G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

ANNUAL REPORT - YEAR ENDED

DECEMBER 31, 2018

G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

TABLE OF CONTENTS - DECEMBER 31, 2018

THE DIRECTORS OF G.F.A. INSURANCE LTD IN OFFICE DURING THE YEAR ENDED DECEMBER 31, 2018 WERE AS FOLLOWS:

Members of the Board of Directors
Mr. Abdool Rahman (Abdel) Ruhomutally (Managing Director)
Mr. Aadil Ruhomutally (Deputy Managing Director as from March 19, 2018)
Miss Najah Ruhomutally (Executive Director)
Mr. Mohammad Alaoud Ruhomutally (Non-Executive Director as from July 27, 2018)
Mr. Birendranuth Sowambur (Non Executive Director)
Mr. Mohammad Shafa-at-Rally Oozeer (Non Executive Director as from September 7, 2018)
Dr. Yagasoondaren Ganeshan (Non Executive Director up to June 26, 2018)

Independent Directors
Me. Rashad Daureeawo (Chairman) (as from March 19, 2018)
Mr. Raj Kishore Ramsaha (as from March 13, 2018)
Mr. Kader Mungly (Chairman) (up to January 22, 2018)
Mr. Mohammad Ehsan Hosenie (up to February 5, 2019)

Me. MOHAMMAD RASHAD DAUREEAWO, SC –INDEPENDENT DIRECTOR & CHAIRMAN

Appointed on March 19, 2018 as Independent Director & Chairman.

Rashad Daureeawo, SC, is head of RD Chambers. He is a senior counsel of Mauritius with over 40 years' experience at the Bar of Mauritius. He has a broad consultancy and litigation practice assisting domestic as well as international clients across the full spectrum of laws. He has regularly acted as Counsel before committees, tribunals and all Courts of Mauritius as well as in arbitration cases and also as Legal advisor to several parastatal and local government bodies. He has served as Chairman of M.A.S.A, National Pension Board and MEDCO amongst others.

Rashad has contributed greatly to developments and reform in the legal field, in particular having previously held the position of chairman of the Mauritius Bar Council and member of Law Reform Commission. He is a consultant of the United Nations Association (Mtius). He is the President of Middle Temple Association (Mauritius).

Rashad has resumed practice at the Bar after a period of about three years on overseas assignment as High Commissioner of Mauritius

Mr. ABDOOL RAHMAN (ABDEL) RUHOMUTALLY – MANAGING DIRECTOR

Executive Director appointed in June 2005. Deputy Managing Director up to December 12, 2013 and appointed as Managing Director on December 13, 2013

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 8 March 2013 Abdel was nominated Honorary President of the NGO Club Sportif Zenfan Vallée Pitot (Naw-N-Sha).

Mr. AADIL RUHOMUTALLY – DEPUTY MANAGING DIRECTOR & CLAIMS MANAGER

Alternate to Miss Najah Ruhomutally up to May 2016, full-fledged Executive Director as from June 23, 2016 and appointed as Deputy Managing Director as from March 19, 2018

Mr Aadil Ruhomutally graduated in Financial Mathematics from University of Kent, United Kingdom. He also holds a BA in Business and Finance from Heriot Watt University, Edinburg, Scotland. He has a good background of the automotive industry. He joined the Company in 2011 as Assistant Administrative Officer. He has always been very much exposed to claims issues since he joined the Company. He was also the Branch Manager from 2016 to March 2018. He is presently the Deputy Managing Director and Claims Manager of the Company.

Miss NAJAH RUHOMUTALLY

Director appointed in September 1996 and up to May 2016, alternate to Mr. Aadil Ruhomutally as from November 2016 and appointed as Executive Director on July 11, 2017

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. MOHAMMAD ALAOUD RUHOMUTALLY – NON EXECUTIVE DIRECTOR

Executive Director appointed in September 1996. Managing Director up to December 2013, appointed as Non-Executive Chairman in January 2014, appointed as Co-Managing Directors on October 18, 2017 and recently appointed as Non Executive Director on July 27, 2018

Mr M. Alaoud Ruhomutally has been associated with the insurance sector for more than 40 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 as 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. SHAFA-AT RALLY MOHAMMAD OOZEER

Non Executive Director appointed on September 7, 2018

Mr Shafa-at Oozeer is a graduate holding Bsc (Hons) in Management from the University of Technology (Mauritius). He has an international diploma in business from NCC Education Manchester, United Kingdom and has passed the examination of the Association of Chartered Certified Accountants UK (ACCA) level 1. Moreover, he holds a Certificate in the Financial Services from the Economic Development Board. Shafa-at Oozeer possesses managerial experience in sales and marketing. He reckons about ten years' experience in the field of Aviation, Travel and Tourisms. He has also worked as senior Customer Service Officer with Air Mauritius Ltd at the SSR international Airport for several years. Shafa-at Oozeer attended various International workshops in Aviation and other fields such as: Aviation security, Dangerous Goods Regulation, Ramp Safety, Emotional Intelligence and Up lifting Service Champion. Mr Shafa-at is also a social worker and a member of the Muslim Benevolent & Welfare Society.

Dr. YAGASOONDAREN GANESHAN, MSK – NON EXECUTIVE DIRECTOR
Director appointed from July 11, 2017 up to June 26, 2018

Dr. Yagasoondaren Ganeshan was appointed as Director on July 11, 2017. He holds a Bachelor of Medecine (MBBS) from the Thanjavur Medical College – Madras University, India and also holds a Specialisation in MD Radiology from the Banaras Hindu University of India. He has started working as General Medical Practitioner in both Private and Public Services. After his graduation, he was appointed as Specialist in the Public Sector and is now a Consultant Radiologist.

Mr. BIRENDRANUTH SOWAMBUR – INDEPENDENT DIRECTOR
Director appointed in June 2006

Mr Birendranuth Sowambur was appointed as an Independent Director of the Company on 1 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 and resigned on February 5, 2019

Mr Ehsan Hosenie is a former Administrator of the Ministry of Education. He reckons more than 40 years' service in the Public Sector. 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.

Mr. RAJ KISHORE RAMSAHA – INDEPENDENT DIRECTOR
Director appointed on March 13, 2018

Me. Raj Ramsaha holds as Masters in Law from the University des Science Sociales- Toulouse, France. He is a member of the Bar since 1992. He is a Law Practioner since 1992 in the field of Criminal, Civil and Commercial matters. He is also a Former Chairperson of the Motor Vehicle Insurance Arbitration Committee (MVIAC) and Former Municipal Councillor of Beau Bassin Rose Hill. Me. Raj Ramsaha has been the Legal advisor of several groups and corporate Bodies namely; Mauritius College of the Air, Mauritius Meat Authority, National Transport Corporation (NTC), Municipal Council of Beau Bassin/Rose Hill, Viva Voce Ltd. He is presently the Independent Director of Frontiere Reassurance Limitee Pcc and a Board member and Legal Adviser of Viva Voce Ltd (Radio one).

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

Mr. AADIL RUHOMUTALLY
– DEPUTY MANAGING DIRECTOR & CLAIMS MANAGER
The profile of Mr. Aadil Ruhomutally is given on Page 1(a).

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 35 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 RAFFEEK SUFURHALLY, BSc, FIII, MBA
- COMPLAINTS COORDINATOR, MONEY LAUNDERING OFFICER AND RISK 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 a Fellow Member of the Insurance Institute of India. He holds a Master in Business Administration (MBA) since October 2016. Raffeek joined GFA in 2007. His appointment as Risk Officer of the Company has been approved by the Financial Services Commission on 20 February 2017.

Mr JUGDEO NAGINLAL, FCCA
- FINANCIAL CONSULTANT/COMPANY SECRETARY
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 GFA 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 14 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
She is a senior officer of the Company and reckons more than 15 years of dedicated and loyal service. She is the current HR Officer and is also in charge of the Administration and Secretarial Department.

STATEMENT OF COMPLIANCE

(Pursuant to Section 75(3) of the Financial Reporting Act)

Name of PIE: G.F.A Insurance Ltd (the Company)
Reporting Period: December 31, 2018

We, the Directors of G.F.A Insurance Ltd, confirm that, to the best of our knowledge, the Company has not fully applied the principles of the Code of Corporate Governance, for the reasons stated below:

Areas of non-application of the Code		**Explanation for non-application**
Principle 4	Disclosure of the remuneration paid to each individual director	The Board is of the opinion that the remuneration of individual Directors is sensitive information and has resolved not to disclose such information in the annual report.
Principle 4	The Board has not conducted an evaluation of its effectiveness and of its individual directors this year.	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.

....

Rashad Daureeawo, SC
Chairman

Date: March 25, 2019

....

AbdoolRahman (Abdel) Ruhomutally
Managing Director

Date: March 25, 2019

GFA Insurance Ltd which was incorporated on September 13, 1996 qualifies as a public interest entity as defined under the Financial Reporting Act 2004. The Board of Directors is responsible for leading and controlling the company and is committed to high standards of corporate governance. The new code on Corporate Governance is based on an "Apply and Explain" methodology. In line with good governance principles and best practices, GFA Insurance Ltd has decided to embark towards an adoption of the new code, which is based on eight principles. The Board recognizes whilst there is much yet to be achieved, it humbly considers that it has applied most of the principles of the new code throughout year ended December 31, 2018.

This report will be made available on the GFA Insurance website: www.gfainsurance.mu

PRINCIPLE ONE - GOVERNANCE STRUCTURE

Governance

The Constitution of the Company defines the role, function and objectives of the Board of Directors and of its Chairperson.

The Board of Directors of GFA Insurance Ltd assumes responsibility for leading and controlling the organisation and meeting all legal and regulatory requirements.

Legal Duties

All of the Directors on Board including alternate directors are aware of their fiduciary duties at the time of their appointment.

The Board has approved the following documents:

- Code of Ethics
- Board Charter
- Organisation Chart

Code of Ethics

The Company has a Code of Ethics which is based on 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.

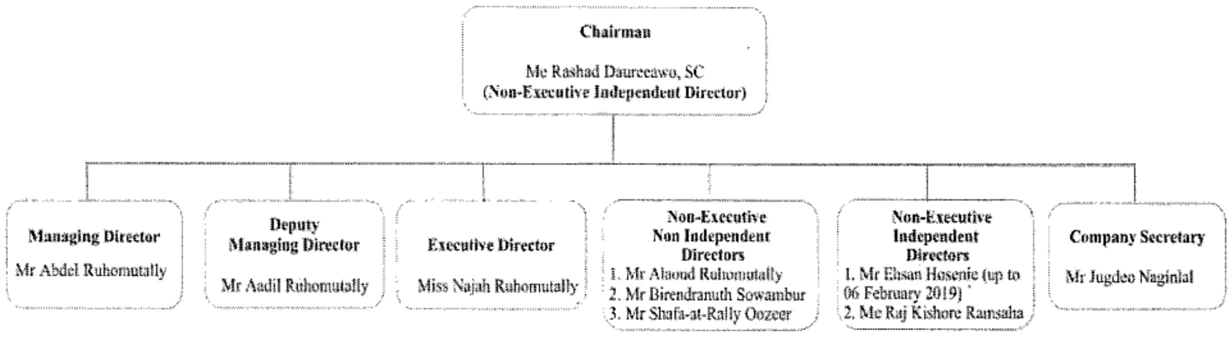
The Code of Ethics was reviewed after more than ten years and approved by the Board of Directors. The revised code reflects the values of the Company. The code will be constantly monitored and updated at regular intervals.

Board Charter

The Board of Directors has approved the Board Charter.

The Charter defines, inter alia, the role, function and objectives of the Board of Directors, various board committees, Chairperson, Managing Director and senior management. It also sets out how they interact in order to promote efficient, transparent and ethical functioning/decision making processes within the Company.

