G.F.A. INSURANCE LTD
AND ITS SUBSIDIARY

FINANCIAL STATEMENTS – YEAR ENDED

DECEMBER 31, 2013

G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

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THE DIRECTORS OF G.F.A. INSURANCE LTD IN OFFICE AT 31 DECEMBER 2013 WERE AS FOLLOWS:

Members of the Board of Directors
Dr. Abdool Raouf Ruhomutally (Chairman) – resigned on January 7, 2014
Mr. Mohammad Alaoud Ruhomutally (Managing Director)
Mr. Abdool Rahman (Abdel) Ruhomutally (Deputy Managing Director)
Mr. Ahmud Ally Beebeejaun
Miss Najah Ruhomutally alternate Director Mr Takoorpersad (Dhan) Seewoodoyal

Independent Directors
Mr. Birendranauth Sowambur
Mr. Mohammad Ehsan Hosenie

DR. ABDOOL RAOUF RUHOMUTALLY – EXECUTIVE CHAIRMAN

Executive Chairman appointed in September 1996 and resigned in January 2014.

Dr. A. Raouf Ruhomutally was appointed Chairman in 1996 at the inception of the G.F.A. Insurance Ltd (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. MOHAMMAD ALAOUD RUHOMUTALLY - MANAGING DIRECTOR

Executive Director appointed in September 1996. Managing Director up to December 2013 and appointed as Non-Executive Chairman in January 2014

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 G.F.A. Insurance Ltd, a fully Mauritian owned company.

Mr. ABDOOL RAHMAN (ABDEL) RUHOMUTALLY - DEPUTY MANAGING DIRECTOR

Executive Director appointed in June 2005. Deputy Managing Director up to December 2013 and appointed as Managing Director in January 2014

Mr Abdel Ruhomutally graduated in BA (Hons) Business Studies (Services - Finance) from the University of Westminster, United Kingdom. He also studied insurance at the London Guildhall University. Moreover, he holds Diplomas in Travel and Tourism and IATA Level II respectively. He joined the Company in 2001, after having built significant work experience overseas. He also has a strong background in I.T Infrastructure and Systems. He is an Approved Trainer of the Mauritius Qualifications Authority (MQA). Abdel was appointed as a member of the Motor Vehicle Insurance Arbitration Committee (MVIAC) by the Minister of Land Transport & Public Infrastructure in March 2008. He is also a Fellow of the prestigious Mauritius Institute of Directors since 2011. Abdel was elected a Council Member of the Insurance Institute of Mauritius in March 2013. He is a member of the Rotary Club of Port-Louis Citadelle and is the Chairperson of the Public Relations sub-committee of the same club. On 8th March 2013 Abdel was nominated Honorary President of the NGO Club Sportif Zenfan Vallée Pitot (Naw-N-Sha).

Mr. TAKOORPERSAD SEEWOODOYAL
Alternate to Miss Najah Ruhomutally up to December 2013 and appointed as Executive Director as from January 2014

Mr Takoorpersad Seewoodoyal, also known as Dhan, joined the insurance industry in 1977. He has 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. Presently, he acts as a Consultant on a contractual basis.

Mr. AHMUD ALLY BEEBEEJAUN, G.O.S.K
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. He sits on the board of the Food Service Commission, The Mauritius Sugar Terminal Corporation, The Mauritius Authority Advisory Council and the Mauritius Sugarcane Planters Association. In March 2013, Mr Beebeejaun was awarded with the distinction of Grand Officer of the Order of the Star and Key of the Indian Ocean (GOSK) on the occasion of the 45th Independence Day of Mauritius and the 21st anniversary of the Republic Day.

Miss NAJAH RUHOMUTALLY
Director appointed in September 1996.

Miss Najah Ruhomutally pursued her tertiary studies at the London Guildhall University, London,UK. She is in the insurance sector since 1996. She is actually the responsible officer of the Quatre-Bornes branch office.

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 an Occupational Health and Safety Consultant.

Mr. MOHAMMAD EHSAN HOSENIE – INDEPENDENT DIRECTOR
Director appointed in February 2010.

Mr Ehsan Hosenie is a former Administrator of the Ministry of Education. He reckons more than 40 years service in the Government. He has worked as a Deputy Returning Officer (General, Municipal and Village elections). He possesses managerial experience as a Deputy Rector and Acting Rector of State Secondary Schools. Mr Hosenie is a graduate and holds a B.A.(Hons) in Mathematics, Post Graduate Certificate in Education (P.G.C.E) from the Mauritius Institute of Education (M.I.E). He also holds certificates in Journalism and Public Relations. He is also a Post Graduate Diploma holder in Computer Studies from Napier University (Scotland) and a Post Graduate Diploma holder in Education from Brighton University (UK) after following the MA (Education) course. Mr Hosenie is a member of the Rameshwar Gujadhur Stable and of the Mauritius Turf Club. He is an executive member of the Flamboyant Club.

The profile of the management team of G.F.A. Insurance Ltd is as follows:

Mr MOHUNPERSAD JAGDEO, FIAB, AIII
– FINANCE MANAGER
Jagdeo joined GFA in August 2006 and was promoted to the position of Finance Manager in 2009. He has more than 25 years of experience in the insurance industry. Mr Jagdeo is responsible for the day to day operations of the Finance Department. His areas of responsibilities also include liaison with regulatory authorities for financial issues. Besides his insurance and reinsurance accounting background, Mr Jagdeo has also completed his professional examinations leading to his admission as Associate Member of The Insurance Institute of India.

Mr YASEEN JAWAHEER, FIII, MBA
– BUSINESS DEVELOPMENT OFFICER AND NON-MOTOR UNDERWRITER
Yaseen was appointed on 1st August 2012. He has seventeen (17) years of experience in the general insurance sector. Yaseen is presently a Fellow of The Insurance Institute of India (FIII) and holds a Master in Business Administration (MBA) from Ireland. Backed by a strong background and wide experience, he worked for major international insurance groups before joining G.F.A. Insurance Ltd. His field of expertise is non motor insurances. He is also a member of the Chartered Insurance Institute of the UK and is working actively towards obtaining his ACII - Associate of The Chartered Insurance Institute.

Mr RAFFEEK SUFURHALLY, BSc, AIII
- HEAD OF CLAIMS AND MONEY LAUNDERING OFFICER.
Mr Raffeek Sufurhally reckons more than 30 years experience as Internal Controller in public/parastatal organisations. He holds a BSc (Hons) in Management and he is an Associate member of the Insurance Institute of India. Raffeek joined GFA in 2007.

Mr JUGDEO NAGINLAL, FCCA
– FINANCIAL CONSULTANT
Jugdeo Naginlal is a qualified accountant since June 1979. He has worked in the civil service, in industry, and in the profession with one of the big firms. He is working as a freelance since 1992 and has wide experience, inter alia, in the following fields: accounting, auditing, taxation, vat, secretarial. He has been the company secretary of G.F.A. Insurance Ltd since its incorporation in September 1996.

Mr AMIT MAHARAJA, BSc, PGDCA
– IT OFFICER
Amit is originally from India. He joined GFA on 18th March 2011. He holds a Bachelor in Science and a Post Graduate Diploma in Computer Application (P.G.D.C.A). He has 12 years of strong professional experience of IT administration, networking & IT business development. Amit looks after our whole IT infrastructure from hardware to our in-house Insurance software as well as administration of our servers, intranet and website. His regular on-the-spot IT training is highly beneficial to all our staff.

Ms RASHIDA DUYMUN
– HR AND ADMINISTRATION OFFICER
Rashida joined GFA in January 2000. She is a senior officer of the Company and reckons more than 13 years of dedicated and loyal service. She is the current HR Officer and is also in charge of the Administration and Secretarial Department.

ADHERENCE TO GOOD GOVERNANCE

The Company is committed to the highest standard of business integrity, transparency and professionalism in all its endorsement to ensure that the activities within the Company are managed ethically and responsibly to enhance values for all stakeholders. As an essential part of this commitment, the board of Directors of the Company subscribes to and is fully committed to complying with good governance practices.

The fundamental concern of corporate governance is to ensure the condition whereby the Company's directors and managers act in the interest of the Company and its various stakeholders.

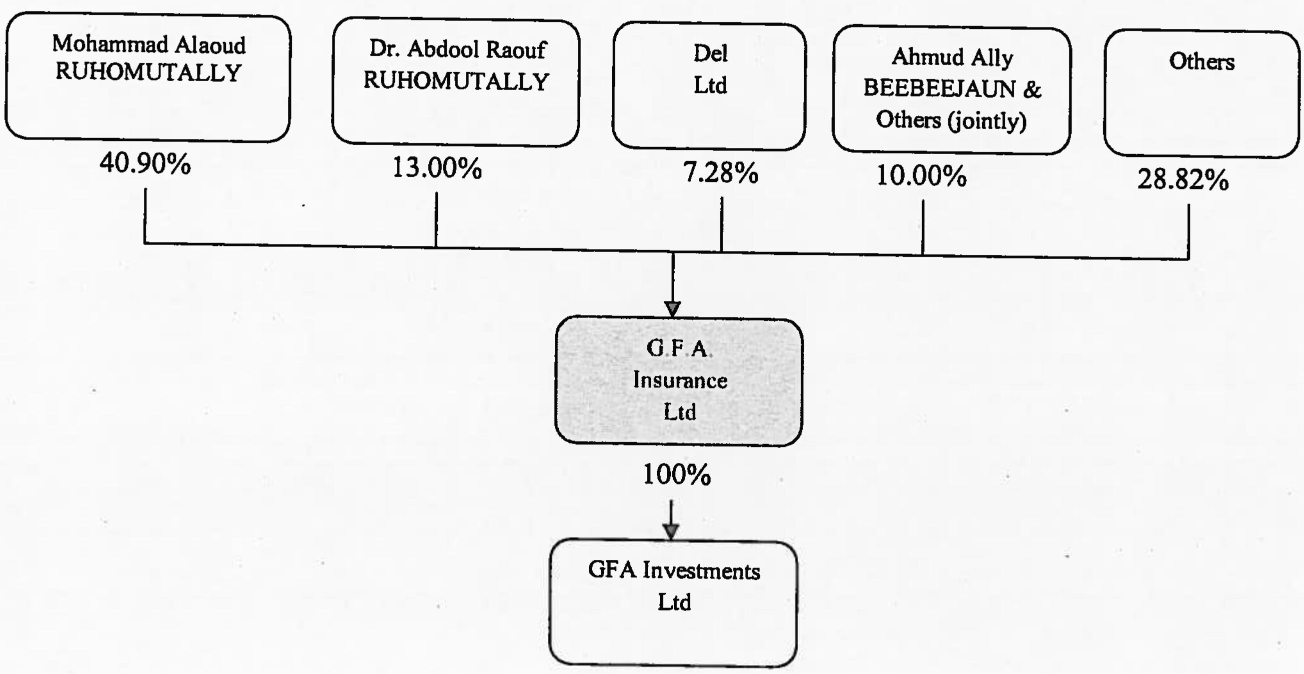
Our Company strongly believes in maintaining a simple and transparent corporate structure which define the division of power and establish mechanism for achieving accountability between board of directing management and shareholders driven solely by a business needs.

In line with above, the board, management and staff of the G.F.A. Insurance Ltd fully support and are committed to the principle of business integrity, transparency and professionalism as recommended by the Code of Corporate Governance. Furthermore, our Company strives to ensure that all its activities are conducted in such a way as to satisfy the characteristics of good governance namely: discipline, transparency, accountability, responsibility, fairness and social responsibility.

G.F.A. 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.

HOLDING STRUCTURE



SUBSTANTIAL SHAREHOLDERS AS AT DECEMBER 31, 2013

As at December 31, 2013, the following shareholders held more than 5% of the share capital of G.F.A. Insurance Ltd:

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

SHARE PRICE INFORMATION

As the Company is not listed, and no share has been the subject matter of any sale for the past ten years, share price information is not available.

SHAREHOLDERS AGREEMENT

The Company is not aware of any Shareholder's Agreement.

CONSTITUTION

In accordance with the Constitution of the Company, there is no restriction as to the % of shareholding of the existing shareholders. Moreover, they have pre-emption rights in case any shareholder wishes to dispose any of his/her shares.

DIVIDEND POLICY

The Company's policy is to pay an interim dividend in August/September on the current year's profit and a final dividend in April of the next year based on the audited accounts, subject to complying with solvency requirements.

BOARD OF DIRECTORS

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

The Board has met seven times during the year under review. In additon, regular Management meetings are held on a monthly basis.

The Board bears the responsibility of organising and directing the affairs of the Company in a manner that is in the best interest of shareholders and other stakeholders. It is also responsible for continually reviewing the activities, practices and trends of the Company so that these are in conformity with legal and regulatory requirements, and with the principles of good governance set out in the 'Report of Corporate Governance for Mauritius'.

The Board retains full and effective control over the Company, delegating the day-to-day running and operational issues to the Managing Director and his management team. The board of directors is appointed by the shareholders on the basis of integrity, skill, acumen and experience to make sound judgments relevant to the business of the Company. In compliance with the Code the Board of directors comprises two independent non-executive directors and at least two executive directors.

