Annual Report 2005

MAURITIUS UNION

Contents

Notice to Shareholders

Notice is hereby given that the Annual Meeting of Shareholders of The Mauritius Union Assurance Company Limited will be held at the Registered Office of the Company, 4 Leoville L'Homme Street, Port-Louis, on 19th June, 2006 at 10.30am to transact the following business:

AGENDA

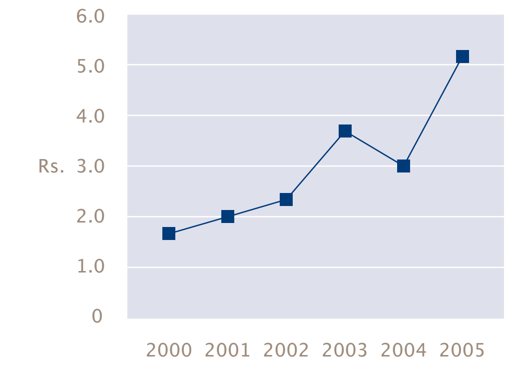
1. To receive and adopt the Annual Report and the Audited Accounts at December 31, 2005.
2. To ratify the dividend paid in January 2006 as a final dividend.
3. To ratify the appointment of Mr Jacques de Navacelle as Executive Director.
4. To re-appoint Mr Georges André Robert as Director.
5. To re-appoint Mr Vincent Ah Chuen as Director.
6. To re-appoint Mr Richard Arlove as Director.
7. To re-appoint Mr Pierre Yves Bigaignon as Director
8. To re-appoint Mr Pierre De Chasteigner Du Mée as Director
9. To re-appoint Mr Stéphane Henry as Director
10. To re-appoint Mrs Danielle Lagesse as Director
11. To re-appoint Mr Pierre-Yves Pougnet as Director
12. To re-appoint Messrs. BDO DCDM as auditors for the current year and to authorize the Board of Directors to fix their remuneration.

A member of the Company, entitled to attend and vote at this Meeting, may appoint a proxy to attend and vote on his behalf. Any power of Attorney appointing a proxy shall be deposited with the share registry B.C.M. (Secretaries) Ltd, Level 6, One Cathedral Square, Jules Koeing Street, Port-Louis, Republic of Mauritius at least twenty-four hours before the day of the Meeting.

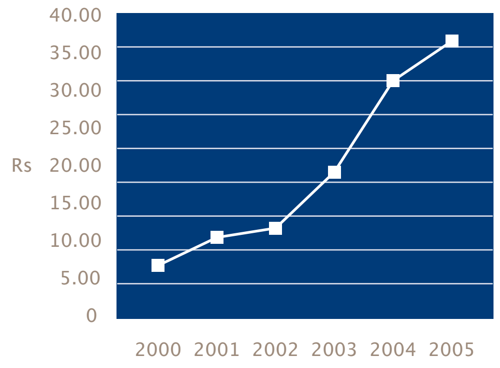
By order of the Board
Corporate and Secretarial Services Centre Ltd.
Secretary
5th May 2006

Financial Highlights

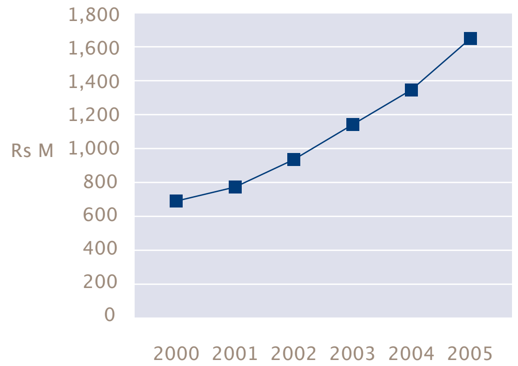
Earnings per Share



Net Assets per Share

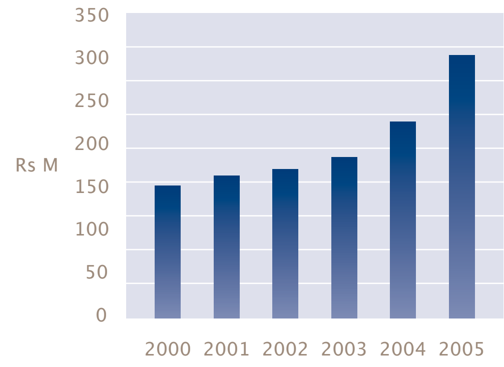


Life Assurance Fund

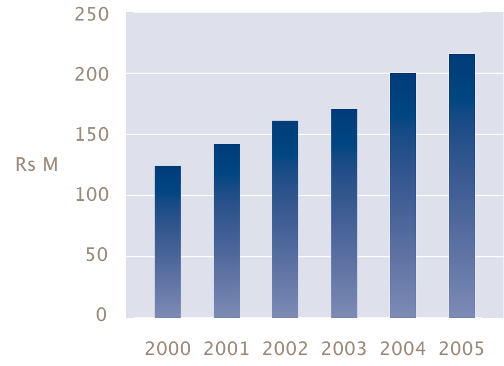


Financial Highlights

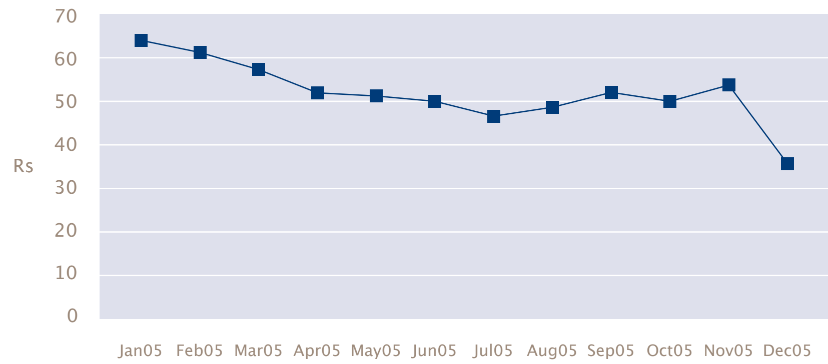
Turnover General Business



Turnover Life Assurance



Market Share Price



NOTE: These prices reflect market price on the Stock Exchange on the last day of each month. A rights issue of 2,600,000 new ordinary shares has been effected at an issue price of Rs20. each, in the proportion of 1 new share for every 4 payable Rs10. in December 2004 and a second payment of Rs10. in July 2005. The Company proceeded with a bonus issue of 1 new ordinary share for every 2 ordinary shares held on 2 December 2005.

Chairman's Message

Mr Georges André Robert

The year 2005 has been an eventful one.

Our former General Manager, Mr Jean-Noël Lam Chun passed away suddenly at an early age in December 2004. He headed Mauritius Union for 16 years and we wish to put on record his contribution to the smooth running of the company. Sir Maurice Latour-Adrien, now 90, has gradually reduced his activities and retired as Chairman in June 2005. Sir Maurice has had a distinguished career in the judiciary of Mauritius, and was Chief Justice in the seventies. His contribution to the progress of our Company is indisputable, and we wish to thank him wholeheartedly for his guidance and support over the years.

Mr Jean-Paul Adam, our Vice-Chairman, took up the acting Chairmanship in January 2005 in a particularly difficult period. He has guided us in setting up a Management Committee composed of Messrs. Robert Bouic, Gilbert Poisson and Donald Lim Fat. The Board made a proposition to Mr Jacques de Navacelle, who was then retiring as Managing Director of Barclays Bank in Mauritius. Mr de Navacelle took over on 1st May 2005, and Mr Gilbert Poisson was appointed his assistant.

Mr Adam, now 70, did not wish to stand for reelection as director in 2005. We deeply regret his departure, and we thank him for his wise and prudent advice and initiatives. Consequently, I took over the Chairmanship. Mrs. Danielle Lagesse, Mr Richard Arlove and Mr Pierre Yves Bigaignon joined the Board.

Mr de Navacelle has taken over his new responsibilities with enthusiasm. An in-depth restructuring of the Company has been carried out, with conditions of service of staff renegotiated to their advantage with a view to increasing the motivation of one and all. The investments and activities of the Company have been reviewed, in order to ensure that we optimize our resources. In this context, we have parted with MUA Leasing Co. Ltd., which we felt was not part of our core activities as an insurance company.

In November 2005, there was a bonus issue of 6,680,000 shares of the company to shareholders in the proportion of one ordinary share for every two ordinary shares held.

For the year ended 31st December 2005, the company has made a net tax profit of Rs116.2m compared with Rs46.1m for the year ended 31st December 2004. The company has for the year ended 31st December 2005 declared dividends totaling Rs32.9m compared to Rs33.3m for 2004. The financial performance of 2005 is excellent and the successful investment policy of the Company has by far overcome the high expenditure linked to legal costs and low performing activities. We can now look at 2006 with confidence.

The claim of the Mauritius Commercial Bank against Mauritius Union and our reinsurers has taken up much of our time and we have spared no effort to explore all possible avenues to finding solutions to this matter.

Staff motivation and equality of opportunity are high on our agenda. The management has endeavored to build a closely-knit family environment conducive to the progress of Mauritius Union.

It is my privilege to thank Mr de Navacelle and his team for their outstanding performance during this difficult year of transition and re-organisation. My thanks also go to all my colleagues on the Board, whose support and encouragement have been unfailing throughout the year.

Chief Executive Officer's Report

Mr Jacques de Navacelle

Mauritius Union went through a period of re-engineering after the death of its General Manager, Jean-Noël Lam Chun, in tragic circumstances in December 2004. When I joined the company in May 2005, I found a sound business with fully dedicated people. It was clear to me that Mauritius Union remained by far the largest totally independent composite insurance company and had a bright future in its core business. In order to consolidate that position, certain actions were deemed necessary.

The first step taken was to modernize the Human Resources department by designing modern employment contracts for each employee and a Performance Measurement System was implemented. At the same time, we appointed a communication agency 'Blast Communications' to help us review our communication strategy and create an awareness of the brand, Mauritius Union, on the market.

The information technology department of the company was reengineered with the acquisition of a software which has proved to be highly performing in other insurance companies. We believe that this tool will assist us especially in the area of General Insurance.

An evaluation of competence was made and the findings included the need to recruit high caliber professionals and to set up a succession plan for each department. As such, key personnel such as an HR manager and an IT manager were taken on board. The underwriting department is also in the midst of being reinforced.

While we were, during 2005, implementing all the above, we did not obliterate the need to increase our product offering. As such, we designed a travel insurance product with the help of our main reinsurer, MunichRe and CEGA, one of the world leaders in travel assistance. Mauritius Union Travel Insurance has been reaping the profits of a good distribution channel, a structured communication campaign, excellent price quality ratio for the end-customer and finally round the clock customer service. Within 3 months of its launch, our travel insurance product has become the market leader.

An in-depth audit of our various departments revealed that we had to let go of some less performing departments such as MUA Commercial Vehicle and MUA Leasing. Those two strategic decisions stopped recurrent losses and also reinforced the shareholders funds of the company. As at 31st December 2005, the shareholders funds of the Group stood at Rs715.5m and in February 2006 when the sale of MUA Leasing was completed, the figures had reached Rs765.5m. This positions Mauritius Union Assurance as the strongest insurance group in Mauritius and gives it the capacity to face the future with optimism.

Last but not least we prepared, during the last quarter of 2005, a budget and a plan for 2006. Ambitious growth targets were set by the staff at all levels of the company. Nothing happens without the dedication of our people and I am glad to say that the staff motivation is at an all time high. I am thus confident that these targets will be achieved. However we must not be complacent and we need to look at the best possible alternative to create the maximum return for our shareholders in the long term.

Chief Executive Officer's Report

I have to mention the difficult situation in which Mauritius Union Assurance found itself since 2003 in connection with the MCB/NPF fraud. The insurance broker of MCB put a claim to Mauritius Union Assurance with a view to obtain indemnity of the total loss incurred by MCB as a result of that fraud. It is absolutely clear to us that this is not a valid claim since such risk was not covered by the banker's insurance policy that was subscribed with Mauritius Union. However we have to face a significant cost in fighting such claim, identified in our 2005 accounts at the level of Rs20.9m.

My team and I have high expectations for continued growth and increased profitability over 2006 and we are looking forward to continue developing Mauritius Union. We anticipate yet another exciting year in 2006. As a harbinger of good news, I note that the first four months are showing encouraging figures indeed.

You will read more on the activities of the company by sector in the Management Review section of the report.

Management Review

2005 has been a year of major restructuring in The Mauritius Union Assurance Company Limited (the Company). The main purpose was to lay more emphasis on enhancing shareholder's value, whilst mobilising sufficient resources to support future growth at an accelerated pace. This has been achieved with the excellent 2005 net group earnings plummeting to Rs102.4m compared to Rs56.3m for last year whilst shareholders' net assets grew by 27.3% to reach Rs715.5m and the Life Fund closed at Rs1.6 billion up by 21.7%.

A strategic planning process looked into the strengths and weaknesses of each activity individually and as part of the wider group context. The Company decided to concentrate on its core business and reshuffle its resources and reallocate them to operations that have a higher potential for both business growth and shareholder's wealth creation. Hence, the underwriting operations of the MUA Commercial Vehicles Agency Ltd, have been taken over by the Holding Company to ensure better underwriting results in the future. MUA Leasing Company Limited, another wholly owned subsidiary involved in finance leasing, was disposed of in February 2006.

The overall investment mix was reviewed. Some equity investments were sold at a profit and the proceeds re-invested locally and on foreign markets. In spite of fierce competition and declining interest rates, housing and other immoveable property loans have remained attractive as a result of innovative lending conditions and improved level of service offered. Investment returns have generally been on an upward trend and have significantly contributed to this year's excellent performance.

The General Branch has experienced poor motor insurance underwriting results. Corrective measures, started during the latter part of 2005, are still under way and are producing promising results. Non-motor business lines on the other hand have closed with comfortable surpluses. The new Travel & Assistance Insurance package, launched near the year's end, is a resounding success.

Life Assurance operations continue to be very profitable enabling the declaration of bonus to our policyholders as promised, the consolidation of strong actuarial reserves, and a large solvency margin. New products will probably be launched during the second semester of 2006.

The Company's organizational structure was also revisited with greater emphasis on our human resources. A Performance Management System was successfully implemented. The aim is to develop a culture of performance optimisation and performance related rewarding system.

A re-assessment of Information systems has been initiated in order to improve performance, security and reliability. A new software was acquired for the general insurance applications.

Last but not least, the 1 for 4 rights issue of 2,600,000 new ordinary shares at Rs20 per share was fully subscribed and as previously announced, this was followed by a bonus issue of 6,680,000 new shares in December 2005. Dividends have been consistent taking into consideration the rights and bonus issues.

Prospects

Internal growth targets for 2006 have already been agreed at ambitious levels with a very clear commitment from all employees and agents. First quarter results are indeed very encouraging. The consolidation of our already massive capital base coupled with the reinforcement of our human resources will allow us to consolidate our market share on all fronts namely motor, non-motor and life assurance.