Board Structure



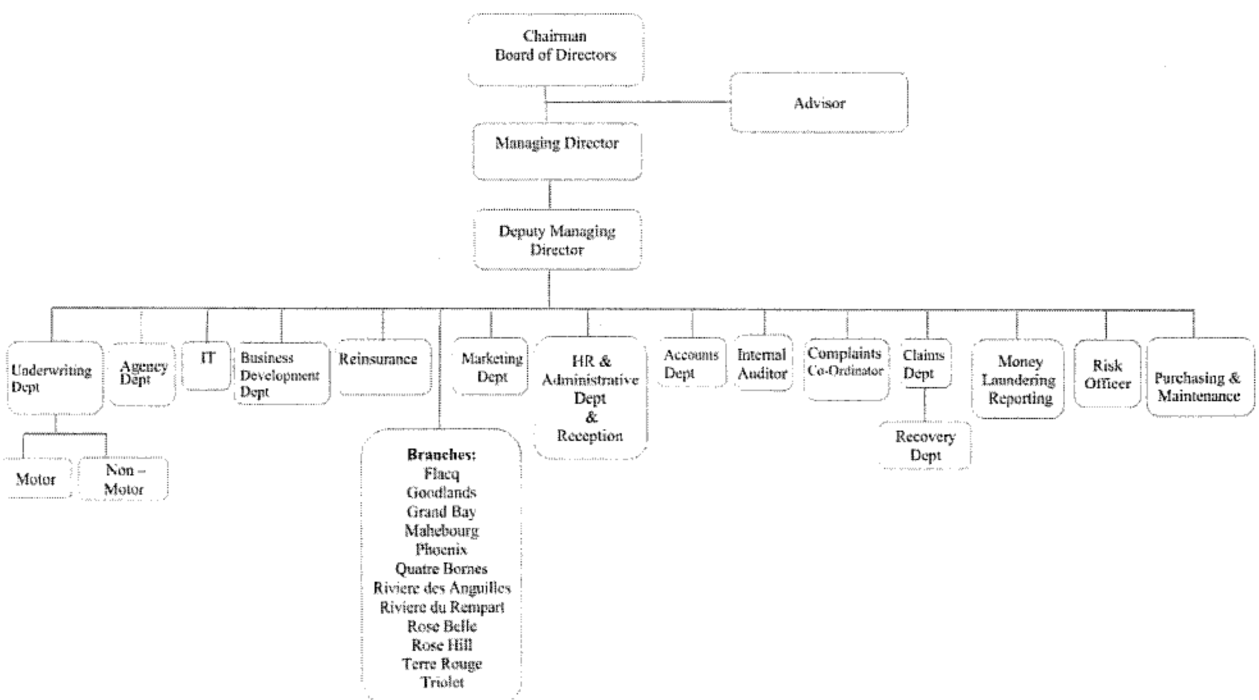
External Auditor: BDO

Actuaries: M/S K.A.PANDIT (Consultants & Actuaries)

Internal Auditor: GHANSYAM HURRY FCCA (As from April 2018)

The Board Structure is available on the GFA Insurance website: www.gfainsurance.mu.

Organisation Chart



The Organisational Structure is available on the GFA Insurance website: www.gfainsurance.mu.

Key Governance Responsibilities and Accountabilities

The Board takes particular note of the following key governance position which are vital to the Board performing against its strategy and achieving a high level of good governance. The Board has approved the following job descriptions for key governance positions at the Organisation

1. Chairman of the Board

- Provides overall leadership
- Ensures smooth functioning of the Board
- Encouraging active participation of each Director in discussions
- Makes sure the Board is aware of the Company's and Group's affairs and assumes its obligations to all shareholders and other stakeholders.

2. Managing Director

- Responsible for the day to day running of the Company's and Group's operations.
- Leads and directs senior management to implement the strategy and policies set by Board
- Provides insights for short and medium term development of Company's and Group's operations.

3. Non-Executive Directors & Independent Directorships

- Monitor the delivery of the agreed strategy within the risk and control framework set by the Board
- Constructively challenge the Executives Directors and Management of the Company

4. Company Secretary

- Prepare and circulate agendas of Board, Board Committees and Shareholders meetings and any supporting papers, takes minutes of meeting and circulate same to members
- Ensure that the appointment of Directors is properly carried out
- Provides assistance and information on governance and corporate administration matters

Guides the Board on the Director's statutory duties under the laws, disclosure obligations and corporate governance requirements and effective Board processes and ensures that the Company complies with its Constitution.

PRINCIPLE TWO - THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

Board of Directors

GFA Insurance Ltd is led by an effective and highly committed unitary Board. At December 31, 2018, it consisted of nine directors, three of whom are independent non-executives, three non-executives and three full time executive directors. Each director is appointed according to his/her skills, knowledge and expertise required on the board and also on the understanding of the amount of time and care that he/she will need to devote to the Board and to the Company for it to prosper.

Profiles of directors and details of other directorships

The profiles of the directors are disclosed on pages 1 to 1(b) of this report.

All the Directors are citizens and resident of Mauritius.

Balance and diversity

Age	60 – 69 years old	4 directors
	50 – 59 years old	1 director
	40 – 49 years old	3 directors
	30 – 39 years old	1 director

Length of tenure	0 – 3 years old	4 directors
	3 – 5 years old	0 director
	More than 5 years	5 directors

Gender Balance of the Board

The Code provides that all organisation should have directors from both genders as members of the Board, for example, one male and one female director. As at December 31, 2018, the Company's Board comprised of one female director.

Key roles and responsibilities

The Board operates under the direction of the Chairperson, Me Rashad Daureeawo, who is a Senior Counsel. There is a clear division of responsibility between the Chairperson and the Managing Director, Mr Abdel Ruhomutally. Whilst the Chairperson has overall responsibility that all directors participate fully and constructively in the functioning of the Company and in the decision making process for leading the Board and ensuring effectiveness, the Managing Director is responsible for managing and leading the business of the Company.

The Board plays a key role in determining the Company's direction, monitoring its performance and overseeing risks and is collectively responsible for the long-term success of the Company. The Board of Directors is committed to the highest standards of business integrity, transparency and professionalism so as to ensure the continued prosperity of the Company.

The Board is also responsible for ensuring that the Company's activities are managed ethically and responsibly, in line with relevant laws and regulations, so as to protect and enhance shareholder's value.

Key roles and responsibilities (cont'd)

The following table gives the record of attendance at board meetings for the year under review:

Name of Directors	**Number of meetings attended**
Me Rashad Daureeawo SC (appointed March 19, 2018)	7 out of 8
Mr Alaoud Ruhomutally	9 out of 9
Mr Abdel Ruhomutally	9 out of 9
Mr Aadil Ruhomutally	7 out of 9
Miss Najah Ruhomutally	3 out of 9
Mr Takoorpersad Seewoodoyal (alternate to Miss Najah Ruhomutally up to June 26, 2018)	2 out of 3
Mr Ehsan Hosenie (up to February 5, 2019)	6 out of 9
Mr Raj Ramsaha (appointed March 13, 2018)	8 out of 8
Mr Birendranuth Sowambur	9 out of 9
Mr Shafa-at-Rally Oozeer (appointed September 7, 2018)	2 out of 2

Board Committees

The Board of Directors, for assistance in its functions is supported by four main sub-committees, namely Corporate Governance Committee, Audit and Risk Committee, Investment Committee, Nomination and Remuneration Committee which make recommendations on matters delegated to them. The various committees are chaired by experienced chairpersons who then report their activities to the Board.

The terms of reference of the above board's committees were duly approved by the Board during the year. The Board also ensures that, with the Company Secretary's participation, all board members have unhindered access to information so that they may contribute in a meaningful way to board meetings and are able to take informed decisions.

Corporate Governance Committee

The Corporate Governance Committee is appointed by the Board. The terms of reference of the Corporate Governance Committee was approved at a Board meeting held on August 8, 2018.

The Committee fulfils two main tasks:

- It is responsible for implementing The Code of Corporate Governance for Mauritius throughout the Company and for ensuring that the reporting requirements on Corporate Governance are made in accordance with the principles enunciated in The Code.
- It makes recommendations to the Board on the appointment of new executives, non-executive directors and advises on the composition of the Board in general and the balance between executive and non executive directors and on succession planning.

Composition

Members	Category
Mr Raj Ramsaha	Independent Non-Executive Director (Chairperson)
Mr Ehsan Hosenie	Independent Non-Executive Director
Mr Birendranuth Sowambur	Non-Executive Director

All members attended the one meeting held in 2018.

Annual effectiveness review

The Corporate Governance Committee confirms that, for the year under review, it has met its key objectives and carried out its responsibilities effectively in accordance with its Terms of reference.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities.

The Committee focuses on:
- Managing the Company's risk policies;
- Review the Company's risk profile against risk appetite and effectiveness of risk management framework;
- Assess the effectiveness of the internal control processes;
- Review and approve the budget, including the budget for capital expenditure;
- Review the integrity of the financial statements;
- Review the effectiveness of the statutory auditors.

Composition

Members	Category
Mr. Raj Ramsaha	Independent Non-Executive Director (Chairperson)
Mr. Ehsan Hosenie	Independent Non-Executive Director
Mr. Birendranuth Sowambur	Non-Executive Director

Attendance at Audit and Risk Committee meetings in FY 2018

Members	Number of meetings attended
Mr. Raj Ramsaha	3 out of 3
Mr. Ehsan Hosenie	3 out of 3
Mr. Birendranuth Sowambur	3 out of 3

The meetings are also attended by the Managing Director, Finance Manager and the internal and external auditors as and when required.

Matters considered in FY 2018

During the year under review, the Audit and Risk Committee met three times. Matters discussed with respect to the Company included:

- Review and recommendation to the Board for approval of the annual financial statements at December 31, 2017
- Review of the several reports submitted by the internal auditor and the follow up on his recommendations.

Annual effectiveness review

The Audit and Risk Committee of GFA Insurance Ltd confirms that, for the year under review, it has not fully met its key objectives and carried out its responsibilities effectively in accordance with its Terms of Reference as it has not yet considered the Management Letter of the external auditors and the risk report prepared by the consultant.

Remuneration Committee

The main task of the Remuneration Committee is to determine and to review the basic salary and other benefits attributable to the Senior Management and also that of the Directors of the Company.

Composition

Members	Category
Mr Abdel Ruhomutally	Managing Director (Chairperson)
Mr Aadil Ruhomutally	Deputy Managing Director
Mr Alaoud Ruhomutally	Non-Executive Director

This committee is chaired by Mr Abdel Ruhomutally; it is a clear indication of his commitment to ensure that efforts and hard work of employees, at all levels (Executive Directors to Staff grade) are adequately compensated.

Appointment Committee

The main Term of Reference of the Appointment Committee is to:

- To guide and monitor the process for recruitment, appointment, election and re-election process of the executives of the Board and Committee

Composition

Members	Category
Me Rashad Dawreeawo, SC	Chairperson
Mr Abdel Ruhomutally	Managing Director
Mr Alaoud Ruhomutally	Non-Executive Director

The Committee held one informal meeting to recommend the appointment of a Non-Executive Director.

Investment Committee

The terms of reference of the Investment Committee are:
- To review and approve periodically the investment policies of the Company;
- To monitor the performance of the asset portfolio against the agreed benchmarks and targets;
- To determine an appropriate investment strategy, including asset mix.

Composition

Members	Category
Mr Alaoud Ruhomutally	Non-Executive Director (Chairperson)
Mr Abdel Ruhomutally	Managing Director
Mr Jugdeo Naginlal	Financial Consultant/Company Secretary

NOTE: The Charter for all Committees is available on the Company's website from this year.

PRINCIPLE THREE - DIRECTORS APPOINTMENT PROCEDURES

Recommendation by the Appointment Committee to the Board of Directors
↓
Appointment of new director by the Board of Directors
↓
Newly appointed director is subject to election in first year of appointment by the shareholders at the Annual Meeting
↓
Once appointed, every year, the Directors stand for re-election at the Company's Annual Meeting

As part of its mandate, the Nomination Committee and the Board carefully consider the needs of the Company in appointing Directors onto the Board. The following factors are carefully considered:

- Skills, knowledge and expertise of the proposed Director;
- Previous experience as a Director;
- Reputation of the proposed Director;
- Independence where required;
- Conflicts of Interests.

To this end, the Board, through the Nomination Committee follows a rigorous, formal and transparent procedure to select and appoint new Directors.

Biography of the Company Secretary - Mr Jugdeo NAGINLAL, FCCA

The profile of Mr. Jugdeo Naginlal is given on Page 2.

