



# FINANCIAL STATEMENTS



## SECRETARY'S CERTIFICATE FOR THE YEAR ENDED 31 DECEMBER 2018

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.

A handwritten signature in black ink, appearing to read 'P. Dow' with a horizontal line underneath.

**ECS SECRETARIES LTD**  
Secretary

29 March 2019

# 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 110 to 233 which comprise the statements of financial position as at 31 December 2018, 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 2018, 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><b>1. Recoverability of goodwill and investment in subsidiaries</b></p> <p>At December 31, 2018 goodwill amounted to Rs.306.9M. As detailed in Note 40 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. The assumptions used and judgement applied to arrive at those 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 209 M in its local subsidiaries and Rs 701 M 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 management judgments and estimates.</p> <p>Given the significance of the above judgement and estimates, we believe that these are Key Audit Matters for our audit.</p>	<p>We obtained an understanding, evaluated the design and tested the 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"> <li>• We corroborated the justification of the CGUs defined by management for goodwill allocation;</li> <li>• 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;</li> <li>• We evaluated management's 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 analysis to determine the impact of those assumptions;</li> <li>• We evaluated management's ability to forecasts by comparing last year's forecast to this year's actual results; and</li> <li>• We included a specialist on our team to assist in the testing of the discount factor.</li> </ul>

## 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><b>2. Valuation of insurance contract liabilities-short term insurance (Notes 2.5(ii) and 13)</b></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, some catastrophic events can be more complex to model using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves.</p> <p>Given its complexity and significance the valuation of insurance contract liabilities-short term insurance has been considered as a Key Audit Matter.</p>	<p>We obtained an understanding, evaluated the design and tested the 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"> <li>• 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. Where appropriate we obtained legal confirmation to corroborate management's assessment;</li> <li>• 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;</li> <li>• We evaluated the actuarial assumptions used by management based on the analysis of the experience to date, industry practice and the financial and regulatory requirements;</li> <li>• We evaluated management's methodology and assumptions against actuarial practices and industry standards; and</li> <li>• We evaluated whether the actuary has the relevant expertise and experience in this field.</li> </ul>

## 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>3. <u>Valuation of Insurance Contract Liabilities – long-term insurance (Notes 2.5 (ii) and 13)</u></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. Furthermore, 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 long-term insurance contract liabilities:</p> <ul style="list-style-type: none"> <li>• Appropriateness of actuarial assumptions, models and methodology; and</li> <li>• Data processes and associated controls relevant to the actuarial valuation.</li> </ul> <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>The assumptions that we consider to have the most significant impact on the actuarial valuations are:</p> <ul style="list-style-type: none"> <li>• Mortality, longevity, disability and morbidity;</li> <li>• Expenses; and</li> <li>• Risk discount rates.</li> </ul> <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"> <li>• We assessed the valuation methodology and assumptions for compliance with the latest actuarial guidance, legislation and approved company policy;</li> <li>• We obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls related to the actuarial valuation process for the setting and updating of actuarial assumptions and the process for model and methodology changes;</li> <li>• We analysed management's key assumptions around mortality, longevity, disability, morbidity and expenses and assessed the results of management's experience analyses;</li> <li>• We assessed the economic basis, including the risk discount rates, by independently validating the risk free yield curve;</li> <li>• We evaluated, on a sample basis, whether model and methodology changes have been appropriately implemented;</li> <li>• 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;</li> <li>• 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;</li> <li>• We considered the level of margins held, management's justification for holding these margins and how these will be released in future; and</li> <li>• 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.</li> </ul>

## 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>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 applications for accurate and complete data. A breakdown of the controls around these processes and applications could result in a misstatement of the value of insurance contracts.</p> <p>Given its complexity and significance the valuation of insurance contract liabilities-long term insurance has been considered as a Key Audit Matter.</p>	<p>Data processes and controls relevant to the actuarial valuation:</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"> <li>• We evaluated the design and tested the 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;</li> <li>• 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</li> <li>• We obtained the data pack from the external actuary and compared with the data which management has sent to the actuary for the valuation.</li> </ul>

## 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>4. <u>Expected Credit Loss (ECL) for loans and advances to customers under IFRS 9- applicable to the Group as from 1 January 2018</u></p> <p>Our audit considered the ECL on loans and advances to customers as a key audit matter due to the materiality of the balances, its associated subjective nature of the management's impairment estimation, and transition to the ECL model under IFRS 9.</p> <p>As at 31 December 2018, the Group and the Company recorded a total of Rs 867.6m and Rs 282.2m as loans and advances to customers, net of allowance for impairment as stated in Note 11 which represented 5.7% and 6.7% of the Group's and the Company's total assets respectively. The impact on transition to the ECL model under IFRS 9 on the Group's financial statements, is disclosed in Note 3.</p> <p>The estimation of allowance for impairment requires subjective judgements. Management determined such allowance for impairment using complex calculations. Group's transitioning to ECL model under IFRS 9 required significant changes to the basis of estimating allowance for impairment.</p> <p>Given its complexity and significance the valuation of insurance contract liabilities-long term insurance has been considered as a Key Audit Matter.</p> <p>Given the significance of the above judgement and estimates, we believe that these are Key Audit Matters for our audit.</p>	<p>To assess the reasonableness of the ECL on loans and advances to customers, our audit procedures (among others) were designed to obtain sufficient and appropriate audit evidences, including the following:</p> <ul style="list-style-type: none"> <li>• We observed the oversight and approval of impairment policies by the management;</li> <li>• We evaluated the design implementation and operating effectiveness of available controls over management's processes to calculate the ECL for loans and advances to customers. This included the definition of credit stages, the allocation of assets into these stages, model governance, date accuracy and completeness, credit monitoring, individual provisions and production of journal entries and disclosures;</li> <li>• We tested the underlying calculations and data used in such calculations of the ECL;</li> <li>• We tested the classification of the loans and advances in stages 1, 2 and 3 and the application of 12 months ECL for stage 1 and lifetime ECL for stage 2 and stage 3;</li> <li>• We tested the assumptions, inputs and formulas used in the ECL model. This included assessing the appropriateness of model design, formulas used, recalculating the probability of default, loss given default and exposure at default.</li> </ul> <p>• The following key procedures were also performed:</p> <p>For loans and advances to customers that were individually assessed for impairment (stage 3):</p> <ul style="list-style-type: none"> <li>• Where impairment indicators existed, we evaluated the reasonableness of management's estimated future recoveries in the valuation of collateral held. We also compared the actual recoveries against previously estimated amounts of future recoveries.</li> </ul> <p>For loans and receivables to other customers that were collectively assessed for impairment (stages 1 and 2):</p> <ul style="list-style-type: none"> <li>• We tested the completeness and fairness of the underlying information in loans and advances used in the impairment calculations by agreeing details to the Group's source documents and information in IT systems as well as re-performing the calculation of allowance for impairment;</li> <li>• We assessed the adequacy of the related financial statement disclosures as set out in Note 11 and reviewed the documentation around outstanding loans and advances;</li> <li>• We also assessed the adequacy of the Group's disclosure on the impact of the ECL model under IFRS 9 as set out in Note 3.</li> </ul>

## INDEPENDENT AUDITORS' REPORT

### Report on the Audit of the Financial Statements (continued)

#### 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 (other than the Corporate Governance Report) 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.

#### Corporate Governance

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance as disclosed in the annual report and assess the explanation given for non-compliance with any requirements of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the public interest entity has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

#### 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.

#### 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.

## INDEPENDENT AUDITORS' REPORT

### Report on the Audit of the Financial Statements (continued)

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.

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.

## INDEPENDENT AUDITORS' REPORT

### Report on the Audit of the Financial Statements (continued)

#### Use of our report

This report is made solely to 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.

### 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.

#### Insurance Act 2005

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

ERNST & YOUNG  
Ebène, Mauritius

LI KUNE LAN POOKIM, F.C.A, F.C.C.A  
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29 March 2019

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENTS OF FINANCIAL POSITION as at 31 December 2018

Notes	THE GROUP		THE COMPANY		
	2018	2017	2018	2017	
	Rs'000	Rs'000	Rs'000	Rs'000	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	5	331,038	342,702	230,902	239,648
Investment properties	6	471,595	472,902	79,000	79,000
Intangible assets	7	583,888	604,052	275,663	286,898
Investment in subsidiary companies	8	-	-	909,603	823,167
Investment in associated company	9	1,544	1,544	1,544	1,544
Investment in joint ventures	9(a)	22,382	16,988	495	495
Financial assets at fair value through other comprehensive income	10(a)	523,292	461,489	458,437	410,151
Financial assets at fair value through profit or loss	10(b)	3,133,947	3,073,696	60,111	-
Debt instruments at amortised cost	10(c)	5,855,276	4,993,479	606,657	599,800
Loans and receivables at amortised cost	11	715,373	691,450	197,514	201,572
Deferred tax assets	16 (b)	36,751	38,316	12,682	14,875
		<b>11,675,086</b>	<b>10,696,618</b>	<b>2,832,608</b>	<b>2,657,150</b>
<b>Current assets</b>					
Financial assets at fair value through profit or loss	10(b)	-	209,036	-	209,036
Debt instruments at amortised cost	10(c)	714,400	692,950	10,060	19,938
Loans and receivables at amortised cost	11	152,192	128,076	84,729	81,139
Insurance and other receivables	12	918,309	1,042,411	643,566	590,016
Prepayments		8,253	7,582	3,537	3,569
Deferred acquisition costs receivable	13(b)	127,083	106,668	76,576	68,134
Current tax assets	20(b)	7,950	3,136	-	-
Amount receivable from subsidiary	41	-	-	23,981	14,228
Reinsurance assets	13(a)	910,164	1,327,681	428,338	574,324
Cash and short term deposits	39(b)	531,712	625,990	114,159	159,345
		<b>3,370,063</b>	<b>4,143,530</b>	<b>1,384,946</b>	<b>1,719,729</b>
<b>Total assets</b>		<b>15,045,149</b>	<b>14,840,148</b>	<b>4,217,554</b>	<b>4,376,879</b>

The notes on pages 119 to 233 form an integral part of these financial statements. Auditors' report on pages 101 to 109.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENTS OF FINANCIAL POSITION as at 31 December 2018

Notes	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Issued share capital	14	450,900	450,900	450,900
Share premium	14	273,068	273,068	273,068
Total reserves		1,837,438	1,708,418	1,119,394
Non-distributable share of Life surplus		12,701	15,535	-
Total ordinary shareholders' equity		2,574,107	2,447,921	1,843,362
Non-controlling interests		536,833	560,032	-
Total equity		3,110,940	3,007,953	1,843,362
<b>Technical Provisions</b>				
Life assurance fund	15	7,229,437	6,791,287	-
Investment contract liabilities	15 (a)	866,760	774,876	-
Insurance contract liabilities	13 (a)	2,732,070	3,161,455	1,767,131
		<b>10,828,267</b>	<b>10,727,618</b>	<b>1,767,131</b>
<b>Non-current liabilities*</b>				
Borrowings	18	300,000	300,000	300,000
Deferred tax liabilities	16 (b)	92,437	98,973	-
Employee benefit obligations	17	11,907	11,761	11,761
		<b>404,344</b>	<b>410,734</b>	<b>311,907</b>
<b>Current liabilities*</b>				
Trade and other payables	19	631,872	648,403	233,637
Deferred acquisition costs payable	13 (c)	69,726	45,440	49,062
Amount due to subsidiaries		-	-	3,823
Current tax liabilities	20(b)	-	-	12,455
		<b>701,598</b>	<b>693,843</b>	<b>295,154</b>
<b>Total equity and liabilities</b>		<b>15,045,149</b>	<b>14,840,148</b>	<b>4,217,554</b>

\* exclude technical provisions

These financial statements have been approved for issue by the Board of Directors on:



Dominique Galea  
Chairman



Bertrand Casteres  
Group CEO

The notes on pages 119 to 233 form an integral part of these financial statements. Auditors' report on pages 101 to 109.



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENTS OF PROFIT AND LOSS for the year ended 31 December 2018

Notes	THE GROUP		THE COMPANY		
	2018	2017	2018	2017	
	Rs'000	Rs'000	Rs'000	Rs'000	
Gross premium earned	21(a)	4,256,180	3,895,158	2,227,853	2,088,102
Premium ceded to reinsurers	21(b)	(1,077,435)	(978,648)	(513,214)	(461,540)
<b>Net earned premiums</b>	21(b)	<b>3,178,745</b>	<b>2,916,510</b>	<b>1,714,639</b>	<b>1,626,562</b>
Fees and commission income	22	250,796	216,418	109,596	83,352
Revenue from contract with customers	22	21,335	17,713	20,727	17,489
Investment income	23	96,245	100,499	54,327	31,264
Interest calculated using EIR		553,338	486,987	74,367	72,492
Credit loss expenses		(15,531)	1,273	(5,635)	(4,561)
Net realised gains	24	1,909	1,143	1,740	1,030
Net unrealised (loss)/gains	25	(64,626)	427,619	(12,728)	15,178
Other operating income	26	97,878	90,212	12,667	4,092
<b>Total revenue</b>		<b>4,120,089</b>	<b>4,258,374</b>	<b>1,969,700</b>	<b>1,846,898</b>
Gross claims paid	13(a)	(2,640,887)	(1,871,177)	(1,383,259)	(1,029,717)
Claims ceded to reinsurers	13(a)	747,782	200,937	276,711	95,141
Gross change in contract liabilities	13(a)	66,975	(1,256,184)	227,184	(98,516)
Change in contract liabilities ceded to reinsurers	13(a)	(410,995)	523,001	(148,951)	68,458
<b>Net claims and benefits</b>		<b>(2,237,125)</b>	<b>(2,403,423)</b>	<b>(1,028,315)</b>	<b>(964,634)</b>
Change in investment contract liabilities	15(a)	(29,469)	(58,056)	-	-
Commission and brokerage fees paid	27	(531,880)	(494,204)	(333,521)	(318,938)
Other operating and administrative expenses	28	(899,460)	(904,348)	(411,514)	(380,642)
Total claims, benefits and other expenses		<b>(3,697,934)</b>	<b>(3,860,031)</b>	<b>(1,773,350)</b>	<b>(1,664,214)</b>
<b>Profit from operations</b>		<b>422,155</b>	<b>398,343</b>	<b>196,350</b>	<b>182,684</b>
Finance costs	29	(17,193)	(18,214)	(17,063)	(17,387)
Share of profit from a joint venture	9 (a)	5,394	2,614	-	-
<b>Profit before tax</b>		<b>410,356</b>	<b>382,743</b>	<b>179,287</b>	<b>165,297</b>
Income tax expense	20	(55,993)	(61,107)	(26,208)	(18,823)
<b>Profit for the year</b>		<b>354,363</b>	<b>321,636</b>	<b>153,079</b>	<b>146,474</b>
<b>Attributable to:</b>					
Equity holders of the parent		309,069	281,886		
Non-controlling interests		45,294	39,750		
		<b>354,363</b>	<b>321,636</b>		
<b>Earnings per share - Basic</b>					
Attributed to equity holders of the parent (Rs/cs)	38	6.85	6.25		
<b>Earnings per share - Diluted</b>					
Attributed to equity holders of the parent (Rs/cs)	38	6.84	6.25		

The notes on pages 119 to 233 form an integral part of these financial statements.  
Auditors' report on pages 101 to 109.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENTS OF COMPREHENSIVE INCOME for the year ended 31 December 2018

Notes	THE GROUP		THE COMPANY		
	2018	2017	2018	2017	
	Rs'000	Rs'000	Rs'000	Rs'000	
<b>Profit for the year</b>		<b>354,363</b>	<b>321,636</b>	<b>146,474</b>	
<b>Other comprehensive Income</b>					
Items to be reclassified to profit or loss in subsequent periods:					
Exchange difference on translating foreign operations		(900)	(83,857)	(3,597)	1,133
Items that will not be reclassified to profit or loss in subsequent periods:					
Increase/(decrease) arising on revaluation of financial assets at fair value through other comprehensive income	10(a)	226	-	226	-
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>(674)</b>	<b>(83,857)</b>	<b>(3,371)</b>	<b>1,133</b>
Items that will not be reclassified to profit or loss in subsequent periods:					
Increase/(decrease) arising on revaluation of financial assets at fair value through other comprehensive income	10(a)	(15,597)	67,245	(13,483)	59,765
Re-measurement of defined benefit obligations	17	1,180	(1,886)	1,180	(1,886)
Tax effect		(203)	-	(203)	-
		977	(1,886)	977	(1,886)
Gain on revaluation of buildings	5	-	18,863	-	8,610
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		<b>(14,620)</b>	<b>84,222</b>	<b>(12,506)</b>	<b>66,489</b>
<b>Other comprehensive income for the year - net of tax</b>		<b>(15,294)</b>	<b>365</b>	<b>(15,877)</b>	<b>67,622</b>
<b>Total comprehensive income for the year</b>		<b>339,069</b>	<b>322,001</b>	<b>137,202</b>	<b>214,096</b>
<b>Attributable to :</b>					
Equity holders of the parent		295,190	326,710	137,202	214,096
Non-controlling interests		43,879	(4,709)	-	-
		<b>339,069</b>	<b>322,001</b>	<b>137,202</b>	<b>214,096</b>

The notes on pages 119 to 233 form an integral part of these financial statements.  
Auditors' report on pages 101 to 109.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2018

THE GROUP	Notes	Attributable to owners of the Parent				
		Share Capital	Share Premium	IFRS 2 Reserves	Share Option Reserves	Revaluation Reserves
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Balance at January 1, 2017</b>		450,900	273,068	-	-	35,250
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	-
Profit for the year		-	-	-	-	-
Other comprehensive income		-	-	-	-	18,301
<b>Total comprehensive income</b>		-	-	-	-	18,301
Movement in reserves*		-	-	-	-	-
Transfer of distributable share of Life Surplus	36	-	-	-	-	-
Dividends	32	-	-	-	-	-
<b>Balance at December 31, 2017</b>		450,900	273,068	-	-	53,551
<b>Balance at January 1, 2018</b>		450,900	273,068	-	-	53,551
Effect of adoption of IFRS9		-	-	-	-	-
<b>Balance at January 1, 2018 (Resated)</b>		450,900	273,068	-	-	53,551
Share based payment		-	-	(8,051)	11,629	-
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	-
Profit for the year		-	-	-	-	-
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income</b>		-	-	-	-	-
Movement in reserves*		-	-	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-
Transfer of distributable share of Life Surplus	36	-	-	-	-	-
Dividends	32	-	-	-	-	-
<b>Balance at December 31, 2018</b>		450,900	273,068	(8,051)	11,629	53,551

\* 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 119 to 233 form an integral part of these financial statements.  
Auditors' report on pages 101 to 109.

