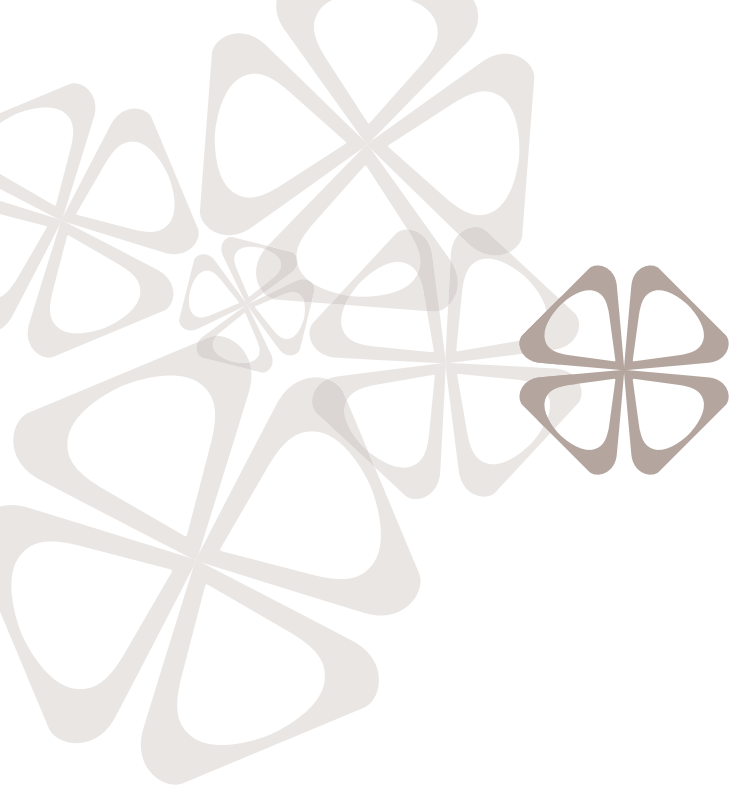




# MAURITIUS UNION

ANNUAL REPORT 2010



# MAURITIUS UNION

## ANNUAL REPORT 2010

### 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, 2010.

The report was approved by the Board of Directors on May 11, 2011.

**Dominique Galea**  
Chairman

**Lakshmana (Kris) Lutchmenarraido**  
Chief Executive Officer



# contents

2

introduction

3

contents

4

financial  
highlights

5

principal activities  
and administration

6

board of directors

7-8

director's  
profile

9

chairman's  
review

12



senior management  
team

14-19



chief executive  
officer's report

26-44

corporate governance  
report

46



secretary's  
certificate

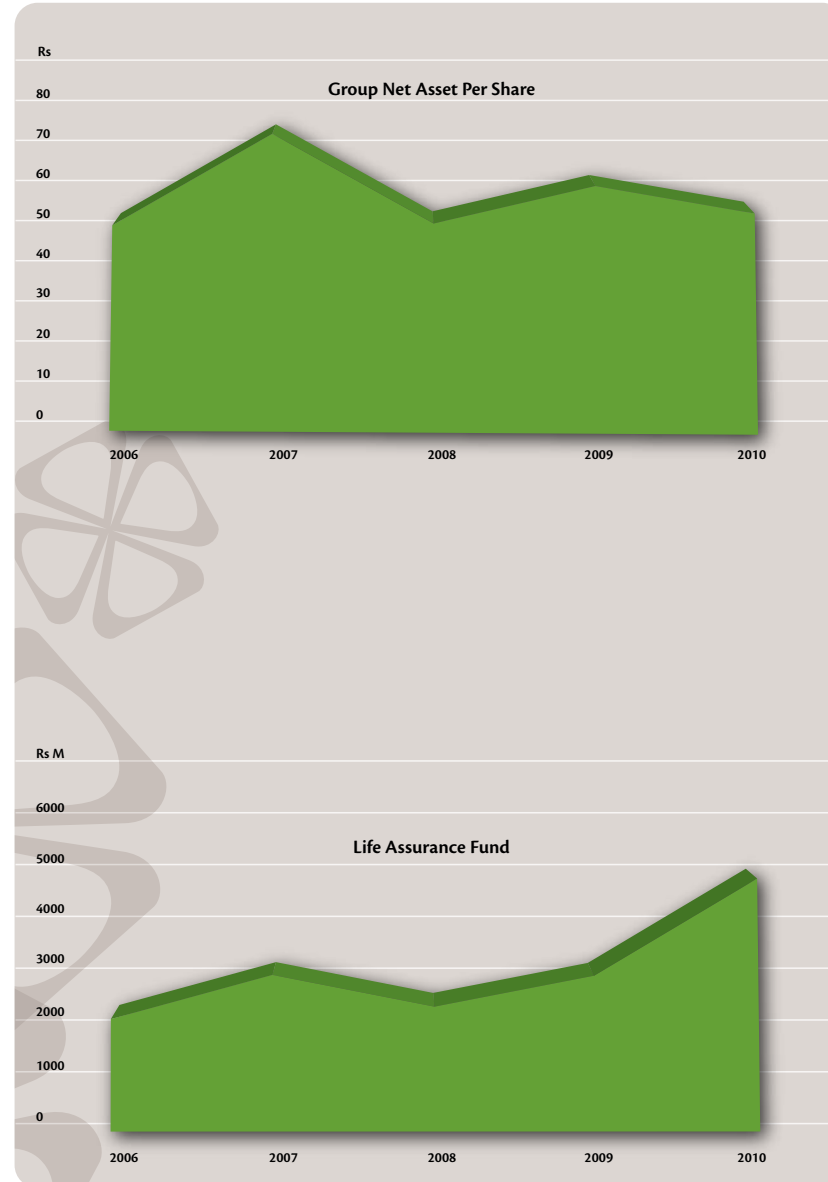
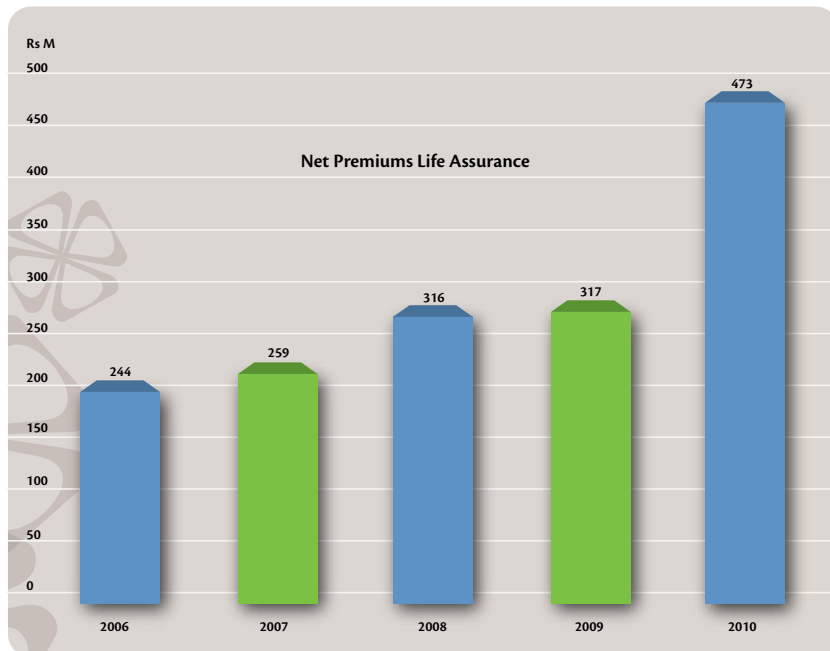
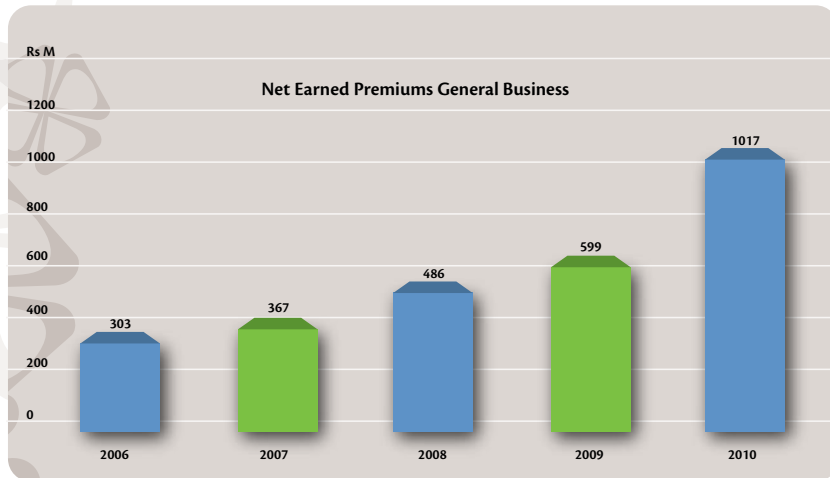
48-49

auditor's report

50-135

financial  
statements

## FINANCIAL HIGHLIGHTS







## PRINCIPAL ACTIVITIES & ADMINISTRATION

### PRINCIPAL ACTIVITIES

The principal activity of the Company during the year comprised the transacting of 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

4, Léoville L'Homme Street  
Port Louis  
Republic of Mauritius  
Telephone: (230) 207-5500  
Fax: (230) 212-2962  
Email: [info@mauritiusunion.com](mailto:info@mauritiusunion.com)  
Website: [www.mauritiusuniongroup.com](http://www.mauritiusuniongroup.com)

### Auditors

BDO & Co  
(Chartered Accountants)

### Independent Actuaries

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

### Bankers

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

### Secretary

A P Gilbert Poisson (FCCA, ACII)

### Share Registry

Abax Corporate Administrators Ltd

## BOARD OF DIRECTORS

---

The following directors were in office at December 31, 2010:

- Vincent AH CHUEN
- Priscilla BALGOBIN-BHOYRUL
- Bruno DE FROBERVILLE
- Jacques DE NAVACELLE
- Mélanie FAUGIER
- Dominique GALEA
- Lawrence POISSON
- Arjoon SUDDHOO

## DIRECTORS' PROFILE

---

### **Vincent Ah Chuen**

Director - appointed in 1992

Vincent Ah Chuen, born in 1944, is the Managing Director of ABC Group of Companies. He was appointed to the Board of the Mauritius Union Assurance Cy Ltd in 1992 and is the chairman of its Audit Committee. Mr. Ah Chuen is a Director of Les Moulins de La Concorde Ltée, ABC Motors Co. Ltd, New Goodwill Investment Ltd, POLICY Ltd and ABC Banking Corporation Ltd.

### **Priscilla Balgobin-Bhoirul**

Director - appointed in 2008

Priscilla Balgobin-Bhoirul, born in 1975, holds a LLB (Hons) degree from the London School of Economics and Political Science. She was called to the Bar of England and Wales in 1998 and to the Mauritian Bar in 1999. She is a member of the Middle Temple and is currently practising as a barrister-at-law. Her main areas of practice are international, commercial, civil and industrial law. She was appointed to the Board of the Mauritius Union Cy. Ltd in August 2008.

### **Bruno de Froberville**

Director – appointed in 2010

Bruno de Froberville, born in 1962, is currently the General Manager and owner of Square Lines Ltd, a property development company. He has extensive knowledge of the construction sector; from 2005 to 2008, he worked with La Prudence (Mauricienne) Assurances Ltée for property development, was the general manager and owner of B.E.A.M. Ltd (a residential and industrial construction company) from July 1994 to December 2004, and the manager of Building Art Ltd from July 1988 to June 1994. He was also the marketing manager of Loom Art Ltd, a manufacturer of hand-made carpets. He was appointed to the board of Mauritius Union Assurance Cy Ltd in August 2010.

Mr de Froberville holds a MBA from the University of Birmingham, a Bachelor in Science and a Major in Marketing from Louisiana State University.

### **Jacques de Navacelle**

Executive Director - appointed in 2006, resigned in 2011

Jacques de Navacelle, born in 1946, 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 Co. Ltd on 1 May 2005 as Chief Executive Officer, and was appointed to the Board in May 2006. He is presently the Chairman of Transparency Mauritius, Copesud and Compagnie de Beau Vallon Ltée, and a director of Omnicane Ltd, Ascencia Ltd, and United Basalt Products Ltd.

### **Mélanie Faugier**

Director – appointed in 2010

Mélanie Faugier, born in 1980, is the Managing Director of Cottons Trading Ltd. From June 2004 to July 2007, she was the Trading Manager of Thon des Mascareignes (IBL Group). She also worked for Schlumberger Oilfield Services in Equatorial Guinea and for Association Solidari'terre in Madagascar. She was appointed to the board of the Mauritius Union Assurance Cy Ltd in July 2010 and is a member of the Audit Committee. She is also the Chairperson of the National Mutual Fund Ltd and Feber Associates Ltd.

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



## DIRECTORS' PROFILE

---

### **Dominique Galea**

Director – appointed in 2010

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

### **Lawrence Poisson**

Director – appointed in 2010

Lawrence Poisson, born in 1952, holds a Diploma in Agriculture and Sugar Technology and a “Diplôme supérieur en administration des entreprises”. He is a Fellow of the Institute of Chartered Secretaries and Administrators. Mr Poisson presently works for Illovo Group Holdings Ltd. He was appointed to the board of Mauritius Union Assurance Cy Ltd in July 2010, and subsequently to that of La Prudence (Mauricienne) Assurances Ltée, Associated Brokers Ltd and Fondation Mauritius Union Ltd. Mr Poisson is the Chairman of the Corporate Governance Nomination and Remuneration Committee.

### **Arjoon Suddhoo**

Director – appointed in 2010

Arjoon Suddhoo, born in 1958, holds a BSc in Aeronautical Engineering (1st Class Hons) and a PhD in Mathematics from the University of Manchester and an MBA (Distinction) from the University of Liverpool. He is a member of the Mauritius Institute of Management, a Fellow of the Mauritius Academy of Science and Technology and the Mauritius Institute of Directors. He started his career in 1986 as a Research Scientist at Rolls Royce Aerospace Ltd, UK. He left the company in 1993 as the Research & Development Manager. From 1994 to 1998, he was the Head of Research and Planning at the Tertiary Education Commission in Mauritius. He is currently the Executive Director of the Mauritius Research Council, a post he occupies since 1999. He also holds directorships in various other private and governmental organisations and was the Chairman of Air Mauritius Ltd from 2001 to 2005. In 2006, he was appointed visiting Professor at the Queens University in Northern Ireland. He is also the author of various publications. Arjoon Suddhoo was appointed to the board of the Mauritius Union Assurance Cy Ltd in August 2010 and is a member of its Corporate Governance, Nomination and Remuneration Committee.



Dear Shareholder

On behalf of the Board, I am pleased to submit the annual report of the Group and of the Company for the year ended 31st December 2010.

### SETTLEMENT OF MCB CASE

Before proceeding with an overview of the financial year ended on the 31st of December 2010, I wish to apprise you of the out-of-court settlement which was reached with the Mauritius Commercial Bank Ltd (MCB) after the closing date of these accounts.

On the 8th of April 2011, the Company issued a cautionary announcement informing its shareholders and the public at large that it had reached an out-of-court settlement in respect of various actions lodged before the Supreme Court of Mauritius by the MCB in connection with losses suffered by it as a result of certain frauds committed to its detriment as well as a counterclaim made by the Company against MCB. The aggregate value of the claims including interest and legal costs exceeded Rs 1.4 billion.

The Company, since 2004, devoted considerable time and effort in defending the claim and incurred considerable expenses in the conduct of its defense before various courts in Mauritius and England. The Company remains satisfied that all appropriate steps were taken to ensure the proper conduct of its defense in the various actions brought against it by MCB. However, these actions would have taken time and, until resolved, would have perpetuated the market's perception of uncertainty due to the potential liability of the Company to MCB thus impeding the optimal development of the Company.

Following consultations with its financial and legal advisors, the Board reached the conclusion that it would be in the interests of the shareholders to accept an out-of-court settlement with MCB.

This settlement is for a global sum of Rs 250 million, of which Rs 50 million will be recovered from the Reinsurers. Rs 100 million would be settled by an issue by the Company of redeemable preference shares to MCB.

These Redeemable Preference Shares carry a coupon of 3% p.a., and are subject to a premium of 30% payable on redemption. They shall rank for repayment of capital in a winding-up in priority to the Ordinary Shares but shall not be entitled to any surplus.

The holder of the said shares shall not have the right to attend and to vote at any meeting of Shareholders. The balance of Rs 150 million is payable in installments.

Following the settlement, both parties would undertake to discontinue all pending legal actions and would give each other full discharge and waiver in respect of the claims. The settlement was subject to certain conditions precedent, one of which was the approval, by shareholders, of the issue of preference shares. This approval was obtained at a special meeting of shareholders held on the 11th of May 2011.

The Board is satisfied that the settlement will not impact negatively on the solvency of the Company or on its ability to make dividend payments. The full impact of the settlement has been accounted for in the accounts being laid before you.

### OVERVIEW

The year under review was dominated by the integration process put in place in the wake of the acquisition of La Prudence Mauricienne (Assurances) Ltée (LPM). This consisted mainly in the reorganisation of the entire work force through a reallocation of office space, bringing the employees together as one team through a harmonisation of work conditions, the merging of the data bases and uniformity of the information systems.

## CHAIRMAN'S REVIEW

---

The acquisition has placed the Company as the market leader in general insurance with a gross premium income of Rs 1.3 billion whilst the life fund reached Rs 4.8 billion.

### FINANCIAL HIGHLIGHTS

The Group's revenue increased by 70% from Rs 609 million to Rs 1.033 billion, but underwriting results decreased from Rs 159 million to Rs 117 million, on account of the MCB claims settlement. The financial results of the Company for the year under review were satisfactory with net profits increasing by 17% from Rs 317 million in 2009 to Rs 371 million. This includes a profit of Rs 435.5 million (Rs 194 million in 2009) on disposal of shares to finance the acquisition of LPM.

The Earnings per Share was Rs 18.45 against Rs 15.74 in 2009, whilst the N.A.V. went down from Rs 61.38 at 31st December 2009 to Rs 54.94 at 31st December 2010 due to a part release in fair-value reserves.

Dividends of Rs 4.40 per share were paid for the year (Rs 9.40 for 2009).

The net cash generated after the acquisition of LPM and payment of dividends of Rs 88.5 million, was Rs 153.3 million.

### APPOINTMENTS

We congratulate Mr. Lakshmana (Kris) Lutchmenarraidoos for his appointment as Chief Executive Officer and Mr. Gilbert Poisson as Deputy Chief Executive Officer of the Group, effective 1st January 2011.

Mr. Lutchmenarraidoos was appointed to the Board on 8th April 2011, following the resignation of Mr. Jacques de Navacelle, to whom we convey our thanks for his valuable contribution to the Group.

### CONCLUSION

The outlook for the current year is satisfactory and with synergies from the acquisition of La Prudence Mauricienne (Assurances) Ltée starting to materialise, operational results are expected to progress and to impact positively on the results of the Group.

The board wishes to thank Management and the employees for their good performance and their commitment and dedication to the Group. The Board also places on record the excellent relationship established with all intermediaries and their contribution to the Group's business.

I thank my fellow board members for their positive contribution and their continuous support.

Yours sincerely



Dominique Galea  
Chairman





## SENIOR MANAGEMENT TEAM

**Kris LUTCHMENARRAIDOO**

**Gilbert POISSON**  
(FCCA, ACII)

**Dominique AUTARD**  
(MBA Dip Fin Serv (Ins Brok) ANZIIF (Snr. Assoc.) CIP)

**Delphine AHNEE-RANDABEL**  
(LLB (Hons.))

**Laval FOO KUNE**  
(BACC (Wits), CA(SA))

**Shirley GILLETTE**  
(MBA, ACII)

**Clarel MARIE**  
(MBA, ACII)

**Ashraf MUSBALLY**  
(Bsc. (Hons.) (City University, London), MBA & DIC (Imperial College, London), FCII)

**Imrith RAMTOHUL**  
(B Bus Sci (Hons), FCCA, CFA)

**Rishi SEWNUNDUN**  
(B. Eng., MBA)

Chief Executive Officer

Deputy Chief Executive Officer, Company Secretary

General Manager - Life Insurance

Senior Manager - Non-Motor Claims

Senior Manager - Finance & Accounting

Senior Manager - Non-Motor Underwriting

Senior Manager - Life Insurance

Senior Manager - Travel, Health & Product Development

Senior Manager - Investment

Senior Manager - IS & Business Projects









Dear Shareholder,

I have the pleasure to submit to you the report on our Company's performance during the year 2010.

In line with the Group's strategy to consolidate its core activities, the acquisition of La Prudence (Mauricienne) Assurances Ltée (LPM) was completed in May 2010 and focus was laid on the merging of the two companies' business and the separation of the General and Life businesses, in conformity with the provisions of the Insurance Act 2005.

This strategic move saw a substantial part of the accumulated reserves being converted into a well established insurance business portfolio, and at the same time brought MUA to the position of leader in the General Insurance market.

The General Business saw its Gross Premium Income for the year jump from Rs 773m to Rs 983m for the Company, and to Rs 1.338 billion for the Group.

For the Life Business, the Gross Premium for the Company reached Rs 372m, and that of the Group reached Rs 516m.

The Group after Tax Profit increased by 17%, from Rs 317m to Rs 371m, after adjustment for a post balance sheet item in relation to the Mauritius Commercial Bank Ltd (MCB) settlement.

Shareholders' fund went down from Rs 1.235 billion at 31st December 2009 to Rs 1.107 billion at 31st December 2010, representing a reduction in Net Asset Value per share from Rs 61.38 to Rs 54.94.

As from the 1st January 2011, the General Business of LPM was transferred to MUA, and the Long Term Business of MUA was transferred to LPM, in line with the provisions of the Insurance Act 2005, which stipulate that as from 1st January 2011, General and Long Term Businesses have to be conducted under two separate entities.

Now that the operations of MUA and LPM have been fully re-engineered, and the teams are well in place, Management can concentrate its efforts on the development of the business and consolidate the Group's position in the market.

### GENERAL INSURANCE

The General Insurance Business maintained its good performance in 2010, with Gross Premium Income increasing by 27% from Rs 773m to Rs 983m. The Group's Gross Premium Income totalled Rs 1.338 billion.

Net Earned Premium grew by 24% to reach Rs 742m, whilst the Group's Net Earned Premium was Rs 1.017 billion.

The Company's Underwriting Surplus went down from Rs 159m in 2009, to Rs 19m in 2010, due to the MCB settlement, whilst the Group's Underwriting Surplus was Rs 117m.

If we exclude the exceptional item of the MCB settlement, the Company's Underwriting Surplus would be Rs 219m, which would represent a growth of 37% over 2009.

## CHIEF EXECUTIVE OFFICER'S REPORT

---

As in 2009, the Motor business was the driving force of MUA in 2010, with a Gross Premium of Rs 646m, and an Underwriting Surplus of Rs 184m. The Gross Premium increased by 44% over 2009, and represented 49% of the total General Insurance gross premium for 2010. The Underwriting Surplus reflected a growth of 67% over 2009.

The Non-Motor business generated Gross Premium of Rs 355m, with an Underwriting Surplus of Rs 101m, whilst the Health and Travel cluster produced an Underwriting Surplus of Rs 14m for a Gross Premium of Rs 262m. The Financial and Special Risk activity generated Gross Premium of Rs 74m but realised an underwriting loss of Rs 182M compared to a profit of Rs 3.8M in 2009 due to the effect of the MCB settlement.

The Company has terminated its agreement with Momentum Mauritius on 31st December 2010, and the existing policies under Bonne Santé are being wound down to expiry. All the Health Insurance operations are now handled in-house, by the ex-LPM team.

The Company will endeavour to generate similar results in 2011 and beyond, in order to enhance shareholder value.

On the Reinsurance side, taking into consideration the size of the merged portfolios of MUA and LPM, we have reviewed our reinsurance treaty structure and the panel of Reinsurers.

Since 1st January 2011 we are working through a Reinsurance Broker – Guy Carpenter S. Africa – which is a branch of Guy Carpenter & Company U.S.A., one of the leading brokers in global reinsurance, and we have appointed Munich Mauritius Reinsurance Company as our Treaty Leader.