GENERAL BRANCH UNDERWRITING

Motor Insurance

Motor insurance, which represents 70% of the general insurance portfolio, grew by 8% in 2005 in terms of premiums underwritten. The unprecedented high frequency and severity of claims, especially on the commercial vehicles section has resulted in a drop of 63% in underwriting profit.

According to the 2005 Road Traffic statistics issued by the Central Statistical Office, road traffic accidents rose by 15.7% compared to 2004 and the number of vehicles involved increased by 23.3% during the same period.

Whilst the cost of vehicle repairs and spare parts keeps increasing, fierce competition on the market has compelled lower premium rates to be applied in certain cases. Attempts of fraudulent claims have also increased dramatically. Above all, there had been lack of monitoring leading to poor underwriting and claims handling.

Remedial actions have been implemented:

- The whole portfolio has been scrutinised and under-performing risk classes and business sources either discontinued or closely monitored. Thus, the operations of the MUA Commercial Vehicles Agency Ltd have been taken over by the head-office after purging the portfolio. Similarly, claims handling of certain agents and branches are being centralised.
- Staff has been motivated by the reshuffling of responsibilities and the setting of ambitious targets. Expertise has been hired, especially in the claims recovery team.
- In order to add value to the product, a free breakdown service is now provided to our motor policyholders. Moreover, material damage claims are paid in full without deduction of the excess and the loss of use, where the responsibility of the third party insurer has been agreed.
- The newly acquired proven software will materially enhance processing and reporting and provide a powerful management tool.
- Initiatives have been taken industry-wise to prevent fraudulent motor claims.

Although, the impact of the above will be felt in the medium to long-term, encouraging signs are already being identified and the 2006 loss-ratio is expected to improve.

Non-motor Insurance

Most of the Non-Motor business lines fared well as there were no major losses or natural catastrophe claims this year.

A new Travel & Assistance insurance was launched in early November 2005. A wide range of cover is offered including worldwide assistance from CEGA, a leading provider of medical and emergency assistance internationally. Most local travel agents have adopted the package which has gained significant popularity on the market. Early 2006 results are indeed very promising.

New expertise has been recruited with the objective of identifying market opportunities to acquire attractive new business and developing new products for next year, with a particular focus on non-motor business.

Our reinsurance treaties have been modified to cater for increased capacity with Munich Reinsurance (Mtius) Ltd. remaining the leader.

LIFE ASSURANCE

A strategic plan was agreed for the life department in early 2005. The aim of the exercise was to achieve a steady and sustained growth of our life business units whilst improving customer service.

- The life branch was completely restructured and a communication network set up to better coordinate department operations and to provide speedy service to policyholders.
- Staff has been motivated by a training plan and target setting.
- Our agency department was completely reorganised in 2005 which resulted in an improved structure for our sales and branches.
- Following a market survey on customer needs, new products are being developed, some of which may be released during the latter part of 2006.

As a result of a steady premium growth of 11.2% over 2004 and high investment returns, the Life fund closed at Rs1,628,412 at December 31, 2005. This allowed us to stand by our commitments to our clients. A reversionary bonus of 4% per annum was declared together with a terminal bonus of 1% of sum assured for each year in force.

In line with the expected requirements of the new Long-term Insurance Act, our actuarial reserves, based upon the Gross Premium Valuation method, cover our Capital Adequacy Requirement (CAR) by 3.7 times which is a very comfortable margin of solvency.

The embedded value, which is an estimate of the economic value of the Company's life business that may be attributed to the value of writing future new business excluding any goodwill, in other words the total value of shareholders' interest in the life business, stood at Rs108.3m at 31st December 2005 compared to Rs82m last year.

The life department registered record sales for the first three months of 2006 and this trend is expected to be maintained throughout the year.

INVESTMENTS

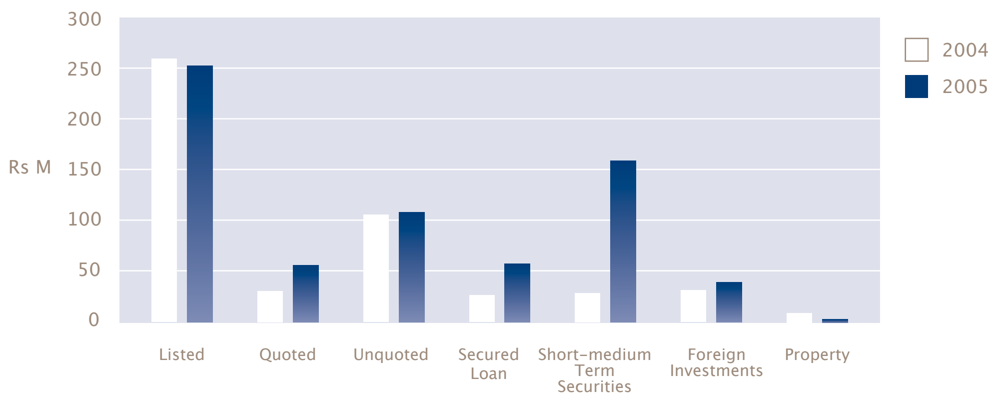
The overall investment strategy of the Company is a determining factor in the fulfilment of our commitments towards policyholders' in case of a legitimate claim resulting from a pecuniary loss or on realisation of an investment. It also impacts on the performance, hence on shareholders' wealth. About 77% of the General branch total assets of Rs943m are in the form of income-generating assets, while Life Branch investments represent 92% of its total assets adding up to Rs2.2 billion of investment.

An Investment Committee has been set up to review this strategy under actuarial guidance and investment expert advice by considering the matching of assets and liabilities by nature and term, the liquidity requirements and asset concentration risks of each fund.

General Branch

- For the general insurance business which is characterised by short to medium term liabilities, some investments of a long term nature or others under-performing, were realised and the proceeds re-invested in short to medium term secured loans, open-ended funds and bank deposits.
- Property investments were transferred to the Life branch.
- Foreign investment was strengthened as a hedge against local currency downturns.

General Branch Investment Portfolio



In line with the overall strategy of focusing on the core business, investment in satellite activities has been reviewed. The deposit-taking activity of the MUA Leasing Co. Ltd. has caused a mismatch between interests receivable on finance lease granted and interest payable. This has translated into an increase of 6% in finance costs in the leasing business. Deposits cumulated to nearly three times corresponding investments under finance leases further widening the gap between interest received and the finance charges. According to forecasts, the loss-making situation would have persisted for several years before break-even in spite of our endless efforts to put an end to the decline. Equity investments were sold at a profit or reallocated within the group before finally disposing of the subsidiary, which by then consisted of leasing & deposit activities only, in February 2006.

On the other hand, investment in stockbroking activity of Associated Brokers Ltd was increased by 54%. This new subsidiary provides support to our investment activities and has posted better results compared to last year.

Investment in associated companies has yielded good returns with the group's share of their profit increasing threefold. Foreign investments through Union & Policy Offshore Ltd have posted the best results.

Life Branch

On the life branch side, a significant part of the investment activity consists in the granting of loans for housing purposes and for acquisition of immoveable properties. Loans are secured by fixed/floating charge on property with a life assurance policy as collateral security.

Fierce competition emanating principally from banking institutions has had an adverse effect on the balance of our loan portfolio which has registered a slight drop to Rs 365m from the 2004 high of Rs374m. Interest income has also dropped from Rs50m in 2004 to Rs44m this year as a result of lower interest rates.

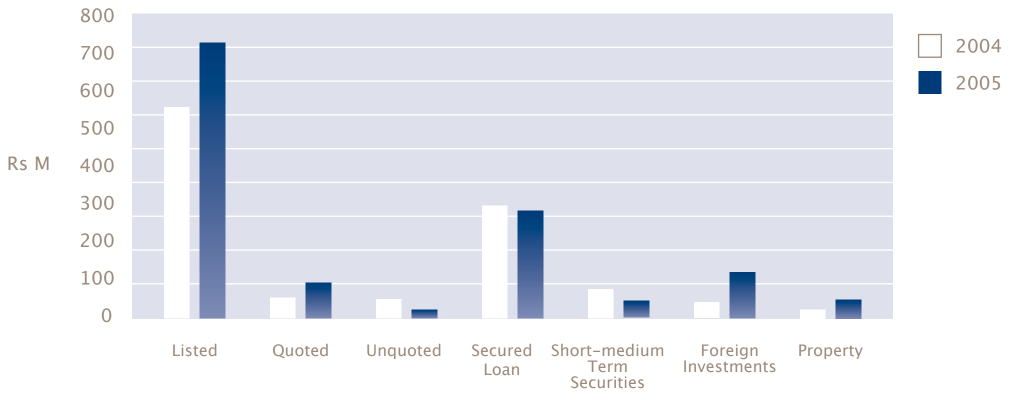
A credit committee has been set up to scrutinise loan applications, to ensure compliance with preset guidelines and to find out ways and means of thwarting competition. The following have already been implemented:

- The sales force has been motivated by reviewing targets and reward system.
- Life assurance cover and conditions for loans have been improved.
- Processing time of loan application and deed preparation have been shortened in order to offer a better service.
- A marketing manager has been hired.

Secured loans granted in 2006 have already doubled that for the same period last year, and the trend is expected to continue.

Following the re-alignment of investment mix, the Company has disinvested in unquoted equity, short to medium-term securities/deposits to re-invest in listed equity, foreign equity bond, property and hedge funds.

Life Branch Investment Portfolio



HUMAN RESOURCES

The Company went through a major reassessment of its human resources. The plan laid great emphasis on infusing new blood in a new organisation structure.

Heavy recruitment in 2005 has resulted in a 33% increase in staff including managers at various new functions namely: human resources, information systems, logistics, marketing, business development, legal/compliance. A new general branch manager has joined in 2006. Above all, the new C.E.O has been recruited since May 2005.

A new Human Resources department was established to provide a new impetus to the management of the workforce. The management has been actively involved in establishing a solid foundation in the management of staff performance. Relationship between the staff and their managers are now based on mutually agreed objectives, feedback, counselling and coaching.

A performance management system was set up and helped create a shared understanding of the company's objectives at various levels and how to reach these goals. The new performance system has contributed significantly to create a stronger sense of partnership between managers and employees, a more harmonious alignment between employees' aspirations and the goals of the company and a higher level of organisation effectiveness.

A new competitive remuneration package was established reflecting industry rates with a subsequent rise in salaries, benefits and other staff related costs explaining the sharp increase in management expenses.

Health and Safety

The safety and health of our employees are among our main concerns because we feel that over and above the human dimension we also have a legal responsibility. Our objective is to create greater awareness among our staff in respect of the need for a safe and healthy work environment. Formal training has been dispensed to staff on handling fire equipment, evacuation simulation exercise etc. Special precautionary measures are being taken to protect our motor claim staff from repeated threats from organised groups submitting fraudulent claims.

Social Responsibility

Mauritius Union recognizes its social responsibility towards the country. Through the sponsorship of various associations and donations to those in need, Mauritius Union has always contributed to the promotion of education and welfare in Mauritius.

Through our commitment to social values, our staff is encouraged to get involved and give its time and skills to the community through various activities. A budget has been approved by the Board to enable the Company to widen its range of initiatives and thus be able to support a larger portion of our population.

Zone Education Prioritaire / Joint Economic Council

Mauritius Union has been associated with the above project with the aim to help in the overall development of children. Our Company believes that this project can help in optimizing family and community support through our sponsorship to the Stanley GS, Stanley, Rose Hill. Our aim is not only to help in improving the infrastructure by financing projects presented by the School Development Unit, but also to help raise the level of achievement in the area.

Sport - Tour de L'île Cycliste 2005

Mauritius Union was the sponsor of the 'Maillot Blanc' for the Tour de L'île Cycliste in September 2005. The 'Maillot Blanc' is the reward for the 'Meilleur Jeune' in the competition.

Our Company is proud to be associated to the 'Fédération Mauricienne de Cyclisme' and to sports in Mauritius.

INFORMATION SYSTEMS

The IT infrastructure was extensively revamped during 2005 with a view to enhance its performance, security and reliability. The existing insurance applications were reviewed in order to speed up customer service delivery and to improve workflow within and across departments. These developments have largely benefited operational effectiveness and better and quicker decision-making.

Communication equipment has been replaced at all of our four branches and the bandwidth between them and the Head Office has been increased so as to improve outlets operations and customer service.

At the same time, there has been a great emphasis on strengthening data security and availability. A disaster recovery site has been set up at one of our remote branches to improve availability and security of data. IT security policies have been introduced to inculcate a sense of responsibility regarding the use of computing facilities among the personnel.

2006 will see more improvement in the company's IT platform with namely the introduction of a new ready-made application package in the General Insurance Branch. Replacement of servers and upgrading of new back-end and operating systems to fit the new application software are part of the forthcoming IT initiatives.

Holding Structure

The Company has no Holding structure.

Directors

The constitution of the company provides for a minimum of 6 and a maximum of 9 directors.

The names of the common directors as at 31st December 2005 were as follows:

	The Mauritius Union Assurance Co. Ltd.	MUA Commercial Vehicles Agency Ltd.	Associated Brokers Ltd.
Mr Vincent Ah Chuen	•	•	•
Mr Richard Arlove	•		
Mr Pierre Yves Bigaignon	•		
Mr Pierre de Chasteigner du Mée	•		•
Mr Stéphane Henry	•		
Mrs Danielle Lagesse	•	•	
Mr Pierre Yves Pougnet	•	•	•
Mr Georges André Robert	•	•	•

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

The directors' profiles are set out on page 24 and 25.

Chairperson and CEO

The roles of the Chairperson and Chief Executive Officer are separated.

Mr Georges André Robert	Chairperson
Mr Pierre de Chasteigner du Mée	Vice-Chairperson
Mr Jacques de Navacelle	CEO

Changes in Directorship

- Sir Maurice Latour-Adrien retired on 1st June 2005
- Mr Jean Paul Adam C.B.E.,K.C.S.G., G.S.O.K. retired on 24th June 2005
- Mr Stéphane Henry, appointed by the Board, on 28th January 2005, ratified at the Annual Meeting of Shareholders on 24th June 2005.
- Mr Richard Arlove, Mr Pierre Yves Bigaignon and Mrs Danielle Lagesse were appointed at the Annual Meeting of Shareholders on 24th June 2005.

Other Directorships

The directorships of the directors of MUA in other listed companies as at 31st December 2005 are shown in the table below:

Directors	POLICY Ltd.
Mr Vincent Ah Chuen	•
Mr Richard Arlove	
Mr Pierre Yves Bigaignon	
Mr Pierre de Chasteigner du Mée	•
Mr Stéphane Henry	
Mrs Danielle Lagesse	
Mr Pierre Yves Pougnet	•
Mr Georges André Robert	•

Shareholding

- In accordance with the Constitution of the Company, no shareholder shall hold more than 5% of the issued share capital of the Company without the previous authorization of the Board of Directors.
- As at 31st December 2005 no individual shareholder directly owned 5% of the issued share capital.
- There are no restrictions on the transfer of fully paid up shares.

