

excellence is an **attitude**



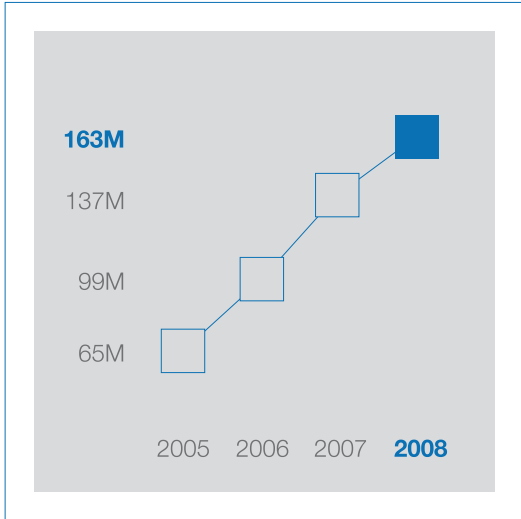
ANNUAL REPORT 2008

GFA

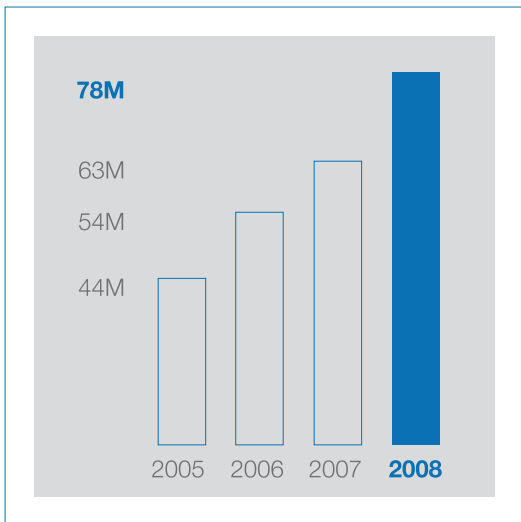
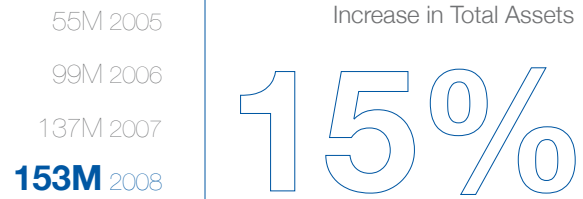
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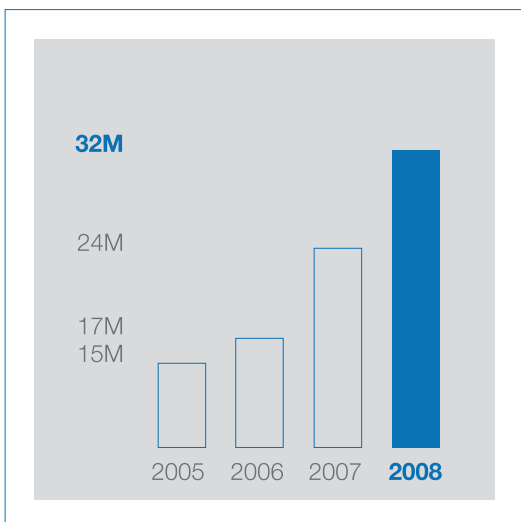
Financial Highlights 2008



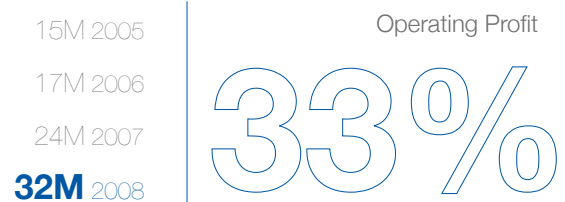
Total Assets



Increase in Turnover



Operating Profit



Mission Statement

GFA is committed to exceeding 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 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.

Administrative Details

Registered & Head Office

Marina House
16, Frère Félix de Valois Street
Champ de Mars
Port Louis
Republic of Mauritius
info@gfainsurance.mu
www.gfainsurance.mu

Company Secretary

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

Auditors

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

Bankers

Afrasia Bank
Bank One
Banque Internationale des Mascareignes Ltée
Barclays Bank PLC
Bramer Banking Corporation Ltd
Habib Bank Limited
HSBC Limited
The Mauritius Commercial Bank Ltd
SBI (Mauritius) Ltd

Reinsurance Broker

J.B. Boda & Co. Ltd

Actuaries

Messrs K. A. Pandit, Consultants and Actuaries

Stock Broker

Bramer Securities Ltd



Training and Capacity Building



Financial Stability and **Security**

Chairman's Review

On behalf of the Board of Directors, I am pleased to present to you the 12th Annual Report together with the Audited Financial Statements for the year ended 31 December 2008.

The year 2008 culminated with our nomination for the **Mauritius Business Excellence Award 2008** which was organised under the aegis of the Ministry of Industry, Science and Research.

This nomination is a recognition of our efforts to excel and grow our business whilst abiding to Good Corporate Governance principles and shouldering our corporate social responsibilities.

Our nomination for this award has enabled us to confirm our reputation as an insurer and an employer of choice.

We attribute our success to our two key resources: our people and our IT infrastructure. Hence, for the past two years, we distributed part of the company's profits to staff in the form of a special additional performance bonus. This year, again, our financial results permitting, we have repeated the exercise to show our commitment to our people.

Our IT infrastructure has also known a major overhauling over the last year. The company is switching from proprietary software to open-source technology. We will be upgrading our hardware infrastructure during the early course of 2009.

I have to point out that in spite of the abuses in motor accident claims reported through the so much deplored "Constat à l'amiable", GFA Insurance Ltd has been able to achieve highly positive results in 2008.

We are all wary about the potential impact the world financial crisis could have on the Mauritian economy but we hope that the Mauritian financial services industry will be spared. We are taking a pro-active stand and devising strategies so as to arm ourselves against damage.

As I write this report, the construction of our five-storey commercial building in the centre of Rose-Hill has reached to the third storey. We expect the building to be completed by December 2009.

We have a duty to strengthen our company in light of increasing competition and falling premium rates. To do this, we must bring our products to the doorstep of potential customers and provide a level of service that outpaces customers' rising expectations.

Despite a difficult operating environment caused by increased competition and the polarised oligopolistic nature of the market, this year, we were able to grow our premium base by 23.52% from Rs62.9M to Rs77.7M. We are **slowly but surely** increasing our market share. 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.

On behalf of my colleagues of the Board, I would like to extend my appreciation to all those who contributed to the company's ongoing success, particularly the Managing Director, the Deputy Managing Director, Departmental Heads, Agents and to the personnel at large, without whose contribution GFA Insurance Ltd would not have accomplished this level of achievement.

Dr A. R Ruhomutally

Chairman

23 March 2009

Managing Director's Report

GFA was exposed to exceptional challenges for the last five years with the introduction of new laws and fierce competition. However, with forward thinking strategies we are well on our way to achieve success and even outperforming the market.

Though GFA as a trade name has been around for more than 30 years, GFA Insurance Ltd was incorporated only about a decade ago. We have come a long way in a very short lapse of time.

The company is a private limited company incorporated in Mauritius and is engaged in General (Non-life) Insurance Business. It has an investment arm managed by the subsidiary company GFA Investments Ltd.

Economic Review

The National Economic Growth for the year 2008 was around 5.2% but it is set to slow down to 4% in 2009. The inflation rate for the financial year 2008 reached 9.7%. GFA Insurance Ltd has been able to achieve a growth rate of 30.02% in net insurance premium, which by far exceeded that of the National level.

No one has a definite idea how much Mauritius is going to be affected by the International Financial Crisis. According to one local economist, we will only feel the true impact around April 2009. We hope the Mauritian Insurance industry will not be affected.

