





FINANCIAL STATEMENTS



SECRETARY'S CERTIFICATE FOR THE YEAR ENDED 31 DECEMBER 2017

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



ECS SECRETARIES LTD

Secretary

30 March 2018

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Mauritius Union Assurance Cy. Ltd (the “Company”) and its subsidiaries (the “Group”) set out on pages 12 to 95 which comprise the statements of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Group and Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001 and the Financial Reporting Act 2004 and the Insurance Act 2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

KEY AUDIT MATTERS	HOW THE MATTERS WERE ADDRESSED IN OUR AUDIT
<p><i>Recoverability of goodwill and investment in subsidiaries</i></p> <p>As detailed in Note 39 of the consolidated financial statements, the Group's goodwill is allocated to cash generating units (CGUs) that are identified generally at a segment level. The valuation and recoverability of significant goodwill and client portfolio involves complex judgments and estimates, including projections of future income, terminal growth rate assumptions, and discount rates. These assumptions and estimates can have a material impact on the valuations and impairment decisions reflected in the consolidated financial statements of the Group.</p> <p>In the Company's separate financial statements, investment in subsidiaries are carried at cost less impairment. As detailed in Note 8 of the consolidated financial statements, the Group has an investment of Rs 208M in its local subsidiaries and Rs 615M in its foreign subsidiaries. Management makes an impairment assessment at the end of each reporting date. The same discounted cash flow (DCF) models as used for testing of impairment of goodwill are used and involve the same complex judgments and estimates.</p> <p><i>Valuation of insurance contract liabilities-short term insurance</i></p> <p>The valuation of general insurance loss reserves involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Group uses a range of actuarial methodologies to estimate these provisions. General insurance loss reserves require significant judgment relating to factors and assumptions such as inflation, claims development patterns and regulatory changes.</p> <p>Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, not all catastrophic events can be modeled using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves.</p> <p>Refer to Note 13 to the consolidated financial statements.</p>	<p>We assessed and tested the design and operating effectiveness of selected key controls over projections of future income, terminal growth rate assumptions, and discount rates related to the recoverability of goodwill, client portfolio and investment in subsidiaries.</p> <p>In relation to the particular matters set out above, our substantive testing procedures included the following:</p> <ul style="list-style-type: none"> • Corroborated the justification of the CGUs defined by management for goodwill allocation. • We tested the principles and integrity of the Group's discounted cash flow model that supports the value-in-use calculations in order to assess the appropriateness of the methodology applied in the Group's annual impairment assessment; • We tested the reasonableness of the methodology and assumptions used including projections on future income (including a comparison of forecast to actual results), terminal growth rate assumptions, discount rates and sensitivity analyses to determine the impact of those assumptions; and • We included a specialist on our team to assist in the testing of the discount factor. <p>We assessed and tested the design and operating effectiveness of selected key controls over the claims estimation process including IBNR. In particular, we tested the controls over the integrity of data and the assumptions setting and governance processes used by management related to the valuation of general insurance reserves.</p> <p>In relation to the particular matters set out above, our substantive testing procedures included the following:</p> <ul style="list-style-type: none"> • We reviewed the documentation around outstanding claims which are high in value and involving longer settlement periods and tested management best estimates of the settlement outcome for reasonableness. Where appropriate we requested legal confirmation to corroborate management's assessment. • We tested the completeness and accuracy of underlying claims data that are sent to the actuary in estimating general insurance loss reserves. This includes the testing of information sent to the actuary for the determination of IBNR; • We evaluated whether the actuarial assumptions used by management are reasonable based on the analysis of the experience to date, industry practice and the financial and regulatory requirements; • We evaluated the reasonableness of the methodology and assumptions against actuarial practices and industry standards; and • We evaluated whether the actuary has the relevant expertise and experience in this field.

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

KEY AUDIT MATTERS	HOW THE MATTERS WERE ADDRESSED IN OUR AUDIT
<p>Valuation of Insurance Contract Liabilities – long term insurance</p> <p>Actuarial assumptions and methodologies involve judgements about future events, both internal and external to the Group, for which small changes can result in a material impact to the valuation of insurance contract liabilities. Additionally, the valuation of insurance contract liabilities is dependent on the quality, integrity and accuracy of the data used in the valuations.</p> <p>We have therefore identified the following areas of focus in relation to the valuation of insurance contract liabilities:</p> <ul style="list-style-type: none"> • Appropriateness of actuarial assumptions, models and methodology; and • Data processes and controls relevant to the actuarial valuation. <p>Refer to note 2.5 (ii) to the consolidated financial statements.</p> <p>Actuarial assumptions and methodologies reflected in policyholder liabilities are subject to a considerable level of judgement. The operational assumptions are informed by actual experience, market experience and practice, and expectations as to future trends. Economic assumptions are typically based on latest market conditions and are set in accordance with relevant guidance and the Group approved policy.</p> <p>Refer to Note 13 to the consolidated financial statements.</p> <p>The assumptions that we consider to have the most significant impact on the actuarial valuations are:</p> <ul style="list-style-type: none"> • Mortality, longevity, disability and morbidity; • Expenses; and • Risk discount rates <p>The integrity and appropriateness of models and methodology are also considered to be critical in the overall valuation of insurance contract liabilities.</p>	<p>Our audit of these assumptions, models and methodology applied in the valuation of insurance liabilities, included the following audit procedures that were executed with the assistance of our actuarial experts, across the areas considered material:</p> <ul style="list-style-type: none"> • We assessed the valuation methodology and assumptions for compliance with the latest actuarial guidance, legislation and approved company policy. • We assessed the design and operating effectiveness of the key controls of the actuarial valuation process for the setting and updating of actuarial assumptions and the process for model and methodology changes; • We analysed management's key assumptions around mortality, longevity, disability, morbidity and expenses and assessed the results of management's experience analyses; • We assessed the economic basis, including the risk discount rates, by independently validating the risk free yield curve; • We evaluated, on a sample basis, whether model and methodology changes have been appropriately implemented; • We evaluated the assumptions and methodology against expectations based on our knowledge of the Group, industry practice, and regulatory and reporting requirements. This included an independent evaluation through enquiries with the external actuary and review by a specialist in our team; • We evaluated the key sources of profit and loss and assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements; • We considered the level of margins held, management's justification for holding these margins and how these will be released in future; • We performed procedures over the conversion of participating Personal Pension Plan to Unit linked Managed Pension Plan; and • We performed procedures over the Minimum Capital Requirements (MCR) calculation by comparing it with the applicable Solvency Rules and we evaluated management actions under the prevailing market conditions.

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

KEY AUDIT MATTERS	HOW THE MATTERS WERE ADDRESSED IN OUR AUDIT
	<p><i>Data processes and controls relevant to the actuarial valuation:</i></p> <p>Data is a key input into the valuation process: the calculation of insurance contract liabilities has a number of inputs, which are reliant on various processes and systems for accurate and complete data. A breakdown of these processes and systems could result in a misstatement of the value of insurance contracts.</p> <p>In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we, inter alia, performed the following audit procedures:</p> <ul style="list-style-type: none">• We assessed the design and operating effectiveness of the key aspects of the control environment over data integrity, including an evaluation of the effectiveness of the IT environment over the policy administration systems, together with the data extraction and conversion processes;• We performed an evaluation of the key controls over management's collection, extraction and data validation processes, which included testing of the reconciliations between the policy administration systems and the data sent to the external actuary for the actuarial valuation; and• We obtained the data pack from the external actuary and compared with the data which management has sent to the actuary for the valuation.

Other Information

Management is responsible for the other information. The other information comprises the chairman's review report and sustainability reports. These reports are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, the Financial Reporting Act 2004 and Insurance Act 2005, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the Group and Company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements (continued)

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

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

INDEPENDENT AUDITORS' REPORT

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacities as auditors, tax advisors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Financial Reporting Act 2004

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

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

Insurance Act 2005

The financial statements have been prepared in the manner and meet the requirements specified by the Financial Services Commission (FSC).



ERNST & YOUNG
Ebene, Mauritius



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

30 March 2018

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENTS OF FINANCIAL POSITION as at 31 December 2017

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENTS OF FINANCIAL POSITION as at 31 December 2017

	Notes	THE GROUP		THE COMPANY	
		2017	2016	2017	2016
		Rs'000	Rs'000	Rs'000	Rs'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Issued share capital	14	450,900	450,900	450,900	450,900
Share premium	14	273,068	273,068	273,068	273,068
Total reserves		1,708,418	1,507,830	1,103,226	1,005,913
Non-distributable share of Life surplus		15,535	6,196	-	-
Total ordinary shareholders' equity		2,447,921	2,237,994	1,827,194	1,729,881
Non-controlling interests		560,032	568,565	-	-
Total equity		3,007,953	2,806,559	1,827,194	1,729,881
Technical Provisions					
Life assurance fund	15	6,791,287	6,051,588	-	-
Investment contract liabilities	15(a)	774,876	663,777	-	-
Insurance contract liabilities	13(a)	3,161,455	2,598,332	1,969,331	1,766,243
		10,727,618	9,313,697	1,969,331	1,766,243
LIABILITIES					
Non-current liabilities*					
Borrowings	18	300,000	300,000	300,000	300,000
Deferred tax liabilities	16(b)	98,973	94,916	-	-
Employee benefit obligations	17	11,761	8,788	11,761	8,788
		410,734	403,704	311,761	308,788
Current liabilities*					
Trade and other payables	19	648,403	561,004	220,049	167,983
Deferred acquisition costs payable	13(c)	45,440	31,955	35,078	31,955
Amount due to subsidiaries		-	-	3,823	-
Current tax liabilities	20(b)	-	-	9,643	12,242
		693,843	592,959	268,593	212,180
Total equity and liabilities		14,840,148	13,116,919	4,376,879	4,017,092

* exclude technical provisions

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



DOMINIQUE GALEA
Chairman



BERTRAND CASTERES
Chief Executive Officer

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENTS OF PROFIT AND LOSS for year ended 31 December 2017

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENTS OF COMPREHENSIVE INCOME for year ended 31 December 2017

	Notes	THE GROUP		THE COMPANY	
		2017	2016	2017	2016
		Rs'000	Rs'000	Rs'000	Rs'000
Profit for the year		321,636	119,558	146,474	56,920
Other comprehensive Income					
<i>Items to be reclassified to profit or loss in subsequent periods:</i>					
Exchange difference on translating foreign operations		(83,857)	(24,200)	1,133	(243)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(83,857)	(24,200)	1,133	(243)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>					
Increase/(decrease) arising on revaluation of financial assets at fair value through other comprehensive income	10(a)	67,392	(28,012)	59,765	(1,729)
Tax effect		(147)	229	-	-
		67,245	(27,783)	59,765	(1,729)
Re-measurement of defined benefit obligations	17	(1,886)	(2,561)	(1,886)	(2,561)
Gain on revaluation of buildings	5	18,863	-	8,610	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		84,222	(30,344)	66,489	(4,290)
Other comprehensive income for the year - net of tax		365	(54,544)	67,622	(4,533)
Total comprehensive income for the year		322,001	65,014	214,096	52,387
Attributable to:					
Equity holders of the parent		326,710	129,144	214,096	52,387
Non-controlling interests		(4,709)	(64,130)	-	-
		322,001	65,014	214,096	52,387