Board Induction

The Company Secretary assists the Chairperson in ensuring that an induction programme is in place for all new directors to acquire sufficient knowledge and understanding on the nature of business, and the opportunities and challenges facing the industry, to enable them to effectively contribute to strategic discussions. All newly appointed directors receive an induction pack containing documents pertaining to their role, duties and responsibilities. In addition, the Company Secretary and the Chairperson remain available for one-to-one briefings and new directors are invited to meet members of the management of GFA Insurance Ltd.

Professional development and training

Directors are encouraged, as far as possible, to keep themselves up to date, with the latest trends and best professional practices.

Time commitments

Board members are expected to dedicate such time as is necessary for them to effectively discharge their duties. Directors have a duty to act in the best interests of the company and are expected to ensure that their other responsibilities do not impinge on their responsibilities as Directors.

Succession planning

The Board assumes full responsibility for succession planning. The Board of Directors believes that good succession planning contributes further to the delivery of the company's strategy by ensuring the desired mix of skills and experience of current and future board members. The Board is also committed to recognising and nurturing talent within executive and management levels to ensure that the Company creates opportunities to develop current and future leaders.

The Committee shall periodically review probable vacancy in the position of Senior Management Team which may arise due to retirement, resignation, death or incapacity whether temporary or permanent. The Board shall strive to fill such vacancy within internal modes through elevation and in case no suitable candidate is available to fill the position, only then external candidates shall be considered.

The Committee may also resolve to engage the services of such retired executive/member of senior management on a contractual basis subject to his/her willingness to serve the Company in such capacity.

Board Evaluation

No evaluation of the Board or its committees was carried out during the year under review. The Directors forming part of the Board of GFA Insurance Ltd, especially those who are members of Board committees, have been appointed in the light of their wide range of working experience and professional background.

PRINCIPLE FOUR - DIRECTORS' DUTIES REMUNERATION AND PERFORMANCE

Director's Duties

All the Directors on the Board including any alternate Directors are fully aware of their duties. Once appointed on the Board, the Director receives the following documents pertaining to his/her duties and responsibilities:

- Directors' code of Conduct
- Governance Charter
- Code of Ethics
- The Constitution of the Company

REMUNERATION OF DIRECTORS

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

	2018 **Rs.**	2017 Rs.
Executives Directors	**10,963,920**	8,774,376
Non-executive & Independent Directors	**2,190,562**	1,405,822

The Directors did not receive any remuneration from its subsidiary.

The Directors' remuneration is disclosed by category and not individually in view of confidentiality and sensitivity of the information.

DIRECTORS' SERVICE CONTRACTS

Mr. Abdool Rahman (Abdel) Ruhomutally, Miss Najah Ruhomutally and Mr. Aadil 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.

Interests Register, Conflict of Interest

As a Public Interest Entity (PIE), the Company makes every effort to ensure that the Directors disclose any interest in writing to the Board. Also, the Directors' Code of Conduct contains provision to prevent any conflict of interest. An Interest Register, which is updated on an annual basis, is maintained by the Company Secretary. Any disclosure of interest is recorded in the interest register, which is available for inspection during normal office hours upon written request to the Company Secretary. In addition, the Directors also disclosed any related party transactions.

The Principle is adhered and the Company will develop a formal policy in 2019.

Whistle Blowing

Whistle Blowing involves the act of reporting wrongdoing (e.g. malpractices, corruption, misconduct, mismanagement) within an organisation to internal and external parties. It is raising a concern about malpractices within an organisation or through an independent structure associated with it.

The Board of Directors is conscious of the need for a policy regarding whistle blowing. The Board will approve a policy on whistle blowing in 2019.

Remuneration Policy

An attendance fee is paid to directors per Board meeting. The chairperson of the board committees receives a higher remuneration fee.

The remuneration of Directors is determined on the basis of standards in the market and reflects demands to competencies and efforts in the light of the scope of their work.

The Board and Committees fees are submitted to the shareholders of the company for approval at the annual general meeting of shareholders.

RELATED PARTY TRANSACTION

Please refer to Note 31 to the Financial Statements.

INFORMATION, INFORMATION TECHNOLOGY AND INFORMATION SECURITY GOVERNANCE

Information Security Policy is a key component of the Company's overall information security management framework. The Board is responsible for the governance information. It is the role of senior executives to manage information technology and ensure information security. Since years back, information policies are applicable at GFA Insurance Ltd. It reflects Management intents on information security commitments. The main programs and guidelines covered by the said policy are listed below:

- Antivirus Management Procedures
- Backup Procedures
- Date Destruction Procedures
- Incident Management Procedures
- Information Handling Procedures
- Log Review Procedures
- Patch Management Procedures
- User Account Management Procedures
- Guidelines Server Rooms
- Guidelines User

Besides, our Company is well equipped by Disaster Recovery (DR) to secure the Company's valuable data, software, server and applications securely.

INFORMATION, INFORMATION TECHNOLOGY AND INFORMATION SECURITY GOVERNANCE (CONT'D)

The aim of this policy is to establish and maintain the security and confidentiality of information, information systems, applications and networks owned or held by the Company. In this respect, security solutions are being deployed to keep abreast of new security threats. The policy applies to all information, information systems, networks, applications, locations, and users of the Company or supplier under contract to it.

PRINCIPLE FIVE - RISK GOVERNANCE AND INTERNAL CONTROL

The Directors are responsible for maintaining an effective system of internal control and risk management. Though these two functions are delegated to the Audit and Risk Committee, the governance of risk, the nature and risk appetite of the Company remain the ultimate responsibility of the Board.

Other responsibilities of the Board also include:

- Ensuring that structures and processes are in place for management of risks
- Identifying the principal risks and uncertainties
- Ensuring that systems and processes are in place for implementing, maintaining, and monitoring internal controls
- Identifying any deficiency in the system of internal control

The Board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management. The Board should ensure the maintenance of a sound internal control system.

Risk Management

Regulatory Requirements

The Insurance (Risk Management) Rules 2016 ('the Rules') issued by the Financial Services Commission (FSC) require insurers registered under the Insurance Act 2005 to establish and at all times maintain a Risk Management Framework to effectively develop and implement strategies, policies, procedures and controls to manage their material risks. In doing so, insurers need to establish the following and have them approved by the Board:

- Risk Appetite Statement;
- Risk Management Strategy;
- 3-years Business Plan and Financial Forecast;
- ORSA Framework
- Liquidity Policy;
- Designated Risk Management Function; and
- Defined Responsibilities and Reporting Lines for the Management of material risks.

Regulatory Requirements (cont'd)

The existing Enterprise Risk Management (ERM) Program ensures that all requirements of the Rules are being complied with. However, given that the Framework is in a nascent stage of development and implementation GFA Insurance Ltd has developed and maintained the liquidity policy for year 2017 and basically the following:

RAS	⟶	**RTL**	⟶	**RMS**	⟶	**ORSA**

Moreover, following circular letter from the FSC Ref:CL166417/RAS the FSC issue a list of significant activities whereby all insurers would need to cover in the RAS up to the ORSA.

Since, no circular/letter has been forthcoming; GFA Insurance Ltd will request a delay to submit the documents under the Insurance (Risk Management) Rules 2016 for the year 2018.

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 and 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 and 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.

Regulatory Requirements (cont'd)

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 and Safety Legislation may result in heavy fines. The Health and 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 and Risk Committee.

The Structure, organisation and qualification of the key member of the internal audit function is available on our website: www.gfainsurance.mu

PRINCIPLE SIX - REPORTING WITH INTEGRITY

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Company law further requires the Directors to prepare financial statements in accordance with International Financial Reporting Standards for each financial year.

The Directors are also responsible for keeping adequate accounting records, explaining the Company's transactions, and disclosing, with reasonable accuracy at any time, the financial position of the Company. Moreover, the Directors have the duty to safeguard the assets of the Company and to take reasonable steps for the prevention and detection of fraud and other irregularities.

The Board should present a fair, balanced and understandable assessment of the organisation's financial, environmental, social and governance position, performance and outlook in its Annual Report and on its website.

This Annual Report will be published in full on our website: www.gfainsurance.mu

Organisational Review

The Company (GFA) is one of the emerging companies in Mauritius and was incorporated on 13 September 1996.

GFA Insurance Ltd has a subsidiary; GFA Investments Ltd. The latter subsidiary owns a five storey commercial building in Rose Hill for rental purposes.

The Company is committed to offering a quality service to the insuring public.

Organisational Review (cont'd)

Our core values include: Teamwork, trust, transparency, professionalism, integrity, honesty, innovation and IT driven operations.

The Company's operations rely on a number of resources and their interactivity. They are categorised into six capitals - which are relevant to the Company's business namely financial, human, intellectual, manufactured, social and natural capitals.

Financial Capital

The Company invests its funds generated from underwriting surpluses in quick income generated instruments like bank deposits. The investment income is used to sustain income and financial returns of the Company. Thus, reinforcing its financial stability and by extension contribute to the growth of the financial services industry.

For the year under review, the Company;

Wrote Premium in 2018: Rs.188,664,784 (2017: Rs.192,588,058)

Paid Claims in 2018: Rs142,167,833 (2017: Rs.128,036,435).

Its Underwriting Surplus was Rs.52,626,244 for 2017 and Rs.65,456,477 in 2018.

Profit for the year 2018 is Rs.31,431,880 (2017: Rs.33,542,850)

The Assets of the Company reached Rs.663,449,745 in 2018 compared to Rs.638,012,429 in 2017.

Human Capital

The Company has always boasted itself that one of its assets is its human capital. Agents are rewarded by special bonus commission if they exceed a growth rate fixed by the Company on an annual basis.

Staffs are rewarded for their effort and loyalty. The Company has a profit sharing scheme for its employees. Regular training is given to employees, so that, they can deliver efficiently and effectively. The ultimate aim being customer satisfaction.

Intellectual Capital

The Company continuously invests in technology and IT tools. This is the reason why the Company states that one of its assets is its IT-infrastructure.

Manufactured Capital

To repeat the Company depends heavily on its IT-infrastructure to carry out its business activities.

Moreover, the Company has invested more than Rs20M in its headquarters in Port Louis. Besides, the Company also owns through its subsidiary GFA Building in the centre of Rose Hill to generate more revenue from rental activities and great value for shareholders.

Social Capital

The Company associates with Non-Governmental Organisations (NGO's) on different projects relevant to its CSR objectives.

The Company also support the weak and vulnerable of the society.

Natural Capital

The Company being a Financial Service Provider uses electricity, water and paper forming part of natural capitals. Consequently, the Company's direct impact on environment is negligible.

However, the Company among other initiatives want to go paperless as practicable as possible.

PRINCIPLE SEVEN - AUDIT

Audit and Risk Committee

The mission of the Audit and Risk Committee is to establish formal and transparent arrangements regarding how to apply financial reporting and internal control principles and to maintain an appropriate relationship with the Company's auditors.

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.

Internal Audit

Internal Audit is an independent appraisal function which examines and evaluates the activities and the appropriateness of the systems of internal control, risk management and governance.

Internal Audit (cont'd)

Mr. Ghanshyam Hurry, FCCA, was appointed as internal auditor in April 2018. He is a Fellow of the Association of Chartered Certified Accountants (ACCA). He has more than fifteen years of experience in both accountancy, audit of domestic and global business companies. He holds an auditor's licence from the Financial Reporting Council (FRC) and is a member of Mauritius Institute of Professional Accountants (MIPA). He also holds an insolvency practitioner licence.

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 and Risk committee and the Management,
- Monitoring the implementation of the recommendations and reporting on these implementations to the Audit and Risk Committee.

Reporting Lines
The Internal Auditor has a direct reporting line to the Audit and Risk Committee and maintains an open and constructive communication with 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 and 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 to employees.

External Audit

The responsibility of the external auditor is to express an opinion on the financial statements based on their audit. They conduct their audit in accordance with International Standards on Auditing which involve ethical requirements.

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

Through its values, GFA engages itself towards meeting its different stakeholders' expectations/needs.

The diagram illustrates the key stakeholders of GFA Insurance:

The Company's relevant stakeholders are kept informed of developments on a regular basis through:

- Annual Meeting of shareholders
- Press releases
- Public communiqués
- Automatic mobile SMS
- Road shows, fairs and exhibitions
- Employees through Human Capital Function

Shareholders

All shareholders have the same voting rights.

