



ANNUAL REPORT 2007

CONTENTS	PAGE
FINANCIAL HIGHLIGHTS	1
MISSION AND VISION STATEMENT	5
ADMINISTRATION	6
CHAIRMAN'S REVIEW	9 - 10
BOARD OF DIRECTORS	11
DIRECTORS' PROFILE	12 - 14
MANAGING DIRECTOR'S REPORT	15 - 18
CORPORATE GOVERNANCE REPORT	21 - 28
CERTIFICATE BY COMPANY SECRETARY	28
INDEPENDENT AUDITORS' REPORT	29 - 30
BALANCE SHEET	33
INCOME STATEMENT	34
STATEMENT OF CHANGES IN EQUITY	35
CASH FLOW STATEMENT	36
NOTES TO THE FINANCIAL STATEMENTS	37 - 55

Financial Highlights

(M-Million Rupee)

Premium Growth

2004 2005 2006 2007
32M 44M 54M 63M



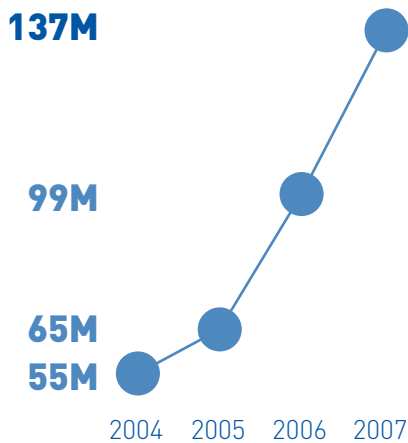
Earnings Per Share

386 2007
58 2006
58 2005
65 2004

Increase in
Gross Premium

16%

Total Assets



Total Assets

137M 2007
99M 2006
65M 2005
55M 2004

Increase in
Total Assets

39%

Profits from Operations

2004 2005 2006 2007
2.3M 4.1M 6.4M 12.7M



Profit Before Tax

10.8M 2007
1.9M 2006
1.7M 2005
2.3M 2004

Increase in
Profit before Tax

481%

MISSION STATEMENT

GFA is committed to exceed its customer's expectations. We achieve this by developing and providing innovative and daring products served by devoted, committed, highly trained, vibrant people operating state-of-the art technologies: our two key assets. In so doing, we always strive to create and sustain outstanding returns and value for our shareholders, and honour our contractual and social responsibilities to the fullest.

OUR VISION 2012

GFA will be recognised as the preferred General Insurance company catering for SMEs as well as individuals by offering tailor-made and a wide range of products. We will achieve this through opening new branches, increasing our network of agents and salesmen and keeping our products competitively priced. We shall be recognised as a most respected and honest business, continuously improving shareholder value and the welfare of our staff whilst fulfilling our legal commitments.

OUR OBJECTIVES

The objective of GFA is to cater for all the general insurance needs of individuals and SMEs (Small and Medium Enterprises) by providing quality service and tailor-made products. Our ultimate aim is to provide customer satisfaction within a profitable business environment. GFA is working to achieve a high standard of performance and a long-term position in the competitive environment:

- To empower staff so as to hasten decision taking processes in the spirit of swift and efficient customer service.
- To have highly effective staff by providing continuous on-the-job-training and planned off-site training.
- To increase market share by tapping into the much neglected SMEs (Small and Medium Enterprises) segment.
- To design innovative General (non-life) insurance products.
- To ensure a favourable return to our shareholders whilst protecting their investment.

OUR CORE VALUES

Teamwork, trust, transparency, professionalism, integrity, honesty, innovation and IT driven.

**Striving
to exceed
customers'
expectation**

ADMINISTRATIVE DETAILS

REGISTERED AND HEAD OFFICE

Marina House
16, Frère Félix de Valois Street
Champ de Mars
Port Louis
Republic of Mauritius

COMPANY SECRETARY

Jugdeo NAGINLAL, FCCA
35B Middle Road
Belle Etoile
Republic of Mauritius

AUDITORS

Moore Stephens
Chartered Certified Accountants
6th Floor, Nirmal House
22, Sir William Newton Street,
Port Louis
Republic of Mauritius

BANKERS

- Afrasia Bank.
- Banque Internationale des Mascareignes Ltée
- Barclays Bank PLC
- First City Bank Ltd
- Habib Bank Limited
- HSBC Limited
- Indian Ocean International Bank Ltd
- The Mauritius Commercial Bank Ltd
- South East Asian Bank Ltd

REINSURANCE BROKER

J.B. Boda & Co. Ltd

STOCK BROKER

Bramer

Financial
Stability and
Security





CHAIRMAN'S REVIEW

On behalf of the company, I am pleased to present to you the 11th Annual Report together with the Financial Statements for the year ended 31 December 2007.

Since its creation in 1996, GFA Insurance Ltd has been dealing in General Insurance Business and has exceeded expectation in terms of turnover and financial results achieved.

The financial results from year 2002 onwards give a clear indication of the growing confidence that the Company's valued customers are placing in it. In 2007, the Company achieved a gross turnover of Rs 62.9M as compared to Rs 54.5M in 2006.

Economic Review

The National Economic Growth for the year 2007 was around 5.6%. GFA Insurance Ltd has been able to achieve a growth rate of 15.5% in gross insurance premium, which by far exceeded that of the National level.

I have to point out that in spite of the abuses in motor accident reported caused by the so much deplored "Constat à l'amiable", GFA Insurance Ltd has been able to achieve the highly positive results in 2007.

A comparison of 2006 figures of the insurance industry shows that GFA Insurance Ltd has the highest underwriting surplus ratio.

New Solvency Rules

However, the recent enactment of the Insurance Act 2005 (as amended) which applies new solvency rules has made matters worse for small and medium size insurance companies. Insurance companies are allowed to invest at most 10% of the value of their total assets in a listed corporation and only 5% in an unlisted corporation.

GFA Insurance Ltd, which has always been guided by the principle of interest income maximisation, shall have to change this policy to limit over concentration based on the new solvency rules.

The company is taking necessary steps to comply with the new solvency rules.

Other Information

I am pleased to state that GFA Insurance Ltd has acquired a land property of an area of 150 toises in the town centre of Rose Hill. The company has incorporated a subsidiary company known as GFA Investments Ltd to manage the proposed building to be constructed thereon for rental purposes. The principal aim is to maximise investment income.

**The company
achieved
satisfactory
performance
in 2007**

CHAIRMAN'S REVIEW (Cont'd)

Prospects for year 2008

Based on our current trends, we are expecting a growth rate of about 5% in our gross premium income. On the other hand the reduction in Repo rate will adversely affect our interest income.

However, management is confident that a similar result to 2007 will be achieved in 2008.

To conclude, I wish to place on record our appreciation for the good performance of our accredited agents, our salespersons as well as our loyal and hardworking staff without whom the major part of our success would not have been possible. In 2006, we had offered a performance bonus to all employees. This year again I am pleased to announce the payment of an extra bonus to all employees who, we believe have contributed equally to the exemplary success in 2007.

I would like to seize this opportunity to express my gratitude to the Financial Services Commission for their guidance and understanding, to our Reinsurance Brokers, J B BODA & Co (Pvt) Ltd and to our Reinsurers for their continued support & co-operation.

I would also wish to offer a word of thanks and appreciation to the Managing Director, the Deputy Managing Director and my fellow Directors on the Board without whose contribution GFA Insurance Ltd would not have achieved this level of success.

DR A. R RUHOMUTALLY
CHAIRMAN

Date
04 April 2008

BOARD OF DIRECTORS

The following directors were in office at 31 December 2007

Members of the Board of Directors

Alternate Directors

Dr. Abdool Raouf Ruhomutally
(Chairman)

-

Mr. Mohammad Alaoud Ruhomutally
(Managing Director)

-

Mr. Abdool Rahman (Abdel) Ruhomutally
(Deputy Managing Director)

-

Miss Najah Ruhomutally

Mr Takoorpersad Seewoodoyal

Mr. Ahmud Ally Beebeejaun

-

Independent Directors

Mr. Birendranauth Sowambur

-

Mr. Thakeswar Seewoosurrun

-

DIRECTORS' PROFILE

DR. A. RAOUF RUHOMUTALLY – EXECUTIVE CHAIRMAN

Executive Chairman appointed in September 1996.