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENTS OF CHANGES IN EQUITY for year ended 31 December 2017

		Attributable to owners of the Parent					
	Notes	Share Capital	Share Premium	Revaluation reserves	Currency translation reserves	Investment revaluation reserve	Retained earnings
THE GROUP		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at 1 January 2016		450,900	273,068	35,250	(10,132)	(19,444)	1,460,631
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	(43,337)	43,337
Profit for the year		-	-	-	-	-	158,606
Other comprehensive income		-	-	-	(9,907)	(16,994)	(2,561)
Total comprehensive income		-	-	-	(9,907)	(16,994)	156,045
Movement in reserves*		-	-	-	-	-	(14,918)
Transfer of distributable share of Life Surplus	35	-	-	-	-	-	607
Dividends	32	-	-	-	-	-	(112,725)
Balance at 31 December 2016		450,900	273,068	35,250	(20,039)	(79,775)	1,532,977
Balance at 1 January 2017		450,900	273,068	35,250	(20,039)	(79,775)	1,532,977
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	(21,701)	21,701
Profit for the year		-	-	-	-	-	281,886
Other comprehensive income		-	-	18,301	(36,624)	65,033	(1,886)
Total comprehensive income		-	-	18,301	(36,624)	65,033	280,000
Movement in reserves*		-	-	-	-	-	(3,513)
Transfer of distributable share of Life Surplus	35	-	-	-	-	-	(9,339)
Dividends	32	-	-	-	-	-	(116,783)
Balance at 31 December 2017		450,900	273,068	53,551	(56,663)	(36,443)	1,705,043

* As per the Insurance Act of the respective foreign countries, a transfer of 2% of the gross premium is made from retained earnings to the contingency reserve.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENTS OF CHANGES IN EQUITY for year ended 31 December 2017

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

* As per the Insurance Act of the respective foreign countries, a transfer of 2% of the gross premium is made from retained earnings to the contingency reserve.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENTS OF CHANGES IN EQUITY for year ended 31 December 2017

	Notes	Issued share capital Rs'000	Share Premium Rs'000	Revaluation reserves Rs'000	Currency translation reserves Rs'000	Investment revaluation reserve Rs'000	Retained earnings Rs'000	Total reserves Rs'000	Total Rs'000
THE COMPANY									
Balance at 1 January 2016		450,900	273,068	29,993	2,002	710	1,033,546	1,066,251	1,790,219
Transfer of gain on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	(16,492)	16,492	-	-
Profit for the year		-	-	-	-	-	56,920	56,920	56,920
Other comprehensive income		-	-	-	(243)	(1,729)	(2,561)	(4,533)	(4,533)
Total comprehensive income		-	-	-	(243)	(1,729)	54,359	52,387	52,387
Dividends	32	-	-	-	-	-	(112,725)	(112,725)	(112,725)
Balance at 31 December 2016		450,900	273,068	29,993	1,759	(17,511)	991,672	1,005,913	1,729,881
Balance at 1 January 2017		450,900	273,068	29,993	1,759	(17,511)	991,672	1,005,913	1,729,881
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	(1,060)	1,060	-	-
Profit for the year		-	-	-	-	-	146,474	146,474	146,474
Other comprehensive income		-	-	8,610	1,133	59,765	(1,886)	67,622	67,622
Total comprehensive income		-	-	8,610	1,133	59,765	144,588	214,096	214,096
Dividends	32	-	-	-	-	-	(116,783)	(116,783)	(116,783)
Balance at 31 December 2017		450,900	273,068	38,603	2,892	41,194	1,020,537	1,103,226	1,827,194

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT OF CASH FLOWS for year ended 31 December 2017

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

The notes on pages 100 to 199 form an integral part of these financial statements.

Auditors' report on pages 85 to 91.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

1. CORPORATE INFORMATION AND ACTIVITIES

The Mauritius Union Assurance CY Ltd (the “Company”) is a limited liability company incorporated and domiciled in Mauritius. These financial statements will be submitted for adoption at the forthcoming Annual Meeting of the Company. The address of the registered office is 4 Léoville l’Homme Street, Port Louis.

Following changes in the insurance legislation, whereby an insurance company cannot undertake both life (long term) and nonlife business (short term), as from 1 January 2011, the company’s principal activity is to transact only in short term insurance business. The life business of the Company was transferred to La Prudence Mauricienne Limitee (LPM), one of the company’s subsidiary companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for the revaluation of land and buildings, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are stated at their fair value.

The consolidated financial statements are presented in Mauritian rupees (Rs) rounded to the nearest thousand (Rs’000), unless otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and comply with the Companies Act 2001.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries referred to as the “Group” as at 31 December 2017. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS adopted in the year commencing 1 January 2017:

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting Standards and Interpretations issued but not yet effective

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Group has not early adopted them except for IFRS 9. The Group intends to adopt these standards, amendments and interpretation when they become effective.

Where the adoption of the standard or interpretation or improvement is deemed to have an impact on the financial statements or performance of the Group when applicable, its impact is described below:

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

The above standards issued and amendments to existing standards issued but not effective that are expected to have an impact on the Group are listed as listed below:

IFRS 9 Financial Instruments - effective 1 January 2018

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

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The five steps in the model are as follows:

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

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

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

IFRS 16 Leases – effective 1 January 2019

The IASB has redrafted this new leasing standard that would require lessees to recognise assets and liabilities for most leases. Lessees applying IFRS would have a single recognition and measurement model for all leases (with certain exemptions). Lessors applying IFRS would classify leases using the principle in IAS 17; in essence, lessor accounting would not change. The IASB and the FASB have made different decisions about lease classification and the recognition, measurement and presentation of leases for lessees and lessors.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short - duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, Re-measured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts .

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Group plans to adopt the new standard on the required effective date.

The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies

(a) Foreign currency translation

The Group's consolidated financial statements are presented in Mauritian rupees which is also the parent company's functional currency. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupees (Rs) at a rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to that foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(b) Insurance contracts

(i) Classification of insurance contracts

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

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

Short-term insurance contracts

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

Long-term insurance contracts

These contracts insure human life events (for example death or survival) over a long duration. A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Group with the consideration received from the contract holders after deducting life charges, administration charges and any unpaid charges. The Group does not separately measure any embedded derivatives as they qualify for recognition as an insurance contract. As such they are measured as insurance contracts.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

- (b) Insurance contracts (continued)
- (i) Classification of insurance contracts (continued)

Long-term insurance contracts (continued)

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the Gross Premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding. Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in profit or loss and subsequently, an additional insurance liability for the remaining loss is established. In subsequent periods the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

Long-term insurance contracts without fixed terms and with DPF

Some insurance contracts contain a Discretionary Participation Feature (DPF). These types of insurance contracts entitle the contract holder, in supplement of a guaranteed amount, to a contractual right to receive additional profits or bonuses. The magnitude of the profits or bonuses as well as the timing of the payments is however at the discretion of the Group. The Group has an obligation to eventually pay to contract holders 93.5% (2016: 93.5%) of the DPF eligible surplus (i.e all interest and realised gains and losses arising from the assets backing these contracts). The remaining 6.5% (2016: 6.5%) accrues to the shareholders. Any portion of the DPF eligible surplus accruing to contract holders that is not declared as a profit or bonus is retained as a liability in the Life Assurance Fund, until declared and credited to contract holders in future periods. The portion of the DPF eligible surplus accruing to shareholders is transferred annually to a Non Distributable reserve under shareholder's equity. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

100% of all profits arising out of the non-profit annuity and unit-linked books of business are now allocated to shareholders.

Unit linked contracts

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(b) Insurance contracts (continued)

(ii) Reinsurance contracts

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

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

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

(iii) Receivables and payables related to insurance contracts

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

(iv) Impairment of reinsurance assets

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognizes that impairment in profit or loss. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of that asset, that the Group may not recover all amounts due under the terms of the contract and that the event has a measurable impact on the amounts that the Group will receive from the reinsurer.

(v) Claims expenses and outstanding claims provisions

Outstanding claims provisions are based on the ultimate costs of all claims incurred but not settled at the end of financial reporting period, whether reported or incurred but not reported (IBNR). Notified claims are only recognised when the Group considers that it has a contractual liability to settle the claims. IBNR has been provided for on an actuarial method which consists in the projection of incurred but not reported claims based on the claims reporting delay pattern for the Company over the last ten years. Claims expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(b) Insurance contracts (continued)

(vi) Incurred but not reported claims (IBNR)

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

(vii) Salvage and subrogation reimbursements

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liabilities for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

(viii) Deferred Acquisition Costs

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

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

(ix) Provision for unearned premiums

The provision for unearned premiums represents the portion of premiums written on short-term insurance contracts relating to periods of insurance risks subsequent to the reporting date. It is calculated on the inception basis (daily method). The movement on the provision is taken to profit or loss in order for revenue to be recognised over the period of the risk. The provision is derecognized when the contract expires, is discharged or cancelled.

(x) Liability adequacy test

Short-term insurance

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

Long-term insurance

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

(xi) Investment contract liabilities

Investment contracts are contracts without DPF. Investment contract liabilities without DPF are recognised when contracts are entered into. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(c) Financial instruments

Financial assets

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss is expensed in profit or loss.

Measurement categories of financial assets and liabilities

From 1 January 2012, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income
- Fair value through profit or loss

Classification and measurement

This classification depends on whether the financial asset is a debt or equity investment. The following table shows the classification of the different types of financial assets:

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(c) Financial instruments (continued)

Classification and measurement (continued)

Financial investments at amortised cost

The Group only measures debts investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

If either of the two criteria above is not met, the debt instrument is classified as 'fair value through other comprehensive income or fair value through profit or loss. The Group has not designated any debt investment as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

A gain or loss on a debt investment that is subsequently measured at amortized cost is recognised in profit or loss when the financial asset is derecognized or impaired and through the amortization process using the effective interest rate method. Interest revenue shall be calculated by using the effective interest method.

An entity shall directly reduce the gross carrying amount of a financial asset when the entity has not reasonable expectation of recovering a financial assets in its entirety or a portion thereof.

Financial assets through other comprehensive income

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Impairment gains and losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

For all other equity investments not classify as fair value through profit or loss, the Group can make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. Where the Group's management has elected to present unrealized and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

Financial assets through profit or loss

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there evidence of a recent pattern of short-term profit is taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss and presented as part of 'realised gains/losses- net' in the period in which they arise. Interest and dividend income or expense is recorded in profit or loss according to the terms of the contract, or when the right to payment has been established.

Included in this classification are government bonds, quoted securities, unquoted securities and investment in open ended mutual funds that have been acquired principally for the purpose of selling or repurchasing in the near term.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(d) Impairment of financial assets

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

Financial assets through other comprehensive income

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

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

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Loan receivables at amortised cost

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(e) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate "EIR" method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

(f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs than an entity incurs in connection with the borrowing of funds.