The industry average for premium growth is 7.4% for 2007/2008 whilst that for GFA stood at 23.5%, that is, well above the industry's as a whole. Net general insurance premium for the Mauritian market on the other hand grew by 12.2% in contrast to a 30% increase in GFA's net premium. In total 363,510 general insurance policies were issued in 2007/2008 out of which 245,885 were from the motor side and 117,625 from the non-motor side. In 2007, international non-life market expanded slowly by 0.7% of total premium growth worldwide. Africa contributed to 0.9% to the world market share for non-life insurance. Non-life premiums for Africa have increased by 0.6%. (Source: FSC Mauritius Annual Report 2008).

Recently, the police have cracked down on a few notorious garages and individuals with relation to stolen vehicles. We would like to congratulate the Commissioner of police and the police force for such a long-awaited but nevertheless commendable operation. The National Transport Authority (NTA) has also expressed an interest to unfold criminal means by which the Identity (Log book or Horse Power) of vehicles declared as total loss are used on stolen vehicles. We hope the new measures announced by the authorities would help reduce the phenomenal rate of vehicle theft. These very often entailed violence.

Financial Overview

The company continues to perform satisfactorily in the face of increasing competition in the Industry. Gross Revenue of the company increased from Rs 62.93 million to reach Rs77.7 million for the year ended 31 December 2008 which corresponds to an increase of 23.5% whilst Investment Income rose by 41.2%. Although trading conditions remained very challenging during the year under review, GFA has realised a profit of Rs9.4 million before tax and transfer to General Business Reserve Fund. Net Premium escalated by 30% from Rs 53.3 M to Rs69.3 M. These positive results are the fruit of our past aggressive efforts to market ourselves, fruits that we are reaping today.

GFA has experienced a considerable increase of 29% in its Underwriting surplus from Rs 16.4 M to Rs 21.2 M. Profit from operations escalated from Rs 12.7 M (2007) to Rs 15.9 M (2008), that is, a remarkable increase of 25.14% whilst our administrative expenses have levitated by only 9.23% when weighed against the year 2007. On the other hand, Total Assets grew by 18.87% from Rs136.7 M to Rs162.9 M.

Managing Director's Report *(cont'd)*

We have seen our financial assets drop in value by more than Rs 10 million. We have not sold our shares as this pertains to blue chip companies. We believe that shares of these companies will eventually go up when we all have a clearer idea of the impact of the financial crisis. Such shares concern primarily the hotel industry followed by the two listed banks.

GFA currently works with practically all the retail banks in Mauritius and also has money deposited with a panoply of Leasing companies. Money placed in the custody of deposit-taking institutions escalated to Rs 120.8 million at the end of 2008 compared to Rs 94.9 million in 2007 equivalent to a rise of 27.3%.

Operating Profit has increased by 33.1% from Rs24.3 million to Rs 32.3 million whilst Profit after tax has decreased compared to 2007. This is due to three main factors: a consequent increase in the amount of claims paid and revaluation of our outstanding claims reserves to the high side as a measure of prudence. The increase in claims paid is attributable to the fact that a couple of long tail court cases have eventually obtained judgement in court. The highest claim paid in 2008 was Rs 2.8 million with respect to a road accident which occurred in 1998. The third party driver was severely injured in the latter accident. Claims paid (Rs32.5 M) increased by Rs8.4 million (35.04%) as compared to the year 2007 (Rs24 M). The drop in profits is also attributable to the collapse of share prices on the Stock Exchange of Mauritius. The value of our blue-chip investments have gone down by more than Rs10 million. The strategy of the company is to hold shares for long-term capital gains. At the same time Reserve for Unexpired Risk/General Business Fund has gone up by Rs7.2 M to reach Rs28.7 M.

For the sake of comparison I am commenting the following figures to you: A long established insurance company in Mauritius transacting Rs518 million in turnover has a combined (motor and non-motor) Underwriting Surplus of Rs46.9 M which corresponds to a Gross Premium to Underwriting Surplus ratio of only 9% whilst that of GFA stands around 27% (Rs21.2 M over Rs77.7 M). This strongly suggests that despite the fact that our motor portfolio makes up about 90% of the risks we insure we have successfully mitigated and managed claims. Very few companies world-wide can boast of such a phenomenal exploit. Our underwriting surplus to gross premium ratio is one of the highest in the Mauritian market.

In 2008, a Plaintiff was awarded Rs19 million as compensation for her bodily injury and moral damage against the SICOM Insurance. This court award is a record-breaking one for a Motor bodily injury claim. As the Mauritian society is becoming more and more litigious and following the generous award in the above court case (slowly becoming the trend), GFA has revised its liability claims provisions to an upward trend to reflect the prudence culture of the company.

The 'Constat a l'amiable' is still failing the Motor claim settlement system. On top of that a few companies have been making an abuse of the Motor Vehicle Insurance Arbitration Committee (MVIAC). Many cases sent to the MVIAC could have been resolved amicably through dialogue and cooperation amongst insurance companies. Instead the companies referred to here, send cases indistinctively to the MVIAC thus overloading the latter with trivial claims. I am proud to remind you that Mr. Abdel Ruhomutally, our Deputy Managing Director, was appointed by the Minister of Public Infrastructure to sit on the MVIAC in March 2008.

In 2007, 23,971 vehicles were insured with us. This figure grew by 19% to 28,509 vehicles in 2008. The company remains one of the market leaders in Professional Indemnity cover with a large portfolio of medical practitioners, accountants, auditors and consultants insured with us. Individuals as well as corporations are becoming more conscious about taking non-motor covers such as: Fire and burglary, public and employer's liability insurance and personal accident.

In light of the financial crisis looming over the Mauritian economy, we view our position as relatively secure and strong as our lead reinsurer is none other than the General Insurance Corporation of India (GIC), which is entirely backed by the Indian Government.

Managing Director's Report *(cont'd)*

Business Excellence and Training Award Competitions

The Mauritius Business Excellence Award (MBEA) was organised under the aegis of the Ministry of Industry, Science and Research. GFA was nominated for the MBEA in the category for Medium enterprises. In November 2008, for the purpose of the Award ceremony, the Mauritius College of the Air (MCA) shot a video clip showing the different departments of the Head Office. The Award ceremony took place on Saturday 31 January 2009 at the Cyber Tower, Ebène. The Award night was shown on National Television shortly after the ceremony.

Though we did not win the Award for the Medium Enterprise category our nomination was widely covered in the press. Our nomination alone is proof of our great achievement over the years. Indian Oil (Mauritius) Ltd. was classified in the same category and was one of the winners. We have expressed our amazement to the Ministry of Industry, Science and Research that Indian Oil (Mauritius), a fully owned subsidiary of Indian Oil Corporation Ltd which is the largest Indian enterprise, was classified as a Medium Mauritian enterprise.

On 27 February 2009, Hon. Dharambeer Gokhool, Minister of Industry, Science and Research remitted an MBEA Nominee Certificate in person to our company at the official launching ceremony of the MBEA 2009.

When GFA won the MIM/MEF/AHRP Training Commitment Award in 2004, investments in training activities were not substantial. In 2008, training expenditure reached more than half a million rupees. We are once again competing for the Training Award. Results will be known later in 2009.

Information Technology

Our new LAMP based software infrastructure will permit us easy scalability. In theory, anyone with a laptop or pocket PC can connect to the system. This means that our salesmen and agents would have the capacity to connect to our system from anywhere as long as they have access to an internet connection. Personal Computers can now be replaced by 'thin clients'. We are thinking of giving laptops to heads of departments hence offering them the possibility of working from home. Approximately one million rupees have been budgeted for I.T equipment purchases.

LAMP is an acronym for Linux Operating System, Apache Web Server, MySQL database and PHP programming language. Our new Information System has been in operation since the 5th of September 2008. The new system which is operational but not yet fully completed has extensive capabilities which were unavailable with our previous I.T system. Documents such as PDF files and images can be uploaded in the system rendering our operations partly paperless. MySQL database easily integrates with Java, Javascript and PHP, three well-known programming languages.