The board of directors ensures that the principles of Corporate Governance are followed and are fully committed to comply 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 levels 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.

The following table gives the record of attendance at Board meetings of G.F.A. Insurance Ltd for the year under review:

Name of Directors	**Number of meetings attended**	**Number of directorship in listed companies**
EXECUTIVE		
Dr Abdool Raouf Ruhomutally (Chairman)	*7 of 7*	-
Mohammad Alaoud Ruhomutally (Managing Director)	*7 of 7*	-
Abdool Rahman (Abdel) Ruhomutally (Deputy Managing Director)	*7 of 7*	-
Najah Ruhomutally	*1 of 7*	-
(Alternate : Takoorpersad Seewoodoyal)	*6 of 7*	-
NON-EXECUTIVE		
Ahmud Ally Beebeejaun	*6 of 7*	-
INDEPENDENT		
Birendranath Sowambur	*6 of 7*	-
Mohammad Ehsan Hosenie	*7 of 7*	-

The profiles of directors and senior management team have been disclosed on page 1 and page 2 respectively.

Board and Directors' Appraisal

For the year under review, no evaluation of the Board or its Committees was carried out. The Directors forming part of the Board of G.F.A Insurance Ltd, especially those who are members of Board committees, have been appointed in the light of their wide range of skills and competence acquired through several years of working experience and professional background.

COMMON DIRECTORS

The common directors for the year under review were as follows:

Directors	Del Ltd	GFA Investments Ltd
Dr Abdool Raouf Ruhomutally		✓
Mohammad Alaoud Ruhomutally	✓	✓
Abdool Rahman (Abdel) Ruhomutally		✓
Takoorpersad Seewoodoyal		✓

INTEREST OF DIRECTORS IN THE EQUITY CAPITAL

Shares held by Directors at December 31, 2013 is as follows:

Directors	Directly	Indirectly
Dr.Abdool Raouf Ruhomutally	3,250	315
Mohammad Alaoud Ruhomutally	10,226	1,224
Abdool Rahman (Abdel) Ruhomutally	1,000	50
Ahmud Ally Beebeejaun	450	683
Najah Ruhomutally (Alternate- Takoorpersad Seewoodoyal)	1,000 5	50 Nil
Birendranauth Sowambur	Nil	Nil
Mohammad Ehsan Hosenie	Nil	Nil

INTEREST OF SENIOR OFFICERS IN THE EQUITY CAPITAL

Senior officers do not hold any shares in the Company.

DIRECTORS' DEALING IN SHARES

The directors did not deal in the shares of the Company during the year under review.

BOARD COMMITTEES

The Board has set up four subsidiary committees namely the Corporate Governance Committee, the Audit and Risk Committee, Investment Committee and Remuneration Committee with the aim of maintaining quality standards of corporate governance and streamlining the tasks of the Board.

The Board formally appointed the members of the following Committees:

Corporate Governance Committee	:	Mr Mohammad Ehsan Hosenie (Chairman), Mr Birendranauth Sowambur and Mr Ahmud Ally Beebeejaun
Audit & Risk Committee	:	Mr Mohammad Ehsan Hosenie (Chairman), Mr Birendranauth Sowambur and Mr Ahmud Ally Beebeejaun
Investment Committee	:	Dr.Abdool Raouf Ruhomutally (Chairman), Mr Mohammad Alaoud Ruhomutally (Managing Director), Mr Abdool Rahman (Abdel) Ruhomutally (Deputy Managing Director), Mr Jugdeo Naginlal (Company Secretary)
Remuneration Committee	:	Mr Ahmud Ally Beebeejaun (Chairman), Mr Mohammad Ehsan Hosenie and Mr Birendranauth Sowambur

Corporate Governance Committee
The terms of reference of the Corporate Governance Committee was duly approved and the committee membership duly constituted by the Board.

The terms of reference of the Corporate Governance Committee are:
- To make recommendations to the Board on all corporate governance provisions to be adopted so that the Board remains effective in ensuring that the Company complies with prevailing corporate principles and practices.
- To ensure that the disclosure requirements with regard to corporate governance, whether in the annual report or other reports on an ongoing basis, are in accordance with the principles of the Code of Corporate Governance as recommended by the National Committee on Corporate Governance.
- To develop a Related Party Transaction Policy; to review related party transactions and approve, ratify, revise or reject such transactions in accordance with the Related Party Transaction policy; to review, at least on an annual basis, and recommend changes to the Related Party Transaction Policy.
- To review the independence, both in appearance and in fact, and develop and recommend to the Board criteria to assess the independence of directors.

Audit and Risk Committee
The terms of reference of the Audit and Risk Committee are:
- To review the appropriateness of the Company's accounting policies.
- To assess the effectiveness of the internal control processes.
- To review the annual financial statements before their submission to the Board.
- To discuss the results of the external audit process with the external auditors.
- To direct the Risk Management Function with the support of the internal and external auditors.
- To review and approve the budget, including the budget for capital expenditure.

Investment Committee
The terms of reference and composition of the Investment committee were duly approved by the Board.

The terms of reference of the Investment committee are:
- To review and approve periodically the investment policies and overall strategies of the Company.
- To determine an appropriate investment strategy, including asset mix.
- To set asset portfolio performance targets.
- To monitor the performance of the asset portfolio against the agreed benchmarks and targets, seeking all necessary explanations to perform appropriate analysis.

Remuneration Committee
The terms of reference and composition of the Remuneration Committee were duly approved by the Board.

The terms of reference of the Remuneration Committee are:
- To determine the basic salary and other benefits attributable to the Senior Management of the Company and that of the directors.

The Remuneration Committee also 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. 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.

It is worthwhile to note that G.F.A. Insurance Ltd won the MIM/MEF/AHRP Training Commitment Award in 2004. The Company was also awarded the Mauritius Business Excellence Award 2010 in the area of Leadership.

Board Committee Attendance

Directors	Corporate Governance Committee	Audit & Risk Committee	Investment Committee	Remuneration Committee
Dr Abdool Raouf Ruhomutally			3 of 3	
Mohammad Alaoud Ruhomutally			3 of 3	
Abdool Rahman (Abdel) Ruhomutally			3 of 3	
Ahmud Ally Beebeejaun	2 of 2	2 of 2		2 of 2
Birendranath Sowambur	2 of 2	2 of 2		2 of 2
Mohammad Ehsan Hosenie	2 of 2	2 of 2		2 of 2

REMUNERATION OF DIRECTORS

Remuneration and benefits received by the directors from the Company during the year were as follows:

	2013 **Rs**	2012 Rs
Executive Directors	**6,122,666**	5,359,000
Non-executive & Independent Director	**182,800**	185,950

The directors did not receive any remuneration from its subsidiary.

The directors' remuneration is disclosed by category in view of the confidentiality and sensitivity of the information.

DIRECTORS' REMUNERATION POLICY

The Board is responsible for the remuneration strategy of G.F.A. Insurance Ltd and duties are delegated to the Remuneration Committee.

Remuneration is reviewed annually after taking cognizance of market norms and practices as well as additional responsibilities placed on Directors and senior managers. The remuneration package of the executive director consists of base salary and fringe benefits. There is no formal policy for executive directors approaching retirement and the remuneration for the executive directors approaching retirement is at the discretion of the Board of Directors.

DIRECTORS' SERVICE CONTRACTS

Mr Mohammad Alaoud Ruhomutally, Mr Abdool Rahman (Abdel) Ruhomutally and Miss Najah Ruhomutally have service contracts with the Company without expiry dates. Mr Takoorpersad Seewoodoyal has a service contract which is renewed on a yearly basis. The other directors do not have service contracts with the Company.

SHARE OPTION PLAN

The Company does not have any share option plan for its employees.

RELATED PARTY TRANSACTIONS

Please refer to Note 31 to the Financial Statements.

MANAGEMENT AGREEMENT

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

TIME TABLE OF IMPORTANT FORTHCOMING EVENTS

Submission of audited financial statements & other returns	March 2014
Meeting of Shareholders	May/June 2014
Dividend Declaration and Payment	April & October 2014

ETHICS

The Company has a Code of Ethics which is based on our Corporate Values which are essential for us to maintain the trust and reliability that have been earned over the years. The Code of Ethics establishes standards for behaviour and provides guidance as to ethical dilemmas and conflicts of interests faced at works.

ENVIRONMENT, HEALTH & SAFETY

The Company encourages all initiatives towards friendly environments. In that connection, the Company is willing to go as far as possible paperless.

As regards to Health and Safety Procedure, one of the directors being an Occupational Health and Safety Consultant, has devised a guideline which the Company is presently adhering to.

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 scope of the Internal Auditor's 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. The Internal Auditor also has direct access to the Chairman of the Board. This structure allows the Internal Auditor to remain independent.

Coverage

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

Restrictions

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board of Directors is responsible for risk management and for the Company's systems of internal control. The Company's policy on risk management encompasses all significant business risks including physical, operational, business continuity, financial compliance and reputational which could influence the achievement of the Company's objectives.

The risk management mechanism in place includes:

- A system for the ongoing identification and assessment of risk ;
- Development of strategies in respect of risks and definition of acceptable and non-acceptable levels of risk;
- Reviewing the effectiveness of the system of internal control and
- Processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined by the Board.

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 sue third parties for payment of some or all liabilities (subrogation). The Company ensures that claims provisions are determined using the best information available of claims settlement patterns, forecast inflation and settlement of claims. Estimation techniques also involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the best overall estimates.

Financial Risks

The Company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from insurance 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 risk is primarily attributable to debtors including agents for insurance premium payable. The amounts presented in the Statement of Financial Position 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.

Liquidity Risk

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

Market Risk

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

Reinsurer's Default

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

Operational Risks

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

Human Resources Risk

Human resource risk is the 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.

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 SOCIAL RESPONSIBILITY

G.F.A. Insurance Ltd has always recognised its social responsibility within the wider community in which it operates. Our Company has been actively involved in the support of social aid and sports. Consequently, the Company has established a social policy, both for the welfare of its employees and for the community, thus helping to contribute to the social and economic uplifting of the country.

A CSR committee has been formed and its mission is:

"To assist G.F.A. Insurance Ltd in its economic role as a pillar of the Mauritian society supporting its stakeholders and as an organisation committed to social responsibility, making good use of its resources in order to give Mauritian children the opportunity to grow and develop themselves within a safe environment as well as the necessary tools to face the economic challenges of tomorrow. GFA believes in the potential of the young generation and is convinced that it represents the richest and strongest resource on which all the hopes and the future of our country are built."

Since 2010 G.F.A. Insurance Ltd made donations or sponsorships totalling nearly Rs 2 million to several organisations to assist and support them in their laudable social initiatives. The beneficiaries of our CSR undertakings are:

- The Humanitarian Education Liberation Project
- L`Etoile du Berger- We are only sponsoring the project for the creation of a centre for the sheltering and rehabilitation of children in distress
- Etoile d`Esperance - Association Alcool femme
- SOS Children`s Village
- Mauritian Wildlife Foundation
- Le Mouvement pour L`Eradication de la Pauvreté-
- Naw-N-Sha- Club Sportif Zenfan Vallee Pitot- Housing, Food, Education & Sports
- Muslim Benevolent & Welfare Society
- Mauritius Mental Health Association
- United Skills Workers Cooperative Society Ltd
- Transparency Mauritius
- Foyer Père Laval
- Association Don Bosco of Sainte Croix
- EDYCSE
- Defenders Social and Welfare Association
- PILS
- Link to life
- Mouvement pour le progrès de Roche Bois
- Cité Martial Barbell Gym
- Gayasingh Ashram
- Plaine-Verte Judo Club
- Mauritius Employers Federation CSR Fund
- Reef Conservation
- Lizie Dan La Main
- APSA - Diabetes Care Centre
- EDYCSE
- Ti Diams
- Club Sportive Zanfan Vallée Pitot
- Rotary Club Port Louis Citadelle
- L'Etoile du Berger
- Association Des Jeunes de la Citadelle
- Islamic Centre Disabled Children
- Century Welfare Association
- Mauritius Muslim Orphanage
- Refund of nursery expenses for 2 staff

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.

CHARITABLE DONATIONS

	2013 Rs	2012 Rs
Charitable donations – number of recipients: 2 (2012: Nil)	**26,500**	-

CONTRIBUTION TO POLITICAL PARTIES

No contribution was made to any political party during the year under review.

AUDITORS FEES

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

	2013 Rs	2012 Rs
BDO & Co:		
Audit fees	**402,500**	-
Review of insurance return	**28,750**	-
Moore Stephens:		
Audit fees	-	247,250
Review of insurance return	-	28,750
Taxation fees	-	5,750

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors acknowledge their responsibilities for:

(i) adequate accounting records and maintenance of effective internal control systems,

(ii) the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that year and which comply with International Financial Reporting Standards (IFRS),

(iii) the selection of appropriate accounting policies supported by reasonable and prudent judgements.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The directors report that:

(i) adequate accounting records and an effective system of internal controls and risk management have been maintained,

(ii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently,

(iii) International Financial Reporting Standards have been adhered to.