	Attributable to owners of the Parent								
	Currency translation Reserves	Investment revaluation Reserve	Retained Earnings	Contingency Reserve	Non distributable Reserves	Total Reserves	Non distributable share of Life Surplus *	Non-controlling Interests	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	(20,039)	(79,775)	1,532,977	39,174	243	1,507,830	6,196	568,565	2,806,559
	-	(21,701)	21,701	-	-	-	-	-	-
	-	-	281,886	-	-	281,886	-	39,750	321,636
	(36,624)	65,033	(1,886)	-	-	44,824	-	(44,459)	365
	(36,624)	65,033	280,000	-	-	326,710	-	(4,709)	322,001
	-	-	(3,513)	3,513	-	-	-	-	-
	-	-	(9,339)	-	-	(9,339)	9,339	-	-
	-	-	(116,783)	-	-	(116,783)	-	(3,824)	(120,607)
	(56,663)	(36,443)	1,705,043	42,687	243	1,708,418	15,535	560,032	3,007,953
	(56,663)	(36,443)	1,705,043	42,687	243	1,708,418	15,535	560,032	3,007,953
	-	(148)	(20,932)	-	-	(21,080)	-	(11,035)	(32,115)
	(56,663)	(36,591)	1,684,111	42,687	243	1,687,338	15,535	548,997	2,975,838
	-	-	-	-	-	3,578	-	-	3,578
	-	1,223	(1,223)	-	-	-	-	-	-
	-	-	309,069	-	-	309,069	-	45,294	354,363
	(746)	(14,110)	977	-	-	(13,879)	-	(1,415)	(15,294)
	(746)	(14,110)	310,046	-	-	295,190	-	43,879	339,069
	-	-	(3,614)	3,614	-	-	-	-	-
	-	-	(30,661)	-	-	(30,661)	-	(55,774)	(86,435)
	-	-	2,834	-	-	2,834	(2,834)	-	-
	-	-	(120,841)	-	-	(120,841)	-	(269)	(121,110)
	(57,409)	(49,478)	1,840,652	46,301	243	1,837,438	12,701	536,833	3,110,940

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2018

THE COMPANY	Notes	Issued share Capital	Share Premium	IFRS 2 Reserves
		Rs'000	Rs'000	Rs'000
<b>Balance at January 1, 2017</b>		450,900	273,068	-
Transfer of gain on disposal of financial assets at fair value through other comprehensive income		-	-	-
Profit for the year		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income		-	-	-
Dividends	32	-	-	-
<b>Balance at December 31, 2017</b>		450,900	273,068	-
<b>Balance at January 1, 2018</b>		450,900	273,068	-
Effect of adoption of IFRS9				
<b>Balance at January 1, 2018 (Restated)</b>		450,900	273,068	-
Share based payment		-	-	(8,051)
Transfer of gain on disposal of financial assets at fair value through other comprehensive income		-	-	-
Profit for the year		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income		-	-	-
Dividends	32	-	-	-
<b>Balance at December 31, 2018</b>		450,900	273,068	(8,051)

Share Option Reserves	Revaluation Reserves	Currency translation Reserves	Investment revaluation Reserve	Retained Earnings	Total Reserves	Total
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
-	29,993	1,759	(17,511)	991,672	1,005,913	1,729,881
-	-	-	(1,060)	1,060	-	-
-	-	-	-	146,474	146,474	146,474
-	8,610	1,133	59,765	(1,886)	67,622	67,622
-	8,610	1,133	59,765	144,588	214,096	214,096
-	-	-	-	(116,783)	(116,783)	(116,783)
-	38,603	2,892	41,194	1,020,537	1,103,226	1,827,194
-	38,603	2,892	41,194	1,020,537	1,103,226	1,827,194
-	-	-	-	(3,771)	(3,771)	(3,771)
-	38,603	2,892	41,194	1,016,766	1,099,455	1,823,423
11,629	-	-	-	-	3,578	3,578
-	-	-	920	(920)	-	-
-	-	-	-	153,079	153,079	153,079
-	-	(3,597)	(13,257)	977	(15,877)	(15,877)
-	-	(3,597)	(13,257)	154,056	137,202	137,202
-	-	-	-	(120,841)	(120,841)	(120,841)
11,629	38,603	(705)	28,857	1,049,061	1,119,394	1,843,362

The notes on pages 119 to 233 form an integral part of these financial statements.  
Auditors' report on pages 101 to 109.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF CASH FLOWS for year ended 31 December 2018

Notes	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>Operating activities</b>				
Net cash generated from operations	39(a) 430,877	404,417	23,850	164,085
Dividend received	84,627	85,716	54,086	31,633
Interest received	549,082	471,886	72,129	72,288
Interest paid	(17,900)	(29,241)	(17,767)	(17,651)
Income tax paid	20(b) (60,591)	(45,858)	(21,765)	(19,968)
<b>Net cash generated from operating activities</b>	<b>986,095</b>	<b>886,920</b>	<b>110,533</b>	<b>230,387</b>
<b>Investing activities</b>				
Proceeds on disposal of property and equipment	1,127	2,114	1,548	1,712
Proceeds on disposal/maturity of financial assets	875,419	1,376,824	331,039	83,049
Purchase of property and equipment	5 (21,026)	(26,190)	(9,500)	(20,050)
Purchase of intangible assets	7 (15,399)	(14,743)	(7,850)	(10,957)
Purchase of financial assets	10 (1,743,908)	(2,079,846)	(246,885)	(83,734)
Investment in Joint Venture and Associates	-	(2,039)	-	(2,039)
Investment in subsidiary	(86,436)	-	(86,436)	-
Loans and receivables disbursed	-	(206,726)	(106,987)	(140,915)
Loans and receivables repaid	(249,231)	191,401	106,358	98,674
Amount receivable from subsidiary	202,474	-	(10,487)	-
Amount due to subsidiary	-	-	(3,823)	-
Change in investment in contract liabilities	62,415	53,043	-	-
<b>Net cash used in investing activities</b>	<b>(974,565)</b>	<b>(706,162)</b>	<b>(33,023)</b>	<b>(74,260)</b>
<b>Financing activities</b>				
Dividends - Owners of the Parent	32 (120,841)	(116,783)	(120,841)	(116,783)
- Non-controlling interest	(269)	(3,824)	-	-
<b>Net cash used in from financing activities</b>	<b>(121,110)</b>	<b>(120,607)</b>	<b>(120,841)</b>	<b>(116,783)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(109,580)</b>	<b>60,151</b>	<b>(43,331)</b>	<b>39,344</b>
<b>Movement in cash and cash equivalents</b>				
At January 1,	625,990	561,673	159,345	121,528
Net decrease in cash and cash equivalents	(109,580)	60,151	(43,331)	39,344
Exchange gains on cash and cash equivalents	15,302	4,166	(1,855)	(1,527)
<b>At December 31,</b>	<b>39(b) 531,712</b>	<b>625,990</b>	<b>114,159</b>	<b>159,345</b>

The notes on pages 119 to 233 form an integral part of these financial statements.  
Auditors' report on pages 101 to 109.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 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 January 1, 2011, the company's principal activity is to transact only in short term insurance business. The life business of the Company was transferred to MUA Life Ltd (Formerly known as La Prudence Mauricienne Limitee), 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 December 31, 2018. 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;
- 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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 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 January 1, 2018:

	Effective for accounting period beginning on or after
<b>Amendments</b>	
IFRS 9 - Financial instruments	January 1, 2018
IFRS 15 Revenue from Contracts with customers	January 1, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018

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

The Group applied IFRS 9 impairment of financial assets and IFRS 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

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

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Changes in accounting policies and disclosures (continued)

##### IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

The adoption of IFRS 15 did not have an impact on the way revenue was recognised under IAS 18. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from sale of services is recognised over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. The same methodology was adopted for recognising revenue under IAS 18.

##### IFRS 9 Financial Instruments

###### Classification and measurement

The Group has already adopted the 'classification and measurement of financial assets' part of IFRS 9 in 2012. In 2018, the Group adopted the remaining requirements of IFRS 9 using the modified retrospective approach.

###### Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all receivables and other debt financial assets not held at FVPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. Details of the Group's impairment method are disclosed in Note 2 (d). Rights and obligations arising under an insurance contract as defined in IFRS 4 Insurance Contracts are outside the scope of IFRS 9. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 3.

##### IFRS 7

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Group has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 3, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 3.

Reconciliations from opening to closing ECL allowances are presented in Note 3.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 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. 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
<b><u>New or revised standards</u></b>	
IFRS 16 Leases	January 1, 2019
IFRS 17 Insurance Contracts	January 1, 2021
Amendments	
Prepayment Features with Negative Compensation - Amendments to IFRS 9	January 1, 2019
Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28	January 1, 2019
IAS 12 – Income Taxes – Income tax consequences of payments on financial instruments classified as equity	January 1, 2019
IAS 23 – Borrowing Costs – Borrowing costs eligible for capitalisation	January 1, 2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	January 1, 2019
IFRS 11 – Joint Arrangements – Previously held interests in joint	January 1, 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	January 1, 2019
The Conceptual Framework for Financial Reporting	January 1, 2020

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 16 Leases – effective January 1, 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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 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 January 1, 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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (b) Insurance contracts (continued)

##### (i) Classification of 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% (2017: 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% (2017: 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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (b) Insurance contracts (continued)

##### (i) Classification of insurance contracts (continued)

###### Unit linked contracts

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

##### (ii) Reinsurance contracts

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

Reinsurance contracts used by the Group are proportional and non-proportional treaties and facultative arrangements. Proportional reinsurance can be either 'quota share' where the proportion of each risk reinsured is stated or "surplus" which is a more flexible form of reinsurance and where the Group can fix its retention limit.

Non-proportional reinsurance is mainly 'excess-of-loss' type of reinsurance where, in consideration for a premium, the reinsurer agrees to pay all claims in excess of a specified amount, i.e. the retention, and up to a maximum amount. Facultative insurance contracts generally relate to specific insured risks which are underwritten separately. Under treaty arrangements, risks underwritten by the Group falling under the terms and limits of the treaties are reinsured automatically.

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

##### (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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (b) Insurance contracts (continued)

##### (v) Claims expenses and outstanding claims provisions (continued)

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.

##### (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.



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (b) Insurance contracts (continued)

##### (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.

##### (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 January 1, 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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (c) Financial instruments (continued)

###### Financial assets (continued)

###### 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:

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

###### 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 profit or loss. The Group has not designated any debt investment 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 classified 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 STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (c) Financial instruments (continued)

*Financial assets (continued)*

*Classification and measurement (continued)*

*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.

*Derecognition*

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

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement;
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset 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 Company'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 Company could be required to repay.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (d) Impairment of financial assets

*Financial assets carried at amortised cost (Policy applicable before 1 January 2018)*

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.

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

*Financial assets through other comprehensive income (Policy applicable from 1 January 2018)*

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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (d) Impairment of financial assets (continued)

*Financial assets carried at amortised cost (Policy applicable from 1 January 2018)*

##### **Overview of the ECL principles**

As described in Note 2.2, the adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit loss expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 4.2.2

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12m ECL are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 4.2.2

The Group has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 4.2.2

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 4.2.2

The Group has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 4.2.2

Based on the above process the Group groups its financial instruments into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12m ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECLs.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (d) Impairment of financial assets (continued)

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

##### **The calculation of ECLs**

The Group calculates ECLs based on a four probability-weighted scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (d) Impairment of financial assets (continued)

###### *Forward looking information*

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- Unemployment rates.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

###### *Collateral valuation*

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Company's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. However, the fair value of collateral affects the calculation of ECLs.

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties Valuers.

##### (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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (e) Financial liabilities (continued)

###### *Derecognition*

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

When 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.

##### (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) 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.

##### (h) 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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (i) 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.

##### (j) Investment in joint venture

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

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

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

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (j) Investment in joint venture (continued)

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.

##### (k) Equity instruments

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

##### (l) Equity movements

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

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

##### (m) Property and equipment

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

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

Revaluations are done with sufficient regularity to ensure that the carrying amount does not differ materially from that would be determined using fair value at the end of the reporting date. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated by the revalued amount of the asset.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (m) Property and equipment (continued)

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.

##### (n) Investment properties

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

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (n) Investment properties (continued)

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

##### (o) Non-Controlling Interest

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

##### (p) Intangible assets

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

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

##### *Acquisition of client portfolio*

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

##### *Computer software*

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

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

##### *Goodwill*

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

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (q) Impairment of non-financial assets

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

##### (r) Cash and cash equivalents

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

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

##### (s) Provisions

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

##### (t) Segment reporting

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

##### (u) Taxes

###### *Current income tax*

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

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (u) Taxes (continued)

###### *Deferred income tax*

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable 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.

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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (u) Taxes (continued)

###### 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.

##### (v) Revenue recognition

###### Revenue from contracts with customers – (Applicable from 1 January 2018)

The Company administers the pension scheme, provides actuarial services advice and investment advice to its clients under contract. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from sale of services is recognised over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company.

###### Revenue – (Applicable before 1 January 2018)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

##### (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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (v) Revenue recognition (continued)

###### (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.

##### (w) 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 % (2017: 6.5%) of these bonuses is transferred from the non-distributable reserve to retained earnings in the statement of changes in Equity.

##### (x) Life Assurance Fund

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.

##### (y) Retirement benefit obligations

###### (i) Defined Contribution Pension Scheme

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



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (y) Retirement benefit obligations (continued)

##### (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 retained 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.

##### (iii) Termination benefits

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

##### (iv) Short term benefits

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

##### (z) Share based payment

Executive management team receive remuneration in the form of share-based payments, whereby they render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (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 34.

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.

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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Significant accounting policies (continued)

##### (aa) Fair value measurement (continued)

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.

##### (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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 Significant accounting judgments, estimates and assumptions

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

##### Valuation of insurance contract liabilities

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

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, 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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 Significant accounting judgments, estimates and assumptions (continued)

##### *Valuation of insurance contract liabilities (continued)*

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

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.

##### (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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 Significant accounting judgments, estimates and assumptions (continued)

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

##### *Limitation of sensitivity analysis*

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

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

##### *Estimated impairment of goodwill*

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

##### *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.

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 believe that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. Management have reviewed the carrying amount of the goodwill at the end of the reporting period and is in the opinion, they have not been impaired.

##### *Impairment of investment in subsidiaries*

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

The recoverable amount of a CGU is determined based on the value in use calculations. These calculations use cash flow projections based on financial budgets approved by management. Cash flows are extrapolated using the estimated growth rates. Management does not expect that the growth rate to exceed the long term average growth rate in which the CGU operates. Management believe that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. Management have reviewed the carrying amount of the investment in subsidiaries at the end of the reporting period, no impairment was required for the year ended 31 December 2018. (2017: Rs 104m). Refer to Note 8 (a).

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 Significant accounting judgments, estimates and assumptions (continued)

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

###### Provision for expected credit losses of trade receivables

The Group uses the general approach to calculate ECLs for loans and advances. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The model is initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

###### 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.

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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 3. TRANSITION DISCLOSURES

#### GROUP

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IFRS 9 (excluding ECL) to the balances reported under IFRS 9 (including ECL) as of 1 January 2018 is, as follows:

In Rs 000's	IFRS 9 Measurement		Remeasurement		IFRS 9	
	Category	Amount	ECL	Other	Amount	Category
<b>Financial assets</b>						
Debt instrument at amortised cost	AC	5,686,429	(13,347)	-	5,673,082	AC
Debt instrument at FVTOCI	FVTOCI	-	-	-	-	FVTOCI
Financial assets at FVOCI	FVTOCI	457,957	-	-	457,957	FVTOCI
Financial assets at FVTPL	FVTPL	3,073,696	-	-	3,073,696	FVTPL
Loan and advances to customers	AC	829,722	(855)	-	828,867	AC
Amount due from related parties	AC	-	-	-	-	AC
Receivables	AC	110,486	(16,980)	-	93,506	AC
Cash and short term deposit	AC	604,051	(1,436)	-	602,615	AC
Total Financial assets		10,762,341	(32,618)	-	10,729,723	

#### 3.1. The impact of transition to IFRS 9 on retained earnings is, as follows:

In Rs 000's	Retained earnings
<b>Retained earnings</b>	
Closing balance under IFRS 9 (31 December 2017)	1,705,043
Recognition of IFRS ECLs including those measured at Amortised Cost (see above)	(13,347)
Recognition of IFRS ECLs on related parties including those measured at amortised cost (see above)	(1,436)
Recognition of IFRS ECLs including those measured at FVTOCI (see above)	(16,980)
Recognition of IFRS 9 ECL on Loans and advances	(855)
Effect of deferred tax on IFRS 9	503
Opening balance under IFRS 9 (1 January 2018)	1,672,928
Total change in equity due to adopting IFRS 9	(32,115)

#### 3.2. The following table reconciles the aggregate opening loss provision allowances under IAS 39 to the ECL allowances under IFRS 9.