The GIS (GFA Information System) permits us to analyse the profile of a customer or that of a vehicle. In this way we are able to apply scientific premium rating for each individual customer depending on his total premium generation, number of claims and value of claims, if any. Correspondences pertaining to a claim can be scanned and uploaded into GIS rendering the requirement of the physical file unnecessary.

We shall be implementing the GIS in all branch offices and agents' offices before the end of the second quarter of 2009. In that same period of time, we will be investing in a new high-end server. The next step in I.T development would be to upgrade our Human Resource Management and Payroll software followed by our Financial and Accounting package.

Managing Director's Report *(cont'd)*

Innovation

We were the first company to have introduced Emergency Roadside Assistance (ERA) as a full-fledged add-on cover irrespective of the type of insurance cover the customer takes or the age of the vehicle. Our ERA service constitutes unlimited breakdown and accident recovery and an on-the-spot replacement vehicle in case of breakdown or accident. The ERA add-on cover proved to be very attractive to existing and new customers since it was launched in 2002.

Because internet connection penetration is still low in Mauritius we have not invested much in our website whose purpose so far has been merely for information purposes or download of certain items such as proposal forms, company profile and press articles about the company. At the same time with the announcement of lowering internet connection charges and improved connectivity speed coupled with the Government initiative to promote low cost PCs and laptops, the household landscape will soon change. Being a forward thinking company we will be revamping our web site in the weeks to come. Customers will be able to register to our on-line service which will be branded E-surance. With a dedicated customer ID they will be able to make proposals for many types of non-motor covers such as: fire and allied perils, personal accident and professional liability. Motor insurance being highly prone to fraud and falsification of documents, we will have to wait until there is greater order in this market segment before we extend our E-surance facility to this type of insurance.

We had embarked on a programme to ensure more public exposure to our company by communicating often with the press. Our presence in the island was reinforced by colouring all our offices in the same colour – fresh lemon yellow and sweet papaya orange – with the idea to develop easily recognisable offices across the island.

Human capital

Our most prized asset has always been and remains our Human Capital. Winning the Training Commitment Award and being nominated for the Mauritius Business Excellence Award is proof enough that we are adopting the right methodology to achieve success. This does not however mean that we will rest on our laurels. We are in an ongoing process of improving ourselves, especially as difficult times are projected ahead. In such crisis, we understand that our human capital is the pillar that will hold our fort. We will therefore empower them through training and investment in necessary tools that will help us move in the desired direction.

Training courses are provided to staff on a regular basis. Two in-house training courses were programmed for 2008. "Communicating Effectively Using E-Communication Tools" and "Email in Practice" were held in February and June 2008 respectively. The two courses were dispensed by the Deputy Managing Director who is an approved MQA Trainer (Mauritius Qualifications Authority). Mr Abdel Ruhomutally is also a Certified Mentor for the University of Mauritius Work Based Learning Programme (WBL).

Unfair competition and undesirable business practice v/s. free choice

It is now a known fact that for a number of years GFA has been lobbying for a level playing field in the market. The Financial Services Commission (FSC) issued a communiqué on 28 July 2008 after representations made by us to the latter and following an article featuring the issue of free choice in Business Magazine. We then held a press conference. We obtained good press coverage which has helped sensitise members of the public about their rights to freely choose their insurance company whilst purchasing assets on credit, loan or lease.

Appallingly, a few banks and leasing companies are still not complying with Section 81 of the Insurance Act 2005. It is very unfortunate, though, that no serious sanctions have yet been taken against banks and leasing companies who are blatantly flouting this law.

Because we feel unduly prejudiced, we even felt the need to approach, Hon. Cader Sayed Hossen, the President of the Commission for the Democratisation of the Economy.

Managing Director's Report *(cont'd)*

Unfair competition and undesirable business practice v/s. free choice (cont'd)

It was with no great surprise for us to learn from the FSC Annual Report 2008 that six companies control 80% of the market. This means that there has not been any significant change since the publication of the Financial Services Assessment Programme (FSAP) report in 2003. The FSAP was conducted by Mr. Dimitri Vittas on behalf of the World Bank.

As such a state of affairs is intolerable in a pluralistic society, our next step would be to appraise the IMF, World Bank and FSAP (Financial Services Assessment Programme) of the prevailing closed-ended business practices. Such shameful and undemocratic business practice is certainly against IMF, World Bank and FSAP principles.

We also despise the exaggeration some companies are making in claims settlement. Many companies abuse on the insurer whose insured is at fault by authorising repairs in costly garages despite the fact that the same repairs could have been done in many other garages for sometimes half the price. We consider this to be a vile practice. A respectable insurer would normally mitigate all claims and not just those where he is liable to pay. He would do so for claims which are recoverable from third parties as well. We hope all the relevant parties concerned would soon look into the matter; such as the MVIAC, the Insurers' Association and the Financial Services Commission. We also loathe the abuse some companies are making on the MVIAC.

Vehicle thefts have increased at an alarming rate during the past few years. Recently, the press reported that the police have cracked down on criminal gangs who were perpetrating such vicious crimes. We would like here to congratulate the Commissioner of Police and his team for the good work achieved so far. The public needs to understand that fraudulent and exaggerated claims negatively impacts on innocent customers' premium rate.

Legal Battle

One individual was suing GFA for defamation. On 13 January 2009 the case was struck out against us by Magistrate W. V. Rangan. The person's claim to damages was repudiated by the Hon. Magistrate as the former failed to substantiate his case of defamation:

"In light of the evidence adduced, I find that the plaintiff has failed to show that the defendant through its agent, servant and/or préposé was of bad faith when it gave the declaration to the police against him. The declaration was only given as a precautionary measure given the circumstances of the accident and the ensuing agreement. I find that the defendant cannot be said to have acted unreasonably when it reported the matter to the police.

For all the reasons given above, I find that the plaintiff has not established faute on the part of the defendant. Therefore, the question of damages does not arise. I accordingly dismiss the plaintiff's action, with costs."

Many newspapers covered the outcome of the case and some even reproduced the entire judgement. This judgement was very encouraging for us to carry on in our endeavour to combat fraud in the interest of our genuine customers and other stakeholders. Since this court case obtained media attention we hope it will act as a deterrent to fraudsters.

Competition Act and Broker Rules

In virtue of the Competition Act Mr John Davies from the UK has been appointed Executive Director of the Competition Commission. We highly welcome this news since he has extensive experience in London, the financial capital of the world, having worked for the Competition Commission of the UK. The latter organisation has assisted our Deputy Managing Director on his quest for free choice in the insurance sector.

Managing Director's Report *(cont'd)*

Setting up of the Competition Commission and FSC enforcement of Section 81 of the Insurance Act 2005 will inevitably change the face of the insurance sector and business in Mauritius as a whole.

We welcome the new Broker Rules introduced by the FSC and are delighted that the FSC has retained our suggestion that there should be a capping on the percentage of business referred to an insurer. By definition a broker is supposed to work with all registered insurers searching for the best deal for his customer.

Corporate Social Responsibility

A charity lunch was offered to the residents of Gayasingh Ashram, Port-Louis. The company also sponsored a pétanque/bowls sporting tournament in the village of Goodlands. 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. Employees who have completed a year in full-time employment with GFA are eligible to an interest-free loan for specific purposes. By aiming to make our operations as paperless as possible we will be reducing environmental pollution. This has been made possible by the implementation of the new I.T system with imaging capabilities. Nowadays, correspondence between the Head office, branch offices and agents are mostly done via email thus reducing the need for fax roll-paper. We welcome the thoughtful government initiative of offering Energy-saving light bulbs at a discount rate to households through the Central Electricity Board offices. We hope such a similar scheme is extended to eco-friendly organisations like ours. As far as reasonably possible we have started to replace our lighting system with energy-saving bulbs.

What the future holds...

Construction of our Building at Rose-Hill is well underway. The building will be of five floors with lift facilities. Ground and first floor will comprise of shops whilst the other remaining floors will be made up of offices. The directors, after taking into consideration the future growth and diversification plans, proposed to retain profits for heavy investments in I.T hardware during the course of 2009 and also to be used to finance the company's real estate diversification projects.