(iv) the Code of Corporate Governance has been adhered to. Reasons have been provided in the Corporate Governance Report in case of non-compliance with any requirement.

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

Mr. Abdool Rahman (Abdel) Ruhomutally
Managing Director

Takoorpersad Seewoodoyal
Director

Date: 28 MAR 2014

SECRETARY'S CERTIFICATE - YEAR ENDED DECEMBER 31, 2013

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

Naginlal

COMPANY SECRETARY
Jugdeo Naginlal, F.C.C.A

Date: 28 MAR 2014

BDO

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Fax: +230 202 9993
www.bdo.mu

10, Frère Félix de Valois Street
Port Louis, Mauritius
P.O. Box 799

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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

Report on the Financial Statements

We have audited the group financial statements of G.F.A. Insurance Ltd and its subsidiary (the "Group") and the Company's separate financial statements on pages 6 to 64 which comprise the statements of financial position at December 31, 2013 and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Report on the Financial Statements (Continued)

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

Opinion

In our opinion, the financial statements on pages 6 to 64 give a true and fair view of the financial position of the Group and of the Company at December 31, 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

Financial Reporting Act 2004

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

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

Insurance Act 2005

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

Other matter

The financial statements of G.F.A. Insurance Ltd for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 26, 2013.

BDO & Co
Chartered Accountants

Per Georges Chung Ming Kan, F.C.C.A
Licensed by FRC

Port Louis,
Mauritius.

28 MAR 2014

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2013

	Notes	THE GROUP		THE COMPANY	
		2013	2012	2013	2012
ASSETS		Rs.	Rs.	Rs.	Rs.
Non-current assets					
Property, plant and equipment	5	37,856,811	34,366,951	37,652,162	34,179,233
Investment property	6	74,250,000	37,106,120	18,250,000	11,405,000
Intangible assets	7	-	12,999	-	12,999
Investment in subsidiary company	8	-	-	15,000,000	15,000,000
Statutory deposits	9	8,000,000	8,000,000	8,000,000	8,000,000
Investment in financial assets	10	36,451,358	28,510,700	36,451,358	28,510,700
Fixed deposits	11	257,615,000	153,115,000	257,615,000	153,115,000
Deferred tax assets	12	-	578,386	-	568,120
Loans to related parties	13	1,633,100	2,193,020	1,633,100	2,193,020
		415,806,269	263,883,176	374,601,620	252,984,072
Current assets					
Trade and other receivables	14	13,483,223	17,589,312	13,379,723	17,502,477
Investment in financial assets	10	3,000,000	-	3,000,000	-
Loan to subsidiary company	15	-	-	10,751,054	11,371,054
Loans to related parties	13	1,876,808	606,980	1,876,808	606,980
Short-term deposits	11	46,000,000	77,900,000	46,000,000	77,900,000
Cash and cash equivalents	29(c)	32,546,387	49,870,630	32,324,171	49,771,204
		96,906,418	145,966,922	107,331,756	157,151,715
Total assets	Rs.	512,712,687	409,850,098	481,933,376	410,135,787
EQUITY AND LIABILITIES					
Capital and Reserves (attributable to owners of the parent company)					
Share capital	16	25,000,000	25,000,000	25,000,000	25,000,000
Other reserves	17	3,793,368	(3,159,302)	3,793,368	(3,159,302)
Retained earnings		184,171,982	107,790,472	158,059,674	108,265,419
		212,965,350	129,631,170	186,853,042	130,106,117
Technical provisions					
Gross outstanding claims and IBNR	19(a)	169,945,393	168,943,393	169,945,393	168,943,393
Gross unearned premiums	19(b)	85,557,265	72,851,227	85,557,265	72,851,227
		255,502,658	241,794,620	255,502,658	241,794,620
Non-current liabilities					
Borrowings	20	2,265,461	4,388,078	2,265,461	4,388,078
Retirement benefit obligations	21	12,032,880	5,390,062	12,032,880	5,390,062
Deferred tax liabilities	12	4,673,193	-	308,694	-
		18,971,534	9,778,140	14,607,035	9,778,140
Current liabilities					
Trade and other payables	22	17,965,207	24,441,513	17,662,703	24,252,255
Current tax liabilities	23(a)	5,185,320	2,491,297	5,185,320	2,491,297
Borrowings	20	2,122,618	1,713,358	2,122,618	1,713,358
		25,273,145	28,646,168	24,970,641	28,456,910
Total equity and liabilities	Rs.	512,712,687	409,850,098	481,933,376	410,135,787

These financial statements have been approved for issue by the Board of Directors on: 28 MAR 2014

Signature

Abdool Rahman (Abdel) Ruhomutally

Name of Director

Signature

Takoorpersad Seewoodoyal.

Name of Director

The notes on pages 12 to 64 form an integral part of these financial statements.
Auditors' report on pages 5 and 5(a).

STATEMENTS OF PROFIT OR LOSS - YEAR ENDED DECEMBER 31, 2013

	Notes	THE GROUP 2013	THE GROUP 2012	THE COMPANY 2013	THE COMPANY 2012
		Rs.	Rs.	**Rs.**	Rs.
Gross premiums		**161,658,139**	155,238,811	**161,658,139**	155,238,811
Premium ceded to reinsurers		**(10,018,475)**	(10,386,373)	**(10,018,475)**	(10,386,373)
		151,639,664	144,852,438	**151,639,664**	144,852,438
Change in unearned premiums	19(b)	**(12,706,038)**	(9,100,070)	**(12,706,038)**	(9,100,070)
Net earned premiums		**138,933,626**	135,752,368	**138,933,626**	135,752,368
Gross claims paid	19(a)	**85,638,391**	86,772,255	**85,638,391**	86,772,255
Claims recovered		**(16,360,346)**	(11,916,550)	**(16,360,346)**	(11,916,550)
Movement in claims outstanding and IBNR	19(a)	**1,002,000**	14,809,412	**1,002,000**	14,809,412
Net claims incurred		**70,280,045**	89,665,117	**70,280,045**	89,665,117
Underwriting results		**68,653,581**	46,087,251	**68,653,581**	46,087,251
Commission receivable from reinsurers		**1,524,316**	1,238,431	**1,524,316**	1,238,431
Commission payable to agents		**(8,178,521)**	(8,592,706)	**(8,178,521)**	(8,592,706)
Net commissions payable		**(6,654,205)**	(7,354,275)	**(6,654,205)**	(7,354,275)
Underwriting surplus		**61,999,376**	38,732,976	**61,999,376**	38,732,976
Investment and interest income	24	**19,390,037**	17,198,818	**19,387,288**	17,193,674
Operating profit		**81,389,413**	55,931,794	**81,386,664**	55,926,650
Other income	25	**54,150,757**	10,517,879	**23,061,095**	10,487,879
		135,540,170	66,449,673	**104,447,759**	66,414,529
Administrative expenses	26(i)	**(38,863,416)**	(29,535,054)	**(38,809,109)**	(29,693,769)
Depreciation and amortisation	26(ii)	**(3,739,446)**	(3,427,816)	**(3,663,362)**	(3,357,745)
Profit from operations		**92,937,308**	33,486,803	**61,975,288**	33,363,015
Finance costs	27	**(485,522)**	(601,535)	**(485,522)**	(601,535)
Profit before taxation	26	**92,451,786**	32,885,268	**61,489,766**	32,761,480
Taxation	23(b)	**(13,570,276)**	(5,381,456)	**(9,195,511)**	(5,399,845)
Profit for the year	Rs.	**78,881,510**	27,503,812	**52,294,255**	27,361,635

The notes on pages 12 to 64 form an integral part of these financial statements.

Auditors' report on pages 5 and 5(a).

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2013

		THE GROUP		THE COMPANY	
	Notes	**2013**	2012	**2013**	2012
		Rs.	Rs.	**Rs.**	Rs.
Profit for the year		**78,881,510**	27,503,812	**52,294,255**	27,361,635
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Increase/(decrease) in fair value of available-for-sale financial assets	10(a)	**4,141,539**	(1,391,062)	**4,141,539**	(1,391,062)
Reclassification adjustments on disposal of financial assets		**(492,989)**	-	**(492,989)**	-
Items that will not be reclassified to profit or loss:					
Gain on revaluation of property, plant and equipment	5	**3,817,318**	-	**3,817,318**	-
Income tax relating to components of other comprehensive income	12(b)	**(513,198)**	-	**(513,198)**	-
Other comprehensive income, net of income tax		**6,952,670**	(1,391,062)	**6,952,670**	(1,391,062)
Total comprehensive income for the year	Rs.	**85,834,180**	26,112,750	**59,246,925**	25,970,573

The notes on pages 12 to 64 form an integral part of these financial statements.

Auditors' report on pages 5 and 5(a).

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2013

THE GROUP	Note	Share capital	Revaluation surplus	Available-for-sale fair value reserve	Retained earnings	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Balance at January 1, 2013		25,000,000	956,000	(4,115,302)	107,790,472	129,631,170
Profit for the year		-	-	-	78,881,510	78,881,510
Other comprehensive income for the year		-	3,304,120	3,648,550	-	6,952,670
Total comprehensive income for the year		-	3,304,120	3,648,550	78,881,510	85,834,180
Dividends - 2013	28	-	-	-	(2,500,000)	(2,500,000)
Balance at December 31, 2013	Rs.	**25,000,000**	**4,260,120**	**(466,752)**	**184,171,982**	**212,965,350**
Balance at January 1, 2012		25,000,000	956,000	(2,724,240)	82,286,660	105,518,420
Profit for the year		-	-	-	27,503,812	27,503,812
Other comprehensive income for the year		-	-	(1,391,062)	-	(1,391,062)
Total comprehensive income for the year		-	-	(1,391,062)	27,503,812	26,112,750
Dividends - 2012	28	-	-	-	(2,000,000)	(2,000,000)
Balance at December 31, 2012	Rs.	**25,000,000**	**956,000**	**(4,115,302)**	**107,790,472**	**129,631,170**

The notes on pages 12 to 64 form an integral part of these financial statements.
Auditors' report on pages 5 and 5(a).

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2013

THE COMPANY	Note	Share capital	Revaluation surplus	Available-for-sale fair value reserve	Retained earnings	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Balance at January 1, 2013		25,000,000	956,000	(4,115,302)	108,265,419	130,106,117
Profit for the year		-	-	-	52,294,255	52,294,255
Other comprehensive income for the year		-	3,304,120	3,648,550	-	6,952,670
Total comprehensive income for the year		-	3,304,120	3,648,550	52,294,255	59,246,925
Dividends - 2013	28	-	-	-	(2,500,000)	(2,500,000)
Balance at December 31, 2013	Rs.	**25,000,000**	**4,260,120**	**(466,752)**	**158,059,674**	**186,853,042**
Balance at January 1, 2012		25,000,000	956,000	(2,724,240)	82,903,784	106,135,544
Profit for the year		-	-	-	27,361,635	27,361,635
Other comprehensive income for the year		-	-	(1,391,062)	-	(1,391,062)
Total comprehensive income for the year		-	-	(1,391,062)	27,361,635	25,970,573
Dividends - 2012	28	-	-	-	(2,000,000)	(2,000,000)
Balance at December 31, 2012	Rs.	**25,000,000**	**956,000**	**(4,115,302)**	**108,265,419**	**130,106,117**

The notes on pages 12 to 64 form an integral part of these financial statements.

Auditors' report on pages 5 and 5(a).

STATEMENTS OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2013

	Note	THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
		Rs.	Rs.	**Rs.**	Rs.
Cash flows from operating activities					
Cash generated from operations	29(a)	**57,207,648**	46,948,391	**56,374,592**	46,775,825
Interest paid		**(485,522)**	(601,535)	**(485,522)**	(601,535)
Tax paid	23(a)	**(6,137,872)**	(4,931,735)	**(6,137,872)**	(4,931,735)
Net cash generated from operating activities		**50,584,254**	41,415,121	**49,751,198**	41,242,555
Cash flows from investing activities					
Investment in subsidiary company	8	-	-	-	(5,000,000)
Purchase of property, plant and equipment	29(b)	**(3,318,989)**	(25,371,390)	**(3,225,974)**	(25,371,390)
Proceeds from sale of property, plant and equipment		-	70,500	-	70,500
Acquisition of investment property	6	-	(5,380,000)	-	(5,380,000)
Purchase of investment in financial assets	10	**(9,091,612)**	(2,822,958)	**(9,091,612)**	(2,822,958)
Proceeds from disposal of financial assets		**2,635,332**	-	**2,635,332**	-
Dividends received		**1,506,567**	1,518,149	**1,506,567**	1,518,149
Proceeds from maturity of deposits		**63,900,000**	-	**63,900,000**	-
Additions to deposits		**(136,500,000)**	(41,615,000)	**(136,500,000)**	(41,615,000)
Interest received		**17,883,470**	15,680,669	**17,880,721**	15,675,525
Repayment of loans to subsidiary company	15	-	-	**620,000**	5,247,276
Loans to related parties	13	**(2,200,000)**	(2,800,000)	**(2,200,000)**	(2,800,000)
Repayment of loans to related parties	13	**1,490,092**	-	**1,490,092**	-
Net cash used in investing activities		**(63,695,140)**	(60,720,030)	**(62,984,874)**	(60,477,898)
Cash flows from financing activities					
Finance lease principal payments		**(1,713,357)**	(1,719,256)	**(1,713,357)**	(1,719,256)
Dividends paid	28	**(2,500,000)**	(2,000,000)	**(2,500,000)**	(2,000,000)
Net cash used in financing activities		**(4,213,357)**	(3,719,256)	**(4,213,357)**	(3,719,256)
Decrease in cash and cash equivalents	Rs.	**(17,324,243)**	(23,024,165)	**(17,447,033)**	(22,954,599)
Movement in cash and cash equivalents					
At January 1,		**49,870,630**	72,894,795	**49,771,204**	72,725,803
Decrease		**(17,324,243)**	(23,024,165)	**(17,447,033)**	(22,954,599)
At December 31,	29(c)	**32,546,387**	49,870,630	**32,324,171**	49,771,204

The notes on pages 12 to 64 form an integral part of these financial statements.