We have also reviewed our Treaty Limits under the various classes of business, in order to be more in line with the merged portfolio of business. The new terms negotiated provide us with a better protection with a savings in the overall reinsurance costs.

### LIFE INSURANCE

In terms of our Life Insurance business, 2010 saw significant activity on the operational front, taking into account the acquisition of La Prudence (Mauricienne) Assurances Ltée. It was important to ensure the sustainability of the business.

This was achieved and demonstrated through the satisfactory results and performance. Our gross premiums grew by 10.3% from Rs 340m in 2009 to Rs 372m in 2010. The gross premium for the Group amounted to Rs 516m. Our unit-linked life insurance product capitalised on the 50% growth of 2009 on the equity fund, backing it up with a 17.2% growth, slightly below the benchmark which saw a 19.04% growth, at December 2010, to finish the year with a unit price of 2.381. The secured fund unit prices saw an increase of 8.56%, outperforming the benchmark of 7.49, to finish the year at 1.6178.

The prudential approach of our Asset Management Team ensured that we continued to deliver value to our policyholders despite the strong aftermath of the global economic climate by achieving an investment return of 8.6% on our Life Assurance Fund. Appropriate management of the portfolio required that we adjust interim bonuses to policyholders to 3%. The Life Assurance Fund as at 31st December 2010 stood at Rs 3.307 billion which was 11.3% higher than in 2009.

The Group's Life Assurance Fund stood at Rs 4.856 billion on 31st December 2010.

Operationally, we have continued to keep our focus on customer service with the aim of continuously exceeding clients' expectations on our delivery.

## CHIEF EXECUTIVE OFFICER'S REPORT

---

### DISTRIBUTION NETWORK

With the merger of LPM and MUA we reorganised our Branch network and are now operating the following branches: Grand Baie, Rose Hill, Trianon, Flacq, Riviere Noire, Mahebourg, Rose Belle, Curepipe (opened in early 2011), Rodrigues, and Seychelles – the latter two being former LPM branches.

We have also increased the number of Accredited Agents to seven, by adding those who were previously acting for LPM.

We have consolidated our relationship with Brokers as well, as they are an important link for large corporate business.

Our team of Internal Salespersons completes our distribution network and puts us in close and continuous contact with our Customers, who remain at the centre of all our attention.

We are currently reviewing the ground floor set-up and planning to convert it into a Customer Service Hall, where all services and products of the Group will be offered to the public at large. This will avoid the Customer having to go to different floors for his transactions, and will also help the team in cross-selling our products to existing Customers.

### INVESTMENT MANAGEMENT

One of our main objectives is to provide sustainable growth in shareholder value, and I am pleased to report that in 2010 we have once again delivered to the satisfaction of our shareholders. Going forward, I believe we have the right strategy, products, domestic presence, brands, management and capital strength to sustain this outperformance into the future.

### SHARE PRICE PERFORMANCE

The MUA share price significantly outperformed the local all share index, SEMDEX, during the year under review. It closed the year at Rs 146, up by **50%** during 2010. In contrast, SEMDEX registered an increase of only 18.5%.

### TOTAL RETURN TO SHAREHOLDERS

We have succeeded in creating good value for our shareholders. While the local Total Return Index, SEMTRI recorded a return of +22% during 2010, MUA shareholders obtained a return of +54.5%. This figure has been reached by considering MUA share price appreciation of 50% and a dividend yield of 4.5% (based on the 2010 opening MUA share price of Rs 97.50). It should also be highlighted that the MUA total return significantly exceeds both the local bank savings rate and inflation rate.

I am also pleased to report that MUA ranked 4th in terms of Annualised Total Return since Listing among all listed companies at end-December 2010. MUA annualised return amounted to 24.06%. (Source: Stock Exchange of Mauritius).

### PORTFOLIO RETURN AND STRATEGY

2010 was a good year for MUA portfolios, in spite of the recent financial crisis. We continued with our active management as well as diversification strategy. This strategy paid off very well as we managed to obtain important profits, both from equities and bonds.

For example, over the 12 months ended 31st December 2010, Investment Plus Equity Fund generated a return of 17.3% while that of the Investment Plus Secure Fund delivered a return of 8.6%.

Investment and other income increased by 84% during 2010. It should be highlighted that a significant portion of this relates to an exceptional profit on disposal of equities which took place in order to finance the acquisition of LPM.

## CHIEF EXECUTIVE OFFICER'S REPORT

---

### NATIONAL MUTUAL FUND

As reported last year, MUA acquired a majority stake in the National Mutual Fund Ltd (NMF). It presently holds 98.57% of the share capital of NMF.

I am pleased to highlight that we have successfully revamped the operations of NMF via an active management strategy. The investment portfolios of both 'NMF General Fund' and the 'NMF Property Trust' have been rebalanced. Concentration in particular holdings has been reduced and the dividends paid by both Funds have increased during the year.

At end-December 2010, the size of both funds amounted to Rs 683m. This represented an increase of nearly 15% when compared to end 2009. Net inflows amounted to Rs 26.5m.

We are moreover delighted to see the interest shown by new investors in the two NMF Funds. The advertising campaign 'Contribué pou Amenn Progré' launched during March 2010 has attracted good interest. As from 2010, NMF sponsors the 2nd prize of the Stock Exchange of Mauritius Young Investors Award, which aims at promoting savings awareness among the younger generation.

Going forward, 'NMF General Fund' will be a more balanced fund with a greater proportion of the portfolio being invested in fixed income securities. The ultimate objective is to reduce volatility in the unit price. The annual dividend yield is expected to be at least in line with bank savings rate.

The Board of NMF Ltd continues to examine various strategies that could revamp the 'NMF Property Trust' and unlock value for unit holders. Focus remains on diversification, gradually increasing the fund corpus as well as dividend growth over time. Looking ahead, the Fund Manager views the property sector rather positively. The current low level of interest rates is likely to make real estate an attractive investment. Furthermore, real estate has traditionally been viewed as an excellent hedge against inflation. This could bode well for property as asset class, given concerns of rising inflation across the world.

### PROSPECTS

The acquisition of La Prudence (Mauricienne) Assurances Ltée by MUA bodes well for the Group as assets under management have increased significantly.

The Investment Team continues to actively manage the various portfolios managed in order to generate sustained investment income for MUA Group. 2011 has started rather well. Equity prices, both local and foreign have risen significantly since beginning of 2011 and this should positively impact on performance of Group investment portfolios. It should nonetheless be highlighted that the continued appreciation of the Mauritian Rupee against currencies such as the US Dollar and GB Pound could limit performance of foreign holdings when reported in local currency terms.

I am also pleased to report that MUA Group will be investing in several local and foreign fixed income securities offering a very attractive yield this year. All the securities are being issued by quality and growing institutions. This should have a positive impact on return of our various investment funds.

NMF Funds continue to attract new clients. The NMF Board as well as an Investment Committee will also meet regularly so as to ensure that the best risk-adjusted performance is generated. On the whole, barring any unforeseen circumstances, we believe 2011 should be a good year for the various MUA Group investment portfolios.

### MU PROPERTYGOLD

MU PropertyGold has gained popularity and adherence over the year, and total loans granted during the year amounted to Rs218m. At 31st December, we also had Loans approved and not yet disbursed for an amount of Rs107m.

We have established excellent working relationships with a range of property developers and are accompanying them in their new projects by giving them all necessary insurance support, and by providing loans to their clients.

We have worked out tailor-made plans to suit the profile of the Clients most likely to purchase properties in specific projects, and this approach has been much appreciated by the market.

## CHIEF EXECUTIVE OFFICER'S REPORT

---

Since the beginning of the year we have started giving loans for small and medium sized commercial projects as well.

The Loan activities represent a second advantage to us, as they provided us with a range of new Clients for general insurance business. Apart from the usual household cover, we have been able to sell motor vehicle insurance, health and travel insurance to a number of the loan clients.

On two larger projects we have also provided the Contractors' All Risks covers and performance bonds.

### HUMAN RESOURCES

The HR department continued the work started in 2009, with the following three main objectives: Improving Customer Service, Promoting a Performance Culture and Encouraging Innovation.

The merger of LPM and MUA teams presented a major challenge to the HR team, as we had to combine two teams of 200 and 220 persons coming from the two companies into one single team, putting the best people in the best places. The task was still more complicated as we had persons coming from two different work cultures and environments, coupled with marked differences in the terms and conditions of employment, which had to be harmonised.

I must place on record the excellent work done by the HR team, and the support we received from all Managers from both teams to complete this very delicate task.

We have organised a number of training sessions and team building meetings, which we are sure have helped the individual employees to better understand the new challenges, and opportunities within the new MUA Group, and today we are proud to have been able to constitute the MUA Group Team, which is ready to offer the best services to all our Clients.

Our focus remains Excellence in Customer Service, and our well structured Performance Management System helps to motivate our Employees to give the best of themselves.

The aim is to empower employees so that they strive to add value to the organisation for the benefit of all our stakeholders and to be part of our talent pool.

### INFORMATION SYSTEMS

Customer Service being our main focus, we have always aimed at giving our employees the best systems and tools so as to ensure operational efficiency at all levels.

The merger of LPM and MUA has again put additional pressure on our IT team, as we found ourselves with two databases, operating on four different IT systems, which had to be migrated into two systems, one for General Insurance and one for Life Insurance.

Whilst the work is now completed for the General Insurance business, where all operations have been migrated to the GLIS system of MUA, except for Health which is on NHZ system of LPM, progress is slower on the side of Life Insurance, given the number of different products that have to be reconfigured from one side to the other. However, work is progressing well though it will take a few more months to complete.

With the increase in the number of employees, we have also had to review our communications systems, and new telephone equipment has been installed to cater for more than 450 extensions. The internet and electronic mail systems have also been upgraded to ensure prompt and efficient contacts at all levels.

On the Investment side, MUA Group has acquired a powerful investment administration software, Quantis, so as to automate its investment management process, given the sizeable increase in assets under management.

We have also invested in a document management system which aims at putting all documents in electronic format, thus allowing on-line access to same, and eliminating paper handling and unnecessary printing. All the above contribute to give a healthy work environment conducive to high efficiency levels.

## CHIEF EXECUTIVE OFFICER'S REPORT

---

### THE COMMUNITY

The MUA Group has been involved in a few community projects even before the CSR scheme was introduced.

The CSR has helped to focus our attention on more ambitious projects aiming at fighting poverty, and details of our involvement at that level are found in the Corporate Governance Report.

The setting up of the 'Fondation Mauritius Union Ltd' in November 2010 now provides the Group with a permanent structure whose aim is to identify areas where we can make a difference within the community, and to accompany such organisations that are identified for support, in order to ensure best use and application of the funds earmarked.

This structure will also promote a better involvement of the Group Staff within the community projects.

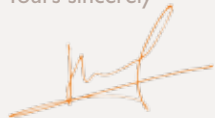
### CONCLUSION

The year 2010 has seen a consolidation of the MUA Group within its core activities, which are Insurance and Investment activities, in line with the strategies put in place over the past few years.

The investments made in the fields of IT systems and technology, and more importantly, in our Human Resources, have given us the necessary back bone to face new challenges, and to pave the way for future growth and further consolidation.

I wish to express my deep appreciation to all members of Staff for their dedicated and continuous support, our Agents and Intermediaries, who have been our ambassadors in the field, and to our Board of Directors for their guidance and support throughout the year.

Yours sincerely



K.L. Lutchmenarraido  
Chief Executive Officer







**Lakshmana (Kris) Lutchmenarraido**

Chief Executive Officer

Kris (born in 1951) worked for the State Bank of Mauritius from 1973 to 1986. Holder of a Banking Diploma from Finafrica Institute 1976 – 1977, he was promoted to management level in 1978 and was the Assistant General Manager of the bank from 1982 to 1986. In 1987, he joined the Mauritius Leasing Company Ltd as General Manager before being appointed Managing Director in 1997 and President of the Financial Services arm of the British American Group from 1999 to 2002. He joined the Mauritius Post Ltd in July 2002 as Executive Chairman and was appointed Chief Executive Officer of the Mauritius Post and Cooperative Bank Ltd in May 2003. In September 2005, he left the bank to join Mauritours Ltd as General Manager. He joined La Prudence (Mauricienne) Assurances Ltée in September 2007 as General Manager of the General Insurance department and was appointed to the board on 28 May 2010. Kris was appointed as Chief Executive Officer of the Company in January 2011. He is also a director of La Prudence Leasing Finance Ltd.



**Gilbert Poisson,**  
FCCA, ACII

Deputy Chief Executive Officer, Company Secretary

Gilbert (born in 1953) became a Fellow Member of the Association of Chartered Certified Accountants UK in 1979 and an Associate Member of the Chartered Insurance Institute UK in 1986. He is also a Chartered Insurer from the Chartered Insurance Institute, London, since 2008. He was formerly an auditor with De Chazal Du Mée & Co, Chartered Accountants until 1978 and assistant audit manager on Lloyds Syndicate audit with Fletcher, 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 31 July 2006.

Gilbert was appointed as Deputy Chief Executive Officer in January 2011.

He also acts as the Group's Company Secretary and is a director of La Prudence (Mauricienne) Assurances Ltée and the National Mutual Fund Ltd.

## SENIOR MANAGEMENT PROFILE



**Dominique Autard,**  
MBA Dip Fin Serv (Ins Brok) ANZIIIF (Snr.Assoc.) CIP

### **General Manager Life Insurance**

Dominique (born in 1971) has been in the Life insurance industry since 1989 and joined The Mauritius Union Assurance Cy. Ltd in October 2008 as Head of Life. In May 2010 he was nominated on the board of directors of La Prudence (Mauricienne) Assurances Ltée. Since October 2010, he was appointed General Manager of La Prudence Life Insurance where he is responsible for the strategic development and distribution of the long term insurance business. Dominique has a wide-ranged international experience, which includes administration management, underwriting, product development, product research, technical and strategic advice and distribution. He has held positions with a number of reputable companies namely AXA, AMP, Commonwealth Bank of Australia and until September 2008, was running his own company providing consulting services to ING Australia, Westpac Banking Corporation and Suncorp. Dominique holds a Master of Business Administration from Charles Sturt University (Australia), a Diploma of Financial Services and is a Senior Associate and a Certified Insurance Professional of the Australian & New Zealand Institute of Insurance and Finance.



**Delphine Ahnee Randabel,**  
LLB (Hons.)

### **Senior Manager Non-Motor Claims**

Delphine (born in 1972) holds a LLB (Hons) degree from the University of Mauritius and was Major de Promotion for her master's thesis on The Conflict of Laws in Private International Law. She has worked at the Chambers of Me Edwin Venchard Q.C in the field of legal consultancy and has contributed in the updating of the Statutory Laws of Mauritius, the Mauritius Reports and of the Code de Commerce 1997. She has successfully completed the Quality Management System Auditor/Lead Auditor Training Course.

Delphine joined LPM in 2000 as Claims Manager and has since then been assuming increasing responsibilities. She has been responsible for the management of the General Business until 2004 when the medical insurance claims was also entrusted to her. She is currently a Senior Manager responsible for the management of Non-Motor and Medical claims departments and the handling and follow-up of court cases for the Non-Motor business.



**Laval Foo Kune,**  
BAcc (Wits), CA (SA)

### **Senior Manager Finance & Accounting**

Laval (born in 1967) is a Chartered Accountant and worked for Levenstein & Partners, a medium size auditing firm in South Africa from 1992 to 1995. He left the firm to work for Symo Corporation Ltd, a manufacturing group of companies in Johannesburg, as accountant from 1995 to 1996. In 1996, he joined IBM South Africa as senior financial analyst and was responsible for the financial operations of several business units within the company. He left IBM in 1998 to join La Prudence (Mauricienne) Assurances Ltée as Financial Manager. He is responsible for the Finance department of the Group.

## SENIOR MANAGEMENT PROFILE

---



**Shirley Gillette,**  
MBA, ACII

### **Senior Manager Non-Motor Underwriting**

Shirley (born in 1960) is a Chartered Insurer from the Chartered Insurance Institute, London (1985) and holds a Master in Business Administration from Napier University, Scotland (1999). She worked for the Reinsurance Company of Mauritius Ltd from 1980 to 1985. In 1985, she joined Albatross Insurance Co. Ltd where she acquired a wide experience in both General Insurance Underwriting and Reinsurance. When she left Albatross Insurance Co. Ltd in 1997, she was the Superintendent of the General Insurance Department. In 1997, she joined La Prudence (Mauricienne) Assurances Ltée as Technical Manager. She is now responsible of the underwriting of the Non-Motor Insurance Department.



**Clarel Marie,**  
MBA, ACII

### **Senior Manager Life Insurance**

Clarel (born in 1960) worked for the Anglo-Mauritius Assurance Society Ltd from 1979 to 1993 where he acquired a broad experience in the Long Term Assurance business both in the individual life and the pension business. He joined Albatross in 1993 to develop the long term individual assurance products and was appointed Life and Pension Technical Manager in 2001. He joined La Prudence in August 2006 as the technical manager of the Life and Pension Department and is currently responsible for the operation side of La Prudence Life Insurance (Mauricienne) Assurances Ltée



**Ashraf Musbally,**  
Bsc. (Hons.) (City University, London), MBA & DIC (Imperial College, London), FCII

### **Senior Manager – Travel, Health & Product Development**

Ashraf (born in 1969) is a Chartered Insurer from the Chartered Insurance Institute, London (2002). He worked in the management consultancy department of Kemp Chatteris Deloitte and Touche. In April 1997, he joined La Prudence (Mauricienne) Assurances Ltée to manage and develop its Health Department until 2004 when he was appointed Chief Operations Officer - General Insurance. He is now responsible for the underwriting of the Travel & Health Department and for Product Development.



## SENIOR MANAGEMENT PROFILE

---



**Imrith Ramtohol,**  
B Bus Sci (Hons), FCCA, CFA

### **Senior Manager Investment**

Imrith (born in 1975) holds the Chartered Financial Analyst designation. He is also a Fellow Member of the Association of Chartered Certified Accountants UK and holds a Bachelor of Business Science (Honours) degree from the University of Cape Town. He has more than 12 years of investment and banking experience. Prior to joining the Mauritius Union Assurance Cy. Ltd as Head of Investment and subsequently Senior Manager- Investment, he was with local subsidiaries of South African banking groups, Rand Merchant Bank and Nedbank. He also worked for Capital Asset Management Ltd and The Stock Exchange of Mauritius Ltd, whereby he was involved in research and financial analysis. Imrith is actually a board member of Innodis Ltd and the National Mutual Fund Ltd. He is currently the Vice-President of the Society of Financial Analysts of Mauritius.



**Rishi Sewnundun,**  
B.Eng., MBA

### **Senior Manager IS & Business Projects**

Rishi Sewnundun (born in 1974) has 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 & Co. Ltd in 1998 where he worked as Systems Manager and later as Sales Manager. He was recruited in May 2005 as Head of Information Systems and appointed as Senior Manager in January 2008.





### Statement of Compliance

The Board of directors of the Mauritius Union Assurance Company Limited (the Board) endorses the Code of Corporate Governance for Mauritius issued by the National Committee on Corporate Governance.

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

### I. BOARD OF DIRECTORS

The Company has a unitary Board consisting of eight directors, six of whom are independent non-executives, one executive and one non-executive.

This composition aims to achieve a balanced Board which has the appropriate skills, experience, knowledge and independence required for it to discharge its duties and responsibilities effectively. The strong executive management presence, as recommended by the Code, is ensured by the Chief Executive Officer who is an appointed member of the Board and the Deputy Chief Executive Officer who, although not an appointed member of the Board attends all meetings and contributes actively to its deliberations in his capacity as Company Secretary. The Board is ultimately responsible for the corporate policy and strategy of the Company and its subsidiaries and is governed by a Board Charter and Code of Good Conduct which were reviewed and adopted on 11 November 2010.

The Board has a minimum of six scheduled meetings each year during which it considers all statutory matters, including the approval of unaudited quarterly results for publication, of audited financial statements, the declaration of dividends, the review of the Company's performance through budgets and forecasts and the Chief Executive Officer's report. In addition, the Board meets between scheduled meetings to address any such matters which require its attention.

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

There is a clear separation between the roles of the Chairman and those of the Chief Executive Officer. The Chairman leads the Board, ensuring that all directors participate fully and constructively in the functioning and decision-making process of the Board. He acts as the main informal link between the Board and management and particularly between the Board and the Chief Executive Officer. He ensures, with the participation of the Company Secretary, unhindered access to information by all board and committee members so that they can contribute to board meetings and other discussions and are able to reach informed decisions.

The Chief Executive Officer's responsibilities encompass the development and recommendation of a long-term strategy and vision for the Company that will generate satisfactory levels of shareholder value and positive, reciprocal relations with relevant stakeholders. He works out the annual business plans and budgets to be recommended to the Board, strives to consistently achieve the Company's financial and operating goals and objectives and ensures that the day-to-day business affairs of the Company are being appropriately monitored and managed. The Chief Executive Officer is responsible for 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 judgement.

Directors appointed to the Board have been familiarised with the Company's operations, senior management and our business environment. They have also been trained on their fiduciary duties and responsibilities, and more specifically on matters relating to conflict of interests.

Board members' profiles are set out on pages 7 and 8.

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

### I.1 Executive Directors' Service Contracts

- Jacques de Navacelle's fixed term contract ended on December 31, 2010.
- Pierre de Chasteigner du Mée had no fixed term contract.

### I.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.

### I.3 Changes in Directorship

- Messrs. George Robert, Jerome Lagesse and Axel Roussety did not stand for re-election.
- Mr. Pierre de Chasteigner du Mée was not re-elected.
- Messrs. Antoine Delaporte and Pierre-Yves Pougnet resigned in July 2010.
- Mr. Dominique Galea was elected as Director on 30 June 2010 and appointed as Chairman at the board meeting which followed the Annual Meeting of Shareholders.
- Mr. Robert Huet d'Arlon de Froberville, who was appointed on 30 June 2010, passed away on 10 July 2010.
- Mrs. Mélanie Faugier and Mr. Lawrence Poisson were appointed in July 2010.
- Messrs. Bruno Huet d'Arlon de Froberville and Arjoon Suddhoo were appointed in August 2010.

## CORPORATE GOVERNANCE REPORT

### 1.4 Directorships in other listed companies and subsidiaries of listed companies

The directorships held by the Board Members of MUA in other listed companies as at December 31, 2010 are shown below:

Vincent Ah-Chuen	POLICY Ltd	ABC Motors Co Ltd	Les Moulins de la Concorde Ltée		
Priscilla Balgobin-Bhoirul	Sugar Investment Trust Property Development Ltd				
Jacques de Navacelle	Harel Frères Ltd	United Basalt Products Ltd	Southern Cross Tourist Co Ltd	Ascencia Ltd	Omnican Ltd
Dominique Galea	United Docks Ltd	Forges Tardieu Ltd			

Bruno de Froberville, Mélanie Faugier, Lawrence Poisson and Arjoon Suddhoo are not directors of other listed companies or subsidiaries of listed companies.

### 1.5 Directors' Interests in Shares of the Company

The direct and indirect interests of the directors in the ordinary shares of the Company as at December 31, 2010, together with their classification, are set out in the table below :

Directors	Classification	No. of Shares	
		Direct	Indirect
Vincent Ah-Chuen	Independent Non-executive	158,387	164,737
Priscilla Balgobin-Bhoirul	Independent Non-executive	500	-
Jacques de Navacelle	Executive	500	-
Bruno de Froberville	Independent Non-executive	500	358,859
Mélanie Faugier	Independent Non-executive	500	1,208,930
Dominique Galea	Non-executive	1,449,168	130,652
Lawrence Poisson	Independent Non-executive	200,905	-
Arjoon Suddhoo*	Independent Non-executive	-	-

\* Section 21.7 of the Constitution of the Mauritius Union Assurance Cy. Ltd requires a Director of the Company to hold alone and not jointly with any person at least five hundred shares of the Company within two months after his appointment.

Mr. Suddhoo purchased the required number of shares thereafter.

### 1.6 Related party transactions

For related party transactions, please refer to Note 36 of the Financial Statements.

