

Annual
Report
2014

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OUR STRENGTH OUR TEAM



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TABLE OF CONTENTS

Corporate Data	1
Report of Chairman	2
Chief Executive Officer's review	3 - 4
Corporate Governance Report	5 - 13
Certificate from the Secretary	14
Independent auditors' report	15 - 16
Statement of financial position	18
Statement of comprehensive income	19
Statement of comprehensive income - General Insurance Business	20
Statement of comprehensive income - Life Assurance Business	21
Statement of changes in equity	22
Statement of cash flows	23
Note to the financial statements	25 - 57



CORPORATE DATA

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Port Louis, MAURITIUS
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Fax: 217 3738/ 217 2829
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Web: www.iogaltd.com

Head Office Address

10th Floor, Max City Building
Remy Ollier Street
Port Louis, MAURITIUS

Auditors

Moore Stephens (Mauritius)
6th Floor, Newton Tower
Sir William Newton Street
Port Louis
MAURITIUS

Independent Actuary

Mrs Teja Ranade Gadhoke
Fellow of Society of Actuaries
1-A, Krishna Keval Nagar
Kondhwa Khurd
Pune - 411048
INDIA

Messrs K.A Pandit, Consultants and Actuaries

C/201, Remi Bizcourt
Off, Veers Desai Road
Andheri West
Mumbai-58
INDIA

Corporate Secretary

Mr V.K. Dwarka
Descoins Street
Long Mountain
MAURITIUS

Bankers

Afrasia Bank Ltd
Bank One Ltd
Banque des Mascareignes
Barclays Bank Mauritius Limited
SBI (Mauritius) Ltd
State Bank of Mauritius Ltd
Standard Bank (Mauritius) Ltd
The Mauritius Commercial Bank Ltd

CHAIRMAN'S REVIEW

Dear Shareholders,

On behalf of the Board, I am pleased to present the Annual Report and audited Financial Statements of Indian Ocean General Assurance Ltd for the year ended 30 June 2014.

As we enter the 45th year of our operations, I cannot but recall the pioneering efforts of the founders to offer to a wide section of the Mauritian public insurance covers at affordable prices. They were quite committed to contribute towards the economic emancipation of the nascent nation and the widening of the protection net to vulnerable segments. This commitment we have been upholding through more than four decades.

Conditions within the industry continue to be difficult and this has resulted in intensification of competition with prices being quoted at unrealistic levels. We continue to adopt a prudential approach while we have intensified our presence in the market. Against this backdrop, we had a decrease in premium but maintained an average underwriting result.

The year under review has been one of consolidation. We have invested heavily to create a stronger brand identity to convey our values and products to our actual and prospective audience through various media platforms. These rebranding and marketing communication programmes are aimed at raising the IOGA brand awareness.

We are committed to the constant improvement of our service levels and training and upgrading of the personnel's skills are top on our list of priorities. Side by side, we are also constantly modernising our IT system to enhance our operational efficiency.

Efforts to continuously widen our market reach by bolstering our Agents' network and improving our branch presence in key areas are under way. During the current year, we are planning to open new branches to move closer to the consumers. We are confident that all these measures will improve our underwriting results next year.

I would like to conclude by taking the opportunity to thank all our stakeholders - the shareholders for their faith and patience, our Agents and Salespersons for their enthusiasm, the staff for their dedication, the directors for the valuable contribution and most importantly our customers for their trust and understanding.



Dr Soopramanien M. Cunden
Chairman

Date: 22/09/14



CEO REVIEW

Dear Shareholders,

I have the pleasure of presenting to you a review of the company's performance over the last financial year. The market continues to be characterised by intensive competition with the downward trend in premium prices a recurrent feature. The 'More for Less' expectations of customers with additional covers for lower premium rates and excesses is another trait that has been observed over the last few years.

New identity and horizons

In 2014, one year shy of our 45th anniversary, we have revamped our corporate identity which now conveys the determination and progressive stance of our organisation. This visual identity has been extended to communication, signage, website and stationery items. IOGA is gradually being re-engineered for sustained growth through the following pillars: flawless customer service and high quality products. As part of our endeavours, we have invested heavily in the enhancing of our human capital through training sessions in customer handling and management as well as on the leading of teams. Improvements have been noticed and will reap benefits in the short and medium terms. The fostering of a strong team spirit is a perennial concern of the company.

Building the IOGA brand

The raising of brand and product awareness have been a core focus of our organisation this year with our new identity, products and covers that have been conveyed to a wider audience. This has meant that we have had a sustained presence in traditional and new-age media platforms through advertising and PR efforts. These endeavours have helped bolster our image and enhance our brand equity and will help us be present in the window of opportunity. Below The Line endeavours have also been embarked upon with leaflet distributions now organised on a regular basis to support our agents and branches in their prospecting efforts. Other efforts have included sponsorship of associations for festivals and our presence at the Engen Motor Show 2014.

We understand that there is a need for proactiveness, this has been translated into reality with Vroom Vroom +, our comprehensive car insurance cover that has been launched in the market. We will continuously strive to upgrade our different covers to ensure that they are at par with market expectations.

“We will once again depend on the loyalty, hard work and dedication of our management team and staff for our success.”

Extension of our services

These are challenging times for our company but we are confident that with the right mix of organic and inorganic growth strategies and tactics, we will steer the company in the right direction. Our organic growth strategy will thrive on the broadening of our services to other strategic regions of the island. This extension of our services to new locations added to our new head office at Volcy Pougnet Street in Port Louis will constitute bold statements in the market.

The year ahead

Market conditions do not show any sign of improving in the short to medium terms. This will require prudence but also courage and purpose as we strive for new heights. 2014 has been a learning year with IOGA equipping itself with the required tools to succeed. We will continue to build on them and strengthen our position in the short-term insurance market.

Acknowledgement

With the team spirit and procedures in place we are confident that good results will be achieved in year 2014 and beyond. We will once again depend on the loyalty, hard work and dedication of our management team and staff for our success. We would like to thank our stakeholders for their continuous trust and support.



Natarajen M. Cunden
Chief Executive Officer

Date: 29/09/14



CORPORATE GOVERNANCE REPORT

1. Compliance Statement

Indian Ocean General Assurance Ltd hereafter referred to as "the Company" strongly believes in maintaining a simple and transparent corporate structure which defines the division of power and establishes a mechanism for achieving accountability between Board of Directors and shareholders driven solely by business needs.

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

The Company as an Insurance Company, wishes to comply with the Code of Corporate Governance (the Code), as far as is reasonably possible and practical. The Board of Directors has set up a Corporate Governance Committee and an Audit & Technical Committee. The Directors are thus continually focusing on maintaining the sustainability of the Company's business and discharging their responsibilities of stewardship of the Company's assets with integrity through the existence of a proper control environment and a well functioning system of internal control.

2. Board of Directors

The Board is composed of twelve Directors, two of whom are executives, three are non-executives and seven independent Directors. The Board met on nine occasions during the year under review. The Directors possess expertise and experience in different fields such as Administration, Accountancy, Banking, Corporate Management, Law and Insurance. The Board collectively and the Directors individually are involved in the Company's affairs and adhere to ethical standards.

The Board bears the responsibility of organising and directing the affairs of the Company in a manner that is in the best interest of shareholders and other stakeholders. The Board retains full and effective control over the Company, delegating the day-to-day running and operational issues to the Chief Executive Officer and his management team. The Board of Directors is appointed by the shareholders on the basis of integrity, skill, acumen and experience to make sound judgements relevant to the business of the Company.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CORPORATE GOVERNANCE REPORT

2. Board of Directors (Continued)

2.1 Composition of Board

The Board comprises the following Directors:

Dr. Soopramanien M. Cunden	Chairman & Non-executive
Mr. Natarajen M. Cunden	Executive
Mrs. Neermalah Mootoosamy	Executive
Ms. Analaxmi Cunden	Non-executive
Ms. Shrivana Cunden	Non-executive
Mr. Raouf Dusmohamud	Independent
Mr. Logonaden Pillay Thandrayen	Independent
Mr. Karunanidi Teeroovengadum Sornum	Independent
Mr. Vijay Kumar Dwarka	Independent
Mr. Yuvhen Modelly Cunden	Independent
Mr. P.A. Pather	Independent
Mr. J.M. Percy Rose	Independent

2.2 Directors' interest

The Directors' interests in the ordinary share capital of the company as at 30 June 2014 are as follows:

	ORDINARY SHARE OF RS. 10 EACH	
	2014	%
Ms. Analaxmi Cunden	116,662	4.66
Mr. Natarajen Modeliar Cunden	126,662	5.06
Ms. Shrivana Cunden	116,412	4.66
Dr. Soopramanien Modeliar Cunden	116,477	4.66
Mr. Raouf Dusmohamud	728	0.02
Mr. P. A. Pather	728	0.02
Mr. Logonaden Pillay Thandrayen	100	0.003
Mr. Karunanidi Teeroovengadum Sornum	400	0.011

2.3 Directors' service contracts

The directors do not have any formal service contracts.

2.4 Contracts of significance

There was no contract of significance made during the year to which the Company was a party and in which a Director was materially interested, either directly or indirectly.

CORPORATE GOVERNANCE REPORT

3. Committees of the Board of Directors

In compliance with the principles of Good Governance, the Board of Directors has set up two Board Sub Committees, namely: Corporate Governance Committee and Audit & Technical Committee.

3.1 Corporate Governance Committee

The Corporate Governance Committee is composed of three non-executive/ independent Directors namely Mr. Logonaden Pillay Thandrayen (Chairman), Mr. Raouf Dusmohamud and Mr. Yuvhen M. Cunden.