In Rs 000's	Loan loss provision under IAS 39 at 31 December 2017	Re-measurement	ECLs under IFRS 9 at 1 January 2018
	<b>Impairment allowance for</b>		
Debt instrument at amortised cost	-	(13,347)	13,347
Loan and advances to customers	(20,651)	(855)	21,506
Amount due from related parties	-	(16,980)	16,980
Receivables	-	(1,436)	1,436
	(20,651)	(32,618)	(53,269)

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 3. TRANSITION DISCLOSURES (CONTINUED)

#### 3.3. Credit loss expenses:

The table below shows the ECL charges on financial instruments for the year recorded in the profit or loss.

2018	Stage 1	Stage 2	Stage 3	Total
	Collective	Collective		
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Debt instrument at amortised cost	2,139	-	-	2,139
Debt instrument at FVTOCI	(479)	-	-	(479)
Financial assets at FVOCI	-	-	-	-
Financial assets at FVTPL	-	-	-	-
Loan and advances to customers	376	667	1,141	2,184
Receivables	295	-	-	295
Cash and short term deposit	489	-	-	489
	<u>2,820</u>	<u>667</u>	<u>1,141</u>	<u>4,628</u>

The table below shows impairment charges recorded in the profit or loss under IAS 39 during 2017:

	Specific	Collective	Total
	Rs 000's	Rs 000's	Rs 000's
Impairment loss expenses on loans and advances to customers	(123)	214	91

### COMPANY

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IFRS 9 (excluding ECL) to the balances reported under IFRS 9 (including ECL) as of 1 January 2018 is, as follows:

In Rs 000's	IFRS 9 Measurement		Remeasurement		IFRS 9	
	Category	Amount	ECL	Other	Amount	Category
<b>Financial assets</b>						
Debt instrument at amortised cost	AC	619,738	(3,554)	-	616,184	AC
Debt instrument at FVTOCI	FVTOCI	-	-	-	-	FVTOCI
Loan and advances to customers	AC	284,678	208	-	284,886	AC
Amount due from related parties	AC	10,406	(425)	-	9,981	AC
Total Financial assets		<u>914,822</u>	<u>(3,771)</u>	<u>-</u>	<u>911,051</u>	

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 3. TRANSITION DISCLOSURES (CONTINUED)

#### 3.4. The impact of transition to IFRS 9 on retained earnings is, as follows:

In Rs 000's	Retained earnings
<b>Retained earnings</b>	
Closing balance under IFRS 9 (31 December 2017)	1,020,537
Recognition of IFRS ECLs including those measured at Amortised Cost (see above)	(3,554)
Recognition of IFRS ECLs on related parties including those measured at amortised cost (see above)	(425)
Recognition of IFRS ECLs including those measured at FVTOCI (see above)	-
Recognition of IFRS 9 ECL on Loans and advances	208
Effect of deferred tax on IFRS 9	-
Opening balance under IFRS 9 (1 January 2018)	<u>1,016,766</u>
Total change in equity due to adopting IFRS 9	<u>(3,771)</u>

#### 3.5. The following table reconciles the aggregate opening loss provision allowances under IAS 39 to the ECL allowances under IFRS 9.

In Rs 000's	Loan loss	Re-	ECLs under
	provision under		measurement
	IAS 39 at 31		January 2018
	December 2017		
<b>Impairment allowance for</b>			
Debt Instruments at amortised cost under IFRS 9	-	3,554	3,554
Debt Instruments at FVTOCI under IFRS 9	-	-	-
Loans and advances per IAS 39/financial assets at amortised cost under IFRS 9	<u>4,183</u>	<u>208</u>	<u>4,391</u>
	<u>4,183</u>	<u>3,762</u>	<u>7,945</u>

#### 3.6. Credit loss expenses:

The table below shows the ECL charges on financial instruments for the year recorded in the profit or loss.

2018	Stage 1	Stage 2	Stage 3	Total
	Collective	Collective		
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Debt instrument at amortised cost	(2,264)	-	-	(2,264)
Debt instrument at FVTOCI	479	-	-	479
Loan and advances to customers	(344)	(25)	(410)	(779)
	<u>(2,129)</u>	<u>(25)</u>	<u>(410)</u>	<u>(2,564)</u>

The table below shows impairment charges recorded in the profit or loss under IAS 39 during 2017:

	Specific	Collective	Total
	Rs 000's	Rs 000's	Rs 000's
Impairment loss expenses on loans and advances to customers	5,901	(28)	5,873

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

#### 4.1 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.

#### 4.1.1 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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.1 Insurance risks (continued)

##### 4.1.2 Concentration of insurance risk

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

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

THE GROUP	Class of business	Outstanding claims 2018			
		No. of claims	Gross liabilities	Reinsurance of liabilities	Net
			Rs'000	Rs'000	Rs'000
	Motor	17,210	495,104	(25,824)	469,280
	Fire	535	185,736	(146,191)	39,545
	Personal Accident	835	36,504	(21,769)	14,735
	Transport	220	118,440	(102,627)	15,813
	Miscellaneous	1,787	384,905	(186,338)	198,567
	IBNR	-	170,656	(58,466)	112,190
	Total	20,587	1,391,345	(541,215)	850,130

##### THE COMPANY

THE COMPANY	Class of business	Outstanding claims 2018			
		No. of claims	Gross liabilities	Reinsurance of liabilities	Net
			Rs'000	Rs'000	Rs'000
	Motor	14,721	373,292	(3,015)	370,277
	Fire	237	60,863	(47,248)	13,615
	Personal Accident	205	11,953	(8,829)	3,124
	Transport	82	9,915	(1,046)	8,869
	Miscellaneous	1,185	307,145	(157,546)	149,599
	IBNR	-	85,876	(6,837)	79,039
	Total	16,430	849,044	(224,521)	624,523

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.1 Insurance risks (continued)

##### 4.1.2 Concentration of insurance risk (continued)

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

Class of business	No. of claims	Outstanding claims 2017		Net Rs'000
		Gross liabilities	Reinsurance of liabilities	
		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
<b>Total</b>	<b>18,466</b>	<b>1,896,684</b>	<b>(953,977)</b>	<b>942,707</b>

##### THE COMPANY

Class of business	No. of claims	Outstanding claims 2017		Net Rs'000
		Gross liabilities	Reinsurance of liabilities	
		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
<b>Total</b>	<b>14,680</b>	<b>1,076,229</b>	<b>(373,472)</b>	<b>702,757</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.1 Insurance risks (continued)

##### 4.1.2 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 2018 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	1,323,255	2	1,337,546	6	-	-	-	-
50 - 100	2,081,124	4	2,112,416	10	-	-	-	-
100 - 150	1,577,245	3	1,675,532	8	-	-	-	-
150 - 200	1,429,719	2	1,316,724	6	-	-	-	-
200 - 250	2,084,272	4	1,722,085	8	-	-	-	-
250 - 300	2,300,509	4	8,937,438	43	-	-	-	-
More than 300	46,532,012	81	3,856,442	19	-	-	-	-
<b>Total</b>	<b>57,328,136</b>	<b>100</b>	<b>20,958,183</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	-	-	-	-
<b>Total</b>	<b>41,609,157</b>	<b>100</b>	<b>19,793,335</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.1 Insurance risks (continued)

##### 4.1.2 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 2018

	THE GROUP				THE COMPANY			
	Total annuities payable per annum							
	2018		2017		2018		2017	
Rs'000	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
0 - 10	2,474	3	2,206	3	-	-	-	-
10 - 20	4,646	6	4,382	6	-	-	-	-
20 - 50	17,093	20	15,322	20	-	-	-	-
50 - 100	19,014	22	17,146	22	-	-	-	-
100 - 150	10,324	12	10,093	13	-	-	-	-
More than 150	31,886	37	28,556	36	-	-	-	-
Total	85,437	100	77,705	100	-	-	-	-

##### 4.1.3 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
2018					
Average claim cost	10%	122,090	48,452	(73,638)	(62,592)

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.1 Insurance risks (continued)

##### 4.1.3 Sources of uncertainty (continued)

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

	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
2018					
Average claim cost	10%	76,317	21,768	(54,549)	(46,367)

	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
2017					
Average claim cost	10%	174,284	88,134	(86,150)	(73,228)

	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
2017					
Average claim cost	10%	100,259	36,664	(63,595)	(54,056)

##### (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 on the following page 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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.1 Insurance risks (continued)

##### 4.1.3 Sources of uncertainty (continued)

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

2018	THE GROUP				
	Basic liability	Future bonus reserve	Total life fund	Change in basic liability	Impact on profit or loss
Variable	Rs'000	Rs'000	Rs'000		
Base run	7,046,710	182,727	7,229,437	0.0%	0.0%
Future mortality 10% worse	7,091,898	177,163	7,269,061	0.6%	-4.6%
Future lapses 10% higher	7,052,390	185,608	7,237,998	0.1%	-1.0%
Future investment returns 1% lower	7,239,278	23,647	7,262,925	2.7%	-8.1%
Future inflation 1% higher	7,090,182	172,438	7,262,620	0.6%	-3.9%
Future maintenance expense 10% higher	7,116,972	160,359	7,277,331	1.0%	-5.6%

  

2017	THE GROUP				
	Basic liability	Future bonus reserve	Total life fund	Change in basic liability	Impact on profit or loss
Variable	Rs'000	Rs'000	Rs'000		
Base run	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%

##### 4.1.4 Claims development tables

THE GROUP (2018)	Underwriting Year				
	2014	2015	2016	2017	2018
Net estimate of ultimate claim costs	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
- At end of claim year	144,018	256,551	322,461	324,568	261,165
- one year later	95,964	207,596	202,000	201,278	-
- two years later	62,222	132,657	126,680	-	-
- three years later	44,379	155,189	-	-	-
- four years later	92,269	-	-	-	-

THE COMPANY (2018)	Underwriting Year				
	2014	2015	2016	2017	2018
Net estimate of ultimate claim costs	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
- at end of claim year	144,018	168,854	180,118	219,867	156,646
- one year later	95,964	134,997	114,999	105,219	-
- two years later	62,222	75,679	62,629	-	-
- three years later	44,379	56,694	-	-	-
- four years later	33,250	-	-	-	-

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.1 Insurance risks (continued)

##### 4.1.4 Claims development tables (continued)

THE GROUP (2017)	Underwriting Year				
	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	-	-	-	-

THE COMPANY (2017)	Underwriting Year				
	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	-	-	-	-

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.1 Insurance risks (continued)

##### 4.1.4 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 (2018)	2014	2015	2016	2017	2018	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	734,453	1,041,964	1,226,397	866,371	859,725	4,728,910
Cumulative payments	(701,200)	(985,269)	(1,099,717)	(665,093)	(598,560)	(4,049,839)
Liability	33,253	56,695	126,680	201,278	261,165	679,071
Liability in respect of prior years						58,869
Incurred but not reported (IBNR)						112,190
<b>Total liability (net)</b>						<b>850,130</b>

THE COMPANY (2018)	2014	2015	2016	2017	2018	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	734,450	1,041,965	1,068,291	628,439	581,768	4,054,913
Cumulative payments	(701,200)	(985,269)	(1,005,663)	(523,221)	(425,123)	(3,640,476)
Liability	33,250	56,696	62,628	105,218	156,645	414,437
Liability in respect of prior years						131,048
Incurred but not reported (IBNR)						79,039
<b>Total liability (net)</b>						<b>624,524</b>

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
<b>Total liability (net)</b>						<b>942,707</b>

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
<b>Total liability (net)</b>						<b>702,757</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.1 Insurance risks (continued)

##### 4.1.4 Claims development tables (continued)

Long-term Insurance (The Group)

Financial Liabilities	2018	2017
Long-term insurance contracts	Rs'000	Rs'000
<b>No stated Maturity</b>	<b>4,357,414</b>	3,330,152
0 - 1 yr	319,542	298,192
1 - 2 yrs	229,644	237,412
2 - 3 yrs	216,567	240,503
> 3 yrs	3,070,362	3,555,856
	<b>8,193,529</b>	7,662,115

#### 4.2 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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.2 Financial risks (continued)

The main risks to which The Group is exposed include:

- Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Except for fluctuations in equity prices, the Group has no significant concentration of market risk;
- Credit and liquidity risks.

The Group has no significant concentration of currency risk.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to some bank balances, investments and liabilities in foreign currency. The currency profile and sensitivity analysis of change in exchange rate on the Group's profit before tax is as illustrated in table below.

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				
		2018		2017		
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	USD	+2.5%	632	815	434	326
Financial assets at fair value through profit or loss						
Cash and short-term deposits						
Financial assets at fair value through other comprehensive income	EUR	+2.5%	32	368	60	335
Cash and short-term deposits						
Financial assets at fair value through profit or loss	GBP	+2.5%	7	-	33	-
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%	20	-	10	-
Cash and short-term deposits	SCR	+2.5%	1,138	-	182	-
Financial assets at fair value through other comprehensive income	RWF	+10.0%	525	-	591	-
Insurance and other receivables						
Reinsurance assets						
Cash and short-term deposits						

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.2 Financial risks (continued)

		THE GROUP				
		2018		2017		
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%	1,518	-	973	-
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%	2,703	-	4,780	-
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%	590	-	504	-
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%	(632)	(815)	(434)	(326)
	EUR	-2.5%	(32)	(368)	(60)	(335)
	GBP	-2.5%	(7)	-	(33)	-
	SGD	-2.5%	-	-	-	-
	AUD	-2.5%	-	-	-	-
	ZAR	-2.5%	(20)	-	(10)	-
	SCR	-2.5%	(1,138)	-	(182)	-
	RWF	-10.0%	(525)	-	(591)	-
	KSHS	-10.0%	(1,518)	-	(973)	-
	TZSHS	-10.0%	(2,703)	-	(4,780)	-
	USHS	-10.0%	(590)	-	(504)	-

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.2 Financial risks (continued)

##### 4.2.1 Market Risk

###### (i) Foreign exchange risk (continued)

THE COMPANY					
		2018		2017	
Changes in variables		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
		Rs'000	Rs'000	Rs'000	Rs'000
USD	+2.5%	251	815	54	326
EUR	+2.5%	7	368	34	335
GBP	+2.5%	4	-	30	-
SGD	+2.5%	-	-	-	-
AUD	+2.5%	-	-	-	-
ZAR	+2.5%	11	-	1	-
SCR	+2.5%	1,138	-	182	-

THE COMPANY					
		2018		2017	
Changes in variables		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
		Rs'000	Rs'000	Rs'000	Rs'000
USD	-2.5%	(251)	(815)	(54)	(326)
EUR	-2.5%	(7)	(368)	(34)	(335)
GBP	-2.5%	(4)	-	(30)	-
SGD	-2.5%	-	-	-	-
AUD	-2.5%	-	-	-	-
ZAR	-2.5%	(11)	-	(1)	-
SCR	-2.5%	(1,138)	-	(182)	-

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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.2 Financial risks (continued)

##### 4.2.1 Market Risk (continued)

###### (ii) Interest rate risk (continued)

THE GROUP					
		2018		2017	
Changes in interest rate		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
		Rs'000	Rs'000	Rs'000	Rs'000
+ 250 basis points		12,668	-	28,324	-
- 250 basis points		(12,668)	-	(28,324)	-

THE COMPANY					
		2018		2017	
Changes in interest rate		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
		Rs'000	Rs'000	Rs'000	Rs'000
+250 basis points		3,187	-	9,766	-
-250 basis points		(3,187)	-	(9,766)	-

###### (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					
		2018		2017	
Changes in share price		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
		Rs'000	Rs'000	Rs'000	Rs'000
+2.5%		78,349	13,082	82,068	11,537
-2.5%		(78,349)	(13,082)	(82,068)	(11,537)

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.2 Financial risks (continued)

##### 4.2.1 Market Risk (continued)

###### (iii) Equity price risk (continued)

	THE COMPANY			
	2018		2017	
	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%	1,503	11,461	5,226	10,254
-2.5%	(1,503)	(11,461)	(5,226)	(10,254)

##### 4.2.2 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.

Financial instruments	THE GROUP		THE COMPANY	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
Financial assets at fair value through profit or loss*	537,363	561,659	60,111	209,036
Debt instruments at amortised cost	6,569,676	5,686,429	616,717	619,738
Loans and receivables at amortised cost	867,565	819,526	282,243	282,711
Insurance and other receivable	918,309	1,042,411	643,566	590,016
Amount receivable from subsidiary	-	-	23,981	14,228
Reinsurance assets	910,164	1,327,681	428,338	574,324
Bank balances and cash	531,712	625,990	114,159	159,345
	<b>10,334,789</b>	<b>10,063,696</b>	<b>2,169,115</b>	<b>2,449,398</b>

\* Excludes equity instruments.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.2 Financial risks (continued)

##### 4.2.2 Credit risk (continued)

	Carrying value	Value of collaterals held	Net credit exposure
<b>The Group</b>			
<b>2018</b>			
Loans and receivable	867,565	2,272,140	-
<b>2017</b>			
Loans and receivable	819,526	2,242,654	-
<b>The Company</b>			
<b>2018</b>			
Loans and receivable	282,243	691,996	-
<b>2017</b>			
Loans and receivable	282,711	674,268	-

##### The Company's credit scorecard and PD estimation process

The Company's independent Credit Risk Department operates its credit scorecard models. The Company runs separate models for its key portfolios in which the customers are rate from 0-3 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. The PDs are estimated using the number of defaulted number accounts on total number of accounts in the portfolio then projected on twelve months or the lifetime depending on the stage in which the client has been classified in.

