MUA

ANNUAL REPORT 2021

PREVENT.
PROTECT.
PROSPER.

Every memory, project and inspiration deserves to be protected. Our responsibility goes beyond providing our clients with the best insurance coverages and services. From health to housing, all aspects of everyday life matter to us.

Through our different actions and engagements, we pledge to safeguard your dreams, to care for your well-being, to protect our environment, to make each and everyone prosper.

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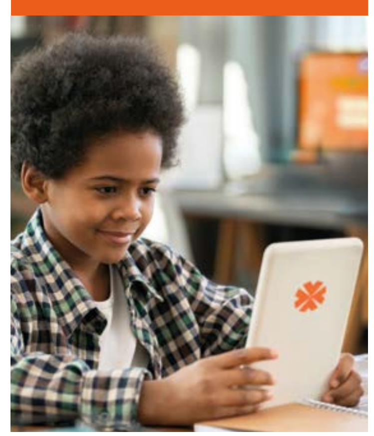
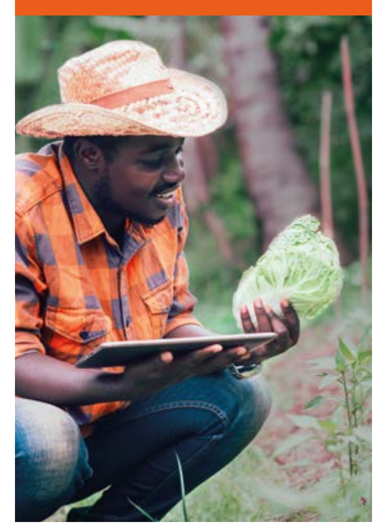
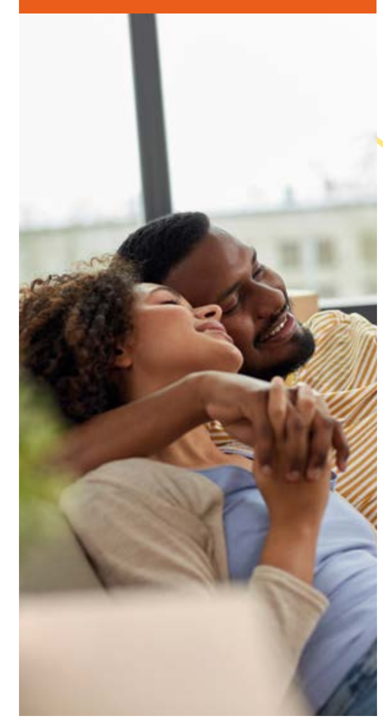
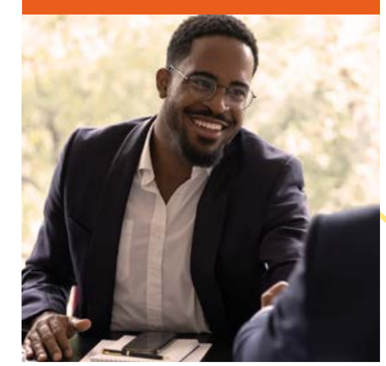









YOUR WELL-BEING MATTERS.
WE FEEL RESPONSIBLE
FOR YOUR HEALTH.
Discover DietSensor

"MUA is actively pursuing its strategy to become the region's leading sustainable and responsible insurer and, in doing so, better serve the needs of our customers and society."

Dominique Galea
Chairman's Report

Chairman's Report

On behalf of the Board of Directors, I am pleased to present the Annual Report of MUA Ltd, our holding company, for the year ending 31 December 2021.

Results

For the year under review, Gross Premium Earned increased by 28% to Rs 6,680m and the group's net after tax profits increased by 14% to Rs 415m.

Gross Premium Earned across our East African subsidiaries showed a 43% increase in 2021. Now, for the first time, it represents over 50% of the group's total general insurance premiums.

Our entities in Mauritius and East Africa performed satisfactorily, despite challenging market conditions. The group's strong performance can be attributed to consistent growth in gross premiums, in both general and life insurance segments, with the latter's operating profits showing a robust increase. The decline in profits in the general insurance business in Mauritius compared to 2020 is primarily due to claim numbers returning to pre-pandemic levels, with the cost of claims increasing due to the depreciation of the Mauritian Rupee, coupled with rising inflation.

Here are some of the group's key indicators for the 2021 financial year:

+ 28%
Gross Premium Earned
Rs 6,680m

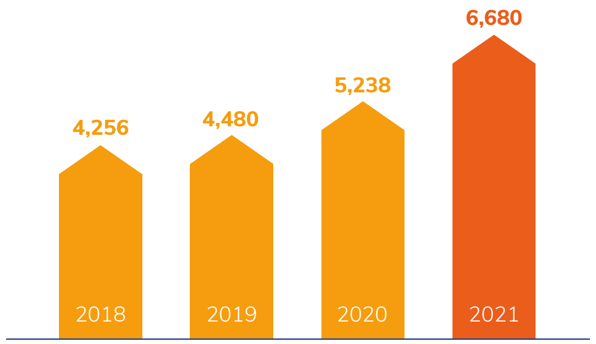
+ 14%
Profit After Tax
Rs 415m

+ 6%
Earnings Per Share
Rs 7.71

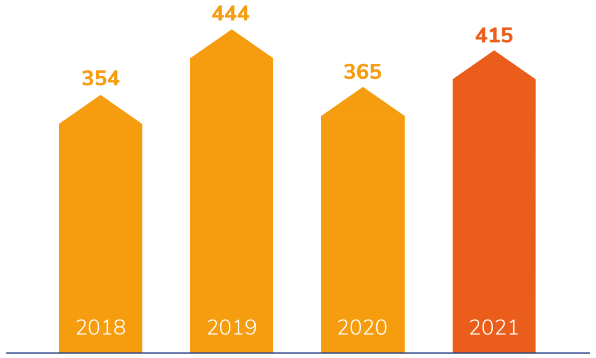
+ 8%
Dividend
Rs 148m

+ 55%
Market capitalisation
Rs 7bn as at 31 December 2021

Group Gross Premium Earned (Rs m)



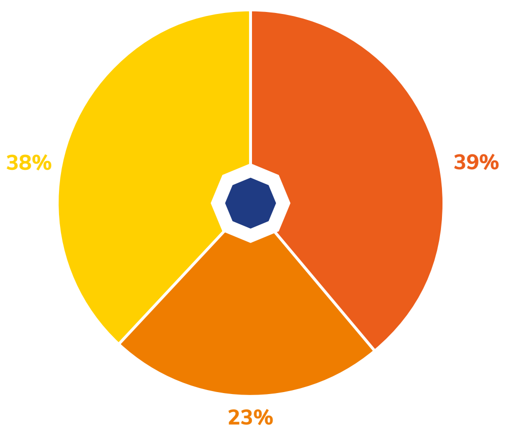
Group Net Profit After Tax (Rs m)



Group Gross Premium Earned and Net Profit After Tax: by entity

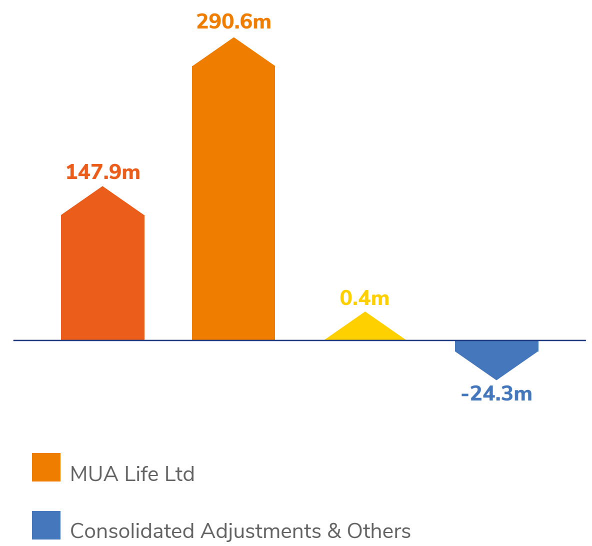
Group Gross Premium Earned

Dec 2021 - Rs 6,680m



Net Profit After Tax

Dec 2021 - Rs 415m



Dividends

In line with our policy of regularly and steadily increasing dividends, conditions permitting, our pay-out in 2021 amounted to Rs 148m, an 8% increase compared to 2020.

Significant milestones

New strategic plan: The group's three-year strategic plan, **TRANSITION 2023**, was rolled out in earnest from the beginning of the year. MUA is actively pursuing its strategy to become the region's leading sustainable and responsible insurer and, in doing so, better serve the needs of our customers and society. The principles of solidarity and sustainability have guided many of the actions and initiatives launched in 2021, including several prevention campaigns as well as sensitising clients around risk management and the importance of adequate insurance protection.

Saham Kenya integration: After completing the acquisition of Saham Kenya in 2020, our teams have worked towards the integration of the Kenyan operations. Establishing a solid base on this key market will enable MUA to leverage our market experience and digitalisation strategy, ensuring sustainable growth in the years ahead.

Departure of the Group CEO: At the end of March, Group CEO Bertrand Casteres resigned, as he will be relocating to France for family reasons. He will ensure the group's leadership until September 2022 or the appointment of his replacement. On behalf of the Board of Directors, I would like to thank Bertrand for his contribution to the growth and progress of MUA over the past ten years. The Board has already initiated a recruitment process for his replacement, with the help of an international recruitment agency.

Acknowledgements

I extend my thanks to all our shareholders, whose continued support has ensured MUA's steady growth and progress in becoming a leading regional insurance player. My gratitude also goes to my fellow board members for their guidance, support, and contribution over the past year.

Finally, I wish to thank our MUA employees in Mauritius, Kenya, Tanzania, Uganda, Rwanda, and the Seychelles, for contributing to the results presented in this Annual Report. Despite a challenging year once again, they have demonstrated their commitment to MUA's values and our customers.

Dominique GALEA
Chairman


YOUR SAFETY MATTERS.
WE FEEL RESPONSIBLE
FOR THE TIME YOU SPEND
ON THE ROAD.
Discover Drive by MUA

MUA at a Glance

2021 Group Highlights

790
Team Members

38,708
New Clients

346,058
Total Policies

154,847
Total Claims

Rs **6,680**m
Gross Earned Premium
▲28% vs 2021

Rs **415**m
Group Profit After Tax
▲14% vs 2021

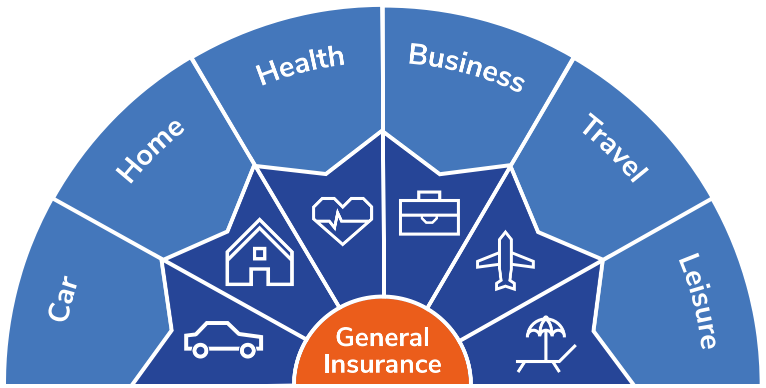
Rs **7**bn
Market Capitalisation
▲55% vs 2021

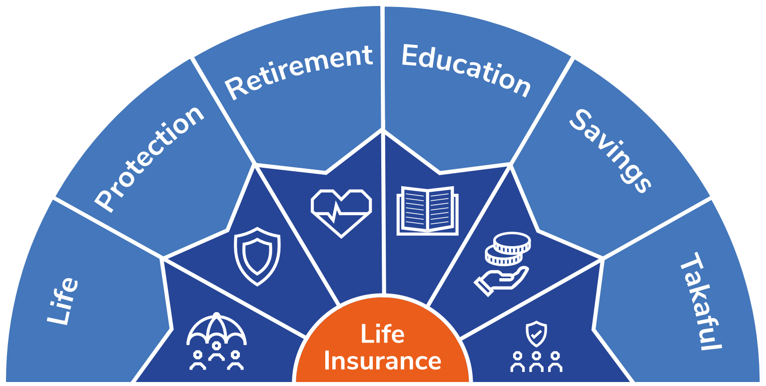
Rs **137**
Share Price
▲52% vs 2021

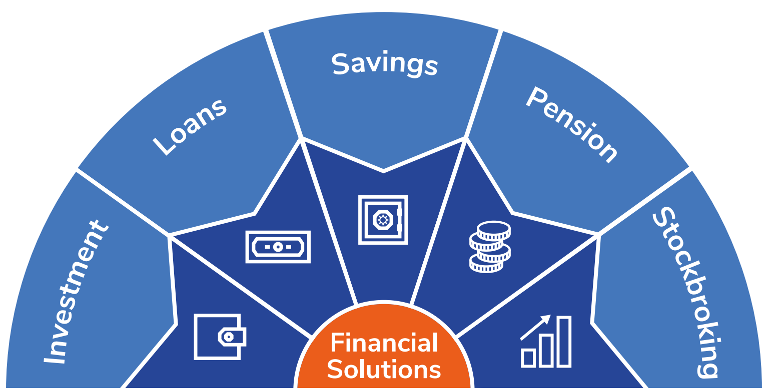
Rs **22**bn
Total Assets
▲15% vs 2021

Rs **8.9**bn
Life Insurance Funds
▲15% vs 2021

Our Services and Solutions

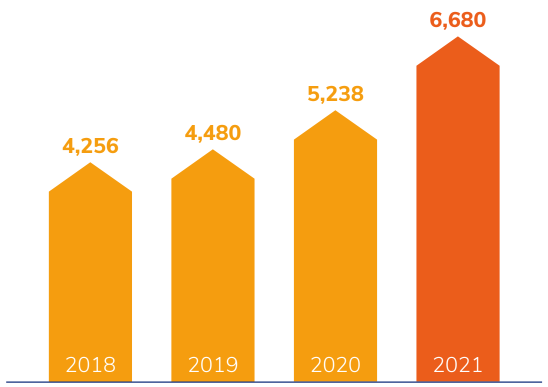




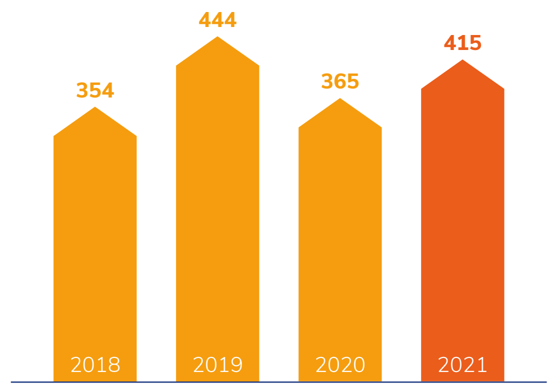


MUA Group Financial Highlights

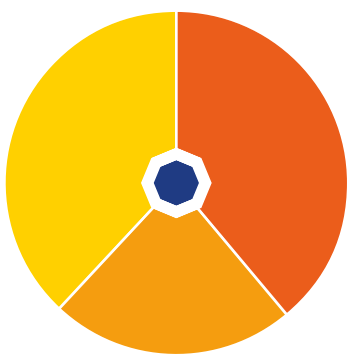
Group Gross Premium Earned
(Rs m)



Group Net Profit After Tax
(Rs m)



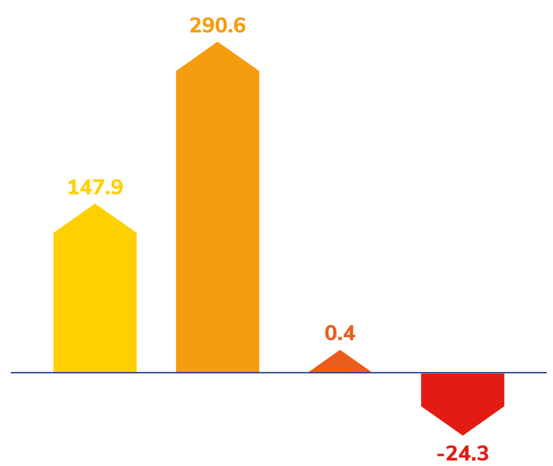
Group Gross Premium Earned by entity (Rs m)



Rs **6,680**m

- The Mauritius Union Assurance Cy.Ltd - **39%**
- MUA Life Ltd - **23%**
- East African Subsidiaries - **38%**

Net Profit After Tax by entity
(Rs m)



- The Mauritius Union Assurance Cy.Ltd
- MUA Life Ltd
- East African Subsidiaries
- Consolidated Adjustments & Others

An Overview of MUA

MUA is a regional financial services company committed to providing innovative insurance and financial solutions for communities in Mauritius, across East Africa and the Indian Ocean. Although our primary focus is on short-term and long-term insurance, our subsidiaries also offer a variety of specialised services and solutions to corporate and individual clients in the fields of pension, investment, savings and stockbroking.

Our home market of Mauritius remains strategic. We are the largest insurer by market capitalisation in Mauritius. We have a 22.6% market share for general insurance* and an 13.6% market share for life insurance*. The integration of our operations in Kenya in 2021 has also reinforced our position in the East African market.

*Market share information is based on the latest published statistics of the FSC.