### 1.7 Directors' dealing in shares

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

During the year under review, the directors dealt in the shares of the Company as follows:

- Vincent Ah Chuen purchased 26,100 shares
- Mélanie Faugier purchased 500 shares
- Dominique Galea purchased 1,449,168 shares
- Jacques de Navacelle sold 32,100 shares

## 2. COMMITTEES OF THE BOARD

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

These committees have been set up in order to assist the directors in discharging their duties through a more comprehensive evaluation of specific issues. They may seek any information that may be required 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.

### 2.1 Audit Committee

The Audit Committee is chaired by Vincent Ah Chuen and Mélanie Faugier is the other member. External and Internal Auditors attend meetings when required.

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

The Audit Committee focuses on:

- the functioning of the internal control system and internal audit
- the risk areas of the Company's operations to be covered 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

### 2.2 Corporate Governance Committee

The Committee adopted new terms of reference in September 2010, which include the responsibilities of the Nomination and Remuneration Committees. These terms of reference were subsequently ratified by the Board.

The Corporate Governance 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.

The Remuneration and Nomination Committee makes 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. It has the responsibility of Board and Senior Executives' nominations.

Members of the Corporate Governance Committee as at December 31, 2010, were:

- Lawrence Poisson (Chairman)
- Jacques de Navacelle
- Dominique Galea
- Arjoon Suddhoo

### 2.3 Board Risk Committee

To strengthen our risk management framework, the Board has recently set up a Board Risk Committee, the objective of which will be to assist the Board in the discharge of its duties relating to corporate accountability and the associated risk in terms of management, assurance and reporting.

The Committee will review and assess the integrity of risk control systems and ensure that the risk policies and strategies are effectively managed. It will set out the nature, role, responsibility and authority of the risk management function within the company, and outline the scope of risk management work and monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts.

The Committee will provide an independent and objective oversight and review of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by management and the Audit Committee to the Board on financial, business and strategic risk.

The Committee has not met in 2010 and its responsibilities were hitherto assumed by the Audit Committee.

## CORPORATE GOVERNANCE REPORT

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

Directors	Board Meetings	Audit Committee	Corporate Governance Committee
Vincent Ah Chuen	13 out of 14	6 out of 6	-
Priscilla Balgobin-Bhoirul	11 out of 14	-	-
Pierre de Chasteigner du Mée	5 out of 5	1 out of 1	1 out of 1
Jacques de Navacelle	14 out of 14	-	6 out of 6
Bruno de Froberville	6 out of 6	-	-
Robert de Froberville	1 out of 1	-	-
Antoine Delaporte	6 out of 6	-	2 out of 2
Melanie Faugier	8 out of 8	2 out of 2	-
Dominique Galea	7 out of 9	-	4 out of 4
Jerome Lagesse	5 out of 5	4 out of 4	-
Lawrence Poisson	8 out of 8	-	4 out of 4
Pierre-Yves Pougnet	3 out of 7	3 out of 3	-
Georges A. Robert	4 out of 5	-	2 out of 2
Axel Roussety	5 out of 5	-	-
Arjoon Suddhoo	4 out of 6	-	2 out of 2



## 2.5 Directors' Remuneration whilst in office

Directors	Remuneration from the Company Rs ('000)		Remuneration from Subsidiaries Rs ('000)	
	2010	2009	2010	2009
Vincent Ah Chuen	250	345	12	12
Priscilla Balgobin-Bhoyrul	180	357		
Pierre de Chasteigner du Mée	90	645	668	609
Jacques de Navacelle	10,980	8,297	12	12
Bruno de Froberville	60	-		
Antoine Delaporte	340	350		
Mélanie Faugier	75	-		
Dominique Galea	200	-		
Jerome Lagesse	160	160		
Lawrence Poisson	75	-		
Pierre-Yves Pougnet	205	405	12	12
Georges A. Robert	160	345	11	15
Axel Roussety	90	352		
Arjoon Suddhoo	60	-		
	12,925	11,256	715	660

## CORPORATE GOVERNANCE REPORT

### 3 DIRECTORS' REMUNERATION PHILOSOPHY

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

Our remuneration philosophy is based on transparency and meritocracy while performance-based reward is at the heart of organisational culture.

### 4 SHAREHOLDING

- In accordance with the Constitution of the Company, no shareholder can hold more than 5% of the issued share capital of the Company without the previous authorisation of the Board of Directors.
- As at December 31, 2010, the following shareholders owned more than 5% of the issued share capital :
  - Devlin Investments Ltd – 7.5%
  - Mr. Dominique Galea – 7.23%
  - Société Robert de Froberville – 7.16%
- 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, 2010

No. of shareholders	No. of shares	No. of shares owned	% of total issued shares
1,018	1 – 5,000	1,082,627	5.4%
238	5,001 – 50,000	3,564,003	17.78%
33	50,001 – 100,000	2,465,490	12.3%
26	100,001 – 250,000	3,608,419	18%
4	250,001 – 500,000	1,326,385	6.62%
7	500,001 – 20,040,000	7,993,076	39.89%
1,326	TOTAL	20,040,000	100.00%

## CORPORATE GOVERNANCE REPORT

### 5 COMMON DIRECTORS AT DECEMBER 31, 2010

	Mauritius Union Assurance Cy Ltd	Associated Brokers Ltd	La Prudence (Mauricienne) Assurances Ltée	Feber Associates Ltd	National Mutual Fund Ltd	Fondation Mauritius Union Ltd
Vincent Ah Chuen	✿	✿	✿			
Manickchand (Prem) Beejan			✿	✿	✿	
Jacques de Navacelle	✿	✿	✿	✿	✿	✿
Mélanie Faugier	✿			✿	✿	
Dominique Galea	✿	✿	✿			
Lakshmana (Kris) Lutchmenarraido			✿	✿		
Lawrence Poisson	✿	✿	✿			

### 6 SHAREHOLDERS' AGREEMENT

The Company is not aware of any shareholders' agreement.

### 7 MANAGEMENT AGREEMENT

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

### 8 DIVIDEND POLICY

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

### 9 SHARE OPTION

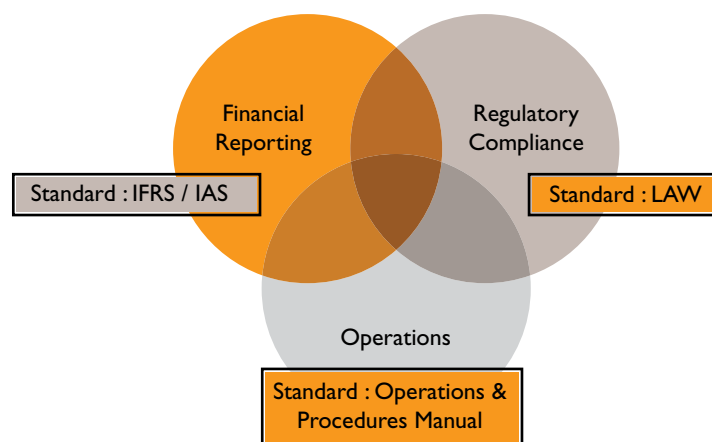
The Company has no share option plan.

### 10 INTERNAL AUDIT

The Internal Audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management. Internal Auditors are independent appraisers of existing controls. For this reason, the department recommends controls, but does not design and implement any of these.

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

#### Internal Control System



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 Committee and the Management
- monitoring the implementation of the recommendations and reporting on these implementations to the Audit Committee

They have carried out three internal audit reviews during 2010.

### 10.1 Reporting lines

The internal audit derives its authority from the Board through the Audit Committee. Internal Auditors have a direct reporting line to the Audit Committee and maintain an open and constructive communication with the Management. They also have direct access to the 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 Committee, is based on the principles of risk management designed to ensure that their 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 Committee and the Board Risk Committee.

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

- ensure all material risks are identified and reported to management, to the Audit Committee, to the Board 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



### II RISK MANAGEMENT (CONT'D)

The following risk areas have been identified for the company:

#### II.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.

##### (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.

#### II.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; and
- Reinsurers' default

### II RISK MANAGEMENT (Cont'd)

#### II.2 Financial Risks

(i) Foreign exchange risk

The Company holds a number of deposits, equity investments, property investments and bank balances denominated in foreign currencies and is exposed to fluctuations of the United States Dollar, 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 premiums 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 Chief Executive Officer. The Debtors and Loans Departments closely monitor payment procedures and debt recovery and take 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.

### II RISK MANAGEMENT (Cont'd)

#### II.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.

(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. The Compliance Department monitors 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. The Customers' Complaints Handling Unit oversees these risks.

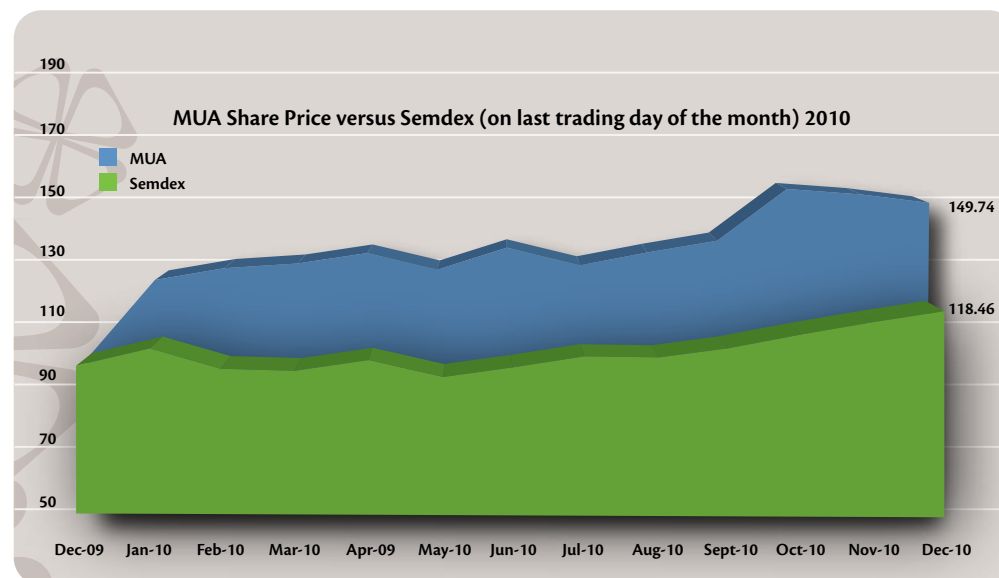
(e) Health and Safety Risk

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, appropriate rating methods based on the recurring nature of the risk and the financial and operational impact of the risk are applied.

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

### 12 SHARE PRICE INFORMATION



### 13 CHARITABLE DONATIONS

Charitable donations were made by the Company during the year to **31** recipients for an amount of **Rs. 1,243,067.56** (2009: Rs 1,182,527).

This year's actions were centered on the fight against poverty.

La Prudence (Mauricienne) Assurances Ltée donated a total amount of Rs 219,000 to 2 NGOs. No charitable donations were made by other subsidiaries.

### 14 POLITICAL DONATIONS

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

### 15 AUDITORS' REMUNERATION

	THE GROUP		THE COMPANY	
	2010 Rs'000	2009 RS'000	2010 Rs'000	2009 RS'000
Audit fees paid to:				
- BDO & Co	650	541	518	541
- Other firms	1,349	97	-	-
Fees paid for other services provided by				
- BDO & Co	1,511	352	1,511	343
Details:				
• Advisory services	179	178	179	178
• Tax computation fees	93	76	78	67
• Audit of the annual statutory return to the FSC	104	98	104	98
• Financial due diligence	1,150	-	1,150	-
- Other firms	159	-	-	-
Details:				
• Tax computation fees	159	-	-	-

### 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.

In this respect, the Fondation Mauritius Union Limited was incorporated on 14 October 2010 and received official CSR Accreditation from the National Empowerment Foundation in December 2010. Using the Fondation as a special purpose vehicle, we can now carry out our CSR projects in a more efficient manner thereby contributing to the betterment of our community.



### 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, employees are regularly trained on handling fire equipment, evacuation simulation exercise and first aid care.

### 16.3 Social

We have made significant progress in our corporate citizenship initiatives. We particularly want to highlight one area in which we have made great strides: The fight against poverty and poverty alleviation.

In 2010, we have continued and reinforced actions undertaken in 2009. Education was the centre point of our initiatives because Education is "l'outil par excellence" to eradicate poverty. Some of our partners were EAP/NEF (National Empowerment Foundation), Mouvement Quartier EDC Rose-Belle, COPA, Le Pont du Tamarinier, Stanley ZEP Government School, APEIM, EDYCS.

Furthermore, we also actively intervened in the following areas:

- |   |   |
|---|---|
| • Socio economic development programmes | Household Gardening, Egg Production and Rehabilitation Programmes |
| • Health                                | L'Association Alzheimer, Tidiams                                  |
| • Environment                           | PAWS  |
| • Sports                                | Trust Fund for Excellence in Sport                                |
| • Catastrophe Interventions & Support   | Haiti   |

### 16.3 Social (Cont'd)

Employees were also encouraged to be involved in the activities like Christmas Gifts Distribution. Every single staff member was proud of their contribution and knew in their hearts this is what Fondation Mauritius Union Ltd is all about "MAKING A DIFFERENCE".

One of the major poles for 2011 will be to cover the whole academic cursus (pre-primary to tertiary including pre vocational) and position all operating sites/branches as a major social actor within their respective catchment area.

### 17 TIME-TABLE OF IMPORTANT UPCOMING EVENTS

June 17, 2011	Payment of Interim Dividends
June 30, 2011	Annual Meeting of Shareholders
August 12, 2011	Publication of unaudited accounts for quarter ended June 30, 2011
November 14, 2011	Declaration of Final Dividends
November 14, 2011	Publication of unaudited accounts for quarter ended September 30, 2011
December 16, 2011	Payment of Final Dividends

### 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:

- (i) Selected suitable accounting policies that are compliant with International Financial Reporting Standards and applied them consistently
- (ii) Made judgments and estimates that are reasonable and prudent
- (iii) Prepared the financial statements on a going concern basis
- (iv) Kept proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company
- (v) Taken appropriate measures to safeguard the assets of the Company through the application of appropriate internal control and risk management systems and procedures
- (vi) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### 18.2 Internal Control

The Directors are responsible for the Company's systems of internal control. The systems have been designed to provide the Directors with reasonable assurance that assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or detected within a reasonable time. An internal audit and a risk & compliance function have 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 Committee.

### 18.3 Risk Management

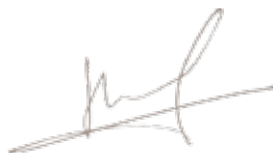
Through the Audit Committee and the Board Risk Committee, Directors are made aware of the risk areas which affect the Company and ensure that Management has taken appropriate measures to mitigate these risks.

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

Approved by the Board of Directors on May 11, 2011 and signed on its behalf by:



Dominique Galea  
Chairman



Lakshmana (Kris) Lutchmenarraido  
Chief Executive Officer



Gilbert Poisson  
Company Secretary





#### 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.

**Gilbert Poisson**  
Company Secretary

May 11, 2011





## Auditor's Report

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of The Mauritius Union Assurance Company Limited (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 50 to 135 which comprise the statements of financial position at December 31, 2010 and the income statements, statements of changes in equity and statements of cash flow 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 control 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' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

#### *Emphasis of Matter*

*Adjusting event after the end of the Reporting Period*

*We draw attention to note 36 (a) to the financial statements which describes the outcome of the MCB case and the adjustment which has been booked in that respect after the end of the Reporting Period.*

#### *Opinion*

In our opinion, the financial statements on pages 50 to 135 give a true and fair view of the financial position of the Group and of the Company at December 31, 2010, 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

### 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.

March 31, 2011

Port Louis  
Mauritius

#### *Insurance Act 2005*

##### (i) Transfer of operations

The life business activities of the MUA have been discontinued with effect January 1, 2011 in line with the requirements of the Insurance Act 2005. All the assets, liabilities and operations of the life business of MUA were transferred to the subsidiary, La Prudence (Mauricienne) Assurance Ltee (LPM). Similarly, the general insurance activities of LPM were discontinued and transferred to MUA (note 36 (b) - Event after the reporting period).

##### (ii) Minimum Capital Requirement and solvency ratio

Per the Insurance (General Insurance Business Solvency) Rules 2007, a general insurer shall have at all times a capital requirement ratio (CRR) of 150% and a solvency margin of at least 100% of the minimum requirement. At December 31, 2010, both ratios were below the required level but on January 1, 2011, following the merger of the general insurance business operations of the Company with those of LPM, these ratios were in compliance.

Except for the event as mentioned in paragraph (ii) above, the financial statements have been prepared in the manner and meet the requirements specified by the Financial Services Commission (FSC).



**BDO & Co**  
**Chartered Accountants**

## STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

### ASSETS

#### Non-Current Assets

Property and equipment
Investment property
Intangible assets
Investments in subsidiary companies
Investments in associated company
Financial assets
Loans and receivables
Retirement benefit assets
Life business

#### Current Assets

Financial assets
Loans and receivables
Property held for resale
Trade and other receivables
Deferred acquisition costs receivable
Amount receivable from Life business
Recoverable from reinsurers
Bank balances and cash
Life business

Life business non-current assets held-for-sale

#### Total Assets

		THE GROUP		THE COMPANY	
		2010 Rs'000	2009 RS'000	2010 Rs'000	2009 RS'000
5		82,734	19,360	27,485	18,760
6		77,800	10,000	-	-
7		565,682	34,279	9,601	7,906
8		-	-	877,299	77,299
9		-	586	-	4,817
10		907,018	1,304,422	600,909	1,262,504
11		106,812	53,723	64,683	53,390
20		1,798	-	-	-
		4,416,219	2,572,157	-	-
		6,158,063	3,994,527	1,579,977	1,424,676
10		50,673	106,017	50,673	106,017
11		19,225	14,151	19,225	14,151
12		4,953	-	-	-
13		333,893	159,248	177,605	146,417
		38,232	32,304	38,232	32,304
		30,556	-	30,556	-
14&15		397,058	289,179	219,515	289,179
32(b)		337,179	189,085	148,234	175,213
		576,330	429,555	-	-
		1,788,099	1,219,539	684,040	763,281
12		925	-	-	-
		7,947,087	5,214,066	2,264,017	2,187,957

50

The Mauritius Union Assurance Company Limited • Annual Report 2010

## STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

### ASSETS

#### Non-Current Assets

Property and equipment
Investment property
Intangible assets
Investments in subsidiary companies
Investments in associated company
Financial assets
Loans and receivables
Retirement benefit assets
Life business

#### Current Assets

Financial assets
Loans and receivables
Property held for resale
Trade and other receivables
Deferred acquisition costs receivable
Amount receivable from Life business
Recoverable from reinsurers
Bank balances and cash
Life business

Life business non-current assets held-for-sale

#### Total Assets

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		Rs'000	RS'000	Rs'000	RS'000
5		82,734	19,360	27,485	18,760
6		77,800	10,000	-	-
7		565,682	34,279	9,601	7,906
8		-	-	877,299	77,299
9		-	586	-	4,817
10		907,018	1,304,422	600,909	1,262,504
11		106,812	53,723	64,683	53,390
20		1,798	-	-	-
		4,416,219	2,572,157	-	-
		6,158,063	3,994,527	1,579,977	1,424,676
10		50,673	106,017	50,673	106,017
11		19,225	14,151	19,225	14,151
12		4,953	-	-	-
13		333,893	159,248	177,605	146,417
		38,232	32,304	38,232	32,304
		30,556	-	30,556	-
14&15		397,058	289,179	219,515	289,179
32(b)		337,179	189,085	148,234	175,213
		576,330	429,555	-	-
		1,788,099	1,219,539	684,040	763,281
12		925	-	-	-
		7,947,087	5,214,066	2,264,017	2,187,957


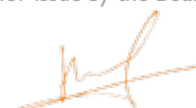
50

The Mauritius Union Assurance Company Limited • Annual Report 2010

## STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		Rs'000	RS'000	Rs'000	RS'000
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves (attributable to owners of the parent)</b>					
Share capital	16	200,400	200,400	200,400	200,400
Revaluation and other reserves	17	43,110	476,484	66,917	472,788
Non-distributable share of Life surplus	36	46,129	56,861	46,129	56,861
Retained earnings		811,386	496,506	736,094	492,611
Owners of the Parent		1,101,025	1,230,251	1,049,540	1,222,660
Non-controlling interests		6,095	5,241	-	-
Total equity		1,107,120	1,235,492	1,049,540	1,222,660
<b>Technical Provisions</b>					
Unearned premium reserve	15/18	565,275	337,719	415,110	337,719
Life assurance fund		4,855,650	2,971,331	-	-
Outstanding claims	14 & 15	1,038,509	502,190	687,645	502,190
		6,459,434	3,811,240	1,102,755	839,909
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	19	51,424	80	-	-
Retirement benefit obligations	20	1,237	342	-	342
Life business		1,975	342	-	-
		54,636	764	-	342
<b>Current Liabilities</b>					
Borrowings		2,487	7,715	2,487	-
Trade and other payables	21/32(b)	164,988	75,691	88,923	73,328
Deferred acquisition costs payable	22	14,947	12,210	14,947	12,210
Amount payable to Life business	2(q)	-	36,787	-	36,787
Current tax liabilities	23	6,431	4,128	5,365	2,721
Life business		137,044	30,039	-	-
		325,897	166,570	111,722	125,046
<b>Total Equity and Liabilities</b>		<b>7,947,087</b>	<b>5,214,066</b>	<b>2,264,017</b>	<b>2,187,957</b>

These financial statements have been approved for issue by the Board of Directors on March 31, 2011:



 ) DIRECTORS

The notes on pages 63 to 135 form an integral part of these financial statements.  
Auditors' report on pages 48 and 49.



## STATEMENTS OF FINANCIAL POSITION - LIFE BUSINESS AS AT DECEMBER 31, 2010

### Non-Current Assets

Property and equipment
Investment properties
Intangible assets
Investments in associated companies
Financial assets
Loans and receivables

### Current Assets

Financial assets
Loans and receivables
Trade and other receivables
Amount receivable from General business
Bank balances and cash

Non-current assets held-for-sale

### Total Assets

### Less:

### Equity

Retained earnings
Revaluation & other reserves

### Non-Current Liabilities

Deferred tax liabilities
Retirement benefit obligations

### Current Liabilities

Amount payable to General business
Taxation
Trade and other payables

### Life Assurance Fund

\* See note 36.

The notes on pages 63 to 135 form an integral part of these financial statements.  
Auditors' report on pages 48 and 49.