Terms of reference of the Corporate Governance Committee include the following:

- ensuring that Professional Personnel and Human Resources Management policies are practised and implemented in the areas of recruitment and other staff related matters.
- ensuring that the Company follows a well defined and properly structured remuneration policy.
- ensuring that all the management decisions are appropriately recorded with due transparency for the benefit of stakeholders.

The Corporate Governance Committee is responsible for implementing the Code of Corporate Governance throughout the Company and ensuring that the reporting requirements on Corporate Governance are made in accordance with the principles enunciated in the Code.

3.2 Audit & Technical Committee

The Audit & Technical Committee comprises Mr P. A.

Pather, FCCA (Chairman), Mr. Jean Marie Percy Rose (A.C.I.I) and Mr. Karunanidi T. Sornum. The technical aspect is chaired by Mr. Jean Marie Percy Rose. External Committee Auditors attend meeting when invited. The Audit & Technical Committee has adopted formal terms of reference and it confirms that it has discharged its responsibilities for the year, in compliance with its terms of reference. The Audit & Technical Committee oversees the management's financial stewardship of the Company and also the performance of the external audit functions.

The Audit & Technical Committee focuses on:

- ensuring that adequate controls and checks are installed in the Accounts Department.
- ensuring that there are well defined procedures and mechanisms for purchase of movable and immovable properties.
- ensuring that all the accounting returns for Financial Service Commission and other government agencies are correctly prepared and submitted on time.
- ensuring that there is a proper and adequate system in the areas of investment without any compromise on the security of the funds pertaining to General Insurance and Life Insurance Businesses.
- taking cognizance of the auditors' report and actuaries' report before these are taken to the Board.

3.3 Meetings of the Board and Committees

The Board and the Committees meet regularly as required by the rules and regulations approved by the Board.

Directors' attendance at Board Meetings and Committees as at 30 June 2014:

	Board of Directors	Corporate Governance	Audit & Technical Committee
No. of meetings held	9	1	5
Dr. Soopramanien M. Cunden	9	NIL	NIL
Ms. Analaxmi Cunden	NIL	NIL	NIL
Mr. Natarajen M. Cunden	9	NIL	NIL
Mrs. Neermalah Mootoosamy	2/9	NIL	NIL
Ms. Shrivana Cunden	NIL	NIL	NIL
Mr. Raouf Dusmohamud	9	1	NIL
Mr. P. A. Pather	9	NIL	5
Mr. Karunanidi T Sornum	9	NIL	2/5
Mr. J.M Percy Rose	8/9	NIL	5
Mr. Vijay Kumar Dwarka	9	NIL	NIL
Mr. Yuvhen Modelly Cunden	9	1	NIL
Mr. L Pillay Thandrayen	5/9	1	NIL

CORPORATE GOVERNANCE REPORT

Directors' Profiles

The profiles of the Directors are given below:

Mr Raouf Dusmohamud

Non-Executive Director

Mr Raouf Dusmohamud was appointed as a Director on the Board of IOGA Ltd in 2004. He is presently the Managing Director of Raouf Dusmohamud Co. Ltd, which is the official representative and dealer of the following makes of cars viz: Proton, Perodua. In addition, he is the owner of Garage Raouf and Brabant Pieces Auto.

Mr Logonaden Pillay Thandrayen

also known as Raj Pillay

Non-Executive Director

Non Executive Director and Chairman of Corporate Governance Committee

Mr Raj Pillay joined the Board in 2004. He is presently the Managing Director of Thandrayen Pillay Refrigeration Centre Ltd and Jensen Trading Co. Ltd. He is also a Director of Ningbo Komans Refrigerant (Ningbo China). He has won the Paris Star Quality Award Platinum Category in 2012, London Golden Crown Award QC100 in 2005 and Sablier D'Or Dan Foss Denmark in 1999.

Mr Karunanidi Teeroovengadam Sornum

Non-Executive Director

Mr Sornum was appointed as a Director in 2002 and as a member of the Audit Committee in 2007. He is working as accountant in the logistic sector and is an affiliate member of the Chartered Institute of Logistics and Transport.

Miss Analaxmi Cunden

Non-Executive Director

Ms Analaxmi Cunden was appointed as a Director in 2002. She is working as Corporate Secretary for Aviva Group Luxembourg. She has also exposure in General Banking, Accounting, Company Secretarial Practice and Human Resources Management.

Mr Natarajen M. Cunden

Chief Executive Officer, Executive Director

Mr Natarajen M. Cunden was appointed as Director in 2002 and enjoys a rich experience of 12 years in the Banking Sector. Prior to joining IOGA Ltd, he was Deputy CEO of the former Indian Ocean International Bank Ltd. He is a Fellow of the Chartered Management Institute of UK and has completed his Master Degree in Management from the University of Mauritius.

Miss Shrivana Cunden

Non-Executive Director

Miss Shrivana Cunden was appointed as Director in 2002 and she acted as the Managing Director of the Company for the period 1998 to February 2006. She is a holder of MBA from Birmingham University (UK) and currently

working in a leasing company, Toronto, Canada.

Dr Soopramanien M. Cunden

Non-Executive Director

Dr Soopramanien M. Cunden joined the Board in 2008. He is a Medical Practitioner and has a clinic in Rose Hill. He acquired his medical degree in France. Prior to returning to Mauritius, he practised medicine in France and UK.

Mrs Neermalah Mootoosamy

Executive Director

Mrs Mootoosamy (A.C.I./A.I.I.) is the Senior Manager of the Underwriting Department, and is also in charge of Reinsurance and Technical aspects of the business. She is a Chartered Insurer and Chartered Insurance Broker, council member and past president of the Insurance Institute of Mauritius. She is also a registered Trainer in Insurance. Mrs Mootoosamy has a rich and extensive experience in the government service (18 years) among which 7 years as inspector of Insurance (now FSC). She has also served as Reinsurance and Technical Manager at Rainbow Insurance Co. Ltd and Managing Director of INXS Ltd, Insurance, Reinsurance Brokers and Consultants. She joined the board on 22 March 2014.

Mr Vijay Kumar Dwarka

Non-Executive Director

Mr Vijay Kumar Dwarka is a Senior Attorney at Law (S.A.) with 41 years of experience in the legal field. He is the President of the Law Society of Mauritius for the period 2012-2014. His chamber has legal correspondents in Reunion, France (Paris, Montpellier) and UK (London). He is also one of the Directors of more than 50 offshore companies and has a current portfolio of over 150 companies both local and international. He is an active social worker involved with various associations. He is a past President and Director of Lions Club International, Port Louis Branch (1994/1995) and is still an active member of the club. He joined the Board on 11 June 2010.

Mr Yuvhen Modelly Cunden

Independent Director

Mr Yuvhen was appointed as independent Director on 11th June 2010. He is currently employed with SBI (Mauritius) Ltd as IT Supervisor. He holds a Diploma in Information Technology through AEA (Ncc).

Mr Poobalasoondaram Arnasala Pather

Independent Director

Mr P.A Pather has been appointed as independent director on 29th December 2011. He is a Fellow of the Chartered Association of Certified Accountants (FCCA). He has long experience in accounting and financial services. He is currently the managing partner of Palsam Associates.

CORPORATE GOVERNANCE REPORT

4. Directors' Profiles (Continued)

Mr Jean Marie Percy Rose

Independent Director

Mr J. M. Percy Rose joined the Company as independent Director in June 2011. Career-wise, he has a long outstanding managerial and technical experience in the insurance sector since 1967. Mr J. M Percy Rose is an Associate of the Chartered Insurance Institute (UK) since 1979 and a Chartered Insurer in 1997.

5. Statement of Remuneration Philosophy

The remuneration of Directors and Senior Executives of the company is reviewed annually as per the term of reference of the Nomination and Remuneration sub-committee presided by Mr Logonaden Pillay Thandrayen. The remuneration philosophy is based on performance and is transparent.

5.1 The remunerations paid to each Director are as follows:

Directors	Rs
Dr. Soopramanien M. Cunden	66,000
Ms. Analaxmi Cunden	NIL
Mr. Natarajen M. Cunden	54,000
Mrs. Neermalah Mootosamy	12,000
Ms. Shrivana Cunden	NIL
Mr. Raouf Dusemohamud	55,500
Mr. Logonaden Pillay Thandrayen	29,500
Mr. P. A. Pather	61,500
Mr. Karunanidi T Sornum	57,000
Mr. J.M Percy Rose	55,500
Mr. Vijay Kumar Dwarka	54,000
Mr. Yuvhen Modelly Cunden	55,500

6. Shareholdings

6.1 Analysis of shareholders as at 30 June 2014

Size of Shareholding	No of shares owned	% of total issued shares
1-500	29,289	1%
501-1,000	30,041	1%
1,001-5,000	148,078	6%
More than 5,000	2,292,592	92%
Total	2,500,000	100%

CORPORATE GOVERNANCE REPORT

6.2 Shareholder category as at 30 June 2014

Shareholder Category	No of shareholders	No of Shares	%
Individuals	201	1,331,294	53%
Corporate bodies	19	1,141,918	46%
Others	26	26,788	1%
Total	246	2,500,000	100%

6.3 Shareholders holding more than 5% of the share capital as at 30 June 2014 were:

Shareholders	No of Shares	%
Promunit Limited	848,219	33.9%
Sam Cunden (Mauritius) Ltd	146,072	5.8%
Succession Sam Cunden	294,412	11.8%
Natarajen M. Cunden	294,412	11.8%

6.4 Shareholder's agreement

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

7 Profile of Senior Management Team

Mr Natarajen M. Cunden

Mr Natarajen M. Cunden, Chief Executive Officer has extensive experience in the management sector. He is a Fellow of the Chartered Institute of Management, UK and holds a Master Degree in Management from the University of Mauritius.