>73 years of experience in Mauritius

>100 years of experience in East Africa

6 Countries

1 Mauritius 2 Kenya 3 Uganda 4 Rwanda 5 Tanzania 6 Seychelles

Industry leader in Mauritius*

2nd General Insurance – Gross premium

2nd General Insurance – Net premium

3rd Life Insurance**

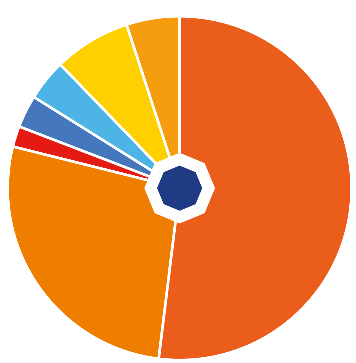
1st Motor Insurance

2nd Health Insurance

1st Liability

*Market share information is based on the latest published statistics of the FSC.
**In terms of distribution of assets.

Revenue by Country 2021

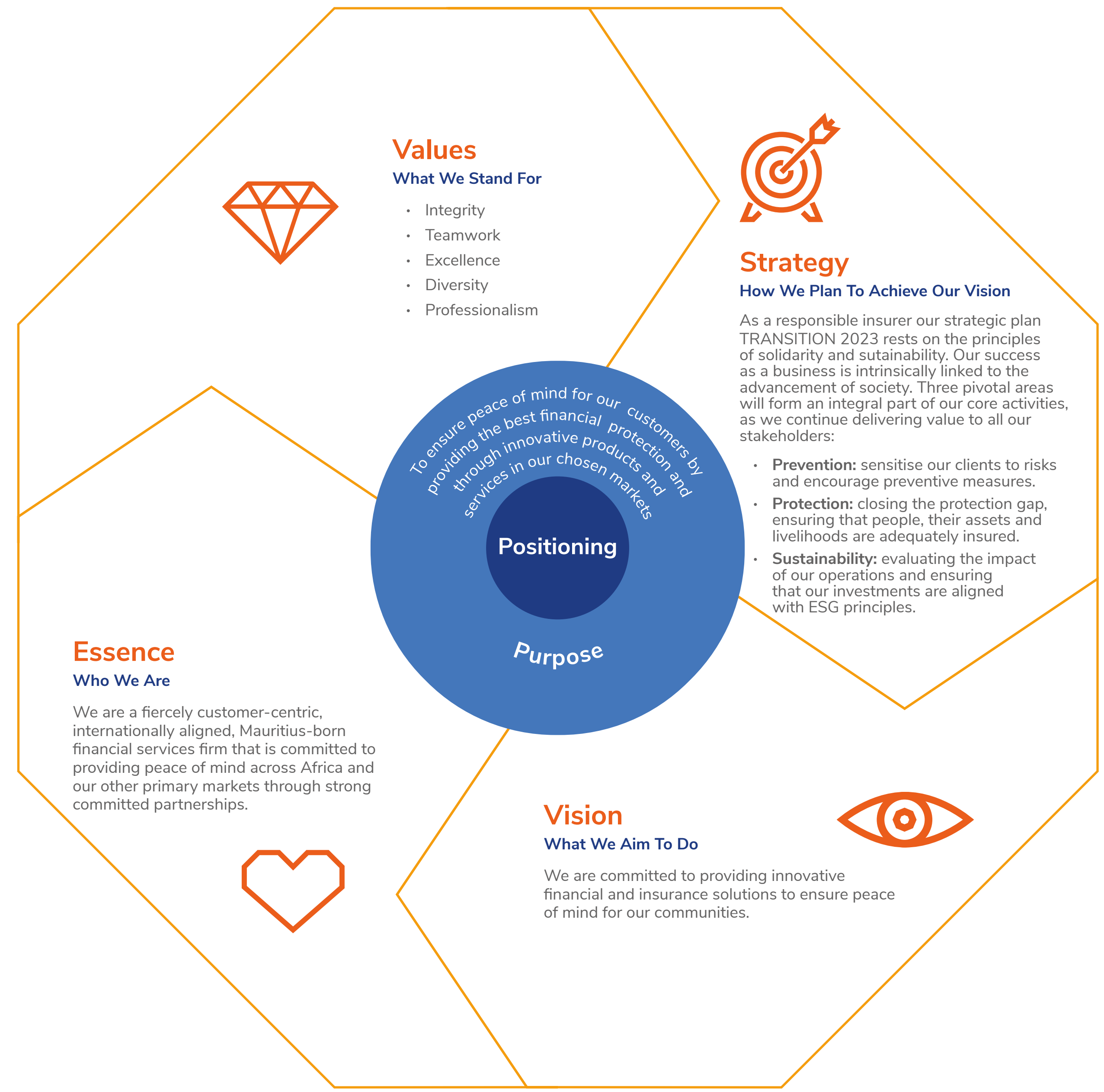


- The Mauritius Union Assurance Cy. Ltd - **38% (2.6bn)**
- MUA Mauritius - Life Insurance - **23% (1.6bn)**
- MUA Mauritius - Others* - **2% (0.16bn)**
- Uganda - **4% (0.3bn)**
- Kenya - **19% (1.3bn)**
- Tanzania - **10% (0.7bn)**
- Rwanda - **5% (0.3bn)**

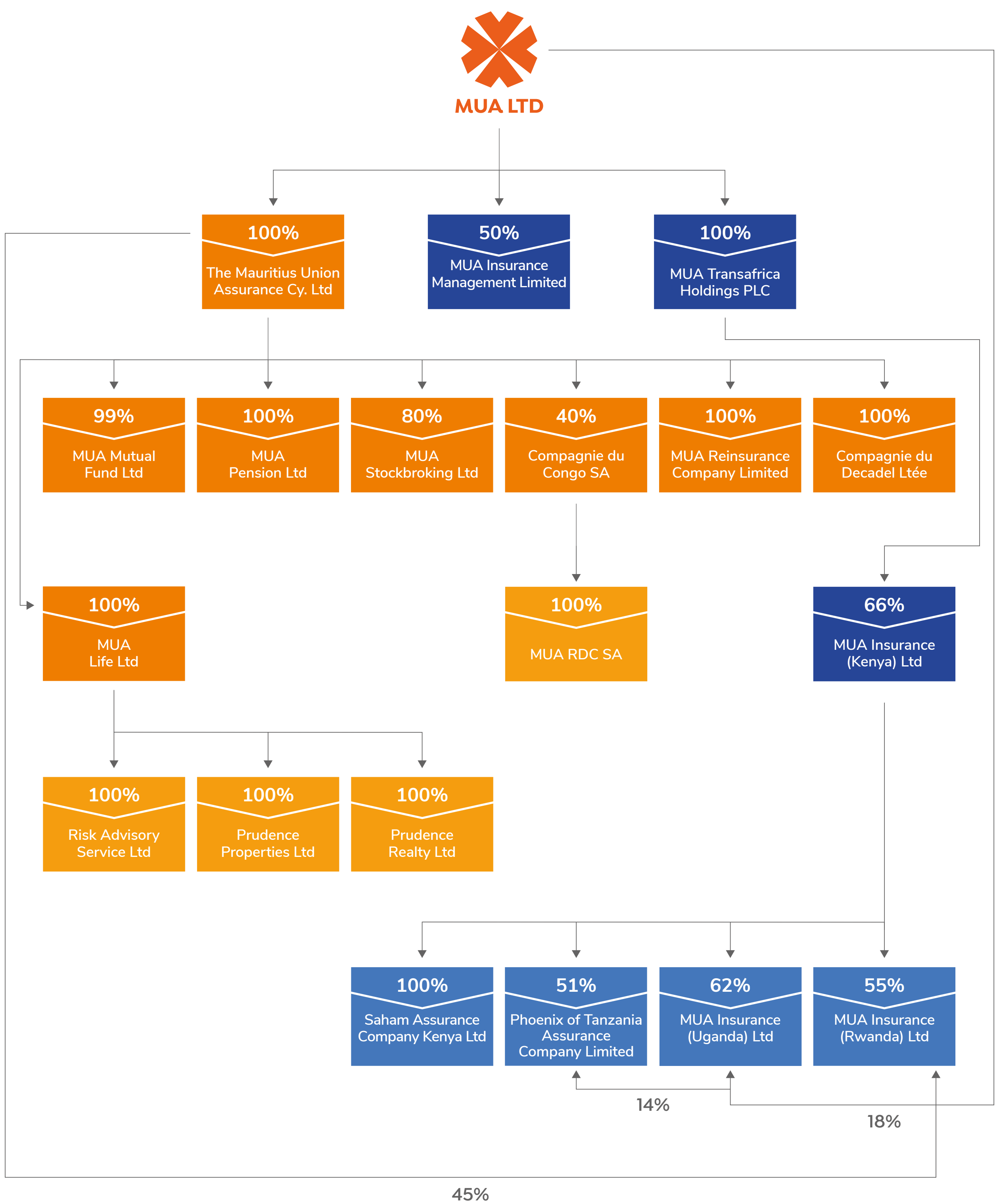
Rs **6.7**bn

*Includes Pension, Mutual Fund and Stockbroking.

Understanding the MUA Vision, Values & Strategy



Group Structure



Our entities and activities

Entity name	Brand Logo	Country	Effective Holding	Principal Activities	Key Metrics
The Mauritius Union Assurance Cy. Ltd	MUA	Mauritius	100%	Short Term Insurance	• #2 in Net Earned Premiums; • #2 in Gross Written Premiums; • #1 in Motor Insurance; • #1 in Liability Insurance; • #2 in Accident & Health
MUA Life Ltd				Long Term Insurance	• 14% Growth Rate; • 13.6% Market Share; • > Rs 11,700m funds under management
MUA Pension Ltd	MUA PENSION		100%	Pension Fund Administration	• Pioneer in Pension Fund Administration; • Top 3 Market Player; • > 500 Corporate pension schemes
MUA Mutual Fund Ltd	MUA MUTUAL FUND		98.6%	Mutual Fund Investment	• Pioneer in Mutual Fund Investment; • 2 well-diversified funds; Rs 632m asset value for MUA General Fund and Rs 158m for MUA Property Trust
MUA Stockbroking Ltd	MUA STOCKBROKING		80%	Investment Dealer	
MUA Insurance (Kenya) Limited	MUA	Kenya	66.38%	Short Term Insurance	• > Rs 1,320m in Gross Written Premiums • The General Insurance operations of Saham Assurance Company Kenya Ltd were integrated into MUA Kenya in 2021.
Phoenix of Tanzania Assurance Company Limited	Phoenix Assurance	Tanzania	51%	Short Term Insurance	• > Rs 655m in Gross Written Premiums
MUA Insurance (Uganda) Limited	MUA	Uganda	62%	Short Term Insurance	• > Rs 273m in Gross Written Premiums
MUA Insurance (Rwanda) Limited	MUA	Rwanda	55%	Short Term Insurance	• > Rs 347m in Gross Written Premiums
Risk Advisory Services Limited	-	Mauritius	100%	Property Holding	
Compagnie de Decadel Ltee	-		100%	Property Holding	
MUA Insurance Management Limited	MUA INSURANCE MANAGEMENT		50%	Insurance Management	• Joint venture involved in the provision of insurance management and captive management services.
MUA Reinsurance Company Limited	MUA REINSURANCE		100%	Reinsurance	• Holds a Professional Reinsurer license and a Global Business license, to provide reinsurance solutions across Africa.
Compagnie du Congo SA	-	Belgium	40%	Investment Holdings	• Compagnie du Congo is an investment holding company with the intent to operate insurance activities in the DRC.

Corporate Information

Registered Office

4 Léoville L'Homme Street, Port Louis
Republic of Mauritius
+230 207 5500
info@mua.mu
mua.mu

Auditors

PricewaterhouseCoopers

Actuaries

Deloitte & Touche (South Africa)

Main Bankers

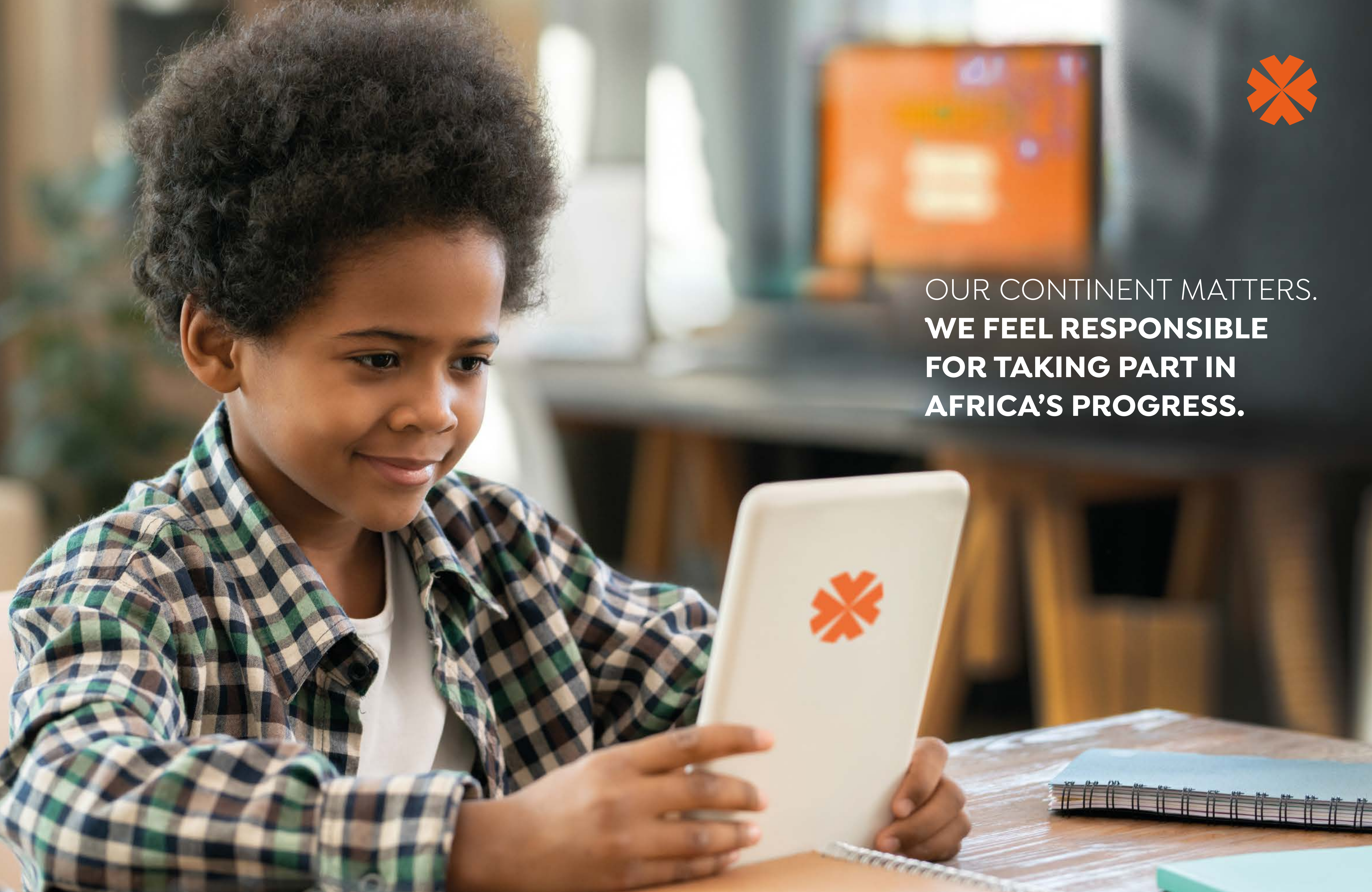
ABSA Bank Mauritius Ltd
ABC Banking Corporation
The Mauritius Commercial Bank Ltd

Secretary

ECS Secretaries Ltd

Share Registry

SBM Fund Services Ltd


OUR CONTINENT MATTERS.
WE FEEL RESPONSIBLE
FOR TAKING PART IN
AFRICA'S PROGRESS.

"As we implement our three-year strategic plan TRANSITION 2023, we continue to build and protect our communities diligently."

Bertrand CASTERES
Group CEO

Performance Review by Group CEO

Dear Shareholder,

As we reflect on a second year impacted by Covid-19 and its economic consequences, it is important to remember the lessons learnt, the flexibility of our teams and the resilience of our business. In a somewhat challenging business environment, there have been many positives as we collectively worked to deliver value to all our stakeholders. The very challenges we faced have also fundamentally shaped our three-year strategic plan, TRANSITION 2023, which we began implementing in early 2021. Our very purpose as an insurer, founded on the principle of solidarity, gives us reason to be positive about the future, to continue building and protecting our communities diligently.

As a regional insurer, MUA is focused on delivering insurance and financial solutions to individuals and corporates in a responsible and sustainable manner, in line with our strategic plan. Our digital solutions and diversified distribution channels have enabled us to connect with clients and provide efficient service, translating into growth across all segments of the business. We continue to explore partnerships and opportunities to streamline our operations, while remaining focused on our clients' needs and our proximity to them, offering innovative financial solutions that resonate in their everyday lives.

It gives me pleasure to report another solid set of results for MUA in 2021. The group recorded growth across all segments and markets despite challenging market conditions. Gross Premium Earned across the group increased by 28%, with Profit After Tax growing by 14%. MUA Ltd thereby remains the largest insurance company by market capitalisation in Mauritius. Market capitalisation was up an impressive 55%, reaching Rs 7bn at the end of 2021, and the company was amongst the top performing shares on the Stock Exchange of Mauritius.