(g) Derecognition of financial instruments

Financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(h) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

(i) Investment in subsidiary companies

Subsidiaries are all entities (including structured entities) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Separate financial statements

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

(j) Investment in associated company

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of profit or loss reflects the share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit of the associate is shown on the face of the statement of profit or loss. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'Share of profit of an associate' in the statement of profit or loss.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(k) Investment in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

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

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

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

(l) Equity instruments

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

(m) Equity movements

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(n) Property and equipment

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

Revaluations are done with sufficient regularity to ensure that the carrying amount does not differ materially from that would be determined using fair value at the end of the reporting date. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated by the revalued amount of the asset. Any revaluation surplus is recognised in other comprehensive income and accumulated in the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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

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

Freehold land are not depreciated.

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(o) Investment properties

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

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

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

(p) Non-Controlling Interest

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

(q) Intangible assets

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

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

Acquisition of client portfolio

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

Computer software

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

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

Goodwill

Goodwill is not amortised but tested for impairment annually as described in note 2.5(iii).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(r) Impairment of non-financial assets

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

(s) Cash and cash equivalents

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

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

(t) Provisions

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

(u) Segment reporting

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

(v) Taxes

Current income tax

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

Deferred income tax

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(v) Taxes (continued)

Deferred income tax (continued)

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

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

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

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

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

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

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(v) Taxes (continued)

Deferred income tax (continued)

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

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

- (a) has a legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group and the Company have disclosed deferred income tax assets and deferred income tax liabilities separately as it does not meet the above criteria.

Corporate Social Responsibility

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

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

Alternative Minimum Tax (AMT)

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

(w) Revenue recognition

(i) Premiums earned

Premiums on short-term insurance contracts represent gross premiums net of premiums ceded to reinsurers and are recognised as revenue (net earned premiums) on an inception basis (daily method). Premiums on long-term insurance contracts are recognised in the Life Assurance Fund when receivable, i.e. when payments are due.

(ii) Consideration for annuities

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

(iii) Other revenues

Other revenues are recognised on the following bases:

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

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

The Group recognises the shareholders' share of the DPF eligible surplus on an annual basis and transfers this amount from/to the Life Assurance Fund to/from the shareholders' share of Life surplus in equity. The non-distributable share of the surplus is transferred annually from retained earnings to a non-distributable reserve. Whenever bonuses are paid/credited to policyholders, an amount representing 6.5% (2016: 6.5%) of these bonuses is transferred from the non-distributable reserve to retained earnings in the Statement of Changes in Equity.

- (y) Life Assurance Fund

At the end of every year the amount of the liabilities of the Life Assurance Fund is established. A portion of the surplus between the value of the assets and the value of the liabilities is transferred to profit or loss. The adequacy of the fund is determined annually by actuarial valuation.

- (z) Retirement benefit obligations

- (i) Defined Contribution Pension Scheme

Retirement benefits to employees of the Group are provided by a Defined Contribution Pension Scheme, the Mauritius Union Group Pension Scheme, which is funded by contributions from the Group and the employees. Payments made by the Group are charged to profit or loss in the year in which they are payable.

The foreign subsidiaries operate a defined contribution pension plan scheme for all eligible employees. The scheme is administered by Roberts Insurance Brokers Limited and is funded by contribution from both the Company and employees.

The foreign subsidiaries contribute to the statutory National Social Security Fund in the respective countries. Contributions to these schemes are determined by local statute. The obligations to retirement benefits are charged to the profit or loss in the year to which they relate.

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

- (ii) Defined Benefit Scheme

For Defined Benefit retirement benefit plans, the cost of providing benefits using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes on the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in returned earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expenses or income and
- Remeasurement

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(z) Retirement benefit obligations (continued)

(iii) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(aa) Fair value measurement

The Group measures financial instruments, such as, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and non-financial assets such as investment properties, land and building, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 33.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(aa) Fair value measurement (continued)

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's valuation committee determines the policies and procedures for both recurring fair value measurement, such as financial assets at fair value through profit or loss and Financial Assets at Fair value through other comprehensive income.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Group's external valuers, also compares each of the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(ab) Contingencies reserve

A contingency reserve was created by one of the Company's overseas Insurance subsidiaries in order to comply with their local Insurance Act Regulations. This reserve is created to cover fluctuations in securities and variation in statistical estimates.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting policies (continued)

(ac) Leases

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

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

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

2.5 Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Valuation of insurance contract liabilities

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Valuation of insurance contract liabilities (continued)

These estimates are described below.

(i) Short-term insurance

The estimation of ultimate liability arising from the claims made under insurance contracts is one of the Group's most critical accounting estimates. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the reporting date. The Group uses a range of actuarial methodologies to estimate these provisions. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. General insurance loss reserves require significant judgment relating to factors and assumptions such as inflation, claims development patterns and regulatory changes.

Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, not all catastrophic events can be modeled using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

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

(ii) Long term insurance

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

The main assumptions used relate to mortality, morbidity, longevity, disability, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on the Ultimate Table (UK) which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure. The operational assumptions are informed by actual experience, market experience and practice, and expectations as to future trends. Economic assumptions are typically based on latest market conditions and are set in accordance with relevant guidance and the Group approved policy.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

For long-term insurance contracts with fixed and guaranteed terms and with DPF, estimates of future deaths, voluntary terminations, investment returns and administration expenses are made at each valuation date and form the assumptions used for calculating the liabilities. A margin for risk and uncertainty is added to these assumptions. Assumptions are reconsidered each year based on the most recent operating experience and estimate of future experience and are used to recalculate the liabilities. Refer to note 3.1.3 where the sensitivity analysis is described.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Valuation of insurance contract liabilities (continued)

- (iii) Other significant, estimates and judgements

Revaluation of land and building and investment properties

The company measures its land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. For investment properties, the changes in fair value is being recognized in profit or loss. The company engaged an independent professional valuer to determine the fair value. These estimates have been based on recent transaction prices for similar properties. The actual amount of the land and buildings could therefore differ significantly from the estimates in the future.

Useful lives and residual values of property and equipment

Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The directors have used historical information relating to the Group and the relevant industries in which the Group's entities operate in order to best determine the useful lives and residual values of property and equipment.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Recoverable amount on insurance and other receivables

In preparing those consolidated financial statements, the directors have made estimates of the recoverable amounts of insurance and other receivables and impaired those receivables where the carrying amounts exceeded recoverable amounts. The estimation of recoverable amounts involve an assessment of the financial condition of the debtors concerned and estimate of the timing and the extent of cash flows likely to be received by the Group.

Limitation of sensitivity analysis

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Valuation of insurance contract liabilities (continued)

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value. The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

The recoverable amount of a CGU is determined based on the value in use calculations. These calculations use cash flow projections based on financial budgets approved by management. Cash flows are extrapolated using the estimated growth rates and terminal growth. Management does not expect that the growth rate to exceed the long term average growth rate in which the CGU operates. Management believes that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. Management has reviewed the carrying amount of the goodwill at the end of the reporting period and is of the opinion, they have not been impaired.

Impairment of non-financial assets

At end of financial reporting period, management reviews and assesses the carrying amounts of non-financial assets and other assets and, where relevant, writes them down to their recoverable amounts based on best estimates.

Impairment of investment in subsidiaries

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

The recoverable amount of a CGU is determined based on the value in use calculations. These calculations use cash flow projections based on financial budgets approved by management. Cash flows are extrapolated using the estimated growth rates. Management does not expect that the growth rate to exceed the long term average growth rate in which the CGU operates. Management believes that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. Management has reviewed the carrying amount of the investment in subsidiaries at the end of the reporting period, no impairment was required for the year ended 31 December 2017. (2016: Rs 104M). Refer to Note 8 (a).

Classification and recognition of financial assets

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Valuation of insurance contract liabilities (continued)

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

Recognition of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that is probable that taxable profit will be available against which losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Net employee defined benefit liabilities

The cost under the employee defined benefit plans as disclosed in note 17 to the financial statements requires the use of actuarial valuations. The actuarial valuation involves the use of significant estimate in respect of inter-alia, discount rate, future salary increases and mortality rate. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Control over subsidiaries

Note 8 describe Phoenix of Rwanda Assurance Company Limited, Phoenix of Tanzania Assurance Company Limited and Phoenix of Uganda Assurance Company Limited as subsidiaries of the group.

The directors of the Company assessed whether or not the Group has control over the above subsidiaries based on whether the Group has the practical ability to direct their relevant activities unilaterally. In making their judgment, the directors considered the Group's absolute size of holding in these subsidiaries and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has sufficient dominant voting interest to direct the relevant activities of these subsidiaries and therefore the Group has control over them.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

3.1 Insurance risks

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

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.1 Insurance liabilities

(a) Short-term Insurance

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

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

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

(b) Long-term Insurance

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.2 Concentration of insurance risk (continued)

(a) Short-term Insurance

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

THE GROUP	Outstanding claims 2017			
	No. of claims	Gross liabilities	Reinsurance of	Net
			liabilities	
Class of business		Rs'000	Rs'000	Rs'000
Motor	14,476	599,118	(38,368)	560,750
Fire	459	232,084	(198,411)	33,673
Personal Accident	327	51,446	(18,967)	32,479
Transport	282	364,350	(335,122)	29,228
Miscellaneous	2,922	453,269	(269,139)	184,130
IBNR	-	196,417	(93,970)	102,447
Total	18,466	1,896,684	(953,977)	942,707

THE COMPANY	Outstanding claims 2017			
	No. of claims	Gross liabilities	Reinsurance of	Net
			liabilities	
Class of business		Rs'000	Rs'000	Rs'000
Motor	12,392	442,706	(3,288)	439,418
Fire	152	136,281	(116,596)	19,685
Personal Accident	139	16,124	(12,356)	3,768
Transport	138	15,875	(1,079)	14,796
Miscellaneous	1,859	391,604	(233,316)	158,288
IBNR	-	73,639	(6,837)	66,802
Total	14,680	1,076,229	(373,472)	702,757

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.2 Concentration of insurance risk (continued)

(a) Short-term Insurance (continued)

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.2 Concentration of insurance risk (continued)

(b) Long-term Insurance

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

Benefits assured per life assured at the end of 2017 Rs'000	THE GROUP Total benefits insured				THE COMPANY Total benefits insured			
	Before reinsurance		After reinsurance		Before reinsurance		After reinsurance	
	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
0 - 50	973,901	2	988,406	5	-	-	-	-
50 - 100	1,392,237	4	1,432,491	7	-	-	-	-
100 - 150	1,444,000	4	1,544,208	8	-	-	-	-
150 - 200	1,246,978	3	1,335,047	7	-	-	-	-
200 - 250	1,781,384	4	1,737,803	9	-	-	-	-
250 - 300	1,737,286	4	8,953,560	45	-	-	-	-
More than 300	33,033,371	79	3,801,820	19	-	-	-	-
Total	41,609,157	100	19,793,335	100	-	-	-	-

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.2 Concentration of insurance risk (continued)