Dr. A. Raouf Ruhomutally was appointed Chairman in 1996 at the inception of the company. He is a consultant Radiologist. He has been Chairman of S. Ruhomutally and Co Ltd, the exclusive agent of Groupement Français D'Assurances for more than ten years. He retired from civil service in september 2006.

He is also the Director of Centre de Radiologie et D'Echographie.

Mr M. ALAOUD RUHOMUTALLY - MANAGING DIRECTOR

Executive Director appointed in September 1996.

Mr M. Alaoud Ruhomutally has been associated with the insurance sector for more than 30 years now.

During the period 1976 to 1985, he was the CEO of S. Ruhomutally and Co Ltd, the sole representative of **Groupement Français D'Assurances**, a French company based in Paris.

After the departure of **Groupement Français D'Assurances** from Mauritius in 1985, he was appointed the exclusive sales representative of La Prudence, Reunion Island up to August 1996. In September 1996 he founded the **GFA Insurance Ltd**, a fully Mauritian owned Company.

Mr ABDEL RUHOMUTALLY - DEPUTY MANAGING DIRECTOR

Executive Director appointed in June 2005.

Mr Abdel Ruhomutally graduated in BA (Hons) Business Studies (Services-Finance) from the prestigious University of Westminster, United Kingdom. He also studied insurance at the London Guildhall University. Moreover, he holds Diplomas in IATA Level II and Travel and Tourism respectively.

He joined the company as Deputy Managing Director in 2001, after having built significant experience overseas in the financial services sector. He also has a strong background in I.T Infrastructure and Systems.

He has recently been appointed as an 'Approved Trainer' of the Mauritius Qualifications Authority in Business NFQ – Level 6. He is an active member of the Insurance Institute of Mauritius and Member of Editorial Board of the Institute's Newsletter.

DIRECTORS' PROFILE (cont'd)

Miss NAJAH RUHOMUTALLY

Director appointed in September 1996.

She pursued her tertiary studies at the London Guildhall University, London, UK.

Miss Najah Ruhomutally is in the insurance sector since 1996. She is actually the responsible officer of the Quartre Bornes branch office.

TAKOORPERSAD SEEWODOYAL (Alternate director since February 1997)

Mr Takoorpersad Seewoodoyal, also known as Dhan, joined the insurance industry in 1977.

Presently, he is the Underwriting Manager of the Company. He has gained extensive knowledge and expertise in general insurance after having worked for several insurance agencies such as S. Ruhomutally & Co. Ltd. (representative of Groupement Français D'Assurance and Prudence Creole), Marina Agency and AFIA Agency.

He is also the Complaints Coordinator of the company.

MR AHMUD ALLY BEEBEEJAUN

Director appointed in December 1996.

Mr Ahmud Ally Beebeejaun joined the company since its incorporation in September, 1996. He is a holder of a certificate in Sugar Manufacture and Sugarcane Production from the University of Mauritius (1974).

Mr Beebeejaun has wide-ranging experience in the sugar sector. He has been a Test Chemist/ Senior Test Chemist in the Ministry of Agriculture for more than thirty years.

Nowadays, he is involved on various boards as director for a few state-owned companies in Mauritius.

MR BIRENDRANATH SOWAMBUR – INDEPENDENT DIRECTOR

Director appointed in June 2006.

Mr Birendranath Sowambur was appointed as an Independent Director of the company on 1st June, 2006.

He is holder of several diplomas, namely in Occupational Health and Safety, Industrial Psychology and Personnel management.

He reckons about twenty years' experience in the field of Health and Safety. He has served both in public and private organisations. He attended various international conferences on occupational Health and Safety in China and Vietnam.

He is presently working as Health and Safety officer at New Island Clothing Ltd.

DIRECTORS' PROFILE (cont'd)

MR THAKESWAR SEEWOOSURRUN – INDEPENDENT DIRECTOR

Mr Thakeswar Seewoosurrin joined the company as Independent Director on 6th September 2007

He has more than 10 years experience in the field of Information Technology. He has been the Business Systems Consultant at Software Concepts Ltd for period from July, 2001 to October 2003.

He is also an approved trainer of the Mauritius Qualifications Authority in management.

MANAGING DIRECTOR'S REPORT

On behalf of the Board of Directors, I have the pleasure in presenting the eleventh Annual Report to the members together with the audited financial statements for the year ended 31 December 2007.

State of affairs

The Income Statement for the year is set out on Page 34.

Principal activity

GFA Insurance Ltd is a private limited company incorporated in Mauritius and is engaged in General (Non-life) Insurance Business.

Dividends

Dividend paid during the year amounted to Rs 2,125,000 (2006 – Rs 1,000,000).

Corporate Social Responsibility

In line with the current Government's motto and target of "Democratisation of the Economy" we usually deal with suppliers and garages falling in the SME (Small and Medium Enterprise) category.

We carry on offering insurance for vehicles older than 25 years at a time when most insurance companies are not providing cover for these vehicles on a purely discriminatory basis.

Employees who have completed a year in full-time employment with GFA Insurance Ltd are eligible to an unsecured loan for specific purposes.

One employee was recruited under the Empowerment programme of the HRDC (Human Resource Development Council). We are also glad to inform that she has subsequently been confirmed on a full-time basis.

The HRDC has been requested to recommend two more employees to be recruited under the same programme.

By aiming to make our operations as paperless as possible we will be reducing environmental pollution. As far as reasonably possible we will be replacing our lighting system with energy-saving bulbs.

Market Share

We transact in General Business only (Motor & Non-Motor). In 2006, 19,814 vehicles were insured through us. This figure grew by 21% to 23,971 in 2007.

Though we strive to diversify our portfolio by offering agents and salesmen higher commission when they introduce non-motor business, non-motor cover penetration remains low. Small and Medium b Small and Medium business enterprises and individuals, who represent the target market of GFA Insurance Ltd still do not realise the importance of non-motor covers such as: public and employer's liability insurance, Fire and Burglary and personal accident.

Our Premium growth exceeds that of the industry average for 2006. Our underwriting surplus to Gross Premium ratio is amongst the highest in the industry. We had an asset growth of 52% in 2006 and 39% in 2007.

**Shareholders'
interest grew
by 30%**

MANAGING DIRECTOR'S REPORT (Cont'd)

Uniqueness

While it is a world-wide phenomenon for motor insurance business to suffer losses, GFA Insurance Ltd seems to be the only insurance company with a profitable motor portfolio locally and amongst the very few globally. We can only be extremely proud of such an exploit. Our selective and prudent underwriting policies are proving to be fruitful.

Free choice

Now that the Insurance Act 2005 has been enacted, we expect that the FSC will take measures to ensure that lending institutions like leasing companies and banks comply with Section 81-Free Choice- of the Insurance Act. It is public knowledge that several lending institutions are blatantly defying Section 81. It is worthwhile to note that we had to lobby strongly for this section to remain in the law as there was considerable pressure to have it suppressed.

Market abuse

Although our profit from operations in 2007 was the highest achieved by the company up to now, we cannot help to deplore the abuse of a few competitors who do not follow the principle of indemnity when indemnifying their insured. Hence, we have to reimburse them higher amounts that they could have mitigated. Otherwise our results would have been even better.

We have also faced further administrative hindrance because of the Constat à L'amiable. Almost every week we would come across a fabricated or exaggerated claim. The setting up of a special investigation brigade of the police is still being awaited. We shall take up the matter with the Insurers' Association again.

On the other hand, although the rulings of the MVIAC (Motor Vehicle Insurance Arbitration Committee) are not executory too many cases are being sent to it. This has given rise to a bottleneck at the MVIAC. As a result, we have applications sent to the MVIAC since 2006 for which we are still awaiting a ruling.