Directors' Interest in Shares of the Company

Direct and indirect interests of the directors in the ordinary shares of the Company to 31st March 2006 are set out in the table below:

		No. of Shares	
Directors	Category	Direct	Indirect
Mr Vincent Ah Chuen	Non-executive/ Independent	129,011	10,014
Mr Richard Arlove	Non-executive/ Independent	1,500	-
Mr Pierre Yves Bigaignon	Non-executive/ Independent	1,500	-
Mr Pierre de Chasteigner du Mée	Executive	1,125	33,270
Mr Stéphane Henry	Executive	750	-
Mrs Danielle Lagesse	Non-executive/Independent	1,000	1,500,000
Mr Pierre Yves Pougnet	Non-executive/Independent	144,951	-
Mr Georges André Robert	Non-executive/Independent	137,812	-

Director's dealing in shares to 31st March 2006

The directors of the Company follow the Model Code for Securities Transactions in all dealings in which they have, or might have, an interest.

- Mr Ah Chuen purchased 1,000 shares
- Mr Bigaignon purchased 1,000 shares
- Mr Arlove purchased 1,000 shares
- Mr Stéphane Henry purchased 500 shares
- Mrs Danielle Lagesse purchased 1,000 shares

The Company has no share option plan.

Board and Committees

The Board of directors met eighteen times during the year under review.

A Board Charter was adopted by the Board on 28th March 2006.

The Board has constituted two committees:

The Audit Committee, which also acts as Risk Committee, is composed of three members.

The Governance Committee, which also acts as Nomination Committee and Remuneration Committee, is composed of four members.

Mr Georges André Robert and Mr Pierre de Chasteigner du Mée resigned from the Audit Committee on their election as Chairperson and Vice Chairperson respectively.

Directors' Remuneration and members' attendance at Board meetings are set out below:

Directors	Board Meetings	Audit Committees	Governance Committees	Remuneration Rs
Mr Vincent Ah Chuen	16 out of 18	3 out of 4		97,500
Mr Richard Arlove	3 out of 4	3 out of 4		60,000
Mr Pierre Yves Bigaignon	3 out of 4			60,000
Mr Pierre de Chasteigner du Mée	18 out of 18	2 out of 4	2 out of 2	207,500
Mr Stéphane Henry	13 out of 14		2 out of 2	60,000
Mrs Danielle Lagesse	4 out of 4		2 out of 2	60,000
Mr Pierre Yves Pougnet	14 out of 18	3 out of 4		132,500
Mr Georges André Robert	17 out of 18	1 out of 4	2 out of 2	372,500

For the year under review, no evaluation of the Board, the Audit Committee or the Governance Committee was carried out.

Remuneration Policy

The Company's remuneration policy is based on the need to reward, motivate and retain its employees and ensure that remunerations are competitive for the industry.

Dividend Policy

The payment of dividends is subject to the performance of the Company, its cash flow and investment requirements.

Other information

- The team of the directors of the Company is set out on page 24.
- The profile of the senior management team is set out on page 26.
- The Company's policies on social, ethical, safety, health and environmental issues is set out on page 17.
- Risk management issues are dealt with on page 22.
- There are no management agreements with third parties.
- There is no shareholders' agreement which affects the governance of the Company by the Board.

Caryl Rey

For and on behalf of
Corporate and Secretarial Services Centre Ltd.
Secretary

Risk Management

The Board is responsible for the overall risk management and internal control systems of the Company. Oversight of the Company's risk management process has been delegated to the Audit Committee. A Special Committee has been constituted to deal with the MCB case, referred to in note 41 of the financial statements.

Risk exposure of the Company falls within the following areas of risk:

(i) Insurance risks

Insurance risks are mainly risk associated with the company's underwriting, reinsurance and claims handling activities.

The company uses various methods to mitigate the underwriting and claims risks; including amongst others, the regular review of performance and management of individual insurance portfolios levels of risks underwritten, and close monitoring of claims development by class of business. The Company's reinsurance treaty programme is led by top rated re-insurers: Munich Re., for general insurance and Swiss Re, for life re-assurance. A more detailed analysis is included under note 3.1 to the financial statements.

(ii) Operational risks

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal process, people and systems or from external events. The Company has proper operational policies and procedures in place to ensure that roles, responsibilities and accountabilities of each employee are clearly established. Assets of the Company are properly safeguarded and reporting infrastructures (including the functionality of the IT system) are adequate and effective for timely and accurate data collection. A disaster recovery plan has been set up.

The tone is set at the top and the Board is committed to the highest standard of ethics, behaviour, transparency, compliance with statutory obligation and best practices in all its business dealings.

The reputational risks associated with professional negligence and provision of sub-standard services are also closely monitored by Management and the Board.

(iii) Financial risks

The primary sources of financial risks of the Company are risks inherent to insurance contracts, reinsurance counter parties, investment activities and premium debtors.

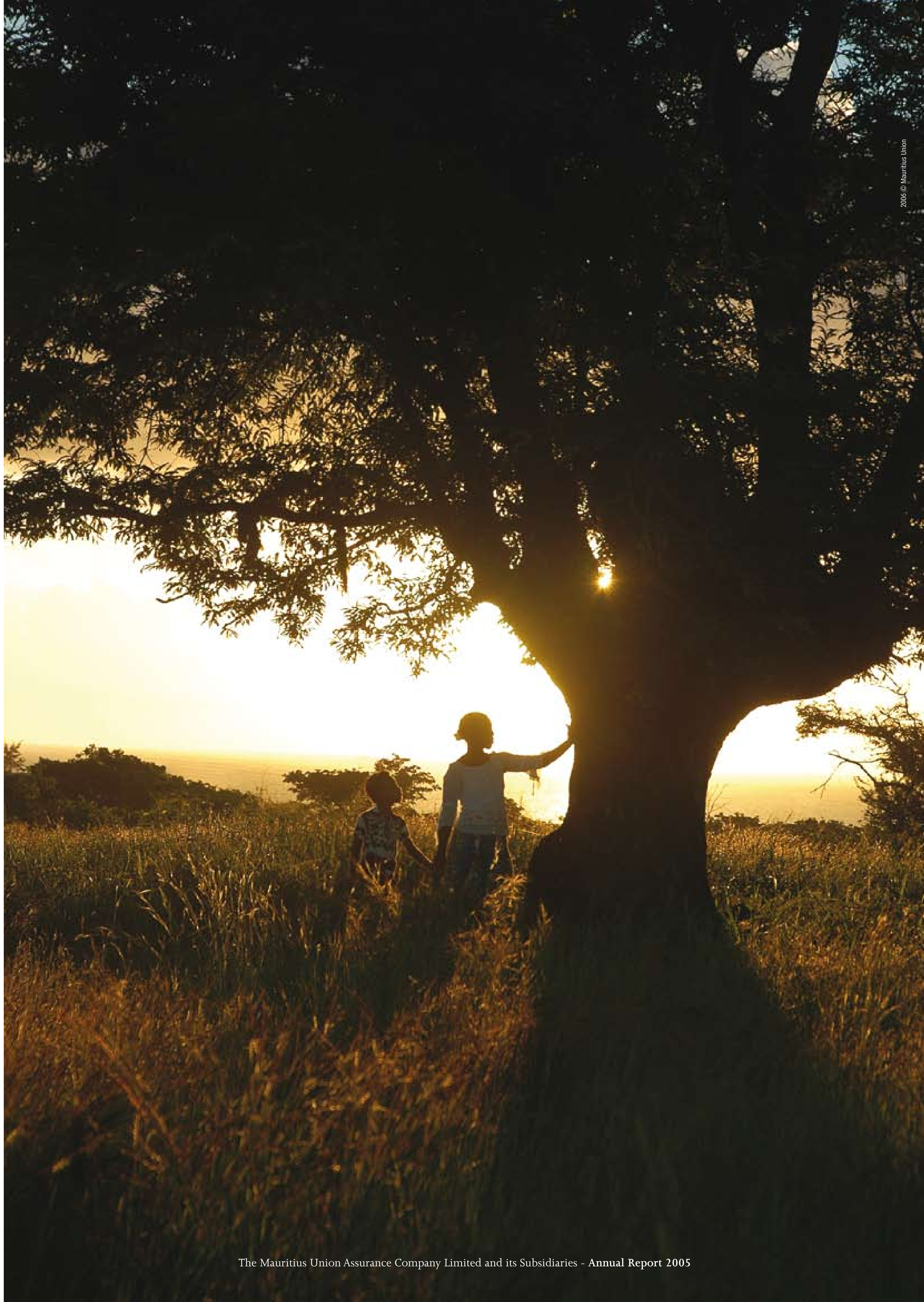
The financial risks faced by the Company and management of these risks are discussed in note 3.2 to the financial statements.

INTERNAL AUDIT

Internal Audit is an objective assurance function reporting to the Board of directors and management. It derives its authority from the Board through the Audit Committee. Internal audit helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

The internal audit is carried out by Messrs. Ernst & Young (E&Y), Public Accountants. The internal audit review process carried out by E&Y can be summarised as follows:

- E&Y identifies risk areas and evaluates the level of risk for each risk area.
- They review internal control processes with more emphasis in higher risk areas and make appropriate recommendations. They performed four audit visits during 2005.
- E&Y meets the Audit Committee both in the presence of and without management to discuss their recommendations.
- Management implements the recommendations.
- E&Y monitors the implementation of the recommendations and reports to the Audit Committee.



Directors' Profile

Georges André Robert

Chairman since 2005

Georges André Robert, 67 years old, has been practicing as Attorney at Law since 1966. He was made Senior Attorney in 1995 and was awarded an honorary O.B.E. in 2004. His main area of practice was in civil and commercial matters. He has advised sugar estates, banks, insurance, trading and offshore companies. He is no longer into litigations; he has restricted his professional activities to legal advice and consultancy.

Pierre de Chasteigner du Mée

Director - appointed in 2003 / Vice Chairman since 2005

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

Pierre Yves Pougnet

Director - appointed in 1982

Pierre Yves Pougnet, born in 1943, is an accountant and he is currently the Group Finance Director of Food & Allied Group of Companies.

Vincent Ah Chuen

Director - appointed in 1992

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

Directors' Profile

Danielle Lagesse

Director - appointed in 2005

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

Pierre Yves Bigaignon

Director - appointed in 2005

Pierre Yves Bigaignon is a lawyer practicing in Reunion Island and specialized in 'Droit des Affaires' - Mercantile Law. He is 53 years of age.

Richard Arlove

Director - appointed in 2005

Richard Arlove, born in 1963, is a fellow member of the Association of Chartered Certified Accountants since 1992. He is currently the Director of L&P Corporate Services Limited, a Management Company with 50 employees that offers financial and legal services.

Stephane Henry

Director - appointed in 2005

Stéphane Henry, born in 1967, holds a 'DESS en Gestion de Patrimoine' from the University of Clermont-Ferrand, France and is a graduate of the 'Ecole Supérieure de Commerce de Pau', France. He is currently the Managing Director of Investment Professionals Ltd, one of the main fund management groups in Mauritius with Rs3.5 billion of funds under management. He also sits on the Board of several investment funds registered in the global business sector.

Senior Management Profile

Jacques de Navacelle *Chief Executive Officer*

Jacques de Navacelle, born in 1946, holds a 'Maîtrise de Philosophie' from Paris University and is a graduate of the 'Institut de Commerce International' in Paris. After 27 years spent with the Barclays Group in France, South Africa and Mauritius, he joined Mauritius Union Assurance in May 2005 as Chief Executive Officer. He is the Chairman of Transparency Mauritius, President of the Joint Economic Council and is also Director of the following companies: Harel Frères Ltd., Rehm-Grinaker Construction Co. Ltd. and Compagnie de Beau Vallon.

Gilbert Poisson *Head of Finance & Planning, Assistant CEO*

Gilbert Poisson is a Fellow Member of the Association of Chartered Certified Accountants UK since 1979. In 1986 he became an Associate Member of the Chartered Insurance Institute UK.

Mr Poisson, who is now 52, has served in the various positions during his career: an Auditor with De Chazal Du Mée, Assistant Audit Manager in charge of Lloyds Syndicate, Auditor with Futcher, Head & Gilberts, Chartered Accountants in UK. He joined the Company in 1981 as Accountant and became Group Finance Manager in 1998. He was the 'Délégué Administratif' of the 'Comité de Gestion' which managed the Company between January and June 2005. He was appointed as Head of Finance & Planning and Assistant to the Chief Executive Officer in July 2005.

Gerard Lok Ok Choo *Head of Life and Agency Department*

Gerard Lok Ok Choo became an Associate of the Chartered Insurance Institute in 1984 and Chartered Insurer in 1995. He joined the Company in 1976 and has been appointed Head of Life and Agency department in January 2006. He is 50 years of age.

Marie Josée Arulappen *Head of Life Operations*

Marie Josée Arulappen, 51 years old, joined The Mauritius Union in 1972. She became Chartered Insurer in 1995 and was made Fellow of The Chartered Insurance Institute in 1999. She was appointed Head of Life Operations in January 2006.

Senior Management Profile

Fazila Ramjaun *Head of General Branch*

Fazila Ramjaun joined the company in 1973. She qualified as an Associate of the Chartered Insurance Institute, UK in 1992 and became Chartered Insurer in 1995. In 1996 she was appointed Reinsurance and Technical Manager for the General Insurance branch. She is the Head of the General Branch.

Solange Ng Kwing King *Head of Loans & Leasing Department*

Solange Ng Kwing King joined the Mauritius Union in 1977. She became Manager of the Loans Department in 1996 and was equally Manager of the MUA Leasing Co. Ltd incorporated in 1998. She became Head of Loans & Leasing in May 2005.

Sophie Decotter *Head of Human Resources*

Sophie Decotter, 32 years old, holds a Bachelor's degree in Social Sciences from the University of Cape Town. Before she was appointed Head of Human Resources in the company in May 2005, she has been Human Resources Manager of the Swan Insurance Co. Ltd. from 2001 to 2002 and of the Swan Group from 2002 to 2005.

Rishi Sewnundun *Head of Information Systems & Head of Business Processing Operations*

Rishi Sewnundun has graduated in Computer Science & Engineering at the University of Mauritius. He also holds an MBA in Marketing from the same university. He joined J. Kalachand & Co. Ltd in 1998 where he worked as Systems Manager and later as Sales Manager. He was recruited by Mauritius Union Assurance in May 2005 as Head of Information Systems. In November 2005, he was also appointed as the Head of Business Processing Operations. He is 32 years of age.

Financial Statements

Statutory Disclosures
December 31, 2005

The Directors have pleasure in submitting the Annual Report of The Mauritius Union Assurance Company Limited together with the audited financial statements for the year ended December 31, 2005.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year comprised the transacting of all classses of insurance business. The company also granted secured loans and invested in shares. There has been no change in the nature of its business.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual meeting have unexpired service contracts.

DIRECTORS

Remuneration and benefits received, or due and receivable from the Company and its subsidiaires were as follows :

- Directors of The Mauritius Union Assurance Company Limited

	From the Company		From Subsidiaries	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Executive Directors				
Full-time	-	-	-	-
Part-time	267	-	169	-
Non-executive Directors	1,138	1,300	-	-
	1,405	1,300	169	-

None of the directors of the subsidiaries received any renumeration and benefits from the Company and subsidiary companies.