##### Government Bonds, Treasury Bills, Short and Long-Term Deposits

The Company's government bonds, treasury bills and short & long-term deposits comprise of the Bank of Mauritius, other banks and other non-banking financial institutions. For these relationships, the Company's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of Moody's and S&P. The PD is derived using a transition matrix to convert the ratings into PDs.

##### Mortgage and Other Loans

For mortgage and other loans, the borrowers are assessed by specialised credit risk employees of the Company. The credit risk assessment is based on a credit scoring model that takes into account various historical current and forward looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention;
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles;
- Quality of the collaterals given as guarantee;
- Loan to value;
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the Company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Company and the complexity and size of the customer. Some of the less complex small loans are rated within the Company's models for such products.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.2 Financial risks (continued)

##### 4.2.2 Credit risk (continued)

###### Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3, the exposure at default is considered for events over the lifetime of the instruments.

The Company determines EADs by modelling the range of possible exposure outcomes at various points in time corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Company's model.

###### Loss Given Default

For corporate financial instruments, LGD values are assessed at least every year by accounts managers and reviewed and approved by the Company's by the Company's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

Further recent data and forward looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial statements. For this first time application of the models, the forward looking information has not provided any correlation with the Company's situation and thus not taken into account. However, the Company intends to build a refined model for the forward looking information and will incorporate in the current models.

###### Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year. When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.2 Financial risks (continued)

##### 4.2.2 Credit risk (continued)

###### Grouping financial assets measured on a collective basis

As explained in Note 1.2 dependent on the factors below, the Company calculates ECLs either on a collective or an individual basis.

Asset classes where the Company calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets;
- The Corporate lending portfolio;
- The large and unique exposures of the Small lending portfolio;
- Debt instruments at amortised cost;
- Corporate bonds and short/long term deposits.

Asset classes where the Company calculates ECL on a collective basis include:

- The smaller and more generic balances of the Company's Small lending;
- Stage 1 and 2 mortgages and other loans.

###### Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are for mortgage and other loans. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the Company does not physically repossess properties or other assets in its portfolio, but undertakes to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.2 Financial risks (continued)

##### 4.2.3 Liquidity risk

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

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at December 31, 2018 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.

2018	THE GROUP						
	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	-	-	222,210	446,211	3,070,362	3,490,654	7,229,437
Insurance contract liabilities*	-	-	1,391,344	-	-	-	1,391,344
Investment contract liabilities	-	-	-	-	-	866,760	866,760
Interest bearing loans and borrowings	-	-	-	183,516	204,400	-	387,916
Trade and other payables	569,721	-	-	-	-	-	569,721
	<b>569,721</b>	<b>-</b>	<b>1,613,554</b>	<b>629,727</b>	<b>3,274,762</b>	<b>4,357,414</b>	<b>10,445,178</b>

2017	THE GROUP						
	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
	<b>580,941</b>	<b>-</b>	<b>2,098,924</b>	<b>671,906</b>	<b>3,760,256</b>	<b>3,330,152</b>	<b>10,442,179</b>

2018	THE COMPANY						
	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*	-	-	849,045	-	-	-	849,045
Interest bearing loans and borrowings	-	-	-	183,516	204,400	-	387,916
Trade and other payables	206,568	-	-	-	-	-	206,568
	<b>206,568</b>	<b>-</b>	<b>849,045</b>	<b>183,516</b>	<b>204,400</b>	<b>-</b>	<b>1,443,529</b>

2017	THE COMPANY						
	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
	<b>194,686</b>	<b>-</b>	<b>1,076,228</b>	<b>193,991</b>	<b>204,400</b>	<b>-</b>	<b>1,669,305</b>

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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

#### 4.2 Financial risks (continued)

##### 4.2.4 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 34 for fair value disclosures.

##### 4.2.5 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 December 31, 2018 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.

#### 4.3 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 Risk Appetite Statement;
- A Risk Management Strategy;
- A three-year rolling business plan;
- An Own Risk Solvency Assessment (ORSA) Framework;
- The liquidity policy;
- 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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 5. PROPERTY AND EQUIPMENT

(a) THE GROUP	Land and Buildings		Office equipment computers, fixtures & fittings and other electrical	Motor vehicles	Total
	Freehold land	Buildings on freehold land			
2018	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>COST OR VALUATION</b>					
At January 1, 2018	40,000	217,956	236,711	33,899	528,566
Additions during the year	-	-	16,975	-	16,975
Work in progress	-	-	4,051	-	4,051
Reclassification	-	-	(102)	-	(102)
Disposals during the year	-	-	(7,693)	(2,984)	(10,677)
Exchange differences	-	-	522	115	637
<b>At December 31, 2018</b>	<b>40,000</b>	<b>217,956</b>	<b>250,464</b>	<b>31,030</b>	<b>539,450</b>
<b>DEPRECIATION</b>					
At January 1, 2018	-	(1)	168,654	17,211	185,864
Charge for the year	-	2,870	23,901	5,357	32,128
Reclassification	-	-	(58)	-	(58)
Disposals	-	-	(7,676)	(2,368)	(10,044)
Exchange differences	-	-	463	59	522
<b>At December 31, 2018</b>	<b>-</b>	<b>2,869</b>	<b>185,284</b>	<b>20,259</b>	<b>208,412</b>
<b>CARRYING AMOUNT</b>					
At December 31, 2018	40,000	215,087	65,180	10,771	331,038
<b>2017</b>					
<b>COST OR VALUATION</b>					
At January 1, 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)
<b>At December 31, 2017</b>	<b>40,000</b>	<b>217,956</b>	<b>236,711</b>	<b>33,899</b>	<b>528,566</b>
<b>DEPRECIATION</b>					
At January 1, 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)
<b>At December 31, 2017</b>	<b>-</b>	<b>(1)</b>	<b>168,654</b>	<b>17,211</b>	<b>185,864</b>
<b>CARRYING AMOUNT</b>					
At December 31, 2017	40,000	217,957	68,057	16,688	342,702

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 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			
2018	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>COST OR VALUATION</b>					
At January 1, 2018	40,000	143,500	139,391	24,599	347,490
Additions during the year	-	-	5,648	-	5,648
Work in progress	-	-	3,850	-	3,850
Disposals during the year	-	-	(1,148)	(2,984)	(4,132)
<b>At December 31, 2018</b>	<b>40,000</b>	<b>143,500</b>	<b>147,741</b>	<b>21,615</b>	<b>352,856</b>
<b>DEPRECIATION</b>					
At January 1, 2018	-	-	94,218	13,624	107,842
Charge for the year	-	2,870	10,801	3,681	17,352
Disposals during the year	-	-	(872)	(2,368)	(3,240)
<b>At December 31, 2018</b>	<b>-</b>	<b>2,870</b>	<b>104,147</b>	<b>14,937</b>	<b>121,954</b>
<b>CARRYING AMOUNT</b>					
At December 31, 2018	40,000	140,630	43,594	6,678	230,902
<b>2017</b>					
<b>COST OR VALUATION</b>					
At January 1, 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)
<b>At December 31, 2017</b>	<b>40,000</b>	<b>143,500</b>	<b>139,391</b>	<b>24,599</b>	<b>347,490</b>
<b>DEPRECIATION</b>					
At January 1, 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)
<b>At December 31, 2017</b>	<b>-</b>	<b>-</b>	<b>94,218</b>	<b>13,624</b>	<b>107,842</b>
<b>CARRYING AMOUNT</b>					
At December 31, 2017	40,000	143,500	45,173	10,975	239,648

(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 December 31, 2017 and the revaluation surplus was recorded under revaluation reserves. The directors have reassessed the fair value of property and equipment at 31 December 2018. On the basis of the current economic environment, the directors are satisfied that the carrying value of property and equipment reflect the fair value at the reporting date.



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 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	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Cost	207,154	207,154	163,369	163,369
Accumulated depreciation	(25,232)	(7,970)	(19,729)	(17,262)
<b>Net book values</b>	<b>181,922</b>	<b>199,184</b>	<b>143,640</b>	<b>146,107</b>

### 6. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	472,902	497,184	79,000	79,000
Impairment	-	-	-	-
Exchange differences	(1,307)	(24,282)	-	-
<b>At December 31,</b>	<b>471,595</b>	<b>472,902</b>	<b>79,000</b>	<b>79,000</b>

The fair value of the Group's investment properties as at December 31, 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 directors have reassessed the fair value of property at 31 December 2018. On the basis of the current economic environment, the directors are satisfied that the carrying value of property reflect the fair value at the reporting date. The rental income arising during the year amounted to Rs 8,697,000 (2017: Rs 12,153,000) for the Group and Rs Nil (2017: 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 (2017: 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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 7. INTANGIBLE ASSETS

2018	THE GROUP				
	Goodwill	Client portfolio	Computer software	Work in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>COST</b>					
At January 1, 2018	345,441	439,570	156,356	1,169	942,536
Reclassification	-	-	102	-	102
Additions during the year	-	-	11,167	4,232	15,399
Write off	-	-	(153)	-	(153)
Exchange differences	-	-	(39)	-	(39)
<b>At December 31, 2018</b>	<b>345,441</b>	<b>439,570</b>	<b>167,433</b>	<b>5,401</b>	<b>957,845</b>
<b>AMORTISATION AND IMPAIRMENT</b>					
At January 1, 2018	38,570	170,883	129,031	-	338,484
Charge for the year	-	22,469	13,011	-	35,480
Reclassification	-	-	58	-	58
Exchange differences	-	-	(65)	-	(65)
<b>At December 31, 2018</b>	<b>38,570</b>	<b>193,352</b>	<b>142,035</b>	<b>-</b>	<b>373,957</b>
<b>CARRYING AMOUNT</b>					
At December 31, 2018	306,871	246,218	25,398	5,401	583,888

For Goodwill impairment assesment, refer to note 40.

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

For Goodwill impairment assesment, refer to note 40.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 7. INTANGIBLE ASSETS (CONTINUED)

	THE COMPANY				
	2018				
	Goodwill	Client portfolio	Computer software	Work in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	133,188	245,478	87,496	1,169	467,331
Additions during the year	-	-	3,618	4,232	7,850
<b>At December 31,</b>	<b>133,188</b>	<b>245,478</b>	<b>91,114</b>	<b>5,401</b>	<b>475,181</b>
<b>AMORTISATION AND IMPAIRMENT</b>					
At January 1,	-	111,341	69,092	-	180,433
Charge for the year	-	10,950	8,135	-	19,085
<b>At December 31,</b>	<b>-</b>	<b>122,291</b>	<b>77,227</b>	<b>-</b>	<b>199,518</b>
<b>CARRYING AMOUNT</b>					
<b>At December 31,</b>	<b>133,188</b>	<b>123,187</b>	<b>13,887</b>	<b>5,401</b>	<b>275,663</b>

Work in progress represents the implementation of a new software.

### 8. INVESTMENT IN SUBSIDIARY COMPANIES

	THE COMPANY	
	2018	2017
	Rs'000	Rs'000
(a) At January 1,	823,167	823,167
Additions during the year	86,436	-
<b>At December 31,</b>	<b>909,603</b>	<b>823,167</b>

Out of the Rs 910m (2017: Rs 823m), Rs 701m (2017: Rs 615m) relates to investment in foreign subsidiaries.

In August 2018, the Company acquired 45% of the non-controlling interest in MUA (Rwanda) Ltd. The number of shares acquired was 450,000 at USD 5.6 per share, resulting in a total purchase consideration of USD 2,5M (Rs 86,4m). Following the acquisition, the Company obtained a direct interest of 45% in MUA (Rwanda) Ltd and an indirect interest of 36.51%. The acquisition of the 45% additional interest did not result in a change in control and accordingly, a movement in reserve has been accounted.

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 40.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

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

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

- (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	Nominal value of investment		Class of shares held	% of ownership interest		% of ownership interest by NCI	
					2018 Rs'000	2017 Rs'000		2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
<b>Direct shareholding</b>											
MUA Life Ltd (formerly La Prudence (Mauricienne) Assurances Limitee)	Life Insurance	Mauritius	Mauritian Rupees	25,000	167,327	167,327	Ordinary	100%	100%	-	-
MUA Mutual Fund Ltd (formerly The National Mutual Fund Ltd)	Fund management	Mauritius	Mauritian Rupees	4,000	28,561	28,561	Ordinary	98.6%	98.6%	1.4%	1.40%
MUA Stockbroking Ltd (formerly Associated Brokers Ltd)	Stock broker	Mauritius	Mauritian Rupees	9,500	10,979	10,979	Ordinary	80%	80%	20%	20%
Compagnie du Decadel Limitée	Property holding	Mauritius	Mauritian Rupees	25	675	675	Ordinary	100%	100%	-	-
MUA Pension Ltd	Manager and consultants of pension fund	Mauritius	Mauritian Rupees	2,000	500	500	Ordinary	100%	100%	-	-
Phoenix Transafrica Holdings Limited	Investment holdings	Kenya	Kenya Shillings	5,000	-	-	Ordinary	100%	100%	-	-
MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)	General Insurance business	Rwanda	Rwanda Francs	450,000	86,436	-	Ordinary	45%	0%	Refer to effective shareholding below	-
<b>Indirect shareholding</b>											
Risk Advisory Services Limited**	Property holding	Mauritius	Mauritian Rupees	25,000	75	75	Ordinary	100%	100%	0%	-
MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)**	General Insurance business	Kenya	Kenya Shillings	300,000	143,807	143,807	Ordinary	66.38%	66.38%	33.62%	33.62%
MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)*	General Insurance business	Rwanda	Rwanda Francs	1,000,000	-	-	Ordinary	81.51%	36.51%	18.49%	63.49%
Phoenix of Tanzania Assurance Company Limited*	General Insurance business	Tanzania	Tanzania Shillings	8,000,000	-	-	Ordinary	33.89%	33.89%	66.11%	66.11%
MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*	General Insurance business	Uganda	Uganda Shillings	4,000,000	-	-	Ordinary	45.78%	45.78%	54.22%	54.22%

- (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	2018	2017
MUA Stockbrokers Ltd	Mauritius	20.00%	20.00%
MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)**	Kenya	33.62%	33.62%
MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)*	Rwanda	18.49%	63.49%
Phoenix of Tanzania Assurance Company Limited	Tanzania	66.11%	66.11%
MUA (Uganda) Ltd (formerly 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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

2018	MUA Stockbroking Ltd (formerly Associated Brokers Ltd)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)**	Phoenix of Tanzania Assurance Company Limited	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*	MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)*
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Proportion of non-controlling interests	20%	33.62%	66.11%	54.22%	18.49%
Current assets	2,883	339,958	923,443	196,479	262,855
Non current assets	19,350	227,563	289,317	82,781	72,095
Current liabilities	212	47,601	147,616	48,751	63,245
Non current liabilities	11	-	69,028	-	-
Net assets	22,010	519,920	996,116	230,509	271,705
Carrying amounts of non-controlling interests	4,402	174,797	658,532	124,982	50,238
Revenue	9,529	160,284	255,604	140,467	222,060
Profit/(losses) for the year	2,608	(21,535)	63,671	5,405	18,277
Other comprehensive losses	-	2,621	(2,835)	(76)	(2,906)
Total comprehensive income/(losses)	2,608	(18,914)	60,836	5,329	15,371
Profit/(losses) allocated to non-controlling interest	522	(7,240)	42,093	2,931	3,379
Total comprehensive income allocated to non-controlling interest	522	(6,359)	40,219	2,889	2,842
Dividend paid to non-controlling interest	240	-	-	-	-

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

2017	MUA Stockbroking Ltd (formerly Associated Brokers Ltd)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)**	Phoenix of Tanzania Assurance Company Limited	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*	MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)*
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Proportion of non-controlling interests	20%	33.62%	66.11%	54.22%	63.49%
Current assets	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	-

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 8. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