We should stress here for the record that GFA Insurance Ltd had presented a paper to the Insurers' Association of Mauritius to demonstrate that the local market was not ready for the "Constat à L'amiable". Unfortunately, we did not get the support of many members with the exception of one or two. But now most insurance companies agree that the "Constat à L'amiable" has failed its purpose and is to the detriment of the insurance industry.

Guidelines and policies

Though the company had formalised its operations guidelines a few years back we are currently revamping our guidelines so as to better enable empowerment of our staff. Currently a Claims Guideline and an Underwriting Guideline is in place. A Complaints Handling Policy has also been implemented as per recommendation of the FSC rules.

Since management is slowly authorising all staff access to email an Email Policy has been designed and all employees having access to the company's email system have to abide by this policy.

Human Resources, Training and Empowerment

Management believes that the world of work changes almost overnight and that past knowledge is rapidly becoming obsolete. Training of staff is important to meet the new challenges of the industry. Training courses are provided to staff on a regular basis. An In-house training course entitled "Communicating Effectively Using E-Communication Tools" was held recently. The company is also a holder of the MIM/MEF/AHRP Training Commitment Award.

**Total Assets
grew by
39%**

MANAGING DIRECTOR'S REPORT (Cont'd)

Despite the fact that there is a scarcity of people with relevant insurance qualifications and/or experience we have been able to reduce staff turnover from 40% in 1999 to only 22% in 2007.

The Deputy Managing Director is a certified mentor for the University of Mauritius Work Based Learning Programme (WBL). Two students of the University of Mauritius attended our office for two months on the Work Based Learning Programme. The experience has been enriching for us as well as for them.

Regular and Structured Training is being conducted by the Deputy Managing Director, who is an approved MQA (Mauritius Qualifications Authority) Trainer. Employees are sent on off-site institutional training as and when the need arises.

Future plans

Building Construction

We opened our 7th branch in Riviere du Rempart in July 2007. By the time we complete our building construction we would have nine branches in all. We project to open one branch in Mahebourg and another one in Rose-Hill.

We are fully computerised. To keep our competitive advantage and so as to be able to offer our customers a swifter service we are currently working with our I.T consultants for a major overhauling of our I.T. infrastructure (both hardware and software). We have decided to go "open-source" and web-based. This way it will be easier to deploy the system on our network (WAN) and it will also permit us to make considerable savings on software licences. In the same process we will render our operations as paperless as possible thus making savings on stationery. We hope to use this fund in other ways to render our services better such as on training and offer staff bonus for outstanding performance to improve our service to the public.

Financial highlights

The year under review has been a fairly good one for the Company.

There has been a remarkable increase in the gross premium income in 2007, an increase of 15.50% compared to year 2006.

The trend of claims incurred was more or less same as in 2006.

Investment in staff training nearly doubled to Rs 531,190.

The investment and interest income rose from Rs 4.8 million in 2006 to Rs 7.9 million in 2007.

The "Constat à l'amiable" which encourages exaggerated and fraudulent claims did not adversely affect the Company due to vigilance exercised in claims handling.

Profit from operations increased from Rs 6.4 million in 2006 to Rs 12.7 million in 2007.

Profit before taxation amounted to Rs 10.7 million in 2007 compared to Rs 1.9 million in 2006.

However, it is feared that the fall in interest rate on deposit placed coupled with limitations imposed by the New Solvency Rules pursuant to the Insurance Act 2005(as amended), enacted in September 2007 might compromise the bargaining power of the Company vis a vis banking institutions. In as much as, insurance companies should henceforth spread their investment portfolio to meet the requirements of the New Solvency Rules.

We have on numerous occasions discussed this issue with the Insurers' Association and the FSC. We have requested the FSC to use its powers to make a concession for small and medium insurers.

**Operations
are driven
by passionate
people
and latest
technologies**

**Investment
income rose
by 65%**

**Profits
before Tax
increased
by 481%**

MANAGING DIRECTOR'S REPORT (Cont'd)

The deposits at the bank rose to Rs78 million at the end of 2007 compared to Rs 56 million in 2006.

Investment in financial assets stood at Rs 16.4 million compared to Rs 8.1 million last year.

The Underwriting Surplus for the year 2007 is Rs.16,398,062 as compared to Rs.12,190,782 for the year 2006. This represents an increase of Rs. 4,207,279; that is, 34.50%. Our underwriting surplus to gross premium ratio is one of the highest in the industry in 2007.

Independent directors

In accordance with the new Insurance Act 2005 and the Code of Corporate Governance, the company has appointed two independent directors.

The Audit and Risk Committee is chaired by Mr Thakeswar Seewoosurrun and the other members are Mr Abdel Ruhomutally and Mr Raffeeek Surfurhally (Internal Auditor).

Directors' Service Contracts/Directors' Interests in Contracts with the Company

There are no service contracts between the company and the directors. However, there is a rental agreement between the company and a director.

Reinsurance

We have the General Insurance Corporation of India as our lead reinsurer. Being backed by the Indian Government, one of the world's superpowers, G.I.C is by far the most secured Reinsurer in the world. Besides the Indian Government have strong ties with Mauritius. By extrapolation it also means that we are one of the most secured Insurance companies on the market since we have the Indian Government supporting us through G.I.C."

Auditors

Messrs **Moore Stephens, Chartered Certified Accountants**, have shown their willingness to continue to act as auditors of the company. A resolution for their re-appointment in accordance with Section 200 (1) of the Companies Act 2001, as auditors of the company will be proposed at the next Annual Meeting.

Acknowledgement

The Board of Directors would like to place on record their appreciation of the support given to G.F.A Insurance Ltd by the Financial Services Commission, its valued customers, Reinsurers, Reinsurance Brokers and Salesmen. Our appreciation also goes to the management and staff for their unflinching support and contribution to the company's improved performance in terms of gross premium income and underwriting surplus.

BY ORDER OF THE BOARD

M. A. Ruhomutally
Managing Director

04 April 2008

Committed Workforce and
Proximity of Service





CORPORATE GOVERNANCE REPORT

GFA Insurance Ltd, as an insurance company, wishes to comply with the Code of Corporate Governance (the Code), as far as is reasonably possible and practical. The Board of Directors has set up a Corporate Governance Committee and an Audit & Risk Committee.

The Directors are thus continually focusing on maintaining the sustainability of the Company's business and discharging their responsibility of stewardship of the Company's assets with integrity through the existence of a proper control environment and a well functioning system of internal controls.

Shareholders holding more than 5% shares of the company

Shareholders	% holding
Mohammad Alaoud RUHOMUTALLY	40.90
Dr. Abdool Raouf RUHOMUTALLY	13.00
Del Ltd	7.28
Ahmud Ally BEEBEEJAUN & Others (jointly)	10.00

Shareholders' agreement

The company is not aware of any shareholder's agreement.

Management agreement

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

Dividend policy

The company's policy is to pay a dividend in January of each year based on the previous year's profit, subject to complying with New Solvency requirements.

Board of directors

The Board is presently composed of seven members, including two independent directors. Four members are full time executive directors and one member is employed on a part-time basis.

The Board has met twice during the year under review.

However, regular Management meetings are held on a monthly basis.

Name of Directors

No of meetings attended

Dr Abdool Raouf Ruhomutally – Chairman	2 out of 2
Mohammad Alaoud Ruhomutally – Managing Director	2 out of 2
Abdel Ruhomutally – Deputy Managing Director	2 out of 2
Takoorsad Seewoodoyal (Alternate to Miss Najah Ruhomutally)	2 out of 2
Ahmud Ally Beebeejaun	2 out of 2
Thakeswar Seewoosurrun (Appointed on 30 August 2007)	1 out of 2

CORPORATE GOVERNANCE REPORT (Cont'd)

Board committees

Corporate Governance Committee

The Corporate Governance Committee ensures in as far as practicable, compliance with the provisions of the Code of Good Corporate Governance and the reporting requirements on good corporate governance in the Annual Report and other reports.

Audit & Risk Committee

The Audit & Risk Committee is chaired by Mr Thakeswar Seewoosurrun. Mr Abdel Ruhomutally (Deputy Managing Director) and Mr Raffeeek Sufurhally are the other members. All three members have substantial accounting and financial expertise. External and Internal Auditors attend meetings when invited.