We will be reviewing the layout of our offices with the possibility of a re-branding phase. After all, our logo and colours have served us for more than a decade. We feel it is time we revamp our image in the minds of the general public.

Our encouraging financial results tend to suggest that we have a business model that has worked and is still proving to be efficient. Our industry and markets are changing quickly and require us to anticipate and respond to new challenges every year.

Acknowledgement

I would like to express our deepest gratitude and recognition to one and all for their hard work, dedication, commitment and loyalty to our Company. Last but not least, I would also like to thank our loyal customers for their continued support and trust over the years. We remain committed to taking our company to yet surer and securer heights.

M. A. Ruhomutally

Managing Director
23 March 2009

Members of the Board of Directors

The following directors were in office at 31 December 2008 :

Dr. Abdool Raouf Ruhomutally
Chairman

Mr. Mohammad Alaoud Ruhomutally
Managing Director

Mr. Abdool Rahman (Abdel) Ruhomutally
Deputy Managing Director

Miss Najah Ruhomutally
Alternate Director Mr Takoorpersad Seewoodoyal

Mr. Ahmud Ally Beebeejaun
Non-Executive Director

Mr. Birendranauth Sowambur
Independent Director

Mr. Thakeswar Seewoosurrin
Independent Director

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. Dr. Raouf is the current President of the Radiological Society of Mauritius.

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 is an Approved Trainer of the Mauritius Qualifications Authority (MQA) for 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. Abdel was appointed by the Minister of Land Transport & Public Infrastructure in March 2008 to sit on the Motor Vehicle Insurance Arbitration Committee.

Miss Najah Ruhomutally

Executive Director

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 Quatre-Bornes branch office.

Directors' Profile *(cont'd)*

Mr Takoopersad Seewoodoyal

Alternate director since February 1997

Mr Takoopersad 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

Non-Executive Director

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 Senior Test Chemist at 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 Asian countries. He is presently working as Health and Safety officer at Toyota (Mauritius) Ltd.

Mr Thakeswar Seewoosurrin

Independent Director

Director appointed in September 2007.

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.

Remittance of Trophies for sports competition



In-house Training

Lunch at Gayasing Ashram

Corporate Social Responsibility



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 control.

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 eight 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 thrice 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 - <i>Chairman</i>	3 out of 3
Mohammad Alaoud Ruhomutally - <i>Managing Director</i>	3 out of 3
Abdool Rahman (Abdel) Ruhomutally - <i>Deputy Managing Director</i>	3 out of 3
Mrs Farida Yacoob Ruhomutally (<i>Appointed on 2 October 2008</i>)	N/A
(<i>Alternate : Takoorpersad Seewoodoyal</i>)	N/A
Najah Ruhomutally	Nil
(<i>Alternate : Takoorpersad Seewoodoyal</i>)	3 out of 3
Ahmud Ally Beebeejaun	3 out of 3
Thakeswar Seewoosurrun	3 out of 3
Birendranath Sowambur	3 out of 3

Corporate Governance Report *(cont'd)*

The board of directors ensures that the principles of Corporate Governance are followed and are fully committed to complying with the code of Corporate Governance for Mauritius. In addition the board aims at higher standard of corporate governance with a culture of best practice as a performance benchmark for the company. The Board, being the focal point of the corporate governance system is ultimately accountable and responsible for the performance and affairs of the Company.

The compliance with the principles of Corporate Governance is viewed by the company, its board and the management, as an integral part of the company's business activities and are respected at all level of the company.

The board also monitors and evaluates the implementation of strategies, policies management performance criteria and business plans. It provides guidance and maintains effective control over the company and monitors management to carry out board plans and strategies.

In line with those principles, the Board has set up Committees and has put in place the required structure, internal control systems, policies and procedures to ensure strict adherence thereto.

Board Committees

Corporate Governance Committee

The Corporate Governance Committee is responsible for implementing the Code of Corporate Governance throughout the company and ensuring that the reporting requirements on corporate governance are made in accordance with the principles enunciated in the Code. The Committee met three times during the year under review.

Audit & Risk Committee

The Audit & Risk Committee is chaired by Mr Thakeswar Seewoosurrin. Mr Abdel Ruhomutally (Deputy Managing Director) and Mr Takoopersad Seewoodoyal are the other members. All three members have reasonable 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 Committee focuses on:

The function of the internal control system,
The risk areas of the Company's operations,
The reliability and accuracy of the financial information provided to the management
The Company's compliance with the legal and regulatory provisions and rules established by the Board
Ensure that there is a proper and adequate system in the areas of investment without any compromise on the security of funds pertaining to the company.
Taking cognizance of the auditor's report and examining it before the same is taken to the Board.

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.

Corporate Governance Report *(cont'd)*

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 of work of employees. In that connection, regular training courses are organised for the benefit of employees. Hence, the Company has organized two in-house training courses; one in February 2008 entitled “Communicating Effectively using E-Communication Tools” and another course in June 2008 entitled “Email in Practice”. It is worthwhile to note that GFA Insurance Ltd won the **MIM/MEF/AHRP Training Commitment Award in 2004**. Furthermore, GFA Insurance Ltd was nominated for the **Mauritius Business Excellence Award 2008**.

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.

Corporate Governance Report *(cont'd)*

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:

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. 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 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.

Corporate Governance Report *(cont'd)*

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 contracts. The main risks to which the Company is exposed include:

- *Credit risk*
- *Liquidity risk*
- *Market risk*
- *Reinsurers' default*

Credit risk

The Company's credit is primarily attributable to debtors including agents 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.

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.

Corporate Governance Report *(cont'd)*

Risk Management *(cont'd)*

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 labour and other resources. If people with the requisite experience and skills or other critical resources were unavailable or if critical systems broke down, the Company would experience difficulty in continuing operations. A business interruption plan has been set up involving the duplication of our records and information systems on back up media which are stored. 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 is not linked to a single server. Full customer service can be restored within a maximum of two hours).

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 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.

Corporate Governance Report *(cont'd)*

Social responsibility

We feel that social responsibility is an obligation of our company to take actions which protect and improve the welfare of society as a whole along with our own interests.

The company believes it is its social responsibility to recruit employees from deprived areas around its Head Office like Vallée Pitot and Tranquebar and at the same time relieves them of the pain of encountering transport problem to and from their place of work. Furthermore employees are sponsored in their attempts at professional and technical examinations so as to increase their knowledge and skills and thus increase their employability and their earning bargaining power.

Amongst its many CSR undertakings the company offered a charity lunch to inmates of Gayasingh Ashram. The company also sponsored a pétanque/bowls sporting tournament in the village of Goodlands. The company also endeavours to run its operations in an eco-friendly manner by aiming to reduce environmental pollution.

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		√		
Farida Ruhomutally <i>(Alternate-Takoorsad Seewoodoyal)</i>		√	√	√
Najah Ruhomutally		√		
Birendranauth Sowambur	√	√		
Thakeswar Seewoosurrun				√

Corporate Governance Report *(cont'd)*

Interest of directors in the equity capital

Shares held by Directors at 31st December 2008

	Directly	Indirectly
Dr. Abdool Raouf Ruhomutally	3250	315
Mohammad Alaoud Ruhomutally	10226	1224
Abdool Rahman(Abdel) Ruhomutally	1000	50
Ahmud Ally Beebeejaun	450	683
Farida Ruhomutally	1000	980
<i>(Alternate-Takoorsad Seewoodoyal)</i>	5	Nil
Najah Ruhomutally	1000	50
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	2008	2007
Executive Directors	4,409,179	4,450,364
Non-executive Director	60,000	40,000
Auditors' Remuneration		
Audit fees	172,500	172,500
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.

Corporate Governance Report *(cont'd)*

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

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

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 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 GFA Insurance Ltd, the Company has filed with the Registrar of Companies, for the year ended 31 December 2008, all such returns as are required for a Private Domestic Company under the Mauritian Companies Act 2001.