(b) Long-term Insurance (continued)

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

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

3.1.3 Sources of uncertainty

(a) Short-term Insurance

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

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

	THE GROUP				
	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost	10%	174,284	88,134	(86,150)	(73,228)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.3 Sources of uncertainty (continued)

(a) Short-term Insurance (continued)

2017	THE COMPANY				
	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost	10%	100,259	36,664	(63,595)	(54,056)

2016	THE GROUP				
	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost	10%	130,713	43,327	(87,386)	(74,278)

2016	THE COMPANY				
	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost	10%	90,846	29,818	(61,028)	(51,874)

(b) Long-term Insurance

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

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

Sensitivity analysis

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.3 Sources of uncertainty (continued)

(b) Long-term Insurance (continued)

THE GROUP					
2017	Basic liability	Future bonus reserve	Total life fund	Change in basic liability	Impact on profit or loss
Variable	Rs'000	Rs'000	Rs'000		
Base run	6,567,774	223,513	6,791,287	0.0%	0.0%
Future mortality 10% worse	6,612,313	217,326	6,829,639	0.7%	-5.4%
Future lapses 10% higher	6,571,316	226,051	6,797,367	0.10%	-0.9%
Future investment returns 1% lower	6,776,172	49,677	6,825,849	3.2%	-10.6%
Future inflation 1% higher	6,611,549	212,119	6,823,668	0.7%	-4.5%
Future maintenance expense 10% higher	6,637,302	200,169	6,837,471	1.1%	-6.5%

THE GROUP					
2016	Basic liability	Future bonus reserve	Total life fund	Change in basic liability	Impact on profit or loss
Variable	Rs'000	Rs'000	Rs'000		
Base run	5,962,406	89,181	6,051,587	0.0%	0.0%
Future mortality 10% worse	6,001,007	83,185	6,084,192	0.6%	-5.7%
Future lapses 10% higher	5,963,851	92,587	6,056,438	0.0%	-0.8%
Future investment returns 1% lower	6,063,364	38,716	6,102,080	1.7%	-8.8%
Future inflation 1% higher	6,004,630	76,437	6,081,067	0.7%	-5.2%
Future maintenance expense 10% higher	6,027,305	63,919	6,091,224	1.1%	-6.9%

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.4 Claims development tables

	Underwriting Year				
THE GROUP (2017)	2013	2014	2015	2016	2017
Net estimate of ultimate claim costs	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
- At end of claim year	92,041	144,018	256,551	322,461	324,568
- One year later	48,344	95,964	207,596	202,000	-
- Two years later	46,863	62,222	132,657	-	-
- Three years later	36,860	44,379	-	-	-
- Four years later	30,322	-	-	-	-

	Underwriting Year				
THE COMPANY (2017)	2013	2014	2015	2016	2017
Net estimate of ultimate claim costs	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
- At end of claim year	92,041	144,018	168,854	180,118	219,867
- One year later	48,344	95,964	134,997	114,999	-
- Two years later	46,863	62,222	75,679	-	-
- Three years later	36,860	44,379	-	-	-
- Four years later	30,322	-	-	-	-

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.4 Claims development tables (continued)

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

THE GROUP (2017)	2013	2014	2015	2016	2017	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	427,458	745,743	1,215,107	1,321,683	949,425	4,659,416
Cumulative payments	(397,136)	(701,364)	(1,082,450)	(1,119,683)	(624,857)	(3,925,490)
Liability	30,322	44,379	132,657	202,000	324,568	733,926
Liability in respect of prior years						106,334
Incurred but not reported (IBNR)						102,447
Total Liability (Net)						942,707

THE COMPANY (2017)	2013	2014	2015	2016	2017	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	427,458	745,743	1,050,346	1,107,354	710,444	4,041,345
Cumulative payments	(397,136)	(701,364)	(974,667)	(992,355)	(490,577)	(3,556,099)
Liability	30,322	44,379	75,679	114,999	219,867	485,246
Liability in respect of prior years						150,709
Incurred but not reported (IBNR)						66,802
Total Liability (Net)						702,757

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (continued)

3.1.4 Claims development tables (continued)

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

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

Long-term Insurance

Financial Liabilities

Long term insurance contracts

No stated Maturity

0 - 1 yr

1 - 2 yrs

2 - 3 yrs

> 3 yrs

THE GROUP

2017	2016
Rs'000	Rs'000
3,330,152	3,086,148
298,192	262,285
237,412	186,986
240,503	202,898
3,555,856	3,050,324
7,662,115	6,788,641

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks

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

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

The main risks to which the Group is exposed include:

- Market risk (which includes foreign exchange risk, interest rate risk and equity price risk);
- Credit and liquidity risks.

Concentration risk

The Group has no significant concentration of currency risk.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on the market risk, but to demonstrate the impact due to changes in variables, these variables had to be changed on an individual basis.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (continued)

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (continued)

3.2.1 Market Risk

(i) Foreign exchange risk

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

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

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

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or the future cash flows related to financial instruments will change due to a change in interest rates. The risk is also that there will be insufficient funds to fund the guaranteed benefits payable especially under long term life assurance contracts. Under short-term insurance contracts, liabilities are not directly sensitive to the level of market interest rates, as they are contractually non-interest bearing; except in case of bodily injury claims which are settled over long periods. Fluctuations in interest rates however impact on returns on financial instruments. This is closely monitored by Management through a well diversified portfolio of fixed income securities and equity investments.

The interest rate risk arises on loan and receivables at amortised cost, cash and cash equivalents, bank overdrafts and subordinated bonds.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (continued)

3.2.1 Market Risk (continued)

(ii) Interest rate risk (continued)

THE GROUP

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

THE COMPANY

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (continued)

3.2.1 Market Risk (continued)

(iii) Equity price risk

Equity price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group's price policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each industry sector and markets.

The equity price risk arises on the financial instruments held at fair value through other comprehensive income and at fair value through profit or loss.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity.

THE GROUP			
	31 December 2017		31 December 2016
	Impact on profit before tax Rs'000	Impact on equity Rs'000	Impact on profit before tax Rs'000 Impact on equity Rs'000
Changes in share price			
+ 2.5%	82,068	11,537	66,882 11,501
- 2.5%	(82,068)	(11,537)	(66,882) (11,501)

THE COMPANY			
	31 December 2017		31 December 2016
	Impact on profit before tax Rs'000	Impact on equity Rs'000	Impact on profit before tax Rs'000 Impact on equity Rs'000
Changes in share price			
+ 2.5%	5,226	10,254	4,838 8,742
- 2.5%	(5,226)	(10,254)	(4,838) (8,742)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (continued)

3.2.2 Credit Risk

Credit risks is a risk that a counterparty will be unable to pay an amount in full when due. The Group's credit risk is primarily attributable to its reinsurance assets, loans, insurance and other receivables and investment in debt securities. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment. The Credit Control department assesses the creditworthiness of brokers, agents and of contract holders based on details of recent payment history, past experience and by taking into account their financial position. The Group is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid. Management monitors the financial strength of its reinsurers and the Group has policies in place to ensure that risks are ceded to top-rated and credit-worthy reinsurers only. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Group also has exposure to credit risk on its debt securities, more specifically on the corporate bonds. The Investment Committee assesses the credit quality of the issuers based on past experience the Group had with those issuers. The Investment Committee recommends investment in entities with which the Group had good experience with in the past years and with good standing. The financial performance and position of the issuers are assessed in detail prior to approval is obtained for investment by the Group. The table shows the maximum exposure to credit risk for the components of the financial position.

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

* Excludes equity instruments.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (continued)

3.2.3 Liquidity Risk

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

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at 31 December 2017 based on contractual undiscounted payments. However due to the nature of the business, it is not possible to quantify payment for the outstanding claims provision including IBNR over the years since these can be made as from next year and last up to ten years.

THE GROUP							
2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Life assurance fund	-	-	202,240	477,915	3,555,856	2,555,276	6,791,287
Insurance contract liabilities*	-	-	1,896,684	-	-	-	1,896,684
Investment contract liabilities	-	-	-	-	-	774,876	774,876
Interest bearing loans and borrowings	-	-	-	193,991	204,400	-	398,391
Trade and other payables	580,941	-	-	-	-	-	580,941
	580,941	-	2,098,924	671,906	3,760,256	3,330,152	10,442,179

THE GROUP							
2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Life assurance fund	-	-	189,007	389,884	3,050,324	2,422,372	6,051,587
Insurance contract liabilities*	-	-	1,424,563	-	-	-	1,424,563
Investment contract liabilities	-	-	-	-	-	663,777	663,777
Interest bearing loans and borrowings	-	-	-	206,155	208,622	-	414,777
Trade and other payables	510,959	-	-	-	-	-	510,959
	510,959	-	1,613,570	596,039	3,258,946	3,086,149	9,065,663

THE COMPANY							
2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Insurance contract liabilities*	-	-	1,076,228	-	-	-	1,076,228
Interest bearing loans and borrowings	-	-	-	193,991	204,400	-	398,391
Trade and other payables	194,686	-	-	-	-	-	194,686
	194,686	-	1,076,228	193,991	204,400	-	1,669,305

THE COMPANY							
2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Insurance contract liabilities*	-	-	977,712	-	-	-	977,712
Interest bearing loans and borrowings	-	-	10,790	195,365	208,622	-	414,777
Trade and other payables	140,207	-	-	-	-	-	140,207
	140,207	-	988,502	195,365	208,622	-	1,532,696

Loans repaid in advance, premiums prepaid, VAT payable and rent security deposit and advances have been excluded from the financial liabilities.

*Insurance contract liabilities exclude unearned premium.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (continued)

3.2.4 Fair Values

The Group's financial assets and liabilities include financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, financial assets at amortised cost, loan and receivables at amortised cost, insurance and other receivables, amount receivable from subsidiary, cash and short term deposits, trade and other payables, loans and borrowings. Except where otherwise stated, the carrying amounts of these financial assets and liabilities approximate their fair values. See note 33 for fair value disclosures.

3.2.5 Capital Management

The Group's objectives when managing capital are:

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

The group manages the minimum capital requirement as follows:

Different targets level are set above the statutory requirements, providing a buffer in order to remain solvent at all times and this is monitored on a quarterly basis. Capital planning is done to ensure we minimise the risk of being below the minimum required and these calculations are done under different stress test scenarios using parameters in different areas of risks such as equity risk, interest rate risk, credit risk, business risk and currency risk. Reinsurance is used to reduce the volatility of our results, thus reducing our capital needs. This risk is further reduced by using rated reinsurers in our panel.

The Group met the Minimum Capital Requirement at 31 December 2017 for both life and general businesses.

Capital available has been computed from the shareholders fund less any unadmitted asset.

The operations of the Group is also subject to regulatory requirements within the Mauritian as well as the overseas African jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of MUA to meet unforeseen liabilities. In reporting financial strength, capital and solvency is measured using the rules prescribed by the Insurance Acts. The Group and regulated entities within it have met all these requirements.