Much of our focus in 2021 was in East Africa, where MUA has been present since 2014. Since that initial investment, our teams have worked to build the capacities of each business unit, focusing on building a strong talent pool, a robust IT infrastructure and technical expertise. As we continue to build market share in each of our East African markets, the region's Gross Earned Premiums now represent over 50% of the group's total general insurance premiums for the first time.

The East Africa operations broke even as a whole, with good performance in Tanzania, Rwanda and Uganda. Tough market conditions and higher claims weighed heavily on MUA Kenya's results. The integration of MUA Kenya and Saham Kenya, which MUA acquired in 2020, continues to progress well with the two teams based in the same premises since August 2021. Economies of scale and global partnerships such as GLOBUS, are expected to lead to improved performance. Despite some challenging market conditions, our operations in East Africa are paving the way for future growth for the group.
Our forward-looking approach to expand and diversify the group's footprint is expected to ensure sustainable growth in years ahead.

In Mauritius, General Insurance operations reported Gross Premiums of Rs 2,593m, an 9% increase compared to 2020. The entity recorded Profit After Tax of Rs 148m, down 42% over the 12-month period, as the number of claims returned to pre-pandemic levels and their cost increased due to the depreciation of the Mauritian Rupee, shipping crisis and rising inflation. Life insurance solutions, which are provided to clients in Mauritius, ended the year with strong performance and continued to be a growth driver. New business reached another all-time high, with Gross Premiums of Rs 1,556m as at December 2021, up 19% compared to the previous year. Profit After Tax was up 243% to Rs 290m, following continued recovery in equity markets and rising yields. An increase in corporate tax of Rs 19m, following the introduction of the alternative minimum tax in Mauritius, did not hinder the performance of the entity. These excellent results for this segment of our business are a testament to our digital transformation initiatives and a focus on capital-light products

Deeply ingrained in our team, is a sense of purpose, a willingness to offer a helping hand wherever we can. I am very proud of the initiatives which the MUA teams have run this year, through the MUA Foundation in Mauritius and all the community-building initiatives rolled out in East Africa. These include clean-ups in Albion and Daruty Forest, cancer checks in collaboration with Link to Life, and supporting financial literacy programmes devised by JA Mascareignes in Mauritius. MUA Foundation also sponsored the Mauritian Wildlife's Foundation's Fody Protection Programme, hence contributing to the protection of our indigenous fauna and flora. Through these actions and many other CSR initiatives, we carried on delivering on our strategic objectives, by creating value for all stakeholders in a responsible and sustainable manner.

As mentioned above, we started implementing our three-year Strategic Plan, TRANSITION 2023, at the beginning of 2021. We have noted some key milestones already linked to each of our three strategic pillars:

Prevention:

- The launch of Drive by MUA, a telematics app to encourage Mauritians to adopt better driving habits.
- Granting MUA clients free access to DietSensor's premium edition.
- Home Check video series, sensitising people around the risks present at home and how best to avoid them.
- Various road safety initiatives, including the sponsoring of traffic marshals and educational sessions to sensitise children around road safety in Kenya. In Uganda, MUA donated reflector jackets to traffic wardens and motorcyclists, while in Tanzania we sponsored a Road Safety Week. In Mauritius, we provided reflector vests to clients and partners.

Protection:

- MUA Select Garages, giving clients peace of mind after a car accident by providing a concierge service and professional repairs through a network of approved garages.
- Utulivu: the introduction of a 24/7 Roadside Assistance Service in Tanzania, the first of its kind in the country.

Socially Responsible Investment:

- MUA Ltd entered the Stock Exchange of Mauritius Sustainability Index in February 2021. Companies are eligible for inclusion in the index if they meet Environment, Social and Governance criteria.
- MUA implemented its Socially Responsible Investment Policy, which provides clear investment parameters to ensure all funds managed by MUA adhere to stringent ESG criteria, guidelines for active stewardship and a defined exclusions list.

The past year has seen some important changes in our senior management, notably in Mauritius. The most important one was the creation of a new role - that of Country CEO - for Mauritius, as announced at the beginning of 2022. MUA has reached an auspicious turning point in its development, where we fully expect our East African markets to grow steadily. As the business landscape changes, it was important to evaluate the group's current organisational architecture, so it better reflects and sustains our evolving business. It has become increasingly important for the Group CEO to dedicate more time and energy to guide our regional business model and ensure, together with the Executive Committee and our East African leadership, steady and balanced growth trajectory. It is this new focus and dynamic within the group that encouraged us to appoint Naresh Gokulsing, the Managing Director of Life & Pension at MUA, as Country CEO for Mauritius.

Several other changes touched the structure of our General Insurance business in Mauritius and across the group. Delphine Ahnee was named Chief Operating Officer for the General Insurance division in Mauritius, overseeing mainly the business development and claims operations. Kenny Wong took up the position of Group Chief Underwriting Officer. We also welcomed two new members to our Executive Committee, Annie Nankou as Group Human Resources Manager, and Vikash Boolell as Head of Legal, Compliance & Risk.

In East Africa, there have been several changes at country management level. The integration of Saham Kenya into the MUA Kenya operations meant some important leadership changes in Kenya and regionally. Ashraf Musbally, previously CEO of MUA Kenya, took up his new responsibilities as CEO of the group's Tanzanian operations since August. Based in Dar es Salaam, Tanzania, he retains his role as Regional CEO for East Africa. Tanzania is MUA's second biggest market in the region, with a local market share of about 5% and currently the 5th largest insurer in the country. This is a key market for MUA, with enormous potential for growth in the coming years. Following the integration of the Kenyan operations, Lydia Kibaara – Nzioki was appointed as Managing Director of the merged entity. Well known in the industry, the former Saham Kenya Managing Director brings with her a wealth of experience in Kenya and regionally. Lydia was appointed Managing Director of Saham Kenya in 2014, overseeing a period of important transition for the business through its acquisition by Sanlam and, subsequently, MUA. Our operations in Rwanda also saw a change in leadership with the arrival of Konde Bugingo, who was appointed Managing Director of MUA Rwanda in November.

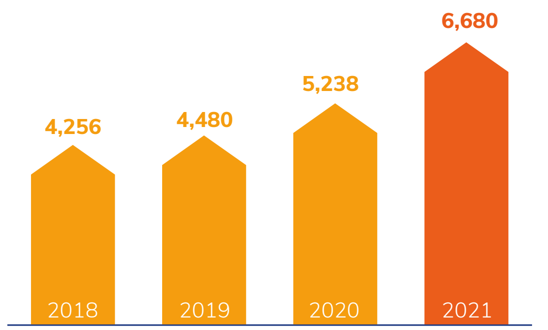
Safe to say that all the senior management and structural changes that have been announced over the last year have positioned MUA's regional operations to better respond to the new realities our business will face. I take this opportunity to salute all the exceptional work, energy, ingenuity and agility shown by our teams across 6 countries. The resilience of our business, the steadfastness of our strategy and the engagement of our employees, is evident in the solid results we are presenting in this 2021 Annual Report. These strong performances give impetus to the value we will continue delivering to our stakeholders, to the communities that we serve, to the clients we protect and to our shareholders.

As announced earlier in 2022, I have resigned as Group CEO to relocate to France for family reasons. After ten years at MUA, seven of which as Group CEO, I will ensure the group's leadership until September 2022, or the appointment of my replacement. Thereafter, I will remain as a strategic consultant for the group for a period. I am leaving MUA with the sense of satisfaction that comes with having contributed to improving our services, offering more innovative products, consolidating our presence on the Mauritian market and ensuring a successful expansion in East Africa. I wish to express my gratitude to the entire MUA team and our business partners who have collectively ensured MUA's growth and success over the past decade. I am confident that the foundations we have built together will continue to serve our respective markets and generate value for all our stakeholders.

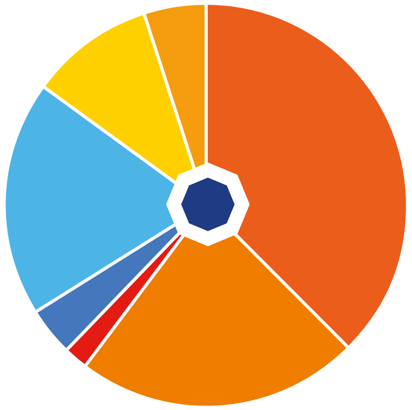
Bertrand CASTERES
Group CEO

Financial Highlights 2021

Gross Earned Premium (Rs m)



Revenue by country



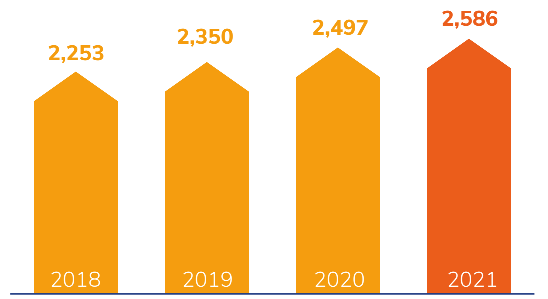
Rs **6.7**bn

- Mauritius – General Insurance: **2,586 – 38%**
- Mauritius – Life Insurance: **1,555 – 23%**
- Mauritius – Others*: **162 – 2%**
- Uganda: **273 – 4%**
- Kenya: **1,320 – 19%**
- Tanzania: **655 – 10%**
- Rwanda: **347 – 5%**

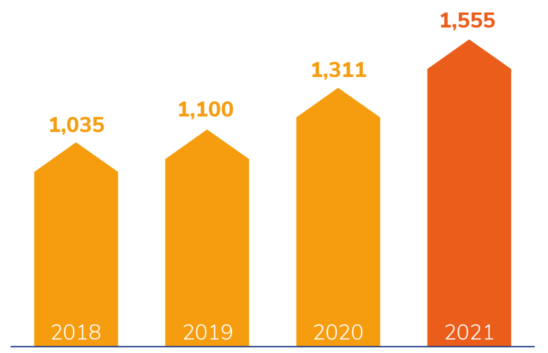
* Includes Pension, Mutual Fund and Stockbroking

Group Revenue (Rs m)

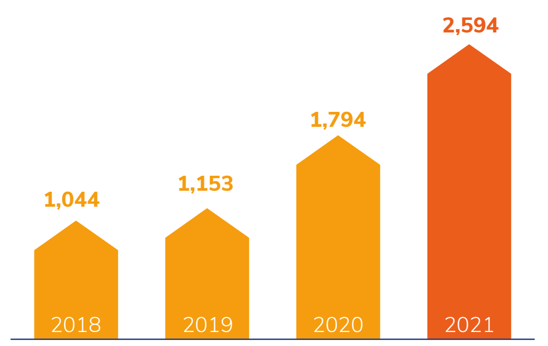
Mauritius – General Insurance (Rs m)



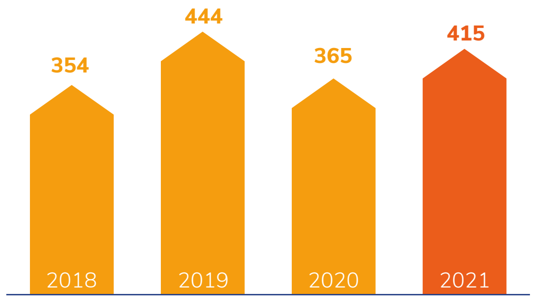
Mauritius – Life Insurance (Rs m)



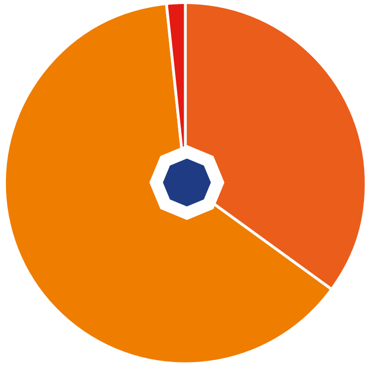
East Africa – General Insurance (Rs m)



Group Profit After Tax (Rs m)



PAT by region (Rs m)

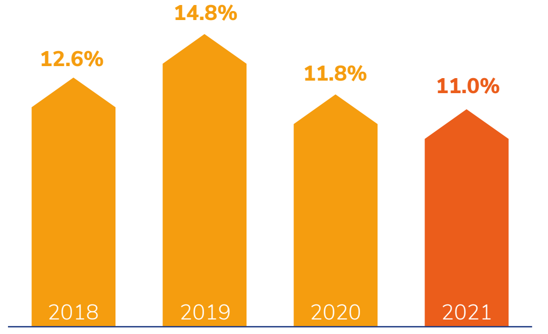


Rs **415**m

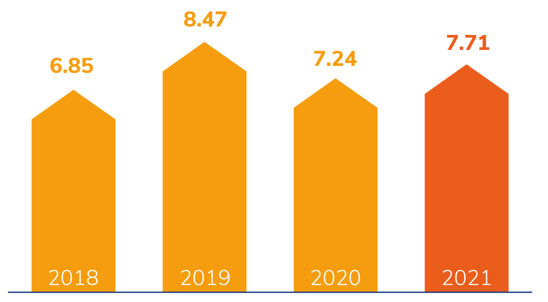
- Mauritius – General Insurance: **147.9**
- Mauritius – Life + Others*: **266.3**
- East Africa**: **0.4**

* Others include consolidated adjustments, pension, mutual funds, stockbroking, MIM
** Includes consolidated adjustments

Group Return on Equity (Rs m)



Earnings per share (Rs)



A Recap Of Our Strategic Framework: Transition 2023

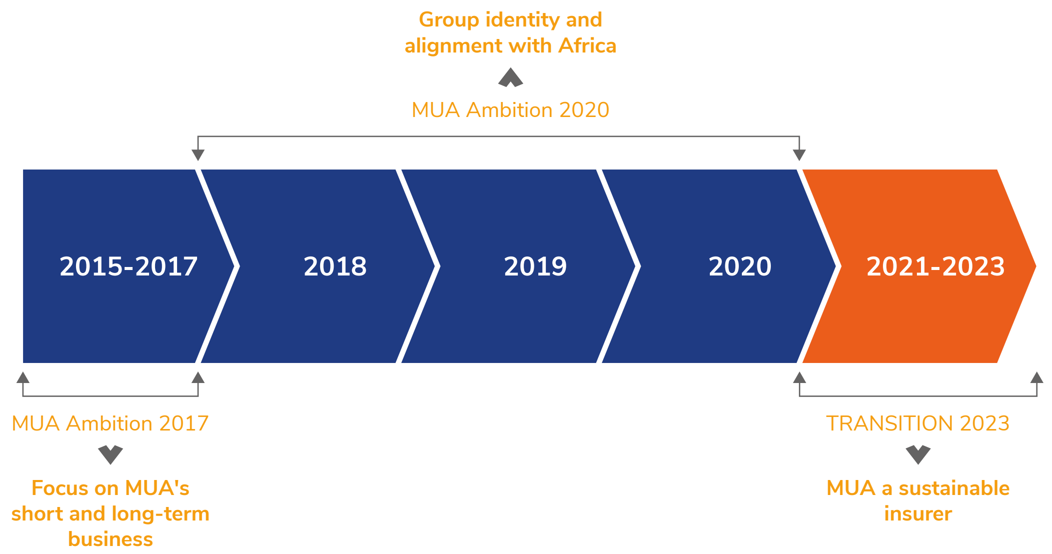
Our 2021-2023 Strategic Plan is aptly named TRANSITION 2023. It acknowledges where MUA is in its journey – a transition period, given the high level of global uncertainty and the shift towards embedding sustainability values at the core of our business model.

This critical phase is also in line with our strategic evolution since 2014 and is testament to our ambitions of establishing MUA as a strong regional player:

2014 – 2017: Focus on transforming our General and Life businesses in Mauritius into highly efficient models, with a strong base for further business growth and digital transformation.

2018 – 2020: Focus on creating a strong regional group identity and employee culture, on developing the business significantly in East Africa and on major transformation projects for the Mauritian General and Life businesses.

2021 – 2023: Focus on establishing MUA as a strong and sustainable regional insurance player.