	MUA Stockbroking Ltd (formerly Associated Brokers Ltd)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)**	MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)*	Phoenix of Tanzania Assurance Company Limited	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>2018</b>					
<b>Operating activities</b>	<b>(20,454)</b>	<b>42,971</b>	<b>33,202</b>	<b>80,547</b>	<b>(4,775)</b>
<b>Investing activities</b>	<b>152</b>	<b>(2,892)</b>	<b>(80,656)</b>	<b>(19,053)</b>	<b>(848)</b>
<b>Financing activities</b>	<b>(1,200)</b>	-	-	-	-
<b>Net increase in cash and cash equivalents</b>	<b>(21,502)</b>	<b>40,079</b>	<b>(47,454)</b>	<b>61,494</b>	<b>(5,623)</b>
<b>2017</b>					
<b>Operating activities</b>	<b>7,417</b>	<b>(52,686)</b>	<b>36,952</b>	<b>73,508</b>	<b>(16,600)</b>
<b>Investing activities</b>	<b>11,108</b>	<b>65,260</b>	<b>(56,182)</b>	<b>(95,334)</b>	<b>15,447</b>
<b>Financing activities</b>	<b>(11,500)</b>	-	-	-	-
<b>Net increase in cash and cash equivalents</b>	<b>7,025</b>	<b>12,574</b>	<b>(19,230)</b>	<b>(21,826)</b>	<b>(1,153)</b>

### 9. INVESTMENT IN ASSOCIATED COMPANY

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

#### THE GROUP AND COMPANY

	2018	2017
	Rs'000	Rs'000
At January 1,	1,544	-
Additions	-	1,544
<b>At December 31,</b>	<b>1,544</b>	<b>1,544</b>

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

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

	2018	2017
	Rs'000	Rs'000
Current assets	3,860	3,860
Equity	3,860	3,860
Group's carrying amount of the investment	1,544	1,544

No disclosure has been provided for group's share of results for the year ended December 31, 2018 as the company has not yet started trading.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 9. INVESTMENT IN ASSOCIATED COMPANY (CONTINUED)

#### (A) INVESTMENT IN JOINT VENTURE

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>At January 1,</b>	<b>16,988</b>	14,893	<b>495</b>	-
Additions	-	495	-	495
Share of profit	5,394	2,614	-	-
Exchange differences	-	(1,014)	-	-
<b>At December 31,</b>	<b>22,382</b>	16,988	<b>495</b>	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			
			2018		2017	
			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	5%	-	50%	-

#### Summarised financial information of joint ventures

	2018	2017
	Rs'000	Rs'000
Current assets (including cash -Rs'000 1,415)	315,507	318,381
Non current assets	-	-
Current liabilities	(30,217)	(16,689)
Non current liabilities	-	-
<b>Equity</b>	<b>285,290</b>	<b>301,692</b>
% holding	50% -5.1%	50% -5.1%
Group's share in equity	20,729	16,988

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 9. INVESTMENT IN ASSOCIATED COMPANY (CONTINUED)

#### (B) INVESTMENT IN JOINT VENTURE IN KENYA MOTOR INSURANCE POOL

Summarised financial information of joint ventures (continued)

	2018	2017
	Rs'000	Rs'000
Revenue	13,679	31,333
Expenses	(390)	(1,598)
Profit before tax	13,289	29,735
Income tax	(334)	(65)
Profit for the year	12,955	29,670
Total comprehensive for the period	-	-
Group's share of profit	5,394	2,614

The joint venture had no other contingent liabilities or commitments as at 31 December 2018 and 2017.

### 10. FINANCIAL ASSETS

The breakdown of fair value measurements is shown in note 34.

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

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>At January 1,</b>	461,489	460,039	410,151	349,683
Additions during the year	143,827	9,633	125,293	3,752
Disposals during the year	(4,795)	(68,338)	(4,559)	(3,049)
(Decrease)/increase in fair value	(14,148)	67,245	(12,337)	59,765
Exchange differences	(519)	(7,090)	-	-
Transfer to financial assets at fair value through profit or loss	(62,562)	-	(60,111)	-
<b>At December 31,</b>	<b>523,292</b>	<b>461,489</b>	<b>458,437</b>	<b>410,151</b>

The transfer of financial assets at FVTPL is the result of a change in terms of the financial assets. Under the new terms the instrument is a debt instrument that fails the SPPI test hence the classification as financial assets at FVTPL.

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>Analysed as follows:</b>				
Quoted equity securities	352,018	351,253	313,095	325,487
Unquoted equity securities	48,357	49,435	22,425	26,325
Open Ended Mutual Funds	-	60,801	-	58,339
	400,375	461,489	335,520	410,151
<b>Debt instrument:</b>				
Quoted Debt instruments (Refer to 10 (a)(i)below)	21,919	-	21,919	-
Unquoted Debt instruments (Refer to 10 (a)(i)below)	100,998	-	100,998	-
	122,917	-	122,917	-
<b>Total financial assets at fair value through other comprehensive income</b>	<b>523,292</b>	<b>461,489</b>	<b>458,437</b>	<b>410,151</b>
<b>Fair value movement</b>				
Equity instrument	(14,374)	67,245	(12,563)	59,765
Debt instrument	226	-	226	-
	(14,148)	67,245	(12,337)	59,765

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 10. FINANCIAL ASSETS (CONTINUED)

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

#### (i) Debt instruments at fair value through other comprehensive income

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>Government debt securities</b>	<b>101,058</b>	-	<b>101,058</b>	-
Corporate Bonds	22,338	-	22,338	-
	123,396	-	123,396	-
Less: Allowance for credit loss	(479)	-	(479)	-

The table below shows the credit quality and the maximum exposure to credit risk based on external credit rating for the instruments and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company use of external grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.2.2. The Company uses external rating agencies grading as indication for classification of the debt instruments into stages and to calculate the expected credit losses on those instruments.

	THE GROUP				
	2018				2017
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total	Total
<b>External rating grade Performing</b>					
High grade	101,058	-	-	101,058	-
Standard grade	22,338	-	-	22,338	-
Past due but not impaired	-	-	-	-	-
<b>Non-performing</b>					
Individually impaired	-	-	-	-	-
<b>Total</b>	<b>123,396</b>	<b>-</b>	<b>-</b>	<b>123,396</b>	<b>-</b>

	THE COMPANY				
	2018				2017
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total	Total
<b>External rating grade Performing</b>					
High grade	101,058	-	-	101,058	-
Standard grade	22,338	-	-	22,338	-
Past due but not impaired	-	-	-	-	-
<b>Non-performing</b>					
Individually impaired	-	-	-	-	-
<b>Total</b>	<b>123,396</b>	<b>-</b>	<b>-</b>	<b>123,396</b>	<b>-</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 10. FINANCIAL ASSETS (CONTINUED)

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

Impairment losses on financial investments subject to impairment assessment

Financial assets at FVOCI

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2018	-	-	-	-
New asset purchased	123,396	-	-	123,396
Assets derecognised or matured (excluding write-offs)	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amortisation adjustments	-	-	-	-
<b>At 31 December 2018</b>	<b>123,396</b>	<b>-</b>	<b>-</b>	<b>123,396</b>

	THE GROUP			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2018	-	-	-	-
New assets purchased	(479)	-	-	(479)
Assets derecognised or matured (excluding write offs)	-	-	-	-
Impact of net- remeasurement of year end ECL	-	-	-	-
<b>At 31 December 2018</b>	<b>(479)</b>	<b>-</b>	<b>-</b>	<b>(479)</b>

	THE COMPANY			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2018	-	-	-	-
New asset purchased	123,396	-	-	123,396
Assets derecognised or matured (excluding write-offs)	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amortisation adjustments	-	-	-	-
<b>At 31 December 2018</b>	<b>123,396</b>	<b>-</b>	<b>-</b>	<b>123,396</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 10. FINANCIAL ASSETS (CONTINUED)

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

	THE COMPANY			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2018	-	-	-	-
New assets purchased	(479)	-	-	(479)
Assets derecognised or matured (excluding write offs)	-	-	-	-
Impact of net- remeasurement of year end ECL	-	-	-	-
<b>At 31 December 2018</b>	<b>(479)</b>	<b>-</b>	<b>-</b>	<b>(479)</b>

There were no transfers between stages during the year as there no observed deterioration in credit risks on any of the instruments in the portfolio.

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

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>At January 1,</b>	<b>3,282,732</b>	2,675,279	<b>209,036</b>	193,507
Additions during the year	226,652	421,594	69	351
Disposals during the year	(373,374)	(241,760)	(196,377)	-
(Decrease)/increase in fair value	(64,625)	427,619	(12,728)	15,178
Transfer from financial assets at fair value through other comprehensive income(Note 10 (a))	62,562	-	60,111	-
<b>At December 31,</b>	<b>3,133,947</b>	3,282,732	<b>60,111</b>	209,036
<b>Analysed as follows:</b>				
Local - Listed	2,533,904	2,512,037	-	-
Open ended mutual funds	510,435	484,605	60,111	-
Others	89,608	286,090	-	209,036
Total financial assets at fair value through profit or loss	<b>3,133,947</b>	3,282,732	<b>60,111</b>	209,036
<b>Analysed as follows:</b>				
Non-current	3,133,947	3,073,696	60,111	-
Current	-	209,036	-	209,036
	<b>3,133,947</b>	3,282,732	<b>60,111</b>	209,036

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 10. FINANCIAL ASSETS (CONTINUED)

#### (c) Debt instruments at amortised cost

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
Government debt securities	5,974,467	4,682,413	497,158	389,288
Corporate Bonds and Fixed Deposits	605,754	1,004,016	120,850	230,450
	<b>6,580,221</b>	5,686,429	<b>618,008</b>	619,738
Less: Allowances for credit loss	(10,545)	-	(1,291)	-
Total debt instruments at amortised costs	<b>6,569,676</b>	5,686,429	<b>616,717</b>	619,738

An amount of Rs 8,000,000 (2017: Rs 8,000,000) included in debt instrument at amortised cost represents statutory deposit and pledged with the financial services commission in compliance with the Insurance Act 2005.

The table below shows the credit quality and the maximum exposure to credit risk based on external credit rating for the instruments and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company use of external grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.1. The Company uses external rating agencies grading as indication for classification of the debt instruments into stages and to calculate the expected credit losses on those instruments.

	THE GROUP			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
<b>External rating grade Performing</b>				
High grade	5,974,468	-	-	5,974,468
Standard grade	605,754	-	-	605,754
Past due but not impaired	-	-	-	-
<b>Non-performing</b>				
Individually impaired	-	-	-	-
<b>Total</b>	<b>6,580,222</b>	-	-	<b>6,580,222</b>

	THE COMPANY			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
<b>External rating grade Performing</b>				
High grade	618,008	-	-	618,008
Standard grade	618,008	-	-	618,008
Past due but not impaired	-	-	-	-
<b>Non-performing</b>				
Individually impaired	-	-	-	-
<b>Total</b>	<b>1,236,016</b>	-	-	<b>1,236,016</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 10. FINANCIAL ASSETS (CONTINUED)

#### (c) Debt instruments at amortised cost (continued)

##### Impairment losses on financial investments subject to impairment assessment

Debt instrument measured at amortised cost

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
<b>Gross carrying amount as at 1 January 2018</b>	<b>5,686,429</b>	-	-	<b>5,686,429</b>
New asset purchased	1,373,431	-	-	1,373,431
Assets derecognised or matured (excluding write-offs)	(496,277)	-	-	(496,277)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amortisation adjustments	15,082	-	-	15,082
Exchange difference	1,557	-	-	1,557
<b>At 31 December 2018</b>	<b>6,580,222</b>	-	-	<b>6,580,222</b>

	THE GROUP			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
<b>ECL allowance as at 1 January 2018</b>	<b>(13,347)</b>	-	-	<b>(13,347)</b>
New assets purchased	(2,214)	-	-	(2,214)
Assets derecognised or matured (excluding write offs)	795	-	-	795
Impact of net- remeasurement of year end ECL	4,221	-	-	4,221
<b>At 31 December 2018</b>	<b>(10,545)</b>	-	-	<b>(10,545)</b>

	THE COMPANY			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
<b>Gross carrying amount as at 1 January 2018</b>	<b>627,542</b>	-	-	<b>627,542</b>
New asset purchased	121,524	-	-	121,524
Assets derecognised or matured (excluding write-offs)	(131,024)	-	-	(131,024)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amortisation adjustments	(36)	-	-	(36)
<b>At 31 December 2018</b>	<b>618,006</b>	-	-	<b>618,006</b>

	THE COMPANY			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
<b>ECL allowance as at 1 January 2018</b>	<b>(3,554)</b>	-	-	<b>(3,554)</b>
New assets purchased	(71)	-	-	(71)
Assets derecognised or matured (excluding write offs)	2,607	-	-	2,607
Impact of net- remeasurement of year end ECL	(273)	-	-	(273)
<b>At 31 December 2018</b>	<b>(1,291)</b>	-	-	<b>(1,291)</b>

There were no transfers between stages during the year as there no observed deterioration in credit risks on any of the instruments in the portfolio.



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 11. LOANS AND RECEIVABLES AT AMORTISED COST

#### Loans and advances to customers

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
Loan and advances	886,899	840,178	285,439	286,894
Less: Allowance for ECL/impairment losses	(19,334)	(20,652)	(3,196)	(4,183)
	<b>867,565</b>	<b>819,526</b>	<b>282,243</b>	<b>282,711</b>
Analysed as follows:				
Non-current	715,373	691,450	197,514	201,572
Current	152,192	128,076	84,729	81,139
	<b>867,565</b>	<b>819,526</b>	<b>282,243</b>	<b>282,711</b>

#### Mortgage and other loans

The table below shows the credit quality and the maximum exposure to credit risk per based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.1

In Rs' 000	THE GROUP				
	2018				2017
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total	Total
High grade	793,582	-	-	793,582	736,007
Standard grade	-	35,116	-	35,116	55,446
<b>Non-performing</b>					-
Individually impaired	-	-	58,201	58,201	59,961
<b>Total</b>	<b>793,582</b>	<b>35,116</b>	<b>58,201</b>	<b>886,899</b>	<b>851,414</b>
In Rs' 000	THE COMPANY				
	2018				2017
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total	Total
High grade	262,502	-	-	262,502	267,809
Standard grade	-	17,295	-	17,295	14,873
<b>Non-performing</b>					
Individually impaired	-	-	5,642	5,642	6,179
<b>Total</b>	<b>262,502</b>	<b>17,295</b>	<b>5,642</b>	<b>285,439</b>	<b>288,861</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 11. LOANS AND RECEIVABLES AT AMORTISED COST (CONTINUED)

#### Loans and advances to customers (continued)

An analysis of changes in the gross carrying amount and the corresponding ECLs allowances in relation to mortgage and other loans is as follows:

In Rs' 000	THE GROUP			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
<b>Gross carrying amount as at 1 January 2018</b>	736,007	55,446	59,961	851,414
New asset purchased	237,995	-	-	237,995
Assets derecognised or matured (excluding write-offs)	(170,895)	(19,367)	(12,212)	(202,474)
Transfer to Stage 1	24,259	(18,436)	(5,823)	-
Transfer to Stage 2	(27,342)	29,063	(1,721)	-
Transfer to Stage 3	(6,407)	(11,590)	17,997	-
Amounts written off	(35)	(1)	-	(36)
<b>At 31 December 2018</b>	<b>793,582</b>	<b>35,115</b>	<b>58,202</b>	<b>886,899</b>

In Rs' 000	THE COMPANY			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2018	267,809	14,873	6,179	288,861
New asset purchased	106,987	-	-	106,987
Assets derecognised or matured (excluding write-offs)	(102,413)	(5,375)	(2,586)	(110,374)
Transfer to Stage 1	6,877	(6,041)	(836)	-
Transfer to Stage 2	(13,828)	14,670	(842)	-
Transfer to Stage 3	(2,895)	(832)	3,727	-
Amounts written off	(35)	-	-	(35)
<b>At 31 December 2018</b>	<b>262,502</b>	<b>17,295</b>	<b>5,642</b>	<b>285,439</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 11. LOANS AND RECEIVABLES AT AMORTISED COST (CONTINUED)

In Rs' 000	THE GROUP			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
<b>ECL allowance as at 1 January 2018</b>	4,505	1,275	15,727	21,507
New assets purchased	2,060	-	-	2,060
Assets derecognised or matured (excluding write offs)	(1,528)	(69)	(1,376)	-2,973
Transfers to Stage 1	4,404	(576)	(3,828)	-
Transfer to Stage 2	(255)	940	(685)	-
Transfer to Stage 3	(780)	(222)	1,002	-
Impact on year end ECL of exposure transferred between stages	(4,229)	(739)	3,744	-1,224
Recoveries	-	-	-	-
Amount written off	(35)	(1)	-	-36
<b>At 31 December 2018</b>	<b>4,142</b>	<b>608</b>	<b>14,584</b>	<b>19,334</b>

In Rs' 000	THE COMPANY			
	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
<b>ECL allowance as at 1 January 2018</b>	1,903	218	1,854	3,975
New assets purchased	935	-	-	935
Assets derecognised or matured (excluding write offs)	(820)	(25)	(563)	(1,408)
Transfers to Stage 1	732	(154)	(578)	-
Transfer to Stage 2	(139)	525	(386)	-
Transfer to Stage 3	(360)	(10)	370	-
Impact on year end ECL of exposure transferred between stages	(657)	(361)	747	(271)
Recoveries	-	-	-	-
Amount written off	(35)	-	-	(35)
<b>At 31 December 2018</b>	<b>1,559</b>	<b>193</b>	<b>1,444</b>	<b>3,196</b>