Jugdeo NAGINLAL, FCCA

Secretary

23 March 2009

Independent Auditors' Report to the Members of GFA Insurance Ltd

This Report, including the opinion, has been prepared for and only for the group's and 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 the Financial Statements

We have audited the financial statements of GFA INSURANCE Ltd set out on pages 33 to 59, which comprise the balance sheet at 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the group's and company's preparation and fair presentation of the consolidated 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 group's and 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 consolidated financial statements.

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

Independent Auditors' Report to the Members of GFA Insurance Ltd *(cont'd)*

Report on the Financial Statements (cont'd)

Opinion

In our opinion, the consolidated financial statements on pages 33 to 59 give a true and fair view of the financial position of the group and the company at 31 December 2008 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.

Report on Other Legal Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the group and 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 group and 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
Port Louis, Mauritius

Arvin Rogbeer, ACA

Signing Partner
23 March 2009



The **Learning Organisation**

Consolidated Balance Sheet

as at 31 December 2008

	The Group		The Company	
ASSETS	2008	2007	2008	2007
	RS.	Restated Rs.	RS.	Restated Rs.
Non-Current Assets				
Property, plant and equipment	9,068,950	9,631,970	9,039,050	9,631,970
Building under constructions	6,265,272	-	-	-
Intangible assets	226,480	156,549	226,480	156,549
Investment in financial assets	13,603,741	16,246,710	13,603,741	16,246,710
Investment in subsidiary company	-	-	6,745,975	100,000
Statutory deposit	8,000,000	8,000,000	8,000,000	8,000,000
Long term deposits	41,400,000	38,300,000	41,400,000	38,300,000
Deferred taxation	336,681	271,290	336,681	271,290
	78,901,124	72,606,519	79,351,927	72,706,519
Current Assets				
Trade and other receivables	12,644,805	15,523,594	12,165,919	15,523,594
Short term deposits	53,250,000	39,980,000	53,250,000	39,980,000
Cash and bank balances	18,194,495	8,629,043	18,166,415	8,629,043
	84,089,300	64,132,637	83,582,334	64,132,637
TOTAL ASSETS	162,990,424	136,739,156	162,934,261	136,839,156
EQUITY & LIABILITIES				
Capital & Reserves				
Share Capital	25,000,000	25,000,000	25,000,000	25,000,000
Revenue Reserves	17,971,064	19,584,984	17,977,020	19,590,364
Revaluation reserves	956,000	956,000	956,000	956,000
Other Reserves	-	-	-	-
Shareholders' Interests	43,927,064	45,540,984	43,933,020	45,546,364
General Business Fund	28,708,091	21,437,257	28,708,091	21,437,257
Non-Current Liabilities				
Obligations under finance lease agreement	556,465	916,719	556,465	916,719
Retirement Benefit Obligations	2,460,616	2,019,556	2,460,616	2,019,556
	3,017,081	2,936,275	3,017,081	2,936,275
Current Liabilities				
Trade and Other Payables	85,203,392	65,045,224	85,141,273	65,139,844
Obligations under finance lease agreement	360,254	327,695	360,254	327,695
Current Tax Liabilities	1,774,542	1,451,721	1,774,542	1,451,721
	87,338,188	66,824,640	87,276,069	66,919,260
TOTAL EQUITY & LIABILITIES	162,990,424	136,739,156	162,934,261	136,839,156

Consolidated Income Statement

for the year ended 31 December 2008

		The Group		The Company	
	Notes	2008 RS.	2007 Restated Rs.	2008 RS.	2007 Restated Rs.
Gross Premium	2	77,696,067	62,948,683	77,696,067	62,948,683
Less : Reinsurance Premium		(8,419,136)	(9,667,831)	(8,419,136)	(9,667,831)
Net Premium		69,276,931	53,280,852	69,276,931	53,280,852
Gross Claims Paid		32,560,866	23,954,145	32,560,866	23,954,145
Claims Recovered From Reinsurers		(7,086,745)	(7,902,830)	(7,086,745)	(7,902,830)
Movements in Claims Outstanding and IBNR		19,255,137	17,658,234	19,255,137	17,658,234
Commission Receivable from Reinsurers		(1,185,775)	(992,440)	(1,185,775)	(992,440)
Commission Paid to Agents		4,553,570	4,165,681	4,553,570	4,165,681
		(48,097,053)	(36,882,790)	(48,097,053)	(36,882,790)
Underwriting Surplus		21,179,878	16,398,062	21,179,878	16,398,062
Investment and Interest Income	21	11,146,112	7,875,245	11,121,628	7,875,245
Operating Profit		32,325,990	24,273,307	32,301,506	24,273,307
Increase / decrease in fair value		(10,178,332)	2,890,588	(10,178,332)	2,890,588
Other Income	22	4,613,850	4,255,813	4,613,850	4,255,813
		26,761,508	31,419,708	26,737,024	31,419,708
Administrative Expenses		16,140,154	14,758,926	16,115,154	14,753,546
Depreciation and amortisation		1,083,893	1,092,849	1,083,893	1,092,849
		(17,224,047)	(15,851,775)	(17,199,047)	(15,846,395)
Profit From Operations	23	9,537,461	15,567,933	9,537,977	15,573,313
Net Finance Costs	24	(171,396)	(182,022)	(171,336)	(182,022)
Reserve for Unexpired Risks Insurance Fund	15	9,366,065 (7,270,834)	15,385,911 (1,659,421)	9,366,641 (7,270,834)	15,391,291 (1,659,421)
Profit before Taxation		2,095,231	13,726,490	2,095,807	13,731,870
Taxation	20	(1,709,151)	(1,183,892)	(1,709,151)	(1,183,892)
Profit after Taxation		386,080	12,542,598	386,656	12,547,978
Transfer from / (to) Statutory Reserve Fund	14	-	4,323,181	-	4,323,181
Balance Brought Forward/Consolidated adjustment		386,080 19,584,984	16,865,779 1,402,067	386,656 19,590,364	16,871,159 1,402,067
Transfer to revenue reserves		19,971,064	18,267,846	19,977,020	18,273,226
Dividends	19	(2,000,000)	3,442,138 (2,125,000)	- (2,000,000)	3,442,138 (2,125,000)
Balance Carried Forward		17,971,064	19,584,984	17,977,020	19,590,364
Earnings Per Share	25	15.44	501.70	15.47	501.92

Consolidated Statement of Changes in Equity - for the year ended 31 December 2008

The Group	Share Capital Rs.	Fair Value Reserves Rs.	Revaluation Reserves Rs.	Revenue Reserves RS.	Total Rs.
Balance at 01 January 2007	-	-	-	-	-
Consolidated adjustment	25,000,000	4,398,138	-	1,402,067	30,800,205
Net Profit For The Year	-	-	-	15,385,911	15,385,911
Transfer from Statutory Reserve Fund	-	-	-	4,323,181	4,323,181
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	4,398,138	-	16,142,846	45,540,984
Reclassification of revaluation reserves	-	(956,000)	956,000	-	-
Transfer to revenue reserves	-	(3,442,138)	-	3,442,138	-
Restated balance as at 31 December 2007	25,000,000	-	956,000	19,584,984	45,540,984
Net Profit For The Year	-	-	-	9,366,065	9,366,065
Transfer from Statutory Reserve Fund	-	-	-	-	-
Taxation	-	-	-	(1,709,151)	(1,709,151)
Transfer to General Business Fund	-	-	-	(7,270,834)	(7,270,834)
Dividends	-	-	-	(2,000,000)	(2,000,000)
Balance at 31 December 2008	25,000,000	-	956,000	17,971,064	43,927,064
The Company	Share Capital Rs.	Fair Value Reserves Rs.	Revaluation Reserves Rs.	Revenue Reserves Rs.	Total Rs.
Balance at 01 January 2007	25,000,000	4,398,138	-	1,402,067	30,800,205
Net Profit For The Year	-	-	-	15,391,291	15,391,291
Transfer from Statutory Reserve Fund	-	-	-	4,323,181	4,323,181
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	4,398,138	-	16,148,226	45,546,364
Reclassification of revaluation reserves	-	(956,000)	956,000	-	-
Transfer to revenue reserves	-	(3,442,138)	-	3,442,138	-
Restated balance as at 31 December 2007	25,000,000	-	956,000	19,590,364	45,546,364
Net Profit For The Year	-	-	-	9,366,641	9,366,641
Taxation	-	-	-	(1,709,151)	(1,709,151)
Transfer to General Business Fund	-	-	-	(7,270,834)	(7,270,834)
Dividends	-	-	-	(2,000,000)	(2,000,000)
Balance at 31 December 2008	25,000,000	-	956,000	17,977,020	43,933,020

