to the currency translation reserve in equity.

(u) Accounting for leases - where the subsidiary is the lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(v) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

(w) Provisions

Provisions are recognised when the Group and the Company have a present or constructive obligation as a result of past events and it is probable that it will result in an outflow of resources than can be reasonably estimated to settle the obligation.

Notes to the Financial Statements

Year ended December 31, 2006

3. Management of Insurance and Financial Risks

The Group's and the Company's activities expose them 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 Risk

Insurance risk is transferred when the Company 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 Company faces under its insurance contracts is that the 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 Company 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.

(i) 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, fires and allied perils and their consequences. Inflation is also a significant factor due to the long period typically required to settle some claims.

The Company's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Company has underwriting limits by type of risks and by industry. Performance of individual insurance policies are reviewed by management and the Company 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 Company may pursue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

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

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

Notes to the Financial Statements

Year ended December 31, 2006

3. Management of Insurance and Financial Risks (continued)

3.1 Insurance Risk (continued)

(ii) 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.

Class of Business	Outstanding claims					
	No. of claims	2006		No. of claims	2005	
		Gross	Net		Gross	Net
		Rs'000	Rs'000		Rs'000	Rs'000
Motor	6,941	160,864	143,538	6,246	129,276	104,580
Fire	82	1,439	971	47	7,988	1,815
Personal Accident	285	6,796	1,497	179	7,006	1,002
Transport	32	683	419	39	4,531	2,757
Miscellaneous	3,960	218,074	3,667	6,663	226,761	8,870
IBNR	-	7,700	7,700	-	15,000	15,000
	11,300	395,556	157,792	13,174	390,562	134,024

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

(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 2006

Rs'000	Total benefits Assured			
	Before reinsurance		After reinsurance	
	Rs'000	%	Rs'000	%
0 - 50	149,282	4	179,343	11
50 - 100	350,320	8	429,626	26
100 - 150	608,592	14	460,611	28
150 - 200	364,324	9	303,933	19
200 - 250	460,713	11	75,672	5
250 - 300	248,535	6	47,106	3
More than 300	2,043,660	48	132,300	8
Total	4,225,426	100	1,628,591	100

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

Annuity payable per annum per life insured at end of 2006

Rs'000	Total annuities payable per annum	
	Rs'000	%
0 - 10	162	3
10 - 20	294	6
20 - 50	514	10
50 - 100	978	19
100 - 150	454	9
More than 150	2,755	53
Total	5,157	100

Notes to the Financial Statements

Year ended December 31, 2006

3. Management of Insurance and Financial Risks (continued)

3.1 Insurance Risk (continued)

(iii) 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 risk attaching basis for non-motor. Under the claims-occurrence basis, the Company 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 risk attaching basis, the Company 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 Company 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 Company 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 Company'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 whereby he/she may decide to amend terms or terminate the contract or exercise a guaranteed annuity option.

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

(iv) Claims development table

The development of insurance liabilities provides a measure of the Company'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 balance sheet.

Net estimate of ultimate claim costs

	Underwriting year						
	2002	2003	2004	2005	2006		
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000		
- At end of claim year	16,800	22,835	41,130	41,699	64,684		
- one year later	16,120	23,333	29,887	36,289	-		
- two years later	14,270	14,805	14,364	-	-		
- three years later	10,316	9,569	-	-	-		
- four years later	8,599	-	-	-	-		
	2002	2003	2004	2005	2006	Total 2006	Total 2005
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	90,961	145,975	217,241	258,072	118,667	830,916	701,501
Cumulative payments	82,362	136,406	202,877	221,783	53,983	697,411	595,219
Liability	8,599	9,569	14,364	36,289	64,684	133,505	106,282
Liability in respect of prior years						24,287	27,742
Total liability (net)						157,792	134,024

Notes to the Financial Statements

Year ended December 31, 2006

3. Management of Insurance and Financial Risks (continued)

3.2 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

Foreign exchange risk

The Company has an investment in an associate whose functional currency is the United States Dollar and whose net assets are exposed to currency translation risk.

The Company has deposits and bank balances in foreign currencies and is exposed to fluctuations with respect to the US Dollar, Euro and UK Pound Sterling. Exposure to foreign currency is not hedged but closely monitored by management.

Credit risk

The Group's credit risk is primarily attributable to its receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment.

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.

Market risk

Market 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.

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 paid. Management monitors the financial strength of its reinsurers and the Company has policies in place to ensure that risks are ceded to top-rated and credit-worthy reinsurers only.

Notes to the Financial Statements

Year ended December 31, 2006

4. Critical Accounting Estimates and Judgments in applying Accounting Policies

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.2 Insurance contracts

The uncertainty inherent in the financial statements of the Company 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 Company applies estimation techniques to determine the appropriate provisions.

(a) Short-term insurance

(i) Claims provision

Outstanding claims provision is determined based upon knowledge of events, terms and conditions of relevant policies, on interpretation of circumstances as well as previous claims experience. Similar cases, historical claims payment trends, judicial decisions and economic conditions are also relevant and are taken into consideration.

Large claims are generally assessed separately, being measured either based on loss adjusters' estimates, or on management's experience.

(ii) Sensitivity analysis

The Company 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.

(b) Long-term insurance

Estimates of future benefit payments under long-term insurance contracts are provided for, based on estimates made by the Company's Independent Actuaries. Estimates are made as to the expected number of deaths for each of the years in which the Company 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 Company's own experience.

Notes to the Financial Statements

Year ended December 31, 2006

4. Critical Accounting Estimates and Judgments in applying Accounting Policies (continued)

4.2 Insurance contracts (continued)

(b) Long-term insurance (continued)

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.

(i) Sensitivity analysis

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

The table below indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

Variable	Basic liability Rs'000	Future bonus reserve Rs'000	Total Life Fund Rs'000	Change in basic liability %
Base run	1,473,229	807,717	2,280,946	0.0%
Future mortality 10% worse	1,477,852	803,094	2,280,946	0.3%
Future lapses 10% higher	1,469,344	811,602	2,280,946	-0.3%
Future investment returns 1% lower	1,545,877	735,069	2,280,946	4.9%
Future inflation 1% higher	1,493,133	787,813	2,280,946	1.4%
Future maintenance expenses 10% higher	1,505,993	774,953	2,280,946	2.2%

For 10% worse mortality assumption, annuitant mortality has been taken as 10% lighter. For all other business, future mortality is assumed to be 10% heavier.

4.3 Held-to-maturity investments

The Group applies 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 judgment. In making this judgment, 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 not amortised cost.

Notes to the Financial Statements

Year ended December 31, 2006

4. Critical Accounting Estimates and Judgments in applying Accounting Policies (continued)

4.4 Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 on determining when an investment is impaired. This determination requires significant judgment. In making this judgment, 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 flow.

4.5 Impairment of other assets

At each balance sheet date, management reviews and assesses the carrying amounts of other assets and, where relevant, writes them down to their recoverable amounts based on best estimates.