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

The Audit & Risk Committees focuses on:

The functioning of the internal control system and internal audit.
The risk areas of the Company's operations to be covered in the scope of the internal and external audits, with the exclusion of legal risks.
The reliability and accuracy of financial information provided to management and other users of financial statements.
The Company's compliance with regulatory requirements with regard to both financial and non financial matters.
The scope and results of the external audit, its cost effectiveness, independence and objectivity.
The nature and extent of non-audit services provided by external auditors.

Investment Committee

The main objective of the Investment committee is to ensure that the major investments made are in line with the Board's strategy. It also ensures proper liaison with the company's stockbrokers to consider avenues which could give opportunities for growth.

Remuneration Committee

The Remuneration Committee sees to it that efforts and hard work of employees, at all levels – Executive Directors to Staff grade - are adequately compensated. Salaries of employees are revised regularly depending however among other factors, on the capacity of the company to pay.

The Remuneration Committee further ensures that a **sense of belonging** to the organisation is created among the employees and takes steps to enhance the standard work of employees. In that connection, regular training **courses** are organised for the benefit of employees. Hence, the Company has organized in February 2008 a course entitled "Communicating Effectively Using E-Communication Tools". It is worthwhile to note that GFA Insurance Ltd won the MIM/MEF/AHRP Training Commitment Award in 2004.

**Winner of
the Training
Commitment
Award**

CORPORATE GOVERNANCE REPORT (Cont'd)

Internal audit

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

The internal audit is carried out by Mr Raffeeek Sufurhally. The scope of his work encompasses:

- Identifying risk areas and evaluating the level of risk for each risk area,
- Reviewing internal control processes and making appropriate recommendations to the Audit & Risk committee and the Management,
- Monitoring the implementation of the recommendations and reporting on these implementations to the Audit & Risk Committee.

Reporting lines

The Internal Auditor has a direct reporting line to the Audit & Risk Committee and maintains an open and constructive communication with the Management. He also has direct access to the Chairman of the Board. This structure allows the Internal Auditor to remain independent.

Coverage

The Internal Audit Plan, which is approved by the Audit & Risk Committee, is based on the principles of risk management designed to ensure that the scope of work aligns with the degree of risk attributable to the area being audited.

Restrictions

The Internal Auditor has unrestricted access to the Company's accounting records, to management and employees.

Risk Management

Risk Management refers to the process used by the Company to monitor and mitigate its exposure to risk. The objective of risk management is not to eliminate risk altogether, but to reduce it to an acceptable level having regard to the objectives of the Company.

While the Board is responsible for the overall risk management and internal control systems, oversight of the Company's risk management process, with the exception of the legal risk, has been delegated to the Audit & Risk Committee.

To strengthen control, a Risk Management Framework is being implemented to:

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

The following risk areas have been identified for the Company:

CORPORATE GOVERNANCE REPORT (Cont'd)

Insurance Risks

The main activity of the Company is the acceptance of risk under an insurance contract where in return for a consideration (the premium), a policyholder is compensated for pecuniary loss suffered as a result of a specified uncertain future event, or of a certain future event where the timing of the occurrence is uncertain.

The main risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. Risks are mainly associated with the Company's underwriting, reinsurance and claims handling activities.

Motor and liability Insurance

The Company's underwriting strategy attempts to ensure that the underwritten risks are acceptable, well priced and diversified in type, amount of risk and industry. Statistics captured and analysed by computer software are extensively used to assess and review risks and the Company reserves the right not to renew policies and/or to impose deductibles.

The Company determines the extent of risks retainable and transfers, through reinsurance led by top rated reinsurers, risks in excess of its capacity. Thus, through effective proportional, excess of loss, catastrophe and facultative reinsurance covers, the maximum loss for a given risk that the Company may suffer in any one year is predetermined.

Claims handling is closely monitored so as to ensure that the loss reported is covered and properly assessed. Where relevant, the Company may pursue third parties for payment of some or all liabilities (subrogation). The Company ensures that claims provisions are determined using the best information available of claims settlement patterns, forecast inflation and settlement of claims. Estimation techniques also involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the best overall estimates.

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 Company is exposed include:

- Foreign exchange risk
- Credit risk
- Liquidity risk
- Market risk
- Reinsurers' default

Credit risk

The Company's credit is primarily attributable to debtors for insurance premium payable. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment. The Company structures the levels of its credit risk it accepts by placing limits on its exposure to a single counter party. Such risks are subject to frequent review.

CORPORATE GOVERNANCE REPORT (Cont'd)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet short-term debts. Liquidity risk is considered to be very low.

Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Investment Committee ensures that investments are sufficiently diversified in order to match assets and liabilities and liquidity requirements.

Reinsurer's default

The Company is exposed to the possibility of default by its Reinsurers for their share of insurance liabilities and refunds in respect of claims already settled by it. Management monitors the financial strength of its Reinsurers and the Company's set procedures ensure that risks are only ceded to top-rated and credit-worthy Reinsurers.

Operational Risks

Operational risks are risks of loss/or opportunity gain foregone resulting from inadequate or failed internal processes, people and systems or from external events. These losses may be caused by one or more of the following:

Human Resources Risk

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

Compliance Risk

Compliance risk, also referred to as non-conformance risk, results in lower quality, higher costs, lost revenues and unnecessary delays. Non-conformance also gives rise to product/service failure risk because if not detected and corrected before a product or service is delivered to the customer, a product or performance failure could result. A Compliance Department has been set up to monitor these issues.

Business Interruption Risk

The Company's capability to continue critical operations and processes are highly dependent on availability of information technologies, skilled labours and other resources. If people with the requisite experience and skills or other critical resources were unavailable or if critical systems broke down, the Company would experience difficulty in continuing operations. A business interruption plan has been set up involving the duplication of our records and information systems on back up media which are stored offsite. Insurance transactions are backed-up daily in branch offices and same is exported to Head Office by removable media on a weekly basis. Each office operates independently and are not linked to a single server. Full customer service can be restored within a maximum of two hours.

CORPORATE GOVERNANCE REPORT (Cont'd)

Operational Risks (Cont'd)

Product/Service Failure Risk

During insurance operations there may be a risk of customers receiving faulty insurance policies or service. These failures would result in customer complaints, litigated claims, cancelled policies, increased claim frequency or severity. These can significantly affect the Company's reputation, profitability, future business written and market share. A Customers' Complaints Handling unit has been implemented.

Health and Safety Risk

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

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

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

Social responsibility

The company feels as its social responsibility to recruit employees from deprived areas around its Head Office like Vallee Pitot and Tranquebar and at the same time relieves them of the pain of encountering transport problem to and from their place of work.

The directors forming part of the various Committees are:

	Corporate Governance Committee	Investment Committee	Remuneration Committee	Audit & Risk Committee
Dr. Abdool Raouf RUHOMUTALLY	✓	✓	✓	
Mohammad Alaoud Ruhomutally		✓	✓	
Abdel Ruhomutally	✓		✓	✓
Ahmud Ally Beebeejaun		✓		
Najah Ruhomutally (Alternate – Takoorpersad Seewoodoyal)		✓		
Birendranauth Sowambur	✓	✓		
Thakeswar Seewoosurrun				✓

CORPORATE GOVERNANCE REPORT (Cont'd)

Interest of directors in the equity capital

Shares held by Directors at 31st December 2007

	Directly	Indirectly
Dr. Abdool Raouf RUHOMUTALLY	3,250	315
Mohammad Alaoud Ruhomutally	10,226	1,224
Abdel Ruhomutally	1,000	50
Ahmud Ally Beebeejaun	450	683
Najah Ruhomutally	1,000	50
(Alternate – Takoopersad Seewoodoyal)	5	Nil
Birendranauth Sowambur	Nil	Nil
Thakeswar Seewoosurrun	Nil	Nil

Interest of directors in contracts

There is a rental agreement between the company and a director.