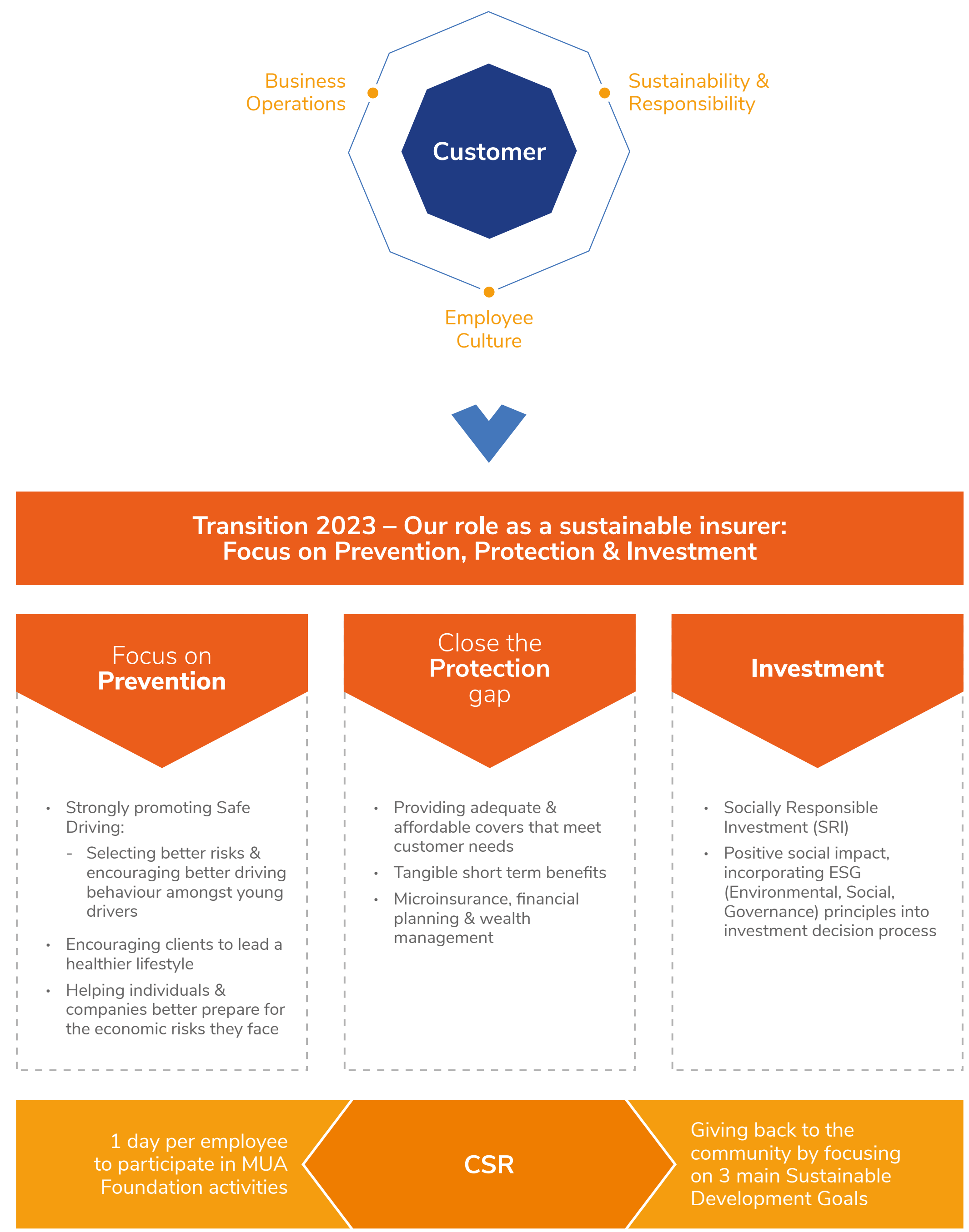


Our 2021-2023 Strategic Framework

Our strategic plan has our clients at the heart of our operations.

We endeavour to have a company-wide culture where each member of our team can think of the impact on customer experience, before taking a decision.

The model is circular as we strongly believe we need to have a motivated and engaged workforce in order to have efficient and effective insurance operations. This will in turn create a positive experience for our clients, ensuring we make a meaningful contribution to the community by creating real and sustainable value for both our clients and the community. The MUA family will be fully engaged and derive a strong sense of purpose.



PERFORMANCE & STRATEGY

Mauritius

Mauritius - General Insurance

Description

- MUA is amongst the leading local insurance companies, with **73 years' experience**. Through its **wide and diverse distribution channels,** MUA offers a comprehensive insurance product range for both individual and corporate clients:

9 Strategically located MUA branches

14 Accredited agents

37 Brokers

44 Salespersons

6 Bancassurance panels

- MUA is part of the **well-respected Globus network**, a federated network of insurance companies covering 49 countries on the African continent and offering insurance products in the Life and Non-Life branches. The member companies are amongst the best companies on their respective markets.
- MUA strives to provide its clients with an excellent service and innovative solutions, using:
    - E-commerce websites for Motor, Travel and Home Insurance products.
    - Client Portal for the renewals, submission and tracking of claims, as well as online payments.
    - Telematics Mobile Application to improve driving habits and ensure road safety.

Market Analysis

In 2021, GDP growth was at 3.9% when calculated at basic prices. The low nationwide growth can be attributed to the downward trend in tourist arrivals, due to the travel lockdown that was only lifted in October 2021. Additionally, 2021 witnessed a slower rebound of the textile manufacturing sector, a more pronounced decline in the production of sugar and a major deterioration in the net exports of goods and services. Headline inflation has reached its highest level in a decade, because of inflationary pressures emanating from fuel and food items, as well as the weakening of the Mauritian Rupee as compared to the Dollar.

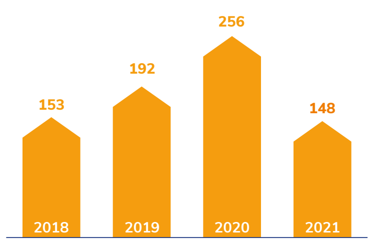
With the hospitality sector predicted to experience a significant rebound, positive spill-over effects are awaited on related sectors and a recovery across all levels is expected in 2022. Based on the International Monetary Fund's (IMF) latest projections, real GDP can be expected to reach 6.7% in 2022 when measured at market prices. Growth will also be supported by the continued impetus of the ICT sector, which has efficiently shifted to online transactions and operations. The exit of Mauritius from the European Union's list of high risk third countries will further boost the financial sector, through a reinforcement of our reputation as a credible and robust jurisdiction. However, the Mauritian economy remains vulnerable, being open and reliant on external economies. The uncertainties of the conflict in Ukraine, the fuel crisis and other foreign disturbances are factors that put the economy at risk.

Performance Review

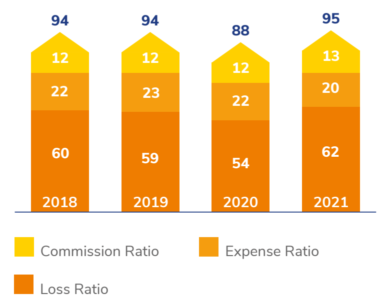
Mauritius – General Insurance

	2018 (Rs m)	2019 (Rs m)	2020 (Rs m)	2021 (Rs m)
Gross Written Premium	2,253	2,350	2,497	2,586
Net Claims and Benefits	(1,028)	(1,033)	(985)	(1,232)
Operations and Administrative Expenses	(745)	(778)	(792)	(868)
Profit from Operations	196	232	311	182
Profit Before Tax	179	212	295	167
Income Tax Expense	(26)	(20)	(38)	(19)
Profit After Tax	153	192	256	148

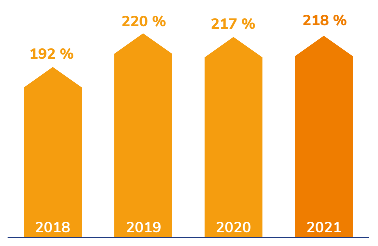
Profit After Tax (Rs m)



Combined Ratio (%)



Solvency Ratio (%)



PERFORMANCE & STRATEGY

Mauritius

Mauritius - General Insurance (continued)

Performance Review (continued)

Market Share: in terms of Gross Premiums*

21.0%
Motor market share
No. 1

19.6%
Accident & Health market share
No. 2

23.5%
Property market share
No. 2

50.8%
Liability market share
No. 1

22.6%
Overall market share
No. 2

* Latest available FSC statistics 2020.

Key focus and outcomes

- A 59% decrease in operating profits was driven by:
  - Inflationary pressures on motor claims, where severity of motor claims increased significantly. The number of claims returned to pre-pandemic levels, with the cost of claims increasing due to the depreciation of the Mauritian Rupee and rising inflation.
  - The impact of inflation on medical claims was also significant.
- The impact of the second lockdown on health claims was subdued compared to the first lockdown of 2020.
- For 2022, primary focus areas include:
  - Continued strategic focus on prevention and protection.
  - Improved claims efficiency and enhanced customer experience for health insurance clients.
  - Stronger local partnerships.

Main achievements by strategic pillar

Prevention

- **DRIVE by MUA:** Successful launch of MUA's telematics app to promote road safety amongst Mauritians.
- **Partnership with DietSensor**: Partnership with one of the leading worldwide health applications, DietSensor, to offer nutritional coaching to clients.
- **Home Check campaign:** A web-series featuring a home maintenance coach to sensitise Mauritians on how to avoid common risks at home.

Protection

- **MUA Select Garages:** Continued deployment of a value-added client service to optimise the motor claims and vehicle repair process.
- **Biz Pack campaign:** Client testimonials to sensitise SMEs on the importance of protecting business assets.
- **Expect the Unexpected campaign:** A web-series in creole, to raise awareness on how insurance products protect against home incidents.

Socially Responsible Investment

- **"2 minutes pour demain":** Partnership with "2 minutes pour demain" to raise awareness on various social, environmental and safety subjects amongst the public.
- **SEMSI:** Entry of MUA on the Stock Exchange of Mauritius Sustainability Index – the first tangible milestone of the new strategic plan, TRANSITION 2023.
- **MUA Foundation:** Through the MUA Foundation, MUA contributes meaningfully to CSR initiatives promoting sustainable development, social advancement and development of vulnerable communities.

Short-To Medium-Term Outlook

As the world emerges from the shadows of the Covid-19 pandemic, the general insurance business is projected to have a stronger growth in 2022, though they remain resolutely in moderate single-digit rates.

With the motor insurance as the largest line of business on the General Insurance market, the dual shocks of the lasting shipping crisis and the Russian-Ukrainian conflict can potentially result in a significant increase in vehicle spare parts costs. This in turn can inflict considerable damage to the profitability of the business line, given the intense competition that applies downward pressures on the premiums.

For the other retail lines, we expect the health and household business lines to experience a positive and upward upturn in demand as consumers grow increasingly conscious - given the pandemic and recent flooding incidents - of the importance of insurance. This upturn though, might not be as generous as forecasted given the extent to which household spending has been curtailed by the pandemic and inflationary pressures.

For corporate business lines, market growth will depend heavily on the recovery of the economy in terms of key tourism market rebounds and investment in infrastructure. A major risk element to the economic recovery remains our exposure to key eurozone trading partners and, as the uncertainties about the Russian-Ukrainian conflict intensify, the future remains equally unpredictable.

Long-Term Strategy

Our long-term business approach is firstly to consolidate our customer base by moving from being a transactional service provider to a strong insurance partner providing simple, affordable and emphatic insurance. Secondly, we wish to improve our operational performance in view of the complex set of market conditions, by optimising our distribution channels and further developing process automation and IT system upgrades and enhancements to unlock efficiency gains.

In addition to the above, 2021 has been an important year for MUA, as we launched our new strategic vision, centred around the humbling acknowledgement that, as insurers, we are duty-bound and ideally positioned to contribute to the transition towards a more sustainable society and world.

Our long-term strategy fully reflects this vision as we look to focus on risk prevention initiatives, to close the protection gap and to invest in sustainability initiatives.

Mauritius

Mauritius - Life Insurance

Description

MUA is ranked 3rd in terms of life insurance market share (distribution of assets). For both individual and corporate clients, a simple, affordable and relevant product range is offered. Savings and investment plans, protection plans as well as retirement plans, are provided through our multi-channel distribution approach:

14 Internal salespersons

40 Independent salespersons

12 Accredited agents

21 Brokers

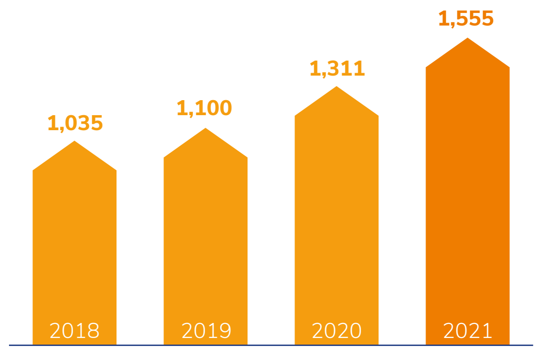
7 Bancassurance panels

Market Analysis

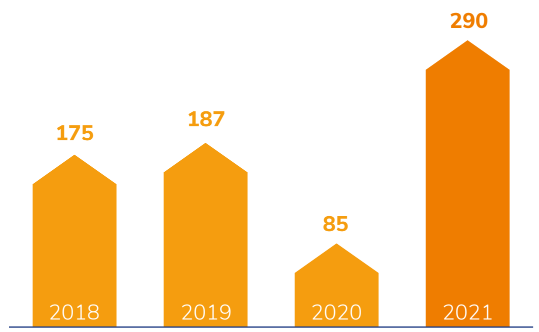
Please refer to page 32.

Performance Review

Gross Written Premium (Rs m)



Profit After Tax (Rs m)



Performance Review (continued)

Key focus and outcomes

- The 19% growth in Gross Written Premiums was driven by a robust increase in the protection product segment mainly for unit-linked business.
- The strong rebound of Profit After Tax to Rs 290m significantly exceeded the pre-pandemic levels of Rs 185m recorded in 2019.
- For 2022, the primary focus areas are to:
  - Maintain focus on the capital-light savings product and protection business
  - Improve the digital customer journey
  - Leverage process automation to increase efficiency

Main achievements by strategic pillar

Prevention

- **Assurance Cancer Féminin (ACF):** 360-degree communication campaign to raise awareness on the importance of early breast cancer testing. Promotional campaign in October, offering new ACF subscribers 1 month of free insurance.

Protection

- **Communication campaigns focusing on protection:** Social media and digital campaigns on MUA's various protection products, namely Loan Protection plan, Income Protection plan and Retirement plan, to create awareness on these products and generate leads.
- **Agent Portal:** Continuous leverage of the Agent Portal to boost sales productivity and improve customer experience.

Socially Responsible Investment

- **Partnership with Link to Life:** MUA Life and MUA Foundation collaborated with the Link to Life to offer "Pink Ribbon Masks" to all MUA employees.
- **MUA Foundation:** Through the MUA Foundation, MUA contributes meaningfully to CSR initiatives promoting sustainable development, social advancement and the development of vulnerable communities.

Mauritius

Mauritius - Life Insurance (continued)

Short-To Medium-Term Outlook

The recent years have been marked by high levels of global and local financial volatility and uncertainty as the world grapples with the impacts and aftermath of the Covid -19 pandemic. The momentum at the start of the year was highly encouraging though the Russian-Ukrainian conflict shall pose a downside risk to global growth projections, more so if it stretches over a long-time horizon. Moreover, the current situation has increased the inflationary pressures with food and commodity prices consistently on the rise with the compounding effect of higher shipping costs.

The Monetary Policy Committee of the Bank of Mauritius has responded in early March 2022 by raising the Key Repo Rate to 2% per annum, with a resultant impact on the profitability competitiveness of life insurance products in the short term.

If the inflationary pressures are not eased, the impact of reduced household disposal income and business spending might hamper the growth of life insurance premiums.

On the long-term, as we have an ageing population with an average life expectancy on the rise, we expect to have a greater demand for retirement and investment plans, but this is on the other side balanced by the difficulties encountered in raising the penetration rate substantially given the slow growth in the middle-income segment.

Long-Term Strategy

Our long-term strategy for MUA Life is to develop our digital capabilities, with the aim to both optimise and widen the reach of our distribution network and to unlock efficiency gains.

We believe that technology is the enabler that will allow us to provide our client base with relevant, affordable and transparent products, delivered effectively with a seamless client experience and supported by the competent and easy-to-understand advice from our salesforce.

We are also working towards demystifying life insurance products by promoting various awareness campaigns and other such initiatives.

Mauritius - Other Entities

MUA Pension

Description

MUA Pension owns the following licenses:

- Pension Scheme Administration
- Investment Advisory
- Actuarial Services

With more than 30 years of Corporate Pension experience, MUA Pension manages over 500 pension schemes and total pension fund assets under administration in 2021 exceeded Rs 11bn.

Performance Review In 2021

As at 31 December 2021, net asset value amounts to Rs 44m, the number of corporate pension clients stood at 518, total assets under administration was Rs 11bn and MUA Pension counts more than 22,000 members. As compared to 2020, revenue remains stable and profits after tax increased by 17%.

Rs 44m
Net asset value

518
Number of clients

Rs 11bn
Total assets under management

22,000
Total number of members

17%
Increase in profits after tax

In 2021, MUA Pension embarked on the migration to **new software**, which is expected to streamline processes and ensure access to the **latest technology** to support business needs. Employers and employees will have access to their **dedicated Client Portal**, which will ensure more **transparency** and access to **real-time information**.

Performance Review in 2021 (continued)

A slight drop in pension administration services was nevertheless observed on account of the Covid-19 lockdown, the fire at Caudan and employees having to spend time on the software migration. Although the Caudan fire resulted in minimal material damage, the operations were impacted. The Business Continuity Plan was triggered to ensure the disruption was kept to a minimum. The team has been working remotely in various office locations and from home until the offices are operational once again in the second half of 2022.

2022 Outlook

With the advent of the Portable Retirement Gratuity Fund (PRGF), we have noted an increased interest in pension funds. It has been a record year for new client onboarding. Our long-term strategy is to ensure we are well embarked on the digital transformation path and to eventually provide our services regionally.

Mauritius - Other Entities

MUA Mutual Fund

Description

MUA Mutual Fund is a pioneer in Mutual Funds in Mauritius, with more than 30 years of experience. MUA Mutual Fund manages two Funds: General Fund and Property Trust. With over Rs 790m assets under management, unitholders as at 31 December 2021 are 4,716 for MUA General Fund and 2,133 for MUA Property Trust; hence 6,849 in total.