Mrs Neermalah Mootoosamy

Mrs Neermalah Mootoosamy, A.C.I.I./A.I.I.I, Senior Manager in Underwriting Department, is in charge of Reinsurance and Technical aspects of the business. She is a Chartered Insurer and Chartered Insurance Broker, council member and past president of the Insurance Institute of Mauritius. She is also a registered Trainer in Insurance. Mrs Mootoosamy has a rich and extensive

experience in the government service (18 years) among which 7 years as Inspector of Insurance (now FSC). She has also served as Reinsurance and Technical Manager at Rainbow Insurance Co. Ltd and Managing Director of INXS Ltd, Insurance, Risk Advisors and Insurance Brokers.

Miss Siow Yan Lim Fook

Miss Siow Yan Lim Fook, Accountant, is a full-fledged professional with 23 years experience in accountancy and finance, out of which 18 years with the State Insurance Company Ltd (SICOM) and 3 years with Ex-CIM Life Ltd (now amalgamated with and into Anglo Mauritius Assurance Society Ltd). She is a Fellow of the Association of Chartered Certified Accountants and joined the Company in June 2013.

CORPORATE GOVERNANCE REPORT

8. Corporate Social Responsibility

8.1 Sustainability reporting

The Company recognizes that it operates within a social and economic community and as such is committed when taking decisions and carrying out its activities, to take into account not only its economic viability but also the environmental consequences and social implications. The Company recognizes its key role on job and wealth creation in the Mauritian society. Reporting sustainability is generally understood to be the way for a Company to strike a right balance between economic, environmental and social integration, often through commitment and activities that extend beyond the foundation of compliance with legislation.

8.2 Within the Company

The Company adopts harmonious industrial relations in order to achieve its objectives and mission in the interest of both the Company and its employees. There is a two-way communication within the Company.

8.3 Within the society

The Company is fully conscious of its role as a social partner in the community. During the year under review, the Company has actively participated in various social activities and has sponsored several events.

8.4 Environment, health and safety

Environmental implications are considered before operational and strategic decisions are taken. The Company is committed to bring about a health and safety culture within the Company and also maintains a conducive working environment for the general well being of the employees and its customers.

9 Internal Audit

The Board of Directors has given consideration to the role of an internal auditor in the Company. However at this point of time it considers that the appointment of an internal auditor in the Company is not justified, as the Company has a satisfactory system of Internal Control.

Responsibilities and duties of officers are clearly defined, thus providing proper checks and balance of transactions carried out in the Company.

The objectives and policies of the Company are properly communicated up and down the line in the Company.

The Audit & Technical Committee and the key management personnel regularly receive reports from various departments and review same.

10. Risk Management and Internal Control System

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

The risk management mechanism in place includes:

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

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, is delegated to the Audit & Technical Committee.

The following risk areas have been identified for the Company:

10.1 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 uncertain 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.

CORPORATE GOVERNANCE REPORT

10. Risk Management and Internal Control System (Continued)

10.2 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 risks in excess of its capacity to top rated reinsurers. 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 are closely monitored so as to ensure that the loss reported is covered and properly assessed. The Company ensures that claims provisions are determined using the best information available of claims settlement patterns, inflation forecast and settlement of claims.

10.3 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. Financial risk is considered to be very low.

10.4 Credit risk

The Company's credit is primarily attributable to debtors including agents for insurance premium payable to the Company. 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.

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

10.5 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 Audit & Technical Committee set up by management ensures that investments are sufficiently diversified in order to match assets and liabilities and liquidity requirements.

10.6 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.

10.7 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

The personnel responsible for managing and controlling different sectors of the Company 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 service failure risk because if not detected and corrected before a service is delivered to the customer, a product or performance failure could result. A Compliance Officer has been appointed to monitor these issues.

- Health and Safety Risk

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

CORPORATE GOVERNANCE REPORT

11 Miscellaneous

11.1 Auditors

The audit fees payable to the auditors, Moore Stephens, amount to Rs 275,000. (2013: Rs 250,000).

11.2 Code of Ethics and Conduct

The Company is committed to ethical practices in its day-to-day operations and is governed by the Industry Code of Ethics.

11.3 Dividend policy

The Company did not declare any dividend during the year under review. (2013: Rs3,500,000).

11.4 Donations and Sponsorship

The Company sponsored Rs 17,000 during the year. (2013: Rs 42,000)

11.5 Related party transactions

The details in respect of related party transactions have been disclosed in Note 33 of the financial statements.

12. Statement of Directors' responsibilities in respect of the financial statements

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

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

The Directors are responsible for ensuring that adequate accounting records and an effective system of internal control and risk management are maintained. This helps to disclose with reasonable certainty and accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors confirm that they complied with these requirements in preparing the financial statements. The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

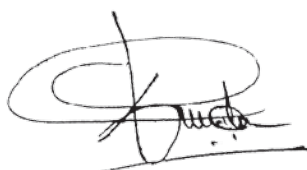
13. Acknowledgement

The Board of Directors wishes to thank all stakeholders for their continued cooperation and support. The Board also expresses its appreciation for the valued support, continued trust, and loyalty of its management, staff and customers without whom the objectives of the Board would not have been attained.

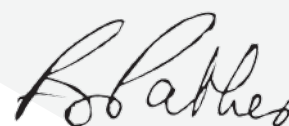
Approved by the Board of Directors and signed on its behalf by:



Chairperson



Chief Executive Officer



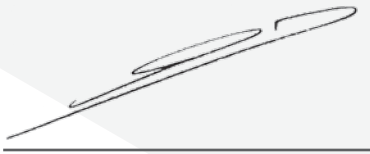
Director

Date: 29/09/14



CERTIFICATE OF THE SECRETARY

I certify, to the best of my knowledge and belief, that the Company has filed with the Registrar of Companies all such returns as are required of INDIAN OCEAN GENERAL ASSURANCE LTD under Section 166(d) of the Companies Act 2001, during the year ended 30 June 2014.



SECRETARY
Vijay Kumar Dwarka

Date: 29/09/14

Address:
Descoins Street
Long Mountain
Mauritius

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INDIAN OCEAN GENERAL ASSURANCE LTD

This report is made solely to the members of **INDIAN OCEAN GENERAL ASSURANCE LTD** (the "company"), as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members 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 the report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of **INDIAN OCEAN GENERAL ASSURANCE LTD** (the "company") which comprise the statements of financial position as at 30 June 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended as set out on pages 21 to 26, and a summary of significant accounting policies and other explanatory notes as set out on pages 27 to 64.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements on page 21 to 64 give a true and fair view of the financial position of the company as at 30 June 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Standards and comply with the Mauritius Companies Act 2001 and the Insurance Act 2005 as amended by the Insurance (Amendment) Act 2007.

Report on other legal and regulatory requirements

Companies Act 2001

We have no relationship with, or interests in, the company other than in our capacity as auditors.

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

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


Insurance Act

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

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report and making disclosures required by Section 8.7 of the Code of Corporate Governance of Mauritius ("Code"). Our responsibility is to report on these disclosures.

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



MOORE STEPHENS

Chartered Accountant

PORT LOUIS
REPUBLIC OF MAURITIUS



D. Busgeeth, Bsc (Econ), FCA

Signing Partner

Licensed by FRC

DATE: 29 SEP 2014



**TOGETHER
THROUGH
THICK &
THIN**



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INDIAN OCEAN GENERAL ASSURANCE LTD

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	NOTES	LIFE Rs	GENERAL Rs	2014 Rs	LIFE Rs	GENERAL Rs	2013 Rs
Non-current assets							
Property, plant and equipment	6	14,630	19,169,455	19,184,085	21,944	11,968,542	11,990,486
Intangible asset	7	1	1	2	1	1	2
Available-for-sale financial assets	8	26,522,320	40,486,578	67,008,898	25,669,255	38,973,369	64,642,624
Held-to-maturity investments	9	-	812,951	812,951	-	815,738	815,738
Statutory deposits	10, 12	8,000,000	10,000,000	18,000,000	8,000,000	10,000,000	18,000,000
Other assets	11	1,100,000	-	1,100,000	405,764	-	405,764
Deposits	12	17,816,149	85,691,182	103,507,331	18,816,149	111,246,703	130,062,852
Loans and receivables	13	1,163,619	456,328	1,619,947	3,008,870	335,507	3,344,377
Deferred tax asset	29	6,892	-	6,892	5,955	-	5,955
		54,623,611	156,616,495	211,240,106	55,927,938	173,339,860	229,267,798
Current assets							
Loans and receivables	13	766,564	21,790	788,354	1,110,843	38,379	1,149,222
Receivables and prepayments	14	2,611,238	19,219,075	21,830,313	4,882,595	26,143,855	31,026,450
Amount due by re-insurers	15	-	9,616,116	9,616,116	-	3,624,110	3,624,110
Reinsurance contracts	25	-	9,839,083	9,839,083	-	10,032,898	10,032,898
Deposits	12	5,192,155	39,536,665	44,728,820	19,754,169	26,000,000	45,754,169
Cash and cash equivalents	22	10,417,760	31,512,974	41,930,734	2,340,537	19,257,705	21,598,242
		18,987,717	109,745,703	128,733,420	28,088,144	85,096,947	113,185,091
TOTAL ASSETS		73,611,328	266,362,198	339,973,526	84,016,082	258,436,807	342,452,889
EQUITY AND LIABILITIES							
Capital and reserves							
Stated capital	16	-	25,000,000	25,000,000	-	25,000,000	25,000,000
Revaluation reserve	17	19,525,920	41,542,460	61,068,380	18,672,855	40,032,038	58,704,893
Retained earnings		-	106,072,655	106,072,655	-	100,073,825	100,073,825
Equity holders interest		19,525,920	172,615,115	192,141,035	18,672,855	165,105,863	183,778,718
Technical Provisions							
Unearned Premium Reserve	18	-	16,084,729	16,084,729	-	16,935,737	16,935,737
Life assurance fund	19	52,969,093	-	52,969,093	60,133,088	-	60,133,088
		52,969,093	16,084,729	69,053,822	60,133,088	16,935,737	77,068,825
Non-current liabilities							
Deferred tax liability	29	-	16,932	16,932	-	48,414	48,414
Retirement benefit obligation	20	-	2,267,821	2,267,821	-	2,222,628	2,222,628
		-	2,284,753	2,284,753	-	2,271,042	2,271,042
Current liabilities							
Current Tax liabilities	27	356,981	307,509	664,490	109,830	1,175,223	1,285,053
Amount due to re-insurers	26	55,502	1,710,816	1,766,318	18,448	578,653	597,101
Payables	21	703,832	8,132,576	8,836,408	5,081,861	6,064,848	11,146,709
Outstanding claims	25	-	65,226,700	65,226,700	-	66,305,441	66,305,441
		1,116,315	75,377,601	76,493,916	5,210,139	74,124,165	79,334,304
Total Equity and Liabilities		73,611,328	266,362,198	339,973,526	84,016,082	258,436,807	342,452,889