#### Impairment allowance as at 31 December 2017

An analysis of the allowance for impairment losses under IAS 39 for loan and advances, by class, for the year to 31 December 2017, is as follows:

In Rs' 000	THE GROUP	THE COMPANY
	Mortgage and other loans	Mortgage and other loans
2017		
At 1 January 2017	14,778	4,092
Charge for the year	5,901	(123)
Amount written off	(28)	214
At 31 December 2017	<b>20,651</b>	<b>4,183</b>
Made up of:		
Individual impairment	16,651	2,770
Collective impairment:	4,000	1,413
Total collective	<b>20,651</b>	<b>4,183</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 12. INSURANCE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
Premium debtors and agents' balances	<b>840,751</b>	777,402	<b>609,155</b>	556,364
Provision for credit impairment	<b>(110,602)</b>	(90,755)	<b>(24,703)</b>	(20,515)
	<b>730,149</b>	686,647	<b>584,452</b>	535,849
Amount due by reinsurers	<b>76,900</b>	108,056	<b>33,334</b>	19,396
Investment income receivable	<b>20,850</b>	114,028	<b>2,171</b>	12,621
Other receivables	<b>90,410</b>	133,680	<b>23,609</b>	22,150
	<b>918,309</b>	1,042,411	<b>643,566</b>	590,016

- (a) Premium debtors and agents' balances that are less than three months past due are not impaired. As at December 31, 2018, the Group had Rs 284m, and the Company had Rs 210m (2017: The Group had Rs 304m, and the Company had Rs 204m) that were more than 3 months past due but not impaired. The ageing analysis of these premium debtors is as follows:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
Up to 3 months	<b>446,579</b>	382,806	<b>374,824</b>	331,888
3 to 6 months	<b>163,329</b>	173,798	<b>106,305</b>	139,704
6 to 12 months	<b>112,262</b>	109,958	<b>103,323</b>	64,257
> 12 months	<b>7,979</b>	20,085	-	-
	<b>730,149</b>	686,647	<b>584,452</b>	535,849

- (b) Movement in provision for credit impairment

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
At January 1,	<b>90,755</b>	104,151	<b>20,515</b>	16,045
Charge/(release) during the year	<b>18,540</b>	(7,147)	<b>4,188</b>	4,470
Exchange difference	<b>1,307</b>	(6,249)	-	-
<b>At December 31,</b>	<b>110,602</b>	90,755	<b>24,703</b>	20,515

- (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, except for one balance in the form of fixed and floating charges on a property amounting to Rs 13.9m.
- (e) The maximum exposure to credit risk is disclosed in note 3.2.2.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 13 (A). REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>Gross</b>				
- Claims reported and loss adjustment expenses	1,220,903	1,742,841	763,169	1,002,590
- Claims incurred but not reported (IBNR)	170,656	198,205	85,876	73,639
- Unearned premiums	1,340,404	1,295,584	918,086	893,102
- Exchange differences	107	(75,175)	-	-
Total gross insurance contract liabilities	2,732,070	3,161,455	1,767,131	1,969,331
<b>Recoverable from reinsurers</b>				
- Claims reported and loss adjustment expenses	484,518	881,342	217,684	366,635
- Claims incurred but not reported (IBNR)	58,466	95,758	6,837	6,837
- Unearned premiums	368,679	388,643	203,817	200,852
- Exchange differences	(1,499)	(38,062)	-	-
Total reinsurers' share of insurance contract liabilities	910,164	1,327,681	428,338	574,324
<b>Net</b>				
- Claims reported and loss adjustment expenses	736,385	861,499	545,485	635,955
- Claims incurred but not reported (IBNR)	112,190	102,447	79,039	66,802
- Unearned premiums	971,725	906,941	714,269	692,250
- Exchange differences	1,606	(37,113)	-	-
Total net insurance contract liabilities	1,821,906	1,833,774	1,338,793	1,395,007

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 13. (A) REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES (CONTINUED)

	THE GROUP			2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>(i) Claims</b>									
<b>At January 1,</b>	1,896,684	(953,977)	942,707	1,424,563	(454,099)	970,464			
Claims incurred during the year	1,571,531	(306,557)	1,264,974	1,839,834	(704,478)	1,135,356			
Cash paid for claims settled during the year	(2,076,656)	717,552	(1,359,104)	(1,323,351)	181,477	(1,141,874)			
Exchange differences	(215)	1,768	1,553	(44,362)	23,123	(21,239)			
<b>At December 31,</b>	1,391,344	(541,214)	850,130	1,896,684	(953,977)	942,707			
Recognised notified claims	1,220,689	(482,749)	737,940	1,698,479	(858,219)	840,260			
Incurred but not reported (IBNR)	170,656	(58,466)	112,190	198,205	(95,758)	102,447			
	1,391,345	(541,215)	850,130	1,896,684	(953,977)	942,707			
Movement in outstanding claims	(505,125)	410,995	(94,130)	516,483	(523,001)	(6,518)			
Movement in insurance contract liabilities (Note 15)	438,150	-	438,150	739,701	-	739,701			
Movement during the year recognised in the profit and loss	(66,975)	410,995	344,020	1,256,184	(523,001)	733,183			
<b>Total claims and benefits paid</b>									
Claims-Non Life	2,076,656	(717,552)	1,359,104	1,323,351	(181,477)	1,141,874			
Claims and benefits-Life	564,231	(30,230)	534,001	547,826	(19,460)	528,366			
	2,640,887	(747,782)	1,893,105	1,871,177	(200,937)	1,670,240			
<b>(ii) Provision for unearned premiums</b>									
	Gross	Reinsurance	Net	Gross	Reinsurance	Net			
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000			
At January 1,	1,264,771	(373,705)	891,066	1,173,769	(312,768)	861,001			
Premium written during the year	3,297,804	(960,249)	2,337,555	3,140,200	(959,871)	2,180,329			
Premium earned during the year	(3,222,171)	965,275	(2,256,896)	(3,018,385)	883,996	(2,134,389)			
Exchange differences	322	(269)	53	(30,813)	14,938	(15,875)			
At December 31,	1,340,726	(368,948)	971,778	1,264,771	(373,705)	891,066			

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 13. (A) REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES (CONTINUED)

THE COMPANY	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
(i) Claims	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	1,076,229	(373,472)	702,757	977,712	(305,014)	672,698
Claims incurred during the year	1,156,075	(127,760)	1,028,315	1,128,234	(163,599)	964,635
Cash paid for claims settled during the year	(1,383,259)	276,711	(1,106,548)	(1,029,717)	95,141	(934,576)
At December 31,	849,045	(224,521)	624,524	1,076,229	(373,472)	702,757
Recognised notified claims	763,168	(217,684)	545,484	1,002,590	(366,635)	635,955
Incurred but not reported	85,876	(6,837)	79,039	73,639	(6,837)	66,802
	849,044	(224,521)	624,523	1,076,229	(373,472)	702,757
Movement during the year recognised in the profit and loss	(227,184)	148,951	(78,233)	98,516	(68,458)	30,059

  

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
(ii) Provision for unearned premiums	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	893,102	(200,852)	692,250	788,531	(131,079)	657,452
Premium written during the year	2,252,837	(516,180)	1,736,657	2,192,673	(531,313)	1,661,360
Premium earned during the year	(2,227,853)	513,215	(1,714,638)	(2,088,102)	461,540	(1,626,562)
At December 31,	918,086	(203,817)	714,269	893,102	(200,852)	692,250

### 13. (B) DEFERRED ACQUISITION COSTS RECEIVABLE

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	106,668	103,669	68,134	65,830
Movement	20,415	2,999	8,442	2,304
At December 31,	127,083	106,668	76,576	68,134

### 13. (C) DEFERRED ACQUISITION COSTS PAYABLE

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	45,440	31,955	35,078	31,955
Movement	24,286	13,485	13,984	3,123
At December 31,	69,726	45,440	49,062	35,078

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 14. ISSUED SHARE CAPITAL

THE GROUP AND THE COMPANY	Authorised		Issued and fully paid	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Ordinary shares of Rs.10 each	500,000	500,000	450,900	450,900

The authorised share capital of the company is 50 million shares (2017: 50 million shares).

	THE GROUP AND COMPANY	
	2018	2017
	No. of shares (000)	No. of shares (000)
At January 1 and December 31,	45,090	45,090

	THE GROUP AND COMPANY			
	2018		2017	
	Per Value Rs'000	Share Premium Rs'000	Per Value Rs'000	Share Premium Rs'000
At January 1 and December 31,	450,900	273,068	450,900	273,068

### 15. LIFE ASSURANCE FUND

	THE GROUP	
	2018	2017
	Rs'000	Rs'000
At January 1,	6,791,287	6,051,588
Transfer of surplus from the Life business revenue account	438,150	739,699
At December 31,	7,229,437	6,791,287

See accounting policy note 2.4 (c).

The actuaries of MUA Life Ltd are Deloitte, South Africa. The latest actuarial valuation of the Life assurance fund was done at 31 December 2018. At the end of every year, the amount of the liabilities of the Life assurance fund is established. The surplus between the fair value of the assets and the fair value of the liabilities amounting to Rs 171,018,000 (2017: Rs135,215,000) has been transferred to profit or loss. This portion is calculated by MUA Life Ltd 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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 15. LIFE ASSURANCE FUND (CONTINUED)

	THE GROUP	
	2018	2017
	Rs'000	Rs'000
Life Fund 1 January	6,791,287	6,051,588
Premium (net of reinsurance)	921,847	782,121
Interest, dividends and rent	439,817	351,423
Realised capital loss	329	(141)
Unrealised capital gain	(51,929)	412,440
Disposal of asset	(167)	(36)
Death and disability claims (net of reinsurance)	(26,872)	(23,324)
Maturity claims	(279,018)	(247,719)
Surrenders	(101,574)	(142,209)
Annuities and pensions	(115,719)	(110,577)
Other benefits	(10,818)	(4,537)
Commissions (net of reinsurance)	(20,589)	(18,032)
Management expenses	(134,617)	(117,429)
Depreciation and amortisation of assets	(7,668)	(7,066)
Transfer to revenue account	(174,872)	(135,215)
Life fund 31 December	7,229,437	6,791,287

### 15. (A) INVESTMENT CONTRACT LIABILITIES

	THE GROUP	
	2018	2017
	Rs'000	Rs'000
At January 1,	774,876	663,777
Contributions	88,112	83,751
Withdrawals	(25,697)	(30,708)
Investment fair value adjustment	29,469	58,056
At December 31,	866,760	774,876

Following a change in the Private Pension Scheme Act effective from January 1, 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 December 31, 2018 and 2017 represent fair value of investments.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 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	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	(60,657)	(63,204)	14,875	16,329
Over provision of deferred tax (note 20)	(710)	8,514	(392)	1,870
Deferred tax charge for the year (note 20)	5,364	(10,185)	(1,600)	(3,324)
Deferred tax charge to OCI	-	-	(201)	-
Effect of exchange differences	317	4,218	-	-
At December 31,	(55,686)	(60,657)	12,682	14,875

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	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax liabilities	(92,437)	(98,973)	-	-
Deferred tax assets	36,751	38,316	12,682	14,875
	(55,686)	(60,657)	12,682	14,875

Deferred tax assets and liabilities are attributable to the following:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>Deferred tax liabilities</b>				
Deferred tax on client portfolio	(14,415)	(19,725)	-	-
Deferred tax on revaluation of investment property	(82,029)	(73,372)	-	-
Provisions	2,646	(5,876)	-	-
Difference between capital allowances and depreciation	1,361	-	-	-
	(92,437)	(98,973)	-	-

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 16. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

	THE GROUP		THE COMPANY	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
<b>Deferred tax assets</b>				
Difference between capital allowances and depreciation	25,251	13,069	5,470	8,989
Provision for bad debts	7,234	15,473	4,200	3,487
Provision for impairment of loan receivables	543	712	543	712
Provision for impairment on balances with related party	125	-	125	-
Provision for impairment of FVOCI	82	-	82	-
Provision for impairment on amortised cost	219	-	219	-
Retirement benefit obligations	2,043	1,687	2,043	1,687
Provision for expenses	1,254	7,375	-	-
	<b>36,751</b>	<b>38,316</b>	<b>12,682</b>	<b>14,875</b>
	<b>(55,686)</b>	<b>(60,657)</b>	<b>12,682</b>	<b>14,875</b>

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 853.5m (2017: Rs1.093m) to carry forward against future taxable income. These can be carried forward over the next 5 years.

### 17. EMPLOYEE BENEFIT OBLIGATIONS

#### Pension schemes

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

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

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

	THE GROUP AND COMPANY	
	2018 Rs'000	2017 Rs'000
Funded obligation (note a)	9,177	8,331
Unfunded obligation (note b)	2,730	3,430
	<b>11,907</b>	<b>11,761</b>

#### (a) Funded obligation

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

	THE GROUP AND COMPANY	
	2018 Rs'000	2017 Rs'000
Defined benefit of funded obligation	11,818	10,881
Fair value of plan assets	(2,641)	(2,550)
Benefit liability	<b>9,177</b>	<b>8,331</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

#### (a) Funded obligation (continued)

#### (i) Movement of defined benefit of funded obligations:

	THE GROUP AND COMPANY	
	2018 Rs'000	2017 Rs'000
At 1 January	10,881	8,197
Benefits paid	-	-
<b>Amount recognised in profit or loss:</b>		
Interest income	609	574
<b>Amount recognised in other comprehensive income:</b>		
Actuarial changes arising from changes in financial assumptions	328	2,110
<b>At 31 December</b>	<b>11,818</b>	<b>10,881</b>

#### (ii) Movement of defined benefit of funded obligations:

	THE GROUP AND COMPANY	
	2018 Rs'000	2017 Rs'000
At 1 January	2,550	2,296
Benefits paid	-	-
<b>Amount recognised in profit or loss:</b>		
Interest income	143	161
<b>Amount recognised in other comprehensive income:</b>		
Actuarial changes arising from changes in financial assumptions	(52)	93
<b>At 31 December</b>	<b>2,641</b>	<b>2,550</b>

The main categories of plan assets are as follows:

	THE GROUP AND COMPANY	
	2018 %	2017 %
Local equities	46	46
Local -Debt Maturity >=12 months	34	34
Local-Cash and Debt Maturity	9	9
Overseas equities	11	11
	<b>100</b>	<b>100</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 17. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

#### (a) Funded obligation (continued)

The principal actuarial assumptions used for accounting purposes were:

	THE GROUP AND COMPANY	
	2018	2017
Discount rate	5.4%	5.6%
Expected rate of return on plan assets	5.4%	5.6%
Future salary increases*	0.0%	0.0%
Future pension increases	3.0%	3.0%
Deferred pension increases	0.0%	0.0%
Actuarial table for employee mortality		PMA 92-PFA

\* As from 30 June 2007, all employees under this pension plan were transferred to another existing pension scheme. Thus there will be no movement in future salary increase and number of employees in the old scheme.

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
2018				
Impact on defined benefit obligation	(1,703)	2,144	1,460	(1,243)
2017				
Impact on defined benefit obligation	(1,607)	2,031	1,345	(1,145)

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
2018	151	(149)	175	(174)
2017	135	(134)	156	(155)

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 (2017: 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	
	2018	2017
	Rs'000	Rs'000
Present value of unfunded obligation	2,730	3,430

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 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	
	2018	2017
	Rs'000	Rs'000
At 1 January	3,430	2,887
Amount recognised in profit or loss:		
Interest cost	860	674
Amount recognised in other comprehensive income:		
Actuarial (gains)/losses*	(1,560)	(131)
Benefit paid	-	-
At December 31,	2,730	3,430

The principal actuarial assumptions used for accounting purposes were:

Assumptions	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
Discount rate	5.5%	4.8%	5.5%	4.8%
Future salary increase	4.8%	4.0%	4.8%	4.0%
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.

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
2018				
Impact on defined benefit obligation	(1,346)	2,192	N/A	N/A
2017				
Impact on defined benefit obligation	(1,591)	2,653	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
2018				
Impact on defined benefit obligation	235	(234)	90	(92)
2017				
Impact on defined benefit obligation	249	(244)	98	(99)

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 18. BORROWINGS

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Non-current				
Preference share capital (i)	100,000	100,000	100,000	100,000
Subordinated bonds (ii)	200,000	200,000	200,000	200,000
	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>
<b>Analysed as follows:</b>				
Non-current	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>

- (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 May 30, 2016. The preference share shall be redeemed on the 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<sup>nd</sup> January 2015. The maturity date is 24<sup>th</sup> September 2024. Interest rate until 23<sup>rd</sup> September 2019 has been determined at weighted average of Repo +1.85% pa and from 24<sup>th</sup> September 2019 to 23<sup>rd</sup> September 2024, will be weighted average of Repo rate +2.10% pa.