4. RISK MANAGEMENT FRAMEWORK

The Group has set up a Risk Management Framework required under the Insurance (Risk Management) Rules 2016 made by the Financial Services Commission under section 130 of the Insurance Act and section 93 of the Financial Services Act 2007.

The Risk Management Framework includes the following components:

- (a) A Risk Appetite Statement;
- (b) A Risk Management Strategy;
- (c) A three-year rolling business plan;
- (d) An Own Risk Solvency Assessment (ORSA) Framework;
- (e) The liquidity policy;
- (f) Description of the responsibilities, roles and reporting lines within the insurer for the management of material risks.

A detailed description of the Risk Management Framework is disclosed in the Management of Financial and Insurance Risk note of the financial statements and in the Annual Report.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

5. PROPERTY AND EQUIPMENT

(a) THE GROUP	Land and Buildings		Office equipment computers, fixtures & fittings and other electrical	Motor Vehicles	Total
	Freehold land Rs'000	Buildings on freehold land Rs'000	Rs'000	Rs'000	Rs'000
2017					
COST OR VALUATION					
At 1 January 2017	40,000	211,676	218,385	40,246	510,307
Additions during the year	-	-	25,038	1,152	26,190
Revaluation adjustment	-	(12,583)	-	-	(12,583)
Revaluation surplus	-	18,863	-	-	18,863
Disposals during the year	-	-	(2,041)	(6,194)	(8,235)
Exchange differences	-	-	(4,671)	(1,305)	(5,976)
At 31 December 2017	40,000	217,956	236,711	33,899	528,566
DEPRECIATION					
At 1 January 2017	-	8,388	151,284	16,694	176,366
Revaluation adjustment	-	(12,583)	-	-	(12,583)
Charge for the year	-	4,194	22,348	6,811	33,353
Disposals	-	-	(1,936)	(5,469)	(7,405)
Exchange differences	-	-	(3,042)	(825)	(3,867)
At 31 December 2017	-	(1)	168,654	17,211	185,864
CARRYING AMOUNT					
At 31 December 2017	40,000	217,957	68,057	16,688	342,702
2016					
COST OR VALUATION					
At 1 January 2016	40,000	211,676	301,075	36,166	588,917
Additions during the year	-	-	18,387	16,729	35,116
Reclassification from intangible assets	-	-	183	-	183
Disposals during the year	-	-	(66,215)	(12,149)	(78,364)
Write off	-	-	(33,617)	-	(33,617)
Exchange differences	-	-	(1,428)	(500)	(1,928)
At 31 December 2016	40,000	211,676	218,385	40,246	510,307
DEPRECIATION					
At 1 January 2016	-	3,924	222,318	21,511	247,753
Charge for the year	-	4,464	28,458	7,207	40,129
Disposals	-	-	(65,847)	(11,780)	(77,627)
Write off	-	-	(32,867)	-	(32,867)
Exchange differences	-	-	(778)	(244)	(1,022)
At 31 December 2016	-	8,388	151,284	16,694	176,366
CARRYING AMOUNT					
At 31 December 2016	40,000	203,288	67,101	23,552	333,941

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

5. PROPERTY AND EQUIPMENT (CONTINUED)

(b) THE COMPANY	Land and Buildings		Office equipment, computers, fixtures & fittings and other electrical	Motor Vehicles	Total
	Freehold land	Buildings on freehold land			
2017	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION					
At 1 January 2017	40,000	143,500	119,967	29,176	332,643
Additions during the year	-	-	19,991	59	20,050
Revaluation surplus	-	8,610	-	-	8,610
Revaluation adjustment	-	(8,610)	-	-	(8,610)
Disposals during the year	-	-	(567)	(4,636)	(5,203)
At 31 December 2017	40,000	143,500	139,391	24,599	347,490
DEPRECIATION					
At 1 January 2017	-	5,740	84,031	13,337	103,108
Charge for the year	-	2,870	10,690	4,305	17,865
Revaluation adjustment	-	(8,610)	-	-	(8,610)
Disposals during the year	-	-	(503)	(4,018)	(4,521)
At 31 December 2017	-	-	94,218	13,624	107,842
CARRYING AMOUNT					
At 31 December 2017	40,000	143,500	45,173	10,975	239,648
2016					
COST OR VALUATION					
At 1 January 2016	40,000	143,500	148,984	27,232	359,716
Additions during the year	-	-	5,473	12,609	18,082
Write off	-	-	(33,617)	-	(33,617)
Disposals during the year	-	-	(873)	(10,665)	(11,538)
At 31 December 2016	40,000	143,500	119,967	29,176	332,643
DEPRECIATION					
At 1 January 2016	-	2,870	102,205	19,136	124,211
Charge for the year	-	2,870	15,524	4,496	22,890
Write off	-	-	(32,867)	-	(32,867)
Disposals during the year	-	-	(831)	(10,295)	(11,126)
At 31 December 2016	-	5,740	84,031	13,337	103,108
CARRYING AMOUNT					
At 31 December 2016	40,000	137,760	35,936	15,839	229,535

- (c) The Group's land and building are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The land and building were revalued in December 2017 by JPW International, an independent valuer not related to the Group. They have appropriate qualification and experience in the fair value measurement of properties in the relevant location. The fair value was determined based on market comparable approach that reflects recent transactions prices for similar properties. The carrying amount was adjusted to the revalued amount at 31 December 2017 and the revaluation surplus was recorded under revaluation reserves.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

5. PROPERTY AND EQUIPMENT (CONTINUED)

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

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

6. INVESTMENT PROPERTIES

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

The fair value of the Group's investment properties as at 31 December 2017 has been arrived at on the basis of a valuation carried out by JPW International, an independent valuer not related to the Group. They have the appropriate qualifications and experience in the valuation of properties in the relevant locations. The fair value was determined using recent transaction prices for similar properties. The rental income arising during the year amounted to Rs 12,153,000 (2016: Rs 10,674,000) for the Group and Rs Nil (2016: Rs Nil) for the Company, which is included in investment income. No direct operating expenses arose in respect of this property for the Group during the year (2016: Rs Nil).

There is no restriction on reliability of investment property or the remittance of income and proceeds of disposal. The Group has no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

7. INTANGIBLE ASSETS

THE GROUP	Goodwill	Client portfolio	Computer software	Work in Progress	Total
2017	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST					
At 1 January 2017	345,441	439,570	143,030	-	928,041
Additions during the year	-	-	13,574	1,169	14,743
Exchange differences	-	-	(248)	-	(248)
At 31 December 2017	345,441	439,570	156,356	1,169	942,536
AMORTISATION AND IMPAIRMENT					
At 1 January 2017	38,570	148,414	117,478	-	304,462
Charge for the year	-	22,469	11,680	-	34,149
Exchange differences	-	-	(127)	-	(127)
At 31 December 2017	38,570	170,883	129,031	-	338,484
CARRYING AMOUNT					
At 31 December 2017	306,871	268,687	27,325	1,169	604,052

For Goodwill impairment assesment, refer to note 39.

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

For Goodwill impairment assesment, refer to note 39.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

7. INTANGIBLE ASSETS (CONTINUED)

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

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

8. INVESTMENT IN SUBSIDIARY COMPANIES

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

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

The impairment of the Company's subsidiaries have been assessed using their value in use. The value in use were determined by discounting the subsidiaries' after tax forecasted cash flow at the appropriate discounted rates. The major assumptions used in the discounted cash flow model are described in note 39.

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

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

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

Proportion of equity interest held by non-controlling interests :

Name	Country of incorporation and operation	2017 Rs'000	2016 Rs'000
Associated Brokers Ltd	Mauritius	20.00%	20.00%
Phoenix East Africa Assurance Company Limited	Kenya	33.62%	33.62%
Phoenix of Rwanda Assurance Company Limited	Rwanda	63.49%	63.49%
Phoenix of Tanzania Assurance Company Limited	Tanzania	66.11%	66.11%
Phoenix of Uganda Assurance Company Limited	Uganda	54.22%	54.22%

* The percentage of ownership interest represents the effective holding in these three entities. These three companies are the subsidiaries of Phoenix Transafrica Holdings Limited in which the Company holds 100% of ownership interest.

** The percentage of ownership interest represents the effective holding.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

2017	Associated Brokers Ltd Rs'000	Phoenix East Africa Assurance Company Limited Rs'000	Phoenix of Tanzania Assurance Company Limited Rs'000	Phoenix of Uganda Assurance Company Limited Rs'000	Phoenix of Rwanda Assurance Company Limited Rs'000
Proportion of non-controlling interests	20%	33.62%	66.11%	54.22%	63.49%
Current assets	39,395	394,209	1,079,436	278,027	275,764
Non current assets	19,690	215,304	291,521	40,570	53,463
Current liabilities	38,483	37,794	124,554	79,924	65,495
Non current liabilities	-	242,196	746,222	123,736	154,698
Net assets	20,602	329,523	500,181	114,937	109,034
Carrying amounts of non-controlling interests	4,120	110,786	330,670	62,319	69,226
Revenue	8,920	153,677	224,297	132,924	210,354
Profit/(losses) for the year	1,082	(7,670)	33,916	4,144	27,423
Other comprehensive losses	3,666	(19,708)	(45,311)	(8,156)	(6,612)
Total comprehensive income/(losses)	4,748	(27,378)	(11,395)	(4,012)	20,811
Profit/(losses) allocated to non-controlling interest	216	(2,579)	22,422	2,247	17,411
Total comprehensive income allocated to non-controlling interest	950	(9,204)	(7,533)	(2,175)	13,213
Dividend paid to non-controlling interest	2,300	-	-	1,495	-
2016	Associated Brokers Ltd Rs'000	Phoenix East Africa Assurance Company Limited Rs'000	Phoenix of Tanzania Assurance Company Limited Rs'000	Phoenix of Uganda Assurance Company Limited Rs'000	Phoenix of Rwanda Assurance Company Limited Rs'000
Proportion of non-controlling interests	20%	33.62%	66.11%	54.22%	63.49%
Current assets	33,513	352,822	741,782	268,297	228,375
Non current assets	27,015	313,819	332,349	28,631	34,639
Current liabilities	33,189	27,650	139,550	62,999	45,400
Non current liabilities	-	245,536	422,806	109,985	129,392
Net assets	27,339	393,455	511,775	123,944	88,222
Carrying amounts of non-controlling interests	5,468	132,280	338,334	67,202	56,012
Revenue	9,189	136,595	236,867	146,969	180,613
Profit/(Losses) for the year	2,015	(136,927)	(6,147)	18,693	21,443
Other comprehensive losses	(574)	(20,090)	(10,436)	(8,493)	(10,552)
Total comprehensive income/(losses)	1,441	(157,017)	(16,583)	10,200	10,891
Profit/(losses) allocated to non-controlling interest	403	(46,035)	(4,064)	10,135	13,614
Total comprehensive income allocated to non-controlling interest	288	(37,449)	(10,962)	5,531	6,915
Dividend paid to non-controlling interest	360	-	-	-	-