		THE GROUP	THE COMPANY	
		2010 RS'000	2010* Rs'000	2009 RS'000
5		135,850	111,298	105,102
6		179,200	155,200	150,200
7		23,197	15,326	12,498
9		-	-	586
10		3,513,326	2,288,776	1,937,770
11		564,646	454,186	366,001
		4,416,219	3,024,786	2,572,157
	10	92,256	92,256	78,503
	11	88,598	66,390	55,113
	13	52,506	27,913	25,687
		-	-	36,787
32(d)		342,970	173,921	233,465
		576,330	360,480	429,555
	12	925	-	-
		4,993,474	3,385,266	3,001,712
		(534)	-	-
		(661)	-	-
		(1,195)	-	-
	19	1,975	750	-
	20	-	-	342
		1,975	750	342
		30,556	30,556	-
23(b)		284	-	-
22		106,204	46,520	30,039
		137,044	77,076	30,039
		4,855,650	3,307,440	2,971,331
		4,855,650	3,307,440	2,971,331

## INCOME STATEMENTS FOR YEAR ENDED DECEMBER 31, 2010

	Notes	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		Rs'000	RS'000	Rs'000	RS'000
Revenue	24	1,033,200	609,124	741,900	599,421
Underwriting surplus (page 55)		117,303	159,487	18,610	159,487
Investment and other income	25(a)(i)	95,217	95,301	58,579	85,886
Profit on disposal of available-for-sale financial assets	25(a)(ii)	435,549	194,051	386,279	194,049
Increase in fair value of investment property	6	5,300	2,000	-	-
		653,369	450,839	463,468	439,422
Legal costs		-	10,000	-	10,000
Management expenses		240,094	107,331	143,378	101,466
Finance costs		788	-	1,098	-
Depreciation	5	11,576	6,080	5,854	5,922
Amortisation	7	15,816	2,240	3,375	2,240
		268,274	125,651	153,705	119,628
		385,095	325,188	309,763	319,794
Share of results of associated companies	9(a)	-	(885)	-	-
Profit before taxation	26	385,095	324,303	309,763	319,794
Taxation	23	(14,052)	(7,315)	(11,321)	(6,482)
<b>Net Profit for the year</b>		<b>371,043</b>	<b>316,988</b>	<b>298,442</b>	<b>313,312</b>
<b>Attributable to :</b>					
Owners of the Parent		369,835	315,524	298,442	313,312
Non-controlling interests		1,208	1,464	-	-
		371,043	316,988	298,442	313,312
Earnings per share (Rs/cs)	31	18.45	15.74		
Number of shares used in calculation of earnings per share		20,040,000	20,040,000		

## STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED DECEMBER 31, 2010

	Notes	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		Rs'000	RS'000	Rs'000	RS'000
<b>Net Profit for the year</b>		<b>371,043</b>	316,988	<b>298,442</b>	313,312
<b>Other comprehensive Income</b>					
(Decrease)/increase in fair value of available-for-sale financial assets	10(a)	(17,001)	233,033	9,474	385,717
Release from fair value reserve on disposal of available-for-sale financial assets		(416,427)	(171,632)	(415,345)	(171,632)
Movement in reserves of associate		45	(224)	-	-
Movement in reserves of subsidiary		13	665	-	-
Revaluation of property, plant and equipment		994	-	-	-
Non distributable share of Life surplus (page 56)	5(a)	2,834	17,936	2,834	17,936
Amalgamation adjustment		-	-	-	16,911
Transfer of revaluation of land and buildings to Life business (page 56)		-	(11,651)	-	(11,651)
Transfer to/(from) retained earnings		(657)	-	-	-
<b>Total comprehensive income for the year</b>		<b>(59,156)</b>	385,115	<b>(104,595)</b>	550,593
<b>Attributable to :</b>					
Owners of the Parent		(60,701)	382,416	(104,595)	550,593
Non-controlling interests		1,545	2,699	-	-
		<b>(59,156)</b>	385,115	<b>(104,595)</b>	550,593

The notes on pages 63 to 135 form an integral part of these financial statements.  
Auditors' report on pages 48 and 49.

## GENERAL BUSINESS REVENUE ACCOUNT FOR YEAR ENDED DECEMBER 31, 2010

	Notes	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		Rs'000	RS'000	Rs'000	RS'000
Gross Premiums		1,337,515	772,861	983,123	772,861
Premiums ceded to Reinsurers		(273,293)	(129,872)	(178,132)	(129,872)
Change in gross unearned premiums	15(ii)/18	(41,000)	(57,023)	(77,391)	(57,023)
Recoverable from reinsurers	15(i)/(ii)	(6,504)	13,455	14,300	13,455
Net earned premiums	2(l)	1,016,718	599,421	741,900	599,421
Gross claims paid	15(i)	613,599	415,886	437,021	415,886
Claims recovered from Reinsurers	15(i)	(65,855)	(45,825)	(34,558)	(45,825)
Movement in gross outstanding claims	15(i)/(ii)	203,378	14,968	185,455	14,968
Recoverable from reinsurers		80,504	13,028	83,964	13,028
Net claims incurred		831,626	398,057	671,882	398,057
Commissions payable to agents and brokerage fees		127,885	74,854	91,427	74,854
Commissions receivable from Reinsurers		(52,048)	(25,265)	(31,971)	(25,265)
Documentation and policy fees		(8,048)	(7,712)	(8,048)	(7,712)
Net commissions payable		67,789	41,877	51,408	41,877
Underwriting surplus		117,303	159,487	18,610	159,487

The notes on pages 63 to 135 form an integral part of these financial statements.  
Auditors' report on pages 48 and 49.

	Notes	THE GROUP		THE COMPANY	
		2010	2010*	2009	
		RS'000	RS'000	RS'000	
Gross Premiums		516,020	372,222	339,651	
Ceded to Reinsurers		(45,949)	(35,201)	(22,793)	
Net insurance premiums		470,071	337,021	316,858	
Consideration for annuities		3,357	3,357	806	
		473,428	340,378	317,664	
Investment and other income	25(b)	203,659	140,875	139,617	
Loss on disposal of property and equipment		363	222	(14)	
Increase in fair value of investment properties	6	10,816	5,000	5,000	
Transfer of revaluation reserves from General business (page 54)		-	-	11,651	
Revaluation of land and buildings	5(e)	1,236	1,236	16,001	
Increase in fair value of available-for-sale financial assets	10 (c)	273,797	182,147	385,584	
		489,871	329,480	557,839	
		963,299	669,858	875,503	
Commissions payable		24,915	21,309	24,730	
Commissions recoverable from reinsurers		(13,904)	(10,353)	(8,157)	
Net commissions payable		11,011	10,956	16,573	
Gross claims death and disablement claims		14,139	14,139	12,014	
Recoverable from reinsurers		(6,171)	(6,171)	(6,110)	
Net death and disablement claims		7,968	7,968	5,904	
Maturity claims		247,854	146,109	152,338	
Surrenders		14,734	14,734	14,750	
Other benefits		1,510	1,510	1,772	
Annuities and pensions		24,707	24,707	13,424	
Total claims		296,773	195,028	188,188	
Management expenses		128,466	94,732	87,134	
Depreciation	5(e)	9,021	7,252	5,958	
Amortisation of intangible assets	7	6,493	2,546	482	
		143,980	104,530	93,574	
		511,535	359,344	577,168	
Share of results of associated companies	9(a)	-	-	(885)	
Share of currency translation reserve of associated companies	9(a)	-	-	66	
Surplus for the year		511,535	359,344	576,349	
Taxation		(5,178)	(750)	-	
Net surplus for the year	23(d)	506,357	358,594	576,349	
Fund at January 1,		2,971,331	2,971,331	2,412,918	
Acquisition through business combination	34	1,400,451	-	-	
Transfer of revaluation reserve to General business		(19,651)	(19,651)	-	
Surplus for the year		506,357	358,594	576,349	
Transfer from/(to) retained earnings		(4)	-	-	
Share of surplus to shareholders (page 54)		(2,834)	(2,834)	(17,936)	
<b>Fund at Dec-31, 2010</b>		<b>4,855,650</b>	<b>3,307,440</b>	<b>2,971,331</b>	

\*The life operations of the Company were transferred with effect from January 1, 2011, to its subsidiary, La Prudence (Mauricienne) Assurance Limitee in compliance with the requirements of the Insurance Act 2005. Therefore at Company level, the life operations have been discontinued (see note 36).

The notes on pages 63 to 135 form an integral part of these financial statements.

Auditors' report on pages 48 and 49.

## STATEMENTS OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2010

THE GROUP	Notes	Attributable to owners of the Parent					Non-controlling Interests	TOTAL
		Share Capital	Revaluation and Other Reserves	Non-distributable share of Life Surplus*	Retained Earnings	Total		
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at January 1, 2010		200,400	476,484	56,861	496,506	1,230,251	5,241	1,235,492
Transfer of revaluation reserves from Life fund		-	-	-	19,651	19,651	-	19,651
Total comprehensive income for the year		-	(433,374)	(10,732)	383,405	(60,701)	1,545	(59,156)
Dividends	28	-	-	-	(88,176)	(88,176)	(691)	(88,867)
Balance at December 31, 2010		200,400	43,110	46,129	811,386	1,101,025	6,095	1,107,120
Balance at January 1, 2009		200,400	427,528	45,200	363,083	1,036,211	3,233	1,039,444
Total comprehensive income for the year		-	48,956	11,661	321,799	382,416	2,699	385,115
Dividends	28	-	-	-	(188,376)	(188,376)	(691)	(189,067)
Balance at December 31, 2009		200,400	476,484	56,861	496,506	1,230,251	5,241	1,235,492

\* See note 36.

The notes on pages 63 to 135 form an integral part of these financial statements.  
Auditors' report on pages 48 and 49.



## STATEMENTS OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2010

### THE COMPANY

Balance at January 1, 2010

Transfer of revaluation reserves from Life fund

Total comprehensive income for the year

Dividends

Balance at December 31, 2010

Balance at January 1, 2009

Total comprehensive income for the year

Dividends

Balance at December 31, 2009

Notes	Share Capital	Revaluation and Other Reserves	Non- distributable share of Life Surplus*	Retained Earnings	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	200,400	472,788	56,861	492,611	1,222,660
	-	-	-	19,651	19,651
	-	(405,871)	(10,732)	312,008	(104,595)
28	-	-	-	(88,176)	(88,176)
	200,400	66,917	46,129	736,094	1,049,540
	200,400	270,354	45,200	344,489	860,443
	-	202,434	11,661	336,498	550,593
28	-	-	-	(188,376)	(188,376)
	200,400	472,788	56,861	492,611	1,222,660

\* See note 36.

The notes on pages 63 to 135 form an integral part of these financial statements.

Auditors' report on pages 48 and 49.

## STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2010

	Notes	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		TOTAL Rs'000	TOTAL RS'000	TOTAL Rs'000	TOTAL RS'000
<b>Operating Activities</b>					
Net cash (used in)/generated from operations	32(a)	(29,310)	274,164	146,407	278,901
Dividend received		19,621	43,899	13,784	46,011
Interest received		37,965	37,070	35,227	36,359
Income tax paid		(10,443)	(6,575)	(8,456)	(5,887)
<b>Net cash generated from operating activities</b>		<b>17,833</b>	<b>348,558</b>	<b>186,962</b>	<b>355,384</b>
<b>Investing Activities</b>					
Disposal of property and equipment		2,946	151	853	151
Disposal/maturity of financial assets		1,087,104	436,700	1,000,749	436,490
Disposal of investment in associated company		557	-	557	-
Purchase of property and equipment	5	(18,764)	(8,005)	(15,637)	(7,648)
Purchase of intangible asset	7	(6,001)	(4,581)	(5,070)	(4,581)
Purchase of financial assets	10(a),(b)	(296,893)	(428,913)	(293,798)	(428,145)
Purchase of investment in subsidiary company	34(d)/8	(528,687)	(54,169)	(800,000)	(65,029)
Loans recovered		16,755	16,893	16,755	16,901
Loans granted		(32,661)	(45,221)	(32,661)	(45,221)
<b>Net cash generated from/(used) in investing activities</b>		<b>224,356</b>	<b>(87,145)</b>	<b>(128,252)</b>	<b>(97,082)</b>
<b>Financing Activities</b>					
Dividends - Owners of the Parent	28	(88,176)	(188,376)	(88,176)	(188,376)
- Non-controlling interest		(691)	(691)	-	-
<b>Net cash used in financing activities</b>		<b>(88,867)</b>	<b>(189,067)</b>	<b>(88,176)</b>	<b>(188,376)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>153,322</b>	<b>72,346</b>	<b>(29,466)</b>	<b>69,926</b>
<b>Movement in cash and cash equivalents</b>					
At January 1,		181,370	109,024	175,213	105,287
Increase/(decrease)		153,322	72,346	(29,466)	69,926
<b>At December 31,</b>	32(b)	<b>334,692</b>	<b>181,370</b>	<b>145,747</b>	<b>175,213</b>

The notes on pages 63 to 135 form an integral part of these financial statements.  
Auditors' report on pages 48 and 49.

## STATEMENT OF CASH FLOWS - LIFE BUSINESS - YEAR ENDED DECEMBER 31, 2010

	Notes	THE GROUP	THE COMPANY	
		2010	2010	2009
		RS'000	Rs'000	RS'000
<b>Operating Activities</b>				
Net cash generated from/(used in) operations	32(c)	370,491	135,376	(51,062)
Dividend received		66,636	45,691	55,090
Interest received		70,584	54,057	79,186
Income tax paid		(161)	-	
<b>Net cash generated from operating activities</b>		<b>507,550</b>	<b>235,124</b>	<b>83,214</b>
<b>Investing Activities</b>				
Disposal of property and equipment		459	19	156
Disposal/maturity of financial assets	10(c)/(d)	558,727	474,797	554,552
Disposal of investment in associated companies		557	557	-
Purchase of property and equipment	5 (e)/(f)	(12,711)	(12,238)	(7,646)
Purchase of intangible asset	7	(5,547)	(5,374)	(7,216)
Purchase of financial assets	10(c)	(873,876)	(655,837)	(614,565)
Loans recovered		116,318	89,753	76,977
Loans granted		(181,972)	(186,345)	(122,166)
<b>Net cash used in investing activities</b>		<b>(398,045)</b>	<b>(294,668)</b>	<b>(119,908)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>109,505</b>	<b>(59,544)</b>	<b>(36,694)</b>
<b>Movement in cash and cash equivalents</b>				
At January 1,		233,465	233,465	270,159
Increase/(decrease)		109,505	(59,544)	(36,694)
<b>At December 31,</b>	32(d)	<b>342,970</b>	<b>173,921</b>	<b>233,465</b>

The notes on pages 63 to 135 form an integral part of these financial statements.  
Auditors' report on pages 48 and 49.



## Financial Statements





### I. 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 8(b).

### 2. PRINCIPAL 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 the Companies Act and have been prepared in accordance 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) investments in associated companies in the Group and the Life Business financial statements are accounted for under the equity method ;
- (iv) investment properties are stated at fair value; and
- (v) held-to-maturity investments, loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost.

Amendments to published Standards, Standards and Interpretations effective in the reporting period

IAS 27, 'Consolidated and Separate Financial Statements' (Revised 2008), requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The revised standard also specifies the accounting when control is lost, any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This IAS will not have any impact on the Group's/Company's financial statements.

IFRS 3, 'Business combinations' (Revised 2008), continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. This IFRS will not have any impact on the Group's/Company's financial statements.

"Amendments to IAS 39, 'Eligible hedged items', prohibit designating inflation as a hedgeable component of a fixed rate debt. In a hedge of one-sided risk with options, it prohibits including time value in the hedged risk. The amendment is not expected to have any impact on the Group's/Company's financial statements."

Amendments to IFRS 1 and IAS 27, 'Cost of an Investment in a Subsidiary', clarify that the cost of a subsidiary, jointly controlled entity or associate in a parent's separate financial statements, on transition to IFRS, is determined under IAS 27 or as a deemed cost. Dividends from a subsidiary, jointly controlled entity or associate are recognised as income. There is no longer a distinction between pre-acquisition and post-acquisition dividends. The cost of the investment of a new parent in a group (in a reorganisation meeting certain criteria) is measured at the carrying amount of its share of equity as shown in the separate financial statements of the previous parent. The amendment is not expected to have any impact on the Group's/Company's financial statements.

IFRIC 17, 'Distributions of Non-cash Assets to Owners', clarifies that a dividend payable is recognised when appropriately authorised and no longer at the entity's discretion. An entity measures distributions of assets other than cash when it pays dividends to its owners, at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. This IFRIC will not have any impact on the Group's/Company's financial statements.

IFRIC 18, 'Transfers of Assets from Customers', addresses the treatment for assets transferred from a customer in return for connection to a network or ongoing access to goods or services, or both. It requires the transferred assets to be recognised initially at fair value and the related revenue to be recognised immediately; or, if there is a future service obligation, revenue is deferred and recognised over the relevant service period. This IFRIC will not have any impact on the Group's/Company's financial statements.



Amendments to IFRS 1, 'Additional Exemptions for First-time Adopters' exempt entities that use the full cost method for oil and gas properties from retrospective application of IFRSs. It also exempts entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining whether an arrangement contains a lease'. The amendment is not expected to have any impact on the Group's/Company's financial statements.

Amendments to IFRS 2, 'Group Cash-settled Share-based Payment Transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. This amendment is not expected to have any impact on the Group's/Company's financial statements.

### Improvements to IFRSs (issued May 22, 2008)

IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations', clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The amendment will not have an impact on the Group's/Company's operations.

### Improvements to IFRSs (issued 16 April 2009)

IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. This amendment is not expected to have any impact on the Group's/Company's financial statements.

IAS 7 (Amendment), 'Statement of Cash Flows', clarifies that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities. This amendment is unlikely to have an impact on the Group's/Company's financial statements.

IAS 17 (Amendment) 'Leases', clarifies that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. A lease newly classified as a finance lease should be recognised

retrospectively. The amendment will not have an impact on the Group's/Company's operations.

"IAS 18 (Amendment), 'Revenue'. An additional paragraph has been added to the appendix to IAS 18, providing guidance on whether an entity is acting as principal or agent."

IAS 36 (Amendment), 'Impairment of Assets', clarifies that for the purpose of impairment testing, the cash-generating unit or groups of cash-generating units to which goodwill is allocated should not be larger than an operating segment (as defined by IFRS 8, 'Operating segments') before aggregation. The amendment will not have an impact on the Group's/Company's operations.

"IAS 38 (Amendment), 'Intangible Assets', clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment removes the exceptions from recognising intangible assets on the basis that their fair values cannot be reliably measured. Intangible assets acquired in a business combination that are separable or arise from contractual or other legal rights should be recognised. The amendment specifies different valuation techniques that may be used to value intangible assets where there is no active market. The amendment is unlikely to have an impact on the Group's/Company's financial statements."

"IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' clarifies that the scope exemption within IAS 39 only applies to forward contracts that will result in a business combination at a future date, as long as the term of the forward contract does 'not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction'. The amendment removes reference to transactions between segments as being hedgeable transactions in individual or separate financial statements and clarifies that amounts deferred in equity are only reclassified to profit or loss when the underlying hedged cash flows affect profit or loss. The amendment is not expected to have an impact on the Group's/Company's income statement/statement of comprehensive income."

IFRS 2 (Amendment), 'Share-based Payment', confirms that, transactions in which the entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 (2008) Business Combinations, contribution of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2 Share-based Payment. The amendment will not have an impact on the Group's/Company's operations.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The amendment will not have an impact on the Group's/Company's operations.

IFRS 8 (Amendment), 'Operating Segments', clarifies that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker reviews that information. This amendment is unlikely to have an impact on the Group's/Company's financial statements.

IFRIC 9 (Amendment), 'Reassessment of Embedded Derivatives', clarifies that embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture are outside the scope of IFRIC 9. This amendment is unlikely to have an impact on the Group's/Company's financial statements.

IFRIC 16 (Amendment), 'Hedges of a Net Investment in a Foreign Operation', clarifies that hedging instruments may be held by any entity or entities within the group. This includes a foreign operation that itself is being hedged. This amendment is unlikely to have an impact on the Group's/Company's financial statements.

### Standards, Amendments to published 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 1 January 2011 or later periods, but which the Group/Company has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

- Classification of Rights Issues (Amendment to IAS 32) (Effective February 1, 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Effective July 1, 2010)
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
- IAS 24 Related Party Disclosures (Revised 2009)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS1)
- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)
- IFRS 9 Financial Instruments
- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)
- Amendment to IFRS 1 Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters (Effective July 1, 2010)

### Improvements to IFRSs (issued 6 May 2010)

IFRS 1 First-time Adoption of International Financial Reporting Standards  
 IFRS 3 Business Combinations (Effective 1 July 2010)  
 IFRS 7 Financial Instruments: Disclosures  
 IAS 1 Presentation of Financial Statements  
 IAS 27 Consolidated and Separate Financial Statements (Effective 1 July 2010)  
 IAS 34 Interim Financial Reporting  
 IFRIC 13 Customer Loyalty Programmes

Where relevant, the Group/Company is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

### (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 Statement of Comprehensive Income. Increases and decreases in the carrying amounts arising on revaluation of land and buildings belonging to the life business are credited/debited to the Life Assurance Fund.

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

	Rate per annum
Buildings	1% - 2%
Office equipment, fixtures and fittings	10 - 33.33%
Motor vehicles	20%

Land is not depreciated

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

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

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

### (c) Investment property

Property held to earn rentals or capital appreciation or both and not occupied by the Company is classified as investment property. Investment property is stated at fair value, representing the open-market value determined by independent valuers. Gains and losses arising from changes in the fair value of investment properties is included in the Statement of Comprehensive Income and 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 at the date of acquisition. Goodwill on acquisitions of subsidiary companies 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 and the Life Assurance Fund.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On disposal of a subsidiary or associated company, 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) Acquisition of client portfolio

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

#### (iii) Computer software

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

### (e) Impairment of non-financial 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 subsidiary companies

#### *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*

#### (i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group

### (ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity

### (g) Investments in associated company

#### *Separate financial statements*

Investment in associated company is carried at cost in the separate financial statements of the Company and accounted for under the equity method for the Life Business. The carrying amount is reduced to recognise any impairment in the value of individual investments.

#### *Consolidated financial statements*

An associated company is an entity over which the Group has significant influence but not control, or joint control. Investments in associates are accounted for under the equity method. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition. Investments in associated companies are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associated companies less any impairment in the value of individual investments. When the Group's share of losses exceeds its interest in an associated company, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company. 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.

### (h) Financial assets

#### *Categories of financial assets*

The Group classifies its financial assets in the following categories: at fair value through income, held-to-maturity investments, available-for-sale and loans and receivables financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of the investments at initial recognition and re-evaluates this designation at every reporting date.

#### (i) At fair value through income

A financial asset is classified into the 'financial assets at fair value through income category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets designated as at fair value through income at inception are those that are:

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

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

### 2 (h) (ii) Held-to-maturity investments

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

Interest on held-to-maturity investments are included in the income statement and reported as 'investment income'. In the case of an impairment, it has been reported as deduction for the carrying value of an investment and recognised in the Income Statement as "Net gains/(losses) on investment securities". Held-to-maturity investments are treasury bonds and long term fixed deposits with a subsidiary company. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

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

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

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

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

The Group assesses at end of financial reporting period 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 security is 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.

### (iv) Loans and receivables

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

### (v) Trade receivables

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

### (vi) Trade payables

Trade payables are stated at their nominal values.

### (vii) 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 has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

### 2. (i) Property held for resale

Non-current assets are classified as property held for resale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

### (j) Insurance Contracts

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

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

In previous years, the with-profits policyholders were entitled to 90% of all surplus arising out of the entire books of business of the Company, with the remaining 10% going to shareholders. During the year 2010, management of the Company conducted an exercise to alter the profit-sharing entitlements in place for with-profits book of insurance contracts. The profit entitlements have been changed to the following:

- 93.5% of all profits arising out of with-profit book of business is due to the with-profit policyholders, with the remaining 6.5% being allocated to shareholders.
- 100% of all profits arising out of the non-profit annuity and unit-linked books of business is now allocated to shareholders.

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

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

#### (i) Short-term insurance contracts

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

#### (ii) 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.

#### (ii) Long-term insurance contracts without fixed terms and with DPF

These types of insurance contracts contain a DPF which entitles the contract holder, in supplement to a guaranteed amount, to a contractual right to receive additional profits or bonuses. The magnitude of the profits or bonuses as well as the timing of the payments are however at the discretion of the Company. The Group has an obligation to eventually pay to contract holders 93.5% (2009:90%) of the DPF eligible surplus (i.e. all interest and realised gains and losses arising from the assets backing these contracts). The remaining 6.5% (2009:10%) accrues to the shareholders. Any portion of the DPF eligible surplus accruing to contract holders that is not declared as a profit or bonus is retained as a liability in the Life Assurance Fund, until declared and credited to contract holders in future periods. The portion of the DPF eligible surplus accruing to shareholders is transferred annually to a Non Distributable reserve under shareholders' equity.

#### (iii) Unit linked contracts

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

### 2. (k) Reinsurance Contracts

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

Reinsurance contracts used by the Group are proportional and non-proportional treaties and facultative arrangements. Proportional reinsurance can be either 'quota share' where the proportion of each risk reinsured is stated or "surplus" which is a more flexible form of reinsurance and where the Group can fix its retention limit. Non-proportional reinsurance is mainly 'excess-of-loss' type of reinsurance where, in consideration for a premium, the reinsurer agrees to pay all claims in excess of a specified amount, i.e. the retention, and up to a maximum amount. Facultative insurance contracts generally relate to specific insured risks which are underwritten separately. Under treaty arrangements, risks underwritten by the Group falling under the terms and limits of the treaties are reinsured automatically.

Reinsurance assets 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 over the period of the contract.

If a reinsurance asset is impaired, the Group 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 Group 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 Group will receive from the reinsurer.