4.6 Legal costs

With regards to the MCB case (details of which are provided in Note 39), legal costs include a provision for estimated legal fees to be incurred up to the conclusion of the case, in accordance with the accounting policy described in Note 2 (w) and IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

Notes to the Financial Statements

Year ended December 31, 2006

5. Property and Equipment

(a) The Group - 2006

	Land and Buildings Freehold Land	Buildings on freehold land	Office Equipment Fixtures & Fittings	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cost or Valuation					
At January 1, 2006	33,800	113,955	73,300	25,746	246,801
Transfer	-	9,430	8,693	-	18,123
Additions	-	840	4,820	8,685	14,345
Disposals	-	-	(1,090)	(9,032)	(10,122)
At December 31, 2006	33,800	124,225	85,723	25,399	269,147
Depreciation					
At January 1, 2006	-	3,454	35,071	8,942	47,467
Transfer	-	-	18,123	-	18,123
Charge for the year	-	2,715	9,640	5,149	17,504
Disposal adjustment	-	-	(842)	(5,498)	(6,340)
At December 31, 2006	-	6,169	61,992	8,593	76,754
Net Book Value at December 31, 2006	33,800	118,056	23,731	16,806	192,393
The depreciation charge is allocated as follows:					Rs'000
Life Assurance Fund					8,668
General Business and subsidiaries					8,836
					17,504

(b) The Group - 2005

	Land and Buildings Freehold Land	Buildings on freehold land	Office Equipment Fixtures & Fittings	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cost Or Valuation					
At January 1, 2005	27,064	94,072	80,226	22,743	224,105
Acquisition through business combination	-	8,000	3,314	700	12,014
Additions	-	-	10,622	8,568	19,190
Disposals	-	-	(8,186)	(6,265)	(14,451)
Revaluation surplus	24,439	18,085	(8,693)	-	33,831
Transfer to investment property (note 6)	(17,703)	(6,202)	(3,983)	-	(27,888)
At December 31, 2005	33,800	113,955	73,300	25,746	246,801
Depreciation					
At January 1, 2005	-	12,095	52,182	8,350	72,627
Acquisition through business combination	-	1,400	2,936	700	5,036
Charge for the year	-	2,394	9,268	4,862	16,524
Disposal adjustment	-	-	(7,209)	(4,970)	(12,179)
Revaluation adjustment	-	(11,867)	(18,123)	-	(29,990)
Transfer to investment properties (note 6)	-	(568)	(3,983)	-	(4,551)
At December 31, 2005	-	3,454	35,071	8,942	47,467
Net Book Value at December 31, 2005	33,800	110,501	38,229	16,804	199,334
The depreciation charge is allocated as follows:					Rs'000
Life Assurance Fund					8,398
General Business and subsidiaries					8,006
Discontinued operations					120
					16,524

Notes to the Financial Statements

Year ended December 31, 2006

5. Property and Equipment

(c) The Company - 2006

	Land and Building		Office		
	Freehold	Buildings on	Equipment,	Motor	Total
	Land	freehold	Fixtures &	Vehicles	
	Rs'000	land	Fittings	Rs'000	Rs'000
Cost or Valuation					
At January 1, 2006	33,800	105,939	73,512	25,047	238,298
Transfer	-	9,430	8,693	-	18,123
Additions	-	840	4,551	8,372	13,763
Disposals	-	-	(1,090)	(8,332)	(9,422)
At December 31, 2006	33,800	116,209	85,666	25,087	260,762
Depreciation					
At January 1, 2006	-	1,753	35,655	8,242	45,650
Transfer	-	-	18,123	-	18,123
Charge for the year	-	2,555	9,417	5,139	17,111
Disposal adjustment	-	-	(1,009)	(4,798)	(5,807)
At December 31, 2006	-	4,308	62,186	8,583	75,077
Net Book Value at December 31, 2006	33,800	111,901	23,480	16,504	185,685
Property and equipment is allocated as follows:					
Life Assurance Fund	16,900	57,753	12,181	8,194	95,028
General Business	16,900	54,148	11,299	8,310	90,657
	33,800	111,901	23,480	16,504	185,685
The depreciation charge is allocated as follows:					
					Rs'000
Life Assurance Fund					8,668
General Business					8,443
					17,111

Notes to the Financial Statements

Year ended December 31, 2006

5. Property and Equipment

(d) The Company - 2005

	Land and Building Freehold Land	Buildings on freehold land	Office Equipment, Fixtures & Fittings	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cost or Valuation					
At January 1, 2005	27,064	94,056	77,379	22,744	221,243
Additions	-	-	10,593	8,568	19,161
Disposals	-	-	(1,784)	(6,265)	(8,049)
Revaluation surplus	24,439	18,085	(8,693)	-	33,831
Transfer to investment properties (note 6)	(17,703)	(6,202)	(3,983)	-	(27,888)
At December 31, 2005	33,800	105,939	73,512	25,047	238,298
Depreciation					
At January 1, 2005	-	11,914	50,715	8,350	70,979
Charge for the year	-	2,274	8,747	4,862	15,883
Disposal adjustment	-	-	(1,701)	(4,970)	(6,671)
Revaluation adjustment	-	(11,867)	(18,123)	-	(29,990)
Transfer to investment properties (note 6)	-	(568)	(3,983)	-	(4,551)
At December 31, 2005	-	1,753	35,655	8,242	45,650

Net Book Value at December 31, 2005	33,800	104,186	37,857	16,805	192,648
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Property and equipment is allocated as follows:

Life Assurance Fund	16,900	53,935	19,468	8,387	98,690
General Business	16,900	50,251	18,389	8,418	93,958
	33,800	104,186	37,857	16,805	192,648

The depreciation charge is allocated as follows:

	Rs'000
Life Assurance Fund	8,398
General Business	7,485
	15,883

(e) The land and building, which is presently occupied by the Company, was revalued at June 30, 2005 by independent valuers on an open market basis, by reference to market evidence of transaction prices for similar properties.

(f) The transfer is in respect of a reclassification of the revaluation surplus from Office Equipment, Fixtures and Fittings to Buildings on freehold land to correct a wrong classification in 2005.

(g) If property and equipment had been stated on the historical cost basis, the carrying amounts would have been as follows:

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	Rs'000	Rs'000	Rs'000	Rs'000
Cost	217,894	212,970	208,809	204,467
Accumulated depreciation	88,088	77,064	85,764	75,247
Net book value	129,806	135,906	123,045	129,220

Notes to the Financial Statements

Year ended December 31, 2006

6. Investment Properties - At Fair Value

	THE GROUP			THE COMPANY		
	2006 Total	2005 Total	Life	2006 General	Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1	26,850	17,000	26,850	-	26,850	17,000
Transfer from property and equipment (note 5 (b))	-	23,337	-	-	-	23,337
Additions	44,317	-	44,317	-	44,317	-
Transfer to non-current assets held for sale (note 17)	(26,850)	(17,000)	(26,850)	-	(26,850)	(17,000)
Increase in fair value	16,981	3,513	16,981	-	16,981	3,513
At December 31,	61,298	26,850	61,298	-	61,298	26,850

The investment properties of the Life Branch were revalued at December 31, 2006 by independent valuers on an open market basis, by reference to market evidence of transaction prices for similar properties.