Rs 790m
Total assets under management

4,716
MUA General Fund unitholders

2,133
MUA Property Trust unitholders

Performance Review In 2021

Compared to 2020, revenue increased by 26% and profit after tax increased by 119%. With the launch of an online application form on MUA's new website, it is easier for clients to subscribe to a Mutual Fund plan. Several communication campaigns such as testimonials campaigns aimed to increase awareness of MUA Mutual Fund and educating the public on its features and advantages. More than 200,000 people were reached through the numerous social media campaigns.

MUA Stockbroking

Description

MUA Stockbroking is a respected stockbroking and investment dealer and a member of the Stock Exchange of Mauritius. Focused on providing a quality trading service for individual and institutional investors, MUA Stockbroking is a licenced stockbroking entity regulated by the Mauritius Financial Services Commission.

By being the leading expert in stockbroking with 32 years of experience, MUA Stockbroking is involved in many assignments as Financial Advisor and Sponsoring Stockbroker in Public Offerings, Rights Issues and Private Placements of Shares. Knowledgeable of various types of capital market instruments, MUA Stockbroking has achieved a well-balanced client base.

Performance Review In 2021

As a transaction-oriented firm, we are structured to service institutions and individuals looking for ways to grow their portfolios. MUA Stockbroking's website offers its clients a comprehensive overview of the Mauritian Stock Exchange, enabling worldwide access to online trading, with electronic password control, within a totally secure environment.

The pandemic has certainly slowed down the market, but investors are seeking deals and looking for opportunities to invest. It has also forced us to quickly adapt to new ways of getting work done and connecting with our clients.

Mauritius - Other Entities

MUA Insurance Management (MIM)

Description

MUA Insurance Management Limited is a joint venture involved in the provision of insurance management and captive management services. Their specialised services include captive feasibility studies, underwriting and risk management support, as well as claims handling and advocacy.

Performance Review In 2021

In 2021, MIM saw a growth in revenue and a return to profitability following a more complicated year in 2020. MIM has proven resilient to the Covid-19 impact, with the team able to adapt and work remotely without any disruption to operations. However, Covid-19 did delay some projects and long-term partnerships that MIM had planned for 2021.

2022 Outlook

There are several opportunities for MIM and the focus in the short to medium-term is finalising long-term partnerships with key players in the industry. This should help the company have more consistent results and a perennial business model.

MUA Reinsurance (MUA Re)

Description

MUA Reinsurance Company Limited (MUA Re) is one of the latest wholly owned subsidiaries launched by MUA, incorporated in 2019. MUA Re holds a Professional Reinsurer licence as well as a Global Business licence issued by the FSC, with the aim of providing reinsurance solutions across Africa. MUA Re offers reinsurance on the following lines of business - Property, Engineering, Miscellaneous Accidents, Liability, Marine and Motor on a facultative and treaty basis.

Performance Review In 2021

2021 was MUA Re's second year of operation. As we are still on a learning and observation curve, MUA Re did not venture in any major change in operations. The recommendations of our external auditors were applied, notably to outsource our accounting processes to an external company.

Gross premiums of more than Rs 68m were recorded in 2021, representing a growth of nearly 475% compared to 2020. Out of the 1,394 risks handled, 213 firm orders were made, highlighting our prudent approach.

2022 Outlook

Due to the lack of visibility on the world sanitary and economic situation, MUA Re has been meticulous in planning for 2022, with no major changes in our strategy. The entity will continue implementing the recommendations of external audit. A digitisation of our processes by adopting a customer database management system tailored to our requirements is planned for the coming year. The long-term strategy of MUA Re is to be a rated reinsurer by the most respected rating agencies and further building MUA Re's reputation across the African continent.

East Africa

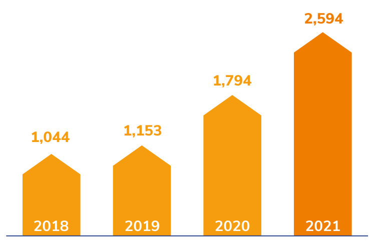
East Africa - General Insurance

Description

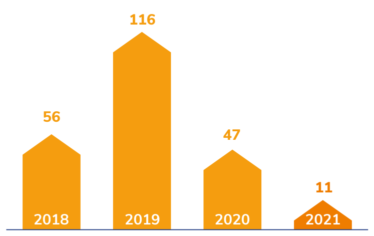
With over 110 years of experience, MUA East Africa offers a personalised service to corporate and individual clients, as well as a comprehensive range of short-term insurance products. MUA East Africa is in the process of expanding its distribution networks and digitalising its product offerings.

Performance Review In 2021

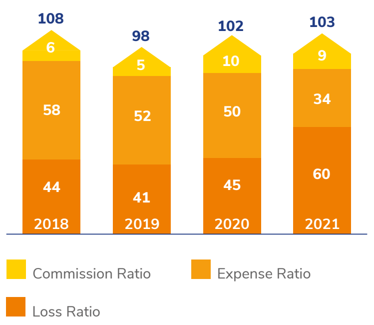
Gross Written Premium (Rs)



Profit After Tax (Rs m)



Combined Ratio (%)



Note: Incentive fee ratio for East Africa = 5%

Key focus and outcomes

- Our main focus in 2021 was the integration of Saham Kenya and MUA Kenya. The operations, processes and employees of the respective entities have been integrated. This will allow us to unlock significant economies of scale and to build a single, strong and diversified team to drive the business.
- The results for East Africa were impacted by an increase in motor loss ratio in the industry but also a few exceptional costs such as the past year's reserve and the integration costs of Saham and MUA Kenya. Kenya's results somewhat dampened the good performance in Uganda, Rwanda and Tanzania.
- In 2022, the main focus areas are to:
  - Successfully complete the integration of Saham and MUA Kenya.
  - Optimise the distribution network in terms of bancassurance, strategic partnership, government business, niche segments and digital channels.
  - Grow our international partnerships.

2022 Outlook

East Africa has proved to be resilient to the Covid-19 pandemic, though the lag in vaccination rate compared to developed countries could dampen the economic recovery. In addition, the decline in household incomes has has a negative impact on livelihoods, which effectively destroys years of progress made by the region to address income inequality.

More specifically, our attention for 2022 will be strongly focused on Kenya, which faces a year of uncertainty and potentially unrest as it goes to the polls. The insurance market conditions are also markedly complex and difficult to navigate, exacerbated by a high increase in underwriting loss in the motor private and motor commercial classes, due to the relaxation of the sanitary restrictions imposed on travel due to the Covid-19 pandemic. Persistent issues such as price undercutting and fraud also underpin the market, making a recovery to sustained and consistent profitability difficult to achieve.

However, the potential of East Africa is there to be harnessed given the largely underdeveloped insurance sector and the growing economies. In a way, the crisis has also hastened the development of the sector through the shift towards digital and remote channels, which open a cost-effective means to directly interact with the mass market.

East Africa

Kenya

Description

1 Head Office

5 Branches

776 Agents

134 Brokers

138 Employees

2.3% Market Share

17th Rank out of 35 insurers

Note: Market share based on latest available figures, in terms of Gross Written Premium (GWP). Following Saham's acquisition, ranking has improved from 35th to 17th.

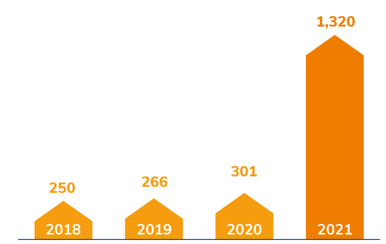
Market Analysis

The Kenyan economy has demonstrated strong resilience to the Covid-19 wave, with output in 2021 increasing above pre-pandemic levels. After decreasing by 0.3% in 2021, real GDP rose by 5.3% year on year in the first half of 2021, backed by rebounds in industry and, particularly, services. The increase in headline inflation in 2021 resulted from domestic tax measures with once-off price effects, higher oil prices on an international level and temporary disruptions in supply, affecting foodstuffs because of dry weather conditions.

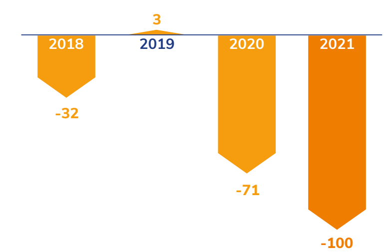
For 2022 and beyond, a robust economic performance is expected for Kenya. A projection over 2022-2023 predicts a real GDP growth of 4.9% per year on average. Several factors will contribute to this positive estimation, including the strong bounce-back of some sectors like the education sector and the predicted recovery of hotels, transport, trade and other services. This will however depend considerably on the vaccination progress to minimise new waves of infection and drastic containment measures. The planned elections in 2022 will add to the level of uncertainty, with possible impacts on the economy.

Performance Review

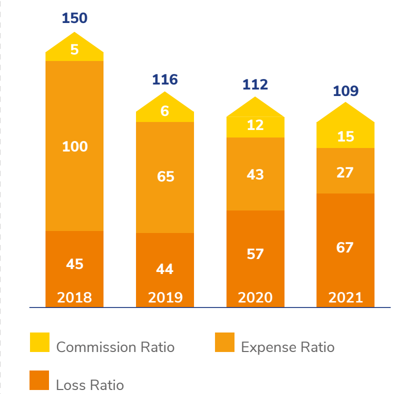
Gross Written Premium (Rs)



Profit After Tax (Rs m)



Combined Ratio (%)



Note: Incentive fee ratio for Kenya = 9%.

Key focus and outcomes

- Obtain approval for the amalgamation of Saham's general insurance business with MUA Kenya, and the transfer of Saham's life business to Sanlam Life. The approval was granted in June 2021. Consequently, the legal transfer of Saham General Business and Life Business portfolio, assets and liabilities to MUA Kenya and Sanlam Life, respectively, was completed accordingly.
- Amalgamation of Saham Kenya and MUA Kenya teams. All Saham Kenya employees were transferred to MUA Kenya, effective from 1 August 2021. Harmonisation of the polices will continue in 2022 and 2023.
- Kenya's results were negatively impacted by an increase in motor loss ratio in the industry and a few exceptional costs such as the past year's reserve and the integration costs of Saham and MUA Kenya.
- Strategic plan post-integration. A strategic plan was developed for the next two years.

2021 Highlights and Achievements

- Relocation of offices: following the integration, the MUA Kenya and Saham Kenya head offices were moved to a more modern and spacious location in Nairobi.
- Publicity campaign: A media campaign on print, billboard, radio and social media, to publicise the integration of Saham and MUA Kenya.
- Tulizo Bora Medical Insurance Product added to MUA product offering.
- In line with our strategic objectives, there have been various prevention initiatives: a partnership with National Transport and Safety Authority (NTSA) to sponsor road traffic marshals to ensure the safety of pedestrians at a crossing near MUA's offices, as well as a partnership with the NTSA to educate local children on road safety issues, in an accident-prone area of Nairobi.
- Our CSR initiatives included an environmental cleaning exercise at the Nairobi Safari Walk and Animal orphanage, with the participation of employees.

PERFORMANCE & STRATEGY

East Africa

Uganda

Description

1 Agent

9 Tied agents

20 Independent agents

39 Brokers

19 Banks

35 Employees

4%
Market Share

9th
Rank out of 20 insurers

Note: Market share based on latest available figures, in terms of Gross Written Premium (GWP). Medical insurance is excluded.

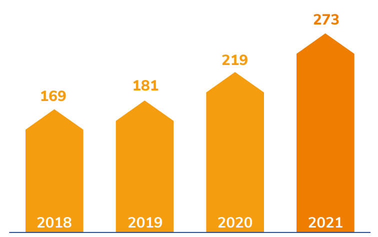
Market Analysis

The second wave of Covid-19 infections and subsequent lockdown in mid-2021 negatively impacted Uganda's economic recovery at the beginning of 2021. Nevertheless, real GDP growth rose to over 13% in the last quarter of 2021, driven by recovery in public investment and an improvement in consumption in 2021. Although the economic status of many households improved between October 2020 and April 2021, income was still below pre Covid-19 levels for 33% of households before the second wave of Covid-19.

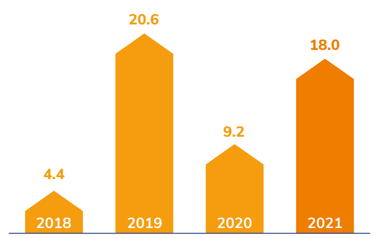
Using baseline figures, real GDP is expected to rise by around 3.5% to 4.0% in 2022 and about 5.5% in 2023. The economy will grow thanks to a pick-up in private consumption, fuelled by a recovery of household incomes and exports as the global economy stabilises.

Performance Review

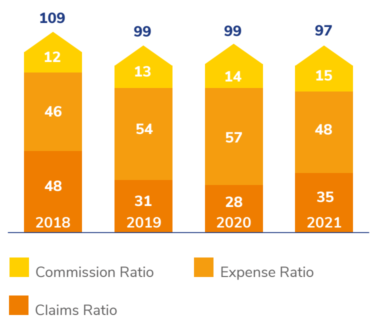
Gross Written Premium (Rs m)



Profit After Tax (Rs m)



Combined Ratio (%)



Note: Incentive fee ratio for Uganda = 3%.

Key focus and outcomes

- Agricultural Insurance: training and sensitisation of farmers on the importance of protecting themselves against certain risks and the solutions offered.
- Broker relations: improved broker relationships, increased engagements and business participation, ensuring good sales growth.
- The poor performing bancassurance segment meant that our in-house sales force worked hard to secure new business.
- Tender business: tender participation increased our brand visibility and proved successful.

2021 Highlights and Achievements

- There was more focus on customer experience through relationship management, to ensure we retain our clients.
- Lost travel business due to prevailing lockdowns and sanitary situation.
- The Agricultural business also suffered as most farmers opted to only insure for one season as opposed to both seasons.
- As part of our prevention efforts, we partnered with the traffic police to promote road safety awareness, donating 300 reflector jackets to traffic wardens and a further 100 reflector jackets to a local motorcycle riders' association.
- Our main CSR project in Uganda centred around the Kireka School, a school and home for children with Downes syndrome. In addition to financing their Christmas celebrations, we donated a water tank, hygiene items, bedding items and groceries.

East Africa

Rwanda

Description

2 Branches

13 Tied agents

64 Mobile agents

38 Employees

11%
Market Share

5th
Rank out of 9 insurers

Market Analysis

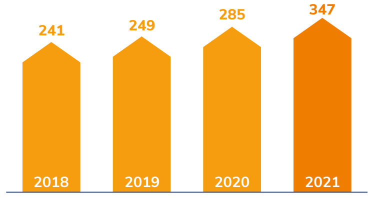
In 2021, Rwanda's economy achieved a broad based recovery from the adverse effects of the Covid-19 pandemic. The real GDP grew by 10.9 percent following a 3.4 percent contraction in 2020. This strong economic rebound was underpinned by easing Covid-19 related restrictions, thanks to an effective vaccination campaign, Government economic policy support, growing external demand and the prevalence of good weather conditions.

The economic recovery is expected to continue in 2022, supported by ongoing Government programs such as the Manufacture and Build to Recover, the continuous vaccine campaign and reopening of the economy.

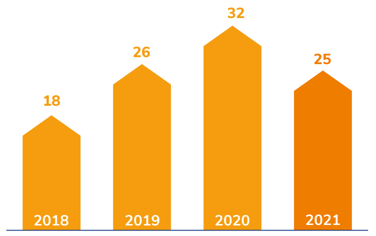
PERFORMANCE & STRATEGY

Performance Review

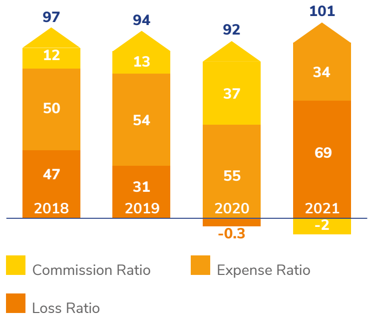
Gross Written Premium (Rs m)



Profit After Tax (Rs m)



Combined Ratio (%)



Key focus and outcomes

Amidst the challenging business landscape, MUA Rwanda remained steadfast in executing its strategies safely and sustaining operational efficiencies. Our solid financial performance in 2021 is a testament to our concerted efforts, as we recorded a significant increase in Gross Written Premiums as compared to 2020, even though profits were under pressure.

2021 Highlights and Achievements

- There was the launch of digital stickers for vehicles and enhanced cyber security internally.
- There was improvement in customer turnaround through the online delivery of policies and communication around claims.
- Reviewed renewal processes by monitoring expiry period and sending reminder messages.
- Management put in place strategies to retain and attract business. These included discounts where possible as well as profit commissions, resulting in an increase in renewal rate and policy count, respectively.

Covid-19 impact and business continuity

- Since the start of the Covid-19 pandemic, our first priority has been the health & safety of our employees and clients. This included testing all frontline workers, limiting the number of employees at the office to only 30% and enabling the teams to continue working from home, and providing transport for employees working in shifts during the Covid-19 travel restrictions.
- Prioritising critical business activities that needed to continue in whatever situation, such as motor insurance, and implementing measures to serve clients remotely by issuing digital stickers.