Letter to Shareholders

A letter from the Company Secretary addressed to the shareholders is annexed with the annual financial statements. The letter provides detailed information on the proceedings for the forthcoming Annual Meeting of shareholders.

Shareholding Profile

The stated capital of the Company is made up of 25,000 ordinary shares.

Substantial Shareholders

A substantial shareholder is defined as a person who holds by him/ herself or his/ her nominee, a share or an interest in a share which entitles him/ her to exercise not less than 5% of the aggregate voting power exercisable at a shareholders' meeting.

The table below highlights the shareholders holding more than 5% ordinary shares.

Substantial shareholders of the Company as at December 31, 2018	
Mr Alaoud Ruhomutally	40.90%
Dr Abdool Raouf Ruhomutally	13.00%
Ayfa Investment Ltd	7.28%
Mrs Ww Beebee Madina Beebeejaun and Mrs Fatmahbee Ruveida Beebeejaun	5.47%

CHARITABLE DONATIONS

	2018 **Rs.**	2017 Rs.
Charitable Donations	**Nil**	Nil

CONTRIBUTION TO POLITICAL PARTIES

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

AUDITORS FEES

The fees paid to external auditors and other services were:

	2018 **Rs.**	2017 Rs.
BDO & Co:		
Audit Fees	**437,000**	425,500
Review of Insurance Return	**32,200**	31,625

The fees paid to internal auditors were:

	2018 **Rs.**	2017 Rs.
Internal Audit Fees:		
Mr. Ghanshyam Hurry	**283,850**	-
Deloitte	**-**	345,000

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:

....	....
Rashad Daureeawo, SC	**Abdool Rahman (Abdel) Ruhomutally**
Chairman	**Managing Director**
Date: March 25, 2019	Date: March 25, 2019

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: 25 MAR 2019

BDO

Tel : +230 202 3000
Fax: +230 202 9993
www.bdo.mu

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

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of G.F.A. Insurance Ltd

Report on the audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of G.F.A. Insurance Ltd and its subsidiary (the Group), and the Company's separate financial statements (the Company) on pages 6 to 55 which comprise the statements of financial position as at December 31, 2018, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 6 to 55 give a true and fair view of the financial position of the Group and of the Company as at December 31, 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONT'D)
To the Shareholders of G.F.A. Insurance Ltd

Report on the Financial Statements (cont'd)

KEY AUDIT MATTER	AUDIT RESPONSE
1 Receivable from insurers/reinsurers	
At December 31, 2018, the Group's trade and other receivables included an amount of Rs.39,180,189 (2017: Rs.46,809,287) for receivables from insurers/ reinsurers. The Group uses historical data in determining the recoverability of its receivables from insurers. Receivables from reinsurers arising from risks ceded requires judgement to reflect the credit risk exposure attached to the assets. The Company assesses the recoverability of these assets and amounts which cannot be recovered are provided for.	We tested the design and implementation and operating effectiveness of key controls over the identification of impaired assets and impairment process. We also reviewed the methodology and judgement used and challenged management's key assumptions used in assessing impairment. In addition, we requested external confirmation of the outstanding amount from counterparties and re-insurers, and where responses were poor, we performed alternative tests to ensure existence and accuracy of those receivables.
Refer to note 4.2 and note 14 of the accompanying financial statements.	

KEY AUDIT MATTER	AUDIT RESPONSE
2 Provision for Gross outstanding claims and Incurred but not yet reported (IBNR)	
At December 31, 2018, the Group's outstanding claims provision amounted to Rs.215,555,242 (2017: Rs.223,931,767). Outstanding claims provisions and IBNR are 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. Thus, significant judgement and estimates are used to determined the provision for outstanding claims.	We reviewed the Group's procedures in providing for outstanding claims and tested a samples of claims files to ensure the accuracy and adequacy of claim provisions made during the year under review and at the end of the reporting period. In addition, we reviewed that data sent to the external actuary to determine the provision for IBNR.
Refer to note 2(iv), note 3.1(c), note 4.1(a), note 17 and note 18 of the accompanying financial statements.	

INDEPENDENT AUDITOR'S REPORT (CONT'D)
To the Shareholders of G.F.A. Insurance Ltd

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Corporate Governance Report

Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the public interest entity has, pursuant to Section 75 of the Financial Reporting Act, complied with the requirements of the Code.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and 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.

In preparing the financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO

INDEPENDENT AUDITOR'S REPORT (CONT'D)
To the Shareholders of G.F.A. Insurance Ltd

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with, or interests in, the Company or any of its subsidiary, other than in our capacity as auditors 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.

Insurance Act 2005

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

Other matter

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

BDO & Co
Chartered Accountants

Port Louis,
Mauritius.
March 25, 2019

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

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2018

		THE GROUP		THE COMPANY	
	Notes	2018	2017	2018	2017
ASSETS		Rs.	Rs.	Rs.	Rs.
Non-current assets					
Property, plant and equipment	5	57,889,989	58,046,945	57,882,367	57,896,564
Investment property	6	81,200,000	74,250,000	24,200,000	18,250,000
Intangible assets	7	994,244	706,941	994,244	706,941
Investment in subsidiary company	8	-	-	25,000,000	25,000,000
Statutory deposits	9	6,000,000	8,000,000	6,000,000	8,000,000
Investment in financial assets	10	85,126,405	45,091,660	85,126,405	45,091,660
Fixed deposits	11	316,000,000	305,800,000	313,500,000	303,500,000
Deferred tax assets	12	2,440,369	1,842,427	-	-
Loans to related parties	13	4,721,726	5,883,605	4,721,726	5,883,605
		554,372,733	499,621,578	517,424,742	464,328,770
Current assets					
Statutory deposits	9	2,000,000	-	2,000,000	-
Trade and other receivables	14	50,265,624	62,697,179	50,056,194	62,421,250
Loans to related parties	13	1,161,880	1,328,595	1,161,880	1,328,595
Short-term deposits	11	74,300,000	86,000,000	73,500,000	86,000,000
Current tax assets	22(a)	-	361,229	-	361,229
Cash and cash equivalents	29(b)	20,870,876	24,863,571	19,306,929	23,572,585
		148,598,380	175,250,574	146,025,003	173,683,659
Total assets	Rs.	702,971,113	674,872,152	663,449,745	638,012,429
EQUITY AND LIABILITIES					
Capital and Reserves (attributable to owners of the parent company)					
Share capital	15	25,000,000	25,000,000	25,000,000	25,000,000
Other reserves	16	7,172,950	6,488,654	7,172,950	6,488,654
Retained earnings		313,447,418	284,920,159	282,915,135	255,483,255
		345,620,368	316,408,813	315,088,085	286,971,909
Technical provisions					
Gross outstanding claims and IBNR	18(a)	215,555,242	223,931,767	215,555,242	223,931,767
Gross unearned premiums	18(b)	99,094,033	100,068,612	99,094,033	100,068,612
		314,649,275	324,000,379	314,649,275	324,000,379
Non-current liabilities					
Retirement benefit obligations	20	12,150,000	10,097,900	12,150,000	10,097,900
Deferred tax liabilities	12	10,520,944	8,247,124	1,822,583	1,206,164
		22,670,944	18,345,024	13,972,583	11,304,064
Current liabilities					
Trade and other payables	21	17,123,211	16,084,941	16,832,487	15,703,082
Current tax liabilities	22(a)	2,907,315	-	2,907,315	-
Borrowings	19	-	32,995	-	32,995
		20,030,526	16,117,936	19,739,802	15,736,077
Total equity and liabilities	Rs.	702,971,113	674,872,152	663,449,745	638,012,429

These financial statements have been approved for issue by the Board of Directors on March 25, 2019.

Signature	**Signature**
Rashad Daureeawo, SC	Abdool Rahman (Abdel) Ruhomutally
Name of Director	**Name of Director**

The notes on pages 12 to 55 form an integral part of these financial statements.
Auditor's report on pages 5 to 5(d).

STATEMENTS OF PROFIT OR LOSS - YEAR ENDED DECEMBER 31, 2018

	Notes	THE GROUP 2018 Rs.	THE GROUP 2017 Rs.	THE COMPANY 2018 Rs.	THE COMPANY 2017 Rs.
Gross premiums		**188,664,784**	192,588,058	**188,664,784**	192,588,058
Premium ceded to reinsurers		**(13,786,584)**	(10,271,941)	**(13,786,584)**	(10,271,941)
		174,878,200	182,316,117	**174,878,200**	182,316,117
Change in unearned premiums	18(b)	**974,579**	(1,003,274)	**974,579**	(1,003,274)
Net earned premiums		**175,852,779**	181,312,843	**175,852,779**	181,312,843
Gross claims paid	18(a)	**142,167,833**	128,036,435	**142,167,833**	128,036,435
Claims recovered		**(29,132,445)**	(44,542,312)	**(29,132,445)**	(44,542,312)
Movement in claims outstanding and IBNR	18(a)	**(8,376,525)**	37,254,202	**(8,376,525)**	37,254,202
Net claims incurred		**104,658,863**	120,748,325	**104,658,863**	120,748,325
Underwriting results		**71,193,916**	60,564,518	**71,193,916**	60,564,518
Commission receivable from reinsurers		**2,642,887**	1,844,996	**2,642,887**	1,844,996
Commission payable to agents		**(8,380,326)**	(9,783,270)	**(8,380,326)**	(9,783,270)
Net commissions payable		**(5,737,439)**	(7,938,274)	**(5,737,439)**	(7,938,274)
Underwriting surplus		**65,456,477**	52,626,244	**65,456,477**	52,626,244
Investment and interest income	23	**29,508,177**	22,677,031	**27,297,658**	21,444,491
Operating profit		**94,964,654**	75,303,275	**92,754,135**	74,070,735
Other income	24	**6,668,336**	6,459,217	**6,658,736**	6,448,217
		101,632,990	81,762,492	**99,412,871**	80,518,952
Administrative and other expenses	25(i)	**(55,492,257)**	(51,848,121)	**(55,472,004)**	(51,800,917)
Depreciation and amortisation charge	25(ii)	**(6,516,155)**	(5,241,130)	**(6,471,127)**	(5,194,105)
Profit from operations		**39,624,578**	24,673,241	**37,469,740**	23,523,930
Finance costs	26	**-**	(1,969)	**-**	(1,969)
		39,624,578	24,671,272	**37,469,740**	23,521,961
Exceptional item	27	**-**	13,300,000	**-**	13,300,000
Profit before taxation	25	**39,624,578**	37,971,272	**37,469,740**	36,821,961
Taxation	22(b)	**(7,097,319)**	(3,451,507)	**(6,037,860)**	(3,279,111)
Profit for the year	Rs.	**32,527,259**	34,519,765	**31,431,880**	33,542,850

The notes on pages 12 to 55 form an integral part of these financial statements.

Auditor's report on pages 5 to 5(d).

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2018

	Notes	THE GROUP 2018	THE GROUP 2017	THE COMPANY 2018	THE COMPANY 2017
		Rs.	Rs.	**Rs.**	Rs.
Profit for the year		**32,527,259**	34,519,765	**31,431,880**	33,542,850
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on revaluation of land and buildings	5	**3,400,445**	-	**3,400,445**	-
Income tax relating to components of other comprehensive income	12(b)	**(51,502)**	-	**(51,502)**	-
Items that may be reclassified subsequently to profit or loss:					
Change in fair value of available-for-sale financial assets	10(a)	**(2,067,900)**	4,979,840	**(2,067,900)**	4,979,840
Reclassification adjustments on disposal of financial assets		**(596,747)**	(830,707)	**(596,747)**	(830,707)
Other comprehensive income, net of income tax		**684,296**	**4,149,133**	**684,296**	4,149,133
Total comprehensive income for the year	Rs.	**33,211,555**	38,668,898	**32,116,176**	37,691,983

The notes on pages 12 to 55 form an integral part of these financial statements.
Auditor's report on pages 5 to 5(d).