Remuneration of directors

	2007 Rs.	2006 Rs.
Executive Directors	4,450,364	3,569,362
Non-executive Director	-	-

Auditors' Remuneration

	Rs.	Rs.
Audit fees	172,500	97,750
Other professional charges	17,250	17,250

Advance to directors & contribution to political parties

No advance was made to directors and no contribution was made to any political party during the year under review.

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs and of the Profit or Loss of the company. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

CORPORATE GOVERNANCE REPORT (Cont'd)

Statement of directors' responsibilities in respect of the financial statements(Cont'd)

The directors are responsible for keeping proper accounting records, which disclose with reasonable certainty and accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible to institute proper systems and procedures to comply with the Financial Intelligence and Anti-Money Laundering Act 2002 (FIAML Act) and the Code on the Prevention of Money Laundering and Terrorist Financing intended for Insurance Entities (the PMLTF code). Management has taken active actions to implement proper systems, procedures and controls to comply with the FIAML Act and the PMLTF code.

Approved by the Board of Directors and signed on its behalf by:

Dr. A. Raouf RUHOMUTALLY
Chairman

M. A. RUHOMUTALLY
Managing Director

Jugdeo NAGINLAL
Secretary

SECRETARY'S CERTIFICATE

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

I confirm that, based on records and information made available to me by the directors and shareholders of the Company, the Company has filed with the Registrar of Companies, for the year ended 31 December 2007, all such returns as are required for a Private Domestic Company under the Mauritian Companies Act 2001.

Jugdeo NAGINLAL, FCCA
Secretary

Date
04 April 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GFA INSURANCE LTD

Report on the Financial Statements

We have audited the financial statements of GFA INSURANCE LTD set out on pages 26 to 49, which comprise the balance sheet at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001 and the Financial Reporting Act 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair representation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 26 to 49 give a true and fair view of the financial position of the company at 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001 and the Insurance Act 2005.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GFA INSURANCE LTD (cont'd)

Report on the Financial Statements (cont'd)

Other matter

This report, including the opinion, has been prepared for and only for the company's members, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not in, giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Other Legal Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the company other than in our capacities as auditors and tax advisers.

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

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

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report and making disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius (Code).

Our responsibility is to report on these disclosures.

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

Moore Stephens
Chartered Certified Accountants



MIM, MEF & AHRP
Training Award 2004
GFA Insurance Ltd
Training Commitment Award

The Learning Organisation



MIM, MEF & AHRF
Training Award 2004
GFA Insurance Ltd
Training Commitment Award

BALANCE SHEET
AS AT 31 DECEMBER 2007

ASSETS	Notes	2007	2006
		Rs.	Rs.
Non-Current Assets			
Property, plant and equipment	4	9,631,970	4,367,380
Intangible assets	5	156,549	154,118
Investment in financial assets	6	16,246,710	7,866,900
Investment in subsidiary company	7	5,380	-
Statutory deposit	8	8,000,000	8,000,000
Long term deposits	9	38,300,000	49,286,411
Deferred taxation	10	271,290	3,461
		<u>72,611,899</u>	<u>69,678,270</u>
Current Assets			
Trade and other receivables	11	15,523,594	12,139,285
Short term deposits	9	39,980,000	7,165,257
Cash and bank balances	12	8,629,043	9,643,872
		<u>64,132,637</u>	<u>28,948,414</u>
TOTAL ASSETS		<u><u>136,744,536</u></u>	<u><u>98,626,684</u></u>
EQUITY & LIABILITIES			
Capital & Reserves			
Share Capital	13	25,000,000	25,000,000
Revenue Reserves	14	13,257,638	1,402,067
Other Reserves	14	7,288,726	8,721,319
Shareholders' Interests		<u>45,546,364</u>	<u>35,123,386</u>
General Business Fund	15	21,437,257	19,777,836
Non-Current Liabilities			
Obligations under finance lease agreement	16	916,719	1,244,414
Retirement Benefit Obligations	17	2,019,556	1,440,800
		<u>2,936,275</u>	<u>2,685,214</u>
Current Liabilities			
Trade and Other Payables	18	65,045,224	40,413,369
Obligations under finance lease agreement	16	327,695	298,079
Current Tax Liabilities	20	1,451,721	328,800
		<u>66,824,640</u>	<u>41,040,248</u>
TOTAL EQUITY & LIABILITIES		<u><u>136,744,536</u></u>	<u><u>98,626,684</u></u>

Approved by the Board of Directors on 04 April 2008

Dr. A. Raouf RUHOMUTALLY
Chairman

M. A. RUHOMUTALLY
Managing Director

The notes on pages 37 to 55 form part of these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 Rs.	2006 Rs.
Gross Premium	2	62,948,683	54,490,978
Less : Reinsurance Premium		(9,667,831)	(5,145,076)
Net Premium		53,280,852	49,345,902
Gross Claims Paid		23,942,381	24,035,067
Claims Recovered From Reinsurers		(7,902,830)	(5,993,492)
Claims Expenses		11,764	613
Movements in Claims Outstanding and IBNR		17,658,234	15,586,064
Commission Receivable from Reinsurers		(992,440)	(721,737)
Commission Paid to Agents		4,165,681	4,248,605
		(36,882,790)	(37,155,120)
Underwriting Surplus		16,398,062	12,190,782
Investment and Interest Income	21	7,875,245	4,797,352
Operating Profit		24,273,307	16,988,134
Other Income	22	4,255,813	1,631,472
		28,529,120	18,619,606
Administrative Expenses		14,753,546	11,161,571
Depreciation and amortisation		1,092,849	1,031,229
		(15,846,395)	(12,192,800)
Profit from Operations	23	12,682,725	6,426,806
Net Finance Costs	24	(182,022)	(201,718)
Reserve for Unexpired Risks Insurance Fund	15	12,500,703	6,225,088
		(1,659,421)	(4,282,268)
Profit before Taxation		10,841,282	1,942,820
Taxation	20	(1,183,892)	(492,245)
Profit after Taxation		9,657,390	1,450,575
Transfer from / (to) Statutory Reserve Fund	14	4,323,181	(876,344)
Balance Brought Forward		13,980,571	574,231
		1,402,067	1,827,836
Dividends	19	15,382,638	2,402,067
		(2,125,000)	(1,000,000)
Balance Carried Forward		13,257,638	1,402,067
Earnings Per Share	25	386.30	58.02

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital Rs.	Fair Value Reserves Rs.	Revenue Reserves Rs.	Total Rs.
Balance at 01 January 2005	25,000,000	1,116,763	440,476	26,557,239
Net Profit For The Year	-	-	3,940,218	3,940,218
Increase in Fair Value	-	618,475	-	618,475
Taxation	-	-	(246,988)	(246,988)
Transfer to Statutory Reserve Fund	-	-	(73,019)	(73,019)
Transfer to General Business Fund	-	-	(2,232,851)	(2,232,851)
Release from Fair Value Reserve on Disposal	-	(14,100)	-	(14,100)
Dividends	-	-	-	-
Balance at 31 December 2005	25,000,000	1,721,138	1,827,836	28,548,974
Net Profit For The Year	-	-	6,225,089	6,225,089
Increase in Fair Value	-	2,677,000	-	2,677,000
Taxation	-	-	(492,246)	(492,246)
Transfer to Statutory Reserve Fund	-	-	(876,344)	(876,344)
Transfer to General Business Fund	-	-	(4,282,268)	(4,282,268)
Release from Fair Value Reserve on Disposal	-	-	-	-
Dividends	-	-	(1,000,000)	(1,000,000)
Balance at 31 December 2006	25,000,000	4,398,138	1,402,067	30,800,205
Net Profit For The Year	-	-	12,500,703	12,500,703
Transfer from Statutory Reserve Fund	-	-	4,323,181	4,323,181
Increase in Fair Value	-	2,890,588	-	2,890,588
Taxation	-	-	(1,183,892)	(1,183,892)
Transfer to General Business Fund	-	-	(1,659,421)	(1,659,421)
Dividends	-	-	(2,125,000)	(2,125,000)
Balance at 31 December 2007	25,000,000	7,288,726	13,257,638	45,546,364