Approved by the Board of Directors on 29/09/14 and signed on its behalf by:


Chairman


Director

The notes on pages 25 to 57 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	2014 Rs	2013 Rs
Gross premium		48,572,049	54,498,656
Premium ceded to reinsurers		(4,573,668)	(7,366,519)
Net premium		43,998,381	47,132,137
Release to general business fund	18	851,008	3,414,128
Net Earned Premium		44,849,389	50,546,265
Investment income		9,168,521	14,808,690
Other income		3,417,645	4,015,050
		57,435,555	69,370,005
Net incurred claims		(32,560,307)	(34,587,216)
Commission		(4,483,415)	(4,804,811)
Management expenses		(17,751,532)	(15,556,492)
Depreciation and amortisation		(535,810)	(845,952)
		(55,331,064)	(55,794,471)
Profit before taxation	23	2,104,491	13,575,534
Income tax expense		(1,444,528)	(2,939,562)
Profit after taxation		659,963	10,635,972
Transfer from life assurance fund	19	7,163,995	2,607,977
		7,823,958	13,243,949
Less: Commission on founder's share		(801,826)	(1,244,994)
Profit for the year		7,022,132	11,998,955
Other comprehensive income			
(Loss)/ gain on foreign exchange		(1,023,302)	734,150
Gain on revaluation		2,363,487	7,136,024
Total comprehensive income for the year		8,362,317	19,869,129
Earnings per share	30	3.34	7.95

The notes on pages 25 to 57 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

GENERAL INSURANCE BUSINESS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	2014 Rs	2013 Rs
Gross premium		44,637,332	49,481,164
Premium ceded to reinsurers		(4,425,508)	(7,141,821)
Net premium		40,211,824	42,339,343
Release to general business fund	18	851,008	3,414,128
Net Earned Premium		41,062,832	45,753,471
Gross claim paid		(29,131,553)	(38,646,117)
Claims recovered from reinsurers		6,264,269	7,100,902
Recoverable from reinsurers		2,484,724	765,082
Movement in outstanding claims and IBNR		884,925	7,145,090
Net Incurred Claims		(19,497,635)	(23,635,043)
Commission receivable		558,687	675,712
Commission payable to agents and brokers		(5,044,892)	(5,529,508)
Net Commission		(4,486,205)	(4,853,796)
Net underwriting result		17,078,992	17,264,632
Investment income		6,660,293	11,380,053
Other income		2,680,568	2,733,770
		26,419,853	31,378,455
Management expenses		(16,869,085)	(14,790,628)
Depreciation and amortisation		(528,496)	(838,637)
Profit before taxation		9,022,272	15,749,190
Income tax expense		(1,198,314)	(2,505,241)
Profit after taxation		7,823,958	13,243,949
Less: Appropriations			
Commission on founder's share		(801,826)	(1,244,994)
Profit for the year		7,022,132	11,998,955
Other comprehensive income			
(Loss)/gain on foreign exchange		(1,023,302)	734,150
Gain on revaluation		2,363,487	7,136,024
Total comprehensive income for the year		8,362,317	19,869,129

The notes on pages 25 to 57 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

LIFE ASSURANCE BUSINESS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	2014 Rs	2013 Rs
Gross premium		3,934,717	5,017,492
Premium ceded to reinsurers		(148,160)	(224,698)
Net Earned Premium		3,786,557	4,792,794
Investment income		2,508,228	3,428,637
Other income		737,077	1,281,280
		7,031,862	9,502,711
Commission payable		(11,722)	(73,351)
Commission recoverable from reinsurers		14,512	122,336
Net Commission		2,790	48,985
Death claims		(273,500)	(52,464)
Maturity claims and survival		(9,106,485)	(9,132,999)
Surrenders		(3,682,687)	(1,766,710)
Total claims		(13,062,672)	(10,952,173)
Management expenses		(882,447)	(765,864)
Depreciation and amortisation		(7,314)	(7,315)
		(889,761)	(773,179)
Loss for the year		(6,917,781)	(2,173,656)
Income tax expense		(246,214)	(434,321)
		(7,163,995)	(2,607,977)
Transfer from Life assurance fund	19	7,163,995	2,607,977

The notes on pages 25 to 57 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	SHARE CAPITAL	FREEHOLD LAND REVALUATION	PROPERTY REVALUATION RESERVES	INVESTMENT REVALUATION RESERVES	RETAINED EARNINGS RESERVES	TOTAL
	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2012	25,000,000	-	544,500	51,024,369	91,090,720	167,659,589
Profit for the year	-	-	-	-	11,998,955	11,998,955
Other comprehensive income for the year		5,200,000	(544,500)	2,480,524	734,150	7,870,174
Dividends Paid	-	-	-	-	(3,750,000)	(3,750,000)
At 30 June 2013	25,000,000	5,200,000	-	53,504,893	100,073,825	183,778,718
Profit for the year	-	-	-	-	7,022,132	7,022,132
Other Comprehensive Income:				2,363,487	(1,023,302)	1,340,185
At 30 June 2014	25,000,000	5,200,000	-	55,868,380	106,072,655	192,141,035

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	2014 Rs	2013 Rs
Cash flows from operating activities			
Profit before taxation		2,104,491	13,575,534
Adjustments for:-			
Depreciation / Amortisation		535,810	845,952
Investment income		(9,168,521)	(14,808,690)
General fund		(851,008)	(3,414,128)
Provision Retirement benefit obligations		45,193	440,018
Operating loss before working capital changes		(7,334,035)	(3,361,314)
Decrease in trade and other receivables		9,196,137	11,597,694
Increase in amount due by reinsurers		(5,992,006)	(765,082)
Increase in amount due to reinsurers		1,169,217	192,567
Decrease in reinsurance contract		193,815	537,181
Decrease in trade and other payables		(2,310,301)	(4,734,449)
Decrease in outstanding claims		(1,078,741)	(7,186,677)
Cash used in operations		(6,155,914)	(3,720,079)
Income received		9,179,300	16,186,000
Taxation and CSR paid		(2,909,617)	(1,849,240)
Net cash flows from operating activities		113,769	10,616,681
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,729,906)	(3,919,992)
Advance on property		(694,236)	-
Dividend		-	(3,750,000)
Redemption of held to maturity investments		-	(34,390)
Refunds of loan granted		2,085,298	896,767
Decrease / (increase) in deposits		27,580,870	(12,486,417)
Net cash flows from/(used in) investing activities		21,242,026	(19,294,032)
Net increase/(decrease) in cash and cash equivalents		21,355,795	(8,677,351)
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		21,598,242	29,501,427
Effect of foreign exchange rate changes		(1,023,302)	774,167
Cash and cash equivalents at the end of the year	22	41,930,734	21,598,242

The notes on pages 25 to 57 form an integral part of these financial statements.

WORTHY OF YOUR TRUST



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Corporate information

The Indian Ocean General Assurance Ltd is a Public Company incorporated and domiciled in Mauritius. The Company was incorporated on 10th April 1970 and it carries on business at 10th Floor, Max City Building, Remy Ollier Street, Port Louis, Mauritius. The Company carries out short and long term insurance businesses. Short term insurance comprises general insurance and covers the following:

- Accident
- Engineering
- Fire and allied perils
- Motor
- Transportation
- Guarantee
- Travel

2. Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 April 2013.

2.1 New and revised IFRSs and IFRICs applied with no material effect on financial statements

IFRS 1

First-time Adoption of International Financial Reporting Standards - Amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs) (effective on or after 1 January 2013)

IFRS 7

Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities (effective on or after 1 January 2013)

IFRS 10

Consolidated Financial Statements - Amendments to transitional guidance (effective on or after 1 January 2013)

IFRS 11

Joint Arrangements - Amendments to transitional guidance (effective on or after 1 January 2013)

IFRS 12

Disclosure of Interests in Other Entities - Amendments to transitional guidance (effective on or after 1 January 2013)

IFRS 13

Fair Value Measurement - Original issue (effective on or after 1 January 2013)

IAS 1

Presentation of Items of statement of profit or loss and other comprehensive income (effective on or after 1 July 2012)

IAS 32

Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions) (effective on or after 1 January 2013)

2.2 New and revised IFRSs and IFRICs in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IFRS 9

Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective on or after 1 January 2015)

IFRS 10

Consolidated Financial Statements - Amendments for investment entities (effective on or after 1 January 2014)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the Companies Act 2001.

(b) Basis of preparation

The financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies and in accordance with International Financial Reporting Standards (IFRSs).

(c) Functional and presentation currency

The financial statements are presented in Mauritian Rupees (Rs) which is the Company's functional and presentation currency and represents the currency of the primary economic environment in which the entity operates.

(d) Revenue recognition

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

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

(e) Property, plant and equipment

All property, plant and equipment are initially recorded at cost or revalued amounts less accumulated depreciation. Cost includes any costs directly attributable to bringing the asset to working condition for its intended use.