Consolidated Cash Flow Statement

for the year ended 31 December 2008

	The Group		The Company		
Cash flow from operating activities	Note	2008	2007	2008	2007
		RS.	Restated Rs.	RS.	Restated Rs.
Profit before taxation and interests payments		9,537,461	15,567,933	9,537,977	15,573,313
Adjustments for:-					
Depreciation and amortisation		1,083,893	1,092,849	1,083,893	1,092,849
Gain on sale of Investment		(312,015)	(1,379,490)	(312,015)	(1,379,490)
Provision for doubtful debts		-	-	-	-
Fair value adjustments		10,178,332	(2,890,588)	10,178,332	(2,890,588)
Consolidated adjustment		-	(18,630,212)	-	-
Retirement benefit obligations		441,060	578,756	441,060	578,756
Operating profit before working capital changes		20,928,731	(5,660,752)	20,929,247	12,974,840
Decrease/ (Increase) in trade and other receivables		2,878,789	(15,523,594)	3,357,675	(3,384,309)
Increase in trade and other payables		20,158,168	65,045,224	20,001,429	24,726,475
Cash generated from operations		43,965,688	43,860,878	44,288,351	34,317,006
Tax paid		(1,451,721)	(328,800)	(1,451,721)	(328,800)
Finance charge		(171,396)	(182,022)	(171,336)	(182,022)
Net cash flows from operating activities		42,342,571	43,350,056	42,665,294	33,806,184
Cash flows from Investing activities					
Additions to fixed deposits		(57,650,000)	(28,993,589)	(57,650,000)	(28,993,589)
Investment in subsidiary		-	-	(6,645,975)	(100,000)
Proceeds from fixed deposits		41,280,000	7,165,257	41,280,000	7,165,257
Additions to intangible asset		(158,125)	(59,000)	(158,125)	(59,000)
Lease repayments		(327,695)	(298,079)	(327,695)	(298,079)
Purchase of financial assets		(9,893,770)	(7,291,750)	(9,893,770)	(7,291,750)
Disposal of financial assets		2,670,422	3,182,018	2,670,422	3,182,018
Purchase of property and equipment		(6,697,951)	(6,300,870)	(402,779)	(6,300,870)
Cash flows from financing activities		11,565,452	10,754,043	11,537,372	1,110,171
Dividends paid		(2,000,000)	(2,125,000)	(2,000,000)	(2,125,000)
Net (Decrease) / Increase in cash and cash equivalents		9,565,452	8,629,043	9,537,372	(1,014,829)
Movements in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year	9	8,629,043	-	8,629,043	9,643,872
Cash and cash equivalents at the close of the year		18,194,495	8,629,043	18,166,415	8,629,043
Net (Decrease) / Increase in cash and cash equivalents		9,565,452	8,629,043	9,537,372	(1,014,829)

Notes to the Consolidated Financial Statements - as at 31 December 2008

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 Consolidated Financial Statements - as at 31 December 2008 *cont'd*

2. ACCOUNTING POLICIES *cont'd*

(d) Investment in subsidiary

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 subsidiary) 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.

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 the asset transferred.

(e) 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.

(f) 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.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

2. ACCOUNTING POLICIES *cont'd*

(f) Reinsurance contract *cont'd*

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.

(g) 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.

(h) 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.

(i) Comparatives

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

(j) 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.

(k) 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.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

2. ACCOUNTING POLICIES *cont'd*

(k) Investments in Financial Assets *cont'd*

(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.

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.

(l) 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.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

2. ACCOUNTING POLICIES *cont'd*

(l) Financial Instruments *cont'd*

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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

2. ACCOUNTING POLICIES *cont'd*

(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.

(iii) Claims

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to 31 December 2008 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 Current and Non-Current Liabilities.

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.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

2. ACCOUNTING POLICIES *cont'd*

(s) Management of insurance and financial risk *cont'd*

(i) Insurance risk *cont'd*

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, 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. 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, excess-of-loss and catastrophe 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 reinsurance.

	2008			2007		
	No. of claims	Gross Rs	Net Rs	No. of claims	Gross Rs	Net Rs
Motor	2,101	66,274,432	58,529,285	2,358	53,083,987	42,166,825
Fire	2	40,500	26,325	-	-	-
Engineering	-	-	-	-	-	-
General	4	4,040,000	3,640,000	-	-	-
Accident	1	5,000	5,000	3	550,000	300,000
Liability	-	-	-	-	-	-
IBNR	-	3,062,000	-	-	532,808	532,808
		73,421,932	62,200,610		54,166,795	42,999,633

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

2. ACCOUNTING POLICIES *cont'd*

(s) Management of insurance and financial risk *cont'd*

(i) Insurance risk *cont'd*

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 an 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 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 of certainty 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.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

2. ACCOUNTING POLICIES *cont'd*

(s) Management of insurance and financial risk *cont'd*

(ii) Financial risk *cont'd*

Interest rate risk - cont'd

	The Group		The Company	
Sensitivity analysis	2008	2007	2008	2007
Impact of change in fixed interest income:	Rs	Rs	Rs	Rs
± 250 basis points	± 1,785,411	± 2,157,000	± 1,785,411	± 2,157,000

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.

Sensitivity analysis

	The Group		The Company	
Impact of change in price of equity investment on overall investments:	2008	2007	2008	2007
	Rs	Rs	Rs	Rs
± 2.5 %	± 340,094	± 360,418	± 340,094	± 360,418

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 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.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

2. ACCOUNTING POLICIES *cont'd*

(s) Management of insurance and financial risk *cont'd*

(ii) Financial risk *cont'd*

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.

Foreign currency risk

The Company has no outstanding foreign currency denominated monetary items and is not exposed to the currency risk.

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.

(u) 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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.

(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 Consolidated Financial Statements - as at 31 December 2008 *cont'd*

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 Consolidated Financial Statements - as at 31 December 2008 *cont'd*

4. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold Land Rs	Freehold Building Rs	Motor Vehicles Rs	Furniture & Fittings Rs	Office Equipment Rs	Total Rs
COST/ VALUATION						
At 01 January 2008	6,025,000	1,500,000	3,750,100	1,962,579	3,009,094	16,246,773
Additions	-	-	-	152,615	280,064	432,679
Disposal	-	-	-	-	-	-
At 31 December 2008	6,025,000	1,500,000	3,750,100	2,115,194	3,289,158	16,679,452
DEPRECIATION						
At 01 January 2008	-	131,278	2,725,631	1,250,723	2,507,171	6,614,803
Charge for the year	-	30,000	553,152	131,460	281,087	995,699
Disposal	-	-	-	-	-	-
At 31 December 2008	-	161,278	3,278,783	1,382,183	2,788,258	7,610,502
NET BOOK VALUE						
At 31 December 2008	6,025,000	1,338,722	471,317	733,011	500,900	9,068,950
At 31 December 2007	6,025,000	1,368,722	1,024,469	711,856	501,923	9,631,970

Net book value of Motor Vehicles under finance lease amounted to Rs 464,086.