7. Intangible Assets

	THE GROUP			THE COMPANY		
	Goodwill	Computer software	Total	Life	Computer software General	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2006						
Cost						
At January 1, 2006	4,579	14,145	18,724	5,659	7,129	12,788
Additions	-	8,424	8,424	668	7,756	8,424
Disposals	-	(1,357)	(1,357)	-	-	-
At December 31, 2006	4,579	21,212	25,791	6,327	14,885	21,212
Amortisation						
At January 1, 2006	-	8,790	8,790	3,631	3,931	7,562
Charge for the year	-	2,230	2,230	752	1,478	2,230
Disposal adjustment	-	(1,228)	(1,228)	-	-	-
At December 31, 2006	-	9,792	9,792	4,383	5,409	9,792
Net Book Value at December 31, 2006	4,579	11,420	15,999	1,944	9,476	11,420

The amortisation charge for the group is allocated as follows:

	Rs'000
Life Assurance Fund	752
General Business and subsidiaries	1,478
	2,230

Notes to the Financial Statements

Year ended December 31, 2006

7. Intangible Assets

	THE GROUP			THE COMPANY		
	Goodwill	Computer software	Total	Life	General	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2005						
Cost						
At January 1, 2005	-	11,412	11,412	4,682	5,272	9,954
Acquisition through business combination	4,579	-	4,579	-	-	-
Additions	-	2,975	2,975	977	1,857	2,834
Disposals	-	(242)	(242)	-	-	-
At December 31, 2005	4,579	14,145	18,724	5,659	7,129	12,788
Amortisation						
At January 1, 2005	-	7,486	7,486	3,013	3,103	6,116
Charge for the year	-	1,489	1,489	618	828	1,446
Disposal adjustment	-	(185)	(185)	-	-	-
At December 31, 2005	-	8,790	8,790	3,631	3,931	7,562
Net Book Value at December 31, 2005	4,579	5,355	9,934	2,028	3,198	5,226

The amortisation charge for the group is allocated as follows:

	Rs'000
Life Assurance Fund	618
General Business and subsidiaries	849
Discontinued operations	22
	1,489

8. Statutory Deposits

Statutory deposits (as required by the Insurance Act 1987) are made with the Financial Services Commission and are subject to the restrictions contained in the Act.

9. Investments in Subsidiary Companies - Cost

	THE COMPANY			
	Life	General	Total	2005 Total
(a) Unquoted - At Cost	Rs'000	Rs'000	Rs'000	Rs'000
Equity				
At January 1,	-	112,979	112,979	102,000
Transfer from investment in associated companies (note 10(b))	-	-	-	2,579
Additions	-	-	-	8,400
Disposals	-	(101,000)	(101,000)	-
At December 31,	-	11,979	11,979	112,979

(b) The financial statements of the following subsidiary companies, incorporated in Mauritius, have been included in the consolidated financial statements. The subsidiaries have a reporting date of December 31 and operate on the local market.

	Main Activities	Nominal value of investment		Class of shares held	% of ownership interest and voting power held	
		2006	2005		2006	2005
		Rs'000	Rs'000			
MUA Leasing Company Limited	Leasing	-	100,000	Ordinary	-	100%
MUA Commercial Vehicles Agency Limited	Insurance agent	1,000	1,000	Ordinary	100%	100%
MUA E-Serve	Business Process Outsourcing	-	1,000	Ordinary	-	100%
Associated Brokers Ltd	Stockbroker	862	862	Ordinary	80%	80%

Notes to the Financial Statements

Year ended December 31, 2006

10. Investments in Associated Companies

	THE GROUP	
	2006 Rs'000	2005 Rs'000
(a) At January 1,	77,200	69,586
Share of results of associates	17,103	7,139
Consolidation adjustment (see note below)	-	(1,833)
Exchange difference	5,177	2,308
At December 31,	99,480	77,200

Note: The consolidation adjustment relates to an associate, now accounted for as a subsidiary.

	THE COMPANY			
	Life Rs'000	2006 General Rs'000	Total Rs'000	2005 Total Rs'000
(b) At Cost				
At January 1,	34,308	28,032	62,340	64,919
Additions	-	-	-	-
Transfer to investment in subsidiary companies (note 9(a))	-	-	-	(2,579)
At December 31,	34,308	28,032	62,340	62,340

(c) The results of the following associated companies, incorporated in Mauritius, have been included in the consolidated financial statements.

	Class of Shares Held	% holding		Year ended
		2006	2005	
Union and Policy Investments Ltd	Ordinary	50%	50%	December 31, 2006
Union and Policy Offshore Ltd	Ordinary	50%	50%	December 31, 2006
NCBP Holding Ltd	Ordinary	49.24%	49.24%	December 31, 2006

(d) The Group's interest in its principal associates, incorporated in Mauritius with a reporting date of December 31 and all of which are unlisted, was as follows:

Name	Assets	Liabilities	Revenues	Profit	Proportion of ownership interest and voting power held Direct
	Rs'000	Rs'000	Rs'000	Rs'000	%
2006					
- Union and Policy Investments Ltd	29,619	132	11,344	6,203	50
- Union and Policy Offshore Ltd	144,715	1,037	31,316	14,602	50
- NCBP Holding Ltd	61,366	35,172	84,541	13,609	49.24
	235,700	36,341	127,201	34,414	
2005					
- Union and Policy Investments Ltd	23,379	95	12,227	2,498	50
- Union and Policy Offshore Ltd	119,205	484	13,603	9,887	50
- NCBP Holding Ltd	51,674	29,180	49,162	1,923	49.24
	194,258	29,759	74,992	14,308	

Notes to the Financial Statements

Year ended December 31, 2006

11. Financial Assets

(a) The Group

	Held-to-maturity	2006 Available-for-sale	Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	545,128	1,539,976	2,085,104	1,894,894
Acquisition through business combination	-	-	-	43
Additions	-	231,466	231,466	270,267
Disposals/matured	(543,458)	(239,148)	(782,606)	(167,677)
Redeemed	(1,670)	-	(1,670)	(191,449)
Release from fair value reserve	-	(6,062)	(6,062)	-
Increase in fair value - income statement	-	-	-	27
- equity	-	824,653	824,653	278,999
At December 31,	-	2,350,885	2,350,885	2,085,104
Analysed as follows:				
Non-current	-	2,345,257	2,345,257	1,654,899
Current	-	5,628	5,628	430,205
	-	2,350,885	2,350,885	2,085,104

The increase in fair value to equity is allocated as follows:

Life Assurance Fund	506,488	174,219
General Business and subsidiaries	317,713	104,780
Minority interest	452	-
	824,653	278,999

(i) Available-for-sale financial assets

	2006 Rs'000	2005 Rs'000
Available-for-sale financial assets include the following:		
Listed debt securities at fair value	-	2,833
Equity securities-at fair value:		
- OTC	-	106,208
- Listed	1,941,391	1,354,387
- DEM quoted	115,990	-
- Unquoted	293,504	76,548
Total available-for-sale financial assets	2,350,885	1,539,976

(ii) Held-to-maturity investments

Unlisted debt securities at amortised cost	-	545,128
Total held-to-maturity investments	-	545,128
Total investments in financial assets	2,350,885	2,085,104