East Africa

Tanzania

Description

9 Branches

55 Agents

2 Sales points
(Extension desks)

85 Employees

5%
Market Share

6th
Rank out of 22 insurers

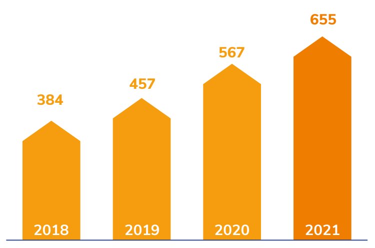
Market Analysis

Although the major economic indicators in 2021 highlight the recovery of the economy, most activities are yet to return to their pre-pandemic levels. For instance, credit's growth rate in the private sector rose in 2021 but remained well below 2020's level and less than half of the level of 2019. Imports of non-fuel goods and exports of products & services both expanded in 2021 but remained below half of their pre-pandemic levels. Additionally, telecommunications activity, mobility, cement production and tourist arrivals, show progression but have not yet matched 2019 levels.

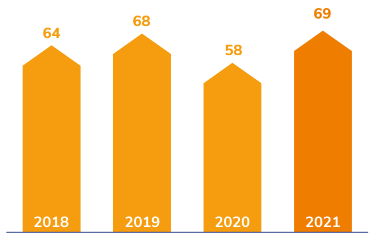
Assuming pandemic conditions and the external environment improve, economic growth of Tanzania is expected to strengthen. Around 4.5 – 5.5% is the projected real GDP growth rate in 2022, averaging 6% over the medium-term as domestic demand and exports recover. After decreasing in 2020 and rebounding in 2021, GDP per capita will continue to expand in 2022.

Performance Review

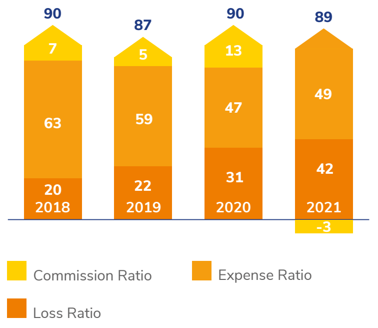
Gross Written Premium (Rs m)



Profit After Tax (Rs m)



Combined Ratio (%)



Note: Incentive fee ratio for Tanzania = 0.3%.

Key focus and outcomes

Despite ongoing pressure on the local economy, Gross Written Premiums continued their positive progression, with a 15% growth from 2020. A 20% increase in Profit After Tax in 2021 surpassed 2019 levels. There was a concerted focus on the entity's distribution network and local Information System enhancements, with the objective of providing proximity and quality service to clients.

2021 Highlights and Achievements

- Building up of international partnerships with the Globus network and Unisure, a group providing global solutions for health and life insurance needs.
- Smart Policy integration: MUA integrated with the local regulator's information system.
- Implementation of enhanced cyber security internally.
- Revamping of our business development strategy and operations.
- Launch of Utulivu, a roadside assistance value added service of ours, with the support of the Tanzania Insurance Regulatory Authority (TIRA).
- CSR sponsorships included the National Road Safety Week, which was done in the Arusha region and included a donation of 40 reflector vests and 20 “stop and go” signs for the campaign. We also sponsored the University of Dar Salaam Actuarial Exhibition in June 2021.

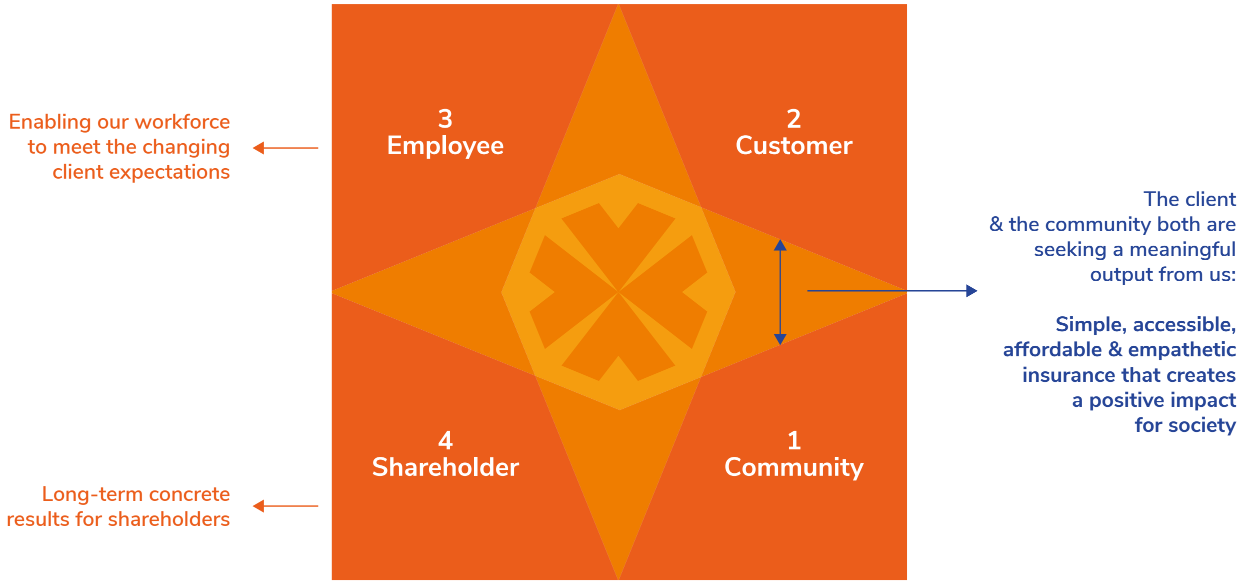
Our Value Creation & Value Sharing Business Model

Our Vision

Creating value for all stakeholders.

Our Purpose

Ensuring peace of mind for our clients by providing the best financial protection and solutions, through innovative products & services in our chosen markets.



At the heart of our vision & mission, is the notion of SHARED VALUE - an approach that pushes us every day to contribute meaningfully and significantly to creating value for ALL:

- The communities we operate in;
- Our clients who rely on us for their financial protection;
- Our employees who form part of our family; and
- Our shareholders who look for long-term success.

We strongly believe our success and profitability work in tandem with the advancement of society. As society progresses and grows, so too will our growth opportunities.

PERFORMANCE & STRATEGY

Community

We are focused on bringing tangible and intangible value to our communities by delivering a clear, well-articulated value proposition which meets their needs. By providing insurance that adequately protects them from the risks and perils of life, we contribute to a continuously thriving society.

Customer

We are strongly committed to delivering service excellence. We strongly believe a customer who has been well-advised about the insurance product during the purchase stage and who has been well-assisted during the claim process, is a customer we gain for life. We want to be positioned as the lifelong insurance partner who looks after their needs diligently.

Employee

Our people are our strongest asset. Our motto is to go beyond simply attracting, developing and retaining a diverse, qualified and motivated workforce. Instead, we want to create a great place to work, where our employees feel a strong sense of belonging to the MUA family, are empowered, recognised and encouraged to achieve their full potential.

Shareholder

Backed by our strong business model and prudent risk management approach, we have consistently delivered sustainable growth and superior returns, in the form of share price appreciation and dividends to our shareholders over the years.

PERFORMANCE & STRATEGY

Our Value Creation Process

Inputs

Financial Capital

- Total equity: Rs 4.8bn
- Total reserves: Rs 2.7bn
- Solvency ratio: 218%
- Retained earnings: Rs 2.5bn

For more information, please consult our Financial Statements on page 144 to page 257.

Organisational/Intellectual Capital

- Market leader in Mauritius, with 73 years' experience and a strong presence in East Africa
- Retail, non-captive player, with a strong network of brokers, accredited agents, banks and strategic partners
- Part of the well-respected Globus network: Mauritius, Tanzania, Kenya and Uganda
- Implementation of digital solutions for our clients: Client Portal, Drive by MUA and MUA Select Garages in Mauritius
- Proximity to our clients through a strong and diversified distribution network
- Backed by an A rated panel of reinsurers

Human Capital

- 790 employees across 6 countries
- Total of 4,038 training hours across the group (approx. 5.1 hours per employee)
- Over 82% (654) employees attended training sessions across the Group
- 19 employees sponsored for professional qualifications across the Group
- Organisation of numerous employee welfare activities, with a total spend of Rs 2.4m
- Employees dedicated 1 day to participate in CSR activities

Manufactured Capital

- 9 strategically located branches and 1 head office in Mauritius
- 22 outlets in East Africa
- Around 25 core IT systems
- Pioneer in digital insurance offerings in Mauritius

Social & Relationship Capital

- 2021-2023 strategic plan: prevention, protection and socially responsible investment
- CSR: total contribution of Rs 6,154,406 towards societal causes in Mauritius

For more information, please consult our Sustainability Report on page 58 to page 87.

Value Creation/Pillars

Protection

Prevention

MUA

Sustainability

Vision, Mission, Purpose
About MUA.
page 10 to page 21

Risks and Opportunities
Risk Management Report.
page 124 to page 143

Strategic Framework
Performance & Strategy.
page 22 to page 57

Governance
Corporate Governance Report.
page 88 to page 123

Outputs

Financial Capital

- Group Gross Premiums Earned: +28% to Rs 6,680m
- Profits after tax: +14% to Rs 415m
- Life fund: Rs 8.9bn
- Investment income: +163% to Rs 102m

For more information, please consult our Financial Statements on page 144 to page 257.

Organisational/Intellectual Capital

- Only insurer in Mauritius having established a strong presence in Africa
- 6% increase in client satisfaction score: from 71% in Oct-20 to 79% in Oct-21
- Increased motor claims efficiency
- Increased reach across various platforms

Human Capital

- Employees protected during sanitary crises and able to work remotely
- 40% of our Mauritian employees have worked for over 10 years at MUA
- Employee turnover of less than 12%, which is lower than the industry's benchmark
- Strong levels of employee engagement in CSR and community building activities

Manufactured Capital

- Market share: 22.6% for Mauritius, 2.3% for Kenya, 4% for Uganda, 5% for Tanzania and 11% for Rwanda
- Growth in terms of sales: 4% for General Insurance in Mauritius, 19% for Life Insurance in Mauritius and 45% for General Insurance in East Africa
- Growth in onboarding of new clients: 27%
- Increase in number of active policies: 28%

Social & Relationship Capital

Socially Responsible Investment policy across the Group

- **Mauritius**
  - Prevention campaigns: Don't Drink & Drive and Home Check
  - Free 2-month car insurance offered to medical and paramedical staff
  - MUA Foundation: collaboration with numerous NGOs to assist those affected by the Covid-19 pandemic and help reduce impact of the Wakashio oil spill
  - Learner's Challenge campaign in 2020 was awarded 2 prestigious awards at the 2021's SABRE Awards Africa: Best Digital Campaign and Certificate of Excellence in CSR category
- **East Africa**
  - Various road safety campaigns in Kenya, Uganda and Tanzania
  - Enrolling Kireka school of people with disability as CSR project in Uganda
  - Sponsorship of the Actuarial institute for the University of Dar Salaam in Tanzania

For more information, please consult our Sustainability Report on page 58 to page 87.

Stakeholder Groups Who Benefit

Communities
Delivering a clear, well-articulated value proposition that meets their needs.

Clients
Delivering excellent service.

Employees
Creating a great place to work, for employees to feel a strong sense of belonging and be empowered, recognised, and encouraged to reach their full potential.

Shareholders
Delivering sustainable growth and superior returns.

Regulators
Implementing ethical and compliant business practices.

PERFORMANCE & STRATEGY

Needs & Expectations of our Shareholders

In line with our "Shared Value" model*, we have set ourselves some long-term goals to guide our value creation for our key stakeholders. We firmly believe a content ecosystem is vital for MUA to thrive in and we are committed to adequately deliver on the needs and expectations of our stakeholders.

* Learn more on pages 52 to 53

Stakeholders		The Needs & Expectations Of Our Stakeholders	Our Long-Term Goals
Employees	• 790 employees • 489 based in Mauritius and 301 in East Africa • 59% female, 41% male across the Group • 8% with more than 20 years of service in Mauritius • 22% aged less than 30 in Mauritius • 5,184 training hours in total across the Group • 19 employees sponsored for professional qualifications across the Group	**MUA Employees should do Meaningful Work** • We serve a critical purpose and have a noble profession as insurers: we provide protection when people need it the most. • Shift from high volume repetitive tasks to higher value work through automation. **MUA Employees should have Growth Opportunities through:** • Talent management. • Learning, development and sponsorship. • Leadership programmes for individual and team effectiveness. • Career opportunities across the group. • Competitive salary. **MUA Employees should feel a Sense of Belonging to the group** • We are One MUA: Leveraging on our diversity to boost innovation, productivity and progress and celebrating together like one MUA Family. **MUA Employees should work in a Productive Environment** • Adequate work-life balance (Work From Home and Flexitime). • Cross-functional collaboration. **Active participation in CSR activities:** • One free working day to participate in CSR activities, for all employees.	To have a knowledgeable and dynamic workforce growing in tandem with the company To give employees the opportunity to become owners of the company through the Employee Share Scheme
Clients	• All individuals in Mauritius, Seychelles, Kenya, Uganda, Tanzania and Rwanda, for a wide range of insurance & investment products. • Corporates, small & medium enterprises and public institutions, for their insurance and corporate pension needs.	• Compliance with all legal and regulatory requirements. • Active participation to the Insurers' Association of Mauritius and other. regulatory or governmental working groups. • Acts as a thought leader on insurance matters.	To become the preferred insurance partner on the market, positioning MUA as a sustainable insurer
Shareholders	• 2,168 ordinary shareholders • Rs 7.71 earnings per share, v/s Rs 7.24 in 2020 • Net assets per share of Rs 75.50 v/s Rs 70.66 in 2020	• Fast and clear claim settlement process. • Unambiguous terms communicated in layman language. • Simple, accessible, affordable and empathetic insurance that creates. a positive impact for society. • Excellent customer service. • Trusted insurance partner who they can count on.	To increase profits in a sustainable manner and create significant shareholder value
Regulators	**Mauritius:** • Financial Services Commission **Kenya:** • Insurance Regulatory Authority **Tanzania:** • Tanzania Insurance Regulatory Authority **Uganda:** • The Insurance Regulatory Authority of Uganda **Rwanda:** • National Bank of Rwanda	• Share price appreciation. • Attractive and sustainable dividend payout. • Growth in net asset value and good return on equity. • Sustainable high growth strategy. • Strong solvency and sound balance sheet. • Experienced management and sound governance. • Transparent and regular reporting.	To prudently manage our risks while being fully compliant with the local regulatory frameworks
Communities	Local communities of the countries in which we operate, including any societal and environmental concerns.	• Access to insurance and micro-insurance products that protect. individuals and their families against specific risks. • MUA to recruit and train local workforce. • An insurance company that uses its knowledge and expertise to encourage risk prevention. • Significant and long-lasting contributions to societal causes.	To link our CSR projects to our core duty and to our business performance To promote self-reliance & self-sufficiency in our CSR Projects To dedicate one day per year for all MUA Employees to MUA Foundation CSR Activities

OUR PLANET EARTH MATTERS.
WE FEEL RESPONSIBLE
FOR OUR SHARED HOME.

Sustainability

Investing In Our Employees

2021 Key Highlights

Business continuity during Covid-19

There have been very limited disruptions to our business operations, as work from home guidelines were in place since 2020. Our **askHR** platform was already functioning and we managed to handle all queries in a timely manner.

After the second lockdown in 2021, the back to work protocol was implemented smoothly. We started with 25% of employees onsite at the beginning of the year and attendance was gradually increased to 50%. A staggered attendance system was also put in place, minimising the number of employees in our offices.

With the Covid-19 situation, our crisis committee ensured best practices were adopted to protect employees from contracting Covid-19 at the workplace, preventing transmission as much as possible. Additionally, to ensure the safety of all, a vaccination drive was implemented and transport provided to employees so they could get to the vaccination centres. By the end of 2021, 88% of MUA employees had received their first dose of vaccine, 66% their second dose and 17% their booster dose.

Business continuity following fire at Caudan Barkly Wharf

Following the fire at MUA's offices in Barkly Wharf at the Caudan Waterfront, it was important to ensure the continuity of our operations by providing our employees with alternative work arrangements. Employees were relocated to the MUA Head Office, our BCP site in Rose Hill and Dias Pier at Caudan, while others continued to work from home.

Employee welfare activities

September is usually our team building month, but this year, given the Covid-19 restrictions, an "MUA Month" event was organised, featuring a variety of activities. These were categorised into 3 sections:

ECO MUA	FUN MUA	ONE MUA
• MUA as a sustainable insurer. • Collect of clothes which were distributed to MIDAS association, to encourage the recycling, reduction and reuse of clothes. East African entities also participated in the collect and disribution of clothes. • Healthy eating workshops with a nutritionist. • Training from We-Recyle association.	• A team building was organised in batches of 40 employees at Domaine de la Grave, where fun games were organised.	• All subsidiaries also participated in the MUA month activities. • An engagement tree was also put up at all entities, where employees could share their resolutions or wishes.

During December, a virtual team building was organised for our employees, featuring a selection of fun games and quizzes. Due to the sanitary restrictions, a gift pack was also offered to all MUA employees, instead of hosting our usual end-of-year party.

A total of **Rs 2,389,546** was spent in 2021 for employee welfare activities, including the MUA Day, EOY party, virtual team building, Christmas gifts for our employees' kids, Zumba/Taichi, videos and gifts to our employees.

Other actions in 2021

Employee Share Scheme

To foster a sense of belonging within the group, MUA employees were given the opportunity to become MUA shareholders at a discounted price, through the Employee Share Scheme. This initiative was launched in 2021 and a total of 186,982 options were offered to employees, 50% of which were taken up.

Employee loan facility

To ensure all employees working from home were fully equipped and could work under the best possible conditions, all MUA employees were given access to an employee loan facility of Rs 50,000 - without interest and guarantee, to purchase laptops and/or ergonomic chairs.