G.F.A. INSURANCE LTD AND ITS SUBSIDIARY

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2018

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, 2018			25,000,000	4,260,120	2,228,534	284,920,159	316,408,813
Profit for the year			-	-	-	32,527,259	32,527,259
Other comprehensive income for the year			-	3,348,943	(2,664,647)	-	684,296
Total comprehensive income for the year			-	3,348,943	(2,664,647)	32,527,259	33,211,555
Dividends - 2018	28		-	-	-	(4,000,000)	(4,000,000)
Balance at December 31, 2018		Rs.	**25,000,000**	**7,609,063**	**(436,113)**	**313,447,418**	**345,620,368**
Balance at January 1, 2017			25,000,000	4,260,120	(1,920,599)	255,400,394	282,739,915
Profit for the year			-	-	-	34,519,765	34,519,765
Other comprehensive income for the year			-	-	4,149,133	-	4,149,133
Total comprehensive income for the year			-	-	4,149,133	34,519,765	38,668,898
Dividends - 2017	28		-	-	-	(5,000,000)	(5,000,000)
Balance at December 31, 2017		Rs.	**25,000,000**	**4,260,120**	**2,228,534**	**284,920,159**	**316,408,813**

The notes on pages 12 to 55 form an integral part of these financial statements.
Auditor's report on pages 5 to 5(d).

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2018

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, 2018			25,000,000	4,260,120	2,228,534	255,483,255	286,971,909
Profit for the year			-	-	-	31,431,880	31,431,880
Other comprehensive income for the year			-	3,348,943	(2,664,647)	-	684,296
Total comprehensive income for the year			-	3,348,943	(2,664,647)	31,431,880	32,116,176
Dividends - 2018	28		-	-	-	(4,000,000)	(4,000,000)
Balance at December 31, 2018		Rs.	**25,000,000**	**7,609,063**	**(436,113)**	**282,915,135**	**315,088,085**
Balance at January 1, 2017			25,000,000	4,260,120	(1,920,599)	226,940,405	254,279,926
Profit for the year			-	-	-	33,542,850	33,542,850
Other comprehensive income for the year			-	-	4,149,133	-	4,149,133
Total comprehensive income for the year			-	-	4,149,133	33,542,850	37,691,983
Dividends - 2017	28		-	-	-	(5,000,000)	(5,000,000)
Balance at December 31, 2017		Rs.	**25,000,000**	**4,260,120**	**2,228,534**	**255,483,255**	**286,971,909**

The notes on pages 12 to 55 form an integral part of these financial statements.

Auditor's report on pages 5 to 5(d).

STATEMENTS OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2018

		THE GROUP		THE COMPANY	
	Notes	**2018**	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Cash flows from operating activities					
Cash generated from operations	29(a)	**23,278,037**	31,923,316	**22,154,847**	30,315,313
Interest paid		**-**	(1,969)	**-**	(1,969)
Tax paid	22(a)	**(2,605,370)**	(4,175,678)	**(2,605,370)**	(4,175,678)
Net cash generated from operating activities		**20,672,667**	27,745,669	**19,549,477**	26,137,666
Cash flows from investing activities					
Purchase of property, plant and equipment		**(3,145,768)**	(15,729,575)	**(3,145,768)**	(15,729,575)
Proceeds from sale of property, plant and equipment		**1,676,000**	840,000	**1,676,000**	840,000
Purchase of intangible assets		**(503,930)**	(70,750)	**(503,930)**	(70,750)
Purchase of investment in financial assets	10	**(51,244,121)**	(12,205,877)	**(51,244,121)**	(12,205,877)
Proceeds from disposal of financial assets		**9,214,923**	1,877,277	**9,214,923**	1,877,277
Proceeds from investments in BAI Group of Companies		**-**	13,300,000	**-**	13,300,000
Dividends received		**1,090,752**	1,247,240	**1,090,752**	1,247,240
Proceeds from maturity of deposits		**85,500,000**	56,500,000	**85,500,000**	56,500,000
Additions to deposits		**(84,000,000)**	(72,500,000)	**(83,000,000)**	(71,000,000)
Interest received		**19,451,183**	19,213,070	**19,301,412**	19,107,388
Loan given to related parties	13	**-**	(7,712,200)	**-**	(7,712,200)
Repayment of loans to related parties	13	**1,328,594**	719,713	**1,328,594**	719,713
Net cash used in investing activities		**(20,632,367)**	(14,521,102)	**(19,782,138)**	(13,126,784)
Cash flows from financing activities					
Finance lease principal payments		**-**	(114,071)	**-**	(114,071)
Dividends paid	28	**(4,000,000)**	(5,000,000)	**(4,000,000)**	(5,000,000)
Net cash used in financing activities		**(4,000,000)**	(5,114,071)	**(4,000,000)**	(5,114,071)
(Decrease)/increase in cash and cash equivalents	Rs.	**(3,959,700)**	8,110,496	**(4,232,661)**	7,896,811
Movement in cash and cash equivalents					
At January 1,		**24,830,576**	16,720,080	**23,539,590**	15,642,779
(Decrease)/increase		**(3,959,700)**	8,110,496	**(4,232,661)**	7,896,811
At December 31,	29(b) Rs.	**20,870,876**	24,830,576	**19,306,929**	23,539,590

The notes on pages 12 to 55 form an integral part of these financial statements.

Auditor's report on pages 5 to 5(d).

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, Mahebourg, Grand Bay and Phoenix.

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). These financial statements are presented in Mauritian rupees.

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

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments requires changes in accounting policies and adjustments to the amounts recognised in the financial statements. This accounting policy is not applicable to the Insurance Company in the current year.

IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The group has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The amendment 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 issued but not yet effective (cont'd)

Annual Improvements to IFRSs 2015-2017 Cycle
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
Definition of a Business (Amendments to IFRS 3)
Definition of Material (Amendments to IAS 1 and IAS 8)

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.

- ***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.

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)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
The amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The amendment has no impact on the Group's financial statements.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional. The amendment has no impact on the Group's financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

- IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.
- IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. The amendment has no impact on the Group's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The amendment has no impact on the Group's financial statements.

Transfers of Investment Property (Amendments to IAS 40). The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The amendment has no impact on the Group's 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, 2019 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:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
IFRS 16 Leases
IFRS 17 Insurance Contracts
IFRIC 23 Uncertainty over Income Tax Treatments
Prepayment Features with negative compensation (Amendments to IFRS 9)
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

- ***Outstanding claims provision (cont'd)***

  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.

(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, every three to five years, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

Properties in the course of construction for production, or administrative purposes or for purposes not yet determined are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended basis.

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% - 10% 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.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Impairment of non-financial 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.

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.

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.

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)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xii) Financial instruments (cont'd)

(i) Financial assets (cont'd)

(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. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

(h) Share capital

Ordinary shares are classified as equity.

(xiii) Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at 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 amounts will be available against which deductible temporary differences and losses 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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) **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.

(xvii) Exceptional items

Exceptional items are disclosed separately in the financial statements where necessary to do so to provide further understanding of the financial performance of the Group. They are material income or expense that have been shown separately due to the significance of their nature or amount.

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.

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.

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

3.1 Insurance risk (cont'd)

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

(a) ***Insurance liabilities***

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					
	2018			2017		
Class of Business	**No. of claims**	**Gross**	**Net**	No. of claims	Gross	Net
		Rs.	**Rs.**		Rs.	Rs.
Motor	**6,634**	**193,769,220**	**193,769,220**	7,056	202,843,844	202,744,478
Liability	**17**	**11,950,500**	**11,950,500**	23	13,359,378	13,348,025
Property	**10**	**868,725**	**868,725**	14	1,079,450	1,079,450
Transportation	**2**	**135,000**	**135,000**	4	388,700	466,200
Accident and health	**3**	**97,200**	**97,200**	4	51,000	161,719
Engineering	**2**	**62,000**	**62,000**	4	171,000	171,000
Miscellaneous	**3**	**3,068,500**	**3,068,500**	4	3,071,000	2,993,500
	6,671	**209,951,145**	**209,951,145**	7,109	220,964,372	220,964,372
IBNR			**5,604,097**			2,967,395
			215,555,242			223,931,767

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.

(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.

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 (cont'd)**

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, 2018 on a gross and net of reinsurance basis.

GROSS	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**	**Total**
Estimate of ultimate motor claim costs:	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	**Rs.**	**Rs.**
- At end of claim year	19,403,450	48,706,723	58,685,162	59,126,503	73,874,681	87,634,329	83,643,779	93,295,283	111,666,153	118,860,482	112,090,572	**866,987,117**
- one year later	33,861,373	70,314,008	67,080,351	80,489,318	82,284,407	96,718,838	82,937,918	116,311,015	134,311,524	148,862,153	-	**913,170,905**
- two years later	36,626,962	65,058,914	69,939,518	78,030,261	83,047,354	75,431,112	91,174,791	127,488,099	136,995,546	-	-	**763,792,557**
- three years later	38,669,193	66,793,989	69,856,144	75,942,652	69,504,177	72,477,963	91,251,385	126,705,462	-	-	-	**611,200,965**
- four years later	43,445,558	62,106,629	64,713,951	59,649,159	63,847,418	82,305,222	94,871,398	-	-	-	-	**470,939,335**
- five years later	47,692,403	61,831,739	60,746,885	61,357,345	70,093,972	76,394,747	-	-	-	-	-	**378,117,091**
- six years later	41,249,421	45,928,619	57,090,221	61,020,193	68,940,361	-	-	-	-	-	-	**274,228,815**
- seven years later	37,365,121	48,509,321	57,763,470	60,334,698	-	-	-	-	-	-	-	**203,972,610**
- eight years later	38,010,868	46,073,029	56,977,192	-	-	-	-	-	-	-	-	**141,061,089**
- nine years later	37,097,908	48,806,890	-	-	-	-	-	-	-	-	-	**85,904,798**
- ten years later	32,788,641	-	-	-	-	-	-	-	-	-	-	**32,788,641**
Current estimate of cumulative claims	32,788,641	48,806,890	56,977,192	60,334,698	68,940,361	76,394,747	94,871,398	126,705,462	136,995,546	148,862,153	112,090,572	**963,767,660**
Less: Cumulative payments to date	32,126,448	41,078,370	49,062,125	48,568,570	57,320,464	65,080,950	80,343,178	103,905,120	108,429,991	118,860,482	65,997,482	**770,773,180**
Liability recognised in the statements of financial position	662,193	7,728,520	7,915,067	11,766,128	11,619,897	11,313,797	14,528,220	22,800,342	28,565,555	30,001,671	46,093,090	**192,994,480**
Liability in respect of prior years												**774,740**
Liability in respect of non-motor claims												**16,181,925**
Incurred but not reported (IBNR)												**5,604,097**
											Rs.	**215,555,242**

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, 2018							
- Trade and other receivables	**50,265,624**	-	-	-	**395,758**	**(395,758)**	**50,265,624**
- Other financial assets	**510,180,887**	-	-	-	-	-	**510,180,887**
December 31, 2017							
- Trade and other receivables	62,697,179	-	-	-	395,758	(395,758)	62,697,179
- Other financial assets	476,967,431	-	-	-	-	-	476,967,431

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, 2018							
- Trade and other receivables	**50,056,194**	-	-	-	**395,758**	**(395,758)**	**50,056,194**
- Other financial assets	**505,316,940**	-	-	-	-	-	**505,316,940**
December 31, 2017							
- Trade and other receivables	62,421,250	-	-	-	395,758	(395,758)	62,421,250
- Other financial assets	473,376,445	-	-	-	-	-	473,376,445

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, 2018	Rs.	Rs.
- Bank balances and deposits	**4,222,613**	**4,186,988**
At December 31, 2017	Rs.	Rs.
- Bank balances and deposits	4,022,491	3,995,389

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.

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.

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

3.2 Financial risk factors (cont'd)

Equity price risk (cont'd)

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, 2018	Rs.
- Available-for-sale financial assets	**8,512,641**
At December 31, 2017	
- Available-for-sale financial assets	4,509,166

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.

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, 2018					
Trade and other payables	Rs.	**17,123,211**	-	-	**17,123,211**
At December 31, 2017					
Borrowings		32,995	-	-	32,995
Trade and other payables		16,084,941	-	-	16,084,941
	Rs.	16,117,936	-	-	16,117,936

THE COMPANY		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
		Rs.	Rs.	Rs.	Rs.
At December 31, 2018					
Trade and other payables	Rs.	**16,832,487**	-	-	**16,832,487**
At December 31, 2017					
Borrowings		32,995	-	-	32,995
Trade and other payables		15,703,082	-	-	15,703,082
	Rs.	15,736,077	-	-	15,736,077

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

3.3 Capital risk 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.

- 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, 2018, 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.