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 Rs.	2006 Rs.
Cash flow from operating activities			
Profit before taxation and interests payments		12,682,725	6,426,807
Adjustments for:-			
Depreciation and amortisation		1,092,849	1,031,229
Gain on sale of Investment		(1,379,490)	-
Provision for doubtful debts		-	53,925
Retirement benefit obligations		578,756	203,603
Operating profit before working capital changes		12,974,840	7,715,564
Decrease/ (Increase) in trade and other receivables		(3,384,309)	(287,856)
Increase in trade and other payables		24,631,855	17,862,486
Cash generated from operations		34,222,386	25,290,194
Tax paid		(328,800)	(393,384)
Finance charge		(182,022)	(201,718)
Net cash flows from operating activities		33,711,564	24,695,092
Cash flows from Investing activities			
Additions to fixed deposits		(28,993,589)	(26,719,228)
Investment in subsidiary		(5,380)	-
Proceeds from fixed deposits		7,165,257	7,960,219
Additions to intangible asset		(59,000)	-
Lease repayments		(298,079)	(271,138)
Purchase of financial assets		(7,291,750)	(1,791,850)
Disposal of financial assets		3,182,018	100,000
Purchase of property and equipment		(6,300,870)	(498,768)
		1,110,171	3,474,327
Cash flows from financing activities			
Dividends paid		(2,125,000)	(1,000,000)
Net (Decrease) / Increase in cash and cash equivalents		(1,014,829)	2,474,327
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		9,643,872	7,169,545
Cash and cash equivalents at the close of the year	9	8,629,043	9,643,872
Net (Decrease) / Increase in cash and cash equivalents		(1,014,829)	2,474,327

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. CORPORATE INFORMATION

GFA Insurance Ltd is a private limited company incorporated in Mauritius and is engaged in General (Non-Life) Insurance Business.

2. 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 are prepared in accordance with International Financial Reporting Standards, under the historical cost convention, as adjusted for the revaluation of investments and freehold building, and the generally accepted accounting principles that require the Directors to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

(b) Revenue Recognition

Revenue represents net earned premiums receivable net of reinsurance. Other Revenues earned by the company are recognised on the following bases:

- (i) Interest income - on time proportion basis taking into account the effective yield on the investments
- (ii) Dividend income - when the shareholder's right to receive payment is established.
- (iii) Reinsurance Commission receivable - as it accrues in accordance with the substance of the relevant agreements.

(c) Property, Plant and Equipment

All property, plant and equipment are initially recorded at cost. Cost comprises of any costs directly attributable to bringing the asset to working condition for its intended use.

Depreciation is calculated to write off the cost or revalued amount of the assets on a straight line basis over the expected useful lives as follows :-

Buildings	2%
Motor Vehicles	20%
Furniture and Fittings	10%
Office Equipment	20%

Land is not depreciated.

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 profit before tax.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2. ACCOUNTING POLICIES (cont'd)

(d) Insurance contract

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired.

Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain event adversely affects the policyholder.

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

(e) Reinsurance contract

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

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

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

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

(f) Cash and Cash Equivalents

Cash comprises cash at bank and in hand, demand deposits and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2. ACCOUNTING POLICIES (cont'd)

(g) Deferred Income Tax

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

Provisions are required to be made by the company for deferred income taxes on the revaluation of certain non-current assets and in relation to acquisitions on assets acquired and their tax base.

Temporary differences arise mainly from depreciation on property, plant and equipment, revaluation of certain non-current assets, tax losses carried forward and on retirement benefit obligations. Recognition of deferred tax assets relating to the carry forward of unused tax losses are to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

(h) Comparatives

Where necessary, comparative figures have been adjusted and restated to reflect the adoption of the International Financial Reporting Standards.

(i) Impairment

At each balance sheet date, the Company reviews the carrying amounts of the tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the loss (if any). An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(j) Investments in Financial Assets

The company classifies its investments into the following categories: held-to-maturity and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets that the company have the positive intention and ability to hold to maturity. They are measured at amortised cost using the effective interest rate method.

(ii) Available-For-Sale Financial Assets

Available-for-sale investments are financial assets that are either designated in this category or not classified in any other categories.

Initial recognition

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2. ACCOUNTING POLICIES (cont'd)

Subsequent recognition

Marketable securities are carried at market value. Market value is calculated by reference to Stock Exchange and DEM quoted selling prices at the close of business on the balance sheet date.

Fixed assets investments excluding marketable securities are shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

Increases in the carrying amount of marketable securities classified as long-term assets are credited to revaluation and other reserves in shareholders' equity. Decreases that offset previous increases of the marketable security are charged against revaluation and other reserves; all other decreases are charged to the Income Statement.

Increases/decreases in the carrying amount of marketable securities classified as current assets are credited/charged to the Income Statement.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Income Statement. On disposal of a marketable security classified as a long term asset, amounts in revaluation and other reserves relating to that marketable security are transferred to retained earnings or the Income Statement.

(k) Financial Instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the company becomes a party to the contractual provision of the instrument.

Trade receivables and payables relate to insurance contracts and are recognised when due.

These include amounts due to and from reinsurers, agents and insurance contract holders.

The company's accounting policies in respect of the main financial instruments are set out below:-

(i) Fair Value Estimation

The carrying amount of the financial assets and liabilities approximate fair values.

(ii) Insurance receivables

Insurance receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(iii) Insurance payables

Insurance payables are stated at their nominal value.

(iv) Bank borrowings

Interest - bearing bank loans and overdraft are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2. ACCOUNTING POLICIES (cont'd)

(i) Insurance risk (cont'd)

(l) Provision for claims outstanding

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.

Outstanding claims provisions are made up of:

- (a) Provision for claims Incurred But Not Reported (IBNR) and
- (b) The net estimated costs of claims admitted or intimated but not yet settled at balance sheet date.

(m) Provisions

Provisions are recognised when the company has a present or constructive obligation as a result of past events which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

(n) Retirement benefit obligations

The company does not operate any retirement benefit plan as it has only few employees. Provision on retirement benefit obligations has been made for employees according to the Labour Act 1975 and IAS 19.

(o) Related parties

Related parties are considered to be related if one party has ability to control the other party in making financial operating decisions.

All transactions undertaken with related parties are at commercial terms and conditions.

(p) Foreign Currencies

Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Difference in exchange resulting from the settlement of such transactions is recognised in the Income Statement. Monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates.

Difference in exchange thereon is recognised in the Income Statement.

(q) Non-Life Insurance Business

(i) Gross Written Premium

Gross written premium relates to insurance covers granted during the year.

(ii) Reinsurance Premium

Reinsurance premium expense is accounted for in the same accounting period as the gross written premium to which it relates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2. ACCOUNTING POLICIES (cont'd)

(i) Insurance risk (cont'd)

(iii) Claims

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to 31 December 2007 including those which have not yet been notified. Any difference between the estimated cost and subsequent settlements are dealt with in the Revenue accounts in the following year.

(r) Finance Lease

Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payments is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long - term payables.

The interest element of the finance charge is charged to the income statement over the lease period.

(s) Management of insurance and financial risk

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

(i) Insurance risk

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

The main risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This may occur if the frequency or severity of claims and benefits are greater than estimated. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy so as to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

Motor and liability insurance

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

The Company's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Company has

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

2. ACCOUNTING POLICIES (cont'd)

(i) Insurance risk(Cont'd)

underwriting limits by type of risks and by industry. Performances of individual insurance policies are reviewed by management and the Company reserves the right not to renew individual policies. It can impose deductibles and has the right to reject the payment of a fraudulent claim. Where relevant, the Company may pursue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

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

Property insurance

For property insurance contracts, climatic changes give rise to more frequent and severe external weather events (for example cyclone claims). Property insurance is subdivided into different risk groups, fire, business interruption, cyclone damage and other perils. The insurance risk arising from these contracts are balanced between commercial and personal properties in the overall portfolio of insured buildings. Although the reinsurers are liable to the extent of the reinsurance ceded, the Company remains the primarily liable to the policy holder as the direct insurer of all risks reinsured.