Notes to the Financial Statements

Year ended December 31, 2006

11. Financial Assets (continued)

(b) The Company

	Life			General	Total			
	Held-to-maturity	Available-for-sale	Total	Available-for-sale	Held-to-maturity	Available-for-sale	2006 Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	1,670	1,012,768	1,014,438	345,034	1,670	1,357,802	1,359,472	1,073,578
Additions	-	88,132	88,132	7,888	-	96,020	96,020	149,851
Disposals	-	(37,212)	(37,212)	(6,365)	-	(43,577)	(43,577)	(88,935)
Release from fair value reserve	-	-	-	(6,436)	-	(6,436)	(6,436)	-
Redeemed	(1,670)	-	(1,670)	-	(1,670)	-	(1,670)	(62,336)
Dividend received in specie	-	-	-	-	-	-	-	51,000
Increase in fair value	-	506,488	506,488	222,100	-	728,588	728,588	236,314
At December 31,	-	1,570,176	1,570,176	562,221	-	2,132,397	2,132,397	1,359,472
Analysed as follows:								
Non-current	-	1,570,176	1,570,176	562,221	-	2,132,397	2,132,397	1,359,472
Current	-	-	-	-	-	-	-	-
	-	1,570,176	1,570,176	562,221	-	2,132,397	2,132,397	1,359,472

(i) Available-for-sale financial assets

	2006	2005
	Rs'000	Rs'000
Available-for-sale financial assets include the following:		
Debt securities at fair value:		
- Listed	-	2,833
Equity securities-at fair value:		
- OTC	-	106,208
- Listed	1,723,713	1,172,213
- DEM quoted	115,190	-
- Unquoted	293,494	76,548
Total available-for-sale financial assets	2,132,397	1,357,802

Non-current held-to-maturity investments were debentures with interest rate of 10% which matured on November 30, 2006.

Available-for-sale financial assets comprise listed, quoted and unquoted equity securities. The fair value of the listed and quoted available-for-sale financial assets is based on the Stock Exchange and DEM quoted bid prices at the close of business on the balance sheet date. In assessing the fair value of unquoted available-for-sale financial assets, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each balance sheet date.

Notes to the Financial Statements

Year ended December 31, 2006

12. Loans and Receivables

	THE GROUP			THE COMPANY		
	2006 Total	2005 Total	Life	2006 General	Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Mortgage Loans	333,719	275,059	330,122	3,597	333,719	275,059
Loans on Life policies	45,646	45,848	45,646	-	45,646	45,848
Bank deposits/bonds	114,920	81,000	24,920	90,000	114,920	81,000
Secured Loans	47,003	33,263	26,367	131,344	157,711	79,617
Net investment in finance leases (note (a))	-	150,818	-	-	-	-
CDS guarantee fund	273	259	-	-	-	-
Deposit on investment property	-	22,376	-	-	-	22,376
	541,561	608,623	427,055	224,941	651,996	503,900
Analysed as follows:						
Non-current	505,821	572,524	394,564	221,692	616,256	467,801
Current	35,740	36,099	32,491	3,249	35,740	36,099
	541,561	608,623	427,055	224,941	651,996	503,900

(a) Net Investment in Finance Leases

	THE GROUP	
	2006 Rs'000	2005 Rs'000
Gross investment in finance leases		
Not later than one year	-	77,636
Later than one year and not later than two years	-	57,883
Later than two years and not later than five years	-	111,483
Later than five years	-	8,429
	-	255,431
Unearned future finance income on finance leases	-	(46,626)
Net investment in finance leases	-	208,805
Representing:		
Current receivables (note 14)	-	57,987
Non-current receivables	-	150,818
	-	208,805
The net investment in finance leases may be analysed as follows:		
	2006 Rs'000	2005 Rs'000
Not later than one year	-	57,987
Later than one year and not later than two years	-	48,848
Later than two years and not later than five years	-	94,082
Later than five years	-	7,888
	-	208,805

Notes to the Financial Statements

Year ended December 31, 2006

13. Deferred Income Tax

Deferred income tax is calculated on all temporary differences under the liability method at 15% and 22.5% (2005 - 15% and 25%).

The movement on the deferred income tax account is as follows:

	THE GROUP		Life	THE COMPANY		
	2006 Total	2005 Total		2006 General	2006 Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	10,324	(1,385)	-	10,324	10,324	(1,659)
Credit for the year (note 26)	10,380	11,709	-	10,441	10,441	11,983
At December 31,	20,704	10,324	-	20,765	20,765	10,324

Deferred income tax assets and liabilities are offset when the deferred income taxes relate to the same fiscal authority.

The following amounts are shown in the balance sheet:

	THE GROUP		Life	THE COMPANY		
	2006	2005		2006 General	2006 Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax assets	20,704	12,449	-	20,765	20,765	12,449
Deferred tax liabilities	-	(2,125)	-	-	-	(2,125)
	20,704	10,324	-	20,765	20,765	10,324

Tax losses and timing differences not accounted for are as follows:

	THE GROUP	
	2006	2005
	Rs'000	Rs'000
Tax losses	303,064	227,463
Difference between capital allowances and depreciation	2,570	(2,107)
	305,634	225,356

Deferred income tax assets are recognised (for tax losses carried forward) only to the extent that realisation of the related tax benefit is probable. The Group has net tax losses of **Rs 305.6m** (2005: Rs 225.4m) to carry forward against future taxable income which have not been recognised due to uncertainty of their recoverability.

Deferred tax assets and liabilities, deferred tax charge/(credit) in the income statement are attributable to the following:

	THE GROUP		Life	THE COMPANY		
	2006 Total	2005 Total		2006 General	2006 Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax liabilities						
Difference between capital allowances and depreciation	-	(2,125)	-	-	-	(2,125)
Deferred income tax assets						
Difference between capital allowances and depreciation	2,509	-	-	2,570	2,570	-
Retirement benefit obligations	61	535	-	61	61	535
Tax losses carried forward	18,134	11,914	-	18,134	18,134	11,914
Net deferred income tax asset	20,704	10,324	-	20,765	20,765	10,324

Notes to the Financial Statements

Year ended December 31, 2006

14. Trade and Other Receivables

	THE GROUP		THE COMPANY			
	2006 Total	2005 Total	Life	2006 General	Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Premium debtors and agents' balances	106,646	110,063	4,895	101,751	106,646	110,063
Provision for doubtful debts	(4,253)	(4,001)	-	(4,253)	(4,253)	(4,001)
	102,393	106,062	4,895	97,498	102,393	106,062
Net investment in finance leases (note 12(a))	-	57,987	-	-	-	-
Reinsurance assets	-	6,884	-	-	-	6,884
Other receivables and prepayments	32,454	33,228	19,424	7,456	26,880	23,666
Loans at call	12,896	27,335	3,150	9,745	12,895	27,335
Interbranch tax equalisation account	9,372	9,372	9,372	-	9,372	9,372
	157,115	240,868	36,841	114,699	151,540	173,319

15. Reinsurance Assets and Insurance Liabilities

	THE GROUP AND THE COMPANY	
	2006 Rs'000	2005 Rs'000
Gross		
- Claims reported and loss adjustment expenses	387,856	375,562
- Claims incurred but not reported (IBNR)	7,700	15,000
- Death claims reported	618	644
- Unearned premiums	197,170	188,498
Total gross insurance liabilities	593,344	579,704
Recoverable from reinsurers		
- Claims reported and loss adjustment expenses	237,764	256,538
- Unearned premiums	39,362	38,806
Total reinsurers' share of insurance liabilities	277,126	295,344
Net		
- Claims reported and loss adjustment expenses	150,092	119,024
- Claims incurred but not reported (IBNR)	7,700	15,000
- Death claims reported	618	644
- Unearned premiums (page 52)	157,808	149,692
Total net insurance liabilities	316,218	284,360