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

2017	Associated Brokers Ltd Rs'000	Phoenix East Africa Assurance Company Limited Rs'000	Phoenix of Rwanda Assurance Company Limited Rs'000	Phoenix of Tanzania Assurance Company Limited Rs'000	Phoenix of Uganda Assurance Company Limited Rs'000
Operating activities	7,417	(52,686)	36,952	73,508	(16,600)
Investing activities	11,108	65,260	(56,182)	(95,334)	15,447
Financing activities	(11,500)	-	-	-	-
Net increase in cash and cash equivalents	7,025	12,574	(19,230)	(21,826)	(1,153)
2016					
Operating activities	25,586	(145,752)	27,344	(39,074)	(18,346)
Investing activities	(2,348)	(39,433)	(19,200)	51,704	(9,047)
Financing activities	(1,800)	(31,509)	-	-	-
Net increase in cash and cash equivalents	21,438	(216,694)	8,144	12,630	(27,393)

9. INVESTMENT IN ASSOCIATED COMPANY

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

9. INVESTMENT IN ASSOCIATED COMPANY (CONTINUED)

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

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

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

(a) INVESTMENT IN JOINT VENTURE

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

(b) Details of the group's material joint venture at the end of the reporting period are as follows:

Name of joint venture	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting right held by the Group			
			2017		2016	
			Direct	Indirect	Direct	Indirect
Kenya Motor Insurance Pool	Sharing of pool business and risks by insurance companies in Kenya and underwriting of Non Life Insurance Business	Kenya	-	5.1%	-	5.1%
MUA Insurance Management Limited	A joint venture involved in the management of insurance business	Mauritius	50%	-	-	-

Summarised financial information of joint ventures

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

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

Summarised financial information of joint ventures (continued)

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

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

10. FINANCIAL ASSETS

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

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

10. FINANCIAL ASSETS (CONTINUED)

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

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

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

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

(c) Financial assets at amortised cost

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

11. LOANS AND RECEIVABLES AT AMORTISED COST

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

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

11. LOANS AND RECEIVABLES AT AMORTISED COST (CONTINUED)

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

The ageing analysis of loan and receivables is as follows:

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

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

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

- (b) Movement in provision for impairment of loans

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

- (c) There is no concentration of risk with respect to loans and receivables at amortised cost since balances are widely spread.
- (d) Loans and receivables at amortised cost are secured by life insurance policies and fixed charges, except for those which are unsecured, for unsecured loan is mainly given to staff and the risk of default is remote as the repayment is directly deductible from the salaries. The fair value of the collateral of loans are considered greater than the carrying value of the loans. (Refer to note 3.2.2).
- (e) The terms and conditions for loan receivables vary on factors like market rates at the time the loan was granted, the credit risk of the borrower and the security provided. Interest rate varies between 4.07% to 14.93%. Repayment can go up to 360 months.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

12. INSURANCE AND OTHER RECEIVABLES

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

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

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

- (b) Movement in provision for credit impairment

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

- (c) The other classes within insurance and other receivables do not include impaired assets.
- (d) The Group and the Company do not hold any collateral as security in respect of insurance and other receivables.
- (e) The maximum exposure to credit risk is disclosed in note 3.2.2.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

13. (a) REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

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

THE COMPANY

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

(b) Deferred Acquisition Costs Receivable

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

(c) Deferred Acquisition Costs Payable

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

14. ISSUED SHARE CAPITAL

THE GROUP AND THE COMPANY

	Authorised		Issued and fully paid	
	2017	2016	2017	2016
	R\$'000	R\$'000	R\$'000	R\$'000
Ordinary shares of R\$.10 each	500,000	500,000	450,900	450,900

The authorised share capital of the company is 50 million shares (2016: 50 million shares).

THE GROUP AND COMPANY

	2017	2016
	No. of shares (000)	No. of shares (000)
At 1 January and 31 December	450,900	450,900

THE GROUP AND COMPANY

	2017	2017	2016	2016
	Per value R\$'000	Share Premium R\$'000	Per value R\$'000	Share Premium R\$'000
At 1 January and 31 December	450,900	273,068	450,900	273,068

15. LIFE ASSURANCE FUND

THE GROUP

	2017	2016
	R\$'000	R\$'000
At 1 January	6,051,588	5,716,232
Transfer of surplus from the Life business revenue account	739,699	335,356
At 31 December	6,791,287	6,051,588

See accounting policy note 2.4 (c).

The actuaries of LPM are Deloitte, South Africa. The latest actuarial valuation of the Life assurance fund was done at 31 December 2017. At the end of every year, the amount of the liabilities of the Life assurance fund is established. The surplus between the fair value of the assets and the fair value of the liabilities amounting to R\$ 135,215,396 (2016: R\$ 111,940,911) has been transferred to profit or loss. This portion is calculated by LPM and approved by the actuaries on the basis that sufficient reserves are held to maintain the solvency of the Life assurance fund over the long term.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

15. LIFE ASSURANCE FUND (CONTINUED)

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
Life fund 1 January	6,051,588	5,716,232
Premium (net of reinsurance)	782,121	705,539
Interest, dividends and rent	351,423	398,355
Realised capital loss	(141)	401
Unrealised capital gain	412,440	(302)
Disposal of asset	(36)	(107)
Death and disability claims (net of reinsurance)	(23,324)	(10,728)
Maturity claims	(247,719)	(241,836)
Surrenders	(142,209)	(136,611)
Annuities and pensions	(110,577)	(88,660)
Other benefits	(4,537)	(19,390)
Commissions (net of reinsurance)	(18,032)	(18,284)
Management expenses	(117,429)	(107,191)
Depreciation and amortisation of assets	(7,066)	(7,412)
Transfer to investment contracts	-	(26,477)
Transfer to revenue account	(135,215)	(111,941)
Life fund 31 December	6,791,287	6,051,588

15. (a) INVESTMENT CONTRACT LIABILITIES

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

Following a change in the Private Pension Scheme Act effective from 1 January, 2015, the portfolio of the group pension was transferred from the books of La Prudence Mauricienne Limitee (LPM), a subsidiary of the Company dealing in the life insurance business into a trust. The trust has invested in the underlying funds of LPM. The value of the Investment contract liabilities at 31 December 2017 and 2016 represent fair value of investments.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

16. DEFERRED TAX ASSETS

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

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

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

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

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

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

Deferred tax assets and liabilities are attributable to the following:

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

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

Deferred tax assets are recognised only to the extent that realisation of the related tax benefit is probable. The Group has tax losses of Rs 1.093M (2016: Rs 772M) to carry forward against future taxable income. Out of the Rs 1.093M, Rs 45M has been recognised as deferred assets. These can be carried forward over the next 5 years.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

17. EMPLOYEE BENEFIT OBLIGATIONS

Pension schemes

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

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

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

	THE GROUP AND COMPANY	
	2017	2016
	Rs'000	Rs'000
Funded obligation (note a)	8,331	5,901
Unfunded obligation (note b)	3,430	2,887
	11,761	8,788

(a) Funded obligation

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

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

(i) Movement of defined benefit of funded obligations:

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(a) Funded obligation (continued)

(ii) Movement of fair value of plan assets:

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

The main categories of plan assets are as follows:

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

The principal actuarial assumptions used for accounting purposes were:

THE GROUP AND COMPANY	
	2017
	2016
Discount rate	5.6%
Expected rate of return on plan assets	5.6%
Future salary increases*	0.0%
Future pension increases	3.0%
Deferred pension increases	0.0%
Actuarial table for employee mortality	PMA 92-PFA

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(a) Funded obligation (continued)

A quantitative sensitivity analysis for significant assumptions is shown as follows below:

Assumptions Sensitivity Level	Discount Rate		Future pension cost increase	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	Rs'000	Rs'000	Rs'000	Rs'000
2017				
Impact on defined benefit obligation	(1,607)	2,031	1,345	1,145
2016				
Impact on defined benefit obligation	(1,151)	1,422	946	(810)

Assumptions Sensitivity Level	Life expectancy of male pensioners		Life expectancy of female pensioners	
	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
2017	135	(134)	156	(155)
2016	84	(84)	100	(100)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

No contributions are expected to be paid to the defined benefit plan obligation in future years.

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (2016: 11 years).

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. Management assessment of the expected returns is based on historical returns trends and analysts predictions of the market for the asset in the next twelve months.

No contribution was received in 2017 and no future contribution is expected in 2018.

(b) Unfunded obligation

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

	THE GROUP AND COMPANY	
	2017	2016
	Rs'000	Rs'000
Present value of unfunded obligation	3,430	2,887

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(b) Unfunded obligation (continued)

(i) Movement in the liability recognised in the statements of financial position:

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

The principal actuarial assumptions used for accounting purposes were:

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
Discount rate	4.8%	5.3%	4.8%	5.3%
Future salary increase	4.0%	4.3%	4.0%	4.3%
Future pension increase	0.0%	0.0%	0.0%	0.0%

The Group does not expect any contribution in 2018.

A quantitative sensitivity analysis for significant assumptions is shown as follows below:

* Actuarial gains/losses are made up of changes in financial assumptions only.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

Assumptions Sensitivity Level	Discount Rate		Future pension cost increase	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	Rs'000	Rs'000	Rs'000	Rs'000
2017				
Impact on defined benefit obligation	(1,591)	2,653	N/A	N/A
2016				
Impact on defined benefit obligation	(1,188)	2,073	N/A	N/A

Assumptions Sensitivity Level	Life expectancy of male pensioners		Life expectancy of female pensioners	
	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
2017				
Impact on defined benefit obligation	249	(244)	98	(99)
2016				
Impact on defined benefit obligation	223	(202)	79	(80)

18. BORROWINGS

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
Non-current	Rs'000	Rs'000	Rs'000	Rs'000
Preference share capital (i)	100,000	100,000	100,000	100,000
Subordinated bonds (ii)	200,000	200,000	200,000	200,000
	300,000	300,000	300,000	300,000
Analysed as follows:				
Non-current	300,000	300,000	300,000	300,000
Current	-	-	-	-
	300,000	300,000	300,000	300,000

- (i) A preferential cumulative dividend of 3% per annum, calculated on the issue price, is payable to the preference shareholder. The preference shares have been deferred until June 2021. A premium of Rs 30M has been paid on May 2016. The preferential cumulative dividend of 6% will then be payable as from 30 May 2016. The preference share shall be redeemed on the deferred redemption date at the issue price.
- (ii) The Company issued 20,000 floating rate subordinated notes of a nominal value of Rs 10,000 each by way of a private placement. The first day of listing and trading was 22 January 2015. The maturity date is 24 September 2024. Interest rate until 23 September 2019 has been determined at weighted average of Repo +1.85% pa and from 24 September 2019 to 23 September 2024, will be weighted average of Repo rate +2.10% pa.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

19. TRADE AND OTHER PAYABLES

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

20. TAX CHARGE

(a) In the statements of profit or loss

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

(b) In the statements of financial position

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

20. TAX CHARGE (CONTINUED)

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

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

* Rates applicable are 15% for Mauritius and 30% for African subsidiaries.