Auditors' report on pages 5 and 5(a).

1. GENERAL INFORMATION

G.F.A. Insurance Ltd is a private limited company incorporated in Mauritius and is engaged in General (Non-life) Insurance Business. Its registered address is 16, Frère Felix de Valois St, Champs de Mars, Port Louis. Its principal place of business is at its head office at Port Louis. The Company also has branches at Rivière du Rempart, Triolet, Terre Rouge, Goodlands, Quatre-Bornes, Rose-Hill, Flacq, Rivière des Anguilles, Rose Belle and Mahebourg.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) Basis of preparation

The financial statements of G.F.A. Insurance Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements include the consolidated financial statements of the parent company and its subsidiary (the Group) and the separate financial statements of the parent company (the Company).

Where necessary, comparative figures have been amended to conform with change in presentation and disclosure in the current year. The financial statements are prepared under the historical cost convention, except that:

(a) freehold land and buildings are carried at revalued amounts;
(b) investment property is stated at fair value.
(c) available-for-sale financial assets and relevant financial assets and liabilities are stated at their fair values; and
(d) held-to-maturity investments, loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is not expected to have any impact on the Group's financial statements.

IAS 27, 'Separate Financial Statements' deals solely with separate financial statements. The standard has no impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard is not expected to have any impact on the Group's financial statements.

IAS 28, 'Investments in Associates and Joint Ventures'. The scope of the revised standard covers investments in joint ventures as well. IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting. The standard has no impact on the Group's financial statements.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard has no impact on the Group's financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The standard has no impact on the Group's financial statements.

IFRIC 20, 'Stripping costs in the production phase of a surface mine', has no impact on the Group's financial statements.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures and is not expected to have any impact on the Group's financial statements.

Amendment to IFRS 1 (Government Loans) has no impact on the Group's financial statements.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(i) **Basis of preparation (cont'd)**

Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)

Annual Improvements to IFRSs 2009-2011 Cycle

IFRS 1 (Amendment), 'First time adoption of IFRS', has no impact on the Group's operations.

IAS 1 (Amendment), 'Presentation of financial statements', clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors' or voluntarily.

IAS 16 (Amendment), 'Property, plant and equipment', clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The amendment does not have an impact on the Group's operations.

IAS 32 (Amendment), 'Financial instruments: Presentation', clarifies the treatment of income tax relating to distributions and transaction costs. The amendment does not have an impact on the Group's operations.

IAS 34 (Amendment), 'Interim financial reporting', clarifies the disclosure requirements for segment assets and liabilities in interim financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2014 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
IFRIC 21: Levies
Recoverable Amount Disclosures for Non- financial Assets (Amendments to IAS 36)
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
IFRS 9 Financial instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
Annual Improvements to IFRSs 2010-2012 cycle
Annual Improvements to IFRSs 2011-2013 cycle

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Basis of preparation (cont'd)

Where relevant, the Group is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(ii) Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Insurance risk is transferred when the Group agrees to compensate a policyholder if a specified uncertain event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Contracts not considered to be insurance contracts under IFRS are classified as investment contracts. The Group does not issue any investment contracts.

The Group issues short-term insurance contracts as follows:

Short-term insurance contracts are issued in the following classes of business : Motor, Fire and Allied Perils, Marine, Personal Accident, Public Liability, Professional Indemnity and Directors' and Officers' liability and Miscellaneous. These contracts insure the policyholder for damage suffered to property or goods, for value of property and equipment lost or damaged, losses or expenses incurred, sickness and loss of earnings resulting from occurrence of the insured event.

(iii) Reinsurance contracts

The Group assumes and cedes reinsurance in the normal course of business. Premiums and claims on reinsurance assumed (inward facultative reinsurance) are recognised in profit or loss on the same basis as direct business. Reinsurance ceded may be in respect of a single policy, i.e., a facultative arrangement or for multiple policies as in treaties.

Treaties provide either proportional (as in quota share or surplus) or non-proportional coverage (as in excess-of-loss). Proportional treaties provide for sharing of the insurance premiums and the associated losses in designated proportions between the Group and the Reinsurer. Each group of policies so affected is defined by the reinsurance contract.

For non-proportional treaties, premiums are not ceded but instead an excess-of-loss premium is payable to the Reinsurer for protection of losses in excess of the Group's loss retention limit which is the amount of total insured loss that the Group agrees to absorb or bear prior to application of the reinsurance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iii) Reinsurance contracts (cont'd)

Any gains and losses on buying reinsurance are recognised immediately in profit or loss and are not subject to amortisation. Premiums ceded and claims reimbursed are presented on a gross basis in the statements of profit or loss and the statements of financial position as appropriate.

Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable from Reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

Reinsurance liabilities are primarily amounts due to Reinsurers for premiums ceded and for excess-of-loss premiums payable.

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

(iv) Short-term insurance (General Business)

- *Revenue Recognition - Earned Premiums*
  General insurance premiums written reflect business incepted during the year. Premiums written are recognised as revenue over the period of the contract, calculated on the basis of the 365th method.

- *Provision for Unearned Premiums (General Business)*
  The provision for unearned premiums represents the portion of premiums written relating to periods of insurance risks subsequent to the end of reporting date computed on same time basis as for earned premiums. The movement on the provision is taken to profit or loss in order that revenue is recognised over the period of the risk.

- *Claims incurred*
  Claims incurred comprise claims and claims handling costs paid in the year and changes in the provision of outstanding claims including provision for claims incurred but not reported (IBNR) and related expenses together with any adjustments to claims of prior years. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct external expenses of the claims department.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iv) Short-term insurance (General Business) (cont'd)

- ***Outstanding claims provision***

  Outstanding claims provision represents the estimated ultimate cost of settling all claims arising from events which have occurred up to the end of the reporting period, including provision for claims incurred but not reported (IBNR). It includes related expenses and a deduction for the expected value of salvage and subrogation. The Group does not discount its liabilities for unpaid claims.

  Significant delays can be expected in the notification and settlement of certain claims, the ultimate cost of which cannot therefore be known with certainty at the end of the reporting period. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure and that the provision is determined using best estimates of claims development patterns, forecast inflation and settlement of claims.

  However, given the uncertainty in establishing claims provision, it is likely that the outcome will prove to be different from the original liability established. Differences between the estimated cost and subsequent settlement of claims are recognised in profit or loss in the year in which they are settled or in which the provisions for claims outstanding are re-estimated.

  Salvage and subrogation reimbursements

  Salvage is the equitable right of the Group to the residual value of property for which it has paid a total loss. When the Group compensates an insured due to a loss caused by a third party, it is subrogated to the right of the insured to be compensated by that third party.

  Estimates of salvage and subrogation are taken into consideration while calculating provisions for outstanding claims. The salvage property and subrogation reimbursements are recognised in other assets when the liabilities are settled. Allowance for salvage is the amount that can reasonably be recovered from the disposal of property whereas the subrogation allowance is the assessment of the amount that can be recovered from the action against the liable third party.

(v) Other revenue recognition

Other revenues are recognised as follows:

- Brokerage and commission receivable - as it accrues in accordance with the substance of the relevant agreements.
- Interest income - on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate, and continues unwinding the discount as interest income.
- Dividend income - when the shareholder's right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(vi) Liability Adequacy Test

- ***Short-term insurance***

  At the end of each reporting period , the Group reviews its unexpired risk and carries out a liability adequacy test for any overall excess of expected claims over unearned premiums using the current best estimates of future cash flows under its contracts after taking into account the investment returns expected to arise on assets backing such liabilities. Any deficiency is immediately recognised in profit or loss and a provision is established in the statement of financial position (the unexpired risk provision).

(vii) Property, plant and equipment

Land and buildings, are stated at their fair value, based on periodic, but at least triennial valuations, by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditures that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in equity; all other decreases are charged to profit or loss.

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

Freehold Building	2% p.a.
Improvement to Building	10% p.a.
Motor Vehicles	20% p.a.
Fixtures and Fittings	10% p.a.
Office Equipment	20% p.a.

Land is not depreciated.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(vii) Property, plant and equipment (cont'd)

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 disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss in other income. On disposal of revalued assets, the amounts included in revaluation surplus are transferred to retained earnings.

(viii) Investment property

Investment property, held to earn rentals/or for capital appreciation or both and not occupied by the Group are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, representing open-market value determined by external valuers. Changes in fair values are included in profit or loss as part of other income.

(ix) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives (5 years).

(x) Impairment of assets

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

(xi) Investment in subsidiaries

Separate financial statements of the investor

In the separate financial statements of the investor, investment in subsidiary company is carried at cost. The carrying amount is reduced to recognise any impairment in the individual value of the investment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xi) Investment in subsidiaries (cont'd)

Consolidated financial statements

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss as a bargain purchase gain.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. The subsidiaries have consistently applied all the policies adopted by the Group.

Disposal of subsidiary

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xii) Financial instruments

(i) Financial assets

Categories of financial assets

The Group classifies its financial assets in the following categories : loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised costs using the effective interest method, less any impairment. They are included in current assets when maturity is within twelve months after the end of the reporting period or non-current assets for maturities greater than twelve months.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(c) Available-for-sale financial assets

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

Initial measurement

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

Subsequent measurement

Available-for-sale financial assets are subsequently carried at their fair values.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xii) Financial instruments (cont'd)

(i) Financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

Subsequent measurement (cont'd)

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

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

Derecognition

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity, is removed from and recognised in profit or loss.

If the fair value of a previously impaired debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in profit or loss. Impairment losses for an investment in an equity instrument are not reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xii) Financial instruments (cont'd)

(i) Financial assets (cont'd)

(d) Trade receivables

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

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

The carrying amounts of trade receivables are assumed to approximate their fair values.

(e) Trade and other payables

Trade payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

(f) Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of 3 months or less.

(h) Share capital

Ordinary shares are classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xiii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting or taxable profit or loss, it is not accounted for.

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

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

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale.

(xiv) Retirement benefit obligations

The net present value of gratuity on retirement payable under the Employment Rights Act 2008 is calculated and provided for. The obligations arising under this item are not funded.

(xv) Leases

(a) Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(b) **Accounting for leases - where Group is the lessee**

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xv) **Leases (cont'd)**

(c) **Operating leases**

Assets leased out under operating leases are included in investment property in the statements of financial position. Rental income is recognised on a straight line basis over the lease term.

(xvi) **Dividend distribution**

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

The Group's activities expose it to a variety of insurance and financial risks.

The following describes the Group's significant risks factors together with risks management policies applicable.

3.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the claim results. By the very nature of an insurance contract, this risk is fortuitous and therefore unpredictable.

The principal risks that the Group faces under its insurance contracts are that the contracts will be under-priced or under-reserved.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This may occur if the frequency or severity of claims and benefits payable are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

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

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

(i) <u>Short term insurance</u>

(a) *Insurance liabilities*

General insurance risk arises from:

- fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
- unexpected claims arising from a single source, inaccurate pricing of risks when underwritten;
- inadequate reinsurance protection or other risk transfer techniques;
- inadequate reserves; and
- inflation due to the long term period typically required to settle some claims.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and industry.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.1 Insurance risk (cont'd)

(i) Short term insurance (cont'd)

(a) *Insurance liabilities (cont'd)*

Underwriting measures are in place to enforce appropriate risk selection criteria and performance of individual insurance policies are reviewed by management. The Group has the right not to renew individual policies, impose deductibles and reject fraudulent claims. The Group has underwriting limits by the type of risks and by industry. Claims development and provisioning levels are closely monitored.

Reinsurance arrangements in place include proportional, excess-of-loss and catastrophe coverage. The effect of such reinsurance arrangements is that the Group would not suffer total net insurance losses of more than a predetermined amount in any one year.