Notes to the Financial Statements

Year ended December 31, 2006

16. Movements in Reinsurance Assets and Insurance Liabilities

(i) The Company

(a) Short-term insurance

(i) Claims	2006			2005		
	Gross Rs'000	Reinsurance Rs'000	Net Rs'000	Gross Rs'000	Reinsurance Rs'000	Net Rs'000
Recognised notified claims	376,206	(256,538)	119,668	381,632	(273,819)	107,813
Incurred but not reported	15,000	-	15,000	15,000	-	15,000
At January 1,	391,206	(256,538)	134,668	396,632	(273,819)	122,813
Increase in liabilities	265,879	(2,888)	262,991	283,705	(27,736)	255,969
Cash paid for claims settled in the year	(260,911)	21,662	(239,249)	(289,131)	45,017	(244,114)
At December 31,	396,174	(237,764)	158,410	391,206	(256,538)	134,668
Recognised notified claims	388,474	(237,764)	150,710	376,206	(256,538)	119,668
Incurred but not reported	7,700	-	7,700	15,000	-	15,000
	396,174	(237,764)	158,410	391,206	(256,538)	134,668

(ii) Provision for unearned premiums	2006			2005		
	Gross Rs'000	Reinsurance Rs'000	Net Rs'000	Gross Rs'000	Reinsurance Rs'000	Net Rs'000
At January 1,	188,498	(38,806)	149,692	187,315	(45,812)	141,503
Increase in the year	8,672	(556)	8,116	1,183	7,006	8,189
At December 31,	197,170	(39,362)	157,808	188,498	(38,806)	149,692

17. Non-current Assets Held for Sale

	THE GROUP AND THE COMPANY	
	2006 Rs'000	2005 Rs'000
At January 1	8,164	-
Transfer from investment properties (note 6)	26,850	17,000
Fair value adjustment	(9,415)	(8,836)
At December 31,	25,599	8,164

Non-current assets held-for-sale represent the Mon Loisir and Rose Hill buildings amounting respectively to Rs 17,435,000 and Rs 8,164,000.

- Rental income for the Rose Hill building amounted to Rs 648,630 (2005: Rs 525,325).

- The Mon Loisir building situated at 5, Léoville L'Homme Street, Port Louis was not rented.

Direct operating expenses arising from the investment properties relate to Municipal rates and amounted to Rs 100,651 (2005: Rs 100,651).

18. Share Capital

	Authorised 2006&2005 Rs'000	Issued and fully paid	
		2006 Rs'000	2005 Rs'000
At January 1,	500,000	200,400	119,516
Rights issue	-	-	14,084
Bonus issue	-	-	66,800
Ordinary shares of Rs.10 each	500,000	200,400	200,400
Number of ordinary shares ('000)	50,000	20,040	20,040

Notes to the Financial Statements

Year ended December 31, 2006

19. Share Premium

	THE GROUP AND THE COMPANY	
	2006	2005
	Rs'000	Rs'000
At January 1,	-	25,835
Premium on rights issue	-	14,084
Issue costs	-	(322)
Bonus issue	-	(39,597)
At December 31,	-	-

20. Revaluation and Other Reserves

(a) The Group

Revaluation and Other Reserves are analysed as follows:

	2006			
	Currency			Total
	Revaluation Reserve	Translation Reserve	Fair Value Reserve	
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	5,801	4,587	262,412	272,800
Increase in fair value of available-for-sale financial assets	-	-	317,713	317,713
Release from fair value reserve on disposal of available-for-sale financial assets	-	-	(80,337)	(80,337)
Movement during the year (see note below)	-	5,177	14	5,191
At December 31,	5,801	9,764	499,802	515,367

	2005				
	Currency				Total
	Revaluation Reserve	Capital Reserve	Translation Reserve	Fair Value Reserves	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	-	1,092	2,279	269,244	272,615
Bonus issue	(26,111)	(1,092)	-	-	(27,203)
Increase in fair value of available-for-sale financial assets	-	-	-	104,780	104,780
Release from fair value reserve on disposal of available-for-sale financial assets	-	-	-	(82,593)	(82,593)
Release from fair value reserve on distribution of dividend in specie	-	-	-	(29,028)	(29,028)
Revaluation of land and buildings	31,912	-	-	-	31,912
Movement during the year (see note below)	-	-	2,308	9	2,317
At December 31,	5,801	-	4,587	262,412	272,800

Note: The movement in the currency translation reserve represents exchange differences on translation of investment in an associate whose functional currency is the United States Dollar.

Notes to the Financial Statements

Year ended December 31, 2006

20. Revaluation and Other Reserves (continued)

(b) The Company

Revaluation and Other Reserves are analysed as follows:

	2006		
	Revaluation Reserve	Fair Value Reserve	Total
	Rs'000	Rs'000	Rs'000
At January 1,	5,801	189,229	195,030
Increase in fair value of available-for-sale financial assets	-	222,100	222,100
Release from fair value reserve on disposal of available-for-sale financial assets	-	(6,436)	(6,436)
At December 31,	5,801	404,893	410,694

The Company

	2005		
	Revaluation Reserve	Fair Value Reserve	Total
	Rs'000	Rs'000	Rs'000
At January 1,	1,092	172,188	173,280
Bonus issue	(27,203)	-	(27,203)
Increase in fair value of available-for-sale financial assets	-	62,095	62,095
Release from fair value reserve on disposal of available-for-sale financial assets	-	(45,054)	(45,054)
Revaluation of land and buildings	31,912	-	31,912
At December 31,	5,801	189,229	195,030

21. General Business Fund

	THE GROUP AND THE COMPANY	
	2006	2005
	Rs'000	Rs'000
At January 1,	149,692	141,503
Movement during the year (page 52 / note 16(iii))	8,116	8,189
At December 31,	157,808	149,692

Notes to the Financial Statements

Year ended December 31, 2006

22. Life Assurance Fund

At December 31, 2006 the Life Assurance Fund included an amount of Rs 93m (2005: Rs 40m) which represents 10% of the DPF eligible surplus accruing to shareholders (see Accounting policy Note 2(i) (c)).

23. Borrowings

	THE GROUP	
	2006 Total	2005 Total
	Rs'000	Rs'000
Non-current		
Term deposits		
- repayable after one and before two years	-	240,851
- repayable after two years and before five years	-	222,996
	-	463,847
Current		
Bank overdraft (notes (a)/36(b))	-	297
Term deposits (note (b))	-	260,355
	-	260,652
Total borrowings	-	724,499

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

(b) Term deposits represented deposits taken by MUA Leasing Company Ltd at interest rates ranging from 6.5% to 11% p.a.

Notes to the Financial Statements

Year ended December 31, 2006

24. Retirement Benefit Obligations

Pension schemes

(i) The assets of the Mauritius Union Group Pension Scheme are administered by the Life Branch of the Company. The Board of Directors has approved the separation of the assets of the Company earmarked for the provision of pension obligations towards 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 Defined Contribution Pension Scheme administered by The Mauritius Union Assurance Company Limited.