Revaluation surpluses or deficits are dealt with in the revaluation reserve except for movements below the depreciated cost which are dealt with in the statement of profit or loss and other comprehensive income. Each year the difference between depreciation based on revalued amount of the asset (the depreciation charged to statement of profit or loss and other comprehensive income) and depreciation based on asset's original cost is transferred from revaluation reserve to statement of comprehensive income.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit or loss and other comprehensive income as incurred.

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

Freehold Building	5% p/a
Office equipment	20% - 33 1/3% p/a
Motor vehicles	20% p/a
Furniture and fittings	20% p/a

Freehold land is not depreciated.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax.

(f) Other assets

Other assets represent land acquired which was secured for mortgage loans. The loans have been written off and the value of the assets is recognised at cost.

(g) Intangible asset

Intangible asset which comprises computer software is initially recorded at cost and amortised using the straight-line method over its expected useful life that is 3 years. The carrying amount is reviewed annually and adjusted for any permanent diminution where it is considered necessary.

(h) 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 is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. Significant accounting policies (Continued)

(i) Financial instruments

Financial instruments carried on the statement of financial position include available-for-sale investments, statutory deposits, deposits, loans and receivables, trade receivables, cash at bank and in hand, payables, bank overdraft and premiums and other deposits in advance. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

- *Categories of Financial Assets*

The Company 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 the investments at initial recognition.

- *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 Company provides money or services directly to a debtor with no intention of trading the receivable. They are included in the current assets when maturity is within twelve months of the reporting period or non-current assets for maturities greater than twelve months. They are stated at cost less provision for estimated irrecoverable or doubtful debts.

- *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at the fair value of the consideration paid for their acquisition. After initial measurement, held-to-maturity financial assets are measured at amortised cost using the effective interest method. Interests on held-to-maturity investments are included in profit or loss as investment income. In the case of an impairment, it has been reported as deduction for the carrying value of an investment and recognised in profit or loss.

- *Available-for-sale financial assets*

Available-for-sale (AFS) 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 assets within

twelve months of the end of the financial reporting period.

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 and accumulated in equity in the investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is transferred to profit and loss for the year.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at mid rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Available-for-sale investments which do not have a quoted market price and whose fair value cannot be reliably measured, are carried at Net Asset Value.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

- *Long term receivables*

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. Significant accounting policies (Continued)

(i) Financial instruments (Continued)

- 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 Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in profit or loss.

- Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

- Cash and cash equivalents

These comprise cash at banks and in hand and short-term deposits with a maturity of three months or less as well as bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

- Trade and other payables

Trade and other payables are stated at amortised cost.

(j) 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 expired. Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain event adversely affects the policyholder. Some insurance contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to a guaranteed benefit, additional benefits or bonuses.

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

Contracts under which the Company accepts significant insurance risk from another party (the policy-holder) by agreeing to compensate the policyholder or other

beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

Insurance contracts issued by the Company are categorised as follows:

- Short-term insurance contracts

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

General insurance contracts permit the Company to sell property acquired in settling a claim (i.e. salvage). The Company has the right to sue third parties for the payment of some or all the costs incurred (i.e. subrogation). Estimate of salvage recoveries is included as allowance in the measurement of the insurance liability for claims and salvage property is recognised in other assets when the liability is settled.

- Long-term insurance contracts with fixed and guaranteed terms

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. Significant accounting policies (Continued)

(j) Insurance contracts (Continued)

- Long-term insurance contracts with fixed terms and DPF

These types of contracts contain a DPF which entitles the contract holder, in supplement to a guaranteed amount, to a contractual right to receive additional profit or bonuses. The magnitude of the profit or bonuses as well as the timing of the payments are however at the discretion of the Company. The Company has an obligation to eventually pay to contract holders up to 20 % of the DPF eligible surplus. The remaining 80 % is payable to the policy holders at maturity.

- Long-term insurance contracts without fixed terms and with DPF

These types of insurance contracts contain a DPF which entitles the contract holder in supplement to a guaranteed amount, a contractual right to receive additional profit or bonuses.

The amount or timing is contractually at the Company's discretion and is based on:

- (a) realised and/or unrealised investment returns on a specified pool of assets held by the Company; or
- (b) the profit or loss of the Company that issues the contracts.

- Reinsurance contracts

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

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

insurance liabilities.

Short-term balances due from reinsurers are classified within trade and other receivables. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as expenses when due.

- Impairment of reinsurance assets

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

- Revenue recognition

(a) Premium earned

(i) Short term insurance

Premium on short-term insurance contracts represents gross premium net of premium ceded to reinsurers and is recognised as revenue (net earned premium) on an inception basis (daily method).

(ii) Long term assurance

Premium on long-term assurance contracts is recognised in the Life Assurance Fund when receivable, i.e. when payments are due.

(b) Unearned Premium – Short Term Insurance

Short term insurance unearned premium represents the portion of premium written relating to periods of insurance risks subsequent to the statement of financial position calculated on the basis of 40% of the premium written less premium ceded to reinsurers.

(c) Other revenues

Other revenues earned by the Company are recognised on the following bases:

Commission income from reinsurers is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Profit commission from reinsurers is recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. Significant accounting policies (Continued)

(j) Insurance contracts (Continued)

Claims expenses and outstanding claims provisions

Outstanding claim provisions are based on the ultimate costs of all claims incurred but not secured at the end of the reporting period, whether reported or not (IBNR). Notified claims are only recognised when the Company considers that they have a contractual liability to settle the claims.

There are often delays between the occurrence of the insured event and the time it is actually reported to the Company, particularly in respect of the liability business, the ultimate cost cannot be known with certainty as to magnitude and timing of the settlement of the claim. Outstanding claim provisions are not discounted and exclude any allowances for expected future recoveries.

Recoveries represent claims recoverable from third party insurers. Recoveries are accounted for as and when received. However, non-insurance assets that have been acquired by exercising rights to sell or subrogate under the terms of the insurance contracts are included when providing for outstanding claims.

- Review of insurance liabilities

(a) Short-term insurance

At the end of each reporting period the company performs a liability adequacy test on its insurance liabilities to ensure that the carrying value is adequate, using current estimates of future cash flows taking into account the relevant investment return. If the assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is charged as an expense to the statement of comprehensive income in recognising a provision for unexpired risks. The unexpired risks provision is assessed in aggregate for future business classes which are managed together.

(b) Long-term insurance

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

- Life Assurance Fund

The decrease in the Life Assurance Fund represents the increase in the value of policy liabilities. The adequacy of the liabilities is determined annually by actuarial valuation. At the end of every year, a valuation of assets

and liabilities is done and every 3 years evaluation of assets and liabilities is done to find the DPF eligible surplus. In the light of the latter a rate of bonus is set for policy holders. The distributable share of the surplus is transferred annually to the life fund. The amount of the DPF eligible surplus distributable to shareholders is limited to 1/9th of the cost of the final bonuses allocated to the policyholders. The holders' share of the DPF eligible surplus is recognized annually and transferred from the Life Assurance Fund to the statement of comprehensive income. The non-distributable share of the surplus is transferred annually from the retained earnings to a non-distributable reserve in the Statement of Changes in Equity.

Whenever bonuses are paid / credited to policyholders, an amount representing 1/9th of these bonuses is transferred from the non-distributable surplus to retained earnings in the Statement of Changes in Equity.

(k) Impairment

At the end of each reporting period, the Company reviews the carrying amounts of the tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the loss (if any). An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use.

(l) Deferred income tax

Deferred income taxation is provided using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. Significant accounting policies (Continued)

(m) Retirement benefit obligations

The Company operates a retirement benefit plan according to the Employment Rights Act 2008 and IAS 19.

(n) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. All exchange differences on translation are dealt with in the statement of comprehensive income.

4. Management of insurance and financial risk

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

(a) Insurance risk

The risk under any insurance contract is the possibility that an insured event occurs and the uncertainty of the amount of resulting claim.

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

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

Motor and Liability insurance

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

required to settle some claims.

The Company's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Company has underwriting limits by type of risks and by industry. Performances of individual insurance policies are reviewed by management and the Company reserves the right not to renew individual policies.

The Company can impose deductibles and has the right to reject the payment of a fraudulent claim. Where relevant, the Company may pursue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

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

Property insurance

For property insurance contracts, climatic changes give rise to more frequent and severe external weather events (for example cyclone claims). Property insurance is subdivided into different risk groups, fire, business interruption, cyclone damage and other perils.

The insurance risk arising from these contracts is balanced between commercial and personal properties in the overall portfolio of insured buildings. Although the reinsurers are liable to the extent of the reinsurance ceded, the Company remains primarily liable to the policy holder as the direct insurers of all risks reinsured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Management of insurance and financial risk (continued)

Concentration of insurance risks - short term

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

Analysis of claims development gross of reinsurance

	2014			2013		
	No. of claims	Gross Rs.	Net Rs.	No. of claims	Gross Rs.	Net Rs.
Motor	2,014	52,861,902	45,994,940	1,847	47,395,546	44,641,583
Fire	12	2,116,792	85,322	20	6,177,264	796,225
Engineering	5	237,378	237,377	6	861,210	5,684
Guarantee	4	433,502	40,960	1	146,802	28,160
Miscellaneous	5	167,902	21,100	5	539,669	26,893
Liability	31	996,345	620,603	34	1,019,976	634,512
Transportation	1	56,000	30,436	1	55,924	30,436
IBNR		8,356,879	8,356,879		10,109,050	10,109,050
Gross outstanding liabilities		65,226,700	55,387,617		66,305,441	56,272,543

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Management of insurance and financial risk (continued)

Concentration of insurance risks - Long term

The following table presents the concentration of insured benefits across bands of insured benefits per individual life assured.