### 19. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Loans repaid in advance	6,332	12,383	1,029	1,498
Premiums prepaid	37,963	39,976	20,748	22,735
Amounts due to reinsurers	153,291	209,016	76,272	71,703
Commission payables	106,345	92,568	66,297	61,744
Accruals	84,069	75,789	51,237	50,091
Stale cheques	44,239	36,229	4,172	2,007
FSC charges	6,067	13,273	2,213	2,060
VAT payable	6,395	6,516	5,292	1,130
Interest payable	6,373	7,080	6,377	7,081
Cash held guarantee	7,450	6,247	-	-
Salaries & wages payable	3,762	3,766	-	-
Payables to suppliers	15,417	3,813	-	-
Payables to garages and clients	31,427	28,974	-	-
Rent security deposit and advances	11,461	8,587	-	-
Client monies	31,939	37,010	-	-
Other payables	79,342	67,176	-	-
	<b>631,872</b>	<b>648,403</b>	<b>233,637</b>	<b>220,049</b>

The carrying amounts of trade and other payables approximate their fair values. Trade and other payables are non-interest bearing and are repayable within one year.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 20. TAX CHARGE

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
(a) In the statements of profit or loss				
Income tax provision at applicable rate	56,730	53,083	21,327	16,159
CSR tax	3,573	2,498	2,845	2,155
Tax withheld on dividend received	3,122	1,301	-	-
Under/(over) provision of income tax	(2,835)	2,554	(13)	(945)
(Over)/Under provision of deferred tax due to adoption of IFRS9	710	(8,514)	392	(1,870)
Deferred tax charge (Note 16)	(5,364)	10,185	1,600	3,324
Under provision CSR	57	-	57	-
Tax charge for the year	<b>55,993</b>	<b>61,107</b>	<b>26,208</b>	<b>18,823</b>

#### (b) In the statements of financial position

At January 1,	(3,136)	(7,731)	9,643	12,242
Payment	(60,591)	(45,858)	(21,765)	(19,968)
Tax withheld	(3,122)	(1,301)	-	-
Under/(over) provision of income tax	2,835	(2,554)	(13)	(945)
Income tax expenses	56,730	53,083	21,327	16,159
CSR tax	3,630	2,498	3,263	2,155
Exchange differences	(4,296)	(1,273)	-	-
<b>At December 31,</b>	<b>(7,950)</b>	<b>(3,136)</b>	<b>12,455</b>	<b>9,643</b>

(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	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Profit before taxation	410,356	382,743	179,287	165,297
Tax thereon at applicable rate*	54,978	64,484	26,893	24,795
Corporate Social Responsibility at the rate of 2%	4,015	3,634	3,586	3,306
	<b>58,993</b>	<b>68,118</b>	<b>30,479</b>	<b>28,101</b>
Tax effect of :				
Income not subject to tax	(342)	(5,401)	-	-
Expenses not deductible for tax purposes	4,240	1,975	4,381	1,342
Income exempt for tax	(10,694)	(15,181)	(9,088)	(5,218)
Non taxable income	-	(2,587)	-	(2,587)
Deferred tax assets not recognised	9,643	18,842	-	-
(Over)/under provision of deferred tax in prior years	(5,772)	(8,514)	392	(1,870)
Under/(over) provision of income tax	(132)	2,554	(13)	(945)
Under provision of CSR tax	57	-	57	-
Tax withheld on dividend received	-	1,301	-	-
	<b>55,993</b>	<b>61,107</b>	<b>26,208</b>	<b>18,823</b>

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



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 21. NET EARNED PREMIUMS

(a) Gross Premium earned is as follows:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Non Life insurance	3,297,804	3,140,200	2,252,837	2,192,673
Life insurance	1,034,009	876,773	-	-
Change in unearned premiums provision	(75,633)	(121,815)	(24,984)	(104,571)
	<b>4,256,180</b>	<b>3,895,158</b>	<b>2,227,853</b>	<b>2,088,102</b>

(b) Premium ceded to reinsurers is as follows:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Non Life insurance	(960,249)	(959,871)	(516,180)	(531,313)
Life insurance	(112,162)	(94,652)	-	-
Change in unearned premiums provision	(5,024)	75,875	2,966	69,773
	<b>(1,077,435)</b>	<b>(978,648)</b>	<b>(513,214)</b>	<b>(461,540)</b>
<b>Net earned premiums</b>	<b>3,178,745</b>	<b>2,916,510</b>	<b>1,714,639</b>	<b>1,626,562</b>

### 22. FEES AND COMMISSION INCOME

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Reinsurance commission	250,286	215,908	109,086	82,842
Other fees	510	510	510	510
	<b>250,796</b>	<b>216,418</b>	<b>109,596</b>	<b>83,352</b>
Revenue from contract with customers				
Policy fees - at point in time revenue	21,335	17,713	20,727	17,489
	<b>272,131</b>	<b>234,131</b>	<b>130,323</b>	<b>100,841</b>

### 23. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Rental income from investment property	8,697	12,551	-	-
Dividend income	87,548	87,948	54,327	31,264
	<b>96,245</b>	<b>100,499</b>	<b>54,327</b>	<b>31,264</b>

### 24. REALISED GAINS/(LOSSES)

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>Property and equipment</b>				
Gain on disposal	494	1,284	654	1,030
<b>Financial assets</b>				
Realised loss on FVTPL	(945)	(141)	(1,274)	-
Realised gain on amortised costs	2,360	-	2,360	-
	<b>1,909</b>	<b>1,143</b>	<b>1,740</b>	<b>1,030</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 25. UNREALISED (LOSSES)/GAINS

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Gain/(loss) on fair value through profit or loss (note 10(b))	(64,625)	427,619	(12,728)	15,178
	<b>(64,625)</b>	<b>427,619</b>	<b>(12,728)</b>	<b>15,178</b>

### 26. OTHER OPERATING INCOME

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Brokerage fees	8,572	6,796	-	-
Administration fees	44,295	40,301	-	-
Management fees	7,693	7,379	-	-
Exchange gains	16,685	12,434	-	-
Rental of GIS	8,918	1,311	8,918	1,311
Actuarial fee	4,276	5,697	-	-
Stale cheques	1,822	1,220	1,822	1,220
Loan fees	942	1,187	941	1,187
Other income	4,675	13,887	986	374
	<b>97,878</b>	<b>90,212</b>	<b>12,667</b>	<b>4,092</b>

### 27. COMMISSION AND BROKERAGE FEES PAID

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Commission paid	512,275	489,140	318,276	313,874
Other charges	19,605	5,064	15,245	5,064
	<b>531,880</b>	<b>494,204</b>	<b>333,521</b>	<b>318,938</b>

### 28. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Notes	THE GROUP		THE COMPANY	
		2018	2017	2018	2017
		Rs'000	Rs'000	Rs'000	Rs'000
Exchange loss		1,383	8,268	1,383	1,941
Management expenses		830,469	828,578	373,694	342,665
Depreciation	5	32,070	33,353	17,352	17,865
Amortisation	7	35,538	34,149	19,085	18,171
		<b>899,460</b>	<b>904,348</b>	<b>411,514</b>	<b>380,642</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 29. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Interest expense:				
- Notional interest on interest free loan		-	-	-
- Dividend on redeemable preference shares	6,000	6,000	6,000	6,000
- Interest on subordinated bonds	11,063	11,387	11,063	11,387
- Interest on bank overdraft	130	827	-	-
	<b>17,193</b>	<b>18,214</b>	<b>17,063</b>	<b>17,387</b>

### 30. PROFIT BEFORE TAX

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
The profit before tax has been arrived at				
<b>After crediting:</b>				
Investment income				
- dividend income (note 23)	87,548	87,948	54,327	31,264
- interest on financial assets and loans (note 23)	557,834	481,113	72,920	72,401
(Loss)/profit on disposal of financial assets (note 24)	(945)	(141)	(1,274)	-
Gain on sale of property and equipment	494	1,284	654	1,030
<b>And charging:</b>				
Auditors' fees	7,195	7,006	1,645	1,727
Employee benefit expenses (note 31)	453,565	440,916	225,707	209,208
Depreciation on property and equipment (note 5)	32,070	33,353	17,352	17,865
Amortisation of intangible assets (note 7)	35,538	34,149	19,085	18,171

### 31. EMPLOYEE BENEFIT EXPENSES

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Wages and salaries	381,096	375,508	190,127	177,595
Social Security costs	10,839	9,990	7,684	7,355
- Defined contributions	30,418	26,015	14,765	13,734
- Defined benefits	1,326	1,087	1,326	1,087
Other costs	29,886	28,316	11,805	9,437
	<b>453,565</b>	<b>440,916</b>	<b>225,707</b>	<b>209,208</b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 32. DIVIDENDS PAID

			THE GROUP AND COMPANY	
			2018	2017
			Rs'000	Rs'000
<b>Paid</b>				
Interim ordinary dividend	0.75	0.75	33,817	33,817
Final ordinary dividend	1.93	1.84	87,024	82,966
			<b>120,841</b>	<b>116,783</b>

Dividend per share: Interim Rs 0.75 (2017: Rs 0.75).

Dividend per share: Final Rs 1.93 (2017: Rs 1.84).

### 33. SHARE BASED PAYMENT

The Mauritius Union Assurance Cy Ltd (MUA) has set up a Share Option Scheme ("SOS") to selected members of its executive management team as described below:

#### Share Option Scheme

The type of share-based payment that MUA has opted is an "equity-settled" share-based payment. A shared understanding of the terms and conditions of the share based payment arrangements has been agreed between the MUA and its executive management team. At grant date, will confer to its executive management team options to subscribe for shares in MUA from 1 January 2018 to 31 March 2021 ("vesting period") subject to certain vesting conditions. The option is exercisable after 31 March 2023.

The vesting period has been fixed by the Board at 39 months during which the executive management team members have to remain in employment with MUA. Therefore, the equity instruments started to vest during the financial year December 2018.

Once the shares are issued, they will rank 'pari passu' as to dividend, capital, voting rights and in all other respects with the existing shares of MUA.

The SOS is subject to an aggregate maximum number of shares which may be utilised and the SOS would be allowed to grant shares up to a maximum dilution of 2.5% of shareholders ("Maximum SOS allocation"). Based on the current capital structure, this represents a maximum of 1,156,000 shares, which can be issued to the participants.

The objectives of the SOS are as follows:

- Focusing key staff on long term objectives to build sustainable value.
- Delivering value to shareholders by focusing the executive management team on growth of the share price.
- Aligning the objectives of management with those of the shareholders.
- Encouraging the adoption of a team environment and business culture.

For the year ended 31 December 2018, a total charge of Rs 3.6m (2017: Rs.nil) has been recognised as share based payment expense in profit or loss for executive still in employment at year end based on the fair value of MUA shares awarded.

MUA equity instruments are publicly traded, the fair value of the equity instrument granted was determined using the Black Scholes option valuation model.

The weighted average estimated fair value of shares at the date of exercise of these options was Rs 10.06 (2017: Rs nil).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was 27 Months (2017: nil).

The weighted average fair value of options granted during the year was Nil (2017: nil).

The exercise price for options outstanding at the end of the year was Rs 59.01 (2017: Rs nil).

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 34. 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		Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
	31 December 2018 Rs'000	31 December 2017 Rs'000	2018	2017	2018	2017	2018	2017	2018	2017
<b>Investment properties:</b>										
Land	79,000	79,000	Level 2	Level 2	Sales comparison approach and selling price		N/A	N/A	N/A	N/A
Building	392,595	393,902	Level 2	Level 2	Sales comparison approach and selling price		N/A	N/A	N/A	N/A
<b>Property and equipment:</b>										
Land	40,000	40,000	Level 2	Level 2	Sales comparison approach and selling price		N/A	N/A	N/A	N/A
Building	215,087	217,957	Level 2	Level 2	Sales comparison approach and selling price		N/A	N/A	N/A	N/A
<b>Financial assets at fair value through other comprehensive income:</b>										
<i>Quoted securities:</i>										
Banks and Insurance	121,316	125,706	Level 1	Level 1		N/A	N/A	N/A	N/A	N/A
Commerce	2,756	2,452	Level 1	Level 1		N/A	N/A	N/A	N/A	N/A
Investments	56,522	58,306	Level 1	Level 1		N/A	N/A	N/A	N/A	N/A
Leisure and Hotels	90,258	98,472	Level 1	Level 1		N/A	N/A	N/A	N/A	N/A
Others	81,166	66,317	Level 1	Level 1		N/A	N/A	N/A	N/A	N/A
<i>Debt instrument:</i>										
Quoted	21,919	-	Level 1			N/A	N/A	N/A	N/A	N/A
Unquoted	100,998	-	Level 2		Yield to maturity		N/A	N/A	N/A	N/A
<i>Unquoted securities:</i>										
Foreign Equities	21,663	25,673	Level 3	Level 3						
Commerce	110	69	Level 3	Level 3						
Others	26,584	23,693	Level 3	Level 3						
<i>Open Ended Mutual Funds:</i>										
Local	-	60,801	Level 2	Level 2						
					Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A

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	Key unobservable inputs	Range of unobservable inputs (probability –weighted average)	Relationship of unobservable inputs to fair value
	31 December 2018 Rs'000	31 December 2017 Rs'000				
Foreign equities - Leisure and hotels	11,016	14,248	Price to Book value	Discount due to lack of marketability	20% - 40%	A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 0.5m (2017: Rs 0.7m) in fair value.
Foreign equities - Reinsurance	10,646	11,425	Dividend discount model	Discount due to lack of marketability	10% -20%	A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 0.53m (2017: Rs 0.51m) in fair value.
Commerce and others	26,695	23,762	Net Assets Value	Fluctuation in NAV	0% - 5%	A 5% increase/decrease in discount factor will lead to a decrease/increase of Rs 0.98m (2017: Rs 0.99m)

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 34. FAIR VALUE MEASUREMENTS (CONTINUED)

THE GROUP Assets/Liabilities Financial assets at fair value through profit or loss:	Fair value as at		Fair Value Hierarchy		Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
	31 December 2018	31 December 2017	2018	2017	2018	2017	2018	2017	2018	2017
	Rs'000	Rs'000								
Quoted securities:										
Banks and Insurance	1,084,937	1,231,006	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Commerce	94,643	85,713	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Industry	56,388	53,031	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Investments	954,141	782,731	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Leisure and Hotels	218,267	213,695	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Sugar	57,909	81,873	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Others	67,619	63,988	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Unquoted securities:										
Investment	71,882	69,832	Level 3	Level 3						
Leisure and Hotels	17,726	7,222	Level 3	Level 3						
Open Ended Mutual Funds:										
Local	95,328	30,060	Level 2	Level 2	Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A
Foreign	415,107	454,545	Level 2	Level 2	Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A
Local corporate debt	-	209,036	Level 2	Level 2	Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A
Foreign Corporate Debt	-									
Investment contract liabilities (a)	866,760	774,876	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A

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

(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	Key unobservable inputs	Range of unobservable inputs (probability –weighted average)	Relationship of unobservable inputs to fair value
	31 December 2018	31 December 2017				
	Rs'000	Rs'000				
Foreign equities - Leisure and hotels	17,726	7,222	Comparable EV/EBITDA	Discount due to lack of marketability	20% - 30%	An increase/decrease in discount factor will lead to a decrease/ increase of Rs 0.372m (2017: Rs 0.0372m) in fair value.
Foreign equities: Investment	71,882	69,832	NAV	FV of underlying property	5%	An increase/decrease in FV of property will lead to an increase/ decrease of Rs 3.5m (2017: Rs 3.5m) in fair value.

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

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 34. FAIR VALUE MEASUREMENTS (CONTINUED)

THE COMPANY Assets/Liabilities	Fair value as at		Fair Value Hierarchy		Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
	31 December 2018	31 December 2017								
	Rs'000	Rs'000	2018	2017	2018	2017	2018	2017	2018	2017
<b>Investment properties:</b>										
Land	75,000	75,000	Level 2	Level 2	Sales comparison approach and selling price		N/A	N/A	N/A	N/A
Building	4,000	4,000	Level 2	Level 2	Sales comparison approach and selling price		N/A	N/A	N/A	N/A
<b>Property and equipment:</b>										
Land	40,000	40,000	Level 2	Level 2	Sales comparison approach and selling price		N/A	N/A	N/A	N/A
Building	140,630	143,500	Level 2	Level 2	Sales comparison approach and selling price		N/A	N/A	N/A	N/A

THE COMPANY Financial assets at fair value through other comprehensive income:	Fair value as at		Fair Value Hierarchy		Valuation technique(s) and key input(s)		Significant unobservable input(s)		Relationship of unobservable inputs to fair value	
	31 December 2018	31 December 2017								
	Rs'000	Rs'000	2018	2017	2018	2017	2018	2017	2018	2017
<b>Quoted securities:</b>										
Banks and Insurance	109,668	114,600	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Commerce	2,756	2,452	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Investments	56,522	58,306	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Leisure and Hotels	90,258	98,472	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
Others	53,891	51,657	Level 1	Level 1	N/A	N/A	N/A	N/A	N/A	N/A
<b>Unquoted securities:</b>										
Foreign Equities	21,665	25,673	Level 3	Level 3						
Commerce	110	69	Level 3	Level 3					see disclosure in Note (i)	
Others	650	583	Level 3	Level 3						
<b>Open Ended Mutual Funds:</b>										
Local	-	58,339	Level 2	Level 2	Net Assets Value	Net Assets Value	N/A	N/A	N/A	N/A
<b>Debt instruments:</b>										
Quoted bond	21,919	-	Level 1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unquoted bond	100,998	-	Level 2	N/A	Yield To Maturity	N/A	N/A	N/A	N/A	N/A
<b>Financial assets at fair value through profit or loss:</b>										
Local corporate debt	-	209,036	N/A	Level 2	N/A	Yield To Maturity	N/A	N/A	N/A	N/A
<b>Open-Ended Mutual Funds:</b>										
Local	60,111	-	Level 2	N/A	Net Assets Value	N/A	N/A	N/A	N/A	N/A

(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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 34. FAIR VALUE MEASUREMENTS (CONTINUED)

Type	Fair value as at		Valuation approach	Key unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
	31 December 2018 Rs'000	31 December 2017 Rs'000				
Foreign equities: Leisure and hotels	11,017	14,248	Price to Book Value	Discount due to lack of marketability	30% - 50%	A 5% increase/decrease in discount factor will lead to a decrease/ increase of Rs.0.5m (2017: Rs.0.7m) in fair value.
Foreign equities: Reinsurance	10,647	11,425	Dividend discount model	Discount due to lack of marketability	10% -20%	A 5% increase/decrease in discount factor will lead to a decrease/ increase of Rs.0.5m (2017: Rs.0.5m) in fair value.
Commerce and others	760	652	Net Assets Value	Fluctuation in NAV	0% - 5%	A 5% increase/decrease in NAV will lead to an increase/ decrease of Rs.0.038m (2017: Rs.0.033m)

- (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.