	THE GROUP AND THE COMPANY	
	2006	2005
	Rs'000	Rs'000
(ii) Amounts recognised in the balance sheet in respect of the No Worse Off Guarantee		
Present value of unfunded obligations	816	4,280
Fair value of plan assets	-	-
Liability in the balance sheet	816	4,280

The retirement benefit obligations have been allocated as follows:

	2006	2005
	Rs'000	Rs'000
Life Assurance	408	2,140
General Business	408	2,140
	816	4,280

	THE GROUP AND THE COMPANY	
	2006	2005
	Rs'000	Rs'000
(iii) The amounts recognised in the income statement in respect of the No Worse Off Guarantee are as follows:		
Current service cost	-	-
Interest cost	137	-
Actuarial (gains)/losses	(3,601)	4,280
Total included in staff costs (Note 32)	(3,464)	4,280

Actual return on plan assets

	-	-
--	---	---

The total (benefit)/expense has been allocated as follows:

	2006	2005
	Rs'000	Rs'000
Life Assurance	(1,732)	2,140
General Business	(1,732)	2,140
	(3,464)	4,280

(iv) Movement in the liability recognised in the balance sheet in respect of the No Worse Off Guarantee:

	2006	2005
	Rs'000	Rs'000
At January 1,	4,280	-
Total (benefit)/expense as above	(3,464)	4,280
Contributions paid	-	-
At December 31,	816	4,280

Notes to the Financial Statements

Year ended December 31, 2006

24. Retirement Benefit Obligations (continued)

The principal actuarial assumptions used for accounting purposes were:

	2006	2005
	%	%
Discount rate	10%	10%
Future salary increases	8%	8%
Future pension increases	0%	3%

25. Trade and Other Payables

	THE GROUP			THE COMPANY		
	2006 Total	2005 Total	Life	2006 General	Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Loans repaid in advance	876	1,473	851	25	876	1,473
Premiums prepaid	9,943	9,279	5,700	4,243	9,943	9,279
Amounts due to reinsurers	16,440	24,229	3,443	12,997	16,440	24,229
Interbranch tax equalisation account	9,372	9,372	-	9,372	9,372	9,372
Other payables and accruals	74,910	31,779	6,143	60,209	66,352	16,140
	111,541	76,132	16,137	86,846	102,983	60,493

26. Current Tax Liabilities

	THE GROUP			THE COMPANY		
	2006 Total	2005 Total	Life	2006 General	Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
(a) Income tax provision for the year at 15% and 22.5% (2005 - 15% and 25%)	(196)	(112)	-	-	-	-
Under provision in previous year	(102)	(187)	-	-	-	(187)
	(298)	(299)	-	-	-	(187)
Movement in deferred tax (note (ii) below)	10,380	12,059	-	10,441	10,441	11,983
Tax credit for the year	10,082	11,760	-	10,441	10,441	11,796
(i) The group tax credit is analysed as follows:						
Life	-	-				
General and subsidiaries	10,082	11,760				
	10,082	11,760				

(ii) Movement in deferred tax is analysed as follows:

	THE GROUP			THE COMPANY		
	2006 Total	2005 Total	Life	2006 General	Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Continued operations	10,380	12,059	-	10,441	10,441	11,983
Discontinued operations (note 33(b))	-	(350)	-	-	-	-
Net movement (note 13)	10,380	11,709	-	10,441	10,441	11,983

Notes to the Financial Statements

Year ended December 31, 2006

26. Current Tax Liabilities (continued)

(b) 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			
	2006 Total	2005 Total	Life	2006 General	Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Profit for the year including surplus on Life Assurance Fund	189,801	190,879	153,546	34,690	188,236	194,228
Tax thereon (15%)	(28,470)	(50,770)	(23,032)	(5,204)	(28,236)	(51,873)
Tax effect of:						
- Income not subject to tax	55,005	121,418	36,297	17,759	54,056	121,156
- Expenses not deductible for tax purposes	(1,127)	(36,004)	(556)	(571)	(1,127)	(35,133)
- Underprovision in previous year	(102)	(187)	-	-	-	(187)
- Other tax allowances	(2,238)	491	(1,136)	(1,102)	(2,238)	493
- Others	376	(442)	1,296	(441)	855	(463)
- Net temporary differences not recognised	(13,362)	(22,746)	(12,869)	-	(12,869)	(22,197)
Tax credit for the year	10,082	11,760	-	10,441	10,441	11,796

27. Dividends Proposed and Paid

	THE GROUP AND THE COMPANY	
	2006 Rs'000	2005 Rs'000
Paid		
Interim ordinary dividend of 8.5% (2005 - 14%)	17,034	16,884
Final ordinary dividend of 17.5% (2005 - 8%)	35,070	-
	52,104	16,884
Proposed		
Final ordinary dividend of 8% paid on January 15, 2006	-	16,032
	52,104	32,916

Notes to the Financial Statements

Year ended December 31, 2006

28. Revenue

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	Rs'000	Rs'000	Rs'000	Rs'000
Continuing operations:				
Revenue is made up as follows:				
Gross earned insurance premiums - General Business	389,230	368,807	389,230	368,807
Insurance premium ceded to reinsurers	(78,725)	(77,611)	(78,725)	(77,611)
Net earned premiums - General Business	310,505	291,196	310,505	291,196
Brokerage and related commissions	5,911	3,069	-	-
	316,416	294,265	310,505	291,196
Discontinued operations:				
Rental income including interest income	3,747	21,956	-	-
	320,163	316,221	310,505	291,196

Group

Revenue for the Group represents premiums receivable on short-term insurance contracts, net of reinsurances, adjusted for unearned premiums, brokerage, commissions and rental income under finance leases.

Company

Revenue for the company represents premiums receivable on short-term insurance contracts, net of reinsurances, adjusted for unearned premiums.

29. Investment and Other Income

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	Rs'000	Rs'000	Rs'000	Rs'000
(a) Group and General Branch				
Dividends receivable	24,398	24,367	17,113	14,208
Exceptional income from MUA Leasing Co. Ltd.	-	-	93,765	66,000
Interest on loans and deposits	13,350	2,497	21,129	2,913
Interest on bank accounts	5,248	3,998	5,014	3,889
Profit on disposal of available-for-sale financial assets	2,857	34,462	1,645	25,572
Release from fair value reserve on disposal	80,337	82,593	6,436	45,054
Increase in fair value of financial assets	-	27	-	-
Brokerage fees	5,911	3,069	-	-
Rent receivable	872	626	-	-
Other income	1,712	5,350	1,572	2,247
	134,685	156,989	146,674	159,883

	THE GROUP AND THE COMPANY	
	2006	2005
	Rs'000	Rs'000
(b) Life Branch		
Dividends receivable	41,930	39,196
Interest on loans and deposits	43,065	40,688
Interest on bank accounts	4,180	4,853
Profit/(loss) on disposal of available-for-sale financial assets	3,120	(1,064)
Rent receivable	649	525
Other income	1,187	151
	94,131	84,349

Notes to the Financial Statements

Year ended December 31, 2006

30. Transfer from Life Assurance Fund

In accordance with the accounting policy in Note 2(p) the Independent Actuaries have assessed the amount of the DPF eligible surplus to be transferred from the Life Assurance Fund to the Income Statement at Rs 7.5m (2005 - Rs 8.0m).