Annuity payable per annum per life assured at 30 June 2014

	2014		2013	
	Gross Rs	%	Gross Rs	%
0-50	40,382	3	40,751	2
50-100	92,718	6	92,114	6
100-150	139,038	9	138,971	9
150-200	198,214	12	198,611	12
200-250	244,286	16	244,500	15
250-300	300,000	19	300,000	19
More than 300	550,714	35	588,684	37
	1,565,352	100	1,562,880	100

Sources of uncertainty

Motor and liability insurance

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

The estimated costs of claims include direct expenses to be incurred in settling claims, net of subrogation and salvage recoveries. The Company ensures that claims provisions are determined using the best information available of claims settlement patterns, forecast inflation and settlement of claims. Estimation techniques also involve obtaining corroborative evidence from a wide 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Management of insurance and financial risk (continued)

Claims development table

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

Analysis of claims development – gross of reinsurance

	2010 Rs	2011 Rs	2012 Rs	2013 Rs	2014 Rs	TOTAL Rs
Estimate of cumulative claims						
At end of accident year	33,345,986	35,437,609	37,125,668	39,353,208	39,717,292	184,979,763
one year later	29,867,913	20,657,062	36,894,137	35,999,626	-	123,418,738
two years later	29,423,224	26,109,544	30,384,792	-	-	85,917,560
three years later	25,361,812	26,705,850	-	-	-	52,067,662
four years later	26,239,883	-	-	-	-	26,239,883
Estimate of motor cumulative claims	26,239,883	26,705,850	30,384,792	35,999,626	39,717,292	159,047,443
Cumulative payments to date in respect of motor claims	(25,184,656)	(27,607,647)	(23,019,176)	(21,491,892)	(15,225,258)	(112,528,629)
Gross outstanding claims liabilities	1,055,227	(901,797)	7,365,616	14,507,734	24,492,034	46,518,814
Liabilities in respect of prior years						7,456,371
Liabilities in respect of Non-motor claims						2,894,636
IBNR						8,356,879
Total gross claims outstanding						65,226,700

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Management of insurance and financial risk (continued)

Property insurance

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

Long term insurance

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Company over the last three years is carried out and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future.

(b) Financial risks

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

Interest rate risks

Interest rate risk arises from the Company's investments in long term debt securities and 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 the Audit & Technical Committee through a close matching of assets and liabilities. The impact of exposure to sustain low interest rates is also regularly monitored.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Management of insurance and financial risk (continued)

(b) Financial risks (Continued) Interest rate risk (Continued)

The table below summarises the Company's interest rate risk exposure:

NOTES	Up to 1 Year Rs	1-5 Years Rs	Above 5 Years Rs	Non-Interest Bearing Rs	TOTAL Rs
As at 30 June 2014					
ASSETS					
Property, plant and equipment	-	-	-	19,184,085	19,184,085
Intangible asset	-	-	-	2	2
Investment property	-	-	-	1,100,000	1,100,000
Statutory deposits	-	18,000,000	-	-	18,000,000
Available-for-sale financial assets	-	-	-	67,008,898	67,008,898
Held-to-maturity investments	-	812,951	-	-	812,951
Deposits	42,728,820	105,507,331	-	-	148,236,151
Loans and receivables	788,354	1,007,628	612,319	-	2,408,301
Deferred tax asset	-	-	-	6,892	6,892
Receivables and prepayments	-	-	-	21,830,313	21,830,313
Amount due by re-insurers	-	-	-	9,616,116	9,616,116
Reinsurance contracts	-	-	-	9,839,083	9,839,083
Income tax receivable	-	-	-	-	-
Cash in hand and at bank	41,930,734	-	-	-	41,930,734
TOTAL ASSETS	85,447,908	125,327,910	612,319	128,585,389	339,973,526
LIABILITIES					
Unearned premium reserve	-	-	-	16,084,729	16,084,729
Life assurance fund	-	-	-	52,969,093	52,969,093
Deferred tax liability	-	-	-	16,932	16,932
Retirement benefit obligation	-	-	-	2,267,821	2,267,821
Current tax liabilities	-	-	-	664,490	664,490
Amount due to re-insurers	-	-	-	1,766,318	1,766,318
Payables	-	-	-	8,836,408	8,836,408
Outstanding claims	-	-	-	65,226,700	65,226,700
TOTAL LIABILITIES	-	-	-	147,832,491	147,832,491
On Statement of Financial Position interest sensitivity gap	85,447,908	125,327,910	612,319	(19,247,102)	192,141,035

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Management of insurance and financial risk (continued)

(b) Financial risks (Continued) Interest rate risk (Continued)

Sensitivity

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

Impact on Results	+1% Rs	-1% Rs
At 30 June 2014		
Held to maturity investments	8,130	(8,130)
Loans and receivables	24,083	(24,083)
Cash and cash equivalent	419,307	(419,307)
Deposits	4,991,512	(607,920)
At 30 June 2013		
Held to maturity investments	8,157	(8,157)
Loans and receivables	44,936	(44,936)
Cash and cash equivalent	215,982	(215,982)
Deposits	2,938,567	(1,508,546)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet all or part of his obligations. The Company's credit is primarily attributable to:

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

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

The amounts presented in the statement of financial position are net of allowances for estimated irrecoverable receivables, based on management's prior experience and the current economic environment.

The following table provides information regarding the carrying value of the financial assets that have been impaired and the ageing of the financial assets that are past due but not impaired.

	Neither past due nor impaired	Past due but not impaired				Impaired	Carrying Amount at year end
		1 mth - 3 mths	4 mths - 6 mths	7 mths - 1 Year	>1 Yr		
2014	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Financial assets	166,236,151	-	-	-	-	-	166,236,151
Loan and receivables	-	578,198	76,620	133,536	1,619,947	-	2,408,301
Trade and other receivables	-	5,652,081	786,149	4,327,176	11,161,077	(96,170)	21,830,313
2013							
Financial assets	193,817,021	-	-	-	-	-	193,817,021
Loan and receivables	-	315,819	253,413	579,990	3,344,377	-	4,493,599
Trade and other receivables	-	13,589,454	1,701,394	5,017,563	10,814,209	(96,170)	31,026,450

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Management of insurance and financial risk (continued)

(b) Financial risks (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

The Company is exposed to daily payments of benefits to clients and to repayment of financial liabilities.

The Company's liquidity position is monitored on a regular basis. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets.

The table below summarises the Company's trading liabilities, categorised by the earlier of contractual re-pricing or maturity dates at 30 June 2014.

	1 mth -3 mths Rs	4 mths - 1 year Rs	Repayable on demand Rs	Total Rs
2014				
Financial liabilities				
Insurance liabilities	-	-	65,226,700	65,226,700
Other financial liabilities	2,526,954	2,064,937	6,010,835	10,602,726
	2,526,954	2,064,937	71,237,535	75,829,426
2013				
Financial liabilities				
Insurance liabilities	-	-	66,305,441	66,305,441
Other financial liabilities	870,457	4,748,288	6,125,065	11,743,810
	870,457	4,748,288	72,430,506	78,049,251

Premium risk

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

Market risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Management of insurance and financial risk (continued) (b) Financial risks (Continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures. The Company has deposits and bank balances in foreign currency and is exposed to fluctuations with respect to the US Dollar. Exposure to foreign currency is not hedged but closely monitored by management.

The Company's exposure to foreign exchange risk is summarised below:

ASSETS	USD Rs	MUR Rs	Total Rs
Property, plant and equipment	-	19,184,085	19,184,085
Intangible asset	-	2	2
Statutory deposits	-	18,000,000	18,000,000
Investment property	-	1,100,000	1,100,000
Available-for-sale financial assets	66,213,539	795,359	67,008,898
Held-to-maturity investments	812,951	-	812,951
Deposits	6,228,820	142,007,331	148,236,151
Loans and receivables	-	2,408,301	2,408,301
Receivables and prepayments	-	31,446,429	31,446,429
Deferred tax asset	-	6,892	6,892
Reinsurance contracts	-	9,839,083	9,839,083
Cash in hand and at bank	4,017,457	37,913,277	41,930,734
	77,272,767	262,700,759	339,973,526
FOR THE YEAR ENDED 30 JUNE 2013			
ASSETS	USD Rs	MUR Rs	Total Rs
Property, plant and equipment	-	11,990,486	11,990,486
Intangible asset	-	2	2
Statutory deposits	-	18,000,000	18,000,000
Investment property	-	405,764	405,764
Available-for-sale financial assets	63,968,913	673,711	64,642,624
Held-to-maturity investments	815,738	-	815,738
Deposits	7,309,690	168,507,331	175,817,021
Loans and receivables	-	4,493,599	4,493,599
Receivables and prepayments	-	34,650,560	34,650,560
Deferred tax asset	-	5,955	5,955
Reinsurance contracts	-	10,032,898	10,032,898
Cash in hand and at bank	1,843,500	19,754,742	21,598,242
	73,937,841	268,515,048	342,452,889

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Management of insurance and financial risk (continued)

(b) Financial risks (Continued)

Foreign exchange risk (Continued)

The Company had mainly equity securities and bank deposits in foreign currencies and any fluctuation of the Mauritian Rupee against those foreign currencies will affect the value of the deposits. At 30th June 2014, if the rupee had weakened/strengthened by 5% against foreign currencies with all other variables held constant, the Company's profit for the year would have been Rs 12,185,308 (2013: Rs 11,970,759) and Rs 4,539,326 (2013: Rs 4,753,875) respectively higher/lower mainly resulting from translation of deposits.