CONTRACTS OF SIGNIFICANCE

There was no contract of significance subsisting during the year to which the company, or one of its subsidiary was a party to or in which a director was materially interested, either directly or indirectly.

Statutory Disclosures
December 31, 2005

DONATIONS

Charitable donations

Charitable donations made by the Company during the year to 16 recipients amounted to Rs338,231 (2004 : Rs546,663). None of the subsidiaries made any charitable donations.

Political Donations

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

AUDITORS' FEES

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

	GROUP		COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Audit fees paid to:				
- BDO De Chazal Du Mée	638	606	500	483
- Other firms	69	-	-	-
Fees paid for other services provided by				
- BDO De Chazal Du Mée	1,191	1,121	1,169	1,004
- Other firms	8	-	-	-

Secretary's Report

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.

Corporate & Secretarial Services Centre Ltd

Secretary

Report of the Auditors to the Members

We have audited the financial statements of **The Mauritius Union Assurance Company Limited** set out on pages 34 to 76 which have been prepared on the basis of the accounting policies set out on pages 41 to 48.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and for ensuring that the financial statements comply with the Companies Act 2001 and the Insurance Act 1987. They are also responsible for safeguarding the assets of the Group and the Company hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Our audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with, or any interests in, the Company or any of its subsidiaries other than in our capacity as auditors, tax and business advisers and other than dealings with the Group and the Company in the ordinary course of business.

MCB CASE

In forming our opinion, we have considered the adequacy of the disclosures made in Note 41 of the financial statements. The claim of Rs737m is in excess of the Net Assets of the General Branch Business (Rs598m) at balance sheet date. Our opinion is not qualified in this respect.

OPINION

We have obtained all such information and explanations which we considered necessary.

In our opinion:
a) proper accounting records have been kept by the group and the company as far as it appears from our examination of those records;

b) the financial statements give a true and fair view of the state of affairs of the Group and the Company as at December 31, 2005 and of their results and cash flows for the year then ended, comply with the Companies Act 2001 and the Insurance Act 1987 and have been prepared in accordance with International Financial Reporting Standards.

BDO DE CHAZAL DU MEE
Chartered Accountants

Port Louis,
Mauritius.

Balance Sheets

December 31, 2005

	Notes	THE GROUP		THE COMPANY			
		2005 Total Rs'000	2004 Total Rs'000	2005 Life Rs'000	2005 General Rs'000	2005 Total Rs'000	2004 Total Rs'000
ASSETS							
Non-Current Assets							
Property and Equipment	5	199,334	151,478	98,690	93,958	192,648	150,264
Investment Properties	6	26,850	17,000	26,850	-	26,850	17,000
Intangible Assets	7	9,934	3,926	2,028	3,198	5,226	3,838
Statutory Deposits	8	16,000	16,000	8,000	8,000	16,000	16,000
Investments in subsidiary companies	9	-	-	-	112,979	112,979	102,000
Investments in associated companies	10	77,200	69,586	34,308	28,032	62,340	64,919
Financial assets	11	1,654,899	1,584,591	1,014,438	345,034	1,359,472	1,012,908
Loans and receivables	12	572,524	483,617	346,961	120,840	467,801	339,478
Deferred tax assets	20	10,324	352	-	10,324	10,324	-
		2,567,065	2,326,550	1,531,275	722,365	2,253,640	1,706,407
Current Assets							
Financial assets	11	430,205	310,303	-	-	-	60,670
Trade and other receivables	13	276,967	296,150	82,966	126,452	209,418	243,941
Bank balances and cash	33	168,786	184,247	26,754	94,219	120,973	61,423
		875,958	790,700	109,720	220,671	330,391	366,034
Non-current asset held for sale	40	8,164	-	8,164	-	8,164	-
Total Assets		3,451,187	3,117,250	1,649,159	943,036	2,592,195	2,072,441
EQUITY AND LIABILITIES							
Capital and Reserves (attributable to equity holders of the parent company)							
Share Capital	14	200,400	119,516	-	200,400	200,400	119,516
Share Premium	15	-	25,835	-	-	-	25,835
Revaluation and Other Reserves	16	272,800	272,615	-	195,030	195,030	173,280
Retained Earnings		208,790	114,693	-	169,673	169,673	90,400
Statutory Reserve Fund		33,515	29,539	-	33,515	33,515	29,539
Equity holders' interest		715,505	562,198	-	598,618	598,618	438,570
Minority interest		1,855	-	-	-	-	-
Total equity		717,360	562,198	-	598,618	598,618	438,570
Technical Liabilities							
General Business Fund	17/31	149,692	141,503	-	149,692	149,692	141,503
Life Assurance Fund	18	1,628,412	1,337,978	1,628,412	-	1,628,412	1,337,978
		1,778,104	1,479,481	1,628,412	149,692	1,778,104	1,479,481
Non-Current Liabilities							
Borrowings	19	463,847	724,876	-	-	-	-
Deferred tax liabilities	20	-	1,737	-	-	-	1,659
Retirement benefit obligations	21	4,280	-	2,140	2,140	4,280	-
		468,127	726,613	2,140	2,140	4,280	1,659
Current Liabilities							
Borrowings	19	260,652	184,045	-	-	-	-
Outstanding claims	31 & 34	134,668	124,936	644	134,024	134,668	124,936
Trade and other payables	22	76,132	39,505	17,963	42,530	60,493	27,763
Current tax liabilities	23	112	472	-	-	-	32
Dividend proposed	32	16,032	-	-	16,032	16,032	-
		487,596	348,958	18,607	192,586	211,193	152,731
Total Equity and Liabilities		3,451,187	3,117,250	1,649,159	943,036	2,592,195	2,072,441

These financial statements have been approved for issue by the Board of Directors on 28th March 2006 and signed on its behalf by :

Mr Georges André Robert
Director

Mr Richard Arlove
Director

The notes on pages 41 to 76 form an integral part of these financial statements. Auditors' report on page 33.

Income Statements

Year ended December 31, 2005

	Notes	THE GROUP		THE COMPANY	
		2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Turnover	24	631,394	523,156	532,753	438,137
Underwriting surplus (page 36)		9,793	26,273	9,793	26,273
Lease income		21,955	18,304	-	-
Investment and other income	25	202,009	113,510	159,883	48,634
		233,757	158,087	169,676	74,907
Legal costs	28(a)	20,907	5,000	20,907	5,000
Management expenses		54,596	32,285	44,087	27,283
Depreciation	5	8,126	6,586	7,485	6,242
Amortisation	7	871	932	828	869
		84,500	44,803	73,307	39,394
		149,257	113,284	96,369	35,513
Finance costs	26	73,406	69,856	-	-
		75,851	43,428	96,369	35,513
Share of results of associated companies	10(a)	7,139	2,365	-	-
		82,990	45,793	96,369	35,513
Transfer from Life Assurance Revenue Account	27	8,000	10,000	8,000	10,000
Profit before taxation	28	90,990	55,793	104,369	45,513
Taxation	23	11,410	520	11,796	613
Net profit		102,400	56,313	116,165	46,126
Transfer to Statutory Reserve Fund		(3,976)	(3,739)	(3,976)	(3,739)
Retained profit for the year		98,424	52,574	112,189	42,387
Attributable to :					
Equity holders of the company		97,985	52,574	112,189	42,387
Minority Interest		439	-	-	-
		98,424	52,574	112,189	42,387
Earnings per share (rupees and cents)	30	5.16	3.02	5.88	2.48

The notes on pages 41 to 76 form an integral part of these financial statements. Auditors' report on page 33.

General Business Revenue Account

Year ended December 31, 2005

	Notes	THE COMPANY 2005 Rs'000	2004 Rs'000
Gross Premiums		376,996	374,631
Premiums ceded to Reinsurers		(77,611)	(91,624)
Change in unearned premiums	17/33	(8,189)	(43,324)
Net earned premiums	2(l)	291,196	239,683
Gross claims paid	34(a)	289,131	218,615
Claims recovered from Reinsurers		(45,017)	(56,418)
Movement in outstanding claims		11,210	27,526
Net claims incurred		255,324	189,723
Commissions receivable from Reinsurers		13,500	13,003
Commissions paid to agents and brokerage fees		(39,579)	(36,690)
Net Commissions		(26,079)	(23,687)
Underwriting surplus (page 35)		9,793	26,273

The notes on pages 41 to 76 form an integral part of these financial statements. Auditors' report on page 33.

Life Assurance Revenue Account

Year ended December 31, 2005

	Notes	THE COMPANY 2005 Rs'000	2004 Rs'000
Gross Premiums		238,023	214,077
Ceded to Reinsurers		(17,341)	(15,622)
Net insurance premiums	24	220,682	198,455
Consideration for annuities	24	20,875	-
Investment and other income		90,051	85,057
Profit on disposal of property and equipment		463	452
		111,389	85,509
		332,071	283,964
LESS:			
Gross death and disablement claims		14,139	9,040
Recoverable from reinsurers		(8,665)	(2,891)
Net death and disablement claims		5,474	6,149
Commissions payable		19,802	19,647
Commissions recoverable from reinsurers		(3,440)	(2,749)
Net commissions		16,362	16,898
Maturity claims		116,171	104,744
Surrenders		7,598	6,434
Other benefits		1,991	504
Annuities and pensions		22,797	2,018
Management expenses		49,332	36,254
		197,889	149,954
		112,346	110,963
Depreciation	5	(8,398)	(7,783)
Increase in fair value of investment properties	6	3,513	-
Decrease in fair value of non-current asset held for resale	40	(8,836)	-
Release on fair value adjustment	18	(148)	-
Amortisation of intangible assets	7	(618)	(775)
Surplus for the year before taxation		97,859	102,405
Taxation	23	-	2,236
Surplus for the year		97,859	104,641
Transfer to Income Statement		(8,000)	(10,000)
Net surplus for the year	18	89,859	94,641

The notes on pages 41 to 76 form an integral part of these financial statements. Auditors' report on page 33.

Statements of Changes in Equity

Year ended December 31, 2005

THE GROUP

	Notes	Share Capital Fully paid Rs'000	Share Capital Partly paid Rs'000	Share Premium Rs'000	Revaluation and Other Reserves Rs'000	Retained Earnings Rs'000	Statutory Reserve Fund Rs'000	Total Rs'000	Minority Interest Rs'000	TOTAL Rs'000
		Attributable to equity holders of the Parent Company								
Balance at January 1, 2004		104,000	-	10,819	176,705	95,333	25,800	412,657	-	412,657
Issue of shares		3,600	11,916	15,516	-	-	-	31,032	-	31,032
Share issue costs		-	-	(500)	-	-	-	(500)	-	(500)
Movement in reserves of associates	10(a)	-	-	-	2,175	66	-	2,241	-	2,241
Increase in fair value of available-for-sale financial assets	16(a)	-	-	-	117,184	-	-	117,184	-	117,184
Release from fair value reserve	16(a)	-	-	-	(23,449)	-	-	(23,449)	-	(23,449)
Net profit		-	-	-	-	56,313	-	56,313	-	56,313
Transfer to Statutory Reserve Fund		-	-	-	-	(3,739)	3,739	-	-	-
Dividends	32	-	-	-	-	(33,280)	-	(33,280)	-	(33,280)
Balance at December 31, 2004		**107,600**	**11,916**	**25,835**	**272,615**	**114,693**	**29,539**	**562,198**	**-**	**562,198**
Balance at January 1, 2005		107,600	11,916	25,835	272,615	114,693	29,539	562,198	-	562,198
Rights issue		26,000	(11,916)	14,084	-	-	-	28,168	-	28,168
Share issue costs		-	-	(322)	-	-	-	(322)	-	(322)
Bonus issue		66,800	-	(39,597)	(27,203)	-	-	-	-	-
Increase in fair value of available for-sale-financial asssets	16(a)	-	-	-	104,780	-	-	104,780	-	104,780
Release from fair value reserve	16(a)	-	-	-	(82,593)	-	-	(82,593)	-	(82,593)
Release from fair value reserve on distribution of dividend in specie	16	-	-	-	(29,028)	29,028	-	-	-	-
Revaluation of land and buildings		-	-	-	31,912	-	-	31,912	-	31,912
Acquisition of subsidiary	39(b)	-	-	-	-	-	-	-	1,414	1,414
Movement in reserves of associates		-	-	-	2,308	-	-	2,308	-	2,308
Increase in reserves of subsidiary		-	-	-	9	-	-	9	2	11
Net profit		-	-	-	-	101,961	-	101,961	439	102,400
Transfer to Statutory Reserve Fund		-	-	-	-	(3,976)	3,976	-	-	-
Dividends	32	-	-	-	-	(32,916)	-	(32,916)	-	(32,916)
Balance at December 31, 2005		**200,400**	**-**	**-**	**272,800**	**208,790**	**33,515**	**715,505**	**1,855**	**717,360**

The notes on pages 41 to 76 form an integral part of these financial statements. Auditors' report on page 33.

Statements of Changes in Equity

Year ended December 31, 2005

THE COMPANY

	Notes	Share Capital Fully paid Rs'000	Share Capital Partly paid Rs'000	Share Premium Rs'000	Revaluation and Other Reserves Rs'000	Retained Earnings Rs'000	Statutory Reserve Fund Rs'000	TOTAL Rs'000
Balance at January 1, 2004		104,000	-	10,819	121,366	81,293	25,800	343,278
Issue of shares		3,600	11,916	15,516	-	-	-	31,032
Share issue costs		-	-	(500)	-	-	-	(500)
Increase in fair value of available for-sale-financial assets	16(b)	-	-	-	69,043	-	-	69,043
Release from fair value reserve	16(b)	-	-	-	(17,129)	-	-	(17,129)
Net profit		-	-	-	-	46,126	-	46,126
Transfer to Statutory Reserve Fund		-	-	-	-	(3,739)	3,739	-
Dividends	32	-	-	-	-	(33,280)	-	(33,280)
Balance at December 31, 2004		**107,600**	**11,916**	**25,835**	**173,280**	**90,400**	**29,539**	**438,570**
Balance at January 1, 2005		107,600	11,916	25,835	173,280	90,400	29,539	438,570
Rights issue		26,000	(11,916)	14,084	-	-	-	28,168
Share issue costs		-	-	(322)	-	-	-	(322)
Bonus issue		66,800	-	(39,597)	(27,203)	-	-	-
Increase in fair value of available for-sale-financial asssets	16(b)	-	-	-	62,095	-	-	62,095
Release from fair value reserve	16(b)	-	-	-	(45,054)	-	-	(45,054)
Revaluation of land and buildings		-	-	-	31,912	-	-	31,912
Net profit		-	-	-	-	116,165	-	116,165
Transfer to Statutory Reserve Fund		-	-	-	-	(3,976)	3,976	-
Dividends	32	-	-	-	-	(32,916)	-	(32,916)
Balance at December 31, 2005		**200,400**	**-**	**-**	**195,030**	**169,673**	**33,515**	**598,618**

The notes on pages 41 to 76 form an integral part of these financial statements. Auditors' report on page 33.