31. Profit before Taxation

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	Rs'000	Rs'000	Rs'000	Rs'000
The profit before taxation has been arrived at				
After crediting:				
Investment income				
- available-for-sale financial assets	24,398	24,367	110,878	80,208
- held-to-maturity investments	-	42,975	-	-
Profit on disposal of financial assets	83,194	117,055	8,081	70,626
(Loss)/profit on sale of property and equipment	(300)	255	(300)	396
And charging:				
Depreciation on property and equipment	8,783	8,006	8,443	7,485
Amortisation of intangible assets	1,478	849	1,478	828
Legal costs (note (a))	70,586	20,907	70,586	20,907

Note (a): Legal costs relate to the MCB case (Note 39) and have been disclosed separately due to the materiality of the amounts involved.

32. Employee Benefit Expense

	THE GROUP				THE COMPANY	
	Total	Total	General	Life	Total	Total
	2006	2005		2006		2005
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Wages and salaries	32,001	20,398	30,782	23,825	54,607	38,686
Social Security costs	1,069	668	824	674	1,498	1,300
Pension costs						
- Defined contribution scheme	1,895	1,414	1,825	1,493	3,318	2,734
- Defined benefit scheme (Note 24)	(1,732)	2,140	(1,732)	(1,732)	(3,464)	4,280
	33,233	24,620	31,699	24,260	55,959	47,000

33. Discontinued Operation

(a) The Company entered into a sale agreement to dispose of MUA Leasing Company Ltd, which carried out all of the Group's leasing activities. The disposal was effected in order to generate cash flow for the expansion of the Group's main activities. The disposal was completed on January 31, 2006 on which date control of MUA Leasing Company Ltd passed to Capital Leasing Company Ltd.

Notes to the Financial Statements

Year ended December 31, 2006

33. Discontinued Operation (Continued)

(b) The results of the leasing operation for the period January 1, 2006 to January 31, 2006 and the year ended December 31, 2005 are as follows:

	Period ended January 31, 2006	Year ended December 31, 2005
	Rs'000	Rs'000
Lease income	1,921	21,955
Investment and other income	2,827	45,020
Interest expense	(5,505)	(73,390)
Provision and adjustments to income for credit losses	(5)	(285)
Non-interest income/(expense)	1,060	(3,330)
Profit/(loss) before tax	298	(10,030)
Income tax	-	(350)
Profit/(loss) for the period from discontinued operations	298	(10,380)

	Period ended January 31, 2006	Year ended December 31, 2005
	Rs'000	Rs'000
(c) The net cash flows attributable to the leasing operations are as follows:		
Operating cash flows	12,624	(12,470)
Investing cash flows	226,393	135,866
Financing cash flows	(12,219)	(184,719)
Total cash flows	226,798	(61,323)

34. Business Combinations

(a) Disposal of subsidiary

As disclosed in Note 33, on January 31, 2006 the Group discontinued its leasing operations on the disposal of its subsidiary, MUA Leasing Company Ltd.

The net assets of MUA Leasing Company Ltd at the date of disposal and at December 31, 2005 were as follows:

	January 31, 2006	December 31, 2005
	Rs'000	Rs'000
Balances with Category 1 banks	173,845	43,840
Securities	432,702	675,958
Finance leases	210,948	208,805
Intangible assets	127	130
Plant and equipment	157	167
Other assets	2,207	886
Deposits	(711,982)	(724,202)
Trade and other payables	(8,504)	(8,795)
	99,500	196,789
Loss on disposal	(2,528)	
Total consideration in cash	96,972	
Net cash outflow arising on disposal:		
Cash consideration received	100,000	
Costs of disposal	(3,028)	
Cash and cash equivalents disposed of	(173,845)	
	(76,873)	

Notes to the Financial Statements

Year ended December 31, 2006

35. Earnings/(Loss) Per Share

(a) From continuing operations

	THE GROUP	
	2006 Rs'000	2005 Rs'000
Earnings per share is based on the following:		
Profit for the year after minority interest	53,547	112,341
Weighted average number of ordinary shares in issue and ranking for dividends	20,040,000	19,767,000
Earnings per share	Rs. 2.67	5.68

(b) From discontinued operations

	THE GROUP	
	2006 Rs'000	2005 Rs'000
Loss attributable to shareholders of the group from discontinued operations	(2,230)	(10,380)
Weighted average number of shares in issue and ranking for dividends	20,040,000	19,767,000
Loss per share	Rs. (0.11)	(0.53)

36. Notes to Cash Flow Statements

	THE GROUP		THE COMPANY			
	2006 Total Rs'000	2005 Total Rs'000	Life Rs'000	2006 General Rs'000	Total Rs'000	2005 Total Rs'000
(a) Cash generated from operations						
Surplus before tax	189,801	135,356	153,546	34,690	188,236	194,228
Share of profit in associated companies	(17,103)	(7,139)	-	-	-	-
Increase in fair value of investment properties	(16,981)	5,471	(16,981)	-	(16,981)	5,471
Decrease in fair value of non-current assets held for sale	9,415	-	9,415	-	9,415	-
Increase in fair value of available-for-sale financial assets (note 11 (a))	-	(27)	-	-	-	-
Provision for retirement benefit obligations	(3,464)	4,280	(1,732)	(1,732)	(3,464)	4,280
Provision and adjustments to income for credit losses	-	4,000	-	-	-	-
Depreciation (note 5)	17,504	16,404	8,668	8,443	17,111	15,883
Amortisation (note 7)	2,230	1,467	752	1,478	2,230	1,446
Loss/(profit) on sale of property and equipment	76	(721)	(224)	300	76	(859)
Dividend in specie	-	-	-	-	-	(51,000)
Profit on sale of available-for-sale financial assets	(123,017)	(75,333)	(39,823)	(8,081)	(47,904)	(75,252)
Costs incurred on sale of investments in subsidiary	-	-	-	3,028	3,028	-
Transfer from Life Assurance Fund	-	-	(7,500)	7,500	-	-
Movement in General Business Fund (note 21)	8,116	8,189	-	8,116	8,116	8,189
	66,577	91,947	106,121	53,742	159,863	102,386
Change in trade and other receivables	10,439	102,051	1,207	6,132	7,339	36,266
Change in outstanding claims	23,742	9,732	(26)	23,768	23,742	9,733
Change in accounts payable	44,205	19,427	(1,827)	44,317	42,490	35,461
Net cash generated from operations	144,963	223,157	105,475	127,959	233,434	183,846

Notes to the Financial Statements

Year ended December 31, 2006

36. Notes to Cash Flow Statements (Continued)

	THE GROUP		THE COMPANY			
	2006 Total	2005 Total	Life	2006 General	Total	2005 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
(b) Bank balances and cash						
Interest bearing bank balances	88,521	168,324	37,856	46,849	84,705	120,511
Bank deposits	100,000	-	-	100,000	100,000	-
Other cash and bank balances	47	462	3	45	48	462
	188,568	168,786	37,859	146,894	184,753	120,973
Bank overdraft (note 23)	-	(297)	-	-	-	-
	188,568	168,489	37,859	146,894	184,753	120,973