Reinsurers' default

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

Capital risk management

The Company's objectives when managing capital are:

To comply with the minimum capital requirements of the Insurance Act 2005 and the Insurance Rules and Regulations 2007,

To safeguard the Company's ability to continue as a going concern so that it can provide returns to the shareholders and benefits for its policyholders,

To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Minimum Capital Requirement at 30 June 2014 for General Insurance Business is as follows:

	General Business	
	2014 Rs' 000	2013 Rs' 000
Total capital available	112,381	100,526
Excess capital available over capital required	45,901	51,157
Capital Requirement ratio	245%	197%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Management of insurance and financial risk (continued) (b) *Financial risks (Continued)*

Fair values

Fair value measurements recognised in the statement of financial position

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation techniques:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques that use inputs that have a significant effect on the recorded fair value are not based on observable market data.

The following table analyses within the fair value hierarchy of the Company financial assets (by class) measured at fair value at 30th June.

Available for sale financial assets	2014 Rs	2013 Rs
Level 1 - Quoted	795,359	673,711
Level 2 - Unquoted	66,213,539	63,968,913
	67,008,898	64,642,624

Available-for-sale financial assets comprise listed quoted and unquoted financial assets.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Management of insurance and financial risk (continued)

(b) Financial risks (Continued)

Equity price risk

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

The Company 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 unfavorable 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 Audit and Technical Committee actively monitors equity assets owned directly by the Company as well as concentration of specific Equity holdings. Equity price risk is also mitigated as the Company holds diversified portfolios of local and foreign investments in various sectors of the economy.

Sensitivity

The impact on the 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% Rs	Impact on Shareholders' equity -10% Rs
At 30 June 2014 Available for sale financial assets	6,700,890	(6,700,890)
At 30 June 2013 Available for sale financial assets	6,464,262	(6,464,262)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that has a significant effect on the amounts recognised in the financial statements, or estimations 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.

(a) Insurance contracts

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

(i) Estimates of future claims payments

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

The Company employs a variety of techniques and a number of different bases to determine appropriate provisions. These include:

- . terms and conditions of the insurance contracts;
- . knowledge of event;
- . court judgement;
- . economic conditions;
- . previously settled claims;
- . triangulation claim development analysis;
- . estimates based upon a projection of claims numbers and average cost; and
- . expected loss ratios.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5. Critical accounting judgements and key sources of estimation uncertainty (Continued)

(a) Insurance contracts (Continued) (ii) Uncertainties and judgement

The uncertainty arising under insurance contracts may be characterised under a number of specific headings, such as:

- uncertainty as to whether an event has occurred which would give rise to a policy holder suffering an insured loss;
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring;
- uncertainty over the timing of a settlement to a policyholder for a loss suffered.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks. For certain classes of policy, the maximum value of the settlement of a claim may be specified under the policy terms while for other classes, the cost of a claim will be determined by an actual loss suffered by the policyholder.

There may be some reporting lags between the occurrence of the insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as judicial trends and reported information etc.

(b) Held for maturity investments

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

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

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

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

(d) Impairment of other assets

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

(e) Sensitivity analysis

The reasonableness of the estimation process is tested by an analysis of sensitivity around several different scenarios and the best estimate is used.

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and the other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

6. Property, plant and equipment	Freehold Land	Building Under Construction	Furniture & Fittings	Office Equipment	Motor Vehicles	Total
COST/ VALUATION	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2013 - Cost	1,800,000	3,636,051	1,235,930	2,157,944	2,227,250	11,057,175
At 1 July 2013 - Revaluation	5,200,000	-	-	-	-	5,200,000
Additions	-	7,559,057	74,238	96,611	-	7,729,906
Scrap	-	-	(404,662)	(541,463)	-	(946,125)
At 30 June 2014	7,000,000	11,195,108	905,506	1,713,092	2,227,250	23,040,956
ACCUMULATED DEPRECIATION						
At 1 July 2013	-	-	947,445	1,623,994	1,695,250	4,266,689
Charge for the year	-	-	50,131	219,677	266,000	535,808
Scrap	-	-	(404,662)	(540,964)	-	(945,626)
	-	-	592,914	1,302,707	1,961,250	3,856,871
NET BOOK VALUE						
At 30 June 2014	7,000,000	11,195,108	312,592	410,385	266,000	19,184,085
At 1 July 2013	7,000,000	3,636,051	288,485	533,950	532,000	11,990,486

During the year, the Company incurred an additional cost of Rs 7,559,057 for the construction of a building at Volcy Pougnet Street, which will be used as its Head Office. The Company uses its own sources to finance the project.

The freehold land was revalued in June 2013 at Rs 7,000,000 by independent valuers Primepillars Valuation Services Ltd on an open market basis, resulting in a revaluation surplus of Rs 5,200,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7. Intangible asset - Computer software

	2014
COST	Rs.
At 1 July 2013	620,685
Addition	-
At 30 June 2014	620,685
AMORTISATION	
At 1 July 2013	620,683
Charge for the year	-
At 30 June 2014	620,683
NET BOOK VALUE	
At 30 June 2014	2
At 1 July 2013	2

8. Available-for-Sale financial assets:

	Fair value 2014	Cost 2014	Fair value 2013	Cost 2013
	Rs.	Rs.	Rs.	Rs.
Available for sale:				
-Listed	795,359	187,270	673,711	187,270
-Unquoted-Local	61,926,092	9,902,409	59,934,298	9,902,409
-Unquoted-Overseas	4,287,447	1,733,573	4,034,615	1,733,573
At 30 June 2014	67,008,898	11,823,252	64,642,624	11,823,252

Available-for-sale investments comprise unquoted and listed equity securities. The fair value of the listed investments is based on the Stock Exchange of Mauritius official market quoted prices at the close of business at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. Held-to-maturity investments

Bric Notes
Non-current assets

2014	2013
Rs	Rs
812,951	815,738
812,951	815,738

Bric notes constitute a 5 year, Mur denominated deposit, which provides investors with a protected exposure to bric equity in Us Dollars. Bric Notes are offered and managed by Axys Capital Management. At maturity, the Company receives 100% out of the initial investment plus 67% of the index performance with a minimum guaranteed return of 20% in USD.

10. Statutory deposits

Fixed Deposits

2014	2013
Rs	Rs
812,951	815,738
812,951	815,738

Fixed deposit of Rs 18 M is pledged at The Mauritius Post and Cooperative Bank Ltd, Banque des Mascareignes and Bank of Baroda in favour of the Financial Services Commission.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11. Other Assets

Other assets represent land acquired which was secured for a mortgage loan. The loans have been written off and the value of the assets has been recognised at cost.

	2014 Rs	2013 Rs
12. Deposits		
<i>Maturing:</i>		
up to 3 months	11,228,820	26,254,169
3 to 6 months	8,500,000	1,000,000
6 to 12 months	25,000,000	18,500,000
> 12 months	121,507,331	148,062,852
	166,236,151	193,817,021
<i>Analysis as follows:</i>		
Non-current - Statutory deposit	18,000,000	18,000,000
Non-current - Investment	103,507,331	130,062,852
Current	44,728,820	45,754,169
Total	166,236,151	193,817,021
13. Loans and receivables		
Mortgage loans	1,384,390	3,914,708
Surrender values	649,320	1,089,221
Other loans	478,119	373,886
Provision for impairment of mortgage loans	(103,528)	(103,528)
Provision for bad debts	-	(780,688)
	2,408,301	4,493,599
<i>Analysis as follows:</i>		
Non-current	1,619,947	3,344,377
Current	788,354	1,149,222
	2,408,301	4,493,599
(a) Movement in provision for impairment of loans and bad debts		
At 1 July	884,216	884,216
Movement during the year	(780,688)	-
	103,528	884,216

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13. Loans and receivables (Continued)

- (b) There is no concentration of risk with respect to mortgages and other loans since balances are widely spread.
(c) Mortgages and other loans are secured by life insurance policies and fixed charges.
(d) All mortgages and other loans are denominated in Mauritian rupees.
(e) The carrying amounts of mortgages and other loans approximate their fair values.

	2014 Rs	2013 Rs
14. Receivables and prepayments		
Premium receivables	3,690,478	3,380,663
Provision for doubtful debts	(96,170)	(96,170)
	3,594,308	3,284,493
Interest and dividends receivables	17,275,107	22,521,560
Other receivables and prepayments	960,898	5,220,397
	21,830,313	31,026,450
a) The ageing analysis of these premium receivables is as follows:		
up to 3 months	2,506,435	1,547,006
3 to 6 months	416,014	907,917
6 to 12 months	-	-
> 12 months	768,029	925,740
	3,690,478	3,380,663
b) Movement in provision for doubtful debts		
At 1 July	(96,170)	(96,170)
Movement during the year	-	-
	(96,170)	(96,170)

- (c) The other classes within receivables and prepayments do not include impaired assets.
(d) The Company does not hold any collateral as security in respect of receivables and prepayments.
(e) All receivables and prepayments are denominated in Mauritian rupees.
(f) The carrying amounts of receivables and prepayments approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rs	2013 Rs
15. Amount due by re-insurers		
At 1 July	3,624,110	2,859,028
Movement during the year	5,992,006	765,082
At 30 June	9,616,116	3,624,110
16. Stated capital		
Authorised, Issued and Fully Paid		
1 Founder share of Rs 10 each	10	10
2,499,999 ordinary shares of Rs 10 each	24,999,990	24,999,990
Note: All above shares are at par value.	25,000,000	25,000,000
17. Revaluation reserves		
At 1 July - Freehold Land	5,200,000	-
- Other Assets	53,504,893	51,568,869
Increase in value - Freehold Land	-	5,200,000
- Other Assets	2,363,487	1,936,024
At 30 June	61,068,380	58,704,893
The reserves - relate to the surplus on revaluation of land; - comprise cumulative net change in the fair value of available-for-sale financial assets that has been recognised in other comprehensive income until the investments are derecognised or impaired.		
18. Unearned Premium Reserve		
At 1 July	16,935,737	20,349,865
Movement during the year	(851,008)	(3,414,128)
At 30 June	16,084,729	16,935,737
Short term insurance unearned premium represents the portion of premium written relating to periods of insurance risks subsequent to the statement of financial position calculated on the basis of 40% of the premium written less premium ceded to reinsurers.		
19. Life Assurance Fund		
At 1 July	60,133,088	62,741,065
Movement during the year	(7,163,995)	(2,607,977)
At 30 June	52,969,093	60,133,088
The decrease in the Life Assurance Fund represents the increase in the value of policy liabilities. The adequacy of the liabilities is determined annually by the actuarial valuation.		
20. Retirement benefit obligation		
At 1 July	2,222,628	1,782,610
Charge for the year	45,193	440,018
At 30 June	2,267,821	2,222,628