### (l) 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 an inception basis (daily method).

##### (ii) Long-term insurance

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

#### (b) Consideration for annuities

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

#### (c) Other revenues

Other revenues are recognised on the following bases:

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

### (m) Unearned premiums - Short-term insurance

Unearned premiums represent the proportion of premiums written relating to periods of insurance risks subsequent to the statement of financial position calculated on the inception basis (daily method). The change in this liability is taken to the Income Statement. For the subsidiary, unearned premiums are calculated on the basis of the 365th method on 80% of premiums written in the year less proportional reinsurance. 20% of the premiums written in the year is credited to the Income Statement in the year to cover administrative expenses and other acquisition costs.



### 2. (n) Claims expenses and outstanding claims provisions

Outstanding claims provisions are based on the ultimate costs of all claims incurred but not settled at the end of financial reporting period, whether reported or not (IBNR). Notified claims are only recognised when the Company considers that it has a contractual liability to settle the claims. IBNR has been provided for on an actuarial method which consists in the projection of incurred but not reported claims based on the claims reporting delay pattern for the Company over the last ten years. Claims expenses are charged to 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 end of the financial reporting period. Following the identification and notification of the insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. Outstanding claims provisions are not discounted and exclude any allowances for expected future recoveries. Recoveries represent claims recoverable from third party insurers. Recoveries are accounted for as and when received. However, non-insurance assets that have been acquired by exercising rights to sell, salvage or subrogate under the terms of the insurance contracts are included when providing for outstanding claims.

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

The Company recognises the shareholders' share of the DPF eligible surplus on an annual basis and transfers this amount from/to the Life Assurance Fund to/from the shareholders' share of Life surplus in equity. The non-distributable share of the surplus is transferred annually from retained earnings to a non-distributable reserve in the Other comprehensive income. Whenever bonuses are paid/credited to policyholders, an amount representing 7% (2009: one-ninth) of these bonuses is transferred from the non-distributable reserve to retained earnings in the Statement of Changes in Equity.

### (p) Unexpired premium reserve (UPR)

Unexpired premium in respect of policies/endorsements incepting before the statement of financial position are calculated on the inception basis (daily method).

### (q) Deferred Acquisition Costs

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

Commissions payable and reinsurance commissions receivable relating to unexpired premiums are recognised and released to the Income

Statement as and when the premiums are earned.

### (r) Incurred but not reported claims (IBNR)

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

### (s) 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.

### (t) Liability adequacy test

#### (i) Short-term insurance

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

#### (ii) Long-term insurance

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

### 2. (u) Life Assurance Fund

The increase in the Life Assurance Fund represents the increase in the value of policy liabilities. The adequacy of the liabilities is determined annually by actuarial valuation. At the end of every year, a valuation of the assets and liabilities, and therefore of the DPF eligible surplus, is performed. In the light of this valuation a final bonus is set for policyholders. The cost of this bonus is met in full at the end of every year. The amount of the DPF eligible surplus distributable to shareholders is limited to 7% (2009: one ninth) of the cost to the final bonuses allocated to policyholders. The shareholders' share of the DPF eligible surplus is recognised annually and transferred from the Life Assurance Fund to the Shareholders' share of Life surplus in equity when there is a surplus or from shareholders' equity to Life Fund when there is a deficit. The non-distributable share of the surplus is transferred annually from the retained earnings to a non-distributable reserve in the Statement of Changes in Equity. Whenever bonuses are paid/credited to policyholders, an amount representing 7% (2009: one-ninth) of these bonuses is transferred from the non-distributable surplus to retained earnings in the Statement of Changes in Equity.

### (v) 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 end of the financial reporting period 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.

The principal temporary differences arise from depreciation on property and equipment and retirement benefit obligations.

### (w) Alternative Minimum Tax (AMT)

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

### (x) Retirement benefit obligations

#### (i) Defined Contribution Pension Scheme

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

#### (ii) Defined Benefit Pension Scheme

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

The liability recognised in the statement of financial position in respect of the NWOG is the present value of the defined benefit obligation at the statement of financial position, 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.

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

### 2. (y) 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.

#### (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 or in the Life Assurance Fund. 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 the Statement of Comprehensive Income or in the Life Assurance Fund.

#### (iii) *Group companies*

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each financial reporting period presented are translated at the closing rate at the date of the financial reporting period;
- income and expenses are translated at the average rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions and ;
- the resulting exchange differences are recognised in the currency translation reserve as a separate component of equity or in the Life Assurance Fund.

### (z) Segment reporting

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

#### (aa) *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.

#### (ab) *Provisions*

Provisions are recognised when the Group has 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.

### 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

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

#### 3.1 Insurance Risks

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy so as to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, accumulation of risk and type of industry covered.

##### 3.1.1 Insurance liabilities

###### (a) Short-term Insurance

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

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

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

###### (b) Long-term Insurance

For long-term insurance contracts, where the insured event is death, the most significant factors that could impact on insurance claims are diseases like heart problems, diabetes, high blood pressure or changes in lifestyle, such as eating habits, smoking and lack of exercise, resulting in higher and earlier claims being submitted to the Group. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. The liabilities in terms of insurance contracts are based on recommendations of the Group's Independent Actuaries.

##### 3.1.2 Concentration of insurance risk

###### (a) Short-term Insurance

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

GROUP Class of Business	Outstanding Claims		
	2010		
	No. of claims Rs'000	Gross Rs'000	Net Rs'000
Motor	12,574	386,323	365,946
Fire	129	23,947	18,132
Personal Accident	48	3,589	1,785
Transport	79	10,655	6,291
Miscellaneous	897	554,740	278,470
IBNR	-	59,255	58,783
Total (notes 14 & 15)	13,727	1,038,509	729,407

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 3. 3.1 Insurance Risks (cont'd)

#### 3.1.2 Concentration of insurance risk

##### (a) Short-term Insurance

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

COMPANY Class of Business	Outstanding claims					
	2010			2009		
	No. of claims	Gross Rs'000	Net Rs'000	No. of claims	Gross Rs'000	Net Rs'000
Motor	8,803	283,201	269,790	7,386	232,512	218,611
Fire	49	5,903	3,844	52	4,763	1,996
Personal Accident	48	3,589	1,785	26	1,540	929
Transport	41	4,100	2,754	59	2,797	2,437
Miscellaneous	191	362,505	226,720	198	240,904	20,090
IBNR	-	28,347	27,876	-	19,674	19,287
Total (notes 14 & 15)	9,132	687,645	532,769	7,721	502,190	263,350

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

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 3. (b) 3.1 Insurance Risks (cont'd)

#### 3.1.2 Concentration of insurance risk

#### (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 2010

Rs'000
0 - 50
50 - 100
100 - 150
150 - 200
200 - 250
250 - 300
More than 300
Total

THE GROUP				THE COMPANY			
Total benefits insured				Total benefits insured			
Before reinsurance		After reinsurance		Before reinsurance		After reinsurance	
Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
226,245	2	256,988	4	150,858	2	183,872	4
733,871	6	771,390	11	578,334	9	616,615	13
934,193	8	889,691	13	672,024	11	692,636	15
853,086	7	2,089,444	31	489,601	8	550,359	12
1,099,596	9	438,807	6	600,444	10	426,968	9
702,225	6	269,624	4	351,399	5	256,388	6
7,692,191	62	2,070,913	31	3,447,191	55	1,868,599	41
12,241,407	100	6,786,857	100	6,289,851	100	4,595,437	100

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

#### Benefits assured per life assured at the end of 2009

Rs'000
0 - 50
50 - 100
100 - 150
150 - 200
200 - 250
250 - 300
More than 300
Total

Total benefits insured			
Before reinsurance		After reinsurance	
Rs'000	%	Rs'000	%
128,329	3	169,095	6
603,460	10	675,252	22
696,452	12	989,431	32
467,929	8	395,929	13
599,526	10	261,638	8
350,074	6	133,827	4
2,960,226	51	475,498	15
5,805,996	100	3,100,670	100

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 3. (b) 3.1 Insurance liabilities (cont'd)

#### 3.1.2 Concentration of insurance risk

##### (b) Long-term Insurance

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

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

Annuities payable per annum per life insured at end of 2010	THE GROUP		THE COMPANY			
			Total annuities payable per annum			
	2010		2010		2009	
	Rs'000	%	Rs'000	%	Rs'000	%
Rs'000	863	4	376	4	322	4
0 - 10	1,295	6	779	7	615	7
10 - 20	3,067	14	1,577	15	1,126	13
20 - 50	3,846	18	1,873	18	1,762	20
50 - 100	3,220	15	1,432	13	1,179	14
100 - 150	9,509	43	4,596	43	3,631	42
More than 150	21,800	100	10,633	100	8,635	100
Total						



## 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

### 3.1 Insurance liabilities (cont'd)

#### 3.1.3 Sources of uncertainty

##### (a) Short-term Insurance

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

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

##### (b) Long-term Insurance

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

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

#### 3.1.4 Claims development tables

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

#### THE GROUP

Current estimates of cumulative claims  
Cumulative payments  
Liability  
Liability in respect of prior years  
  
IBNR  
**Total liability (net) (notes 14 & 15(i))**

2006	2007	2008	2009	2010	2010 Total
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
448,742	511,721	511,468	493,152	725,010	2,690,093
411,851	458,297	451,445	411,922	394,200	2,127,715
36,891	53,424	60,023	81,230	330,810	562,378
					117,854
					55,083
					735,315

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

#### 3.1 Insurance liabilities (cont'd)

##### 3.1.3 Sources of uncertainty

#### THE COMPANY

Net estimate of ultimate claim costs

- At end of claim year
- one year later
- two years later
- three years later
- four years later

Underwriting year				
2006	2007	2008	2009	2010
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
56,897	57,044	74,604	62,110	275,855
34,194	60,119	56,012	58,550	-
26,678	44,328	48,253	-	-
26,005	42,774	-	-	-
22,107	-	-	-	-

Current estimates of cumulative claims  
Cumulative payments  
Liability  
Liability in respect of prior years  
IBNR  
**Total liability (net) (notes 14 & 15(i))**

2006	2007	2008	2009	2010	2010 Total	2009 Total
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
276,270	287,000	293,831	414,562	501,489	1,773,152	1,395,687
254,163	244,226	245,578	356,012	225,634	1,325,613	1,186,694
22,107	42,774	48,253	58,550	275,855	447,539	208,993
					57,354	35,070
					27,876	19,287
					532,769	263,350

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

### 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

#### 3.2 Financial Risks

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

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

The main risks to which the Group is exposed include:

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

##### 3.2.1 Market Risks

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

##### (i) Foreign exchange risk

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

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

#### 3.2.1 Market Risks (cont'd)

##### (i) Foreign exchange risk (cont'd)

##### Concentration of financial assets and liabilities

#### **THE GROUP - 2010**

##### **ASSETS**

Financial assets  
Loans and receivables  
Trade and other receivables  
Recoverable from reinsurers  
Bank balances and cash  
Life business assets

##### **LIABILITIES**

Borrowings  
Trade and other payables  
Life business liabilities

USD Rs'000	EUR Rs'000	GBP Rs'000	SGD Rs'000	AUD Rs'000	ZAR Rs'000	MUR Rs'000	TOTAL Rs'000
127,544	41,165	57,813	12,106	17,237	4,490	697,336	957,691
-	-	-	-	-	-	126,037	126,037
-	-	-	-	-	-	328,814	328,814
-	-	-	-	-	-	397,058	397,058
14,156	4,813	5,670	-	517	-	312,023	337,179
316,022	122,533	149,127	29,231	35,512	6,933	3,994,945	4,654,303
457,722	168,511	212,610	41,337	53,266	11,423	5,856,213	6,801,082
-	-	-	-	-	-	2,487	2,487
-	-	-	-	-	679	164,309	164,988
-	-	-	-	-	1,335	135,709	137,044
-	-	-	-	-	2,014	302,505	304,519

#### **THE GROUP - 2009**

##### **ASSETS**

Financial assets  
Loans and receivables  
Trade and other receivables  
Recoverable from reinsurers  
Bank balances and cash  
Life business assets

##### **LIABILITIES**

Trade and other payables  
Life business liabilities

USD Rs'000	EUR Rs'000	GBP Rs'000	SGD Rs'000	AUD Rs'000	ZAR Rs'000	MUR Rs'000	TOTAL Rs'000
112,844	27,184	39,368	6,292	14,046	-	1,200,908	1,400,642
-	-	-	-	-	-	66,499	66,499
-	-	-	-	-	-	167,084	167,084
-	-	-	-	-	-	289,179	289,179
12,983	2,070	5,668	-	517	-	167,847	189,085
164,420	104,823	104,031	16,865	14,563	-	2,291,838	2,696,540
290,247	134,077	149,067	23,157	29,126	-	4,183,355	4,809,029
-	-	-	-	-	-	75,691	75,691
-	-	-	-	-	-	30,039	30,039
-	-	-	-	-	-	105,730	105,730

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

#### 3.2.1 Market Risks (cont'd)

##### (i) Foreign exchange risk (cont'd)

##### Concentration of financial assets and liabilities

#### **THE COMPANY - 2010**

##### **ASSETS**

Financial assets  
Loans and receivables  
Trade and other receivables  
Recoverable from reinsurers  
Amount receivable from Life business  
Bank balances and cash

##### **LIABILITIES**

Borrowings  
Trade and other payables

USD Rs'000	EUR Rs'000	GBP Rs'000	SGD Rs'000	AUD Rs'000	ZAR Rs'000	MUR Rs'000	TOTAL Rs'000
118,360	41,165	57,813	12,106	17,237	4,490	400,411	651,582
-	-	-	-	-	-	83,908	83,908
-	-	-	-	-	-	173,407	173,407
-	-	-	-	-	-	219,515	219,515
-	-	-	-	-	-	30,556	30,556
10,834	1,579	486	-	1,752	46	133,537	148,234
129,194	42,744	58,299	12,106	18,989	4,536	1,041,334	1,307,202
-	-	-	-	-	-	2,487	2,487
-	-	-	-	-	-	88,923	88,923
-	-	-	-	-	-	91,410	91,410

#### **THE COMPANY - 2009**

##### **ASSETS**

Financial assets  
Loans and receivables  
Trade and other receivables  
Recoverable from reinsurers  
Bank balances and cash

##### **LIABILITIES**

Trade and other payables

USD Rs'000	EUR Rs'000	GBP Rs'000	SGD Rs'000	AUD Rs'000	ZAR Rs'000	MUR Rs'000	TOTAL Rs'000
112,844	27,184	39,368	6,292	14,046	-	1,158,990	1,358,724
-	-	-	-	-	-	66,166	66,166
-	-	-	-	-	-	154,496	154,496
-	-	-	-	-	-	289,179	289,179
12,983	2,070	5,668	-	517	-	153,975	175,213
125,827	29,254	45,036	6,292	14,563	-	1,822,806	2,043,778
-	-	-	-	-	-	73,328	73,328
-	-	-	-	-	-	73,328	73,328

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

#### 3.2.1 Market Risks (cont'd)

##### (i) Foreign exchange risk (cont'd)

##### Concentration of financial assets and liabilities

#### LIFE BUSINESS

#### THE GROUP - 2010

#### ASSETS

Financial assets

Loans and receivables

Trade and other receivables

Bank balances and cash

#### LIABILITIES

Trade and other payables

Taxation

Amount payable to General business

USD Rs'000	EUR Rs'000	GBP Rs'000	SGD Rs'000	AUD Rs'000	ZAR Rs'000	MUR Rs'000	TOTAL Rs'000
305,416	101,300	145,318	29,231	35,512	6,933	2,981,873	3,605,583
-	-	-	-	-	-	653,244	653,244
-	-	-	-	-	-	52,506	52,506
10,606	21,233	3,809	-	-	-	307,322	342,970
<u>316,022</u>	<u>122,533</u>	<u>149,127</u>	<u>29,231</u>	<u>35,512</u>	<u>6,933</u>	<u>3,994,945</u>	<u>4,654,303</u>
-	-	-	-	-	1,335	104,869	106,204
-	-	-	-	-	-	284	284
-	-	-	-	-	-	30,556	30,556
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,335</u>	<u>135,709</u>	<u>137,044</u>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

#### 3.2 Financial Risks (cont'd)

##### 3.2.1 Market Risks (cont'd)

##### (i) Foreign exchange risk (cont'd)

##### Concentration of financial assets and liabilities

##### LIFE BUSINESS

##### LIFE - 2010

##### ASSETS

Financial assets  
Loans and receivables  
Trade and other receivables  
Bank balances and cash

##### LIABILITIES

Trade and other payables  
Amount payable to General business

USD Rs'000	EUR Rs'000	GBP Rs'000	SGD Rs'000	AUD Rs'000	ZAR Rs'000	MUR Rs'000	TOTAL Rs'000
236,170	78,567	114,142	29,231	22,644	2,701	1,897,577	2,381,032
-	-	-	-	-	-	520,576	520,576
-	-	-	-	-	-	27,857	27,857
8,297	3,622	810	-	945	214	160,033	173,921
244,467	82,189	114,952	29,231	23,589	2,915	2,606,043	3,103,386
-	-	-	-	-	-	46,520	46,520
-	-	-	-	-	-	30,556	30,556
-	-	-	-	-	-	77,076	77,076

##### Concentration of financial assets and liabilities

##### LIFE - 2009

##### ASSETS

Financial assets  
Loans and receivables  
Trade and other receivables  
Bank balances and cash

##### LIABILITIES

Trade and other payables

USD Rs'000	EUR Rs'000	GBP Rs'000	SGD Rs'000	AUD Rs'000	MUR Rs'000	TOTAL Rs'000
162,333	102,751	98,466	16,865	14,046	1,605,322	1,999,783
-	-	-	-	-	407,920	407,920
-	-	-	-	-	55,372	55,372
2,087	2,072	5,565	-	517	223,224	233,465
164,420	104,823	104,031	16,865	14,563	2,291,838	2,696,540
-	-	-	-	-	30,039	30,039
-	-	-	-	-	30,039	30,039

##### Sensitivity analysis

Impact of change in foreign exchange rate  
on foreign investments  
± 2.5%

LIFE BUSINESS						
THE GROUP		THE COMPANY		THE GROUP		THE COMPANY
2010	2009	2010	2009	2010	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
±7,121	± 5,718	±6,647	± 5,524	±16,451	±12,434	± 10,118



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

#### 3.2.1 Market Risks (cont'd)

##### (ii) Interest rate risk

Interest rate risk refers to the risk that interest income and capital redemption from financial assets backing the liabilities is insufficient to fund guaranteed benefits payable especially under long-term Life Assurance contracts. Under short-term insurance contracts, liabilities are not directly sensitive to the level of market interest rates, as they are contractually non-interest bearing; except in case of bodily injury claims which are settled over long periods. Fluctuations in interest rates however impact on returns on financial instruments. This is closely monitored by Management through a well diversified portfolio of fixed income securities and equity investments.

##### Sensitivity analysis

Impact of change in fixed income securities on results:  
± 250 basis points

THE GROUP AND THE COMPANY		LIFE BUSINESS		
2010	2009	THE GROUP 2010	THE COMPANY 2010	2009
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
±6,303	± 3,771	±25,252	±16,831	± 13,124

##### (iii) Equity price risk

Equity price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

##### Sensitivity analysis

Impact of change in price of equity investment:  
on overall investments  
± 2.5%

				LIFE BUSINESS		
THE GROUP		THE COMPANY		THE GROUP	THE COMPANY	
2010	2009	2010	2009	2010	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
±21,739	± 31,579	±14,491	± 30,778	±79,358	±52,825	± 46,690

## MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

### 3.2 Financial Risks (cont'd)

#### 3.2.2 Credit risk

The Group's credit risk is primarily attributable to its receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment. The Credit control department assesses the creditworthiness of brokers, agents and of contractholders based on details of recent payment history, past experience and by taking into account their financial position. The Group is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid. Management monitors the financial strength of its reinsurers and the Group has policies in place to ensure that risks are ceded to top-rated and credit-worthy reinsurers only. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

#### 3.2.3 Liquidity risk

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

#### 3.2.4 Capital Management

The Group's objectives when managing capital are:

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

The Group met the Minimum Capital Requirement at December 31, 2010 for both life and general businesses.

Total Capital Available  
Excess/(shortage) capital available over capital required

Capital requirement ratio (see note below)

SUBSIDIARY		THE COMPANY	
GENERAL BUSINESS			
2010	2010	2009	
Rs'000	Rs'000	Rs'000	
279,933	410,807	787,367	
147,205	(7,473)	524,908	
211%	98%	300%	

Note: On January 1, 2011, following the merger of the general insurance business operations of the Company with those of LPM, the capital requirement ratio as well as the solvency margin were in compliance with the Insurance (General Insurance Business Solvency) Rules 2007.

Minimum Capital Requirement ratio (MCR)

LIFE BUSINESS		
1.4	1.1	1.6

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

#### 3.2.5 Fair value Hierarchy

The Group adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

The determination of what constitutes 'observable' requires significant judgement by the Group. Management considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Group's assets and liabilities measured at fair values at 31 December 2010.