(b) *Concentration of insurance risk*

The concentration of insurance risk before and after reinsurance by class of business is summarised below:

	THE GROUP AND THE COMPANY					
	Outstanding claims					
	2013			2012		
Class of Business	No. of claims	Gross	Net	No. of claims	Gross	Net
		Rs.	Rs.		Rs.	Rs.
Motor	3,382	142,612,925	142,612,925	4,376	138,718,148	138,718,148
Liability	11	10,495,250	10,495,250	11	10,529,250	10,529,250
Guarantee	1	1,500,000	1,500,000	-	-	-
Property	3	579,200	579,200	3	592,295	592,295
Transportation	1	103,700	103,700	1	103,700	103,700
Accident and health	3	52,318	52,318	-	-	-
Engineering	1	9,000	9,000	-	-	-
	3,402	155,352,393	155,352,393	4,391	149,943,393	149,943,393
IBNR			14,593,000			19,000,000
			169,945,393			168,943,393

The Group has proper procedures in place to identify, quantify and manage risk exposure by classes of business. There are policies for underwriting, claims handling, reinsurance and reserving that operate within the Group's risk management framework to ensure that accumulated exposures are contained within the limits of the risk appetite of the Group.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.1 Insurance risk (cont'd)

(i) **Short term insurance (cont'd)**

(c) ***Sources of uncertainty***

Claims are payable either on "claims-occurrence" basis which is the most common form or on a "claims-made" basis, which comprise mainly insurance contracts issued for 'professional indemnity and Directors' and Officers' liability'.

Under the 'claims-made' basis, the Group is liable for losses discovered within a specific underwriting year even if the adverse event happened prior to that year. For the 'claim-occurrence' basis, the Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, claims may be settled over a long period of time and a larger element of the claims provision relates to incurred but not reported (IBNR) claims. Claims can be either long tail or short tail. Short tail claims are settled within a short time and the Group's estimation processes reflect with a higher degree of certainty all factors that may influence amount and timing of future cash outflows. For long tail claims, the estimation process is more uncertain and depends largely on external factors such as judicial decision and legislation, levels of claims, inflation and economic conditions.

The estimated costs of claims include direct expenses to be incurred in settling claims, net of subrogation and salvage recoveries.

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

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.1 Insurance risk (cont'd)

(i) **Short term insurance (cont'd)**

(d) *Claims development table*

The table below shows the development of claims, for the Group and the Company, over the previous ten years to December 31, 2013 on a gross and net of reinsurance basis.

GROSS	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of ultimate motor claim costs:	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
- At end of claim year	6,669,793	7,871,103	8,310,725	14,190,066	16,066,657	19,403,450	48,706,723	58,685,162	59,126,503	73,874,681	87,634,329	**400,539,192**
- one year later	4,709,157	10,541,943	10,715,561	21,661,945	17,665,255	33,861,373	70,314,008	67,080,351	80,489,318	82,284,407	-	**399,323,318**
- two years later	6,786,031	12,466,376	13,014,142	23,004,997	19,862,884	36,626,962	65,058,914	69,939,518	78,030,261	-	-	**324,790,085**
- three years later	5,636,363	12,946,779	15,327,437	24,904,932	25,469,961	38,669,193	66,793,989	69,856,144	-	-	-	**259,604,798**
- four years later	4,735,947	15,245,360	20,117,535	26,247,984	26,974,647	43,445,558	62,106,629	-	-	-	-	**198,873,660**
- five years later	5,558,417	17,543,941	25,336,780	28,030,585	35,781,622	47,692,403	-	-	-	-	-	**159,943,748**
- six years later	6,459,562	19,857,236	29,277,462	31,097,267	44,210,039	-	-	-	-	-	-	**130,901,566**
- seven years later	7,260,932	22,381,290	30,806,240	37,171,520	-	-	-	-	-	-	-	**97,619,982**
- eight years later	8,821,815	24,487,454	30,881,980	-	-	-	-	-	-	-	-	**64,191,249**
- nine years later	10,360,387	26,995,012	-	-	-	-	-	-	-	-	-	**37,355,399**
- ten years later	13,307,658	-	-	-	-	-	-	-	-	-	-	**13,307,658**
Current estimate of cumulative claims	13,307,658	26,995,012	30,881,980	37,171,520	44,210,039	47,692,403	62,106,629	69,856,144	78,030,261	82,284,407	87,634,329	**580,170,382**
Less: Cumulative payments to date	(13,112,677)	(23,362,522)	(29,367,480)	(30,784,945)	(34,566,338)	(35,083,138)	(44,366,918)	(55,712,168)	(56,223,427)	(65,079,251)	(50,381,794)	**(438,040,658)**
Liability recognised in the statements of financial position	194,981	3,632,490	1,514,500	6,386,575	9,643,701	12,609,265	17,739,711	14,143,976	21,806,834	17,205,156	37,252,535	**142,129,724**
Liability in respect of prior years												**483,201**
Liability in respect of non-motor claims												**12,739,468**
Incurred but not reported (IBNR)												**14,593,000**
												169,945,393

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.1 Insurance risk (cont'd)

(ii) Reinsurance strategy

Reinsurance purchases are reviewed annually to verify that the levels of protection being bought reflect any developments in exposure and risk appetite of the Group. The basis of these purchases is underpinned by extensive financial modelling and actuarial analysis to optimise the cost and risk management benefits. Probabilistic models are used to develop and test scenarios using the Group's data to determine potential losses and appropriate levels of reinsurance protection. Reinsurance is placed with top-rated Reinsurers who meet the Group's counterparty security requirements.

3.2 Financial risk factors

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

The main financial risks to which the Group is exposed are:
- Credit risk
- Interest rate risk
- Market risk
- Liquidity risk

Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Group's credit risk is primarily attributable to its receivables, namely:

- reinsurer's share of insurance liabilities;
- amount due from reinsurers in respect of claims already paid;
- amount due from insurance contract holders; and
- amount due from insurance intermediaries.

The amount presented in the statements of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment.

The Group has no significant concentration of credit risk in respect of its insurance business with exposure spread over a large number of clients, agents and brokers.

The Group assesses the credit worthiness of brokers, agents and of contract holders based on details of recent payment history, past experience and by taking into account their financial position.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.2 Financial risk factors (cont'd)

Credit risk (cont'd)

Reinsurance credit exposure

The Group is however exposed to concentrations of risks with respect of their reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The Group is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid.

Management also monitors the financial strength of its reinsurers and the Group has policies in place to ensure that risks are ceded to top-rated and credit worthy reinsurers only. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of the financial assets.

THE GROUP

	Neither past due nor impaired	Financial assets that are past due				Financial assets that have been impaired	Carrying amount at year end
		1mth-3mth	3mth-6mth	6mth-1yr	>1 yr		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
December 31, 2013							
- Trade and other receivables	6,803,757	6,679,466	174,567	16,801	204,390	(395,758)	13,483,223
- Other financial assets	387,122,653	-	-	-	-	-	387,122,653
December 31, 2012							
- Trade and other receivables	8,970,067	5,542,353	2,912,478	-	560,172	(395,758)	17,589,312
- Other financial assets	320,196,330	-	-	-	-	-	320,196,330

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.2 Financial risk factors (cont'd)

Credit risk (cont'd)

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of the financial assets.

THE COMPANY

	Neither past due nor impaired	Financial assets that are past due				Financial assets that have been impaired	Carrying amount at year end
		1mth-3mth	3mth-6mth	6mth-1yr	>1 yr		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
December 31, 2013							
- Trade and other receivables	6,700,257	6,832,380	21,653	16,801	204,390	(395,758)	13,379,723
- Other financial assets	397,651,491	-	-	-	-	-	397,651,491
December 31, 2012							
- Trade and other receivables	8,091,716	5,542,353	2,912,478	-	560,172	(395,758)	16,710,961
- Other financial assets	331,467,958	-	-	-	-	-	331,467,958

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.2 Financial risk factors (cont'd)

Interest rate risk

Interest rate risk arises from the Group's loans and receivables, investments in fixed income securities (Held-to-Maturity Investments), bank balances and deposits which are exposed to fluctuations in interest rates. Exposure to interest rate risk on short term business is monitored by management through a close matching of assets and liabilities. The impact of exposure to sustained low interest rates is also regularly monitored. This risk is closely monitored by management through a well diversified portfolio of fixed income securities and equity investments.

Short term insurance liabilities are not directly sensitive to the level of market interest rates as they are undiscounted and contractually non-interest bearing. However, due to the time value of money and the impact of interest-rates on the level of bodily injury related claims incurred by certain insurance contract holders, a reduction for interest rates would normally produce a higher insurance liability. The Group reviews its estimation in respect of these claims on a regular basis and ensures that adequate cash flow is available at all times.

Sensitivity

The impact on the Group's and Company's results had interest rates varied by plus or minus 1% would have been as follows:

	Impact on results	
	THE GROUP	THE COMPANY
	±1%	±1%
At December 31, 2013	Rs.	Rs.
- Held-to-maturity investments	28,732	28,732
- Bank balances and deposits	3,442,854	3,441,287
At December 31, 2012		
- Held-to-maturity investments	2,599	2,599
- Bank balances and deposits	3,099,777	3,096,837

Market risk

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

The carrying amount of investments whose shares are traded on the market may be subject to variations. This risk is mitigated as the Group holds a diversified portfolio of investments in Mauritius.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.2 Financial risk factors (cont'd)

Market risk (cont'd)

Equity price risk

The Group is subject to price risk due to daily changes in the market values of its equity securities portfolio. Equity price risk is actively managed in order to mitigate anticipated unfavourable market movements. In addition, local insurance regulations set out the capital required for risks associated with type of assets held, investments above a certain concentration limit, policy liabilities risks, catastrophes risks and reinsurance ceded.

The Group does not have material holdings in unquoted equity securities. Management actively monitors equity assets owned directly by the Group as well as concentrations of specific equity holdings. Equity price risk is also mitigated as the Group holds diversified portfolios of local and foreign investments in various sectors of the economy.

Sensitivity

The impact on the Group's and Company's shareholders' equity had the equity market values increased/decreased by 10% with other assumptions left unchanged would have been as follows:

	Impact on Shareholders' equity
	±10%
At December 31, 2013	Rs.
- Available-for-sale financial assets	3,445,136
At December 31, 2012	
- Available-for-sale financial assets	2,651,070

Liquidity risk

The Group has strong liquidity positions and liquidity risk is considered to be low since the Group maintains an adequate level of cash resources or assets that are readily available on demand. Through the application of the liquidity management policy, the Group seeks to maintain sufficient financial resources to meet its obligations as they fall due.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.2 Financial risk factors (cont'd)

Liquidity risk (cont'd)

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

THE GROUP	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	Rs.	Rs.	Rs.	Rs.
At December 31, 2013				
Borrowings	**2,122,618**	**1,013,088**	**1,252,373**	**4,388,079**
Trade and other payables	**17,965,207**	-	-	**17,965,207**
	20,087,825	**1,013,088**	**1,252,373**	**22,353,286**
At December 31, 2012				
Borrowings	1,713,358	2,122,617	2,265,461	6,101,436
Trade and other payables	24,441,513	-	-	24,441,513
	26,154,871	2,122,617	2,265,461	30,542,949

THE COMPANY	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	Rs.	Rs.	Rs.	Rs.
At DECEMBER 31, 2013				
Borrowings	**2,122,618**	**1,013,088**	**1,252,373**	**4,388,079**
Trade and other payables	**17,662,703**	-	-	**17,662,703**
	19,785,321	**1,013,088**	**1,252,373**	**22,050,782**
At December 31, 2012				
Borrowings	1,713,358	2,122,617	2,265,461	6,101,436
Trade and other payables	24,252,255	-	-	24,252,255
	25,965,613	2,122,617	2,265,461	30,353,691

3.3 Capital Management

The main objectives of the Group when managing capital are:

- to comply with the Minimum Capital Requirements of the Insurance Act 2005 and the Insurance Rules and Regulations 2007.

  This is a risk based capital method of measuring the minimum amount appropriate for the Group to support its overall business operations on consideration of its size and risk profile. The calculation is based on applying capital factors to amongst others, the Group's assets, outstanding claims, unearned premium liability and assets above a certain concentration limit.

3. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)

3.3 Capital Management (cont'd)

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for its policyholders.

- to provide an adequate return to shareholders by pricing insurance contracts and other services commensurately with the level of risk.

The Insurance Act 2005 specifies the amount of capital that must be held in proportion to the Company's liabilities, i.e. in respect of outstanding claim liability risk, unearned premium liability risk, investment risk, catastrophe risk and reinsurance ceded.

For the year ended December 31, 2013, the Company has satisfied the minimum capital requirement.

3.4 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

4.1 Insurance Contracts

The estimation of the ultimate liabilities arising under insurance contracts is the Group's most critical accounting estimate. Liabilities include outstanding claims provision (including IBNR), liabilities for unearned premiums and long-term benefits payable. In addition to the inherent uncertainty when estimating liabilities, there is also uncertainty as regard the eventual outcome of claims. As a result, the Group applies estimation techniques to determine appropriate provisions.

(i) **Short-term insurance**

(a) *Estimates of insurance liabilities*

Outstanding claims provisions are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on interpretation of circumstances. The approach also includes consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions.

Where possible, the Group adopts multiple techniques to estimate the required level of provision which also assists in giving greater understanding of the trends, inherent in the data being projected. The Group's estimates of losses and loss expenses are reached after a number of different bases to determine these provisions. Methods include:

- Development of previously settled claims where payments to date are extrapolated.
- Notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years.
- Expected loss ratios.