Cash Flow Statements

Year ended December 31, 2005

	Notes	THE GROUP		THE COMPANY			
		2005	2004		2005		2004
		Total	Total	Life	General	Total	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
OPERATING ACTIVITIES							
Net cash generated from operations	33 (a)	210,687	116,984	103,656	80,190	183,846	132,129
Income tax paid		(659)	(2,054)	-	(219)	(219)	(867)
Net cash generated from operating activities		210,028	114,930	103,656	79,971	183,627	131,262
INVESTING ACTIVITIES							
Disposal of property and equipment		2,993	1,933	1,165	1,072	2,237	1,927
Disposal of intangible assets	57	-	-	-	-	-	
Disposal of financial assets		201,593	56,986	7,389	106,636	114,025	30,558
Redemption of held-to-maturity financial assets		-	26,666	-	-	-	26,666
Disposal of investments in associates		-	-	-	-	-	4,162
Purchase of property and equipment	5	(19,190)	(17,683)	(9,559)	(9,602)	(19,161)	(17,296)
Acquisition of intangible assets	7	(2,975)	(1,093)	(977)	(1,857)	(2,834)	(1,093)
Purchase of financial assets	11	(201,571)	(119,239)	(149,847)	(4)	(149,851)	(115,914)
Purchase of held-to-maturity investments		-	(60,670)	-	-	-	(60,670)
Purchase of treasury bills	11	(68,696)	(373,063)	-	-	-	-
Treasury bills matured		137,595	119,433	-	-	-	-
Investment in subsidiary companies		-	-	-	(8,400)	(8,400)	(51,000)
Acquisition of a subsidiary	39(b)	(11,524)	-	-	-	-	-
Investment in associated companies		-	(28,572)	-	-	-	(32,734)
Loans recovered		112,180	167,133	102,858	9,322	112,180	167,133
Loans granted		(152,812)	(100,416)	(102,250)	(50,559)	(152,809)	(100,416)
Loan repaid		(700)	-	-	-	-	-
Deposit on investment properties		(13,426)	(8,950)	(13,426)	-	(13,426)	(8,950)
Investment in medium term deposits/bonds		(81,000)	(97)	(15,000)	(66,000)	(81,000)	(97)
Bank deposits		64,000	-	64,000	-	64,000	-
Investment in finance leases		(91,833)	(131,433)	-	-	-	-
Capital repayment on finance leases		73,280	66,714	-	-	-	-
Net cash used in investing activities		(52,029)	(402,351)	(115,647)	(19,392)	(135,039)	(157,724)
FINANCING ACTIVITIES							
Issue of shares		28,168	31,032	-	28,168	28,168	31,032
Share issue costs		(322)	(500)	-	(322)	(322)	(500)
Deposits received		27,637	448,145	-	-	-	-
Refund of deposits		(212,356)	(96,310)	-	-	-	-
Dividends	32	(16,884)	(33,280)	-	(16,884)	(16,884)	(33,280)
Net cash (used in)/generated from financing activities		(173,757)	349,087	-	10,962	10,962	(2,748)
Net (decrease)/increase in cash and cash equivalents		(15,758)	61,666	(11,991)	71,541	59,550	(29,210)
Movement in cash and cash equivalents							
At January 1,		184,247	122,581	38,745	22,678	61,423	90,633
(Decrease)/increase		(15,758)	61,666	(11,991)	71,541	59,550	(29,210)
At December 31,	33(b)	168,489	184,247	26,754	94,219	120,973	61,423

The notes on pages 41 to 76 form an integral part of these financial statements. Auditors' report on page 33.

Notes to the Financial Statements

Year ended December 31, 2005

1. GENERAL INFORMATION

The Mauritius Union Assurance Company Limited is a limited liability company incorporated and domiciled in Mauritius. These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of the Company. The address of its registered office is 4 Léoville L'Homme Street, Port Louis.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(i) land and buildings are stated at fair value;

(ii) available-for-sale financial assets are stated at their fair values;

(iii) investment properties are stated at fair value; and

(iv) held-to-maturity investments, loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost;

(b) Property and equipment

All property and equipment is initially recorded at cost. Land and buildings are subsequently shown at market value, based on valuations by external independent valuers less subsequent depreciation for property. All other property and equipment is stated at historical cost less depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

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

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

Land is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

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 amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in revaluation reserve relating to that asset are transferred to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investment properties

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

(d) Intangible assets

(i) *Goodwill*

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

Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates.

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

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

(ii) *Computer software*

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

(e) Impairment of assets

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

(f) Investment in subsidiaries

Separate financial statements

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

Consolidated financial statements

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investments in associates

Separate financial statements

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

Consolidated financial statements

An associate is an entity over which the Group has significant influence but not control, or joint control. Investments in associates are accounted for by the equity method. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the group's share of the net assets of the associate less any impairment in the value of individual investments.

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

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

(h) Financial instruments

Categories of financial assets

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

(a) Loans and receivables

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

(b) Held-to-maturity investments

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

(c) Available-for-sale financial assets

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

Initial measurement

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

Subsequent measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(h) Financial instruments (*Continued*)

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group and the Company establish fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis.

Derecognition

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

Impairment of financial assets

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

(d) Long term receivables

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

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

(f) Trade payables

Trade payables are stated at their nominal value.

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

(g) Borrowings

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(i) Insurance Contracts - classification

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Investment contracts issued by the Company are in respect of investment business of the staff pension scheme and are not considered material compared to insurance contracts.

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

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

(a) <u>Short term insurance contracts</u>

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

(b) <u>Long-term insurance contracts with fixed and guaranteed terms</u>

These contracts insure events associated with human life i.e. death, disability or survival over a long term. A liability for contractual benefits that are expected to be incurred in future is recorded once the first premium under such a contract has been recognised. The liability is based on best estimates assumptions regarding future mortality, persistency, maintenance expenses and investment income that are determined at each valuation date based on an analysis of recent experience modified by expectation of future trends. The best estimate assumptions are adjusted to include a margin for prudence.

(c) <u>Long-term insurance contracts without fixed terms and with DPF</u>

These types of insurance contracts contain a DPF which entitles the contract holder in supplement to a guaranteed amount, a contractual right to receive additional profit or bonuses. The magnitude of the profit or bonuses as well as the timing of the payments are however at the discretion of the Company. The Company has an obligation to eventually pay to contract holder up to 90% of the DPF eligible surplus (ie, all interest and realised gains and losses arising from the assets backing these contracts). Any portion of the DPF eligible surplus that is not declared as a profit or bonus is retained as a liability under the Life Assurance Fund, until declared and credited to contract holders in future periods.

(j) Reinsurance contracts

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(j) Reinsurance contracts (*Continued*)

Impairment of reinsurance assets

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

(k) Revenue recognition

(a) Premium earned

(i) Short-term insurance

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

(ii) Long-term insurance

Premiums on long-term insurance contracts are recognised as income when receivable, i.e., when payments are due.

(b) Consideration for annuities

Consideration for annuities is recognised as income upon maturity.

(c) Lease income

Lease income consists of gross rental income under finance leases.

(d) Other revenues

Other revenues are recognised on the following bases:

• Brokerage and commission receivable - on an accrual basis in accordance with the substance of the relevant agreements.

• Interest income - as it accrues unless collectibility is in doubt.

• Dividend income - when the shareholder's right to receive payment is established.

(l) Unearned premiums - Short term insurance

Unearned premiums (General Business Fund) represent the proportion of premiums written relating to periods of insurance risks subsequent to the balance sheet date calculated on a half yearly pro-rata basis (50th method). The change in this liability is taken to the Income Statement.

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

Outstanding claims provisions are based on the ultimate costs of all claims incurred but not settled at the balance sheet date, whether reported or not (IBNR). Notified claims are only recognised when the company considers that it has a contractual credibility to settle the claims. Claims expenses are charged to Income Statement as incurred based on the estimated liability for compensation owed to contract holders or third parties.

There are often reporting delays between the occurrence of the insured event and the time it is actually reported to the Company, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at balance sheet date. Following the identification and notification of the insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. Outstanding claims provisions are not discounted and exclude any allowances for expected future recoveries. Recoveries are accounted for, as and when received, and include non-insurance assets that have been acquired by exercising rights to sell, to salvage or subrogate under the terms of the insurance contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(n) Salvage and subrogation reimbursements

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

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liabilities for claims and are recognised in other assets when the liabilities are settled. The allowance is the assessment of the amount that can be recovered from third parties.

(o) Liability adequacy test

(a) Short-term insurance

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

(b) Long-term insurance

The Company's Actuary reviews the adequacy of insurance liabilities for long term contracts on an annual basis and ensures that provisions made by the Company are adequate.

(p) Life Assurance Fund

The net result of the Life Revenue Account for the year represents the increase in the value of liabilities due to policy holders . The adequacy of the liabilities is determined annually by actuarial valuation.

(q) Deferred income tax

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

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

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

(r) Retirement benefit obligations

Defined Contribution Pension Scheme

Retirement benefits to employees of the Group are provided by a defined Contribution Pension Scheme, the Mauritius Union Group Pension Scheme, which is funded by contributions from the Group and the employees. Payments made by the Group are charged to the income statement in the year in which they are payable. The assets of this scheme are internally managed by the Life Branch of the Company. The Group has given commitments to its employees who were previously members of the MUA Staff Pension Scheme of guarantees of a no worse off benefit to that provided by the pension scheme.

(s) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using Mauritian rupees, the currency of the primary economic environment in which the entities operate ('functional currency'). The consolidated financial statements are presented in Mauritian rupees, which is the company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Retirement benefit obligations *(Continued)*

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

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

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

Finance leases

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

(u) Non-current assets held for sale

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

(v) Provisions

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

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

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

3.1 Insurance Risk

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

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

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

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

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS *(Continued)*

3.1 Insurance Risk *(Continued)*

(i) Insurance liabilities

(a) Short-term Insurance

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

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

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

(b) Long-term Insurance

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

(ii) Concentration of insurance risk

(a) Short-term Insurance

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

	Outstanding claims				
		2005		2004	
Class of Business	No. of claims	Gross Rs'000	Net Rs'000	Gross Rs'000	Net Rs'000
Motor	6,246	129,276	104,580	118,751	91,196
Fire	47	7,988	1,815	32,030	5,517
Personal Accident	179	7,006	1,002	3,041	2,161
Transport	39	4,531	2,757	1,359	659
Miscellaneous	6,663	226,761	8,870	226,451	8,280
IBNR		15,000	15,000	15,000	15,000
	13,174	390,562	134,024	396,632	122,813

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

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (*Continued*)

3.1 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 2005	Total benefits insured			
	Before reinsurance		After reinsurance	
Rs'000	Rs'000	%	Rs'000	%
0 - 50	191,560	5	201,868	8
50 - 100	382,028	10	407,702	17
100 - 200	944,661	24	1,075,866	45
200 - 300	686,244	17	412,085	17
300 - 400	386,754	10	317,100	13
400 +	1,386,867	34	-	-
Total	3,978,114	100	2,414,621	100

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

Annuity payable per annum per life insured at end of 2005	Total annuities payable per annum	
Rs'000	Rs'000	%
0 - 10	127	5
10 - 20	213	8
20 - 50	356	14
50 - 100	476	19
100 - 150	328	13
More than 150	1,069	41
Total	2,569	100

(iii) Sources of uncertainty

(a) Short-term Insurance

Claims on short term insurance contracts are payable on a claims-occurrence basis for motor and liability business and on a risk attaching basis for non-motor. Under claims occurance basis, the Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. 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 risk attaching basis, the Company is liable only if the claims are reported within the specific underwriting year, based on the terms of the contract.

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

(b) Long-term Insurance

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

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

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (*Continued*)

3.1 Insurance Risk (*Continued*)

(iv) Claims development table

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

Net estimate of ultimate claim costs

	Underwriting year				
	2001 Rs'000	2002 Rs'000	2003 Rs'000	2004 Rs'000	2005 Rs'000
- At end of claim year	16,567	16,800	22,835	41,130	41,699
- one year later	16,762	16,120	23,333	29,887	-
- two years later	14,213	14,270	14,805	-	-
- three years later	10,596	10,316	-	-	-
- four years later	9,575	-	-	-	-

	2001 Rs'000	2002 Rs'000	2003 Rs'000	2004 Rs'000	2005 Rs'000	Total Rs'000
Current estimates of cumulative claims	68,231	91,487	150,149	230,987	160,647	701,501
Cumulative payments	58,656	81,171	135,344	201,100	118,948	595,219
Liability	9,575	10,316	14,805	29,887	41,699	106,282
Liability in respect of prior years						27,742
Total liability (net)						134,024

3.2 Financial Risks

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

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

Foreign exchange risk;
Credit risk;
Interest rate risk;
Liquidity risk.
Market risk ; and
Reinsurers' default

Foreign exchange risk

The Company has an investment in a foreign associate, whose net assets are exposed to currency translation risk. The Group is not substantially exposed to any other foreign exchange risk.

The Company has also a number of deposits and bank balances in foreign currencies and is exposed to fluctuations with respect to US Dollar, Euro and UK pound sterling. Exposure to foreign currency is not hedged but closely monitored by management.

Credit risk

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

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS *(Continued)*

3.2 Financial Risks *(Continued)*

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as most of the Group's borrowings are in fixed rate instruments.