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.

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)***

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 did not change its assumptions used to measure insurance liabilities and assets.

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.

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

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 31, 2018.

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) **2018**	Freehold Land	Freehold Building	Improvement to Leasehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Assets in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION								
At January 1, 2018	10,000,000	35,057,316	3,808,527	17,828,301	4,604,651	9,927,634	-	81,226,429
Additions	-	538,198	79,961	-	367,818	1,817,263	342,528	3,145,768
Disposals	-	-	-	(5,200,701)	-	-	-	(5,200,701)
Transfer	-	124,153	(124,153)	-	-	-	-	-
Transfer to investment property (note 6)	-	-	(238,015)	-	-	-	-	(238,015)
Revaluation adjustments	3,500,000	(6,719,667)	-	-	-	-	-	(3,219,667)
At December 31, 2018								
- Cost	-	-	**3,526,320**	**12,627,600**	**4,972,469**	**11,744,897**	**342,528**	**33,213,814**
- Valuation	**13,500,000**	**29,000,000**	-	-	-	-	-	**42,500,000**
	13,500,000	**29,000,000**	**3,526,320**	**12,627,600**	**4,972,469**	**11,744,897**	**342,528**	**75,713,814**
DEPRECIATION								
At January 1, 2018	-	4,519,841	953,666	7,123,719	3,056,071	7,526,187	-	23,179,484
Charge for the year	-	2,085,703	396,868	2,592,295	271,324	953,338	-	6,299,528
Disposal adjustments	-	-	-	(4,894,791)	-	-	-	(4,894,791)
Transfer	-	14,568	(3,235)	-	(11,333)	-	-	-
Transfer to investment property (note 6)	-	-	(140,284)	-	-	-	-	(140,284)
Revaluation adjustments	-	(6,620,112)	-	-	-	-	-	(6,620,112)
At December 31, 2018	-	-	**1,207,015**	**4,821,223**	**3,316,062**	**8,479,525**	-	**17,823,825**
NET BOOK VALUE								
At December 31, 2018 **Rs.**	**13,500,000**	**29,000,000**	**2,319,305**	**7,806,377**	**1,656,407**	**3,265,372**	**342,528**	**57,889,989**

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

(a) THE GROUP

(ii) **2017**

	Freehold Land	Freehold Building	Improvement to Leasehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION							
At January 1, 2017	10,000,000	30,276,002	3,433,477	11,348,001	3,742,356	8,659,918	67,459,754
Additions	-	4,781,314	375,050	8,443,200	862,295	1,267,716	15,729,575
Disposals	-	-	-	(1,962,900)	-	-	(1,962,900)
At December 31, 2017							
- Cost	-	**17,057,316**	**3,808,527**	**17,828,301**	**4,604,651**	**9,927,634**	**53,226,429**
- Valuation	**10,000,000**	**18,000,000**	-	-	-	-	**28,000,000**
	10,000,000	**35,057,316**	**3,808,527**	**17,828,301**	**4,604,651**	**9,927,634**	**81,226,429**
DEPRECIATION							
At January 1, 2017	-	2,647,550	573,611	7,275,439	2,840,941	6,744,542	20,082,083
Charge for the year	-	1,872,291	380,055	1,811,180	215,130	781,645	5,060,301
Disposal adjustments	-	-	-	(1,962,900)	-	-	(1,962,900)
At December 31, 2017	-	**4,519,841**	**953,666**	**7,123,719**	**3,056,071**	**7,526,187**	**23,179,484**
NET BOOK VALUE							
At December 31, 2017 **Rs.**	**10,000,000**	**30,537,475**	**2,854,861**	**10,704,582**	**1,548,580**	**2,401,447**	**58,046,945**

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

(b) THE COMPANY

(i) **2018**	Freehold Land	Freehold Building	Improvement to Leasehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Assets in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION								
At January 1, 2018	10,000,000	35,057,316	3,570,512	17,828,301	4,510,524	9,627,796	-	80,594,449
Additions	-	538,198	79,961	-	367,818	1,817,263	342,528	3,145,768
Disposals	-	-	-	(5,200,701)	-	-	-	(5,200,701)
Transfer	-	124,153	(124,153)	-	-	-	-	-
Revaluation adjustments	3,500,000	(6,719,667)	-	-	-	-	-	(3,219,667)
At December 31, 2018								
- Cost	-	-	**3,526,320**	**12,627,600**	**4,878,342**	**11,445,059**	**342,528**	32,819,849
- Valuation	**13,500,000**	**29,000,000**	-	-	-	-	-	42,500,000
	13,500,000	**29,000,000**	**3,526,320**	**12,627,600**	**4,878,342**	**11,445,059**	**342,528**	**75,319,849**
DEPRECIATION								
At January 1, 2018	-	4,519,841	861,020	7,123,719	2,966,956	7,226,349	-	22,697,885
Charge for the year	-	2,085,703	360,563	2,592,295	262,601	953,338	-	6,254,500
Disposal adjustments	-	-	-	(4,894,791)	-	-	-	(4,894,791)
Transfer	-	14,568	(14,568)	-	-	-	-	-
Revaluation adjustments	-	(6,620,112)	-	-	-	-	-	(6,620,112)
At December 31, 2018	-	-	**1,207,015**	**4,821,223**	**3,229,557**	**8,179,687**	-	**17,437,482**
NET BOOK VALUE								
At December 31, 2018 Rs.	**13,500,000**	**29,000,000**	**2,319,305**	**7,806,377**	**1,648,785**	**3,265,372**	**342,528**	**57,882,367**

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

(b) THE COMPANY

(ii) **2017**	Freehold Land	Freehold Building	Improvement to Leasehold Building	Motor Vehicles	Furniture & Fittings	Office Equipment	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OR VALUATION							
At January 1, 2017	10,000,000	30,276,002	3,195,462	11,348,001	3,648,229	8,360,080	66,827,774
Additions	-	4,781,314	375,050	8,443,200	862,295	1,267,716	15,729,575
Disposals	-	-	-	(1,962,900)	-	-	(1,962,900)
At December 31, 2017							
- Cost	-	**17,057,316**	**3,570,512**	**17,828,301**	**4,510,524**	**9,627,796**	**52,594,449**
- Valuation	**10,000,000**	**18,000,000**	-	-	-	-	**28,000,000**
	10,000,000	**35,057,316**	**3,570,512**	**17,828,301**	**4,510,524**	**9,627,796**	**80,594,449**
DEPRECIATION							
At January 1, 2017	-	2,647,550	519,267	7,275,439	2,760,549	6,444,704	19,647,509
Charge for the year	-	1,872,291	341,753	1,811,180	206,407	781,645	5,013,276
Disposal adjustments	-	-	-	(1,962,900)	-	-	(1,962,900)
At December 31, 2017	-	**4,519,841**	**861,020**	**7,123,719**	**2,966,956**	**7,226,349**	**22,697,885**
NET BOOK VALUE							
At December 31, 2017 Rs.	**10,000,000**	**30,537,475**	**2,709,492**	**10,704,582**	**1,543,568**	**2,401,447**	**57,896,564**

(c) Depreciation charge of Rs.6,299,528 (2017: Rs.5,060,301) for the Group and Rs.6,254,500 (2017: Rs.5,013,276) for the Company has been charged to statement of profit or loss.

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

(d) The Group's freehold land and building were revalued on December 31, 2018 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 16).

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

		Level 2	
		2018	2017
		Rs.	Rs.
Freehold land		**13,500,000**	10,000,000
Buildings		**29,000,000**	30,537,475
Total	Rs.	**42,500,000**	40,537,475

The properties were valued using the comparative method and the investment method. 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	24,500 - 33,500
Building	20,000 - 83,000

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

The revalued amount of freehold land and buildings using significant unobservable inputs are as follows:

		THE GROUP AND THE COMPANY	
		Freehold Land and Buildings	
		2018	2017
		Rs.	Rs.
At January 1,		**40,537,475**	37,628,452
Addition		**538,198**	4,781,314
Transfer		**109,585**	-
Depreciation charge for the year		**(2,085,703)**	(1,872,291)
Revaluation surplus		**3,400,445**	-
At December 31,	Rs.	**42,500,000**	40,537,475

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

		THE GROUP AND THE COMPANY	
		2018	2017
		Rs.	Rs.
Cost		**41,556,514**	41,018,316
Accumulated depreciation		**(9,768,317)**	(6,606,914)
Net book value	Rs.	**31,788,197**	34,411,402

6. INVESTMENT PROPERTY

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Fair value model					
At January 1,		**74,250,000**	74,250,000	**18,250,000**	18,250,000
Transfer from property, plant and equipment (note 5)		**97,731**	-	-	-
Change in fair value		**6,852,269**	-	**5,950,000**	-
At December 31,	Rs.	**81,200,000**	74,250,000	**24,200,000**	18,250,000

The investment properties were valued on December 31, 2018 at fair value by Messrs NP Jeetun Chartered Valuation Surveyors, an independent professionally qualified valuer. The properties were valued using the comparative method and the investment method. The comparative method is based on comparison of prices paid for similar properties within close vicinity and adjusted to reflect the characteristics of the subject property at the relevant date.

The most significant input into this valuation report approach is price per square metre.

Significant unobservable valuation input:	***Rs.***
Price per square metre:	
Land	26,000
Buildings	9,300 and 22,000

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

Details of the Group's and the Company's investment properties and information about the fair value hierarchy as at December 31, 2018 and December 31, 2017 are as follows:

		Level 2	
		THE GROUP	THE COMPANY
		Rs.	Rs.
Land		23,800,000	23,800,000
Building		57,400,000	400,000
Total	Rs.	81,200,000	24,200,000

The following amounts have been recognised in profit or loss:

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Rental income		**1,443,779**	1,310,858	**285,300**	184,000
Direct operating expenses arising from investment properties that generate rental income	Rs.	**187,232**	191,860	-	-

7. INTANGIBLE ASSETS

THE GROUP AND THE COMPANY		Computer software Rs.	Asset-in-progress Rs.	Total Rs.
(a) 2018				
COST				
At January 1,		**1,611,069**	**-**	**1,611,069**
Addition		**298,930**	**205,000**	**503,930**
At December 31,		**1,909,999**	**205,000**	**2,114,999**
AMORTISATION				
At January 1,		**904,128**	**-**	**904,128**
Amortisation charge		**216,627**	**-**	**216,627**
At December 31,		**1,120,755**	**-**	**1,120,755**
NET BOOK VALUES				
At DECEMBER 31,	Rs.	**789,244**	**205,000**	**994,244**

		Computer software Rs.
(b) 2017		
COST		
At January 1,		1,540,319
Addition		70,750
At December 31,		1,611,069
AMORTISATION		
At January 1,		723,299
Amortisation charge		180,829
At December 31,		904,128
NET BOOK VALUES		
At DECEMBER 31,	Rs.	706,941

(c) Amortisation expense of Rs.216,627 (2017: Rs.180,829) for the Group and the Company has been charged to statements of profit and loss.

8. INVESTMENT IN SUBSIDIARY COMPANY

		THE COMPANY	
		2018	2017
		Rs.	Rs.
(a) Cost			
At January 1, and December 31,	Rs.	**25,000,000**	25,000,000

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

Name	Country of incorporation and operation	Class of shares held	Year end	Stated capital Rs.	% holding Direct	Main business
2018						
GFA Investments Ltd	Mauritius	Ordinary	December 31, 2018	25,000,000	100%	Rental of building

8. INVESTMENT IN SUBSIDIARY COMPANY (CONT'D)

(b) The list of the Company's subsidiary is as follows: (cont'd)

Name	Country of incorporation and operation	Class of shares held	Year end	Stated capital	% holding Direct	Main business
				Rs.		
2017						
GFA Investments Ltd	Mauritius	Ordinary	December 31, 2017	25,000,000	100%	Rental of building

9. STATUTORY DEPOSITS

Statutory deposits of Rs.8,000,000 (2017: Rs.8,000,000) are pledged in favour of the Financial Services Commission as required by the Insurance Act 1987. The amount maintained as statutory deposit is in line with the requirements of the draft Insurance (Deposit) Rules 2017, though not yet effective.