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjusters' estimates, or based on management's experience.

Provisions are calculated gross of reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from Reinsurers based upon the gross provisions and having due regard to collectability.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.1 Insurance Contracts (cont'd)

(i) **Short-term insurance (cont'd)**

(a) ***Estimates of insurance liabilities (cont'd)***

Estimation techniques for the determination of insurance liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate.

The degree of uncertainty under insurance contracts varies by policy class according to the characteristics of the insured risk. There may be significant reporting lags between the occurrence of the insured event and the reporting date to the Group, there may also be uncertainty as to the magnitude and timing of the settlement of the claim. Factors that contribute to uncertainty include inflation, inconsistent judicial interpretations and court judgements. The establishment of insurance liabilities is an inherently uncertain process and as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from initial estimates, especially for long tail business. The Group seeks to provide appropriate levels of claims provision taking known facts and experience into account.

The Group believes that the liability for claims carried at year end is adequate.

(b) *Sensitivity analysis*

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

4.2 Reinsurance

The Group is exposed to disputes on, and defects in, contract wordings and the possibility of default of its Reinsurers. The Group monitors the financial strength of their Reinsurers. Allowance will be made in the financial statements for non-recoverability in case of Reinsurer's default.

4.3 Held-to-maturity investments

The Group follows the guidance of 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 judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.4 Impairment of available-for-sale financial assets

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

4.5 Limitation of sensitivity analysis

The sensitivity analysis demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should be noted that these sensitivities are non-linear and larger or smaller impacts should be interpolated or extrapolated from these results.

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

4.6 Revaluation of property, plant and equipment and investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialist to determine fair value on December 23, 2013.

The determined fair value of the investment property is most sensitive to the estimated yield as well as long term vacancy rate. The key assumptions used to determine the fair value of the investment property are further explained in Note 6.

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

(i) 2013		Freehold Land	Freehold Building	Improvement to Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION								
At January 1, 2013		9,604,000	15,413,000	382,423	12,930,899	3,108,794	5,754,493	47,193,609
Additions		-	-	2,439,993	-	266,121	612,875	3,318,989
Transfer from investment property (note 6)		-	(100,000)	180,000	-	-	-	80,000
Revaluation surplus (note 17)		396,000	2,687,000	-	-	-	-	3,083,000
At December 31, 2013								
- Cost		-	-	**3,002,416**	**12,930,899**	**3,374,915**	**6,367,368**	**25,675,598**
- Valuation		**10,000,000**	**18,000,000**	-	-	-	-	**28,000,000**
		10,000,000	**18,000,000**	**3,002,416**	**12,930,899**	**3,374,915**	**6,367,368**	**53,675,598**
DEPRECIATION								
At January 1, 2013		-	495,665	13,083	5,995,768	2,073,410	4,248,732	12,826,658
Charge for the year		-	245,120	130,887	2,586,180	191,153	573,107	3,726,447
Transfer		-	(6,467)	6,467	-	-	-	-
Revaluation surplus (note 17)		-	(734,318)	-	-	-	-	(734,318)
At December 31, 2013		-	-	**150,437**	**8,581,948**	**2,264,563**	**4,821,839**	**15,818,787**
NET BOOK VALUE								
At December 31, 2013	**Rs.**	**10,000,000**	**18,000,000**	**2,851,979**	**4,348,951**	**1,110,352**	**1,545,529**	**37,856,811**

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) THE GROUP

(ii) 2012

	Freehold Land	Freehold Building	Improvement to Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION							
At January 1, 2012	-	1,500,000	-	14,554,799	2,710,098	4,726,422	23,491,319
Additions	9,604,000	13,913,000	382,423	1,705,200	398,696	1,028,071	27,031,390
Disposals	-	-	-	(3,329,100)	-	-	(3,329,100)
At December 31, 2012							
- Cost	-	**1,500,000**	-	-	-	-	**1,500,000**
- Valuation	**9,604,000**	**13,913,000**	**382,423**	**12,930,899**	**3,108,794**	**5,754,493**	**45,693,609**
	9,604,000	**15,413,000**	**382,423**	**12,930,899**	**3,108,794**	**5,754,493**	**47,193,609**
DEPRECIATION							
At January 1, 2012	-	251,278	-	6,823,948	1,902,106	3,791,235	12,768,567
Charge for the year	-	244,387	13,083	2,500,920	171,304	457,497	3,387,191
Disposal adjustment	-	-	-	(3,329,100)	-	-	(3,329,100)
At December 31, 2012	-	**495,665**	**13,083**	**5,995,768**	**2,073,410**	**4,248,732**	**12,826,658**
NET BOOK VALUE							
At December 31, 2012 Rs.	**9,604,000**	**14,917,335**	**369,340**	**6,935,131**	**1,035,384**	**1,505,761**	**34,366,951**

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) THE COMPANY

(i) 2013	Freehold Land Rs.	Freehold Building Rs.	Improvement to Building Rs.	Motor Vehicles Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Total Rs.
COST OR VALUATION							
At January 1, 2013	9,604,000	15,413,000	382,423	12,930,899	3,014,667	5,454,655	46,799,644
Additions	-	-	2,346,978	-	266,121	612,875	3,225,974
Transfer from investment property (note 6)	-	(100,000)	180,000	-	-	-	80,000
Revaluation surplus (note 17)	396,000	2,687,000	-	-	-	-	3,083,000
At December 31, 2013							
- Cost	-	-	**2,909,401**	**12,930,899**	**3,280,788**	**6,067,530**	**25,188,618**
- Valuation	**10,000,000**	**18,000,000**	-	-	-	-	**28,000,000**
	10,000,000	**18,000,000**	**2,909,401**	**12,930,899**	**3,280,788**	**6,067,530**	**53,188,618**
DEPRECIATION							
At January 1, 2013	-	495,665	13,083	5,995,768	2,042,003	4,073,892	12,620,411
Charge for the year	-	245,120	124,874	2,586,180	181,050	513,139	3,650,363
Transfer	-	(6,467)	6,467	-	-	-	-
Revaluation surplus (note 17)	-	(734,318)	-	-	-	-	(734,318)
At December 31, 2013	-	-	**144,424**	**8,581,948**	**2,223,053**	**4,587,031**	**15,536,456**
NET BOOK VALUE							
At December 31, 2013 Rs.	**10,000,000**	**18,000,000**	**2,764,977**	**4,348,951**	**1,057,735**	**1,480,499**	**37,652,162**

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) THE COMPANY

(ii) 2012

	Freehold Land	Freehold Building	Improvement to Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION							
At January 1, 2012	-	1,500,000	-	14,554,799	2,615,971	4,426,584	23,097,354
Additions	9,604,000	13,913,000	382,423	1,705,200	398,696	1,028,071	27,031,390
Disposals	-	-	-	(3,329,100)	-	-	(3,329,100)
At December 31, 2012							
- Cost	-	**1,500,000**	-	-	-	-	**1,500,000**
- Valuation	**9,604,000**	**13,913,000**	**382,423**	**12,930,899**	**3,014,667**	**5,454,655**	**45,299,644**
	9,604,000	**15,413,000**	**382,423**	**12,930,899**	**3,014,667**	**5,454,655**	**46,799,644**
DEPRECIATION							
At January 1, 2012	-	251,278	-	6,823,948	1,880,802	3,676,363	12,632,391
Charge for the year	-	244,387	13,083	2,500,920	161,201	397,529	3,317,120
Disposal adjustment	-	-	-	(3,329,100)	-	-	(3,329,100)
At December 31, 2012	-	**495,665**	**13,083**	**5,995,768**	**2,042,003**	**4,073,892**	**12,620,411**
NET BOOK VALUE							
At December 31, 2012 Rs.	**9,604,000**	**14,917,335**	**369,340**	**6,935,131**	**972,664**	**1,380,763**	**34,179,233**

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Additions do not include assets leased under finance leases (2012: Rs.1,660,000).

(d) Leased assets included in property, plant and equipment are analysed as follows:-

		Motor Vehicles	
		2013	2012
THE GROUP AND COMPANY		**Rs.**	Rs.
Cost - capitalised finance leases		**12,127,599**	12,127,599
Accumulated depreciation		**(8,211,368)**	(5,785,848)
Net book values	Rs.	**3,916,231**	6,341,751

(e) Depreciation expense of Rs.3,726,447 (2012:Rs.3,387,191) for the Group and Rs.3,650,363 (2012:Rs.3,317,120) has been charged to statements of profit or loss.

(f) The Group's freehold land and building were revalued on December 23, 2013 by Messrs NP Jeetun Chartered Valuation Surveyor, an independent professionally qualified valuer. The revaluation surplus, net of applicable deferred income taxes, was credited to revaluation surplus in shareholders' equity (note 17).

Details of the Group's and the Company's freehold land and buildings measured at fair value and information about the fair value hierarchy as at December 31, 2013 are as follows:

		Level 3
		Rs.
Freehold land		10,000,000
Buildings		18,000,000
Total	Rs.	28,000,000

The fair value of the freehold land and building was derived using the sales comparison approach. Sales prices of comparable land and building in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

Significant unobservable valuation input:	***Range (Rs.)***
Price per square metre:	
Freehold land	21,452 - 22,113
Building	16,364 - 68,027

Significant increases/(decreases) in estimated price per square metre in isolation would result in a significantly higher/(lower) fair value.

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

There has been no change to the valuation technique during the year.

The fair value measurements of freehold land and buildings using significant unobservable inputs are as follows:

		Freehold Land and Buildings
		Rs.
Opening balance		24,521,335
Depreciation charge for the year		(245,120)
Transfer		(93,553)
Gains recognised in other comprehensive income		3,817,338
Closing balance	Rs.	28,000,000

(g) If the land and building were stated on a historical cost basis, the amounts would be as follows:

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
Cost		**24,061,000**	24,061,000
Accumulated depreciation		**(546,785)**	(322,385)
Net book value	Rs.	**23,514,215**	23,738,615

6. INVESTMENT PROPERTY

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
		Rs.	Rs.	**Rs.**	Rs.
Fair value model					
At January 1,		**37,106,120**	31,726,120	**11,405,000**	6,025,000
Acquisition		-	5,380,000	-	5,380,000
Transfer to property, plant and equipment (note 5)		**(80,000)**	-	**(80,000)**	-
Increase in fair value (note 25)		**37,223,880**	-	**6,925,000**	-
At December 31,	Rs.	**74,250,000**	37,106,120	**18,250,000**	11,405,000

The investment properties were valued on December 23, 2013 at fair value by Messrs NP Jeetun Chartered Valuation Surveyor, an independent professionally qualified valuer. The fair value was determined on an open-market basis by reference to market evidence of transaction prices for similar properties.

6. INVESTMENT PROPERTY (CONT'D)

Details of the Group's and the Company's investment properties and information about the fair value hierarchy as at December 31, 2013 are as follows:

		Level 3	
		THE GROUP	THE COMPANY
		Rs.	Rs.
Land		18,250,000	18,250,000
Building		56,000,000	-
Total	Rs.	74,250,000	18,250,000

The following amounts have been recognised in profit or loss:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	Rs.	Rs.	**Rs.**	Rs.
Rental income	**982,622**	98,000	**127,800**	68,000
Direct operating expenses arising from investment properties that generate rental income	**241,103**	137,038	-	-

7. INTANGIBLE ASSETS

(a) THE GROUP AND THE COMPANY

		Computer software	
		2013	2012
		Rs.	Rs.
COST			
At January 1, and December 31,		**695,125**	695,125
AMORTISATION			
At January 1,		**682,126**	641,501
Charge for the year		**12,999**	40,625
At December 31,		**695,125**	682,126
NET BOOK VALUES			
At DECEMBER 31,	Rs.	-	12,999

(b) Amortisation expense of Rs.12,999 (2012: Rs.40,625), for the Group and the Company, has been charged to statements of profit or loss.

8. INVESTMENT IN SUBSIDIARY COMPANY (AT COST)

		THE COMPANY	
		2013	2012
		Rs.	Rs.
At January 1,		**15,000,000**	10,000,000
Additions		**-**	5,000,000
At December 31,	Rs.	**15,000,000**	15,000,000

(a) The list of the Company's subsidiary is as follows:

Name	Country of incorporation and operation	Class of shares held	Year end	Stated capital	% holding Direct	Main business
				Rs.		
2013						
GFA Investments Ltd	**Mauritius**	**Ordinary**	**December 31, 2013**	**15,000,000**	**100%**	**Rental of building**
2012						
GFA Investments Ltd	Mauritius	Ordinary	December 31, 2012	15,000,000	100%	Rental of building

9. STATUTORY DEPOSITS

Statutory deposits of Rs 8m are pledged in favour of the Financial Services Commission as required by the Insurance Act 1987. However, under Insurance Act 2005, the amount of the statutory deposit has not yet been prescribed.

The deposits carries interest rates varying from 5.05% to 5.40% and maturity dates varying between March 2014 and October 2017.