21. NET EARNED PREMIUMS

(a) Gross Premium earned is as follows:

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

21. NET EARNED PREMIUMS (CONTINUED)

(b) Premium ceded to reinsurers is as follows:

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

22. FEES AND COMMISSION INCOME

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

23. INVESTMENT INCOME

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

24. REALISED GAINS/(LOSSES)

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

25. UNREALISED (LOSSES)/GAINS

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

26. OTHER OPERATING INCOME

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

27. COMMISSION AND BROKERAGE FEES PAID

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

28. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

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

29. FINANCE COSTS

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

30. PROFIT BEFORE TAX

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

31. EMPLOYEE BENEFIT EXPENSES

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

32. DIVIDENDS PAID

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

Dividend per share: Interim Rs 0.75 (2016: Rs 0.75).

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

33. FAIR VALUE MEASUREMENTS

This note provides information on how the Group and Company determine fair value of various assets and liabilities.

(a) Fair Value of the Group and Company assets and liabilities that are measured at fair value on a recurring basis:

Some of the Group and Company's assets and liabilities are measured at fair value at the end of each reporting period. The following table gives the information about how the fair value of these assets and liabilities are determined (in particular the valuation technique(s) and the inputs used).

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

33. FAIR VALUE MEASUREMENTS (CONTINUED)

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

(i) The following table shows the valuation techniques used in the determination of fair values with in Level 3 of the hierarchy as well as the key unobservable inputs used in the valuation model.

Type	Fair value as at		Valuation Approach
	31 December 2017	31 December 2016	
	Rs'000	Rs'000	
Foreign equities - Leisure and hotels	7,222	7,222	Comparable EV/EBITDA
Foreign equities: Investment	69,832	67,498	NAV

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
2017	2016	2017	2016	2017	2016
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

See disclosure below for Level 3 - refer to Note (i)

Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A
Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A
Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

33. FAIR VALUE MEASUREMENTS (CONTINUED)

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

(i) The following table shows the valuation techniques used in the determination of fair values with in Level 3 of the hierarchy as well as the key unobservable inputs used in the valuation model.

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

(b) Fair Value of the Group and Company's assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, the directors consider that the carrying amounts of recognised financial assets and financial liabilities approximate their fair values.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
2017	2016	2017	2016	2017	2016
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

See disclosure in Note (i)

Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A
Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

33. FAIR VALUE MEASUREMENTS (CONTINUED)

THE GROUP

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

THE COMPANY

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

33. FAIR VALUE MEASUREMENTS (CONTINUED)

THE GROUP	Fair value hierarchy as at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Loans and receivables:				
Mortgage Loans	-	466,091	-	466,091
Loans on Life policies	-	17,811	-	17,811
Secured Loans	-	370,387	-	370,387
Unsecured Loans	-	2,807	-	2,807
CDS guarantee fund	-	2,751	-	2,751
Financial assets at amortised cost:				
Deposits and corporate bonds	-	198,091	-	198,091
Government loan stocks	-	4,734,681	-	4,734,681
Financial liabilities:				
Preference share capital	-	122,455	-	122,455
Subordinate bonds	202,935	-	-	202,935

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

33. FAIR VALUE MEASUREMENTS (CONTINUED)

THE COMPANY	Fair value hierarchy as at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Loans and receivables:				
Mortgage Loans	-	3,177	-	3,177
Secured Loans	-	291,743	-	291,743
Unsecured Loans	-	2,807	-	2,807
CDS guarantee fund	-	-	-	-
Financial assets at amortised cost:				
Deposits and corporate bonds	-	198,091	-	198,091
Government loan stocks	-	408,994	-	408,994
Financial liabilities:				
Preference share capital	-	122,455	-	122,455
Subordinate bonds	202,935	-	-	202,935

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

33. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Reconciliation of Level 3 fair value measurements

The following table shows a reconciliation of the opening balance and closing recorded amount of Level 3 financial assets which are recorded at fair value.

	2017 THE GROUP			2016 THE GROUP		
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	74,720	51,436	126,156	74,229	54,460	128,689
Unrealised gains	2,334	(2,054)	280	-	-	-
Total gains in other comprehensive income	-	63	63	491	(3,024)	(2,533)
Purchases	-	-	-	-	-	-
At 31 December	77,054	49,445	126,499	74,720	51,436	126,156

	2017 THE COMPANY			2016 THE COMPANY		
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	-	26,382	26,382	-	29,436	29,436
Total (loss)/ gains in other comprehensive income	-	(57)	(57)	-	(3,054)	(3,054)
At 31 December	-	26,325	26,325	-	26,382	26,382

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

34. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The Chief Executive Officer (CEO) is the chief decision maker.

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

(i) Casualty - includes motor, liability, cash in transit, personal accident and health.

(ii) Property - includes fire and allied perils, engineering, marine, and all risks.

(iii) Life - includes both life and pensions.

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

(iv) Other - consists of stock-broking.

Revenue in this segment is derived primarily from brokerage commissions, investment income and realised gains on financial assets. The Company customer portfolio base is widely spread and no customer accounts for more than 10% of the total revenue.

2017	THE GROUP						Total
	Casualty	Property	Total General*	Life	Other	Consolidated adjustments	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Income							
Net earned premium	1,880,838	253,551	2,134,389	782,121	-	-	2,916,510
Fee and commission income	83,402	120,009	203,411	30,720	-	-	234,131
Brokerage fees	-	-	-	-	8,261	-	8,261
Share of profit from joint venture	2,238	376	2,614	-	-	-	2,614
Investment and other income	192,624	42,195	234,819	826,283	56,333	(25,110)	1,092,325
Segment income	2,159,102	416,131	2,575,233	1,639,124	64,594	(25,110)	4,253,841
Expenses							
Gross claims and benefits	1,176,653	146,698	1,323,351	547,826	-	-	1,871,177
Claims recovered from Reinsurers	(91,114)	(90,363)	(181,477)	(19,460)	-	-	(200,937)
Movement in outstanding claims	(9,703)	3,185	(6,518)	797,757	-	-	791,239
Commission and brokerage fee paid	306,788	138,665	445,453	48,751	-	-	494,204
Management expenses	557,903	106,040	663,943	121,969	46,814	(3,027)	829,699
Finance costs	14,999	2,793	17,792	-	422	-	18,214
Depreciation	24,410	4,571	28,981	3,743	629	-	33,353
Amortisation	16,112	3,195	19,307	3,323	-	11,519	34,149
Impairment of subsidiary	-	-	-	-	-	-	-
	1,996,048	314,784	2,310,832	1,503,909	47,865	8,492	3,871,098
Segment profit/(loss) before tax	163,054	101,347	264,401	135,215	16,729	(33,602)	382,743
Profit before taxation							382,743
Taxation							(61,107)
Profit for the year							321,636

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

34. SEGMENT INFORMATION (CONTINUED)

2016	THE GROUP						Total
	Casualty	Property	Total General*	Life	Other	Consolidated adjustments	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	
Income							
Net earned premium	1,717,775	295,323	2,013,098	705,538	-	-	2,718,636
Fee and commission income	83,440	144,500	227,940	22,937	-	-	250,877
Brokerage fees	-	-	-	-	8,261	-	8,261
Share of profit from joint venture	-	603	603	-	-	-	603
Investment and other income	158,500	66,321	224,821	398,442	40,725	(12,072)	651,916
Segment income	1,959,715	506,747	2,466,462	1,126,917	48,986	(12,072)	3,630,293
Expenses							
Gross claims and benefits	1,140,551	286,411	1,426,962	537,721	-	-	1,964,683
Claims recovered from Reinsurers	(114,474)	(187,820)	(302,294)	(40,496)	-	-	(342,790)
Movement in outstanding claims	112,725	605	113,330	361,833	-	-	475,163
Commission and brokerage fee paid	238,183	138,261	376,444	41,219	-	-	417,663
Management expenses	538,562	134,486	673,048	107,285	35,284	(1,660)	813,957
Finance costs	17,660	3,523	21,183	-	108	-	21,291
Depreciation	28,647	6,684	35,331	3,956	842	-	40,129
Amortisation	15,617	3,603	19,220	3,456	9	11,519	34,204
Impairment of subsidiary	32,155	6,415	38,570	-	-	-	38,570
	2,009,626	392,168	2,401,794	1,014,974	36,243	9,859	3,462,870
Segment profit before tax	(49,911)	114,579	64,668	111,943	12,743	(21,931)	167,423
Profit before taxation							167,423
Taxation							(47,865)
Profit for the year							119,558

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

34. SEGMENT INFORMATION (CONTINUED)

2017	THE GROUP						Total
	Casualty	Property	Total General*	Life	Other	Consolidated adjustments	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	5,892,893	1,112,277	7,005,170	8,376,813	121,662	(663,497)	14,840,148
Segment liabilities	809,225	152,822	962,047	95,952	47,903	(1,325)	1,104,577
Technical liabilities							
- Unearned premium reserve							1,264,771
- Life assurance fund							6,791,287
- Investment contract liabilities							774,876
- Outstanding claims							1,896,684
Total equity							3,007,953
Capital expenditure							
Property, plant and equipment	20,173	3,787	23,960	841	1,244	-	26,045
Intangible assets	9,489	1,776	11,265	3,466	-	-	14,731

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

2016	THE GROUP						Total
	Casualty	Property	Total General*	Life	Other	Consolidated adjustments	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	5,085,887	1,302,485	6,388,372	7,360,681	119,373	(751,507)	13,116,919
Segment liabilities	691,591	180,608	872,199	73,278	40,963	10,223	996,663
Technical liabilities							
- Unearned premium reserve							1,173,769
- Life assurance fund							6,051,588
- Investment contract liabilities							663,777
- Outstanding claims							1,424,563
Total equity							2,806,559
Capital expenditure							
Property, plant and equipment	26,159	7,056	33,215	1,344	577	-	35,136
Intangible assets	2,798	572	3,370	1,574	-	-	4,944

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

34. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHIC INFORMATION

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

35. SHAREHOLDERS SHARE OF LIFE SURPLUS

In accordance with the accounting policy in Note 2, the independent actuaries have assessed the amount of the Discretionary Participating Feature (DPF) eligible surplus to be transferred to/(from) the Life Assurance Fund (from)/to Profit or Loss at Rs 9,338,595 (2016: Rs 607,000). Assets and liabilities of the life Company are owed by the shareholders and policyholders. Surplus for the year attributable to the policyholders are then transferred to the Life Assurance Fund.