	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
<b>THE GROUP</b>				
<b>Assets</b>				
Financial assets at fair value through income				
- Trading securities	-	-	-	-
Available-for-sale financial asset				
- Equity securities	786,570	-	98,398	884,968
	<u>786,570</u>	<u>-</u>	<u>98,398</u>	<u>884,968</u>
<b>THE GROUP - LIFE BUSINESS</b>				
<b>Assets</b>				
Financial assets at fair value through income				
- Trading securities	996,862	-	64,448	1,061,310
Available-for-sale financial asset				
- Equity securities	1,803,739	-	325,074	2,128,813
	<u>2,800,601</u>	<u>-</u>	<u>389,522</u>	<u>3,190,123</u>

#### 3.2.6 Fair value estimation

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

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

##### (a) Short-term insurance

###### (i) Claims provisions

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

##### (b) Long-term insurance

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

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

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

#### 4.2 (b) Long-term insurance

##### (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 variables that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

		THE SUBSIDIARY	
Scenario	Life Fund	% change in Life Fund	% change in DCF reserves
	Rs'000	%	%
Base run	1,548,207		
Future mortality 10% worse	1,558,306	0.7%	0.3%
Future lapses 10% higher	1,554,621	0.4%	0.0%
Future investment returns 2% lower	1,566,347	1.2%	2.0%
Future inflation 1% higher	1,554,621	0.4%	1.0%
Future maintenance expenses 10% higher	1,554,622	0.4%	1.3%

		THE COMPANY	
Variable	Basic liability	Future bonus reserve	Change in basic liability
	Rs'000	Rs'000	%
Base run	2,950,071	357,370	0.0%
Future mortality 10% worse	2,964,284	343,157	0.48%
Future lapses 10% higher	2,945,055	362,386	-0.17%
Future investment returns 1% lower	3,182,906	183,159	7.89%
Future inflation 1% higher	2,990,693	316,748	1.38%
Future maintenance expenses 10% higher	2,997,963	309,478	1.62%

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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

#### 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 judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

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

#### 4.4 Impairment of available-for-sale financial assets

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

#### 4.5 Impairment of other assets

At end of financial reporting period, 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 Limitation of sensitivity analysis

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

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

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 5. PROPERTY AND EQUIPMENT

#### (a) THE GROUP - 2010

##### **COST OR VALUATION**

At January 1, 2010

- Cost

- Valuation

Additions

Disposals

Acquisition through business combination (note (34))

Revaluation surplus

**At December 31, 2010**

- Cost

- Valuation

##### **DEPRECIATION**

At January 1, 2010

Charge for the year

Disposal adjustment

Acquisition through business combination (note (34))

Revaluation adjustment

**At December 31, 2010**

##### **NET BOOK VALUE**

**At December 31, 2010**

Buildings on freehold land Rs'000	Office equipment fixtures & fittings Rs'000	Motor vehicles Rs'000	Total Rs'000
-	18,114	27,852	45,966
-	-	-	-
-	5,264	13,500	18,764
-	(1,380)	(8,797)	(10,177)
41,798	39,783	15,777	97,358
994	-	-	994
41,798	61,781	48,332	151,911
994	-	-	994
42,792	61,781	48,332	152,905
-	13,787	12,819	26,606
-	6,577	4,999	11,576
-	(495)	(6,728)	(7,223)
-	27,988	11,399	39,387
(175)	-	-	(175)
(175)	47,857	22,489	70,171
42,967	13,924	25,843	82,734



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 5. PROPERTY AND EQUIPMENT

#### (b) THE GROUP - 2009

##### COST OR VALUATION

At January 1, 2009

- Cost

- Valuation

Additions

Disposals

Acquisition through business combination (note (34))

Transfer (to)/from Life business

**At December 31, 2009**

- Cost

- Valuation

##### DEPRECIATION

At January 1, 2009

Charge for the year

Disposal adjustment

Acquisition through business combination (note (34))

Transfer (to)/from Life business

**At December 31, 2009**

##### NET BOOK VALUE

**At December 31, 2009**

Land and Buildings		Office equipment fixtures & fittings	Motor vehicles	Total
Freehold land	Buildings on freehold land			
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
4,681	42,408	48,563	13,554	109,206
12,319	16,476	-	-	28,795
-	-	6,306	1,699	8,005
-	-	(282)	(357)	(639)
-	-	617	-	617
(17,000)	(58,884)	(37,090)	12,956	(100,018)
4,681	42,408	18,114	27,852	93,055
(4,681)	(42,408)	-	-	(47,089)
-	-	18,114	27,852	45,966
-	1,359	36,965	6,211	44,535
-	1,177	3,751	1,152	6,080
-	-	(187)	(282)	(469)
-	-	564	-	564
-	(2,536)	(27,306)	5,738	(24,104)
-	-	13,787	12,819	26,606
-	-	4,327	15,033	19,360

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 5. PROPERTY AND EQUIPMENT

#### (c) THE COMPANY - 2010

##### **COST OR VALUATION**

At January 1, 2010

- Cost

- Valuation

Additions

Disposals

**At December 31, 2010**

- Cost

- Valuation

##### **DEPRECIATION**

At January 1, 2010

Charge for the year

Disposal adjustment

**At December 31, 2010**

##### **NET BOOK VALUE**

**At December 31, 2010**

Office equipment fixtures & fittings	Motor vehicles	Total
Rs'000	Rs'000	Rs'000
<b>16,855</b>	<b>27,539</b>	<b>44,394</b>
-	-	-
<b>3,979</b>	<b>11,658</b>	<b>15,637</b>
<b>(197)</b>	<b>(2,243)</b>	<b>(2,440)</b>
<b>20,637</b>	<b>36,954</b>	<b>57,591</b>
-	-	-
<b>20,637</b>	<b>36,954</b>	<b>57,591</b>
<b>13,013</b>	<b>12,621</b>	<b>25,634</b>
<b>2,442</b>	<b>3,412</b>	<b>5,854</b>
<b>(192)</b>	<b>(1,190)</b>	<b>(1,382)</b>
<b>15,263</b>	<b>14,843</b>	<b>30,106</b>
<b>5,374</b>	<b>22,111</b>	<b>27,485</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 5. PROPERTY AND EQUIPMENT

#### (d) THE COMPANY - 2009

##### COST OR VALUATION

At January 1, 2009

- Cost

- Valuation

Additions

Disposals

Transfer (to)/from Life business

**At December 31, 2009**

- Cost

- Valuation

##### DEPRECIATION

At January 1, 2009

Charge for the year

Disposal adjustment

Transfer (to)/from Life business

**At December 31, 2009**

##### NET BOOK VALUE

**At December 31, 2009**

Land and Buildings		Office equipment fixtures & fittings	Motor vehicles	Total
Freehold land	Buildings on freehold land			
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
4,681	42,392	48,295	13,242	108,610
12,319	16,474	-	-	28,793
-	-	5,950	1,698	7,648
-	-	(282)	(357)	(639)
(17,000)	(58,866)	(37,108)	12,956	(100,018)
-	-	16,855	27,539	44,394
-	-	-	-	-
-	-	16,855	27,539	44,394
-	1,177	37,031	6,076	44,284
-	1,177	3,657	1,088	5,922
-	-	(187)	(281)	(468)
-	(2,354)	(27,488)	5,738	(24,104)
-	-	13,013	12,621	25,634
-	-	3,842	14,918	18,760

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 5. PROPERTY AND EQUIPMENT

#### (e) LIFE BUSINESS - 2010

##### THE GROUP COST OR VALUATION

At January 1, 2010

- Cost

- Valuation

Additions

Disposals

Acquisition through business combination (note (34))

Revaluation surplus

Revaluation adjustment

**At December 31, 2010**

- Cost

- Valuation

##### DEPRECIATION

At January 1, 2010

Charge for the year

Disposal adjustment

Acquisition through business combination (note (34))

Revaluation adjustment

**At December 31, 2010**

##### NET BOOK VALUE

**At December 31, 2010**

Land and Buildings		Office equipment fixtures & fittings	Motor vehicles	Total
Freehold land	Buildings on freehold land			
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
4,681	55,996	94,086	-	154,763
15,319	5,805	-	-	21,124
-	-	12,711	-	12,711
-	-	(531)	-	(531)
-	17,727	18,312	4,029	40,068
-	1,236	-	-	1,236
-	(413)	-	-	(413)
4,681	73,723	124,578	4,029	207,011
15,319	6,628	-	-	21,947
20,000	80,351	124,578	4,029	228,958
-	-	70,785	-	70,785
-	1,236	7,710	75	9,021
-	-	(203)	-	(203)
-	-	11,997	2,744	14,741
-	(1,236)	-	-	(1,236)
-	-	90,289	2,819	93,108
20,000	80,351	34,289	1,210	135,850

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 5. PROPERTY AND EQUIPMENT

#### (f) LIFE BUSINESS - 2010

##### THE COMPANY COST OR VALUATION

At January 1, 2010

- Cost

- Valuation

Additions

Disposals

Revaluation surplus

Revaluation adjustment

**At December 31, 2010**

- Cost

- Valuation

##### DEPRECIATION

At January 1, 2010

Charge for the year

Disposal adjustment

Revaluation adjustment

**At December 31, 2010**

##### NET BOOK VALUE

**At December 31, 2010**

Land and Buildings		Office equipment fixtures & fittings	Total
Freehold land	Buildings on freehold land		
Rs'000	Rs'000	Rs'000	Rs'000
4,681	55,996	94,086	154,763
15,319	5,805	-	21,124
-	-	12,238	12,238
-	-	(229)	(229)
-	1,236	-	1,236
-	(1,236)	-	(1,236)
4,681	55,996	106,095	166,772
15,319	5,805	-	21,124
20,000	61,801	106,095	187,896
-	-	70,785	70,785
-	1,236	6,016	7,252
-	-	(203)	(203)
-	(1,236)	-	(1,236)
-	-	76,598	76,598
20,000	61,801	29,497	111,298

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 5. PROPERTY AND EQUIPMENT

#### LIFE BUSINESS - 2009

#### (g) THE COMPANY COST OR VALUATION

At January 1, 2009

- Cost

- Valuation

Additions

Disposals

Transfer from/(to) General branch

Revaluation surplus

Revaluation adjustment

Transfer to Investment Property

**At December 31, 2009**

- Cost

- Valuation

**At December 31, 2009**

#### DEPRECIATION

At January 1, 2009

Charge for the year

Disposal adjustment

Transfer from/(to) General branch

Revaluation adjustment

**At December 31, 2009**

#### NET BOOK VALUE

**At December 31, 2009**

Land and Buildings		Office equipment fixtures & fittings	Motor vehicles	Total
Freehold land	Buildings on freehold land			
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
4,681	46,455	51,442	11,551	114,129
12,319	12,382	-	-	24,701
-	-	5,881	1,765	7,646
-	-	(340)	(360)	(700)
17,000	58,871	37,103	(12,956)	100,018
6,000	10,001	-	-	16,001
-	(4,708)	-	-	(4,708)
(20,000)	(61,200)	-	-	(81,200)
4,681	55,996	94,086	-	154,763
15,319	5,805	-	-	21,124
<b>20,000</b>	<b>61,801</b>	<b>94,086</b>	<b>-</b>	<b>175,887</b>
-	1,177	39,735	5,049	45,961
-	1,177	3,812	969	5,958
-	-	(250)	(280)	(530)
-	2,354	27,488	(5,738)	24,104
-	(4,708)	-	-	(4,708)
-	-	<b>70,785</b>	<b>-</b>	<b>70,785</b>
<b>20,000</b>	<b>61,801</b>	<b>23,301</b>	<b>-</b>	<b>105,102</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 5. PROPERTY AND EQUIPMENT

(f) The land and building, which is presently occupied by the Company, was revalued at December 31, 2010 by independent valuers on an open market basis, by reference to market evidence of transaction prices for similar properties.

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

Cost including additions  
Transfer to Life business  
Transfer to investment property  
Accumulated depreciation  
Net book value

				LIFE BUSINESS		
THE GROUP		THE COMPANY		THE GROUP	THE COMPANY	
2010	2009	2010	2009	2010	2010	2009
Rs'000	Rs'000	Rs'000		Rs'000	Rs'000	Rs'000
137,313	120,131	57,593	115,619	184,088	154,589	121,075
-	(71,225)	-	(71,225)	-	-	71,225
-	-	-	-	-	-	(37,537)
(69,483)	(23,365)	(27,485)	(19,565)	(89,527)	(75,921)	(50,914)
67,830	25,541	30,108	24,829	94,561	78,668	103,849

### 6. INVESTMENT PROPERTIES - AT FAIR VALUE

At January 1, 2010  
Transfer from property, plant and equipment  
Acquisition through business combination (note (34))  
Increase in fair value  
**At December 31, 2010**

		LIFE BUSINESS		
THE GROUP		THE GROUP	THE COMPANY	
2010	2009	2010	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
10,000	8,000	150,200	150,200	64,000
-	-	-	-	81,200
62,500	-	18,184	-	-
5,300	2,000	10,816	5,000	5,000
77,800	10,000	179,200	155,200	150,200

The fair value of the Group's investment property at December 31, 2010 has been arrived at on the basis of a valuation carried out at that date by Messrs JPW International, independent valuers not related to the Group. Messrs JPW International is a member of the Institute of Valuers and they have appropriate qualifications and relevant experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 7. INTANGIBLE ASSETS

#### 2010

#### COST

At January 1, 2010

Acquisition through business combination (note (34))

Additions (see note 7 (a)(i)/(ii))

**At December 31, 2010**

#### AMORTISATION

At January 1, 2010

Charge for the year

Acquisition through business combination (note 34)

**At December 31, 2010**

#### NET BOOK VALUE

**At December 31, 2010**

THE GROUP				THE COMPANY	LIFE BUSINESS	
Goodwill	Acquisition of client portfolio	Computer software	Total	Computer software	THE GROUP Computer software	THE COMPANY Computer software
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
26,359	-	21,236	47,595	20,938	19,475	19,475
71,048	26,478	20,964	118,490	-	25,330	-
108,758	350,500	6,001	465,259	5,070	5,547	5,374
<b>206,165</b>	<b>376,978</b>	<b>48,201</b>	<b>631,344</b>	<b>26,008</b>	<b>50,352</b>	<b>24,849</b>
-	-	13,316	13,316	13,032	6,977	6,977
-	10,545	5,271	15,816	3,375	6,493	2,546
-	20,291	16,239	36,530	-	13,685	-
-	<b>30,836</b>	<b>34,826</b>	<b>65,662</b>	<b>16,407</b>	<b>27,155</b>	<b>9,523</b>
<b>206,165</b>	<b>346,142</b>	<b>13,375</b>	<b>565,682</b>	<b>9,601</b>	<b>23,197</b>	<b>15,326</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 7. INTANGIBLE ASSETS (CONT'D)

2009

#### COST

At January 1, 2009

Acquisition through business combination (note (34))

Additions

At December 31, 2009

#### AMORTISATION

At January 1, 2009

Charge for the year

Acquisition through business combination

At December 31, 2009

#### NET BOOK VALUE

At December 31, 2009

	THE GROUP			THE COMPANY	LIFE BUSINESS THE COMPANY
	Goodwill Rs'000	Computer software Rs'000	Total Rs'000	Computer software Rs'000	Computer software Rs'000
At January 1, 2009	4,579	16,357	20,936	16,357	12,259
Acquisition through business combination (note (34))	21,780	298	22,078	-	-
Additions	-	4,581	4,581	4,581	7,216
At December 31, 2009	<b>26,359</b>	<b>21,236</b>	<b>47,595</b>	<b>20,938</b>	<b>19,475</b>
At January 1, 2009	-	10,792	10,792	10,792	6,495
Charge for the year	-	2,240	2,240	2,240	482
Acquisition through business combination	-	284	284	-	-
At December 31, 2009	-	<b>13,316</b>	<b>13,316</b>	<b>13,032</b>	<b>6,977</b>
At December 31, 2009	<b>26,359</b>	<b>7,920</b>	<b>34,279</b>	<b>7,906</b>	<b>12,498</b>

(a) (i) Goodwill arose as follows :

- Life business
- General business

Rs'000
13,769
94,989
<b>108,758</b>

(ii) Acquisition of portfolio is analysed as follows:

- Life business
- General Business

Rs'000
219,000
131,500
<b>350,500</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 8. INVESTMENTS IN SUBSIDIARY COMPANIES - COST

#### (a) UNQUOTED - AT COST

At January 1,  
 Additions (note 34(d))  
 Increase in fair value of non controlling interest upon early adoption of IFRS3  
 Transfer from available-for-sale investments  
 Disposals  
**At December 31,**

THE COMPANY	
2010	2009
Rs'000	Rs'000
77,299	11,979
800,000	65,029
-	424
-	867
-	(1,000)
<b>877,299</b>	<b>77,299</b>

- (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 31st and operate on the local market.

Main Activities	Nominal value of investment		Class of Shares held	% of ownership interest and voting power held	
	2010	2009		2010	2009
	Rs'000	Rs'000			
La Prudence (Mauricienne) Assurances Limitee	800,000	-	Ordinary	100%	-
The National Mutual Fund Ltd	65,029	65,029	Ordinary	98.6%	98.6%
Associated Brokers Ltd	862	862	Ordinary	80%	80%

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 9. INVESTMENTS IN ASSOCIATED COMPANY

#### (a) Group's share of net assets

At January 1,  
Share of results  
Share of currency translation reserve  
Disposals  
**At December 31,**

THE GROUP		THE COMPANY		LIFE BUSINESS	
2010	2009	2010	2009	THE COMPANY	
Rs'000	Rs'000	Rs'000	Rs'000	2010	2009
586	1,695	4,817	4,817	586	1,405
-	(885)	-	-	-	(885)
-	(224)	-	-	-	66
(586)	-	(4,817)	-	(586)	-
-	586	-	4,817	-	586

(b) Investment in Associated Company was realised during the year 2010 following dissolution of the Company. Details of investment held was as follows.

	Class of Shares Held	% holding THE COMPANY		% holding LIFE - COMPANY		Year ended December 31,
		2010	2009	2010	2009	
Union and POLICY Offshore Ltd	Ordinary	Nil	25%	Nil	25%	

(c) The Group's interest in 2009 was as follows:

Name	Assets	Liabilities	Revenues	Loss	Proportion of ownership interest and voting power held Direct
	Rs'000	Rs'000	Rs'000	Rs'000	
2009					
- Union and POLICY Offshore Ltd	2,773	467	-	-	50

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 10. FINANCIAL ASSETS

#### (a) THE GROUP

At January 1,
Additions
Acquisition through business combination (note 34)
Amalgamation (note 35)
Transfer to Investment in subsidiary
Interest
Disposals
Amalgamation adjustment
(Decrease)/increase in fair value (page 6)
<b>At December 31,</b>

Analysed as follows :

Non-current
Current

**Proceeds on maturity /sale of financial assets**

2010			2009		
Held-to-maturity	Available-for-sale	Total	Held-to-maturity	Available-for-sale	Total
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
164,966	1,245,473	1,410,439	192,804	1,042,025	1,234,829
36,218	260,675	296,893	8,759	420,154	428,913
24,981	302,530	327,511	-	32,047	32,047
-	-	-	-	(255,945)	(255,945)
-	-	-	-	(867)	(867)
(3,772)	352	(3,420)	5,796	4,000	9,796
(149,670)	(907,061)	(1,056,731)	(42,393)	(370,990)	(413,383)
-	-	-	-	142,016	142,016
-	(17,001)	(17,001)	-	233,033	233,033
72,723	884,968	957,691	164,966	1,245,473	1,410,439
22,402	884,616	907,018	62,949	1,241,473	1,304,422
50,321	352	50,673	102,017	4,000	106,017
72,723	884,968	957,691	164,966	1,245,473	1,410,439
149,670	937,434	1,087,104	42,394	394,306	436,700

#### (b) THE COMPANY

At January 1,
Additions
Disposals
Transfer to Investment in subsidiary
Interest
Increase in fair value (page 6)
<b>At December 31,</b>

Analysed as follows :

Non-current
Current

**Proceeds on maturity /sale of financial assets**

2010			2009		
Held-to-maturity	Available-for-sale	Total	Held-to-maturity	Available-for-sale	Total
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
164,966	1,203,555	1,368,521	192,804	766,100	958,904
35,668	258,130	293,798	8,759	419,386	428,145
(140,226)	(876,565)	(1,016,791)	(42,393)	(370,781)	(413,174)
-	-	-	-	(867)	(867)
(3,772)	352	(3,420)	5,796	4,000	9,796
-	9,474	9,474	-	385,717	385,717
56,636	594,946	651,582	164,966	1,203,555	1,368,521
6,315	594,594	600,909	62,949	1,199,555	1,262,504
50,321	352	50,673	102,017	4,000	106,017
56,636	594,946	651,582	164,966	1,203,555	1,368,521
140,226	860,523	1,000,749	42,394	394,096	436,490

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 10. FINANCIAL ASSETS (CONT'D)

#### (c) LIFE - GROUP

At January 1,  
 Additions  
 Acquisition through business combination (note 34)  
 Disposals  
 Interest  
 Amortisation of discount on Treasury bills  
 Increase in fair value (page 8)  
**At December 31,**

Analysed as follows :

Non-current

Current

**Proceeds on maturity /sale of financial assets**

2010			
Fair value through income	Held-to- maturity	Available- for-sale	Total
Rs'000	Rs'000	Rs'000	Rs'000
-	149,019	1,867,254	2,016,273
140,251	246,940	486,685	873,876
879,695	116,914	-	996,609
(50,286)	(94,012)	(408,059)	(552,357)
-	(3,940)	786	(3,154)
-	538	-	538
91,650	-	182,147	273,797
<b>1,061,310</b>	<b>415,459</b>	<b>2,128,813</b>	<b>3,605,582</b>
<b>1,061,310</b>	<b>323,989</b>	<b>2,128,027</b>	<b>3,513,326</b>
-	91,470	786	92,256
<b>1,061,310</b>	<b>415,459</b>	<b>2,128,813</b>	<b>3,605,582</b>
<b>51,930</b>	<b>94,012</b>	<b>412,785</b>	<b>558,727</b>

#### (d) LIFE - COMPANY

At January 1,  
 Additions  
 Disposals  
 Provision for impairment (note (e) below)  
 Interest  
 Increase in fair value (page 8)  
**At December 31,**

Analysed as follows :

Non-current

Current

**Proceeds on maturity /sale of financial assets**

2010			2009		
Held-to- maturity	Available- for-sale	Total	Held-to- maturity	Available-for- sale	Total
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
149,019	1,867,254	2,016,273	91,948	1,465,810	1,557,758
169,152	486,685	655,837	94,880	519,685	614,565
(62,012)	(408,059)	(470,071)	(50,089)	(504,345)	(554,434)
-	-	-	-	(3,691)	(3,691)
(3,940)	786	(3,154)	12,280	4,211	16,491
-	182,147	182,147	-	385,584	385,584
<b>252,219</b>	<b>2,128,813</b>	<b>2,381,032</b>	<b>149,019</b>	<b>1,867,254</b>	<b>2,016,273</b>
<b>160,749</b>	<b>2,128,027</b>	<b>2,288,776</b>	<b>74,727</b>	<b>1,863,043</b>	<b>1,937,770</b>
91,470	786	92,256	74,292	4,211	78,503
<b>252,219</b>	<b>2,128,813</b>	<b>2,381,032</b>	<b>149,019</b>	<b>1,867,254</b>	<b>2,016,273</b>
<b>62,012</b>	<b>412,785</b>	<b>474,797</b>	<b>50,093</b>	<b>504,459</b>	<b>554,552</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 10. FINANCIAL ASSETS

(e)	THE GROUP		THE COMPANY		LIFE BUSINESS		
					THE GROUP	THE COMPANY	
	2010 Rs'000	2009 Rs'000	2010 Rs'000	2009 Rs'000	2010 Rs'000	2010 Rs'000	2009 Rs'000
<b>Available-for-sale financial assets</b>							
Equity securities-at fair value:							
- Listed - local	494,706	900,471	239,535	891,177	1,245,078	1,245,078	1,163,822
- foreign	8,011	7,764	-	-	-	-	-
- corporate bonds	197,182	154,029	197,182	150,030	199,700	199,700	123,755
- DEM quoted	86,671	95,948	85,736	95,013	358,961	358,961	268,114
- Unquoted - local	146	20	16	17	11,314	11,314	9,804
- foreign	15,274	9,674	15,274	13,673	4,502	4,502	14,942
- Open-Ended Mutual Funds - Local	35,435	37,534	9,661	13,612	20,695	20,695	26,843
- foreign	47,543	40,033	47,542	40,033	288,563	288,563	259,974
	884,968	1,245,473	594,946	1,203,555	2,128,813	2,128,813	1,867,254
<b>Held-to-maturity investment</b>							
Unlisted debt securities at amortised cost	72,723	164,966	56,636	164,966	415,459	252,219	149,019
	72,723	164,966	56,636	164,966	415,459	252,219	149,019
<b>Fair value through income</b>							
- Listed - local	-	-	-	-	856,607	-	-
- foreign	-	-	-	-	140,255	-	-
- Unquoted - local	-	-	-	-	64,448	-	-
	-	-	-	-	1,061,310	-	-
<b>Total investments in financial assets</b>	<b>957,691</b>	<b>1,410,439</b>	<b>651,582</b>	<b>1,368,521</b>	<b>3,605,582</b>	<b>2,381,032</b>	<b>2,016,273</b>

(f) Movement in provision for impairment of available-for-sale financial assets

At January 1,  
Increase in provision recognised in the Life Assurance Fund (note (c))  
**At December 31,**

LIFE	
2010 Rs'000	2009 Rs'000
(3,691)	-
-	(3,691)
<b>(3,691)</b>	<b>(3,691)</b>

(g) Held-to-maturity investments comprise treasury notes, bonds, fixed deposits with interest rate of 5.25% to 13.25% with maturity dates ranging between 5 months to 14 years from the balance sheet date.

(h) The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as available-for-sale. None of the financial assets is either past due or impaired.

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



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### II. LOANS AND RECEIVABLES

	THE GROUP		THE COMPANY		LIFE BUSINESS		
	2010	2009	2010	2009	THE GROUP	THE COMPANY	
	Rs'000	Rs'000	Rs'000	Rs'000	2010	2010	2009
					Rs'000	Rs'000	Rs'000
Mortgage Loans	70,128	37,411	28,345	37,411	421,385	492,437	393,217
Loans on Life policies	-	-	-	-	25,724	25,905	35,177
Secured Loans	57,050	31,617	57,050	31,617	10,155	11,331	1,817
Unsecured Loans	-	-	-	-	-	-	-
CDS guarantee fund	346	333	-	-	2,812	-	-
Acquisition through business combination (note 34)	-	-	-	-	211,241	-	-
Provision for impairment of loans:						-	
- Mortgage	(687)	(687)	(687)	(687)	(11,520)	(7,114)	(7,114)
- Loan on life policies	-	-	-	-	(1,987)	(1,972)	(1,972)
- Loan on personal guarantee	(26)	(26)	(26)	(26)	(51)	(11)	(11)
- Lien on car	(774)	(774)	(774)	(774)	(222)	-	-
- Provision - Acquisition through business combination (note 34)					(4,292)		
	<b>126,037</b>	<b>67,874</b>	<b>83,908</b>	<b>67,541</b>	<b>653,245</b>	<b>520,576</b>	<b>421,114</b>
Analysed as follows:							
Non-current	106,812	53,723	64,683	53,390	564,646	454,186	366,001
Current	19,225	14,151	19,225	14,151	88,598	66,390	55,113
	<b>126,037</b>	<b>67,874</b>	<b>83,908</b>	<b>67,541</b>	<b>653,244</b>	<b>520,576</b>	<b>421,114</b>

(a) The Group and the Company have not recognised any impairment loss. (2009: The group and the Company Rs10.6m) during the year ended December 31, 2010.