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 34. FAIR VALUE MEASUREMENTS (CONTINUED)

THE GROUP	Carrying amount		Fair value	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>Loans and receivables:</b>				
Mortgage Loans	418,058	455,986	410,385	482,115
Loans on Life policies	14,232	16,457	15,260	17,894
Secured Loans	430,646	352,570	455,169	374,906
Unsecured Loans	1,961	2,711	2,093	2,820
CDS guarantee fund	2,668	3,038	2,282	2,764
<b>Debt instruments at amortised cost:</b>				
Deposits and corporate bonds	605,754	1,004,016	95,428	198,091
Government loan stocks	5,963,922	4,682,413	5,234,472	4,734,681
<b>Financial liabilities:</b>				
Preference share capital	100,000	100,000	125,230	122,455
Subordinate bonds	200,000	200,000	202,595	202,935

THE COMPANY	Carrying amount		Fair value	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
<b>Loans and receivables:</b>				
Mortgage Loans	2,403	3,037	2,549	3,192
Secured Loans	277,879	278,930	294,443	295,897
Unsecured Loans	1,061	2,711	2,093	2,820
<b>Debt instruments at amortised cost:</b>				
Deposits and corporate bonds	119,850	395,874	95,428	198,091
Government loan stocks	496,866	231,668	483,765	408,994
<b>Financial liabilities:</b>				
Preference share capital	100,000	100,000	125,230	122,455
Subordinate bonds	200,000	200,000	202,595	202,935

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 34. FAIR VALUE MEASUREMENTS (CONTINUED)

THE GROUP	Fair value hierarchy as at 31 December 2018			
	Level 1	Level 2	Level 3	Total
<b>Loans and receivables:</b>				
Mortgage Loans	-	410,385	-	410,385
Loans on Life policies	-	15,260	-	15,260
Secured Loans	-	455,169	-	455,169
Unsecured Loans	-	2,093	-	2,093
CDS guarantee fund	-	2,282	-	2,282
<b>Debt instruments at amortised cost:</b>				
Deposits and corporate bonds	-	95,428	-	95,428
Government loan stocks	-	5,234,472	-	5,234,472
<b>Financial liabilities:</b>				
Preference share capital	-	125,230	-	125,230
Subordinate bonds	202,595	-	-	202,595

THE GROUP	Fair value hierarchy as at 31 December 2017			
	Level 1	Level 2	Level 3	Total
<b>Loans and receivables:</b>				
Mortgage Loans	-	482,115	-	482,115
Loans on Life policies	-	17,894	-	17,894
Secured Loans	-	374,906	-	374,906
Unsecured Loans	-	2,820	-	2,820
CDS guarantee fund	-	2,764	-	2,764
<b>Debt instruments at amortised cost:</b>				
Deposits and corporate bonds	-	198,091	-	198,091
Government loan stocks	-	4,734,681	-	4,734,681
<b>Financial liabilities:</b>				
Preference share capital	-	122,455	-	122,455
Subordinate bonds	202,935	-	-	202,935

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 34. FAIR VALUE MEASUREMENTS (CONTINUED)

THE COMPANY	Fair value hierarchy as at 31 December 2018			
	Level 1	Level 2	Level 3	Total
<b>Loans and receivables:</b>				
Mortgage Loans	-	2,549	-	2,549
Secured Loans	-	294,443	-	294,443
Unsecured Loans	-	2,093	-	2,093
<b>Debt instruments at amortised cost:</b>				
Deposits and corporate bonds	-	95,428	-	95,428
Government Loan Stocks	-	483,765	-	483,765
<b>Financial liabilities:</b>				
Preference share capital	-	125,230	-	125,230
Subordinate bonds	202,595	-	-	202,595

THE COMPANY	Fair value hierarchy as at 31 December 2017			
	Level 1	Level 2	Level 3	Total
<b>Loans and receivables:</b>				
Mortgage Loans	-	3,192	-	3,192
Secured Loans	-	295,897	-	295,897
Unsecured Loans	-	2,820	-	2,820
CDS guarantee fund	-	-	-	-
<b>Debt instruments at amortised cost:</b>				
Deposits and corporate bonds	-	198,091	-	198,091
Government Loan Stocks	-	408,994	-	408,994
<b>Financial liabilities:</b>				
Preference share capital	-	122,455	-	122,455
Subordinate bonds	202,935	-	-	202,935

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

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Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 34. 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:

	2018 THE GROUP			2017 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 January 1,	77,054	49,445	126,499	74,720	51,436	126,156
Unrealised gains	12,554	(103)	12,451	2,334	(2,054)	280
Total gains in other comprehensive income	-	(985)	(985)	-	63	63
Purchases	-	-	-	-	-	-
At 31 December	89,608	48,357	137,965	77,054	49,445	126,499

	2018 THE COMPANY			2017 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 January 1,	-	26,325	26,325	-	26,382	26,382
Total (loss)/ gains in other comprehensive income	-	(3,900)	(3,900)	-	(57)	(57)
At 31 December	-	22,425	22,425	-	26,325	26,325



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 35. 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.

2018	THE GROUP						
	Casualty	Property	Total General*	Life	Other	Consolidated Adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Income</b>							
Net earned premium	1,880,213	376,685	2,256,898	921,847			3,178,745
Fee and commission income	93,053	144,372	237,425	34,706			272,131
Brokerage fees	-	-	-		8,261		8,261
Share of profit from joint venture	4,327	1,067	5,394	-			5,394
Investment and other income	184,160	73,820	257,980	415,334	60,279	(52,614)	680,979
Segment income	2,161,753	595,944	2,757,697	1,371,887	68,540	(52,614)	4,145,510
<b>Expenses</b>							
Gross claims and benefits	1,348,422	728,234	2,076,656	564,231	-	-	2,640,887
Claims recovered from Reinsurers	(151,938)	(565,613)	(717,551)	(30,231)	-	-	(747,782)
Movement in outstanding claims	(104,299)	10,169	(94,130)	467,619	-	-	373,489
Commission and brokerage fee paid	300,222	176,363	476,585	55,295	-	-	531,880
Management expenses	519,846	164,419	684,265	132,433	46,245	10,596	852,347
Finance costs	13,688	3,375	17,063	-	130	-	17,193
Depreciation	21,102	6,024	27,126	3,833	717	-	31,676
Amortisation	15,724	4,387	20,111	3,834	-	11,519	35,464
Impairment of subsidiary							
	1,962,767	527,358	2,490,125	1,197,014	47,092	923	3,735,154
Segment profit before tax	198,986	68,586	267,572	174,873	21,448	(53,537)	410,356
Profit before taxation							410,356
Taxation							(55,993)
Profit for the year							354,363

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 35. SEGMENT INFORMATION (CONTINUED)

2017	THE GROUP						
	Casualty	Property	Total General*	Life	Other	Consolidated Adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Income</b>							
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
<b>Expenses</b>							
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 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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 35. SEGMENT INFORMATION (CONTINUED)

2018	THE GROUP						
	Casualty	Property	Total General*	Life	Other	Consolidated Adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	4,864,865	1,781,510	6,646,375	9,049,245	107,689	(758,161)	15,045,149
Segment liabilities	716,236	266,656	982,892	97,333	26,427	(710)	1,105,942
<b>Technical liabilities</b>							
- Unearned premium reserve							1,883,026
- Life assurance fund							7,229,437
- Investment contract liabilities							866,760
- Outstanding claims							849,044
Total equity							3,110,940
Capital expenditure							
Property, plant and equipment	9,602	4,358	13,960	2,392	623	-	16,975
Intangible assets	8,980	3,268	12,248	3,151	-	-	15,399

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

2017	THE GROUP						
	Casualty	Property	Total General*	Life	Other	Consolidated Adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	5,892,893	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
<b>Technical liabilities</b>							
- 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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 35. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHIC INFORMATION	Income from External Customers		Non Current Assets	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Mauritius	3,361,701	3,554,673	11,003,599	10,095,760
Kenya	160,284	149,608	227,563	215,304
Tanzania	255,604	217,508	283,317	291,521
Uganda	140,467	127,891	82,781	40,570
Rwanda	222,060	201,547	77,826	53,463
	<b>4,140,116</b>	<b>4,251,227</b>	<b>11,675,086</b>	<b>10,696,618</b>

### 36. 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 2.8m) (2017: Rs 9.3m). 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.

### 37. COMMITMENTS

Outstanding financial commitments:	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Loans approved by the Board of Directors but not yet disbursed	53,935	23,077	3,775	11,124

### 38. BASIC AND DILUTED EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted EPS computations	THE GROUP	
	2018	2017
	Rs'000	Rs'000
Profit attributable to equity holders of the parent	309,069	281,886
Weighted average number of ordinary shares ranking for dividend	45,207,843	45,090,000
Earnings per share - Basic	6.85	6.25
Earnings per share - Diluted	6.84	6.25

As described in note 33, the Company has set up a share option scheme for a total number of shares offered of 1,156,000 shares. An incremental number of shares of 117,843 shares under share option scheme has been used to calculate the diluted EPS.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 39. NOTES TO CASH FLOW STATEMENTS

(a) Cash generated from operations	Notes	THE GROUP		THE COMPANY	
		2018	2017	2018	2017
		Rs'000	Rs'000	Rs'000	Rs'000
Profit before taxation		410,356	382,743	179,287	165,297
Decrease/(increase) in financial assets at fair value through profit or loss	10(b)	64,625	(427,619)	12,728	(15,178)
Share based payment	33	3,578	-	3,578	-
Assets written off	7	153	-	-	-
Foreign exchange (gains)/losses		(15,302)	(4,166)	(1,383)	1,941
Provision for retirement benefit obligations		1,326	975	1,326	975
Provision for credit impairment (net)		19,847	(1,273)	4,188	4,561
Expected credit loss		(4,496)	-	1,317	-
Loans and receivables written off	11	36	26	-	7
Dividend income	23	(87,548)	(87,948)	(54,327)	(31,264)
Interest income		(557,834)	(481,113)	(71,651)	(72,401)
Interest expense	29	17,193	18,214	17,063	17,387
Depreciation of property and equipment	5	32,128	33,353	17,352	17,865
Amortisation of intangible assets	7	35,480	34,149	19,085	18,171
Amortisation of financial assets	10(c)	(15,082)	(9,231)	36	-
Profit on sale of property and equipment	24	(494)	(1,284)	(654)	(1,030)
Net realised 'losses'/gains	24	(1,415)	141	-	-
Share of profit from Joint Venture	9	(5,394)	(2,614)	-	-
		(102,843)	(545,647)	127,945	106,331
Change in unearned premium		80,659	45,940	22,019	34,798
Change in insurance and other receivables		93,661	44,922	(67,715)	(63,948)
Net change in deferred acquisition costs		3,871	10,486	5,542	819
Change in outstanding claims		373,487	792,210	(78,233)	30,059
Change in trade and other payables		(17,958)	56,506	14,292	54,960
Net cash generated from operations (refer to page 18)		430,877	404,417	23,850	163,019

(b) Cash and short term deposits	For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at December 31,	THE GROUP		THE COMPANY	
		2018	2017	2018	2017
		Rs'000	Rs'000	Rs'000	Rs'000
Cash at banks and on hand		179,230	277,990	88,929	144,345
Short-term deposits		352,482	348,000	25,230	15,000
		531,712	625,990	114,159	159,345

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 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 40. GOODWILL

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

	MUA Life Ltd (Formerly La Prudence (Mauricienne) Assurances)	MUA Mutual Fund (Formerly National Mutual Fund Ltd) (Management services)	The Mauritius Union Assurance Cy. Ltd (non life insurance)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)** (non life insurance)	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)* (non life insurance)	Phoenix of Tanzania Assurance Company Limited (non life insurance)	MUA (Rwanda) Ltd (formerly 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	-	28,543	48,725	23,438	306,871

The recoverable amounts of the cash generating units are determined on the basis of value in use calculations. At 31 December 2018, 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% (2017: 7%).
- Risk-adjusted discount rates used for calculation of embedded value are calculated using a risk margin of 4% (2017: 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% (2017: 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% (2017: 8.75%) is used to discount expected profits from future new business.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 40. 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% (2017:10%) is used. The applied long-term growth rate is 5% (2017: 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% (2017: 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% (2017: 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	MUA Life Ltd (Formerly La Prudence (Mauricienne) Assurances)	
	2018	2017
	Rs'000	Rs'000
Discount factor +1%	(85,037)	(57,820)
Discount factor -1%	91,387	63,361
Growth rate +1%	63,746	64,739
Growth rate -1%	(59,319)	(60,180)

Investment Management services CGU	National Mutual Fund Ltd (Management services )	
	2018	2017
	Rs'000	Rs'000
Discount factor +1%	(7,163)	(10,046)
Discount factor -1%	10,722	15,121
Growth rate +1%	4,655	7,072
Growth rate -1%	(4,530)	6,826

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 40. GOODWILL (CONTINUED)

2018 Non-Life insurance	The Mauritius Union Assurance Cy. Ltd (non life insurance)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*	Phoenix of Tanzania Assurance Company Limited	MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Discount factor +1%	(504,582)	(2,567)	(6,267)	(133,988)	(10,257)
Discount factor -1%	(756,811)	2,696	6,558	86,066	10,737
Claim ratio +1%	(396,266)	(15,263)	(7,540)	(12,373)	(5,667)
Claim ratio -1%	298,506	(15,019)	8,570	16,409	4,366
Growth rate +1%	1,244,035	56,631	24,134	33,946	10,567
Growth rate -1%	(1,154,208)	30,618	(23,436)	(39,830)	(7,123)

  

2017 Non-Life insurance	The Mauritius Union Assurance Cy. Ltd (non life insurance)	MUA (Kenya) Ltd (formerly Phoenix East Africa Assurance Company Limited)	MUA (Uganda) Ltd (formerly Phoenix of Uganda Assurance Company Limited)*	Phoenix of Tanzania Assurance Company Limited	MUA (Rwanda) Ltd (formerly Phoenix of Rwanda Assurance Company Limited)
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
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)

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 41. RELATED PARTY TRANSACTIONS

Relationship	THE GROUP		THE COMPANY	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
<b>Loans granted to</b>				
Directors and key management personnel	14,500	4,970	1,500	4,270
<b>Amount owed by</b>				
Directors and key management personnel	49,028	49,006	6,064	6,022
<b>Receivables from:</b>				
NMF Property Trust	79	73	-	-
NMF General Fund	677	648	-	-
La Prudence Mauricienne Assurance Ltee	-	-	3,273	-
Decadel Ltee	-	-	2,702	3,119
Feber Associates Ltd	-	-	457	253
National Mutual Fund	-	-	90	-
PTHL	-	-	18,194	10,856
	-	-	24,716	14,228
Expected credit loss	-	-	(735)	-
	-	-	23,981	14,228
<b>Payables to :</b>				
La Prudence Mauricienne Assurance Ltee	-	-	-	3,809
National Mutual Fund	-	-	-	14
<b>Purchase of goods and services from</b>				
Subsidiary company	457	768	59	23
Other related party -Accredited agent	26,976	23,204	26,976	23,204
<b>Sale of services to</b>				
Directors and key management personnel	10,443	10,154	9,343	9,433
<b>Income receivable from:</b>				
Subsidiary companies	-	-	42,931	21,168
<b>Remuneration of key management personnel</b>				
Salaries and short-term employee benefits	141,898	142,528	33,144	31,261
Post-employments benefits	10,986	11,178	2,546	2,055

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% (2017: 7.5% to 13%).

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the Consolidated Financial Statements for year ended 31 December 2018

### 42. OPERATING LEASE COMMITMENTS

#### Group as lessee

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

	THE GROUP		THE COMPANY	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
Within one year	29,835	25,122	-	16,499
After one year but not more than five years	24,227	14,555	-	-
	54,062	39,677	-	16,499

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	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
Within one year	12,273	18,545	-	-
After one year but not more than five years	3,806	-	-	-
	16,079	18,545	-	-

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

### 43. 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.

### 44. EVENTS AFTER THE REPORTING DATE

In January 2019, MUA Ltd has been incorporated as a new legal entity to act as the ultimate holding company of the Group. MUA Ltd is listed on the official market of the Stock Exchange of Mauritius. Following the restructuring, all insurance entities under the Group have been re-organised under two distinct geographical segments, namely Mauritius and overseas operations. The directors of the Company have previously approved the restructuring on 15 May 2018.