36. COMMITMENTS

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

37. BASIC AND DILUTED EARNINGS PER SHARE

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
The following reflects the income and share data used in the basic and diluted EPS computations		
Profit attributable to equity holders of the parent	281,886	158,606
Weighted average number of ordinary shares ranking for dividend	45,090,000	45,090,000
Earnings per share - Basic and diluted	6.25	3.52

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

38. NOTES TO CASH FLOW STATEMENTS

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

(b) Cash and short term deposits

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

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000
Cash at banks and on hand	277,990	163,673	144,345	80,528
Short-term deposits	348,000	398,000	15,000	41,000
	625,990	561,673	159,345	121,528

Cash at bank earns interest at fixed rates based on a daily basis deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposits rates. The interest rates on the cash at bank varies 0.5% to 1.8% and from 2.5% to 15% for short-term deposits.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

39. GOODWILL

Goodwill acquired through business combination with indefinite lives are allocated to seven individual CGUs: Management Services, Life insurance and non life insurance. The recoverable amounts of goodwill allocated to each of the CGUs is shown below:

	La Prudence Mauricienne Assurance Limitee (Life insurance)	National Mutual Fund Ltd (Management services)	The MauritiusUnion Assurance Company limited (non life insurance)	Phoenix of East Africa Assurance Company Limited (non life insurance)	Phoenix of Uganda Assurance Company Limited (non life insurance)	Phoenix of Tanzania Assurance Company Limited (non life insurance)	Phoenix of Rwanda Assurance Company Limited (non life insurance)	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Goodwill	51,197	21,780	133,188	38,570	28,543	48,725	23,438	345,441
Client portfolio	95,996	-	145,087	-	17,286	23,577	9,210	291,156
	147,193	21,780	278,275	38,570	45,829	72,302	32,648	636,597
Impairment	-	-	-	(38,570)	-	-	-	(38,570)
	147,193	21,780	278,275	-	45,829	72,302	32,648	598,027

The recoverable amounts of the cash generating units are determined on the basis of value in use calculations. At 31 December 2017, the value in use of each cash generating units exceeds its carrying amount for seven GCUS. An impairment of Rs 38.6 has been recorded for the year ended 31 December 2016 in respect of PEAL as the value in use is lower than its carrying value.

To determine the value in use for each cash generating unit, cash flow forecast from the most recent financial approved budgets for the next five years is used adjusted for any one off claims and change in business. Discount rates used represent the current market assessment of the risks specific to a cash generating unit, taking into consideration the time value of money and the weighted average cost of capital (WACC).

Life insurance CGU

The recoverable amounts for the life insurance business CGUs have been determined based on a value in use (VIU) calculation. The calculation is based on the VIU of the business, together with the present value of expected future profits from new business over a five year period.

The key assumptions used for the VIU impairment calculation for the Life Insurance were:

- The shareholder interest in the life insurance business is based on projected cash flows of the business including expected investment returns of 7% (2016: 7%).
- Risk-adjusted discount rates used for calculation of embedded value are calculated using a risk margin of 4% (2016: 4%), based on the operating segment's weighted average cost of capital.
- Future regular bonuses on contracts with DPF are projected in a manner consistent with current bonus rates and expected future returns on assets deemed to back the policies.
- Economic assumptions are based on market yields on risk-free fixed interest rates for the relevant currencies at the end of each reporting period.
- New business contribution represents the present value of projected future distributable profit generated from business written in a period. This is initially based on the most recent five-year business plans approved by senior management.
- Growth rate represents the rate used to extrapolate new business contributions beyond the business plan period, and is based on management's estimate of future growth of 10% (2016: 10%), which is in line with the average growth rate of life insurance industry.

A pre-tax Group-specific risk-adjusted discount rate of 8.5% (2016: 8.75%) is used to discount expected profits from future new business.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

39. GOODWILL (CONTINUED)

Investment Management services CGU

The recoverable amount of the investment management services businesses has also been determined based on a VIU calculation using cash flow projections based on the budgeted fee income margin approved by management covering a five-year period. A pre-tax Group-specific risk-adjusted discount rate of 10% (2016:10%) is used. The applied long-term growth rate is 5% (2016: 4%).

Non-life insurance

The recoverable amount of the non-life insurance business has been determined based on a VIU calculation using cash flow projections based on financial budgets approved by management covering a five-year period. Discount rates used represent the current market assessment of the risks specific to a cash generating unit, taking into consideration the time value of money and the weighted average cost of capital (WACC). The projected cash flows beyond the five years excluding expenses have been extrapolated using a steady average growth rate of 5% (2016: 5%) which is in line with the GDP growth rate of each country. The projected cash flows are determined by claim ratio, retention ratio, growth rate and rate of return on investment based on past performances, adjusted for one off expenses and management expectations for market developments.

The key assumptions used for the VIU impairment calculation are:

- Policy lapses – The Group has retained records of policy lapses since its inception and is, therefore, able to predict trends over the coming years. Management plans assume no change from recent experiences.

Premiums and margins – Premium income is based on past data and adjusted for any group development. Difference growth rate has been applied to the different class of business and a growth rate varies between 3 % to 45% (2016: 4% to 32%) per annum was applied for non-life insurance.

Claims ratio was determined by using the past payment made during the four preceding years adjusted for one off claims occurred.

Expenses – Estimates are obtained from forecasted budget. The financial budget plans assume that expenses will broadly increase in line with inflation rate.

Sensitivity to changes in assumptions

The Group also carried out a sensitivity analysis based on changes on major assumptions listed below:

Life insurance CGU

La Prudence Mauricienne Assurance Limitee (Life insurance)

	2017	2016
	Rs'000	Rs'000
Discount factor +1%	(57,820)	(31,925)
Discount factor -1%	63,361	34,905
Growth rate +1%	64,739	36,235
Growth rate -1%	(60,180)	(33,717)

Life insurance CGU

National Mutual Fund Ltd (Management services)

	2017	2016
	Rs'000	Rs'000
Discount factor +1%	(10,046)	(3,803)
Discount factor -1%	15,121	5,694
Growth rate +1%	7,072	544
Growth rate -1%	6,826	(401)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

39. GOODWILL (CONTINUED)

	The Mauritius Union Assurance Cy. Ltd (non life insurance)	Phoenix of East Africa Assurance Company Limited (non life insurance)	Phoenix of Uganda Assurance Company Limited (non life insurance)	Phoenix of Tanzania Assurance Company Limited (non life insurance)	Phoenix of Rwanda Assurance Company Limited (non life insurance)
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2017					
Non-Life insurance					
Discount factor +1%	(670,215)	(2,226)	(45,105)	(25,857)	(6,117)
Discount factor -1%	922,727	2,325	68,245	3,865	6,366
Claim ratio +1%	(179,289)	(11,380)	(7,385)	(10,883)	(42,613)
Claim ratio -1%	179,289	11,380	7,385	10,883	29,244
Growth rate +1%	329,364	24,185	20,947	23,048	25,729
Growth rate -1%	(329,364)	(23,598)	(14,263)	(22,519)	(45,879)

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

40. RELATED PARTY TRANSACTIONS

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

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

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free except for loan granted to directors and settlements occurs in cash. There have been no guarantees provided or received for any related party receivables and payables. At each financial year, an assessment of provision for impairment is undertaken through examining the financial position of the related party and the market in which the related party operates.

Loans given to related party are repaid on a monthly basis at market rates ranging from 4.1% to 6.1% (2016: 7.5% to 13%).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

41. OPERATING LEASE COMMITMENTS

Group as lessee

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

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

The properties leased by the Group are on long-term leases with renewal options in the contracts.

Group as lessor

Future minimum rental receivables under operating bases within as at 31 December:

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

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

42. CONTINGENCIES

In common practice with insurance industry in general, the group is subject to litigations arising in the normal course of insurance business. The directors are of the opinion that these litigations will not have a material effect on the financial position or results of the group as the insurance contract liabilities take into account the claims related to these litigations.

43. EVENTS AFTER THE REPORTING DATE

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

NOTICE OF MEETING TO SHAREHOLDERS

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

AGENDA

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

By order of the Board

ECS Secretaries Ltd

per Marie-Anne Adam, ACIS

Company Secretary

15 May 2018

NOTES:

- (a) A member of the Company, entitled to attend and vote at this Meeting, may appoint a proxy (whether a shareholder or not) to attend and vote on his behalf, or may cast his vote by post. If no specific direction as to voting is given, the proxy will exercise his/her discretion as to how he/she votes.
- (b) Any power of attorney appointing a proxy shall be deposited with the share registry, SBM Fund Services Ltd, Level 10, Hennessy Tower, Pope Hennessy Street, Port-Louis, Mauritius at latest on Thursday 28 June 2018 at 10h00 and in default, the instrument of proxy shall not be treated as valid.
- (c) The notice for casting a postal vote must be made in writing on the attached form and sent to the attention of the Company Secretary, the person authorized by the board of directors of the Company to receive and count the postal votes at the Annual Meeting. The document should reach the registered office of The Mauritius Union Assurance Cy. Ltd, 4 Léoville L'Homme Street, Port-Louis, Mauritius at latest on Wednesday 27 June 2018 at 10h00, and in default, the notice of postal vote shall not be treated as valid.
- (d) For the purpose of this Meeting, the Directors have resolved, in compliance with section 120 of the Companies Act 2001, that the shareholders who are entitled to receive notice and attend the Meeting, shall be those shareholders whose names are registered in the share register of the Company as at 4 June 2018.
- (e) Profiles of the Directors are set out on pages 28 to 33 of the annual report.
- (f) The board of directors appointed Mrs Catherine McIlraith as independent on-executive director of the Company on the 20 October 2017 until the forthcoming annual meeting to be held on 29 June 2018 where, as recommended by the Corporate Governance, Nomination and Remuneration Committee and by the Board of Directors, her appointment will be proposed to the shareholders of the Company. Profile of Mrs McIlraith is found on page 31 of the annual report.

PROXY / CASTING POSTAL VOTE FORM

APPOINTMENT OF PROXY (see notes a and b overleaf)

I/We

of

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

of or failing him,

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

CASTING POSTAL VOTES (see note c)

I/We

of

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

AS ORDINARY RESOLUTIONS

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

FOR	AGAINST	ABSTAIN
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SIGNATURE

DATE

PROXY / CASTING POSTAL VOTE FORM

APPOINTMENT OF PROXY

NOTES :

- (a) A member of the Company, entitled to attend and vote at this Meeting, may appoint a proxy (whether a shareholder or not) to attend and vote on his behalf, or may cast his vote by post. If no specific direction as to voting is given, the proxy will exercise his/her discretion as to how he/she votes.
- (b) Any power of attorney appointing a proxy shall be deposited with the share registry, SBM Fund Services Ltd, Level 10, Hennessy Tower, Pope Hennessy Street, Port-Louis, Mauritius at latest on Thursday 28 June 2018 at 10h00 and in default, the instrument of proxy shall not be treated as valid.
- (c) The notice for casting a postal vote must be made in writing on the attached form and sent to the attention of the Company Secretary, the person authorized by the board of directors of the Company to receive and count the postal votes at the Annual Meeting. The document should reach the registered office of The Mauritius Union Assurance Cy. Ltd, 4 Léoville L'Homme Street, Port-Louis, Mauritius at latest on Wednesday 27 June 2018 at 10h00, and in default, the notice of postal vote shall not be treated as valid.
- (d) For the purpose of this Meeting, the Directors have resolved, in compliance with section 120 of the Companies Act 2001, that the shareholders who are entitled to receive notice and attend the Meeting, shall be those shareholders whose names are registered in the share register of the Company as at 4 June 2018.
- (e) The minutes of proceedings of the Annual Meeting of the shareholders held on 30 June 2017 are available for inspection at the Registered Office during normal trading office hours.



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