10. INVESTMENT IN FINANCIAL ASSETS

(a) THE GROUP AND THE COMPANY

	2013			2012		
	Held-to-maturity	Available-for-sale	Total	Held-to-maturity	Available-for-sale	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At January 1,	2,000,000	26,510,700	28,510,700	-	27,078,804	27,078,804
Additions	3,000,000	6,091,612	9,091,612	2,000,000	822,958	2,822,958
Matured/disposals	-	(2,292,493)	(2,292,493)	-	-	-
Increase/(decrease) in fair value	-	4,141,539	4,141,539	-	(1,391,062)	(1,391,062)
At December 31,	5,000,000	34,451,358	39,451,358	2,000,000	26,510,700	28,510,700

The above financial assets are classified as follows:

	2013			2012
	Held-to-maturity	Available-for-sale	Total	Total
	Rs.	Rs.	Rs.	Rs.
Non-current assets	2,000,000	34,451,358	36,451,358	28,510,700
Current assets	3,000,000	-	3,000,000	-
Rs.	5,000,000	34,451,358	39,451,358	28,510,700

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

	THE GROUP AND THE COMPANY	
	2013	2012
Equity securities at fair value:	Rs.	Rs.
- Listed	20,490,620	12,862,027
- DEM quoted	372,850	114,000
- Unquoted	13,587,888	13,534,673
Rs.	34,451,358	26,510,700

10. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

(c) **Held-to-maturity investments**

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
Held-to-maturity investments include the following:			
- unlisted			
Total investment	Rs.	**5,000,000**	2,000,000

(d) THE GROUP AND THE COMPANY

		Level 1	Level 3	Total
		Rs.	**Rs.**	**Rs.**
At December 31, 2013				
Available-for-sale financial assets		**20,863,470**	**13,587,888**	**34,451,358**
At December 31, 2012				
Available-for-sale financial assets	Rs.	12,976,027	13,534,673	26,510,700

(e) Available-for-sale financial assets are denominated in Rupees.

(f) Held-to-maturity investments are denominated in Rupees and comprised of fixed deposits with variable interest rates ranging from 7.50% to 7.75% (2012: 7.5%) p.a. and maturity dates varying between September 2014 to December 2015.

(g) Available-for-sale financial assets comprise principally of listed, Development Enterprise Market (DEM) quoted and unquoted equity securities. The fair value of these financial assets is based on the Stock Exchange or DEM quoted prices at the close of business at the end of each reporting period. In assessing the fair value of unquoted available-for-sale financial assets, the Company uses the latest transaction price as a reference and makes assumptions that are based on market conditions existing at the end of each reporting period. The directors are of the opinion that the cost of unquoted securities approximate its fair value.

(h) The maximum exposure to credit risk at the reporting date is the fair value of securities classified as available-for-sale.

(i) None of the financial assets are either past due or impaired.

11. FIXED DEPOSITS

		THE GROUP AND THE COMPANY	
		2013	2012
Maturing:		**Rs.**	Rs.
up to 3 months		**27,000,000**	23,800,000
3 to 6 months		**19,000,000**	8,700,000
6 to 12 months		**-**	45,400,000
1 to 5 years		**254,615,000**	150,115,000
> 5 years		**3,000,000**	3,000,000
	Rs.	**303,615,000**	231,015,000
Analysed as follows:			
Non-current assets		**257,615,000**	153,115,000
Current assets		**46,000,000**	77,900,000
	Rs.	**303,615,000**	231,015,000

(a) The deposits earn interest at rates varying between 3.80% - 7.50% (2012: 3.80% -7.50%) p.a.

(b) The fixed deposits are denominated in Rupees.

(c) None of the financial assets are either past due or impaired.

12. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method at the rate of 15% (2012: 15%).

(a) There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity. The following amounts are shown in the statements of financial position.

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
		Rs.	Rs.	**Rs.**	Rs.
Deferred tax assets		**-**	578,386	**-**	568,120
Deferred tax liabilities		**(4,673,193)**	-	**(308,694)**	-
	Rs.	**(4,673,193)**	578,386	**(308,694)**	568,120

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

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
		Rs.	Rs.	**Rs.**	Rs.
At January 1,		**578,386**	289,012	**568,120**	297,135
Profit or loss (charge)/credit (note 23(b))		**(4,738,381)**	289,374	**(363,616)**	270,985
Other comprehensive income charge (note 17)		**(513,198)**	-	**(513,198)**	-
At December 31,	Rs.	**(4,673,193)**	578,386	**(308,694)**	568,120

12. DEFERRED TAXATION (CONT'D)

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same fiscal authority on the same entity, is as follows:

(i) THE GROUP

Deferred tax liabilities		Accelerated tax depreciation	Revaluation of building	Revaluation of investment property	Total
		Rs.	Rs.	Rs.	Rs.
At January 1, 2012		320,212	-	-	320,212
Profit or loss credit		(20,460)	-	-	(20,460)
At December 31, 2012		299,752	-	-	299,752
Profit or loss charge		261,926	-	5,583,582	5,845,508
Other comprehensive income charge (note 17)		-	513,198	-	513,198
At December 31, 2013	Rs.	**561,678**	**513,198**	**5,583,582**	**6,658,458**

Deferred tax assets		Retirement benefit obligations	Tax losses	Total
		Rs.	Rs.	Rs.
At January 1, 2012		609,224	-	609,224
Profit or loss credit		250,648	18,266	268,914
At December 31, 2012		859,872	18,266	878,138
Profit or loss credit		945,060	162,067	1,107,127
At December 31, 2013	Rs.	**1,804,932**	**180,333**	**1,985,265**

Net deferred tax (liabilities)/assets		THE GROUP 2013	THE GROUP 2012
		Rs.	Rs.
Deferred tax liabilities		**(6,658,458)**	(299,752)
Deferred tax assets		**1,985,265**	878,138
	Rs.	**(4,673,193)**	578,386

(ii) THE COMPANY

Deferred tax liabilities		Accelerated tax depreciation	Revaluation of building	Revaluation of investment property	Total
		Rs.	Rs.	Rs.	Rs.
At January 1, 2012		320,212	-	-	320,212
Profit or loss credit		(20,460)	-	-	(20,460)
At December 31, 2012		299,752	-	-	299,752
Profit or loss charge		261,926	-	1,038,750	1,300,676
Other comprehensive income charge		-	513,198	-	513,198
At December 31, 2013	Rs.	**561,678**	**513,198**	**1,038,750**	**2,113,626**

12. DEFERRED TAXATION (CONT'D)

(ii) THE COMPANY

		Retirement benefit obligations
Deferred tax assets		Rs.
At January 1, 2012		617,347
Profit or loss credit		250,525
At December 31, 2012		867,872
Profit or loss credit		937,060
At December 31, 2013	Rs.	**1,804,932**

		THE COMPANY	
		2013	2012
Net deferred tax (liabilities)/assets		**Rs.**	Rs.
Deferred tax liabilities		**(2,113,626)**	(299,752)
Deferred tax assets		**1,804,932**	867,872
	Rs.	**(308,694)**	568,120

13. LOANS TO RELATED PARTIES

		THE GROUP AND THE COMPANY	
		2013	2012
Loans to directors:		**Rs.**	Rs.
At January 1,		**2,800,000**	-
Additions		**2,200,000**	2,800,000
Repayments		**(1,490,092)**	-
At December 31,	Rs.	**3,509,908**	2,800,000

The above loans to related parties are classified as follows:

Non-current assets		**1,633,100**	2,193,020
Current assets		**1,876,808**	606,980
	Rs.	**3,509,908**	2,800,000

The loans to directors bear interest at the rate of 3% p.a.

14. TRADE AND OTHER RECEIVABLES

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
Trade receivables:		**Rs.**	Rs.	**Rs.**	Rs.
- premium and agents balances		**7,075,224**	9,806,519	**7,075,224**	9,806,521
Less: provision for impairment		**(395,758)**	(395,758)	**(395,758)**	(395,758)
		6,679,466	9,410,761	**6,679,466**	9,410,763
Receivable from reinsurers		**5,346,796**	7,077,757	**5,346,796**	7,077,757
Other receivables		**1,456,961**	1,100,794	**1,353,461**	1,013,957
	Rs.	**13,483,223**	17,589,312	**13,379,723**	17,502,477

14. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) The carrying amount of trade and other receivables approximately their fair value.

(b) As at December 31, 2013, trade receivables of Rs.395,758 (2012: Rs.395,758) were impaired for the Group and the Company. The amount of the provision as of December 31, 2013 was Rs.395,758 (2012: Rs.395,758) for the Group and the Company. The individually impaired receivables mainly relate to policyholders who are in unexpectedly difficult economic situations.

The ageing analysis of these trade receivables is as follows:

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
Over 3 months	Rs.	**395,758**	395,758

As of December 31, 2013, the Group and the Company did not have trade receivables which were past due but not impaired.

(c) The carrying amounts of the Groups' and the Company's trade and other receivables are denominated in Rupees.

(d) Movements on the provision for impairment of trade receivables are as follows:

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
At January 1,		**395,758**	216,914
Charged to profit or loss		**-**	178,844
At December 31,	Rs.	**395,758**	395,758

(e) The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

15. LOAN TO SUBSIDIARY COMPANY

		THE COMPANY	
		2013	2012
		Rs.	Rs.
At January 1,		**11,371,054**	16,618,330
Repayments		**(620,000)**	(5,247,276)
At December 31,	Rs.	**10,751,054**	11,371,054

The loan to subsidiary company is interest free and has no fixed repayment terms.

16. SHARE CAPITAL

		Authorised, Issued and fully paid	
		2013	2012
		Rs.	Rs.
1 founder share of Rs.1,000 each		**1,000**	1,000
24,999 ordinary shares of Rs.1,000 each		**24,999,000**	24,999,000
	Rs.	**25,000,000**	25,000,000

The total authorised number of ordinary shares is 25,000 (2012 : 25,000) with a par value of Rs.1,000 per share (2012 : Rs.1,000 per share). All issued shares are fully paid.

17. OTHER RESERVES

	THE GROUP AND COMPANY		Revaluation surplus	Available-for-sale fair value reserve	Total
			Rs.	Rs.	Rs.
(i)	At January 1, 2013		956,000	(4,115,302)	(3,159,302)
	Revaluation of property, plant and equipment (note 5)		3,817,318	-	3,817,318
	Income tax relating to components of other comprehensive income (note 12(b))		(513,198)	-	(513,198)
	Increase in fair value of financial assets (note 10(a))		-	4,141,539	4,141,539
	Reclassification adjustments on disposal of financial assets		-	(492,989)	(492,989)
	At December 31, 2013	Rs.	**4,260,120**	**(466,752)**	**3,793,368**
(ii)	At January 1, 2012		956,000	(2,724,240)	(1,768,240)
	Decrease in fair value of financial assets (note 10(a))		-	(1,391,062)	(1,391,062)
	At December 31, 2012	Rs.	**956,000**	**(4,115,302)**	**(3,159,302)**

Revaluation surplus

The revaluation arises on the revaluation of land and buildings.

Available-for-sale fair value reserve

Available-for-sale fair value reserve comprises of the cumulative net change in the fair value of available-for-sale financial assets that has been recognised in other comprehensive income until the investments are derecognised or impaired.

18. INSURANCE LIABILITIES AND REINSURANCE ASSETS

		THE GROUP AND THE COMPANY	
		2013	2012
Gross		**Rs.**	Rs.
- Claims reported and loss adjustment expenses (note 19(a))		**155,352,393**	149,943,393
- Claims incurred but not reported (IBNR) (note 19(a))		**14,593,000**	19,000,000
- Unearned premiums (note 19(b))		**85,557,265**	72,851,227
Total gross insurance liabilities	Rs.	**255,502,658**	241,794,620
Net			
- Claims reported and loss adjustment expenses (note 19(a))		**155,352,393**	149,943,393
- Claims incurred but not reported (IBNR) (note 19(a))		**14,593,000**	19,000,000
- Unearned premiums (note 19(b))		**85,557,265**	72,851,227
Total net insurance liabilities	Rs.	**255,502,658**	241,794,620

19. MOVEMENT IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

		THE GROUP AND THE COMPANY			
		2013		2012	
Short term insurance		**Gross**	**Net**	Gross	Net
(a) **Claims**		**Rs.**	**Rs.**	Rs.	Rs.
At January 1,					
Notified claims		**149,943,393**	**149,943,393**	137,367,981	137,367,981
Increase in liabilities		**91,047,391**	**91,047,391**	99,347,667	99,347,667
Cash paid for claims settled in the year		**(85,638,391)**	**(85,638,391)**	(86,772,255)	(86,772,255)
		155,352,393	**155,352,393**	149,943,393	149,943,393
Incurred but not reported (IBNR)		**14,593,000**	**14,593,000**	19,000,000	19,000,000
At December 31,	Rs.	**169,945,393**	**169,945,393**	168,943,393	168,943,393
Movement in claims outstanding and IBNR			**1,002,000**		14,809,412

(b) **Provision for unearned premiums**

		THE GROUP AND THE COMPANY			
		2013		2012	
		Gross	**Net**	Gross	Net
		Rs.	**Rs.**	Rs.	Rs.
At January 1,		**72,851,227**	**72,851,227**	63,751,157	63,751,157
Increase during the year		**12,706,038**	**12,706,038**	9,100,070	9,100,070
At December 31,	Rs.	**85,557,265**	**85,557,265**	72,851,227	72,851,227

20. BORROWINGS

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
Non-current			
Finance lease liabilities (see note (d) below)		**2,265,461**	4,388,078
Current			
Finance lease liabilities (see note (d) below)		**2,122,618**	1,713,358
Total borrowings	Rs.	**4,388,079**	6,101,436

(a) Leased liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The rate of interest varies between 8.25% p.a and 11.00% p.a. There are no restrictions imposed on the Group by lease arrangements other than in respect of the specific assets being leased.