Liquidity risk

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

Market risk

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

Reinsurers' default

The Company is exposed to the possibility of default by its Reinsurers for their share of insurance liabilities and refunds in respect of claims already paid. Management monitors the financial strength of its Reinsurers and the Company has policies in place to ensure that risks are ceded to top-rated and credit-worthy Reinsurers only.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING ESTIMATES

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

4.1 Critical accounting estimates and assumptions

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

4.2 Insurance Contracts

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

(a) Short-term Insurance

(i) Claims provision

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

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

(ii) Sensitivity analysis

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING ESTIMATES *(Continued)*

(b) Long-term Insurance

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

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

(i) Sensitivity analysis

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

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

Variable	Basic liability Rs'000	Future bonus reserve Rs'000	Total Life Fund Rs'000	Assumed change in variable (+/-) %
Base run	1,283,522	355,826	1,639,348	0.0%
Future mortality 10% worse	1,286,758	352,590	1,639,348	0.3%
Future lapses 10% higher	1,278,616	360,732	1,639,348	-0.4%
Future investment returns 1% lower	1,344,671	294,677	1,639,348	4.8%
Future inflation 1% higher	1,303,475	335,873	1,639,348	1.6%
Future maintenance expenses 10% higher	1,314,750	324,598	1,639,348	2.4%

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

4.3 Held-to-Maturity Investments

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

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

4.4 Impairment of Available-of-sale Financial Assets

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

4.5 Impairment of other assets

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

4.6 Legal Costs

Legal costs have been accounted based on estimated legal fees incurred for the year under review, in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

5. PROPERTY AND EQUIPMENT

(a) THE GROUP - 2005

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

The depreciation charge is allocated as follows :	Rs'000
Life Assurance	8,398
General Business and subsidiaries	8,126
	16,524

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

THE GROUP - 2004

	Land and Buildings: Freehold Land	Land and Buildings: Buildings on freehold land	Office Equipment Fixtures & Fittings	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST					
At January 1, 2004	27,064	94,072	75,180	17,529	213,845
Additions	-	-	7,185	10,498	17,683
Disposals	-	-	(2,139)	(5,284)	(7,423)
At December 31, 2004	27,064	94,072	80,226	22,743	224,105
DEPRECIATION					
At January 1, 2004	-	10,214	45,717	8,715	64,646
Charge for the year	-	1,881	8,472	4,016	14,369
Disposal adjustment	-	-	(2,007)	(4,381)	(6,388)
At December 31, 2004	-	12,095	52,182	8,350	72,627
NET BOOK VALUE					
At December 31, 2004	27,064	81,977	28,044	14,393	151,478

The depreciation charge is allocated as follows :	Rs'000
Life Assurance	7,783
General Business and subsidiaries	6,586
	14,369

5. PROPERTY AND EQUIPMENT *(Continued)*

(a) THE COMPANY - 2005

	Land and Buildings: Freehold Land	Land and Buildings: Buildings on freehold land	Office Equipment Fixtures & Fittings	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST					
At January 1, 2005	27,064	94,056	77,379	22,744	221,243
Additions	-	-	10,593	8,568	19,161
Disposals	-	-	(1,784)	(6,265)	(8,049)
Revaluation surplus	24,439	18,085	(8,693)	-	33,831
Transfer to investment properties (note 6)	(17,703)	(6,202)	(3,983)	-	(27,888)
At December 31, 2005	33,800	105,939	73,512	25,047	238,298
DEPRECIATION					
At January 1, 2005	-	11,914	50,715	8,350	70,979
Charge for the year	-	2,274	8,747	4,862	15,883
Disposal adjustment	-	-	(1,701)	(4,970)	(6,671)
Revaluation adjustment	-	(11,867)	(18,123)	-	(29,990)
Transfer to investment properties (note 6)	-	(568)	(3,983)	-	(4,551)
At December 31, 2005	**-**	**1,753**	**35,655**	**8,242**	**45,650**
NET BOOK VALUE					
At December 31, 2005	**33,800**	**104,186**	**37,857**	**16,805**	**192,648**
Property and equipment is allocated as follows:					
Life Assurance	16,900	53,935	19,468	8,387	98,690
General Business	16,900	50,251	18,389	8,418	93,958
	33,800	**104,186**	**37,857**	**16,805**	**192,648**

The depreciation charge is allocated as follows:	Rs'000
Life Assurance	8,398
General Business	7,485
	15,883

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

THE COMPANY - 2004

	Land and Buildings: Freehold Land	Land and Buildings: Buildings on freehold land	Office Equipment Fixtures & Fittings	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST					
At January 1, 2004	27,064	94,056	72,614	17,530	211,264
Additions	-	-	6,798	10,498	17,296
Disposals	-	-	(2,033)	(5,284)	(7,317)
At December 31, 2004	27,064	94,056	77,379	22,744	221,243
DEPRECIATION					
At January 1, 2004	-	10,033	44,488	8,715	63,236
Charge for the year	-	1,881	8,128	4,016	14,025
Disposal adjustment	-	-	(1,901)	(4,381)	(6,282)
At December 31, 2004	**-**	**11,914**	**50,715**	**8,350**	**70,979**
NET BOOK VALUE					
At December 31, 2004	**27,064**	**82,142**	**26,664**	**14,394**	**150,264**
Property and equipment is allocated as follows:					
Life Assurance	22,383	45,832	13,963	7,480	89,658
General Business	4,681	36,310	12,701	6,914	60,606
	27,064	**82,142**	**26,664**	**14,394**	**150,264**

The depreciation charge is allocated as follows:	Rs'000
Life Assurance	7,783
General Business	6,242
	14,025

6. INVESTMENT PROPERTIES - AT FAIR VALUE

	THE GROUP		THE COMPANY			
	2005 Total Rs'000	2004 Total Rs'000	2005 Life Rs'000	2005 General Rs'000	2005 Total Rs'000	2004 Total Rs'000
At January 1	17,000	17,000	17,000	-	17,000	17,000
Transfer from property and equipment (note 5 (a))	23,337	-	23,337	-	23,337	-
Transfer to non-current asset held for sale (note 40)	(17,000)	-	(17,000)	-	(17,000)	-
Increase in fair value	3,513	-	3,513	-	3,513	-
At December 31,	26,850	17,000	26,850	-	26,850	17,000

The investment properties of the Life branch were revalued at June 30, 2005 by independent valuers on an open market value basis, by reference to market evidence of transaction prices for similar properties.

7. INTANGIBLE ASSETS

2005	THE GROUP Goodwill Rs'000	THE GROUP Computer Software Rs'000	THE GROUP Total Rs'000	THE COMPANY Computer software Life Rs'000	THE COMPANY Computer software General Rs'000	THE COMPANY Computer software Total Rs'000
COST						
At January 1, 2005	-	11,412	11,412	4,682	5,272	9,954
Acquisition through business combination (note 39(a))	4,579	-	4,579	-	-	-
Additions	-	2,975	2,975	977	1,857	2,834
Disposals	-	(242)	(242)	-	-	-
At December 31, 2005	4,579	14,145	18,724	5,659	7,129	12,788
AMORTISATION						
At January 1, 2005	-	7,486	7,486	3,013	3,103	6,116
Charge for the year	-	1,489	1,489	618	828	1,446
Disposal adjustment	-	(185)	(185)	-	-	-
At December 31, 2005	-	8,790	8,790	3,631	3,931	7,562
NET BOOK VALUE						
At December 31, 2005	4,579	5,355	9,934	2,028	3,198	5,226

The amortisation charge for the group is allocated as follows :

	Rs'000
Life Assurance	618
General Business and subsidiaries	871
	1,489

7. INTANGIBLE ASSETS *(Continued)*

2004	THE GROUP Goodwill Rs'000	THE GROUP Computer Software Rs'000	THE GROUP Total Rs'000	THE COMPANY Computer software Life Rs'000	THE COMPANY Computer software General Rs'000	THE COMPANY Computer software Total Rs'000
COST						
At January 1, 2004	-	10,319	10,319	4,255	4,606	8,861
Additions	-	1,093	1,093	427	666	1,093
At December 31, 2004	-	11,412	11,412	4,682	5,272	9,954
AMORTISATION						
At January 1, 2004	-	5,779	5,779	2,238	2,234	4,472
Charge for the year	-	1,707	1,707	775	869	1,644
At December 31, 2004	-	7,486	7,486	3,013	3,103	6,116
NET BOOK VALUE						
At December 31, 2004	-	3,926	3,926	1,669	2,169	3,838

The amortisation charge for the group is allocated as follows :

	Rs'000
Life Assurance	775
General Business and subsidiaries	932
	1,707

8. STATUTORY DEPOSITS

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

9. INVESTMENTS IN SUBSIDIARY COMPANIES - COST

	THE COMPANY 2005 Life Rs'000	2005 General Rs'000	2005 Total Rs'000	2004 Total Rs'000
(a) UNQUOTED - AT COST				
Equity				
At January 1,	-	102,000	102,000	51,000
Transfer from investment in associated companies (note 10(b))	-	2,579	2,579	-
Additions	-	8,400	8,400	51,000
At December 31,	-	112,979	112,979	102,000

9. INVESTMENTS IN SUBSIDIARY COMPANIES - COST *(Continued)*

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

	Main Activities	Nominal value of investment 2005 Rs'000	Nominal value of investment 2004 Rs'000	Class of shares held	% of ownership interest and voting power held 2005	% of ownership interest and voting power held 2004
MUA Leasing Company Limited	Leasing	100,000	100,000	Ordinary	100%	100%
MUA Commercial Vehicles Agency Limited	Insurance agent	1,000	1,000	Ordinary	100%	100%
MUA E-Serve *	Business Process Outsourcing	-	1,000	Ordinary	100%	100%
Associated Brokers Ltd**	Stock broker	862	-	Ordinary	80%	* *

* MUA E- serve is in the process of winding up and has not been consolidated.
** Previously an associated company at 25.95% - see note (10(c)).

10. INVESTMENTS IN ASSOCIATED COMPANIES

	THE GROUP 2005 Rs'000	THE GROUP 2004 Rs'000
(a) Group's share of net assets		
At January 1,	69,586	36,409
Share of results of associates	7,139	4,865
Dividends	-	(2,500)
	7,139	2,365
Consolidation adjustment (see note below)	(1,833)	-
Additions	-	28,571
Exchange difference	2,308	2,241
	475	30,812
	77,200	69,586

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

(b) AT COST

	THE COMPANY 2005 Life Rs'000	2005 General Rs'000	2005 Total Rs'000	2004 Total Rs'000
At January 1,	34,308	30,611	64,919	35,201
Additions	-	-	-	28,572
Transfer to investment in subsidiary companies (note 9(a))	-	(2,579)	(2,579)	1,146
At December 31,	34,308	28,032	62,340	64,919

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

	Class of Shares Held	% holding 2005	% holding 2004	Year ended
Union and POLICY Investment Co. Ltd	Ordinary	50	50	December 31, 2005
Union and POLICY Offshore Ltd	Ordinary	50	50	December 31, 2005
NCBP Holding Ltd	Ordinary	49.24	49.24	June 30, 2005 **
Associated Brokers Ltd *	Ordinary	*	25.95	*

* Associated Brokers Ltd is a subsidiary company as from current year - see note (9 (b)).
** Management accounts up to December 31, 2005 have been used for this non co-terminous year end associate.

Notes to the Financial Statements
Year ended December 31, 2005

10. INVESTMENTS IN ASSOCIATED COMPANIES *(Continued)*

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

Name	Assets Rs'000	Liabilities Rs'000	Revenues Rs'000	Profit/ (loss) Rs'000	Proportion of ownership interest and voting power held Direct %
2005					
- Union and Policy Investments Ltd	23,379	95	12,227	2,498	50
- Union and Policy Offshore Ltd	119,205	484	13,603	8,276	50
- NCBP Holding Ltd	51,674	29,180	49,162	1,923	49.24
	194,258	29,759	74,992	12,697	
2004					
- Union and Policy Investments Ltd	19,972	185	11,073	2,083	50
- Union and Policy Offshore Ltd	106,230	215	17,470	2,970	50
- NCBP Holding Ltd	49,323	31,225	42,053	(3,542)	49.24
- Associated Brokers Ltd	15,471	9,226	3,607	(933)	25.95
	190,996	40,851	74,203	578	

11. FINANCIAL ASSETS

(a) THE GROUP

	2005 Held-to-maturity Rs'000	2005 Available-for-sale Rs'000	2005 Total Rs'000	2004 Total Rs'000
At January 1,	667,881	1,227,013	1,894,894	1,281,187
Acquisition through business combination (note 39(b))	-	43	43	-
Additions	68,696	201,571	270,267	585,981
Disposals	-	(167,677)	(167,677)	(46,840)
Redeemed/matured	(191,449)	-	(191,449)	(160,953)
Increase in fair value - income statement	-	27	27	-
- equity	-	278,999	278,999	235,519
At December 31,	545,128	1,539,976	2,085,104	1,894,894
Analysed as follows :				
Non-current	114,923	1,539,976	1,654,899	1,584,591
Current	430,205	-	430,205	310,303
	545,128	1,539,976	2,085,104	1,894,894
The increase in fair value to equity is allocated as follows:				
Life Assurance			174,219	118,335
General Business and subsidiaries			104,780	117,184
			278,999	235,519

11. FINANCIAL ASSETS (Continued)

(a) **THE GROUP (Continued)**

(i) Available-for-sale financial assets	2005 Rs'000	2004 Rs'000
Available-for-sale financial assets include the following:		
Listed debt securities at fair value	2,833	29,499
Equity securities-at fair value:		
- Listed	1,354,387	1,024,941
- Unlisted	182,756	172,573
Total available-for-sale financial assets	1,539,976	1,227,013
(ii) Held-to-maturity investments		
Unlisted debt securities at amortised cost	545,128	667,881
Total held-to-maturity investments	545,128	667,881
Total investments in financial assets	2,085,104	1,894,894

(b) **THE COMPANY**

	LIFE			GENERAL			TOTAL			
	Held-to-maturity Rs'000	Available-for-sale Rs'000	Total Rs'000	Held-to-maturity Rs'000	Available-for-sale Rs'000	Total Rs'000	Held-to-maturity Rs'000	Available-for-sale Rs'000	2005 Total Rs'000	2004 Total Rs'000
At January 1,	64,006	697,167	761,173	-	312,405	312,405	64,006	1,009,572	1,073,578	761,422
Additions	-	149,847	149,847	-	4	4	-	149,851	149,851	176,584
Disposals	-	(8,465)	(8,465)	-	(80,470)	(80,470)	-	(88,935)	(88,935)	(25,140)
Redeemed/matured	(62,336)	-	(62,336)	-	-	-	(62,336)	-	(62,336)	(26,666)
Dividend received in specie	-	-	-	-	51,000	51,000	-	51,000	51,000	-
Increase in fair value	-	174,219	174,219	-	62,095	62,095	-	236,314	236,314	187,378
At December 31,	1,670	1,012,768	1,014,438	-	345,034	345,034	1,670	1,357,802	1,359,472	1,073,578
Analysed as follows :										
Non-current	1,670	1,012,768	1,014,438	-	345,034	345,034	1,670	1,357,802	1,359,472	1,012,908
Current	-	-	-	-	-	-	-	-	-	60,670
	1,670	1,012,768	1,014,438	-	345,034	345,034	1,670	1,357,802	1,359,472	1,073,578

(b) **Available-for-sale financial assets**

Available-for-sale financial assets include the following:

	2005 Rs'000	2004 Rs'000
Listed debt securities at fair value	2,833	29,499
Equity securities-at fair value:		
- Listed	1,172,213	807,500
- Unlisted	182,756	172,573
Total available-for-sale financial assets	1,357,802	1,009,572

(c) Non-current held-to-maturity investments comprise debentures with interest rates of 10% and maturity date of November 30, 2006. The Company intends and is able to hold the investments until maturity date.