Pink ribbon masks

In light of Pink October, the month dedicated to breast cancer awareness and prevention, MUA's Life Insurance entity and the MUA Foundation worked with Link to Life to offer all employees a "pink ribbon mask".

Marie Nancy Blaize

Branch Operations Manager

"What I have learnt at MUA is that the **strength of a team** lies in each **individual member**, and the **strength of each member** is the **team**."

Samuel Chineegadoo

Compliance Specialist

"The **work environment**, the sense of **empowerment** by my superiors and the **'family feel' culture**, have definitely helped me deploy my **creativity and skills** into my field."

Angelie Amelia Gerard

Claims Handler – Non-Motor

"Every day is a new **challenge**, and you are never bored! It is a **dynamic work environment**, with a **great team spirit**."

Ishfaaq Sunthbocus
Back office Operation Assistant

"Our strength at MUA is **unity**! When there is **teamwork** and **collaboration**, wonderful things can be achieved."

Sandy Ramsamy
Team leader - Outpatient

"I have been with the MUA family for **14 years** and my **enriching** journey has given me the **opportunity** to develop **my knowledge and experience**, and **to boost my career path**."

As an equal opportunity employer, our approach is to ensure we are fair and impartial in the employment process. The goal is to create a fair organisation that respects the individual qualities of each employee, based on their knowledge, skills, abilities and merit. Zeba is a member of our Pensions team, she relates her experience below:

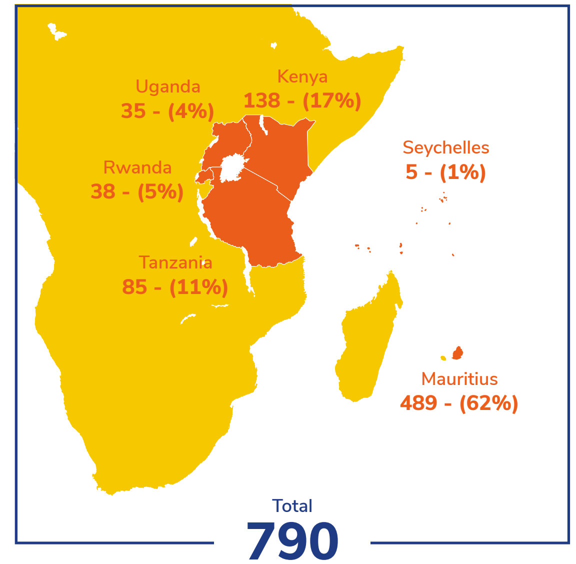
"My first day at MUA was an unforgettable one. I had mixed feelings; I felt the excitement of starting something new, meeting new people and gaining new experiences, yet I was rather nervous. However, when I arrived, I received a great welcome from the HR team, helping me feel more at ease. After the induction at the Head Office, I headed to the Caudan office with one of the HR executives, where I was introduced to my manager as well as the rest of the team. They were very friendly and kept checking on me the whole day. Given that I am deaf and do lipreading, they were also very patient and cautious when speaking to me, making sure I understood them well. After visiting the office, I was then acquainted with the mode of operation of my department.

My first month was challenging. After a week, a fire broke out at the Caudan Waterfront, where our office is located. We couldn't access the premises and had to shift to remote working. As I was still in the learning process, I was worried it would be tough to be trained virtually. Thankfully, the advanced technology made available to us made the training a lot easier. I also appreciated the efforts my colleagues made to explain the tasks clearly. The downside of working from home, though, was that I couldn't interact personally with my co-workers.

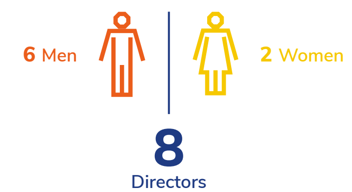
On another note, I got the chance to participate in the SIPF Annual General Meeting with my team - my first corporate event since joining MUA. I learned a lot about how this annual meeting is conducted and I met the members as well, which was a great experience. It was also an opportunity to get to know my manager and my colleagues.

All in all, I believe being part of the MUA family is definitely something to be proud of."

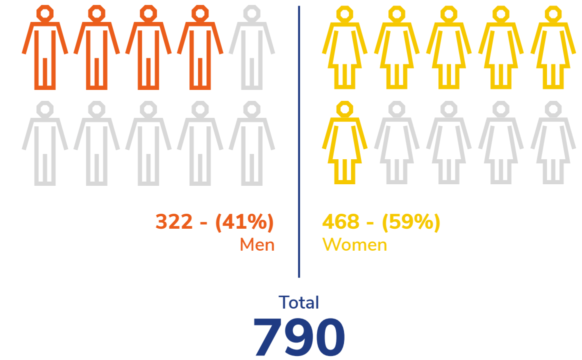
Group – Overall headcount



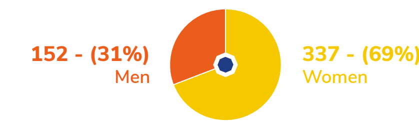
Men to Women ratio across levels



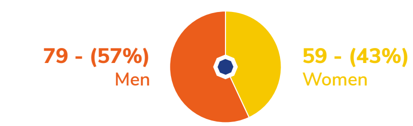
Group – Men to Women ratio



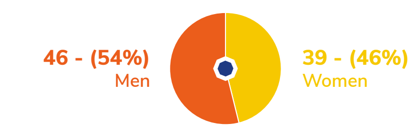
Mauritius - (Total: 489)



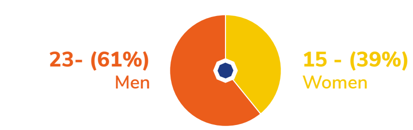
Kenya - (Total: 138)



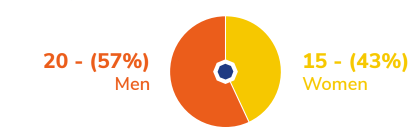
Tanzania - (Total: 85)



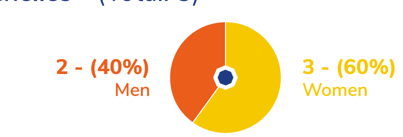
Rwanda - (Total: 38)



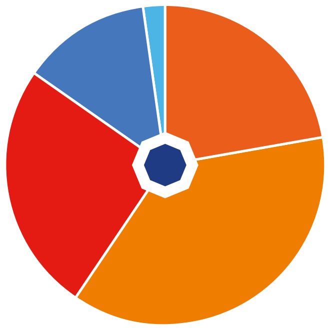
Uganda - (Total: 35)



Seychelles - (Total: 5)



Employees by age - Mauritius



- 18 - 29 years - **109 (22%)**
- 30 - 39 years: - **182 (37%)**
- 40- 49 years: - **123 (25%)**
- 50 - 59 years: - **64 (13%)**
- ≥ 60 years: - **11 (2%)**

Employees by length of service - Mauritius

- ≤ 5 years - **187 (38%)**
- 5 - 10 years - **108 (22%)**
- 11 - 20 years - **156 (32%)**
- 21 - 30 years - **29 (6%)**
- 31 - 40 years - **9 (2%)**

Group - Employee turnover

12%

Training - Mauritius

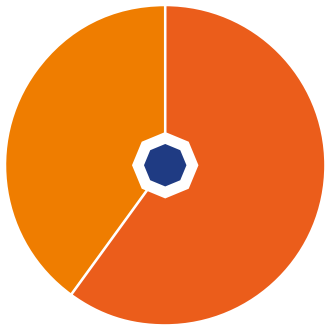
4,038
Training hours

523
Participants

Rs **6,012,267**
Budget

11
Employees sponsored for professional qualifications

Employees by age - Seychelles (Total: 5)



- 18 - 29 years - **3 (60%)**
- 30 - 39 years - **2 (40%)**

Employees by age - Kenya (Total: 138)

- 18 - 29 years - **23 (17%)**
- 30 - 39 years - **58 (42%)**
- 40- 49 years - **32 (23%)**
- 50 - 59 years - **25 (18%)**

Employees by age - Uganda (Total: 35)

- 18 - 29 years - **5 (14%)**
- 30 - 39 years - **14 (40%)**
- 40- 49 years - **12 (34%)**
- 50 - 59 years - **3 (9%)**
- ≥ 60 years - **1 (3%)**

Training

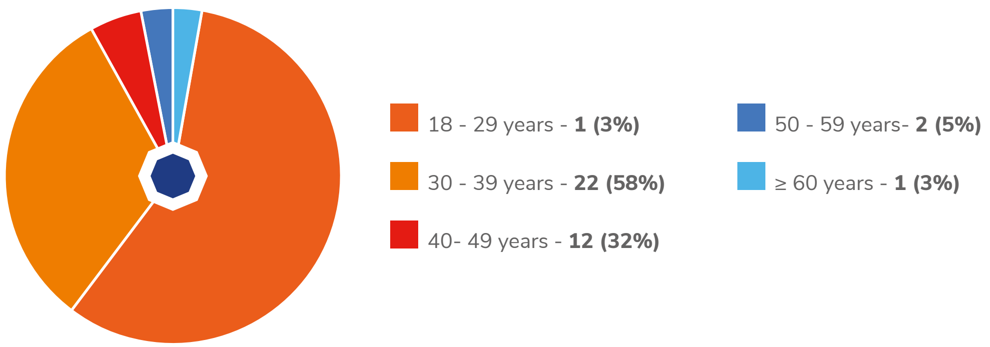
86
Training hours

36
Participants

Rs **211,940**
Budget

2
Employees sponsored for professional qualifications

Employees by age - Rwanda (Total: 38)



Training

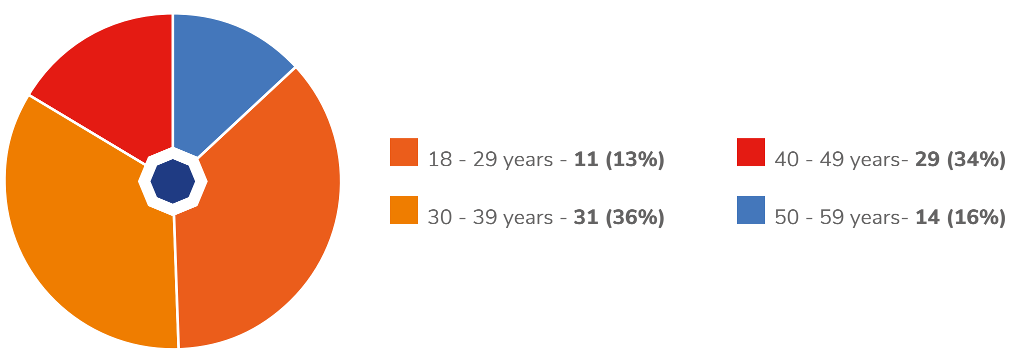
100
Training hours

10
Participants

Rs **204,096**
Budget

4
Employees sponsored for professional qualifications

Employees by age - Tanzania (Total: 85)



Training

960
Training hours

85
Participants

Rs **653,700**
Budget

2
Employees sponsored for professional qualifications

Investing In Our Clients

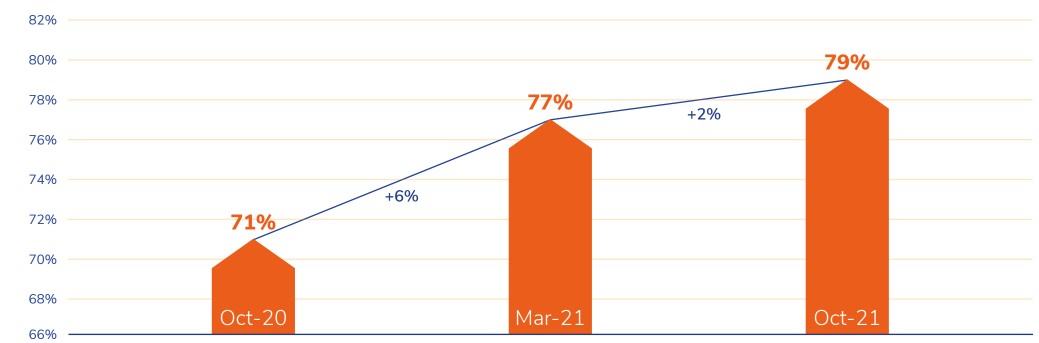
Our response to Covid-19

During the second lockdown in 2021, it was of utmost importance for MUA to remain close to its clients and care for their insurance needs. The Customer Care team acted as a facilitator between clients and the different business units, constantly ensuring clients' requests were promptly attended to, minimising the impact of teams working remotely on service levels. The team continued to perform quality checks on our telephone system and other communication channels, to ensure processes were smoother, with a view to improve overall customer experience.

Customer satisfaction assessment

Regular customer satisfaction surveys and mystery shopping exercises have been conducted once again in 2021, with the aim of gaining in-depth knowledge of our strengths and weaknesses in terms of customer service.

The results of the three exercises carried out in October 2020, March 2021 and October 2021, read as follows and show a significant improvement of MUA's global CSAT Score:



Following wave 1 of the customer satisfaction survey in October 2020, it was important to identify internal areas of improvement that would help in delivering excellent customer service to MUA clients - both existing and prospective. To this end, we conducted an internal online survey amongst employees who have direct and indirect contact with clients. A total of 110 employees participated, sharing their daily challenges and suggesting improvements to continue delivering excellent customer service.

Continuity of business after the fire outbreak at Caudan Barkly Wharf

The importance of having a proper plan to ensure business continuity in case of serious disruption was unfortunately highlighted following the fire outbreak at the Caudan Waterfront in November 2021. Fortunately, MUA's Contact Centre operations were not disrupted as the whole team was already fully equipped to work remotely. The digitalisation of physical records also helped the team remain fully functional. The Contact Centre absorbed calls received by other business units operating from the Caudan at the time, including the Health Claims team and MUA's Life insurance operations. As these teams prepared to work remotely, we worked to assist and reassure clients, ensuring their requests were being promptly handled.

Client Portal

In line with MUA's 2021-2023 Strategic Plan, we have invested time and energy in our Client Portal, ensuring clients can manage their general insurance policies securely, 24/7.

The portal's functionalities are being constantly tested and optimised. To encourage our clients to use the platform, a monthly lucky draw was conducted to reward those who registered, submitted a claim, or renewed their insurance, with winners receiving exciting hotel vouchers. Clients who renewed their car insurance online via the Client Portal also benefitted from a discount on their premium.

Since the portal's launch in late 2019, clients have embraced the possibility of managing their insurance online. The number of claims submitted, policies renewed and payments made via the Client Portal, doubled in 2021 compared to the previous year.

Birthday SMS and calls

Since June 2020, MUA implemented a Birthday Wishes campaign for its clients via SMS and phone calls. In 2021, a total of 24,178 SMS were sent and 4,994 phone calls made to clients on their birthday.

Prevention

DietSensor

In line with our 2021-2023 Strategic Plan and our desire to be a responsible insurer putting our clients at the very heart of our initiatives, MUA partnered with the popular DietSensor mobile application. This innovative nutritional tracking tool was created to help users make healthier eating choices, control their weight and reduce chronic diseases' risks.

All MUA clients are eligible to benefit from free, lifetime access to the premium version of DietSensor. Thanks to DietSensor, clients can access Mauritian menus, enjoy meal suggestions and recipes, obtain personalised meal plans, and experience the combination of balance and the pleasure of eating.

MUA's Instagram page, officially launched with the DietSensor campaign, has gained over 700 followers, with a reach of more than 69,000.

Protection

MUA Select Garages

MUA Select Garages is a value-added client service that aims to make the motor claims and vehicle repair process in Mauritius more efficient. MUA has identified a network of 11 specially vetted garages who are able to offer professional and timely repairs.

Client benefits include a stress-free claims experience without the hassle of getting quotations for the repairs, pick-up and drop-off services, unlimited replacement vehicles, regular communication on the progress of repairs, and up to zero excess if they choose the service.

14%
Number of claims where repair was through MUA Select Garages

31%
Average cost reduction in repairs with MUA Select Garages

Digital payments

To further facilitate online payments, MUA clients now have access to MyT Billpay to settle their bills quickly and efficiently. This is in addition to existing digital payment solutions such as Juice by MCB and our Client Portal.