Concentration of insurance risks

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

	2007			2006		
	No. of claims	Gross Rs	Net Rs	No. of claims	Gross Rs	Net Rs
Motor	2358	53,083,987	42,166,825	1527	36,015,102	27,545,165
Fire		-	-		-	-
Engineering		-	-		-	-
General		-	-		-	-
Accident	3	550,000	300,000		-	-
Liability		-	-		-	-
IBNR		532,808	532,808		493,459	493,459
		<u>54,166,795</u>	<u>42,999,633</u>		<u>36,508,561</u>	<u>28,038,624</u>

Sources of uncertainty

Motor and liability insurance

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

The estimated costs of claims include direct expenses to be incurred in settling claims, net of subrogation and salvage recoveries. The Company ensures that claims provisions are determined using the best information available of claims

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2. ACCOUNTING POLICIES (cont'd)

(i) Insurance risk(Cont'd)

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.

Property insurance

Property claims are analysed separately for cyclone and non-cyclone claims. The development of large losses / catastrophes is analysed separately. Non-cyclone claims can be estimated with greater reliability, and the Company estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the Company achieve a higher degree about the estimated cost of claims, and relatively little (Incurred but not Reported) IBNR is held at year end.

(ii) Financial risk

The Company issues insurance contracts that transfer financial risk. This section summarises the main risks and the way they are managed.

The company's activities are exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of these financial risks are :

Interest rate risk

The company is exposed to interest rate fluctuations on the domestic market with respect to interest income and expense. The company earns interest income on its surplus cash. Management closely monitors interest rate trends and their impact on interest income and expense.

Equity price risk

The valuations of the company's available-for-sale equity portfolio are subject to equity price risk. Exposure to price risk on the equity portfolio is not hedged.

Credit risk

The Company's credit risk is primarily attributable to insurance contract holders, insurance intermediaries, i.e trade receivables. The amounts presented in the balance sheet are net of allowances for estimates of doubtful receivables.

Except for amount receivable from reinsurers, the company has no significant concentration of credit risk, with exposure spread over a large number of clients and agents.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2. ACCOUNTING POLICIES (cont'd)

(ii) Financial risk (Cont'd)

of committed credit facilities and the ability to close out market positions. The company aims at maintaining flexibility in funding by keeping committed credit lines available.

Premium risk

Premium risk is defined as the danger of insurance premium not being sufficient to cover expenses. This risk is closely evaluated and action has to be taken to arrange for reinsurance and building up of adequate reserves within the company.

Investment risk

It concerns the liquidity, rate of interest and the stability of the institution where the investments are made. The company monitors the activities and progress of these functions.

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.

(t) Investment in subsidiary

Investment in subsidiary company is carried at cost. The carrying amount is reduced to recognise any impairment in the value of the investment.

(q) Intangible asset

Intangible asset which comprises of computer software is initially recorded at cost and amortised using the straight-line method over its remaining useful life. The carrying amount is reviewed annually and adjusted for any permanent diminution where it is considered necessary.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

(a) Critical accounting estimates and assumptions

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Cont'd)

(b) 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). 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.

Claims provision

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

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

(c) Held for maturity investments

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

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

(d) Impairment of available-for-sale financial assets

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

(e) Impairment of other assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Freehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Total
COST/ VALUATION	Rs	Rs	Rs	Rs	Rs	Rs
At 01 January 2007	-	1,500,000	3,725,770	1,868,280	3,284,853	10,378,903
Reclassification	-	-	-	-	(433,000)	(433,000)
Restated balance at 01 January 2007	-	1,500,000	3,725,770	1,868,280	2,851,853	9,945,903
Additions	6,025,000	-	24,330	94,299	157,241	6,300,870
Disposal	-	-	-	-	-	-
At 31 December 2007	6,025,000	1,500,000	3,750,100	1,962,579	3,009,094	16,246,773
DEPRECIATION						
At 01 January 2007	-	101,278	2,172,479	1,086,421	2,497,227	5,857,405
Reclassification	-	-	-	-	(278,882)	(278,882)
Restated balance at 01 January 2007	-	101,278	2,172,479	1,086,421	2,218,345	5,578,523
Charge for the year	-	30,000	553,152	164,302	288,826	1,036,280
Disposal	-	-	-	-	-	-
At 31 December 2007	-	131,278	2,725,631	1,250,723	2,507,171	6,614,803
NET BOOK VALUE						
At 31 December 2007	6,025,000	1,368,722	1,024,469	711,856	501,923	9,631,970
At 31 December 2006	-	1,398,722	1,553,291	781,859	633,508	4,367,380

- Fixed and floating charges have been provided on all the assets of the company for bank overdraft facility.

- Net book value of Motor Vehicles under finance lease amounted to Rs 928,172.

- The Freehold Building has been revalued at Rs 1,500,000 by Mr M. Irsaad Nuckchady, a qualified land surveyor on 23rd December 2003. If the assets had been carried under the cost model then the carrying amounts for Freehold Building would have been Rs 378,620 as at 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

5. INTANGIBLE ASSET - COMPUTER SOFTWARE

	Computer Software	Total
	Rs.	Rs.
COST/ VALUATION		
At 01 January 2007	433,000	433,000
Additions	59,000	59,000
Disposal	-	-
At 31 December 2007	492,000	492,000
AMORTISATION		
At 01 January 2007	278,882	278,882
Charge for the year	56,569	56,569
Disposal	-	-
At 31 December 2007	335,451	335,451
NET BOOK VALUE		
At 31 December 2007	156,549	156,549
At 31 December 2006	154,118	154,118

6. INVESTMENTS IN FINANCIAL ASSETS

<i>Held to Maturity:</i>	Fair value 2007	Fair value 2006	Cost 2007	Cost 2006
	Rs.	Rs.	Rs.	Rs.
At 1 January 2007	-	400,000	-	400,000
Additions	1,830,000	-	1,830,000	-
Redemptions/Disposals	-	(100,000)	-	(100,000)
Reclassification	-	(300,000)	-	(300,000)
Fair value reserve	-	-	-	-
At 31 December 2007	1,830,000	-	1,830,000	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

6. INVESTMENTS IN FINANCIAL ASSETS (Cont'd)

	Fair value 2007	Fair value 2006	Cost 2007	Cost 2006
	Rs.	Rs.	Rs.	Rs.
Held to Maturity (cont'd):				
At 31 December 2007	1,830,000	-	1,830,000	-
Available for sale:				
At 1 January 2007	7,866,900	3,798,050	4,424,762	2,632,912
Additions	5,461,750	1,791,850	5,461,750	1,791,850
Redemptions/Disposals	(2,912,760)	-	(1,802,528)	-
Fair value reserve	4,000,820	2,277,000	-	-
At 31 December 2007	14,416,710	7,866,900	8,083,984	4,424,762
Total at 31 December 2007	16,246,710	7,866,900	9,913,984	4,424,762

Held to maturity financial assets comprise Treasury Bills. The company intends and is able to hold the investments until maturity dates varying between 2008 and 2009.