The deposits carries interest rates varying from 3.25% to 4.65% (2017: 3.25% to 5.55%) p.a and maturity dates varying between March 2019 and October 2022 (2017: March 2019 and October 2022).

10. INVESTMENT IN FINANCIAL ASSETS

(a) THE GROUP AND THE COMPANY

		2018			2017
		Available-for-sale	**Held-to-maturity**	**Total**	Available-for-sale
		Rs.	**Rs.**	**Rs.**	Rs.
At January 1,		**45,091,660**	**-**	**45,091,660**	29,708,064
Additions		**4,571,323**	**46,672,798**	**51,244,121**	12,205,877
Matured/disposals		**(3,228,305)**	**(5,950,380)**	**(9,178,685)**	(1,802,121)
Change in fair value (note 16)		**(2,106,136)**	**38,236**	**(2,067,900)**	4,979,840
Gain receivable adjustment		**-**	**37,209**	**37,209**	-
At December 31,	Rs.	**44,328,542**	**40,797,863**	**85,126,405**	45,091,660

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

		THE GROUP AND THE COMPANY	
		2018	2017
		Rs.	Rs.
Equity securities at fair value:			
- Listed		**23,880,722**	24,759,364
- DEM quoted		**4,234,102**	3,669,801
- Unquoted		**572,159**	597,015
Debt securities at fair value:			
- Listed		**15,227,300**	15,650,250
- DEM quoted		**414,259**	415,230
	Rs.	**44,328,542**	45,091,660

(c) THE GROUP AND THE COMPANY

		Level 1	**Level 3**	**Total**
		Rs.	**Rs.**	**Rs.**
At December 31, 2018				
Available-for-sale financial assets	Rs.	**43,756,383**	**572,159**	**44,328,542**
At December 31, 2017				
Available-for-sale financial assets	Rs.	44,494,645	597,015	45,091,660

10. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

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

(e) 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.

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

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

11. FIXED DEPOSITS

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
Held-to-maturity investments		**Rs.**	Rs.	**Rs.**	Rs.
Maturing:					
up to 3 months		**26,500,000**	17,000,000	**26,500,000**	17,000,000
3 to 6 months		**40,000,000**	41,000,000	**40,000,000**	41,000,000
6 to 12 months		**7,800,000**	28,000,000	**7,000,000**	28,000,000
1 to 5 years		**316,000,000**	305,800,000	**313,500,000**	303,500,000
	Rs.	**390,300,000**	391,800,000	**387,000,000**	389,500,000
Analysed as follows:					
Non-current assets		**316,000,000**	305,800,000	**313,500,000**	303,500,000
Current assets		**74,300,000**	86,000,000	**73,500,000**	86,000,000
	Rs.	**390,300,000**	391,800,000	**387,000,000**	389,500,000

(a) The deposits earn interest at rates varying between 2.40% - 6.15% (2017: 0.85% - 7.50%) p.a.
(b) The fixed deposits are denominated in Rupees.
(c) None of the financial assets are either past due or impaired (2017: Nil).

12. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method at the rate of 17% (2017: 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	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Deferred tax assets		**2,440,369**	1,842,427	-	-
Deferred tax liabilities		**(10,520,944)**	(8,247,124)	**(1,822,583)**	(1,206,164)
	Rs.	**(8,080,575)**	(6,404,697)	**(1,822,583)**	(1,206,164)

12. DEFERRED TAXATION (CONT'D)

At the end of the reporting period, the Group had unused tax losses of Rs.2,205,118 (2017: Rs.2,184,950) available-for-offset against future profits. A deferred tax asset has been recognised in respect of such losses. The tax losses expire on a rolling basis over 5 years.

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

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
At January 1,		**(6,404,697)**	(5,984,890)	**(1,206,164)**	(958,753)
Profit or loss charge (note 22(b))		**(1,624,376)**	(419,807)	**(564,917)**	(247,411)
Other comprehensive income charge		**(51,502)**	-	**(51,502)**	-
At December 31,	Rs.	**(8,080,575)**	(6,404,697)	**(1,822,583)**	(1,206,164)

(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	Investment property	Total
		Rs.	Rs.	Rs.	Rs.
At January 1, 2017		729,488	513,198	6,354,615	7,597,301
Profit or loss charge		457,064	-	192,759	649,823
At December 31, 2017		1,186,552	513,198	6,547,374	8,247,124
Profit or loss (credit)/charge		(50,625)	-	2,272,943	2,222,318
Other comprehensive income charge		-	51,502	-	51,502
At December 31, 2018	Rs.	**1,135,927**	**564,700**	**8,820,317**	**10,520,944**

		Retirement benefit obligations	Tax losses	Total
Deferred tax assets		Rs.	Rs.	Rs.
At January 1, 2017		1,299,300	313,111	1,612,411
Profit or loss credit		215,384	14,632	230,016
At December 31, 2017		1,514,684	327,743	1,842,427
Profit or loss credit		550,815	47,127	597,942
At December 31, 2018	Rs.	**2,065,499**	**374,870**	**2,440,369**

		THE GROUP	
		2018	2017
Net deferred tax liabilities		**Rs.**	Rs.
Deferred tax liabilities		**(10,520,944)**	(8,247,124)
Deferred tax assets		**2,440,369**	1,842,427
	Rs.	**(8,080,575)**	(6,404,697)

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: (cont'd)

(ii) THE COMPANY

Deferred tax liabilities		Accelerated tax depreciation	Revaluation of building	Investment property	Total
		Rs.	Rs.	Rs.	Rs.
At January 1, 2017		706,105	513,198	1,038,750	2,258,053
Profit or loss charge		462,796	-	-	462,796
At December 31, 2017		1,168,901	513,198	1,038,750	2,720,849
Profit or loss (credit)/charge		(34,268)	-	1,150,000	1,115,732
Other comprehensive income charge		-	51,502	-	51,502
At December 31, 2018	Rs.	**1,134,633**	**564,700**	**2,188,750**	**3,888,083**

Deferred tax assets		Retirement benefit obligations
		Rs.
At January 1, 2017		1,299,300
Profit or loss credit		215,385
At December 31, 2017		1,514,685
Profit or loss credit		550,815
At December 31, 2018	Rs.	**2,065,500**

		THE COMPANY	
		2018	2017
Net deferred tax liabilities		**Rs.**	Rs.
Deferred tax liabilities		**(3,888,083)**	(2,720,849)
Deferred tax assets		**2,065,500**	1,514,685
	Rs.	**(1,822,583)**	(1,206,164)

13. LOANS TO RELATED PARTIES

		THE GROUP AND THE COMPANY	
		2018	2017
Loans to directors:		**Rs.**	Rs.
At January 1,		**7,212,200**	219,713
Addition		-	7,712,200
Repayments		**(1,328,594)**	(719,713)
At December 31,	Rs.	**5,883,606**	7,212,200
The above loans to related parties are classified as follows:			
Non-current assets		**4,721,726**	5,883,605
Current assets		**1,161,880**	1,328,595
	Rs.	**5,883,606**	7,212,200

The loans to directors bear interest at the rate of 4% (2017: 4%) p.a.

14. TRADE AND OTHER RECEIVABLES

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
Trade receivables:		**Rs.**	Rs.	**Rs.**	Rs.
- premium and agents balances		**8,651,996**	13,072,460	**8,651,996**	13,072,460
Less: provision for impairment		**(395,758)**	(395,758)	**(395,758)**	(395,758)
		8,256,238	12,676,702	**8,256,238**	12,676,702
Receivable from insurers/reinsurers		**39,180,189**	46,809,287	**39,180,189**	46,809,287
Other receivables		**2,829,197**	3,165,930	**2,619,767**	2,890,001
Receivable from related parties		**-**	45,260	**-**	45,260
	Rs.	**50,265,624**	62,697,179	**50,056,194**	62,421,250

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

(b) As of December 31, 2018, trade receivables of Rs.395,758 (2017: Rs.395,758) were impaired for the Group and the Company. The amount of the provision as of December 31, 2018 was Rs.395,758 (2017: 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	
		2018	2017
		Rs.	Rs.
Over 3 months	Rs.	**395,758**	395,758

As of December 31, 2018, trade receivables of Rs.2,239,044 (2017: Rs.6,828,997) for the Group and the Company were past due but not impaired. These relate to a number of policyholders for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

		THE GROUP AND THE COMPANY	
		2018	2017
		Rs.	Rs.
Over 3 months	Rs.	**2,239,044**	6,828,997

(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	
		2018	2017
		Rs.	Rs.
At January 1, and December 31,	Rs.	**395,758**	395,758

Except for an amount of Rs.3,650,164 included in receivable for reinsurers (2017: Nil), the other classes within trade and other receivables do not include impaired assets (2017: Nil).

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

15. SHARE CAPITAL

		Authorised, Issued and fully paid	
		2018	2017
		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

15. SHARE CAPITAL (CONT'D)

(a) The total authorised number of Ordinary shares is 25,000 (2017 : 25,000) with a par value of Rs.1,000 per share (2017 : Rs.1,000 per share). All issued shares are fully paid.

(b) The Founder share confer to its holder the following unalterable rights except with the express consent in writing of its holder:

- the right to sit permanently on the Board of Directors of the Company or to appoint representative to sit on the Board.
- the right to be permanently the Executive Managing Director of the Company.

The Founder's share ranks pari pasu with the ordinary shares of the Company.

(c) Fully paid Ordinary shares carry one vote per share and carry a right to dividends.

16. OTHER RESERVES

THE GROUP AND THE COMPANY		Revaluation surplus	Available-for-sale fair value reserve	Total
		Rs.	Rs.	Rs.
(i) At January 1, 2018		4,260,120	2,228,534	6,488,654
Gains on revaluation of land and buildings (note 5)		3,400,445	-	3,400,445
Income tax relating to components of other comprehensive income (note 12(b))		(51,502)	-	(51,502)
Change in fair value of financial assets (note 10(a))		-	(2,067,900)	(2,067,900)
Reclassification adjustments on disposal of financial assets		-	(596,747)	(596,747)
At December 31, 2018	Rs.	**7,609,063**	**(436,113)**	**7,172,950**
(ii) At January 1, 2017		4,260,120	(1,920,599)	2,339,521
Change in fair value of financial assets (note 10(a))		-	4,979,840	4,979,840
Reclassification adjustments on disposal of financial assets		-	(830,707)	(830,707)
At December 31, 2017	Rs.	**4,260,120**	**2,228,534**	**6,488,654**

Revaluation surplus
The revaluation surplus 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.

17. INSURANCE LIABILITIES AND REINSURANCE ASSETS

		THE GROUP AND THE COMPANY	
		2018	2017
Gross		**Rs.**	Rs.
- Claims reported and loss adjustment expenses (note 18(a))		**209,951,145**	220,964,372
- Claims incurred but not reported (IBNR) (note 18(a))		**5,604,097**	2,967,395
- Unearned premiums (note 18(b))		**99,094,033**	100,068,612
Total gross insurance liabilities	Rs.	**314,649,275**	324,000,379

17. **INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONT'D)**

		THE GROUP AND THE COMPANY	
		2018	2017
Net		**Rs.**	Rs.
- Claims reported and loss adjustment expenses (note 18(a))		**209,951,145**	220,964,372
- Claims incurred but not reported (IBNR) (note 18(a))		**5,604,097**	2,967,395
- Unearned premiums (note 18(b))		**99,094,033**	100,068,612
Total net insurance liabilities	Rs.	**314,649,275**	324,000,379

18. **MOVEMENT IN INSURANCE LIABILITIES AND REINSURANCE ASSETS**

		THE GROUP AND THE COMPANY			
		2018		2017	
Short term insurance		**Gross**	**Net**	Gross	Net
(a) **Claims**		**Rs.**	**Rs.**	Rs.	Rs.
At January 1,					
Notified claims		**223,931,767**	**223,931,767**	186,677,565	186,677,565
Increase in liabilities		**128,187,211**	**128,187,211**	162,323,242	162,323,242
Cash paid for claims settled in the year		**(142,167,833)**	**(142,167,833)**	(128,036,435)	(128,036,435)
		209,951,145	**209,951,145**	220,964,372	220,964,372
Incurred but not reported (IBNR)		**5,604,097**	**5,604,097**	2,967,395	2,967,395
At December 31,	Rs.	**215,555,242**	**215,555,242**	223,931,767	223,931,767
Movement in claims outstanding and IBNR			**(8,376,525)**		37,254,202