(b) All impaired loans and receivables were overdue more than 120 days. Other balances of loans and receivables are neither past due nor impaired.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### II. LOANS AND RECEIVABLES

- (c) Movement in provision for impairment of loans

	THE GROUP		THE COMPANY		LIFE BUSINESS		
					THE GROUP	THE COMPANY	
	2010 Rs'000	2009 Rs'000	2010 Rs'000	2009 Rs'000	2010 Rs'000	2010 Rs'000	2009 Rs'000
At January 1, 2010	(1,487)	(291)	(1,487)	(291)	(9,097)	(9,097)	(6,811)
Increase in provision recognised in:							
- Income Statement	-	(1,196)	-	(1,196)	-	-	-
- Life Assurance Fund	-	-	-	-	-	-	(2,635)
Acquisition through business combination (note 34)	-	-	-	-	(8,975)	-	-
Write off during the year	-	-	-	-	-	-	349
<b>At December 31,</b>	<b>(1,487)</b>	<b>(1,487)</b>	<b>(1,487)</b>	<b>(1,487)</b>	<b>(18,072)</b>	<b>(9,097)</b>	<b>(9,097)</b>

- (d) There is no concentration of risk with respect to loans and receivables since balances are widely spread.
- (e) Loans and receivables are secured by life insurance policies and fixed charges.
- (f) All loans and receivables are denominated in Mauritian rupees.
- (g) The carrying amounts of loans and receivables approximate their fair values.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 12. PROPERTY HELD FOR RESALE

(a) Property held for sale

At January 1,

Acquisition through business combination (note (34))

**At December 31,**

Property held for sale represents seized property upon default in repayment of loan.

LIFE BUSINESS	
THE GROUP	
2010	2009
Rs'000	Rs'000
-	-
925	-
925	-

(b) Non-current asset held for sale

At January 1,

Acquisition through business combination (note (34))

**At December 31,**

THE GROUP
2010
Rs'000
-
4,953
4,953

### 13. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY		LIFE BUSINESS		
	THE GROUP		THE COMPANY		THE GROUP	THE COMPANY	
	2010	2009	2010	2009	2010	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Premium debtors and agents' balances	141,234	123,634	159,955	123,634	1,051	13,764	6,374
Premium debtors - acquisition through business combination (note 34)	137,835	-	-	-	13,232	-	-
Provision for credit impairment	(4,545)	(5,142)	(4,314)	(5,142)	-	-	-
Provision - Acquisition through business combination (note 34)	(17,281)	-	-	-	-	-	-
	257,243	118,492	155,641	118,492	14,283	13,764	6,374
Reinsurance assets	13,437	11,148	11,229	11,148	-	-	-
Other receivables and prepayments	42,616	29,408	10,735	16,577	38,223	9,050	11,040
Acquisition through business combination (note 34)	20,597	-	-	-	-	-	-
Loans at call	-	200	-	200	-	1,334	2,090
Amount due by reinsurer	-	-	-	-	-	3,765	6,183
	333,893	159,248	177,605	146,417	52,506	27,913	25,687

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 13. TRADE AND OTHER RECEIVABLES (CONT'D)

- (a) Premium debtors and agents' balances that are less than three months past due are not considered impaired. As at December 31, 2010 Rs149.6m (The Group Rs102.5m, the Company Rs35.8m and The Group and Life Rs7.4m) (2009: Rs53.3m (The Group and the Company Rs32.6m, Life Rs3.4m) were more than 3 months past due but not impaired. The ageing analysis of these premium debtors is as follows:

	THE GROUP		THE COMPANY		LIFE BUSINESS		
					THE GROUP	THE COMPANY	
	2010 Rs'000	2009 Rs'000	2010 Rs'000	2009 Rs'000	2010 Rs'000	2010 Rs'000	2009 Rs'000
Up to 3 months	154,702	89,296	119,833	89,296	6,899	6,380	2,995
3 to 6 months	92,100	21,493	25,367	21,493	3,686	3,686	1,944
6 to 12 months	10,441	7,703	10,441	7,703	3,001	3,001	269
> 12 months	-	-	-	-	697	697	1,166
	257,243	118,492	155,641	118,492	14,283	13,764	6,374

- (b) Movement in provision for credit impairment

	THE GROUP		THE COMPANY	
	2010 Rs'000	2009 Rs'000	2010 Rs'000	2009 Rs'000
At January 1,	5,142	4,238	5,142	4,238
Amounts written off during the year	(828)	(561)	(828)	(561)
Acquisition through business combination (note 34)	19,369	-	-	-
(Decrease)/Increase in allowance recognised in Income Statement	(1,857)	1,465	-	1,465
<b>At December 31,</b>	<b>21,826</b>	<b>5,142</b>	<b>4,314</b>	<b>5,142</b>

- (c) The other classes within trade and other receivables do not include impaired assets.
- (d) The Group does not hold any collateral as security in respect of trade and other receivables.
- (e) All trade and other receivables are denominated in Mauritian rupees.
- (f) The carrying amounts of trade and other receivables approximate their fair values.
- (g) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 14. REINSURANCE ASSETS AND INSURANCE LIABILITIES

#### Short-term insurance

##### Gross

- Claims reported and loss adjustment expenses (note 3.1.2(a))
  - Claims incurred but not reported (IBNR) (note 3.1.2(a))
  - Unearned premiums (page 4)
- Total gross insurance liabilities

##### Recoverable from reinsurers

- Claims reported and loss adjustment expenses
  - Claims incurred but not reported (IBNR)
  - Unearned premiums
- Total reinsurers' share of insurance liabilities

##### Net

- Claims reported and loss adjustment expenses (note 3.1.2(a))
- Claims incurred but not reported IBNR (note 3.1.2(a))
- Unearned premiums

##### Total net insurance liabilities

THE GROUP		THE COMPANY	
2010	2009	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
982,955	482,516	659,298	482,516
55,554	19,674	28,347	19,674
565,275	337,719	415,110	337,719
1,603,784	839,909	1,102,755	839,909
302,792	238,453	154,405	238,453
402	387	471	387
93,864	50,339	64,639	50,339
397,058	289,179	219,515	289,179
680,163	244,063	504,893	244,063
55,152	19,287	27,876	19,287
471,411	287,380	350,471	287,380
1,206,726	550,730	883,240	550,730

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 15. MOVEMENT IN REINSURANCE ASSETS AND INSURANCE LIABILITIES

(i) GENERAL BUSINESS

(a) Short term insurance

#### (i) Claims

At January 1,  
Acquisition through business combination (note 34)  
Increase in liabilities  
Cash paid for claims settled in the year  
**At December 31,**

Recognised notified claims  
Incurred but not reported

Movement during the year

#### Provision for unearned premiums

At January 1,  
Acquisition through business combination (note 34)  
Increase/(decrease) in the year (note 18)  
**At December 31,**

#### THE GROUP

2010			2009		
Gross	Reinsurance	Net	Gross	Reinsurance	Net
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
502,190	(238,840)	263,350	487,223	(251,869)	235,354
332,941	(144,858)	188,083	-	-	-
816,977	16,568	833,545	430,853	(32,796)	398,057
(613,599)	63,936	(549,663)	(415,886)	45,825	(370,061)
<b>1,038,509</b>	<b>(303,194)</b>	<b>735,315</b>	<b>502,190</b>	<b>(238,840)</b>	<b>263,350</b>
982,955	(302,792)	680,163	482,516	(238,453)	244,063
55,554	(402)	55,152	19,674	(387)	19,287
<b>1,038,509</b>	<b>(303,194)</b>	<b>735,315</b>	<b>502,190</b>	<b>(238,840)</b>	<b>263,350</b>
<b>203,378</b>	<b>80,504</b>	<b>283,882</b>	<b>14,968</b>	<b>13,029</b>	<b>27,997</b>
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
337,719	(50,339)	287,380	280,696	(36,884)	243,812
186,556	(50,029)	136,527	-	-	-
41,000	6,504	47,504	57,023	(13,455)	43,568
<b>565,275</b>	<b>(93,864)</b>	<b>471,411</b>	<b>337,719</b>	<b>(50,339)</b>	<b>287,380</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 16. SHARE CAPITAL

#### THE GROUP AND THE COMPANY

Ordinary shares of Rs. 10 each

Number of ordinary shares ('000)

Authorised 2010 & 2009 Rs'000	Issued and fully paid 2010 Rs'000	2009 Rs'000
500,000	200,400	200,400
50,000	20,040	20,040

### 17. REVALUATION AND OTHER RESERVES

#### (a) THE GROUP

Revaluation and Other Reserves are analysed as follows :

At January 1,  
Increase in fair value of available-for-sale financial assets  
Release from fair value reserves on disposal of available-for-sale financial assets  
Revaluation of fixed assets  
Movement in reserves of subsidiary  
Movement during the year (see note below)  
**At December 31,**

2010			
Revaluation Reserve Rs'000	Currency Translation Reserve Rs'000	Fair Value Reserve Rs'000	Total Rs'000
-	1,047	475,437	476,484
-	-	(17,335)	(17,335)
-	-	(416,427)	(416,427)
994	-	-	994
(661)	-	10	(651)
-	45	-	45
333	1,092	41,685	43,110

At January 1,  
Increase in fair value of available-for-sale financial assets  
Release from fair value reserves on disposal of available-for-sale financial assets  
Transfer of revaluation of land and buildings to Life business  
Movement in reserves of subsidiary  
Movement during the year (see note below)  
**At December 31,**

2009			
Revaluation Reserve Rs'000	Currency Translation Reserve Rs'000	Fair Value Reserve Rs'000	Total Rs'000
11,651	1,271	414,606	427,528
-	-	232,448	232,448
-	-	(171,632)	(171,632)
(11,651)	-	-	(11,651)
-	-	15	15
-	(224)	-	(224)
-	1,047	475,437	476,484

Note : The movement in the currency translation reserve represents exchange differences on translation of investment in an associate denominated in foreign currency.



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 17. REVALUATION AND OTHER RESERVES

#### (b) THE COMPANY

Revaluation and Other Reserves are analysed as follows :

	2010			2009		
	Revaluation Reserve	Currency Translation Reserve	Total	Revaluation Reserve	Currency Translation Reserve	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	-	472,788	472,788	11,651	258,703	270,354
Increase/(decrease) in fair value of available-for-sale financial assets	-	9,474	9,474	-	385,717	385,717
Release from fair value reserves on disposal of available-for-sale financial assets	-	(415,345)	(415,345)	-	(171,632)	(171,632)
Transfer of revaluation of land and buildings to Life business	-	-	-	(11,651)	-	(11,651)
<b>At December 31,</b>	<b>-</b>	<b>66,917</b>	<b>66,917</b>	<b>-</b>	<b>472,788</b>	<b>472,788</b>

### 18. UNEARNED PREMIUM RESERVE

At January 1,  
Acquisition through business combination (note 34)  
Movement during the year (note 15(ii))  
**At December 31,**

THE GROUP		THE COMPANY	
2010	2009	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
337,719	280,696	337,719	280,696
186,556	-	-	-
41,000	57,023	77,391	57,023
<b>565,275</b>	<b>337,719</b>	<b>415,110</b>	<b>337,719</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 19. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method at 15%.

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

At January 1,  
Charge for the year (note 23)  
Acquisition through business combination (note 34)  
At December 31,

THE GROUP		LIFE BUSINESS	
2010	2009	THE GROUP	THE COMPANY
Rs'000	Rs'000	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
(80)	(48)	-	-
106	(19)	(4,767)	(750)
(51,450)	(13)	2,792	-
(51,424)	(80)	(1,975)	(750)

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

(b) The following amounts are shown in the statement of financial position:

	THE GROUP		THE COMPANY		LIFE BUSINESS		
	2010	2009	2010	2009	THE GROUP	THE COMPANY	
	Rs'000	Rs'000	Rs'000	Rs'000	2010	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax liabilities (Note (c) (i))	(57,180)	(5,784)	(5,756)	(5,704)	(27,887)	(11,852)	(11,164)
Deferred tax assets (Note (c) (ii))	5,756	5,704	5,756	5,704	25,912	11,102	11,164
	(51,424)	(80)	-	-	(1,975)	(750)	-

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 19. DEFERRED INCOME TAX

Deferred tax assets and liabilities are attributable to the following :

#### (c) (i) Deferred income tax liabilities

	THE GROUP		THE COMPANY		LIFE BUSINESS		
					THE GROUP	THE COMPANY	
	2010 Rs'000	2009 Rs'000	2010 Rs'000	2009 Rs'000	2010 Rs'000	2010 Rs'000	2009 Rs'000
Revaluation of property and equipment	(5,970)	(5,664)	(5,665)	(5,664)	(10,026)	(3,150)	(3,336)
Interest accrued but not due	(91)	(40)	(91)	(40)	(545)	(545)	(421)
Change in fair value of investment properties	-	-	-	-	(17,171)	(8,157)	(7,407)
Intangibles	(50,751)	-	-	-	-	-	-
Retirement benefit obligations	(270)	-	-	-	-	-	-
Difference between capital allowances and depreciation	(98)	(80)	-	-	(145)	-	-
	<b>(57,180)</b>	<b>(5,784)</b>	<b>(5,756)</b>	<b>(5,704)</b>	<b>(27,887)</b>	<b>(11,852)</b>	<b>(11,164)</b>

#### (c) (ii) Deferred income tax assets

Difference between capital allowances and depreciation	12,754	8,138	12,754	8,138	11,241	7,280	5,496
Change in non-current assets held-for-sale	-	-	-	-	777	777	777
Provision for bad debts	647	771	647	771	-	-	-
Provision for impairment of receivables	-	-	-	-	4,547	554	554
Retirement benefit obligations	-	-	-	-	186	-	-
Provision for legal costs	(7,645)	(3,205)	(7,645)	(3,205)	-	-	-
Tax losses carried forward	-	-	-	-	9,161	2,491	4,337
	<b>5,756</b>	<b>5,704</b>	<b>5,756</b>	<b>5,704</b>	<b>25,912</b>	<b>11,102</b>	<b>11,164</b>

Deferred income tax assets are recognised only to the extent that realisation of the related tax benefit is probable. The Group has tax losses of **Rs.916m** (2009: Rs.641m) to carry forward against future taxable income. A deferred tax asset has not been recognised due to the uncertainty that future taxable profit will be available to set off against the tax losses.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 20. 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 for employees. These assets have been placed in a Unit Account and will eventually be transferred to a Trust distinct from the Company.

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

- (ii) Amounts recognised in statement of financial position in respect of the  
No Worse Off Guarantee

	THE GROUP		THE COMPANY		LIFE BUSINESS	
	THE GROUP AND THE COMPANY		THE COMPANY		THE COMPANY	
	2010	2009	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Present value of unfunded obligations	3,612	342	-	342	-	342
Fair value of plan assets	(2,486)	-	-	-	-	-
Unrecognised actuarial loss	111	-	-	-	-	-
<b>Liability in the balance sheet</b>	<b>1,237</b>	<b>342</b>	<b>-</b>	<b>342</b>	<b>-</b>	<b>342</b>

- (iii) The movement of defined benefit obligation over the year are as follows:

	2010	2009	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	342	199	342	199	342	199
Acquisition through business combination (note 34)	1,050	-	-	-	-	-
Interest cost	387	22	32	22	32	22
Expected return on plan assets	(221)	-	-	-	-	-
Actuarial (gains)/losses	(321)	121	(374)	121	(374)	121
<b>At December 31,</b>	<b>1,237</b>	<b>342</b>	<b>-</b>	<b>342</b>	<b>-</b>	<b>342</b>

- (iv) The amounts recognised in the Income Statement in respect of the  
No Worse Off Guarantee are as follows:

	2010	2009	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest cost	387	22	32	22	32	22
Expected return on plan assets	(221)	-	-	-	-	-
Actuarial (losses)/gains	(321)	121	(374)	121	(374)	121
<b>Total included in staff costs</b>	<b>(155)</b>	<b>143</b>	<b>(342)</b>	<b>143</b>	<b>(342)</b>	<b>143</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 20. RETIREMENT BENEFIT OBLIGATIONS

#### Pension schemes

(v) Movement in the liability recognised in the Balance Sheet:

	THE GROUP		THE COMPANY		LIFE BUSINESS	
	THE GROUP		THE COMPANY		THE GROUP AND THE COMPANY	
	2010	2009	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	398	199	320	199	320	199
Acquisition through business combination (note 34)	1,050	-	-	-	-	-
Total included in staff costs (note 27)	(188)	199	(374)	121	(374)	121
<b>At December 31,</b>	<b>1,260</b>	<b>398</b>	<b>(54)</b>	<b>320</b>	<b>(54)</b>	<b>320</b>

	THE GROUP		LIFE BUSINESS	
	THE GROUP		THE GROUP AND THE COMPANY	
	2010	2009	2010	2009
	%	%	%	%
The principal actuarial assumptions used for accounting purposes were :				
Discount rate	9.5%	11%	9.5%	11%
Expected return on plan assets	9.5%	0%	0.0%	0%
Future salary increases	8.0%	9.5%	8.0%	9.5%
Future pension increases	3%	0%	0%	0%

### 21. BORROWINGS

Borrowings represent a bank overdraft which is secured by floating charges on the assets of the company.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 22. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY		LIFE BUSINESS		
					THE GROUP	THE COMPANY	
	2010	2009	2010	2009	2010	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Loans repaid in advance	257	232	257	232	2,816	2,816	1,117
Premiums prepaid	6,752	4,137	6,752	4,137	15,510	15,510	9,296
Amounts due to reinsurers	20,130	21,679	37,324	21,679	11,667	11,907	4,851
Other payables and accruals	52,671	49,591	44,590	47,280	56,320	16,287	14,775
Acquisition through business combination (note 34)	85,178	52	-	-	19,891	-	-
	164,988	75,691	88,923	73,328	106,204	46,520	30,039

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

### 23. CURRENT TAX LIABILITIES

	THE GROUP		THE COMPANY		LIFE BUSINESS	
					THE GROUP	THE COMPANY
	2010	2009	2010	2009	2010	2010
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
(a) Income tax provision for the year at 15%	2,241	808	-	-	411	-
Alternative minimum tax	8,263	6,017	8,263	6,017	-	-
CSR tax	3,351	-	2,804	-	-	-
Under provision in previous year	303	471	254	465	-	-
	14,158	7,296	11,321	6,482	411	-
Movement in deferred tax (Note 19)	(106)	19	-	-	4,767	750
Tax charge for the year	14,052	7,315	11,321	6,482	5,178	750

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 23. CURRENT TAX LIABILITIES (CONT'D)

(b) Statement of financial position

At January 1,
Income tax provision for the year at 15%
Advance payment of tax
Payment of CSR tax
Payment during the year
Under provision in previous year
Deferred tax assets not recognised
Acquisition through business combination (note 34)
Tax deducted at source - TDS
CSR contribution
Alternative Minimum Tax
<b>At December 31,</b>

THE GROUP		THE COMPANY		LIFE BUSINESS THE GROUP
2010	2009	2010	2009	2010
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
4,128	2,914	2,721	2,126	-
2,241	808	-	-	411
(5,025)	(3,693)	(4,485)	(3,296)	-
(1,761)	-	(1,214)	-	-
(4,192)	(2,841)	(2,978)	(2,591)	(160)
303	471	254	465	-
(814)	-	-	-	-
-	494	-	-	33
(63)	(42)	-	-	-
3,351	-	2,804	-	-
8,263	6,017	8,263	6,017	-
<b>6,431</b>	<b>4,128</b>	<b>5,365</b>	<b>2,721</b>	<b>284</b>

(c) The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit before taxation

Tax thereon (15%)

Tax effect of :

- Income not subject to tax
- Expenses not deductible for tax purposes
- Depreciation on non-qualifying assets
- Deferred tax assets not recognised

Underprovision in previous year

CSR contribution

Alternative Minimum Tax

THE GROUP		THE COMPANY	
2010	2009	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
385,095	324,303	309,763	319,794
57,764	48,645	46,464	47,969
(73,653)	(36,296)	(60,042)	(36,211)
357	1,754	51	1,752
-	177	-	177
14,016	(13,453)	13,527	(13,687)
3,954	471	254	465
3,351	-	2,804	-
8,263	6,017	8,263	6,017
<b>14,052</b>	<b>7,315</b>	<b>11,321</b>	<b>6,482</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 23. CURRENT TAX LIABILITIES (CONT'D)

(d) Surplus for the year including surplus on Life Assurance Fund

Tax thereon (15%)

Tax effect of :

- Income not subject to tax
- Expenses not deductible for tax purposes
- Depreciation on non-qualifying assets
- Pension claims and annuities
- Pension premium and consideration for annuity
- Change in pension liability
- Share of associated company results
- Over provision in previous years
- Revaluation of Investment property
- Deferred tax liability(assets) not recognised

LIFE BUSINESS		
THE GROUP	THE COMPANY	
2010	2010	2009
Rs'000	Rs'000	Rs'000
511,535	359,344	576,349
76,730	53,902	86,452
(47,695)	(33,603)	(112,370)
(47)	92	110
185	185	177
25,548	25,548	26,215
(504)	(504)	(35,533)
(49,485)	(49,485)	(50,063)
-	-	145
(1)	-	-
750	750	-
(303)	3,865	84,867
5,178	750	-

### 24. REVENUE

Revenue is made up as follows :

Gross earned insurance premiums - General Business

Insurance premium ceded to reinsurers

Net earned premiums - General Business

Brokerage and related commissions

Management & other fees

THE GROUP		THE COMPANY	
2010	2009	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
1,290,011	729,293	920,032	729,293
(273,293)	(129,872)	(178,132)	(129,872)
1,016,718	599,421	741,900	599,421
8,142	9,703	-	-
8,340	-	-	-
1,033,200	609,124	741,900	599,421

#### Group

Revenue for the Group represents premiums receivable on short-term insurance contracts, net of reinsurances, adjusted for unearned premiums, and brokerage fees.