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 367,740 as at 31 December 2008.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

The Company	Freehold Land Rs	Freehold Building Rs	Motor Vehicles Rs	Furniture & Fittings Rs	Office Equipment Rs	Total Rs
COST/ VALUATION						
At 01 January 2008	6,025,000	1,500,000	3,750,100	1,962,579	3,009,094	16,246,773
Additions	-	-	-	152,615	250,164	402,779
Disposal	-	-	-	-	-	-
At 31 December 2008	6,025,000	1,500,000	3,750,100	2,115,194	3,259,258	16,649,552
DEPRECIATION						
At 01 January 2008	-	131,278	2,725,631	1,250,723	2,507,171	6,614,803
Charge for the year	-	30,000	553,152	131,460	281,087	995,699
Disposal	-	-	-	-	-	-
At 31 December 2008	-	161,278	3,278,783	1,382,183	2,788,258	7,610,502
NET BOOK VALUE						
At 31 December 2008	6,025,000	1,338,722	471,317	733,011	471,000	9,039,050
At 31 December 2007	6,025,000	1,368,722	1,024,469	711,856	501,923	9,631,970

Net book value of Motor Vehicles under finance lease amounted to Rs 464,086.

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 367,740 as at 31 December 2008.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

		Computer Software	
5. INTANGIBLE ASSET - COMPUTER SOFTWARE		The Group	The Company
		RS.	Rs.
COST/ VALUATION			
At 01 January 2008		492,000	492,000
Consolidated adjustments		-	-
Additions		158,125	158,125
Disposal		-	-
At 31 December 2008		650,125	650,125
AMORTISATION			
At 01 January 2008		335,451	335,451
Consolidated adjustments		-	-
Charge for the year		88,194	88,194
Disposal		-	-
At 31 December 2008		423,645	423,645
NET BOOK VALUE			
At 31 December 2008		226,480	226,480
At 31 December 2007		156,549	156,549

6. INVESTMENTS IN FINANCIAL ASSETS

The Group	Fair value 2008 RS.	Fair value 2007 Rs.	Cost 2008 RS.	Cost 2007 Rs.
Held to Maturity:				
At 1 January 2008	1,830,000	-	1,830,000	-
Additions	300,000	1,830,000	300,000	1,830,000
Redemptions/Disposals	(1,830,000)	-	(1,830,000)	-
Fair value reserve	-	-	-	-
At 31 December 2008	300,000	1,830,000	300,000	1,830,000

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

6. INVESTMENTS IN FINANCIAL ASSETS *cont'd*

The Group	Fair value 2008 RS.	Fair value 2007 Rs.	Cost 2008 RS.	Cost 2007 Rs.
Held to Maturity <i>cont'd</i>:				
At 31 December 2008	300,000	1,830,000	300,000	1,830,000
Available for sale:				
At 1 January 2008	14,416,710	-	8,083,984	-
Consolidated adjustments	-	7,866,900	-	4,424,762
Additions	9,593,770	5,461,750	9,593,770	5,461,750
Redemptions/Disposals	(1,071,400)	(2,912,760)	(528,407)	(1,802,528)
Fair value reserve	(9,635,339)	4,000,820	-	-
At 31 December 2008	13,303,741	14,416,710	17,149,347	8,083,984
Total at 31 December 2008	13,603,741	16,246,710	17,449,347	9,913,984

Held to maturity financial assets comprise Treasury Bills.

The company intends and is able to hold the investments until maturity dates in 2011.

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.

The Company	Fair value 2008 RS.	Fair value 2007 Rs.	Cost 2008 RS.	Cost 2007 Rs.
Held to Maturity:				
At 1 January 2008	1,830,000	-	1,830,000	-
Additions	300,000	1,830,000	300,000	1,830,000
Redemptions/Disposals	(1,830,000)	-	(1,830,000)	-
Fair value reserve	-	-	-	-
At 31 December 2008	300,000	1,830,000	300,000	1,830,000

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

6. INVESTMENTS IN FINANCIAL ASSETS *cont'd*

The Company	Fair value 2008 RS.	Fair value 2007 Rs.	Cost 2008 RS.	Cost 2007 Rs.
Held to Maturity <i>cont'd</i> :				
At 31 December 2008	300,000	1,830,000	300,000	1,830,000
Available for sale:				
At 1 January 2008	14,416,710	7,866,900	8,083,984	4,424,762
Additions	9,593,770	5,461,750	9,593,770	5,461,750
Redemptions/Disposals	(1,071,400)	(2,912,760)	(528,407)	(1,802,528)
Fair value reserve	(9,635,339)	4,000,820	-	-
At 31 December 2008	13,303,741	14,416,710	17,149,347	8,083,984
Total at 31 December 2008	13,603,741	16,246,710	17,449,347	9,913,984

Held to maturity financial assets comprise Treasury Bills.

The company intends and is able to hold the investments until maturity dates in 2011.

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.

7. INVESTMENTS IN SUBSIDIARY COMPANY

The Company	2008 RS.	2007 Rs.
Cost		
At 1 January	100,000	-
Additions	6,645,975	100,000
At 31 December	6,745,975	100,000

Name of company	Class of shares	Number of shares	% held	Country of Incorporation
<i>Unquoted shares</i>				
GFA Investments Ltd	Ordinary shares	10,000	100	Mauritius

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

The addition to investments in subsidiary represents Share Application Monies in GFA Investments Ltd. The shares have been allotted on 23 March 2009.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

8. STATUTORY DEPOSIT

The Group

The Company

	2008 RS.	2007 Rs.	2008 RS.	2007 Rs.
Fixed Deposits	8,000,000	8,000,000	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	53,250,000	39,980,000	53,250,000	39,980,000
Between second and fifth year	41,400,000	38,300,000	41,400,000	38,300,000

Total	94,650,000	78,280,000	94,650,000	78,280,000
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10. DEFERRED INCOME TAXATION

Deferred Tax Asset

Balance at 01 January 2008	(271,290)	-	(271,290)	(3,461)
Consolidated adjustments	-	(3,461)	-	-
Charge / (Release) for the year	(65,391)	(267,829)	(65,391)	(267,829)

Balance at 31 December 2008	(336,681)	(271,290)	(336,681)	(271,290)
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11. TRADE AND OTHER RECEIVABLES

Insurance receivables:

- Premiums and agents' balances	4,082,550	2,846,847	4,082,550	2,846,847
Reinsurance recoveries	7,745,147	11,167,162	7,745,147	11,167,162
Other receivables	817,108	1,509,585	338,222	1,509,585

12,644,805	15,523,594	12,165,919	15,523,594
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12. CASH AND BANK BALANCES

Bank and cash balances	18,194,495	8,629,043	18,166,415	8,629,043
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Bank overdraft	-	-	-	-
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Net cash and bank balances	18,194,495	8,629,043	18,166,415	8,629,043
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13. SHARE CAPITAL

Authorised, Issued and Fully Paid

1 Founder share of Rs 1,000	1,000	1,000	1,000	1,000
24,999 ordinary shares of Rs 1,000 each	24,999,000	24,999,000	24,999,000	24,999,000

25,000,000	25,000,000	25,000,000	25,000,000
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Note: All above shares are at par value.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

14. RESERVES

The Group	Other reserves			TOTAL Rs.
	Revenue Reserves Rs.	Fair Value Reserves Rs.	Revaluation Reserves Rs.	
Reserves are analysed as follows:				
At 01 January 2008	13,252,258	7,288,726	-	7,288,726
Reallocation of increase in fair value for 2007	2,890,588	(2,890,588)		(2,890,588)
Transfer of fair value reserves	3,442,138	(3,442,138)		(3,442,138)
Reallocation of revaluation reverse		(956,000)	956,000	-
Restated balance as at 01 January 2008	19,584,984	-	956,000	956,000
Profit before taxation and transfer to reserve	9,366,065	-	-	-
Taxation	(1,709,151)	-	-	-
Dividends	(2,000,000)	-	-	-
Transfer to General Business Fund	(7,270,834)	-	-	-
At 31 December 2008	17,971,064	-	956,000	956,000