37. Outstanding Financial Commitments

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	Rs'000	Rs'000	Rs'000	Rs'000
Loans approved by the Board of Directors but not yet disbursed	20,788	8,618	20,788	8,618
Lease financing approved by the Board of Directors but not yet disbursed	-	27,802	-	-
Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements	1,283	3,600	1,283	3,600
	22,071	40,020	22,071	12,218

Notes to the Financial Statements

Year ended December 31, 2006

38. Segment Information

GROUP

(a) Primary reporting format - business segments

		2006			
		CONTINUING			
	Life	General	Stockbroking	DISCONTINUED	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Revenue					
Gross earned insurance premiums and other revenue (note 28)	-	389,230	5,911	3,747	398,888
Insurance premium ceded to reinsurers	-	(78,725)	-	-	(78,725)
Total revenue	-	310,505	5,911	3,747	320,163
Segment results	7,500	16,115	3,037	(2,230)	24,422
Share of results of associated companies					17,103
Profit before taxation					41,525
Taxation					10,082
Net profit for the year					51,607

		2005			
		CONTINUING			
	Life	General	Stockbroking	DISCONTINUED	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Revenue					
Gross earned insurance premiums and other revenue (note 28)	-	368,807	3,069	21,956	393,832
Insurance premium ceded to reinsurers	-	(77,611)	-	-	(77,611)
Total revenue	-	291,196	3,069	21,956	316,221
Segment results	8,000	83,681	2,200	(10,380)	83,501
Share of results of associated companies					7,139
Profit before taxation					90,640
Taxation					11,760
Net profit for the year					102,400

Notes to the Financial Statements

Year ended December 31, 2006

38. Segment Information (Continued)

per segment information (continued)

	2006					
	Life	General	Stockbroking	Unallocated	Total	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	2,298,109	1,488,372	21,405	-	-	3,807,886
Associated companies	-	-	-	99,480	-	99,480
						3,907,366
Technical liabilities	2,280,946	157,808	-	-	-	2,438,754
Segment liabilities	17,163	483,222	8,342	-	-	508,727
Minority Interest						2,600
Shareholders' interests						957,285
						3,907,366
Capital expenditure	6,446	7,318	582	-	-	14,346
Depreciation	8,668	8,443	393	-	-	17,504
Amortisation	752	1,478	-	-	-	2,230

	2005						
	CONTINUING				DISCONTINUED		Total
	Life	General	Stockbroking	Unallocated			
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	1,649,159	1,034,327	16,000	1,253	929,786	-	3,630,525
Associated companies	-	-	-	77,200	-	-	77,200
							3,707,725
Technical liabilities	1,628,412	149,692	-	-	-	-	1,778,104
Segment liabilities	20,747	451,799	6,718	-	732,997	-	1,212,261
Minority interest							1,855
Shareholders' interests							715,505
							3,707,725
Capital expenditure	10,535	8,464	191	-	-	-	19,190
Depreciation	8,398	7,685	321	-	-	120	16,524
Amortisation	618	828	21	-	-	22	1,489

Unallocated costs represent corporate expenses. Segment assets consist primarily of property and equipment, intangible assets, non-current receivables, investments and current assets. Segment liabilities comprise operating liabilities and corporate borrowings. Capital expenditure comprises additions to property and equipment and to intangible assets.

(b) All the activities of the Group are carried out in Mauritius.

Notes to the Financial Statements

Year ended December 31, 2006

39. MCB Case

A claim of Rs 737m was submitted in 2003 by City Brokers Ltd on behalf of The Mauritius Commercial Bank Ltd (MCB). An action has been lodged in the Supreme Court of Mauritius by MCB for payment of the claim.

On May 3, 2005, some of the reinsurers (with whom MUA had fully reinsured the risks) entered an action in the High Court of London, disputing their liability.

The judgment pronounced in the High Court of London on February 6, 2007 confirmed that those reinsurers have no liability to MUA for the losses sustained by MCB. This is consistent with MUA's view that the insurance contracts between MUA and MCB, which replicate the terms of the reinsurance contracts between MUA and those reinsurers, do not respond to MCB's claim for Rs 737 million.

A communiqué was issued on February 7, 2007 under the Listing Rules, following the judgment of the High Court of London. (The communiqué is set out on pages 45 and 46).

The Company has not recognised a liability to MCB and accordingly no provision has been made in the financial statements in that respect.

Notes to the Financial Statements

Year ended December 31, 2006

40. Related Party Transactions

(a) The Group

	Emoluments and benefits		Loans receivable from related parties	
	2006	2005	2006	2005
	Rs'000	Rs'000	Rs'000	Rs'000
Directors and key management personnel	14,865	10,330	1,763	4,881
Companies with common directors	-	-	-	6,461
	14,865	10,330	1,763	11,342

(b) The Company

	Brokerage fee		Loans granted to		Emoluments and benefits		Loans receivable from related parties	
	2006	2005	2006	2005	2006	2005	2006	2005
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Directors and key management personnel	-	-	-	-	14,580	10,245	1,763	4,881
Companies with common directors	-	-	-	-	-	-	-	6,461
Subsidiary company	262	483	133,295	50,000	-	-	-	-
	262	483	133,295	50,000	14,580	10,245	1,763	11,342

(c) Key management personnel compensation

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	Rs'000	Rs'000	Rs'000	Rs'000
Salaries and short-term employee benefits	8,603	8,206	8,603	8,206
Post-employments benefits	630	489	630	489
Termination benefits	3,800	-	3,800	-
	13,033	8,695	13,033	8,695

Notes to the Financial Statements

Year ended December 31, 2006

41. Three year summary of Results and Assets and Liabilities

	THE GROUP		
	2006	2005	2004
	Rs'000	Rs'000	Rs'000
(a) Income statements			
Continuing operations			
Revenue	316,416	294,265	239,683
Operating profit	19,152	85,881	57,067
Share of results of associated companies	17,103	7,139	2,365
Transfer from Life Assurance Fund	7,500	8,000	10,000
Profit before taxation	43,755	101,020	69,432
Taxation	10,082	11,760	158
Profit from continuing operations	53,837	112,780	69,590
Discontinued operations			
Loss from discontinued operations	(2,230)	(10,380)	(13,277)
Net Profit for the year	51,607	102,400	56,313
Attributable to:			
- Equity holders of the company	51,317	101,961	56,313
- Minority interest	290	439	-
	51,607	102,400	56,313
Rate of dividend - Interim	8.5%	14%	14%
- Final	17.5%	8%	18%
Earnings per share from continuing operations (Rs/cs)	2.67	5.68	3.73
Loss per share from discontinued operations (Rs/cs)	(0.11)	(0.53)	(0.71)

	THE GROUP		
	2006	2005	2004
	Rs'000	Rs'000	Rs'000
(b) Balance Sheet			
Non-current assets	3,256,952	2,567,065	2,326,550
Current assets	624,815	1,132,496	790,700
Non-current assets held for sale	25,599	8,164	-
Total assets	3,907,366	3,707,725	3,117,250
Capital and reserves	957,285	715,505	562,198
Minority interest	2,600	1,855	-
Technical liabilities	2,438,754	1,778,104	1,479,481
Non-current liabilities	816	468,127	726,613
Current liabilities	507,911	744,134	348,958
Total equity and liabilities	3,907,366	3,707,725	3,117,250