Available -for-sale investments comprise of listed and quoted equity securities. The fair value of the listed and quoted available-for-sale securities is based on the Stock Exchange official market quoted prices at the close of business on balance sheet

	2007		2006	
	Rs.		Rs.	
7. INVESTMENTS IN SUBSIDIARY COMPANY				
Cost				
At 1 January	-		-	
Additions	5,380		-	
At 31 December	5,380		-	
<i>Name of company</i>	<i>Class of shares</i>	<i>Number of shares</i>	<i>% held</i>	<i>Country of Incorporation</i>
<i>Unquoted shares</i>				
GFA Investments Ltd	Ordinary shares	10,000	100	Mauritius

The results of GFA Investments Ltd has not been consolidated since the company has not started its activities and the amounts involved are not material. The investment in GFA Investments Ltd is carried at cost

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	Rs.	Rs.
8. STATUTORY DEPOSIT		
Fixed Deposits	8,000,000	8,000,000
Fixed deposits of Rs 8M is pledged at the bank in favour of the Financial Services Commission.		
9. DEPOSITS		
Maturing:		
Within one year	39,980,000	7,165,257
Between second and fifth year	38,300,000	49,286,411
Total	78,280,000	56,451,668
10. DEFERRED INCOME TAXATION		
Deferred Tax Asset		
Balance at 01 January 2007	(3,461)	(166,906)
Charge / (Release) for the year	(267,829)	163,445
Balance at 31 December 2007	(271,290)	(3,461)
11. TRADE AND OTHER RECEIVABLES		
Insurance receivables:		
- Premiums and agents' balances	2,846,847	2,981,329
Claims recoveries	11,167,162	8,469,937
Other receivables	1,509,585	688,019
	15,523,594	12,139,285
12. CASH AND BANK BALANCES		
Bank and cash balances	8,629,043	9,643,872
Bank overdraft	-	-
Net cash and bank balances	8,629,043	9,643,872
(a) Bank overdrafts (nil for last year) are secured by fixed and floating charges over the company's deposits at the bank and its assets.		
13. SHARE CAPITAL		
Authorised, Issued and Fully Paid		
1 Founder share of Rs 1,000	1,000	1,000
24,999 ordinary shares of Rs 1,000 each	24,999,000	24,999,000
	25,000,000	25,000,000

Note: All above shares are at par value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

14. RESERVES

Reserves are analysed as follows:

	Revenue Reserves	Other Reserves		TOTAL
		Fair Value Reserves	Statutory Reserve Fund	
		Rs.	Rs.	
At 01 January 2007	1,402,067	4,398,138	4,323,181	8,721,319
Net increase in fair value of available-for-sale financial assets	-	2,890,588	-	2,890,588
Profit before taxation and transfer to reserve	12,500,703	-	-	-
Taxation	(1,183,892)	-	-	-
Dividends	(2,125,000)	-	-	-
Transfer to General Business Fund	(1,659,421)	-	-	-
Transfer to Statutory Reserve Fund	4,323,181	-	(4,323,181)	(4,323,181)
At 31 December 2007	13,257,638	7,288,726	-	7,288,726

The Statutory Reserve Fund consists of an amount equal to 10% of the average gross premium of the last three years. Pursuant to the Insurance Act 2005 (as amended) and enacted in September 2007, the Reserve Fund is no longer mandatory.

15. GENERAL BUSINESS FUND

	2007	2006
	Rs.	Rs.
At 01 January 2007	19,777,836	15,495,568
Transfer from Revenue Reserves	1,659,421	4,282,268
At 31 December 2007	21,437,257	19,777,836

Unearned premiums are set aside to provide for periods of risk extending beyond the end of the financial year.

The methods of calculation are:-

Fire	40%
Marine	100%
Motor	40%
Miscellaneous	40%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	Rs.	Rs.
16. OBLIGATIONS UNDER FINANCE LEASE		
Within one year (Current)		
Minimum lease payments	432,000	432,000
Less: Finance charges allocated to the future periods	(104,305)	(133,921)
	<u>327,695</u>	<u>298,079</u>
After more than one year and less than five years (Non-Current)		
Minimum lease payments	1,028,000	1,460,000
Less: Finance charges allocated to the future periods	(111,281)	(215,586)
	<u>916,719</u>	<u>1,244,414</u>
17. RETIREMENT BENEFIT OBLIGATIONS		
At 01 January 2007	1,440,800	1,237,197
Provision for the year	578,756	203,603
At 31 December 2007	<u>2,019,556</u>	<u>1,440,800</u>
18. TRADE AND OTHER PAYABLES		
Insurance payables:		
- Amounts due to reinsurers	5,680,364	1,637,812
- Outstanding claims provision including IBNR	54,166,795	36,508,561
Other Payables	5,198,065	2,266,996
	<u>65,045,224</u>	<u>40,413,369</u>
19. PROPOSED DIVIDENDS		
Reserves	13,257,638	1,402,067
Dividends payable as at 31 December 2007	-	-
Dividends payable during the year	2,125,000	1,000,000
Dividends paid	2,125,000	1,000,000
No. of shares in issue	25,000	25,000
Dividends per share	85	40

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	Rs.	Rs.
20. TAXATION		
Current Tax Liabilities	1,451,721	328,800
<p>The company is taxed at 15% (2006: 22.50%) on its adjusted profits for the year.</p>		
Charge to Profit and Loss Account		
Current Tax Liabilities	1,451,721	328,800
Charge / (Release) for the year (Note 7)	(267,829)	163,445
Profit and Loss Account	1,183,892	492,245
Tax Reconciliation		
Profit before taxation	10,841,282	1,942,821
Tax applicable at the rate of 15% (2006: 22.50%)	1,626,192	437,134
Disallowed expenses	98,168	82,784
Depreciation	163,927	232,027
Income not subject to tax	(258,092)	(44,796)
Net capital allowances	(178,475)	(378,349)
Current Tax Liabilities	1,451,721	328,800
21. INVESTMENT AND INTEREST INCOME		
Interest income	7,534,124	4,598,257
Dividends received	341,121	199,095
	7,875,245	4,797,352
<p>Investment income represents mainly interests received from Fixed deposits and other interests receivable.</p>		
22. OTHER INCOME		
Policy fees	2,641,640	1,424,152
Administrative fees receivable	(54,617)	(29,918)
ITB refund	283,300	237,238
Gain on disposal of financial assets	1,379,490	-
Bad debts recovered	6,000	-
	4,255,813	1,631,472
23. PROFIT FROM OPERATIONS		
<p>Profit from operations is arrived at after charging the following items:-</p>		
Staff Costs	3,910,032	3,112,177
Depreciation on property, plant and equipment	1,092,849	1,031,229
Directors' emoluments	4,470,364	3,569,362
Auditors' remuneration	172,500	115,000
Number of employees at end of year	45	40

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

24. NET FINANCE COSTS

	2007	2006
	Rs.	Rs.
Interest on finance lease	133,921	160,861
Bank charges	47,721	40,195
Bank Overdraft interest	380	662
	182,022	201,718

25. EARNINGS PER SHARE

The calculation of earnings per share is based on net profit for the year after taxation attributable to ordinary shareholders and on the number of shares in issue throughout the two years ended 31 December 2007.

26. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2007, the company traded with related parties. The nature, volume of transactions and the balances as at 31 December 2007 with the parties were as follows:

Related Parties	Relationship	Type of Transaction	2007	2006
			Rs.	Rs.
<i>Sale of services:</i>				
Directors	Shareholder	Insurance Premium	43,626	25,319
Agents	Shareholder	Insurance Premium	7,876,122	7,005,667
<i>Amount owed by:</i>				
Agents	Shareholder/ Agents	Insurance Receivables	990,568	894,581
<i>Other related party transactions:</i>				
Director	Shareholder/ Director	Rent Paid	627,000	546,750
Agents	Shareholder/ Agents	Commission Paid	1,547,562	1,402,157

(a) All above related party transactions were carried out on commercial terms and conditions.

(b) The following companies are also shareholders of GFA Insurance Ltd:

S. Ruhomutally & Co. Ltd	4%
Del Ltd	7%

The two companies have at least one common director / shareholder.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

27. FIVE YEAR SUMMARY	2007	2006	2005	2004	2003
	Rs.	Rs.	Rs.	Rs.	Rs.
Share Capital	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Revenue reserves	13,257,638	1,402,067	1,827,836	440,476	365,141
Statutory reserves	-	4,323,181	3,446,837	3,373,818	3,292,984
Profit before taxation	10,841,282	1,942,821	1,707,367	2,265,152	2,836,701
Profit after taxation	9,657,390	1,450,575	1,460,379	1,616,688	2,244,185
Dividend	2,125,000	1,000,000	-	1,500,000	1,542,910
Earnings per share	386	58	58	65	90

We are ideally located in the vicinity of Champ de Mars, renowned for its racecourse, with ample parking space. GFA also has conveniently situated branch offices in Port-Louis, Goodlands, Central Flacq, Quatre-Bornes and Rivière des Anguilles and Rivière du Rempart demonstrating our will to be close to our clients to offer them a personalised service.

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