The Company	Other reserves			TOTAL Rs.
	Revenue Reserves Rs.	Fair Value Reserves Rs.	Revaluation Reserves Rs.	
Reserves are analysed as follows:				
At 01 January 2008	13,257,638	7,288,726	-	7,288,726
Reallocation of increase in fair value for 2007	2,890,588	(2,890,588)		(2,890,588)
Transfer of fair value reserves	3,442,138	(3,442,138)		(3,442,138)
Reallocation of revaluation reverse		(956,000)	956,000	-
Restated balance as at 01 January 2008	19,590,364	-	956,000	956,000
Profit before taxation and transfer to reserve	9,366,641	-	-	-
Taxation	(1,709,151)	-	-	-
Dividends	(2,000,000)	-	-	-
Transfer to General Business Fund	(7,270,834)	-	-	-
At 31 December 2008	17,977,020	-	956,000	956,000

15. GENERAL BUSINESS FUND

	The Group		The Company	
	2008 RS.	2007 Rs.	2008 RS.	2007 Rs.
At 01 January 2008	21,437,257	-	21,437,257	19,777,836
Consolidated adjustment	-	19,777,836	-	-
Transfer from Revenue Reserves	7,270,834	1,659,421	7,270,834	1,659,421
A 31 December 2008	28,708,091	21,437,257	28,708,091	21,437,257

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

15. GENERAL BUSINESS FUND *cont'd*

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%

	The Group		The Company	
	2008 RS.	2007 Rs.	2008 RS.	2007 Rs.
16. OBLIGATIONS UNDER FINANCE LEASE				
Within one year (Current)				
Minimum lease payments	432,000	432,000	432,000	432,000
Less: Finance charges allocated to the future periods	(71,746)	(104,305)	(71,746)	(104,305)
	360,254	327,695	360,254	327,695
After more than one year and less than five years (Non-Current)				
Minimum lease payments	596,000	1,028,000	596,000	1,028,000
Less: Finance charges allocated to the future periods	(39,535)	(111,281)	(39,535)	(111,281)
	556,465	916,719	556,465	916,719
17. RETIREMENT BENEFIT OBLIGATIONS				
At 01 January 2008	2,019,556	-	2,019,556	1,440,800
Consolidated adjustment	-	1,440,800	-	-
Provision for the year	441,060	578,756	441,060	578,756
At 31 December 2008	2,460,616	2,019,556	2,460,616	2,019,556
18. TRADE AND OTHER PAYABLES				
Insurance payables:				
- Amounts due to reinsurers	4,257,805	5,680,364	4,257,805	5,680,364
- Outstanding claims provision including IBNR	73,421,932	54,166,795	73,440,932	54,166,795
Payable to related party	-	-	-	94,620
Other Payables	7,523,655	5,198,065	7,442,536	5,198,065
	85,203,392	65,045,224	85,141,273	65,139,844

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

19. PROPOSED DIVIDENDS

	The Group		The Company	
	2008 RS.	2007 Rs.	2008 RS.	2007 Rs.
Reserves	17,971,064	19,584,984	17,977,020	19,590,364
Dividends payable as at 31 December 2008	-	-	-	-
Dividends payable during the year	2,000,000	2,125,000	2,000,000	2,125,000
Dividends paid	2,000,000	2,125,000	2,000,000	2,125,000
No. of shares in issue	25,000	25,000	25,000	25,000
Dividends per share	80	85	80	85

20. TAXATION

Current Tax Liabilities	1,774,542	1,451,721	1,774,542	1,451,721
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The company is taxed at 15% on its adjusted profits for the year.

Charge to Profit and Loss Account

Current Tax Liabilities	1,774,542	1,451,721	1,774,542	1,451,721
Charge / (Release) for the year (Note 10)	(65,391)	(267,829)	(65,391)	(267,829)

Profit and Loss Account	1,709,151	1,183,892	1,709,151	1,183,892
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Tax Reconciliation

Profit before taxation	2,095,231	13,726,490	2,095,807	13,731,870
Tax applicable at the rate of 15%	314,285	2,058,974	314,371	2,059,781
Disallowed expenses	1,592,995	98,975	1,592,909	98,168
Depreciation	162,584	163,927	162,584	163,927
Income not subject to tax	(136,470)	(691,680)	(136,470)	(691,680)
Net capital allowances	(158,852)	(178,475)	(158,852)	(178,475)
Current Tax Liabilities	1,774,542	1,451,721	1,774,542	1,451,721

21. INVESTMENT AND INTEREST INCOME

Interest income	10,548,328	7,534,124	10,523,844	7,534,124
Dividends received	597,784	341,121	597,784	341,121
	11,146,112	7,875,245	11,121,628	7,875,245

Investment income represents mainly interests received from Fixed deposits.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

22. OTHER INCOME

	The Group		The Company	
	2008 RS.	2007 Rs.	2008 RS.	2007 Rs.
Policy fees	4,164,459	2,641,640	4,164,459	2,641,640
Administrative fees receivable	-	(54,617)	-	(54,617)
IVTB (HRDC) refund	123,000	283,300	123,000	283,300
Gain on disposal of financial assets	312,015	1,379,490	312,015	1,379,490
Bad debts recovered	14,376	6,000	14,376	6,000
	4,613,850	4,255,813	4,613,850	4,255,813

23. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging the following items:-

Staff Costs	4,557,197	3,910,032	4,557,197	3,910,032
Depreciation on property, plant and equipment	1,083,893	-	1,083,893	-
Directors' emoluments	4,429,179	4,470,364	4,429,179	4,470,364
Auditors' remuneration	190,500	172,500	172,500	172,500
Number of employees at end of year	52	45	52	45

24. NET FINANCE COSTS

Interest on finance lease	104,305	133,921	104,305	133,921
Bank charges	59,641	47,721	59,581	47,721
Bank Overdraft interest	7,450	380	7,450	380
	171,396	182,022	171,336	182,022

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 2008.

Notes to the Consolidated Financial Statements - as at 31 December 2008 *cont'd*

26. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2008, the Group and the Company traded with related parties. The nature, volume of transactions and the balances as at 31 December 2008 with the parties were as follows:

Name of Related Parties	Relationship	Type of Transaction	The Group		The Company	
			2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Sale of services:						
Directors	Shareholder	Insurance Premium	34,300	43,626	34,300	43,626
Agents	Shareholder	Insurance Premium	9,837,955	7,876,122	9,837,955	7,876,122
Amount owed by:						
Agents	Shareholder/ Agents	Insurance Receivables	889,251	990,568	889,251	990,568
Other related party transactions:						
Director	Shareholder/ Director	Rent Paid	780,000	627,000	780,000	627,000
Agents	Shareholder/ Agents	Commission Paid	1,536,258	1,547,562	1,536,258	1,547,562
Amount owed to:						
GFA Investments Ltd	Subsidiary	Shares	-	-	-	94,620

(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 Consolidated Financial Statements - as at 31 December 2008 *cont'd*

27. FINANCIAL SUMMARY

The Group	2008 RS.	2007 Rs.			
Share Capital	25,000,000	25,000,000			
Revenue reserves	17,971,064	19,584,984			
Other reserves	956,000	956,000			
Profit before taxation	2,095,231	13,726,490			
Profit after taxation	386,080	12,542,598			
Dividend	2,000,000	2,125,000			
Earnings per share	15	502			
The Company	2008 RS.	2007 Rs.	2006 RS.	2005 Rs.	2004 Rs.
Share Capital	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Revenue reserves	17,977,020	19,590,364	1,402,067	1,827,836	440,476
Statutory reserves	-	-	3,367,181	2,490,837	2,417,818
Other reserves	956,000	956,000	956,000	956,000	956,000
Profit before taxation	2,095,807	13,731,870	1,942,821	1,707,367	2,265,152
Profit after taxation	386,656	12,547,978	1,450,575	1,460,379	1,616,688
Dividend	2,000,000	2,125,000	1,000,000	-	1,500,000
Earnings per share	15	502	58	65	65

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, 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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