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

12. LOANS AND RECEIVABLES

	THE GROUP		THE COMPANY			
	2005 Total Rs'000	2004 Total Rs'000	2005 Life Rs'000	2005 General Rs'000	2005 Total Rs'000	2004 Total Rs'000
Mortgage Loans	238,960	241,470	238,891	69	238,960	241,470
Loans on Life policies	45,848	42,022	45,848	-	45,848	42,022
Bank deposits/bonds	81,000	3,330	15,000	66,000	81,000	3,330
Secured Loans	33,263	43,706	24,846	54,771	79,617	43,706
Net investment in finance leases (note (a))	150,818	144,139	-	-	-	-
CDS guarantee fund	259	-	-	-	-	-
Deposit on investment property	22,376	8,950	22,376	-	22,376	8,950
	572,524	483,617	346,961	120,840	467,801	339,478

(a) NET INVESTMENT IN FINANCE LEASES

	THE GROUP 2005 Rs'000	2004 Rs'000
Gross investment in finance leases		
Not later than one year	77,636	54,433
Later than one year and not later than two years	57,883	49,177
Later than two years and not later than five years	111,483	122,698
Later than five years	8,429	9,496
	255,431	235,804
Unearned future finance income on finance leases	(46,626)	(45,328)
Net investment in finance leases	208,805	190,476
Representing :		
Current receivables (note 13)	57,987	46,337
Non-current receivables	150,818	144,139
	208,805	190,476

The net investment in finance leases may be analysed as follows :

	2005 Rs'000	2004 Rs'000
Not later than one year	57,987	46,337
Later than one year and not later than two years	48,848	41,241
Later than two years and not later than five years	94,082	102,898
Later than five years	7,888	-
	208,805	190,476

13. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY			
	2005	2004		2005		2004
	Total	Total	Life	General	Total	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Net investment in finance leases (note 12(a))	57,987	46,337	-	-	-	-
Premium debtors and agents' balances	106,062	138,959	4,619	101,443	106,062	138,959
Reinsurance assets	6,884	2,436	2,704	4,180	6,884	2,436
Other receivables and prepayments	33,228	36,256	18,203	5,463	23,666	30,384
Loans at call	27,335	30,667	15,647	11,688	27,335	30,667
Interbranch tax equalisation account	9,372	9,372	9,372	-	9,372	9,372
Portion of mortgage loans repayable within one year	36,099	32,123	32,421	3,678	36,099	32,123
	276,967	296,150	82,966	126,452	209,418	243,941

14. SHARE CAPITAL

	2005&2004	2005			2004
	Authorised	Issued and fully paid	Partly paid	Total	Total
		Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	500,000	107,600	11,916	119,516	104,000
Rights issue (note (i))	-	26,000	(11,916)	14,084	15,516
Bonus issue (note (ii))	-	66,800	-	66,800	-
Ordinary shares of Rs10 each	500,000	200,400	-	200,400	119,516
Number of ordinary shares ('000)	50,000	20,040			10,760

(i) A rights issue of 2,600,000 new ordinary shares was effected at an issue price of Rs20 each, in the proportion of one new ordinary share for every four ordinary shares held at the close of business on 27th October 2004 - 2,383,216 shares were taken up. A part payment of Rs10 per share was received on 22th December 2004 and the second payment received on the 15th July 2005.

(ii) A bonus issue of 6,680,000 shares, representing one for every two shares held on December 2, 2005, was effected.

15. SHARE PREMIUM

	THE GROUP AND THE COMPANY	
	2005	2004
	Rs'000	Rs'000
At January 1,	25,835	10,819
Premium on rights issue	14,084	15,516
Bonus issue	(39,597)	-
Issue costs	(322)	(500)
At December 31,	-	25,835

Notes to the Financial Statements
Year ended December 31, 2005

16. REVALUATION AND OTHER RESERVES

(a) THE GROUP

Revaluation and Other Reserves are analysed as follows :

	2005					2004
	Revaluation Reserve	Capital Reserve	Currency Translation Reserve	Fair Value Reserves	Total	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	-	1,092	2,279	269,244	272,615	176,705
Bonus issue	(26,111)	(1,092)	-	-	(27,203)	-
Increase in fair value of available-for-sale financial assets	-	-	-	104,780	104,780	117,184
Release from fair value reserves	-	-	-	(82,593)	(82,593)	(23,449)
Release from fair value reserve on distribution of dividend in specie	-	-	-	(29,028)	(29,028)	-
Revaluation of land and buildings	31,912	-	-	-	31,912	-
Movement during the year (see note below)	-	-	2,308	9	2,317	2,175
At December 31,	5,801	-	4,587	262,412	272,800	272,615

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

(b) THE COMPANY

	2005			2004
	Capital Reserve	Fair Value Reserve	Total	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Revaluation and Other Reserves are analysed as follows :				
At January 1,	1,092	172,188	173,280	121,366
Bonus Issue	(27,203)	-	(27,203)	-
Increase in fair value of available-for-sale financial assets	-	62,095	62,095	69,043
Release from fair value reserve	-	(45,054)	(45,054)	(17,129)
Revaluation of land and building	31,912	-	31,912	-
At December 31,	5,801	189,229	195,030	173,280

17. GENERAL BUSINESS FUND

	THE GROUP AND THE COMPANY	
	2005	2004
	Rs'000	Rs'000
At January 1,	141,503	98,179
Movement during the year (page 6 / note 34(ii))	8,189	43,324
At December 31,	149,692	141,503

18. LIFE ASSURANCE FUND

THE GROUP AND THE COMPANY

	2005			2004
	Revenue Account Rs'000	Revaluation & Other Reserves Rs'000	Total Rs'000	Restated Rs'000
At January 1,				
- as previously stated	1,047,887	290,091	1,337,978	953,246
- reclassification (see note below)	-	-	-	171,756
- as restated	1,047,887	290,091	1,337,978	1,125,002
Net surplus for the year	89,859	-	89,859	94,641
Movement during the year	-	200,575	200,575	118,335
At December 31,	1,137,746	490,666	1,628,412	1,337,978

Note: The reclassification in 2004 is in respect of Revaluation and Other Reserves of the Life Assurance included under the Life Assurance Fund.

The movements in each category of the Revaluation and Other Reserves of the Life Assurance are as follows:

	2005				2004
	Revaluation Reserves				
	Land & Building Rs'000	Investment property Rs'000	Fair Value Reserve Rs'000	Total Rs'000	Total Rs'000
At January 1,	8,911	(148)	281,328	290,091	171,756
Revaluation during the year	31,910	-	-	31,910	-
Increase in fair value of available-for-sale financial assets	-	-	174,219	174,219	118,335
Release on fair value adjustment	-	148	-	148	-
Release from fair value reserve on sale of financial assets	-	-	(5,702)	(5,702)	-
	40,821	-	449,845	490,666	290,091

The revaluation reserve is in respect of land and building.

19. BORROWINGS

THE GROUP

	2005 Total Rs'000	2004 Total Rs'000
Non-current		
Term deposits		
- repayable after one and before two years	240,851	180,387
- repayable after two years and before five years	222,996	544,489
	463,847	724,876
Current		
Bank overdraft (notes (a) / 33(b))	297	-
Term deposits (note (b))	260,355	184,045
	260,652	184,045
Total borrowings	724,499	908,921

(a) The bank overdraft is secured on floating charges on the assets of a subsidiary company and at year end represents the bank book overdraft.

(b) Term deposits represent deposits taken by MUA Leasing Company Ltd and bear interest at rates between 6.5% to 11% p.a.

Notes to the Financial Statements
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20. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method at 15% and 25% (2004 - 15% and 25%).

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

	THE GROUP		THE COMPANY			
	2005 Total Rs'000	2004 Total Rs'000	2005 Life Rs'000	2005 General Rs'000	2005 Total Rs'000	2004 Total Rs'000
At January 1,	(1,385)	(4,638)	-	(1,659)	(1,659)	(4,557)
Credit for the year (note 23)	11,709	3,253	-	11,983	11,983	2,898
At December 31,	10,324	(1,385)	-	10,324	10,324	(1,659)

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

The following amounts are shown in the balance sheet:

	THE GROUP		THE COMPANY			
	2005 Total Rs'000	2004 Total Rs'000	2005 Life Rs'000	2005 General Rs'000	2005 Total Rs'000	2004 Total Rs'000
Deferred tax assets	10,324	352	-	10,324	10,324	-
Deferred tax liabilities	-	(1,737)	-	-	-	(1,659)
	10,324	(1,385)	-	10,324	10,324	(1,659)

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

THE GROUP

	2005 Total Rs'000	2004 Total Rs'000
Tax losses	227,463	134,288
Accelerated tax depreciation	(2,107)	(9,723)
	225,356	124,565

Deferred income tax assets are recognised (for tax losses carried forward) only to the extent that realisation of the related tax benefit is probable. The Group has net tax losses of **Rs225.4m** (2004: Rs124.6m) to carry forward against future taxable income which have not been recognised due to uncertainty of their recoverability.

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

	THE GROUP		THE COMPANY			
	2005 Total Rs'000	2004 Total Rs'000	2005 Life Rs'000	2005 General Rs'000	2005 Total Rs'000	2004 Total Rs'000
Deferred tax liabilities						
Accelerated tax depreciation	(2,125)	(2,337)	-	(2,125)	(2,125)	(2,241)
Deferred income tax assets						
Retirement benefit obligations	535	-	-	535	535	-
Tax losses carried forward	11,914	952	-	11,914	11,914	582
Net deferred income tax liability	10,324	(1,385)	-	10,324	10,324	(1,659)

21. RETIREMENT BENEFIT OBLIGATIONS

Pension schemes

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

The pension plan of one subsidiary is a final salary defined contribution pension scheme administrated by The Mauritius Union Assurance Company Limited.

	THE GROUP AND THE COMPANY	
	2005 Rs'000	2004 Rs'000
(ii) Amounts recognised in the Balance sheet		
Present value of funded obligations	75,036	65,262
Fair value of plan assets	(70,756)	(65,262)
Liability in the balance sheet	4,280	-

The retirement benefit obligations have been allocated as follows:

	2005 Rs'000	2004 Rs'000
Life Assurance	2,140	-
General Business	2,140	-
	4,280	-

(iii) The amounts recognised in the income statement are as follows:

	THE GROUP AND THE COMPANY	
	2005 Rs'000	2004 Rs'000
Current service cost	3,430	2,964
Actuarial gains	4,280	47
Total included in staff costs	7,710	3,011
Actual return on plan assets	-	-

The total expense has been allocated as follows:

	2005 Rs'000	2004 Rs'000
Life Assurance	3,855	1,506
General Business	3,855	1,505
	7,710	3,011

(iv) Movement in the liability recognised in the balance sheet:

	2005 Rs'000	2004 Rs'000
At January 1,		
Total expense as above	7,710	3,011
Contributions paid	(3,430)	(3,011)
At December 31,	4,280	-

The principal actuarial assumptions used for accounting purposes were:

	2005 %	2004 %
Discount rate	10%	10%
Future salary increases	8%	5%
Future pension increases	3%	-

22. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY			
	2005 Total Rs'000	2004 Total Rs'000	2005 Life Rs'000	General Rs'000	Total Rs'000	2004 Total Rs'000
Loans repaid in advance	1,473	1,410	1,266	207	1,473	1,410
Premiums prepaid	9,279	8,396	5,854	3,425	9,279	8,396
Amounts due to reinsurers	24,229	2,408	5,035	19,194	24,229	2,408
Interbranch tax equalisation account	9,372	9,372	-	9,372	9,372	9,372
Other payables and accruals	31,779	17,919	5,808	10,332	16,140	6,177
	76,132	39,505	17,963	42,530	60,493	27,763

23. CURRENT TAX LIABILITIES

	THE GROUP		THE COMPANY			
	2005 Total Rs'000	2004 Total Rs'000	2005 Life Rs'000	General Rs'000	Total Rs'000	2004 Total Rs'000
(a) Income tax provision for the year at 15% and 25%	(112)	(440)	-	-	-	-
Alternative Minimum tax	-	(32)	-	-	-	(32)
Current tax liability	(112)	(472)	-	-	-	(32)
Under provision in previous year	(187)	(25)	-	(187)	(187)	(17)
	(299)	(497)	-	(187)	(187)	(49)
Movement in deferred tax (note 20)	11,709	3,253	-	11,983	11,983	2,898
Tax credit for the year	11,410	2,756	-	11,796	11,796	2,849
The group tax credit is analysed as follows:						
Life	-	2,236				
General and subsidiaries	11,410	520				
	11,410	2,756				

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

	THE GROUP		THE COMPANY			
	2005 Total Rs'000	2004 Total Rs'000	2005 Life Rs'000	General Rs'000	Total Rs'000	2004 Total Rs'000
Profit for the year including surplus on Life Assurance Revenue Account at applicable tax rate	180,849	148,048	97,859	96,369	194,228	-
Tax thereon (15% and 25%)	(57,594)	(35,989)	(27,246)	(24,627)	(51,873)	(34,479)
Tax effect of :						
- Income not subject to tax	129,752	102,549	83,332	37,824	121,156	99,287
- Expenses not deductible for tax purposes	(37,416)	(32,861)	(34,144)	(989)	(35,133)	(31,010)
- Underprovision in previous year	-	(25)	-	-	-	(17)
- Other tax allowances	498	301	255	238	493	287
- Others	(442)	(31)	-	(463)	(463)	(31)
Net temporary differences not recognised	(23,201)	(31,156)	(22,197)	-	(22,197)	(31,156)
Alternative Minimum tax underprovided	(187)	(32)	-	(187)	(187)	(32)
	11,410	2,756	-	11,796	11,796	2,849

24. TURNOVER

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Turnover is made up as follows :				
Net earned premiums	291,196	239,683	291,196	239,683
Life Assurance Premiums	220,682	198,454	220,682	198,454
Consideration for annuities	20,875	-	20,875	-
Brokerage and related commissions	3,069	-	-	-
Gross rental income including interest income	95,572	85,019	-	-
	631,394	523,156	532,753	438,137

Group

Turnover for the Group represents premiums receivable, net of reinsurances, adjusted for unearned premiums, consideration for annuities , brokerage, commissions and gross rental interest income receivable under finance leases.

Company

Turnover for the company represents premiums receivable, net of reinsurances, adjusted for unearned premiums and consideration for annuities.

25. INVESTMENT AND OTHER INCOME

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Dividends receivable	24,367	27,177	80,208	17,032
Interest on loans and deposits	47,190	45,515	2,913	4,474
Interest on bank accounts	3,889	2,060	3,889	2,060
Profit on disposal of available-for-sale financial assets	12,275	10,146	8,531	5,418
Release from fair value reserve	104,780	23,449	62,095	17,129
Profit on sale of investments in associates	-	-	-	1,146
Increase in fair value of financial assets.	27	-	-	-
Other income	9,481	5,163	2,247	1,375
	202,009	113,510	159,883	48,634

26. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Term deposits	73,390	69,856	-	-
Interest on loan	16	-	-	-
	73,406	69,856	-	-

27. TRANSFER FROM LIFE ASSURANCE REVENUE ACCOUNT

An actuarial valuation of the Life Assurance Fund is carried out annually. The last actuarial valuation was conducted as at December 31, 2005 by Deloitte & Touche based on which, the appropriate transfer has been made from the Life Assurance Revenue Account to the Income Statement.

28. PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
The profit before taxation has been arrived at				
After crediting:				
Investment income				
- available-for-sale financial assets	24,367	27,177	80,208	17,032
- held-to-maturity investments	42,975	38,721	-	-
Profit on disposal of financial assets	117,055	10,146	70,626	5,418
Profit on sale of property and equipment	721	440	396	440
Legal costs (note (a) below)	20,907	5,000	20,907	5,000
And charging:				
Depreciation on property and equipment	8,126	6,586	7,485	6,242
Amortisation of intangible assets	871	932	828	869

Note (a): Legal costs relate to MCB case (note 41) and have been disclosed separately due to the materiality of the amount involved.