(b) **Provision for unearned premiums**

		THE GROUP AND THE COMPANY			
		2018		2017	
		Gross	**Net**	Gross	Net
		Rs.	**Rs.**	Rs.	Rs.
At January 1,		**100,068,612**	**100,068,612**	99,065,338	99,065,338
(Decrease)/increase during the year		**(974,579)**	**(974,579)**	1,003,274	1,003,274
At December 31,	Rs.	**99,094,033**	**99,094,033**	100,068,612	100,068,612

19. **BORROWINGS**

		THE GROUP AND THE COMPANY	
		2018	2017
		Rs.	Rs.
Current			
Bank overdraft - unsecured		-	32,995
Total borrowings	Rs.	-	32,995

(a) 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, 2018					
Total borrowings	Rs.	-	-	-	-
December 31, 2017					
Total borrowings	Rs.	32,995	-	-	32,995

19. **BORROWINGS (CONT'D)**

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

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

20. **RETIREMENT BENEFIT OBLIGATIONS**

		THE GROUP AND THE COMPANY	
		2018	2017
		Rs.	Rs.
Amount recognised in the statements of financial position as non-current liabilities:			
- Other post retirement benefits (note 20(a))	Rs.	**12,150,000**	10,097,900
Amount charged to profit or loss:			
- Other post retirement benefits (note 20(a))	Rs.	**2,052,100**	1,435,900

(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	
		2018	2017
		Rs.	Rs.
At January 1,		**10,097,900**	8,662,000
Total expense charged in profit or loss		**2,052,100**	1,435,900
At December 31,	Rs.	**12,150,000**	10,097,900

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

21. **TRADE AND OTHER PAYABLES**

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
Trade payables:		**Rs.**	Rs.	**Rs.**	Rs.
- amounts due to reinsurers		**3,275,372**	2,769,361	**3,275,372**	2,769,361
Accrued expenses		**5,556,988**	4,266,033	**5,556,988**	4,266,033
Other payables		**8,290,851**	9,049,547	**8,000,127**	8,667,688
	Rs.	**17,123,211**	16,084,941	**16,832,487**	15,703,082

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

22. **INCOME TAX**

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
(a) Statements of financial position					
At January 1,		**(361,229)**	782,749	**(361,229)**	782,749
Income tax charge for the year		**4,829,067**	3,031,700	**4,829,067**	3,031,700
Payment during the year		**(2,605,370)**	(4,175,678)	**(2,605,370)**	(4,175,678)
Transfer from trade and other payables		**400,971**	-	**400,971**	-
Corporate social responsibility		**643,876**	-	**643,876**	-
At December 31,	Rs.	**2,907,315**	(361,229)	**2,907,315**	(361,229)

22. **INCOME TAX (CONT'D)**

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Analysed as follows:					
Current tax liabilities		**2,907,315**	-	**2,907,315**	-
Current tax assets		**-**	(361,229)	**-**	(361,229)
Net current tax assets	Rs.	**2,907,315**	(361,229)	**2,907,315**	(361,229)

(b) Statements of profit or loss

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
Income tax charge on the adjusted profit for the year at 15% (2017:15%)		**4,829,067**	3,007,279	**4,829,067**	3,007,279
Corporate social responsibility		**643,876**	-	**643,876**	-
Under provision in previous years		**-**	24,421	**-**	24,421
		5,472,943	3,031,700	**5,472,943**	3,031,700
Deferred tax (note 12(b))		**1,624,376**	419,807	**564,917**	247,411
Net charge for the year	Rs.	**7,097,319**	3,451,507	**6,037,860**	3,279,111

(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	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Profit before taxation		**39,624,578**	37,971,272	**37,469,740**	36,821,961
Tax calculated at 15% (2017: 15%)		**5,943,687**	5,695,691	**5,620,461**	5,523,294
Expenses not deductible for tax purposes		**1,327,439**	1,063,580	**1,320,385**	1,063,580
Income not subject to tax		**(2,442,059)**	(3,751,992)	**(2,111,779)**	(3,579,595)
Corporate social responsibility		**643,876**	-	**643,876**	-
Under provision in previous years		**-**	24,421	**-**	24,421
Deferred tax		**1,624,376**	419,807	**564,917**	247,411
Tax charge	Rs.	**7,097,319**	3,451,507	**6,037,860**	3,279,111

23. **INVESTMENT AND INTEREST INCOME**

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Interest income		**19,488,392**	19,213,070	**19,338,621**	19,107,388
Dividend income		**1,090,752**	1,247,240	**1,090,752**	1,247,240
Gain on disposal of financial assets		**632,985**	905,863	**632,985**	905,863
Gain on revaluation on investment property (note 6)		**6,852,269**	-	**5,950,000**	-
Rental income		**1,443,779**	1,310,858	**285,300**	184,000
	Rs.	**29,508,177**	22,677,031	**27,297,658**	21,444,491

24. **OTHER INCOME**

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Policy fees		**5,043,340**	5,302,850	**5,043,340**	5,302,850
Profit on disposal of property, plant and equipment		**1,370,090**	840,000	**1,370,090**	840,000
Others		**254,906**	316,367	**245,306**	305,367
	Rs.	**6,668,336**	6,459,217	**6,658,736**	6,448,217

25. PROFIT BEFORE TAXATION

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

(i) Administrative and other expenses

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Employee benefit expense (see note (iii) below)		**34,533,787**	28,460,720	**34,488,287**	28,418,720
Marketing expenses		**1,204,129**	2,037,291	**1,198,911**	2,034,791
Utilities		**2,956,636**	2,530,302	**2,942,882**	2,506,547
Printing and stationery		**850,506**	2,353,336	**850,506**	2,353,336
Repairs and maintenance		**1,329,887**	1,404,638	**1,276,162**	1,361,412
Rent and rates		**2,123,733**	2,071,990	**2,259,887**	2,174,387
Licence and FSC fees		**4,726,698**	5,318,418	**4,707,652**	5,299,338
IT expense		**970,592**	293,041	**970,592**	293,041
Professional expenses		**2,074,134**	2,277,666	**2,056,134**	2,260,166
Bank charges		**386,057**	398,829	**384,893**	397,289
Towing and other related services		**1,984,612**	1,934,750	**1,984,612**	1,934,750
Corporate social responsibility		**-**	400,971	**-**	400,971
Other expenses		**2,351,486**	2,366,169	**2,351,486**	2,366,169
	Rs.	**55,492,257**	51,848,121	**55,472,004**	51,800,917

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

(ii) Depreciation and amortisation charge

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Property, plant and equipment (note 5)		**6,299,528**	5,060,301	**6,254,500**	5,013,276
Intangible assets (note 7)		**216,627**	180,829	**216,627**	180,829
	Rs.	**6,516,155**	5,241,130	**6,471,127**	5,194,105

(iii) Employee benefit expense

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Wages and salaries, including termination benefits		**31,188,017**	25,866,698	**31,142,517**	25,824,698
Social security costs		**1,293,670**	1,158,122	**1,293,670**	1,158,122
Other post-retirement benefits (note 20(a))		**2,052,100**	1,435,900	**2,052,100**	1,435,900
	Rs.	**34,533,787**	28,460,720	**34,488,287**	28,418,720

26. FINANCE COSTS

		THE GROUP AND THE COMPANY	
		2018	2017
		Rs.	Rs.
Interest expense:			
- Finance leases	Rs.	**-**	1,969

27. EXCEPTIONAL ITEM

		THE GROUP AND THE COMPANY	
		2018	2017
		Rs.	Rs.
Amount received for investment in BAI Group of Companies	Rs.	-	13,300,000

28. DIVIDENDS

		THE GROUP AND THE COMPANY	
		2018	2017
		Rs.	Rs.
Amount recognised as distributions to equity holders in the year:			
Dividend for the year ended December 31, 2018 of Rs.160 (2017: Rs.200) per share	Rs.	**4,000,000**	5,000,000

29. NOTES TO THE STATEMENTS OF CASH FLOWS

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
(a) **Cash generated from operations**	**Rs.**	Rs.	**Rs.**	Rs.
Profit before taxation	**39,624,578**	37,971,272	**37,469,740**	36,821,961
***Adjustments for*:**				
Depreciation on property, plant and equipment (note 5)	**6,299,528**	5,060,301	**6,254,500**	5,013,276
Amortisation on intangible assets (note 7)	**216,627**	180,829	**216,627**	180,829
Gain on revaluation of investment property	**(6,852,269)**	-	**(5,950,000)**	-
Increase in retirement benefit obligations	**2,052,100**	1,435,900	**2,052,100**	1,435,900
Interest expense	-	1,969	-	1,969
Exceptional items (note 27)	-	(13,300,000)	-	(13,300,000)
Profit on sale of property, plant and equipment	**(1,370,090)**	(840,000)	**(1,370,090)**	(840,000)
Gain on disposal of financial assets	**(632,985)**	(905,863)	**(632,985)**	(905,863)
Interest income	**(19,488,392)**	(19,213,070)	**(19,338,621)**	(19,107,388)
Dividend income	**(1,090,752)**	(1,247,240)	**(1,090,752)**	(1,247,240)
Change in gross outstanding claims and IBNR	**(8,376,525)**	37,254,202	**(8,376,525)**	37,254,202
Change in gross unearned premiums	**(974,579)**	1,003,274	**(974,579)**	1,003,274
	9,407,241	47,401,574	**8,259,415**	46,310,920
***Changes in working capital*:**				
-trade and other receivables	**12,431,555**	(16,259,462)	**12,365,056**	(16,792,133)
-trade and other payables	**1,439,241**	781,204	**1,530,376**	796,526
Cash generated from operations Rs.	**23,278,037**	31,923,316	**22,154,847**	30,315,313

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

(b) Cash and cash equivalents

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Cash in hand and at bank	Rs.	**20,870,876**	24,863,571	**19,306,929**	23,572,585

Cash and cash equivalents and bank overdraft include the following for the purpose of the statements of cash flow:

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Cash and cash equivalents		**20,870,876**	24,863,571	**19,306,929**	23,572,585
Bank overdraft (note 19)		-	(32,995)	-	(32,995)
	Rs.	**20,870,876**	24,830,576	**19,306,929**	23,539,590

30. CONTINGENT LIABILITIES

Insurance claims

The Group and Company is possibly exposed to contingent liabilities amounting to Rs.209,951,145 (2017: Rs.220,964,372) representing various potential litigations. These contingent liabilities have already been provided for in note 18(a).

31. RELATED PARTY TRANSACTIONS

Details of related parties	Relationship	Type of transaction	THE GROUP 2018	THE GROUP 2017	THE COMPANY 2018	THE COMPANY 2017
			Rs.	Rs.	**Rs.**	Rs.
Sale of services:						
Directors	Shareholder	Insurance premium	**61,550**	177,200	**61,550**	177,200
Agents	Shareholder	Insurance premium	**15,877,952**	14,720,893	**15,877,952**	14,720,893
Enterprise that has shareholder in common	Shareholder	Insurance premium	**94,700**	41,400	**94,700**	41,400
Interest income	Executive Directors	Interest income	**259,680**	48,281	**259,680**	48,281
Expenses:						
GFA Investments Ltd	Subsidiary	Rental expense	-	-	**237,391**	208,696
Enterprise that has shareholder in common	Shareholder	Rental expense	**1,067,450**	1,336,650	**1,067,450**	1,336,650
Amount owed by:						
Agents	Shareholder	Insurance receivables	**582,394**	662,498	**582,394**	662,498
Executive Directors	Shareholder/ Executive Directors	Loan receivable	**5,883,606**	7,212,200	**5,883,606**	7,212,200
Executive Directors	Executive Directors	Interest receivable	-	45,260	-	45,260

(a) For the year ended December 31, 2018, the Group and the Company have not recorded any impairment of receivables relating to amounts owed by related parties (2017: Rs.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.

(b) **Key Management Personnel Compensation**

	THE GROUP AND THE COMPANY 2018	THE GROUP AND THE COMPANY 2017
	Rs.	Rs.
Salaries and short-term employee benefits	**17,592,439**	13,592,508
Post-employment benefits	**1,235,957**	1,092,060
Rs.	**18,828,396**	14,684,568