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rs	2013 Rs
20. Retirement benefit obligation (continued)		
(a) State Pension Plan	617,773	440,018
National Pension Scheme contribution expenses		
21. Payables	2014 Rs	2013 Rs
Other payables	8,836,408	11,146,709
22. Cash and cash equivalents	2014 Rs	2013 Rs
Cash and cash equivalents are analysed as follows:		
Cash in hand	1,043,848	35,705
Cash at bank	40,886,886	21,562,537
	41,930,734	21,598,242
23. Profit for the year before tax	2014 Rs	2013 Rs
The net profit transferred from General Insurance Business Revenue account for the year ended is stated after charging:		
Investment income	9,068,139	14,808,690
Dividend income from:		
Quoted companies	16,800	40,992
Unquoted companies	1,473,399	2,128,943
Staff costs	8,495,271	7,188,373
Auditors' remuneration	275,000	250,000
Depreciation and amortisation	535,811	845,952
Directors Remuneration and Benefits		
Executive Director's emoluments	1,277,865	1,012,070
Non Executive Director's emoluments	434,500	400,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rs	2013 Rs
24. Dividends		
Revenue reserves	106,072,655	100,073,825
Dividends paid	-	3,750,000
No. of shares in issue	2,500,000	2,500,000
Dividends per share	-	1.50
25. Insurance liabilities and reinsurance assets		
Short term insurance contracts:		
Claims reported and loss adjustment expenses	56,869,822	56,196,391
Provision for claims incurred but not reported "IBNR"	8,356,878	10,109,050
Total gross insurance liabilities	65,226,700	66,305,441
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	(9,839,083)	(10,032,898)
Net		
Claims reported and loss adjustment expenses	47,030,739	46,163,493
Provision for claims incurred but not reported "IBNR"	8,356,878	10,109,050
Total net insurance liabilities	55,387,617	56,272,543
26. Amounts due to re-insurers		
At 1 July	597,101	404,534
Movement during the year	1,169,217	192,567
At 30 June	1,766,318	597,101
27. Current Tax Liabilities		
General business	307,509	1,175,223
Life business	356,981	109,830
	664,490	1,285,053

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

28. Taxation

The Company is liable to income tax at the rate of 15% on its profit as adjusted for income tax purposes.

	2014 Rs	2013 Rs
(i) LIFE		
Income tax charge for the year at 15% (See Note below)	271,083	406,593
Corporate Social Responsibility (CSR)	54,212	31,686
Over provision	(78,144)	-
Deferred tax movement	(937)	(3,958)
Tax charge for the year	246,214	434,321
(ii) Reconciliation of the effective tax rate:		
Interest, dividends and commissions receivable	3,252,650	4,721,700
Exempt income	(599,710)	(1,185,336)
Management expenses	(820,433)	(734,896)
Commissions	(11,722)	(73,351)
Allowable expenses	(13,562)	(17,495)
	1,807,223	2,710,622
Tax thereon at 15%	271,083	406,593
Corporate Social Responsibility	85,898	31,686
Overpayment for preceding year	-	(328,449)
Advance Payment System (APS) paid during the year	-	-
Tax payable after APS	356,981	109,830
(iii) General		
Income tax for the year at 15%	943,154	2,149,826
Corporate Social Responsibility	286,642	361,891
Deferred tax movement	(31,482)	(6,476)
Tax charge for the year	1,198,314	2,505,241

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rs	2013 Rs
28. Taxation (Continued)		
(iii) General (Continued)		
Profit before taxation	9,022,272	15,749,190
Tax thereon at 15%	1,353,341	2,362,379
Exempt income	(1,040,993)	(334,439)
Non-allowable expenses	1,479,289	202,974
Tax incentive not recognised in the statement of profit or loss and other comprehensive income	(145,566)	(81,088)
Over provision in previous year	(341,026)	-
	1,305,045	2,149,826
APS paid during the year	(1,284,178)	(1,336,494)
Corporate Social Responsibility	286,642	361,891
	307,509	1,175,223
29. Deferred Tax Liabilities		
Deferred taxation is calculated on all temporary differences under the liability method at the rate of 15% (2013: 15%). The movement on deferred tax account is as follows:		
At 1 July	(42,459)	(52,893)
Transfer to retained earnings		
Charge for the year: Life	937	3,958
Charge for the year: General	31,482	6,476
	(10,040)	(42,459)
At 30 June		
The deferred tax balances comprise the following:		
Accelerated capital allowances	10,040	42,459

30. Earnings per share

The calculation of earnings per share is based on total comprehensive income for the year attributable to ordinary shareholders and on the number of shares issued (2,500,000 ordinary shares).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

31. Corporate Social Responsibility

The Finance (Miscellaneous Provisions) Act 2009 requires the Company to set up a Corporate Social Responsibility ("CSR") Fund equivalent to two per cent of its tax chargeable income derived during the preceding year applicable as from 1st July 2009. Since the Company did not have a CSR Fund which is being separately monitored, the Management decided to pay the CSR contribution to MRA. Henceforth as from 2014/2015 the Company has decided to remit the CSR contribution to approved NGOs.

	2014 Rs	2013 Rs
CSR Contribution	340,854	393,577

32. Financial Summary	2014 Rs	2013 Rs	2012 Rs	2011 Rs	2010 Rs	2009 Rs
Share Capital	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Revenue reserves	106,072,655	100,073,825	91,090,720	76,688,620	56,682,550	52,250,363
Fair value reserve	5,200,000	5,200,000	544,900	544,900	544,900	544,900
Revaluation reserves	55,868,380	53,504,893	51,024,369	40,507,552	46,657,195	44,152,704
Profit before taxation	2,104,491	13,575,534	16,028,453	25,475,819	8,546,823	15,225,524
Profit after taxation	659,963	10,635,972	12,538,590	22,101,763	5,294,395	13,102,452
Total comprehensive income for the year	8,362,317	19,869,129	24,918,917	13,856,427	6,936,678	11,992,408
Dividend	-	(3,750,000)	-	-	-	-
Earnings per share	3.34	7.95	9.97	5.40	1.81	5.24

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

33. Related party transactions

	2014 Rs	2013 Rs
Loans granted to		
Directors and key management personnel	-	-
Receivable from other related parties	5,538	24,396
Payable to :		
Other related parties	-	-
Purchase of goods and services from:		
Other related parties	-	-
Sale of services to:		
Directors and key management personnel	68,950	70,187
Remuneration of key management personnel		
Salaries and short term benefits	2,467,656	1,634,640
Post employment	-	-

Key management personnel consists of Chief Executive Officer and Senior Managers.

Terms and conditions of transactions with related parties

The transactions with related parties are made at market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables and payables. At each financial year, the assessment of provision for impairment is undertaken through examining the financial position of the related party and the market in which the related party operates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

34. Segment information

Life	General										Grand Total Rs.
	Rs.	Accident & health policy Rs.	Engineering Rs.	Guarantee Rs.	Liability Rs.	Miscellaneous Rs.	Motor Rs.	Property Rs.	Transportation Rs.	Total Rs.	
Gross Premium	3,934,717	170,337	808,079	33,155	328,702	494,748	41,873,698	657,171	271,442	44,637,332	48,572,049
Less Reinsurance	(148,160)	(15,563)	(643,960)	-	(198,189)	(478,235)	(2,393,492)	(527,440)	(168,629)	(4,425,508)	(4,573,668)
Net Premium	3,786,557	154,774	164,119	33,155	130,513	16,513	39,480,206	129,731	102,813	40,211,824	43,998,381
Release to/(from) General Business Fund	-	(48,805)	112,455	(10,394)	45,718	26,733	705,342	15,550	4,410	851,008	851,008
Net earned premium	3,786,557	105,969	276,574	22,761	176,231	43,246	40,185,548	145,281	107,223	41,062,832	44,849,389
Net claims incurred	(13,062,672)	(29,440)	391,572	(459,467)	328,860	23,215	(21,384,293)	1,657,175	(25,255)	(19,497,633)	(32,560,305)
Net commission	2,790	227,871	(112,302)	32,437	118,032	(8,283)	(4,696,665)	(18,297)	(29,000)	(4,486,207)	(4,483,417)
Management expense	(882,447)	(62,964)	(299,901)	(11,598)	(122,613)	(183,918)	(15,843,455)	(243,566)	(101,072)	(16,869,087)	(17,751,534)
Net underwriting results	(10,155,772)	241,436	255,943	(415,867)	500,510	(125,740)	(1,738,865)	1,540,593	(48,104)	209,905	(9,945,867)
Investment and other income	3,245,305									9,340,861	12,586,166
(Loss) / Profit for the year before tax	(6,910,467)									9,550,766	2,640,299
Taxation	(246,214)									(1,198,314)	(1,444,528)
(Loss) / Profit for the year after tax	(7,156,681)									8,352,452	1,195,771
Other Comprehensive income										1,340,185	1,340,185
Total Comprehensive income for the year (excluding depreciation)										9,692,637	2,535,956

**TOGETHER
WE ACHIEVE
OUR GOAL**



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