#### Company

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



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 25. INVESTMENT AND OTHER INCOME

#### (i) Investment and other income

Dividends receivable  
Interest on loans and deposits  
Interest on bank accounts  
Brokerage fees  
Rent receivable  
Management fees  
Exchange gain  
Other income

THE GROUP		THE COMPANY	
2010	2009	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
19,648	43,899	13,784	46,011
36,392	22,450	36,254	22,450
14,157	14,620	7,208	13,909
8,142	9,704	-	-
1,879	1,075	-	-
7,981	-	-	-
450	2,152	419	2,152
6,568	1,401	914	1,364
95,217	95,301	58,579	85,886

#### (ii) Profit on disposal of available-for-sale financial assets

Profit on disposal of available-for-sale financial assets  
Exchange loss arising on disposal

THE GROUP		THE COMPANY	
2010	2009	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
444,313	195,416	395,044	195,414
(8,764)	(1,365)	(8,765)	(1,365)
435,549	194,051	386,279	194,049

#### LIFE BUSINESS

Dividends receivable  
Interest on loans and deposits  
Interest on bank accounts  
Loss on disposal of available-for-sale financial assets  
Rent receivable  
Exchange gain  
Unit link fees  
Administration fees - pension  
Other income

THE GROUP		THE COMPANY	
2010	2009	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
66,636	45,691	55,090	
98,977	77,525	66,913	
15,469	7,463	12,273	
(2,751)	(2,539)	(1,427)	
9,128	8,572	-	
(1,082)	(484)	2,150	
4,491	-	-	
10,523	-	-	
2,268	4,647	4,618	
203,659	140,875	139,617	

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 26. PROFIT BEFORE TAXATION

The profit before taxation has been arrived at

**After crediting:**

Investment income

- available-for-sale financial assets

Profit on disposal of available-for-sale financial assets

Loss on sale of property and equipment

**And charging:**

Employee benefit expense (Note 27)

Depreciation on property and equipment (Note 5)

Amortisation of intangible assets (Note 7)

Legal costs

THE GROUP		THE COMPANY	
2010	2009	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
19,648	43,899	13,784	46,011
444,313	195,416	395,044	195,414
(575)	(19)	(206)	(19)
120,279	58,314	61,091	55,378
11,576	6,080	5,854	5,922
15,816	2,240	3,375	2,240
-	10,000	-	10,000

### 27. EMPLOYEE BENEFIT EXPENSE

Wages and salaries  
Social Security costs  
Pension costs  
- Defined contributions  
- Defined benefits (note 20(v))  
Other benefits

				LIFE BUSINESS		
THE GROUP		THE COMPANY		THE GROUP	THE COMPANY	
2010	2009	2010	2009	2010	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
103,741	53,601	57,007	50,985	55,686	44,487	39,338
3,442	1,856	2,051	1,770	1,826	1,378	1,146
				-		
5,279	2,658	2,407	2,502	2,617	1,751	2,013
(188)	199	(374)	121	(374)	(374)	121
8,005	-	-	-	2,661	-	-
120,279	58,314	61,091	55,378	62,416	47,242	42,618

### 28. DIVIDENDS PAID

Paid

Interim ordinary dividend of 14% (2009 - 14%)

Final ordinary dividend 30% (2009 - 27%)

THE GROUP AND THE COMPANY	
2010	2009
Rs'000	Rs'000
28,056	28,056
60,120	160,320
88,176	188,376

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 29. SHAREHOLDERS SHARE OF LIFE SURPLUS

In accordance with the accounting policy in Note 2(o) the independent actuaries have assessed the amount of the Discretionary Participating Feature (DPF) eligible surplus to be transferred (from)/to the Life Assurance Fund to the Income Statement at **(Rs.2.8m)** (2009 - Rs.17.9m). See note 36.

### 30. OUTSTANDING FINANCIAL COMMITMENTS

Loans approved by the Board of Directors but not yet disbursed

THE COMPANY	
2010	2009
Rs'000	Rs'000
106,661	222,348

### 31. EARNINGS PER SHARE

Earnings per share is based on the following:  
Profit for the year after minority interest

Number of ordinary shares in issue and ranking for dividends

Earnings per share

THE GROUP	
2010	2009
Rs'000	Rs'000
369,835	315,523
20,040,000	20,040,000
Rs 18.45	15.74

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 32. NOTES TO CASH FLOW STATEMENTS

#### (a) Cash generated from operations

Profit before taxation	
Share of results of associated companies	
Increase in fair value of investment properties	
Provision for retirement benefit obligations	
Provision for credit impairment	
Dividend income	
Interest income	
Interest payable	
Depreciation	
Amortisation	
Loss on sale of property and equipment	
Profit on disposal of available-for-sale financial assets	
Revaluation reserve realised on land and building from Life business	
Transfer of revaluation reserve on land and building to Life business	
Consolidation adjustment	
Amalgamation adjustment	
Movement in unearned premiums	
Change in trade and other receivables	
Change in outstanding claims	
Change in trade and other payables	
Net cash (used in)/generated from operations (page 59)	

Notes	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
	385,095	324,303	309,763	319,794
	-	885	-	-
6	(5,300)	(2,000)	-	-
	(274)	142	(342)	142
11/13	(1,857)	1,195	-	1,195
25	(19,648)	(43,899)	(13,784)	(46,011)
25	(50,549)	(37,070)	(43,462)	(36,359)
	538	-	-	-
5	11,576	6,080	5,854	5,922
7	15,816	2,240	3,375	2,240
	(575)	19	206	19
	(444,313)	(195,416)	(395,044)	(195,414)
	19,651	-	19,651	-
	-	(11,651)	-	(11,651)
	(185,066)	-	-	-
	-	113,929	-	113,929
15(ii)	47,504	43,566	63,091	43,566
	(227,402)	202,323	(50,692)	197,372
	(26,786)	30,437	(56,697)	39,352
	287,342	27,996	269,419	27,996
	(62,464)	13,408	(15,623)	14,181
	(29,310)	274,164	146,407	278,901

#### (b) Bank balances and cash

Interest bearing bank balances	
Bank deposits	
Bank overdraft	

THE GROUP		THE COMPANY	
2010	2009	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
303,179	158,063	114,234	144,191
34,000	31,022	34,000	31,022
337,179	189,085	148,234	175,213
(2,487)	(7,715)	(2,487)	-
334,692	181,370	145,747	175,213

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 32. NOTES TO CASH FLOW STATEMENTS (CONT'D)

	Notes	THE GROUP	THE COMPANY	
		2010 Rs'000	2010 Rs'000	2009 Rs'000
<b>(c) Cash generated from operations</b>				
Surplus before taxation	10(c)	511,535	359,344	576,349
Increase in fair value of available-for-sale financial assets		(273,797)	(182,147)	(385,584)
Release on fair value adjustment		165,301	165,301	319,667
Revaluation of land and buildings	5	(1,236)	(1,236)	(16,001)
Transfer of revaluation reserves from Life fund		(19,651)	(19,651)	-
Share of results of associated companies	9(a)	-	-	885
Share of currency translation reserve of associated companies	9(a)	-	-	(66)
Increase in fair value of investment properties	6	(10,816)	(5,000)	(5,000)
Provision for retirement benefit obligations	19	(342)	(342)	142
Provision for credit impairment	10(f) & 11(c)	-	-	5,977
Dividend income	25	(66,636)	(45,691)	(55,090)
Interest received	25	(98,977)	(82,450)	(79,186)
Interest payable		(538)	-	-
Depreciation	5(e)	9,021	7,252	5,958
Amortisation	7	6,493	2,546	482
Loss on sale of property and equipment		(146)	(7)	14
Profit on sale of investment properties		(230)	(230)	-
Profit on disposal of available-for-sale financial assets		(169,785)	(169,997)	(319,782)
Consolidation adjustment		185,066	-	-
		235,262	27,692	48,765
Change in trade and other receivables		54,523	60,649	(29,926)
Change in trade and other payables		80,706	47,035	(69,901)
Net cash generated from/(used in) operations (page 60)		370,491	135,376	(51,062)
<b>(d) Bank balances and cash</b>				
Interest bearing bank balances		342,970	173,921	88,208
Bank deposits		-	-	145,257
		342,970	173,921	233,465

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 33. SEGMENT INFORMATION

#### GROUP AND LIFE

- (a) Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group's reportable segments under IFRS8 are based on insurance classes.

- (i) Casualty - includes motor, liability, cash in transit, personal accident and health.
- (ii) Property - includes fire and allied perils, engineering, marine, and all risks
- (iii) Life - includes both life and pensions

Revenue in the above segments is derived primarily from insurance premiums, investment income and realised gain on financial assets.

- (iv) Other - consists of stock-broking. Revenue in this segment is derived primarily from brokerage commissions, investment income and realised gains on financial assets.

#### Income

Gross Premiums
Premiums ceded to Reinsurers
Change in unearned premiums
Net insurance premium income
Consideration for annuities
Fee and commission income
Brokerage fees
Investment and other income
Revaluation of Land & Buildings
Increase in fair value of investment property
Segment income

#### Expenses

Gross claims and benefits
Claims recovered from Reinsurers
Movement in outstanding claims
Fees & Commission
Management expenses
Finance costs
Depreciation
Amortisation

Segment profit/surplus before tax
Increase in fair value of available-for-sale financial assets
Profit/surplus before taxation
Taxation
Net profit/surplus for the year

2010				
THE GROUP				LIFE BUSINESS
Casualty	Property	Other	Total	
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
1,081,711	255,804	-	1,337,515	516,020
(114,496)	(158,797)	-	(273,293)	(45,949)
(37,544)	(9,960)	-	(47,504)	-
929,671	87,047	-	1,016,718	470,071
-	-	-	-	3,357
19,604	40,492	-	60,096	13,904
-	-	8,142	8,142	-
303,970	203,369	15,285	522,624	204,022
-	-	-	-	1,236
1,977	1,323	2,000	5,300	10,816
1,255,222	332,231	25,427	1,612,880	703,406
552,421	61,178	-	613,599	302,944
(19,822)	(46,033)	-	(65,855)	(6,171)
273,100	10,782	-	283,882	-
98,404	29,481	-	127,885	24,915
183,821	43,471	12,802	240,094	128,466
638	150	-	788	-
9,072	2,145	359	11,576	9,021
12,790	3,026	-	15,816	6,493
1,110,424	104,200	13,161	1,227,785	465,668
144,798	228,031	12,266	385,095	237,738
			-	273,797
			385,095	511,535
			(14,052)	(5,178)
			371,043	506,357

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 33. SEGMENT INFORMATION (CONT'D)

	2009				
	THE GROUP				LIFE
	Casualty	Property	Other	Total	Business
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<u>Income</u>					
Gross Premiums	633,900	138,961	-	772,861	339,651
Premiums ceded to Reinsurers	(43,196)	(86,676)	-	(129,872)	(22,793)
Change in unearned premiums	(39,047)	(4,521)	-	(43,568)	-
Net insurance premium income	551,657	47,764	-	599,421	316,858
Consideration for annuities	-	-	-	-	806
Fee and commission income	12,262	20,009	-	32,271	8,157
Brokerage fees	-	-	9,703	9,703	-
Investment and other income	227,341	49,837	4,470	281,648	139,603
Transfer of revaluation reserves from General branch	-	-	-	-	11,651
Revaluation of land and buildings	-	-	-	-	16,001
Increase in fair value of investment property	-	-	-	-	5,000
Segment income	791,260	117,610	14,173	923,043	498,076
<u>Expenses</u>					
Gross claims and benefits	352,811	63,075	-	415,886	194,298
Claims recovered from Reinsurers	(9,600)	(36,225)	-	(45,825)	(6,110)
Movement in outstanding claims	30,557	(2,561)	-	27,996	-
Fees & Commission	57,354	16,793	-	74,147	24,730
Management expenses	91,425	20,042	5,864	117,331	87,134
Depreciation	4,858	1,065	157	6,080	5,958
Amortisation	1,837	403	-	2,240	482
	529,242	62,592	6,021	597,855	306,492
Segment profit/surplus before tax	262,018	55,018	8,152	325,188	191,584
Increase in fair value of available-for-sale financial assets				-	385,584
Share of results of associates				(885)	(819)
Profit before taxation				324,303	576,349
Taxation				(7,315)	-
Net profit/surplus for the year				316,988	576,349

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 33. SEGMENT INFORMATION (CONT'D)

Segment assets

Segment liabilities

Technical liabilities

- Unearned premium reserve

- Life assurance fund

- Outstanding claims

Total equity

Capital expenditure

Depreciation

Amortisation

Segment assets

Associates

Segment liabilities

Technical liabilities

- Unearned premium reserve

- Life assurance fund

- Outstanding claims

Total equity

2010

THE GROUP

Casualty Rs'000	Property Rs'000	Other Rs'000	Life Rs'000	Total Rs'000
2,358,794	557,809	37,010	4,993,474	7,947,087
187,874	44,428	9,831	138,400	380,533
				565,275
				4,855,650
				1,038,509
				1,107,120

THE GROUP

Casualty Rs'000	Property Rs'000	Other Rs'000	Total Rs'000	LIFE BUSINESS Rs'000
14,720	3,482	562	18,764	12,711
9,072	2,145	359	11,576	9,021
12,790	3,026	-	15,816	6,493

2009

THE GROUP

Casualty Rs'000	Property Rs'000	Other Rs'000	Life Rs'000	Total Rs'000
1,790,476	392,499	28,793	3,001,126	5,212,894
-	-	586	586	1,172
1,790,476	392,499	29,379	3,001,712	5,214,066
102,845	22,545	11,563	30,381	167,334
				337,719
				2,971,331
				502,190
				1,235,492



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 33. SEGMENT INFORMATION (CONT'D)

	THE GROUP				LIFE BUSINESS
	Casualty Rs'000	Property Rs'000	Other Rs'000	Total Rs'000	Rs'000
Capital expenditure	6,273	1,375	357	8,005	7,648
Depreciation	4,858	1,065	157	6,080	5,958
Amortisation	1,837	403	-	2,240	482

The main activities of the Group are carried out in Mauritius. The Group recently opened a branch in Seychelles but the results are judged to be immaterial to the Group.

### 34. BUSINESS COMBINATIONS

#### (i) Subsidiary acquired in 2010

- (a) On March 31, 2010, the Company acquired 100% of the share capital of La Prudence (Mauricienne) Assurances Limitee (LPM) for Rs800m.

This acquisition will:

- enhance the Company's ability to protect the interest of its policyholders and the public by consolidating the capital base, maintaining the profit sharing capacity of the life-fund policyholders, providing a wider range of products and offering a better customer service.
- create shareholder value by increasing market share, achieving cost-efficiency gains at various levels, enhancing brand image and visibility, strengthening market position and competitiveness in both individual and corporate markets, extending customer base and creating cross-selling and sales opportunities and developing new market segments.

2010	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred Rs'000
La Prudence (Mauricienne) Assurances Limitee	Insurance	March 31,	100%	800,000

#### (b) Goodwill arising on consolidation

Consideration transferred (General business Rs633m and Life business Rs167m)  
Fair value of net assets acquired  
Goodwill

Notes	Rs'000
8(a)	800,000
	(340,742)
	459,258

The Goodwill arising from the acquisition is attributable to customer portfolio and economies of scale expected from combining the operation of the Company and LPM.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 34. BUSINESS COMBINATIONS (CONT'D)

Acquisition related costs amounting to Rs14.6m have been excluded from the consideration and have been recognised as an expense in the Income Statement.

#### (c) Assets acquired and liabilities assumed at date of acquisition

	Notes	Carrying amount and fair value Rs'000
Cash and cash equivalents		271,313
Property and equipment	5(a)(e)	83,298
Investment property	6	80,684
Intangible assets	7	93,604
Financial assets	10(a)	1,324,120
Loan and receivables	11	206,949
Property held for resale	12	5,878
Trade and other receivables	13	154,382
Recoverables from reinsurers	15	195,292
Outstanding claims	15	(332,941)
Unearned premiums	18	(186,556)
Deferred income tax	19	(48,658)
Life assurance fund	page 56	(1,400,471)
Retirement benefit obligations	20	(1,050)
Trade and other payables	22	(105,069)
Taxation	23	(33)
<b>Net assets acquired</b>		<b>340,742</b>

#### (d) Net cash outflow on acquisition of subsidiary

	Notes	Rs'000
Consideration settled in cash	8(a)	800,000
Cash and cash equivalents in subsidiary acquired		(271,313)
<b>Net cash outflow (page 59)</b>		<b>528,687</b>

- (e) Had LPM been consolidated from January 1, 2010, the consolidated statement of comprehensive income would show revenue of Rs.1,135m and net profit for the year of Rs.360m. The Life fund would have shown a surplus of Rs.539m.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 34. BUSINESS COMBINATIONS (CONT'D)

#### (i) Subsidiary acquired in 2009

- (a) The Company acquired National Mutual Fund Ltd effective December 31, 2009. As at acquisition date, the Company has recognised separately from goodwill, the identifiable assets acquired and liabilities assumed. The effect of the acquisition was to recognise net assets worth Rs45.2m in the Statement of Financial Position as at December 31, 2009 and a nil effect in the Statement of Comprehensive Income for the year ended December 31, 2009.

The Company proceeded with the acquisition of a majority stake in National Mutual Fund Ltd by acquiring 50% of the equity from State Insurance Company of Mauritius Ltd and The State Investment Corporation Ltd. An offer was made to the rest of the shareholders and in total the Company acquired 98.57% after consolidating its existing 2.86% ownership. As a result of the acquisition, the group is expected to mark its presence in the fund management industry.

2009	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred Rs'000
National Mutual Fund Ltd	Fund Management	December 31,	95.7%	65,029

#### (b) Goodwill arising on consolidation

	Notes	Rs'000
Consideration transferred	8(a)	65,029
Non-controlling interest		647
Fair value of previously held interest		1,292
Fair value of net assets acquired		(45,188)
Goodwill		21,780

The goodwill is attributable to future economic benefits expected to be derived from the acquisition of the fund management company.

#### (c) Assets acquired and liabilities assumed at date of acquisition

	Notes	Carrying amount and fair value Rs'000
Cash and cash equivalents		10,860
Property and equipment	5(a)	53
Intangible assets	7	14
Financial assets	10(a)	32,047
Trade and other receivables		2,773
Trade and other payables	22	(52)
Taxation	23(b)	(494)
Deferred taxation	19(a)	(13)
Net assets acquired		45,188

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 34. BUSINESS COMBINATIONS (CONT'D)

#### (i) Subsidiary acquired in 2009

#### (d) Net cash outflow on acquisition of subsidiary

Consideration settled in cash  
Cash and cash equivalents in subsidiary acquired  
Net cash outflow (page 59)

Notes Rs'000

8(a)	65,029
	(10,860)
	54,169

### 35. AMALGAMATION

On February 1, 2009, the Company merged the activities of MUA Commercial Vehicles Agency Ltd.

#### (a) The assets and liabilities arising on the merger are as follows:

Financial assets  
Loan from Holding Company  
Net assets merged

Rs'000

255,945
(96,018)
159,927

#### (b) Consolidation adjustment

Investment in subsidiary  
Loan to subsidiary  
Retained earnings  
Total

Rs'000

1,000
96,018
16,911
113,929

### 36. EVENTS AFTER THE REPORTING PERIOD

#### (a) Adjusting event after the reporting period

The Company and The Mauritius Commercial Bank Limited ("MCB") have come to an out-of-court settlement (the 'Settlement') in respect of (a) actions lodged before the Supreme Court of Mauritius by MCB against MUA in connection with losses suffered by MCB as a result of frauds committed to the detriment of MCB (the 'Claims'); and (b) a counterclaim made by MUA against MCB (the 'Counterclaim') in one of those actions.

The Settlement, which is subject to the satisfaction of certain conditions precedent (the 'Conditions') including regulatory consent and the approval of the shareholders of MUA, is for a global sum of Rs.250 million of which Rs.100 million will be settled by an issue of redeemable preference shares (the 'Shares') to MCB. A meeting of shareholders of MUA will be held in due course to authorise the issue of the Shares.

The settlement is an event after the reporting period. In line with International Accounting Standards (IAS 10 - 'Events after the Reporting Period'), the Directors have recognised the relevant charge in the financial statements for the year ended December 31, 2010. The net impact of this settlement on the results of the Group and the Company is Rs.200m.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 36. EVENTS AFTER THE REPORTING PERIOD (CONT'D)

#### (b) Transfer of operations

MUA and its subsidiary company, LPM both being composite insurance companies split their life and general business operations as required by Insurance Act 2005 with effect January 1, 2011. Therefore, all assets, liabilities and operations of the life business of MUA were transferred to LPM and similarly, all assets, liabilities and operations of the general business of LPM were transferred to MUA.

#### (i) Assets and liabilities of Life business transferred to LPM are as follows:

	Rs'000
Non-current assets	3,024,786
Current assets	360,480
	<u>3,385,266</u>
Life Assurance Fund	3,307,440
Non-current liabilities	750
Current liabilities	77,076
	<u>3,385,266</u>

#### (ii) The life business operations of MUA is therefore no longer on a continued basis as from January 1, 2011. The Non-Distributable Reserve (Rs46.1m) was kept on the general business Statement of financial position to be used to back the capital requirements of the life business. This amount may not be used to meet any capital requirement of the general business and was also transferred on January 1, 2011.

#### (iii) Assets, liabilities and equity of general business transferred to MUA was as follows:

	Rs'000
Total assets	934,598
Total liabilities	569,919
Equity	<u>(46,828)</u>

### 37. RELATED PARTY TRANSACTIONS

During the year the Group transacted with related parties and all transactions were at arms' length, on normal commercial terms and in the normal course of business.

	THE GROUP		THE COMPANY		LIFE BUSINESS		
					THE GROUP	THE COMPANY	
	2010	2009	2010	2009	2010	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Loans granted to</b>							
Directors and key management personnel	-	1,300	-	1,300	4,200	-	5,032
<b>Amount owed by</b>							
Directors and key management personnel	1,195	2,276	1,195	2,276	99,418	10,085	10,731

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 37. RELATED PARTY TRANSACTIONS (CONT'D)

	THE GROUP		THE COMPANY		LIFE BUSINESS		
	2010	2009	2010	2009	THE GROUP	THE COMPANY	
	Rs'000	Rs'000	Rs'000	Rs'000	2010	2010	2009
					Rs'000	Rs'000	Rs'000
<b>Receivables/(payables) from/(to)</b>							
NMF Property Trust	93	-	-	-	-	-	-
NMF General Fund	761	-	-	-	-	-	-
Other related parties	3,441	-	33,997	(36,787)	(30,556)	(30,556)	36,787
<b>Purchase of goods and services from</b>							
Subsidiary company	673	1,017	673	1,017	1,237	1,237	1,008
Other related parties	25,410	-	25,410	18,670	-	-	-
<b>Sale of services to</b>							
Directors and key management personnel	20,162	219	39	219	1,707	317	33
<b>Income receivable from:</b>							
Subsidiary companies	-	-	2,757	2,757	-	-	-
<b>Remuneration of key management personnel</b>							
Salaries and short-term employee benefits	12,498	11,136	11,753	10,616	17,970	13,801	8,971
Post-employments benefits	533	286	533	286	466	466	234

### 38. THREE YEAR SUMMARY OF PUBLISHED RESULTS AND ASSETS AND LIABILITIES

#### (a) Income statements

	THE GROUP		
	2010	2009	2008
	Rs'000	Rs'000	Rs'000
Turnover	1,033,200	595,669	480,603
Operating profit	385,095	325,188	157,114
Share of result of associated companies	-	(885)	(6,886)
Profit before taxation	385,095	324,303	150,228
Taxation	(14,052)	(7,315)	(4,696)
<b>Net profit for the year</b>	<b>371,043</b>	<b>316,988</b>	<b>145,532</b>
Attributable to:			
- Owners of the Parent	369,835	315,524	144,447
- Non-controlling interests	1,208	1,464	1,085
	<b>371,043</b>	<b>316,988</b>	<b>145,532</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

### 38. THREE YEAR SUMMARY OF PUBLISHED RESULTS AND ASSETS AND LIABILITIES (CONT'D)

#### (b) Statements of Comprehensive Income

Net profit for the year
Other comprehensive income
<b>Total comprehensive income for the year</b>
Attributable to:
- Owners of the Parent
- Non-controlling interests
Rate of dividend - Interim
- Final
Earnings per share (Rs/cs)

THE GROUP		
2010 Rs'000	2009 Rs'000	2008 Rs'000
371,043	316,988	145,532
(430,199)	68,127	(511,572)
<b>(59,156)</b>	<b>385,115</b>	<b>(366,040)</b>
(60,701)	382,416	(366,649)
1,545	2,699	609
<b>(59,156)</b>	<b>385,115</b>	<b>(366,040)</b>
14%	14%	12%
30%	80%	27%
18.45	15.74	7.21

#### (c) Statements of financial position

Non-current assets
Life business non-current assets
Current assets
Life business current assets
<b>Total assets</b>
Total equity
Life Assurance Fund
Technical provisions
Non-current liabilities
Life business non-current liabilities
Current liabilities
Life business current liabilities
<b>Total equity and liabilities</b>

THE GROUP		
2010 Rs'000	2009 Rs'000	2008 Rs'000
1,741,844	1,422,370	1,339,371
4,417,144	2,572,157	2,034,113
1,211,769	789,984	603,292
576,330	429,555	405,845
<b>7,947,087</b>	<b>5,214,066</b>	<b>4,382,621</b>
1,107,120	1,235,492	1,039,444
4,855,650	2,971,331	2,412,918
1,603,784	839,909	767,919
52,661	422	247
1,975	342	199
188,853	136,531	135,053
137,044	30,039	26,841
<b>7,947,087</b>	<b>5,214,066</b>	<b>4,382,621</b>







4, Léoville l'Homme Street  
Port-Louis, Mauritius

Tel 230 207 5500  
Fax 230 212 2962

[www.mauritiuniongroup.com](http://www.mauritiuniongroup.com)

BRN C07000714