29. EMPLOYEE BENEFIT EXPENSE

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Wages and salaries	20,398	12,448	19,931	12,448
Social Security costs	668	447	650	447
Pension costs	3,554	1,162	3,507	1,162
	24,620	14,057	24,088	14,057

30. EARNINGS PER SHARE

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Earnings per share is based on the following:				
Profit for the year after minority interest	101,961	56,313	116,165	46,126
Weighted average number of ordinary shares in issue and ranking for dividends	19,767,000	18,636,000	19,767,000	18,636,000
Earnings per share	Rs5.16	3.02	5.88	2.48

31. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	THE GROUP AND THE COMPANY
	2005 Rs'000
Short-term insurance	
Gross	
- Claims reported and loss adjustment expenses	375,562
- Claims incurred but not reported (IBNR)	15,000
- Unearned premiums	188,498
Total gross insurance liabilities	579,060
Recoverable from reinsurers	
- Claims reported and loss adjustment expenses	256,538
- Unearned premiums	38,806
Total resinsurers' share of insurance liabilities	295,344
Net	
- Claims reported and loss adjustment expenses	119,024
- Claims incurred but not reported IBNR	15,000
	134,024
- Unearned premiums (page 4)	149,692
Total net insurance liabilities	283,716

32. DIVIDENDS PROPOSED AND PAID

	THE GROUP AND THE COMPANY	
	2005 Rs'000	2004 Rs'000
Paid		
Interim ordinary dividend of 14% paid on July 7, 2005 (2004 - 14%)	16,884	14,560
Final ordinary dividend (2004 - 18%)	-	18,720
	16,884	33,280
Proposed		
Final ordinary dividend of 8% paid on January 15, 2006 (2004 - nil)	16,032	-
	32,916	33,280

Notes to the Financial Statements
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33. NOTES TO CASH FLOW STATEMENTS

	THE GROUP		THE COMPANY			
	2005 Total Rs'000	2004 Total Rs'000	2005 Life Rs'000	2005 General Rs'000	2005 Total Rs'000	2004 Total Rs'000
(a) **Cash generated from operations**						
Surplus before tax	180,849	148,198	97,859	96,369	194,228	137,918
Share of profit in associated companies	(7,139)	(2,365)	-	-	-	-
Net adjustment in fair value	5,471	-	5,471	-	5,471	-
Increase in fair value of financial assets (note 11 (a))	(27)	-	-	-	-	-
Provision for retirement benefit obligations	4,280	-	2,140	2,140	4,280	-
Provision and adjustments to income for credit losses	4,223	728	-	-	-	-
Depreciation (note 5)	16,524	14,369	8,398	7,485	15,883	14,025
Amortisation (note 7)	1,489	1,707	618	828	1,446	1,644
Profit on sale of plant and equipment	(721)	(898)	(463)	(396)	(859)	(892)
Dividend in specie	-	-	-	(51,000)	(51,000)	-
Profit on sale of financial assets	(121,680)	(33,595)	(4,626)	(70,626)	(75,252)	(22,547)
Profit on sale of investments in associates	-	-	-	-	-	(1,146)
Transfer from Life Assurance Fund	-	-	(8,000)	8,000	-	-
Movement in General Business Fund (note 17)	8,189	43,324	-	8,189	8,189	43,324
Difference in exchange	-	(422)	-	-	-	(422)
	91,458	171,046	101,397	989	102,386	171,904
Change in trade and other receivables	93,887	(33,574)	(346)	36,612	36,266	(32,424)
Change in interest receivable on treasury bills	-	(18,155)	-	-	-	-
Change in outstanding claims	9,732	28,444	(1,477)	11,210	9,733	28,444
Change in accounts payable	15,610	(30,777)	4,082	31,379	35,461	(35,795)
Net cash generated from operations	210,687	116,984	103,656	80,190	183,846	132,129
(b) **Bank balances and cash**						
Interest bearing bank balances	168,324	183,887	26,365	94,146	120,511	61,063
Other cash and bank balances	462	360	389	73	462	360
	168,786	184,247	26,754	94,219	120,973	61,423
Bank overdraft (note 19)	(297)	-	-	-	-	-
	168,489	184,247	26,754	94,219	120,973	61,423

34. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

(i) THE COMPANY

(a) Short term insurance

(i) Claims

	2005		
	Gross Rs'000	Reinsurance Rs'000	Net Rs'000
Recognised notified claims	381,632	(273,819)	107,813
Incurred but not reported	15,000	-	15,000
At January 1,	396,632	(273,819)	122,813
Increase in liabilities	283,061	(27,736)	255,325
Cash paid for claims settled in the year	(289,131)	45,017	(244,114)
At December 31,	390,562	(256,538)	134,024
Recognised notified claims	375,562	(256,538)	119,024
Incurred but not reported	15,000	-	15,000
	390,562	(256,538)	134,024

(ii) Provision for unearned premiums

	2005		
	Gross Rs'000	Reinsurance Rs'000	Net Rs'000
At January 1,	187,315	(45,812)	141,503
Increase in the period	1,183	7,006	8,189
At December 31,	188,498	(38,806)	149,692

35. OUTSTANDING FINANCIAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Loans approved by the Board of Directors but not yet disbursed	8,618	2,875	8,618	2,875
Lease financing approved by the Board of Directors but not yet disbursed	27,802	23,430	-	-
Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements	3,600	841	3,600	-
	40,020	27,146	12,218	2,875

36. CONTIGENT LIABILITIES

Contingent liabilities are in respect of bank guarantees given by a subsidiary and amount to Rs1,650,000. (2004: Nil)

37. SEGMENT INFORMATION

GROUP

(a) Primary reporting format - business segments

	2005				
	Life Rs'000	General Rs'000	Leasing and others Rs'000	Eliminations Rs'000	Total Rs'000
Revenues					
External sales	241,557	291,196	98,641	-	631,394
Total revenue	241,557	291,196	98,641	-	631,394
Segment results	8,000	94,575	121,098	(66,416)	157,257
Share of profit of associates	-	-	-	-	7,139
	8,000	94,575	121,098	(66,416)	164,396
Finance cost					(73,406)
Profit before taxation					90,990
Taxation					11,410
Profit for the year					102,400

	2004				
	Life Rs'000	General Rs'000	Leasing Rs'000	Eliminations Rs'000	Total Rs'000
Revenues					
External sales	198,455	239,683	85,018	-	523,156
Total revenue	198,455	239,683	85,018	-	523,156
Segment results	10,000	37,019	77,413	(1,148)	123,284
Share of profit of associates	-	-	-	-	2,365
	10,000	37,019	77,413	(1,148)	125,649
Finance cost					(69,856)
Profit before taxation					55,793
Taxation					520
Profit for the year					56,313

	2005				
	Life Rs'000	General Rs'000	Leasing and others Rs'000	Unallocated Rs'000	Total Rs'000
Segment assets	1,649,159	777,789	945,786	1,253	3,373,987
Associates	-	-	-	77,200	77,200
					3,451,187
Technical liabilities	1,628,412	149,692	-	-	1,778,104
Segment liabilities	20,747	195,261	739,715	-	955,723
Minority Interest					1,855
Shareholders' interests					715,505
					3,451,187
Capital expenditure	10,535	8,464	191	-	19,190
Depreciation	8,398	7,685	441	-	16,524
Amortisation	618	828	43	-	1,489

37. SEGMENT INFORMATION (Continued)

	2004				
	Life Rs'000	General Rs'000	Leasing Rs'000	Unallocated Rs'000	Total Rs'000
Segment assets	1,353,982	1,692,548	1,134	-	3,047,664
Associates	-	-	-	69,586	69,586
					3,117,250
Technical liabilities	1,337,978	141,503	-	-	1,479,481
Segment liabilities	16,004	138,034	921,533	-	1,075,571
Shareholders' interests					562,198
					3,117,250
Capital expenditure	9,113	9,636	27	-	18,776
Depreciation	7,783	6,471	115	-	14,369
Amortisation	775	918	14	-	1,707

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

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

38. RELATED PARTY TRANSACTIONS

(a) THE GROUP

-	Emoluments and benefits		Loans receivable from related parties	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Directors and key management personnel	9,841	7,834	4,881	146
Companies with common directors	-	-	6,461	26,099
	9,841	7,834	11,342	26,245

(b) THE COMPANY

	Emoluments and benefits		Loans receivable from related parties	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Directors and key management personnel	9,756	7,834	4,881	146
Companies with common directors	-	-	6,461	26,099
	9,756	7,834	11,342	26,245

(c) Key management personnel compensation

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Salaries and short-term employee benefits	8,206	6,534	8,206	6,534
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	-	-	-	-
	8,206	6,534	8,206	6,534

Notes to the Financial Statements
Year ended December 31, 2005

39. BUSINESS COMBINATIONS

(a) Acquisition

On March 31, 2005, the Company acquired an additional 54.05% of the share capital of Associated Brokers Ltd, a company engaged in stockbroking, converting the investment in the associate into a 80% investment in subsidiary. The acquired business contributed revenues of Rs3.1m and net profit of Rs1.8m to the group from April 1, 2005 to December 31, 2005. If the acquisition had occurred on January 1, 2005, the contribution to the group revenue would have been Rs4.1m and to the group net profit Rs2.4m.

Details of net assets acquired and goodwill are as follows:

	Rs'000
Purchase consideration (cash paid)	8,400
Fair value of net assets acquired	(3,821)
Goodwill (note 7)	4,579

The goodwill is attributable to the good performance of the acquired business.

(b) The assets and liabilities arising from the acquisition are as follows:

	Notes	Carrying amount and fair value Rs'000
Cash and cash equivalents		(3,124)
Property, plant and equipment	5(a)	6,978
Financial assets	11(a)	43
CDS guarantee fund		247
Receivables		4,630
Payables		(1,006)
Shareholders' loan		(700)
Net assets		7,068
Minority interest		(1,414)
Net assets acquired		5,654
Consolidation adjustment on transfer from investment in associate	10(a)	(1,833)
		3,821
Purchase consideration settled in cash		(8,400)
Cash and cash equivalents in subsidiary acquired		(3,124)
Net cash outflow on acquisition		(11,524)

There were no acquisitions in the year ended December 31, 2004.

40. NON-CURRENT ASSET HELD FOR SALE

	THE GROUP AND THE COMPANY	
	2005 Rs'000	2004 Rs'000
At January 1, 2005	-	-
Transfer from investment properties (note 6)	17,000	-
Fair value adjustment	(8,836)	-
	8,164	-

In December 2005, the Company entered into a sale agreement to dispose of the investment property situated at Rose Hill. Rental income from this investment property amounted to **Rs525,325** (2004: Rs564,094).

The direct operating expenses arising from the investment property relate to Municipal rates and amounted to **Rs100,651** (2004: Rs99,586).

Notes to the Financial Statements

Year ended December 31, 2005

41. MCB CASE

A claim of Rs737m was submitted in 2003 from City Brokers Ltd on behalf of The Mauritius Commercial Bank Ltd (MCB). An action has been lodged in the Supreme Court of Mauritius by MCB for payment of the claim.

Some of the re-insurers have now entered an action in the Commercial Court in London against the Company and MCB disputing their commitments to the claim as re-insurers.

Based on the opinion of its legal advisors, the Company is disputing both actions and is confident that the Court ruling will confirm in the end, that the claim is not valid. The company has, therefore, not recognised a liability and accordingly no provision has been made in the financial statements in this respect.

42. THREE YEAR SUMMARY OF PUBLISHED RESULTS AND ASSETS AND LIABILITIES

	THE GROUP		
	2005	2004	2003
	Rs'000	Rs'000	Rs'000
Income statements			
Turnover	631,394	523,156	426,367
Share of result of associated companies	7,139	2,365	6,896
Transfer from Life Assurance Revenue Account	8,000	10,000	5,000
Profit before taxation	90,990	55,793	73,273
Taxation	11,410	520	(6,556)
Transfer to Statutory Reserve Fund	(3,976)	(3,739)	(3,757)
Profit attributable to:			
- Equity holders of the company	97,985	52,574	62,960
- Minority interest	439	-	-
Rate of dividend - Interim on totally issued shares	14%	14%	12%
- Interim on partly paid shares	14%	-	-
- Final	8%	18%	17%
Earnings per share (Rs/cs)	5.16	3.02	3.69

	THE GROUP		
	2005	2004	2003
	Rs'000	Rs'000	Rs'000
Balance Sheet			
Non-current assets	2,567,065	2,326,550	1,754,624
Current assets	875,958	790,700	611,123
Non-current asset held for sale	8,164	-	-
Total assets	3,451,187	3,117,250	2,365,747
Capital and reserves	717,360	562,198	412,657
Technical liabilities	1,778,104	1,479,481	1,223,181
Non-current liabilities	468,127	726,613	488,285
Current liabilities	487,596	348,958	241,624
Total equity and liabilities	3,451,187	3,117,250	2,365,747

Notes

Notes

Proxy Form

I/We ____

of ____

being a member of The Mauritius Union Assurance Company Limited hereby appoint

____ of

____ or failing him,

________________________ of ________________________

as my proxy to vote for me/us on my/our behalf at the Annual Meeting of Shareholders of the Company to be held on 19th June, 2006 at 10.30am at the Registered Office of the Company, 4 Léoville L'Homme Street, Port-Louis and at any adjournment thereof.

I/We desire my/our vote(s) to be cast on the Resolutions as follows:

	For	Against	Abstain
1. To receive and adopt the Annual Report and the Audited Accounts at December 31, 2005.	☐	☐	☐
2. To ratify the dividend paid in January 2006 as a final dividend.	☐	☐	☐
3. To ratify the appointment of Mr Jacques de Navacelle as Executive Director.	☐	☐	☐
4. To re-appoint Mr Georges André Robert as Director.	☐	☐	☐
5. To re-appoint Mr Vincent Ah Chuen as Director.	☐	☐	☐
6. To re-appoint Mr Richard Arlove as Director.	☐	☐	☐
7. To re-appoint Mr Pierre Yves Bigaignon as Director.	☐	☐	☐
8. To re-appoint Mr Pierre De Chasteigner Du Mée as Director.	☐	☐	☐
9. To re-appoint Mr Stéphane Henry as Director.	☐	☐	☐
10. To re-appoint Mrs Danielle Lagesse as Director.	☐	☐	☐
11. To re-appoint Mr Pierre-Yves Pougnet as Director.	☐	☐	☐
12. To re-appoint Messrs. BDO DCDM as auditors for the current year and to authorize the Board of Directors to fix their remuneration.	☐	☐	☐

Dated this______________ day of ______________ 2006

Signature/s ______________________________

Notes:

1. A member of the Company entitled to attend and vote at this meeting may appoint a proxy of his/her own choice (whether a member or not) to attend and vote on his/her behalf.
2. Please mark in the appropriate box how you wish to vote. If no specific direction as to voting is given, the proxy will exercise his/her discretion as to how he/she votes.
3. The instrument appointing a proxy or any general power of attorney should reach B.C.M. (Secretaries) Ltd, Level 6, One Cathedral Square, Jules Koeing Street, Port Louis, Republic of Mauritius, not later than twenty-four hours before the holding of the meeting.