(b) The exposure of the Group's and Company's borrowings to interest-rate changes and the contractual repricing dates are as follows:

THE GROUP AND COMPANY		6 months or less	6 -12 months	1 - 5 years	Total
		Rs.	Rs.	Rs.	Rs.
December 31, 2013					
Total borrowings	Rs.	**920,305**	**1,202,313**	**2,265,461**	**4,388,079**
December 31, 2012					
Total borrowings	Rs.	834,157	879,201	4,388,078	6,101,436

(c) The maturity of non-current borrowings is as follows:

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
After one year and before two years		**1,013,088**	2,122,617
After two years but before five years		**1,252,373**	2,265,461
	Rs.	**2,265,461**	4,388,078

20. BORROWINGS (CONT'D)

(d) Finance lease liabilities - minimum lease payments:

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
Not later than one year		**2,419,359**	2,198,880
After two years but before five years		**2,479,042**	4,898,401
		4,898,401	7,097,281
Future finance charges		**(510,322)**	(995,845)
	Rs.	**4,388,079**	6,101,436

The present value of finance lease liabilities may be analysed as follows:

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
Not later than one year		**2,122,618**	1,713,358
Later than one year and not later than five years		**2,265,461**	4,388,078
	Rs.	**4,388,079**	6,101,436

(e) The carrying amounts of non-current borrowings are not materially different from their fair value.

(f) The carrying amounts of the Group's and the Company's borrowings are denominated in Rupees.

(g) The carrying amounts of borrowings approximate their fair value.

21. RETIREMENT BENEFIT OBLIGATIONS

		THE GROUP AND THE COMPANY	
		2013	2012
Amount recognised in the statements of financial position as non-current liabilities:		**Rs.**	Rs.
- Other post retirement benefits (note 21(a))		**12,032,880**	5,390,062
	Rs.	**12,032,880**	5,390,062
Amount charged to profit or loss:			
- Other post retirement benefits (note 21(a))	Rs.	**6,642,818**	1,491,327

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Other post retirement benefits

Other post retirement benefits comprise mainly of gratuity on retirement payable under the Employment Rights Act 2008 and other benefits.

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
At January 1,		**5,390,062**	3,898,735
Total expense charged in profit or loss		**6,642,818**	1,491,327
At December 31,	Rs.	**12,032,880**	5,390,062

It has been assumed that the rate of future salary increases will be equal to the discount rate.

22. TRADE AND OTHER PAYABLES

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
Trade payables:		**Rs.**	Rs.	**Rs.**	Rs.
- amounts due to reinsurers		**10,645,986**	9,993,555	**10,645,986**	9,993,555
Accrued expenses		**3,156,159**	2,972,802	**3,156,159**	2,972,802
Other payables		**4,163,062**	11,475,156	**3,860,558**	11,285,898
	Rs.	**17,965,207**	24,441,513	**17,662,703**	24,252,255

The carrying amount of trade and other payables approximate their fair value.

23. INCOME TAX

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
		Rs.	Rs.	**Rs.**	Rs.
(a) Statements of financial position					
At January 1,		**2,491,297**	1,752,202	**2,491,297**	1,752,202
Income tax charge for the year		**8,831,895**	5,670,830	**8,831,895**	5,670,830
Payment during the year		**(6,137,872)**	(4,931,735)	**(6,137,872)**	(4,931,735)
At December 31,	Rs.	**5,185,320**	2,491,297	**5,185,320**	2,491,297
(b) Statements of profit or loss					
Income tax charge on the adjusted profit for the year at 15% (2012:15%)		**8,831,895**	5,670,830	**8,831,895**	5,670,830
Deferred tax (note 12(b))		**4,738,381**	(289,374)	**363,616**	(270,985)
Net charge for the year	Rs.	**13,570,276**	5,381,456	**9,195,511**	5,399,845

23. INCOME TAX (CONT'D)

(c) The tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate is as follows:

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
		Rs.	Rs.	**Rs.**	Rs.
Profit before taxation		**92,451,786**	32,885,268	**61,489,766**	32,761,480
Tax calculated at 15% (2012: 15%)		**13,867,768**	4,932,790	**9,223,465**	4,914,222
Expenses not deductible for tax purposes		**1,615,937**	1,571,913	**1,615,937**	1,571,913
Income not subject to tax		**(6,651,810)**	(833,873)	**(2,007,507)**	(815,305)
Deferred tax		**4,738,381**	(289,374)	**363,616**	(270,985)
Tax charge	Rs.	**13,570,276**	5,381,456	**9,195,511**	5,399,845

24. INVESTMENT AND INTEREST INCOME

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
		Rs.	Rs.	**Rs.**	Rs.
Interest income		**17,883,470**	15,680,669	**17,880,721**	15,675,525
Dividend income		**1,506,567**	1,518,149	**1,506,567**	1,518,149
	Rs.	**19,390,037**	17,198,818	**19,387,288**	17,193,674

25. OTHER INCOME

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
		Rs.	Rs.	**Rs.**	Rs.
Policy fees		**10,847,470**	10,202,990	**10,847,470**	10,202,990
Profit on disposal of property, plant and equipment		**-**	70,500	**-**	70,500
Gain on disposal of financial assets		**835,828**	3	**835,828**	3
Revaluation gain on investment property (note 6)		**37,223,880**	-	**6,925,000**	-
Rental income		**982,622**	98,000	**197,840**	68,000
Others		**4,260,957**	146,386	**4,254,957**	146,386
	Rs.	**54,150,757**	10,517,879	**23,061,095**	10,487,879

26. PROFIT BEFORE TAXATION

Profit before taxation for the year is arrived at after charging:

(i) Administrative and other expenses

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	Rs.	Rs.	**Rs.**	Rs.
Employee benefit expense (see note (iii) below)	**27,458,670**	18,170,170	**27,458,670**	18,170,170
Marketing expenses	**1,967,706**	1,502,158	**1,965,506**	1,491,458
Utilities	**1,873,868**	1,655,408	**1,841,030**	1,643,457
Printing and stationery	**1,296,161**	929,701	**1,296,161**	929,701
Repairs and maintenance	**1,247,006**	1,234,914	**1,149,978**	1,226,064
Rent and rates	**1,088,262**	742,535	**1,195,721**	951,231
Licence and FSC fees	**902,865**	853,510	**900,365**	851,510
IT expense	**842,571**	734,041	**842,571**	734,041
Professional expenses	**556,959**	425,500	**539,959**	407,000
Bank charges	**267,294**	239,037	**267,294**	239,037
Other expenses	**1,362,054**	3,048,080	**1,351,854**	3,050,100
Rs.	**38,863,416**	29,535,054	**38,809,109**	29,693,769

Other expenses consist of expenses incurred in the day to day operation of the Group and of the Company.

(ii) Depreciation and amortisation

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	Rs.	Rs.	**Rs.**	Rs.
Depreciation (note 5)	**3,726,447**	3,387,191	**3,650,363**	3,317,120
Amortisation (note 7)	**12,999**	40,625	**12,999**	40,625
Rs.	**3,739,446**	3,427,816	**3,663,362**	3,357,745

(iii) Employee benefit expense

	THE GROUP AND THE COMPANY	
	2013	2012
	Rs.	Rs.
Wages and salaries	**20,013,042**	16,009,234
Social security costs	**802,810**	669,609
Other post-retirement benefits (note 21(a))	**6,642,818**	1,491,327
Rs.	**27,458,670**	18,170,170

27. FINANCE COSTS

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
Interest expense:			
- Finance leases	Rs.	**485,522**	601,535

28. DIVIDENDS

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
Amount recognised as distributions to equity holders in the year:			
Dividend for the year ended December 31, 2013 of Rs.100.00 (2012: Rs.8000) per share	Rs.	**2,500,000**	2,000,000

29. NOTES TO THE STATEMENTS OF CASH FLOWS

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
(a) Cash generated from operations		**Rs.**	Rs.	**Rs.**	Rs.
Profit before taxation		**92,451,786**	32,885,268	**61,489,766**	32,761,480
Adjustments for :					
Depreciation on property and equipment (note 5)		**3,726,447**	3,387,191	**3,650,363**	3,317,120
Amortisation of intangible assets (note 7)		**12,999**	40,625	**12,999**	40,625
Gain on revaluation of investment property		**(37,223,880)**	-	**(6,925,000)**	-
Retirement benefit obligations		**6,642,818**	1,491,327	**6,642,818**	1,491,327
Interest expense		**485,522**	601,535	**485,522**	601,535
Profit on sale of property, plant and equipment		**-**	(70,500)	**-**	(70,500)
Profit on sale of financial assets		**(835,828)**	(3)	**(835,828)**	(3)
Interest income		**(17,883,470)**	(15,680,669)	**(17,880,721)**	(15,675,525)
Dividend income		**(1,506,567)**	(1,518,149)	**(1,506,567)**	(1,518,149)
Change in gross outstanding claims and IBNR		**1,002,000**	14,809,412	**1,002,000**	14,809,412
Change in gross unearned premiums		**12,706,038**	9,100,070	**12,706,038**	9,100,070
		59,577,865	45,046,107	**58,841,390**	44,857,392
Changes in working capital :					
-trade and other receivables		**4,106,089**	810,909	**4,122,754**	809,682
-trade and other payables		**(6,476,306)**	1,091,375	**(6,589,552)**	1,108,751
Cash generated from operations	Rs.	**57,207,648**	46,948,391	**56,374,592**	46,775,825

29. NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

(b) Non-cash transactions

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
Total cost of property, plant and equipment		**Rs.**	Rs.	**Rs.**	Rs.
acquired (note 5)		**3,318,989**	27,031,390	**3,225,974**	27,031,390
Acquisition of property, plant and equipment					
using finance leases		**-**	(1,660,000)	**-**	(1,660,000)
Amount paid	Rs.	**3,318,989**	25,371,390	**3,225,974**	25,371,390

(c) Cash and cash equivalents

		THE GROUP		THE COMPANY	
		2013	2012	**2013**	2012
		Rs.	Rs.	**Rs.**	Rs.
Cash in hand and at bank	Rs.	**32,546,387**	49,870,630	**32,324,171**	49,771,204

30. CONTINGENT LIABILITIES

Insurance claims

The Group and Company is possibly exposed to contingent liabilities amounting to about Rs.155,352,393 (2012: Rs.149,943,393) representing various potential litigations. These contingent liabilities has already been fully provided for in note 19(a).

31. RELATED PARTY TRANSACTIONS

Details of related parties	Relationship	Type of transaction	THE GROUP 2013	THE GROUP 2012	THE COMPANY 2013	THE COMPANY 2012
			Rs.	Rs.	**Rs.**	Rs.
Sale of services:						
Directors	Shareholder	Insurance premium	**30,000**	82,670	**30,000**	82,670
Agents	Shareholder	Insurance premium	**11,433,649**	13,050,135	**11,433,649**	13,050,135
Expenses:						
Post-employment retirement plan	Director	Employment benefits	**5,984,493**	-	**5,984,493**	-
GFA Investment Ltd	Subsidiary	Rental expense	-	-	**208,696**	208,696
Amount owed by:						
Agents	Shareholder	Insurance Receivables	**396,644**	1,099,314	**393,644**	1,099,314
Executive Director	Shareholder/ Executive Director	Loan	**3,509,908**	2,800,000	**3,509,908**	2,800,000
Other related party transactions:						
Director	Shareholder/ Director	Rent paid	-	71,250	-	71,250
Agents	Shareholder/ Director	Commission paid	**2,165,412**	2,489,451	**2,165,412**	2,489,451
Director	Director/ Shareholder	Purchase of freehold land and building	-	15,000,000	-	15,000,000
Amount owed by:						
GFA Investment Ltd	Subsidiary	Loan	-	-	**10,751,054**	11,371,054

31. RELATED PARTY TRANSACTIONS (CONT'D)

(a) The loan to subsidiary is interest-free and has no fixed repayment terms. The loans to directors bear interest at rate of 3% p.a.

(b) For the year ended December 31, 2013, the Group and the Company have not recorded any impairment of receivables relating to amounts owed by related parties (2012: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

(c) **Key Management Personnel Compensation**

		THE GROUP AND THE COMPANY	
		2013	2012
		Rs.	Rs.
Salaries and short-term employee benefits		**6,759,352**	5,792,400
Post-employment benefits		**5,984,493**	-
	Rs.	**12,743,845**	5,792,400