Investing In Our Environment

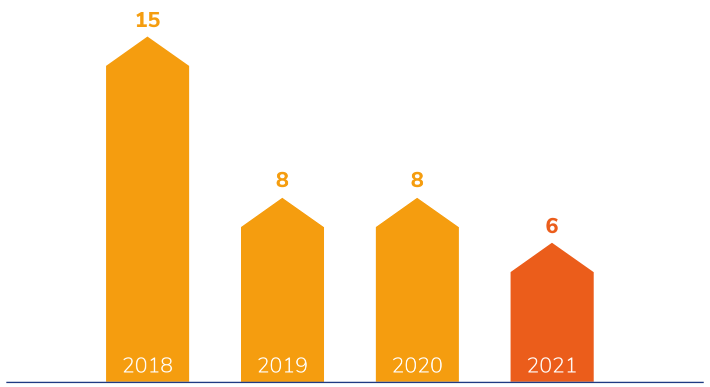
2021 key initiatives

- Reuse old and redundant envelopes for internal despatching
- Refill hand sanitiser bottles instead of throwing away empty containers
- Return empty hand sanitiser gallons to suppliers
- Testing of biodegradable toilet paper

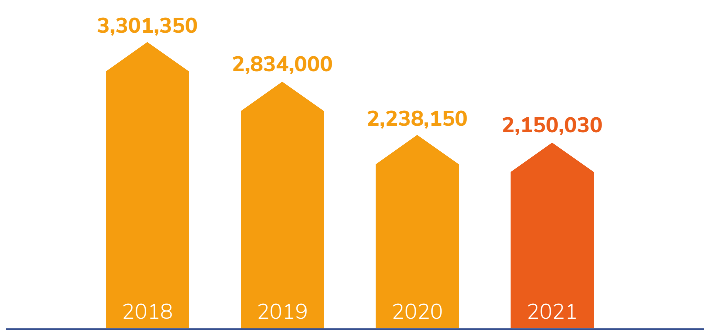
Sustainability

Paper consumption

Types of paper
(most commonly used across the Group)



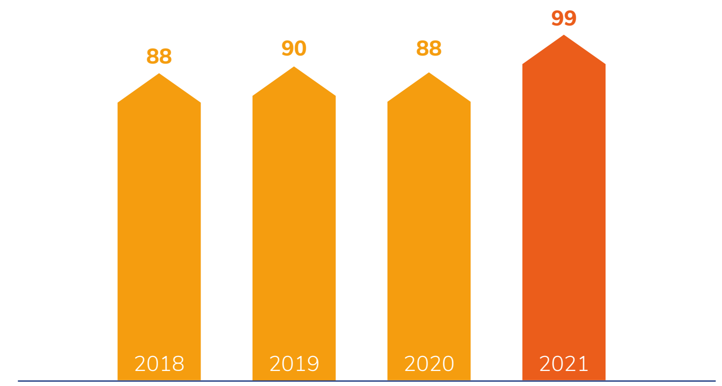
No. of sheets



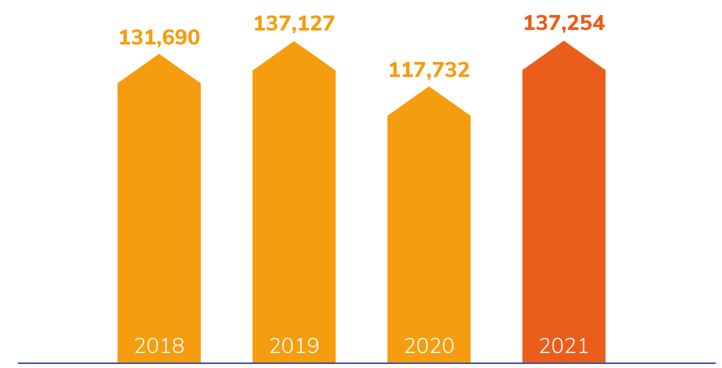
Sustainability

Fuel consumption

No. of vehicles



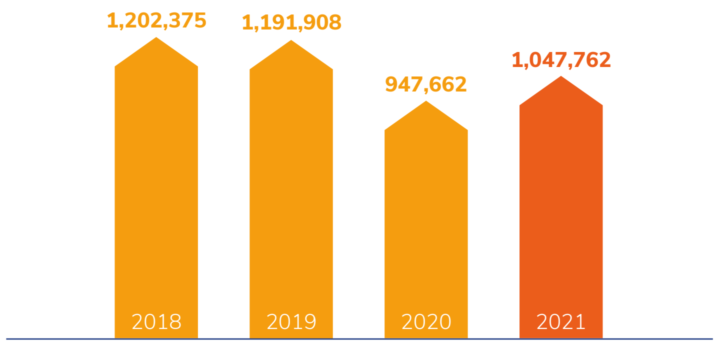
No. of litres



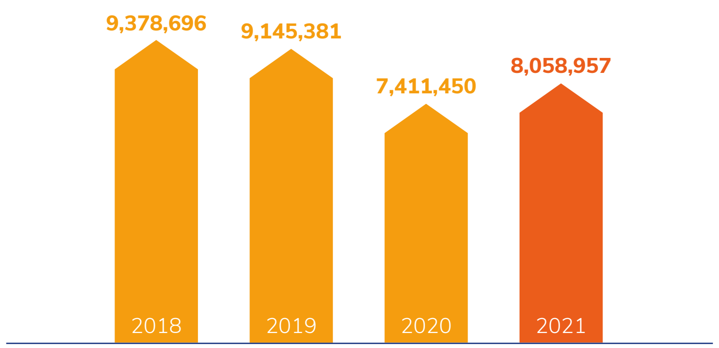
Sustainability

Electricity consumption

No. of KWh



Total cost (Rs)



SUSTAINABILITY

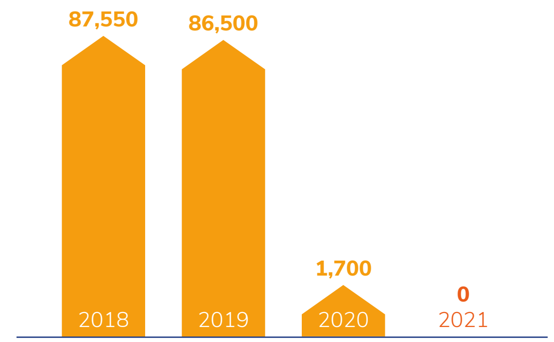
Sustainability

Plastic consumption

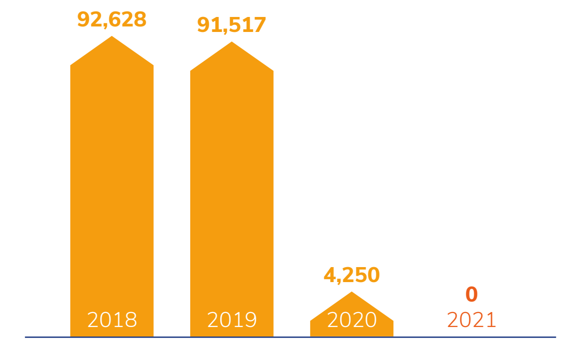
We stopped using plastic cups and spoons at all our offices and branches.

Plastic cups

Units

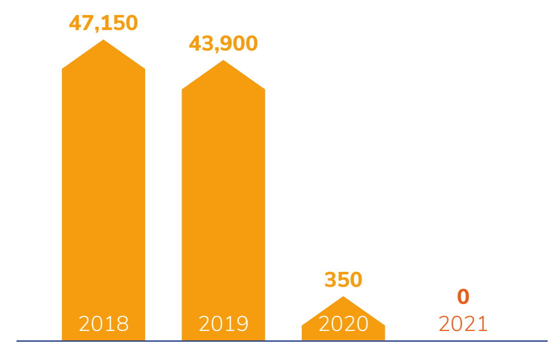


Total amount (Rs)

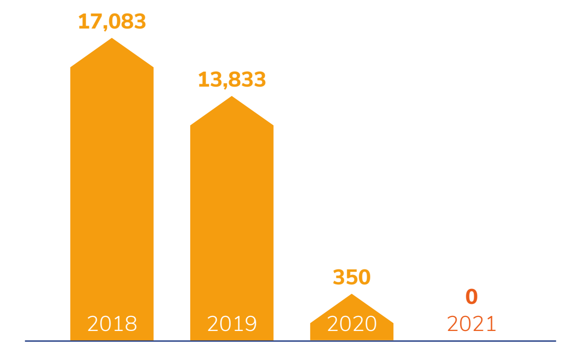


Plastic spoons

Units



Total amount (Rs)



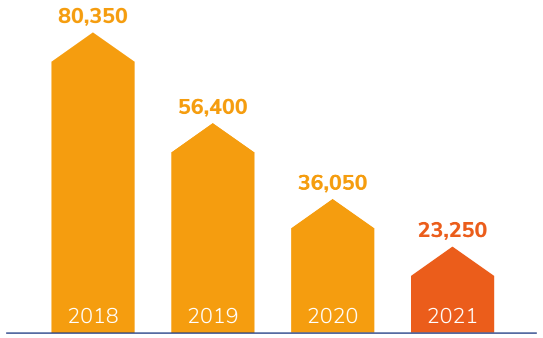
Sustainability

Plastic consumption (continued)

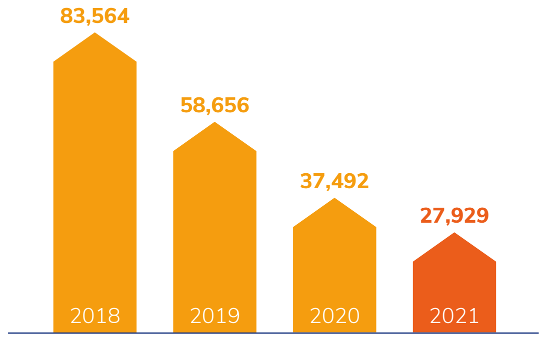
Over the course of 2019, 2020 and 2021, we replaced plastic cups by paper cups and ceramic mugs, at all our offices and branches.

Paper cups

Units

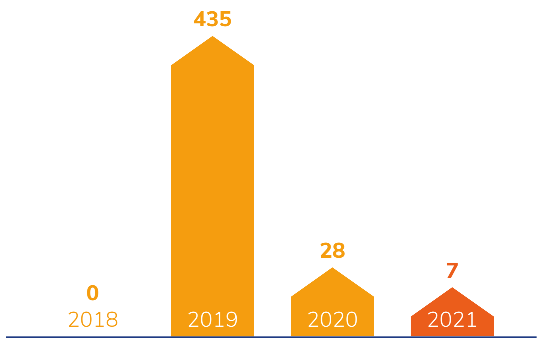


Total amount (Rs)

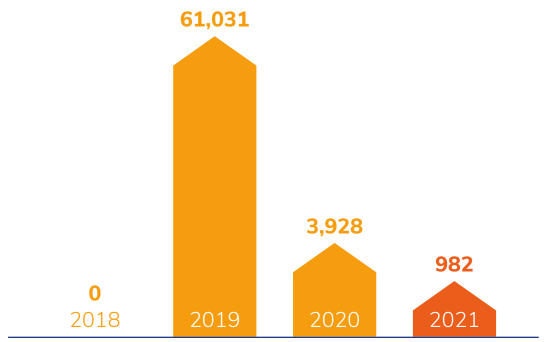


White ceramic mugs

Units



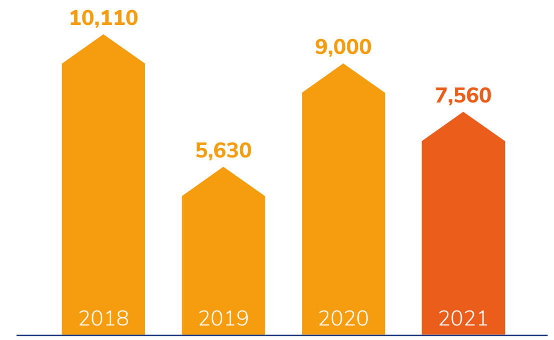
Total amount (Rs)



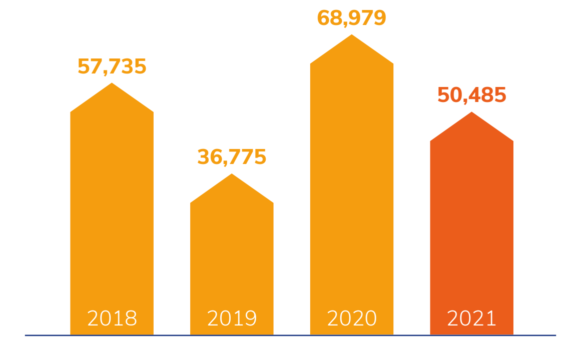
Sustainability

Consumption of plastic bags

Units



Total amount (Rs)



SUSTAINABILITY

Investing In Our Community

2021 key initiatives

Prevention

Drive by MUA

As part of our on-going road safety initiatives, MUA launched DRIVE by MUA, a telematics mobile application accessible free of charge by all Mauritian drivers. By monitoring driving behaviour, detecting smartphone use while driving and analysing environmental impact, DRIVE by MUA promotes safer roads, raises awareness on driving skills and highlights corrective measures.

Using various indicators, drivers can view every detail of their trip and try to improve their driving score thanks to personalised advice. With this innovative solution, MUA continues its commitment to contribute, through preventive and educational actions, to the reduction of the number of accidents on our roads.

To encourage usage of the app, MUA also supported its launch campaign with a rewards programme and has partnered with several companies to offer prizes to early adopters and good drivers.

Following the launch of a 360-degree communication campaign, over 4,000 Mauritians have downloaded DRIVE by MUA. Additionally, the DRIVE by MUA launch video generated the highest engagement rate (4,018) amongst all MUA videos launched in 2021 on Facebook, with over 26,000 views.

Moreover, following the success of the Learner's Challenge series in 2020, which reached over 100,000 young and experienced drivers, MUA maintained its commitment to promote better driving skills. Using a similar concept, a web series of 4 videos was produced in collaboration with a driving instructor, who tested the skills and driving habits of seasoned drivers using the DRIVE by MUA application.

One of MUA's biggest prevention campaigns in 2020 was Learners' Challenge. It was a precursor to DRIVE by MUA and our other road safety initiatives undertaken in 2021. We are very proud that this campaign was awarded two prestigious recognitions at the 2021 SABRE Awards Africa, Best Digital Campaign and a Certificate of Excellence in the Corporate Social Responsibility Category.

Prevention

Home Check

Another web series was released in 2021, teaching Mauritians how to identity common risks at home and how they can be avoided.

Under the guidance of a home maintenance coach, the Home Check social media campaign was extremely popular. The video series generated the highest number of Thruplays[1] (386,778) amongst all MUA videos in 2021.

Additionally, a peak in the number of Facebook fans was observed in 2021, when the Home Check campaign was launched. To further engage the audience, quizzes were posted in the form of True/False questions relative to home check videos, with winners being rewarded with MUA goodies. The campaign was in line with our "Prevention" strategic pillar.

[1] Number of views exceeding 15 seconds.

Protection

Expect the unexpected

During the lockdown, MUA produced a series of videos showing funny incidents that can happen at home, sensitising the public on the importance of subscribing to an insurance product. The videos were in Creole and garnered significant engagement from the public on social media.

Prevention

2 Minutes pour demain

As a responsible and sustainable insurer focusing on prevention, MUA partnered with "2 minutes pour demain" to sensitise the public on pertinent subjects that touch the lives of ordinary people, giving them an opportunity to share their stories. The focus was on environmental, safety and social subjects, including road safety, diabetes, pollution and fire safety. Several experts also contributed to the series, sharing their insight on health & safety issues and preventive steps to avoid accidents and critical illnesses.

Sustainability

For 2021, MUA Foundation has maintained its commitment to the following 4 key themes, earmarked these past few years as key impact areas closely correlated to our role as a sustainable insurer:

1. Climate change and sustainable development;
2. The education and welfare of vulnerable children;
3. The protection and health of vulnerable groups;
4. Poverty alleviation and community building.

With **climate change reaching critical levels,** we have dedicated over 37% of our CSR contributions - representing a total Rs 1,162,200 - to impactful and effective projects such as the awareness campaigns led by Mission Verte, The Mauritian Fody Conservation Project by the Mauritius Wildlife Foundation at Ile aux Aigrettes, and the funding of a solar power system for an innovative aquaponics project by Kolektif Rivier Nwar, amongst others.

We are acutely aware that these projects represent a drop in the ocean. As the effects of climate change start to become more acutely felt, be it through rising temperatures or natural catastrophes, there will be a pressing need to act more forcefully and with more urgency in the years ahead. This is something that will be strongly reflected in the Foundations 2022 action plan.

Our children are our nation's future and tomorrow's citizens. Contributing to their development and welfare is a cause we have been holding close to our heart since the creation of our Foundation in 2010. In 2021, we have allocated Rs 779,982 to cover the costs of a teacher's yearly salary for Association d'Alphabétisation de Fatima Support, the renovation of a family house for SOS Children's Village in Beau-Bassin, the provision of fresh fruits & vegetables to the children of Étoile du Berger on a weekly basis, and online financial literacy courses provided by JA Mascareignes to students, helping them manage their money efficiently.

We strongly believe **everyone should have access to the healthcare they need,** when and where they need it. This premise also includes mental health and well-being, which unfortunately is too often neglected. For this reason, we have committed over 25% of our annual budget to projects that are linked to the health and special integration of vulnerable groups as well as health awareness campaigns.

We have supported T1diams in the purchase of insulin and other necessities and are currently working with Link to Life on a prostate and breast cancer screening campaign, as well as Friends in Hope on a series of mental health awareness initiatives.

We have also focused a lot of our funding on vulnerable groups who are often not **only marginalised by society, but who also struggle to find their way back into it.** With this in mind, we have funded an employability training and capacity building programme, provided by ENL Foundation and supported by I61 Foundation, to a group of homeless persons that are being looked after by APPEL. We have also funded the rental costs for a reintegration hub for Not A Number, a partner NGO offering reintegration services to detainees within Mauritian prisons. Through these initiatives, we hope we can help, as far as we can, pave the way to a more inclusive society.

Locally, these last few years have been marked by the **ongoing and combined social and economic effects of the pandemic and of the Wakashio Oil Spill.** We have carried on our partnership with FoodWise for the distribution of food packs during the 2021 lockdown and have sponsored the creation of a website for Beautiful Local Hands, to showcase the handcrafted products of around 50 of their artisans who have been severely affected by recent events.

Rs **3,128,422**
Direct charitable contributions from MUA Foundation

Rs **3,023,484**
Disbursed to MRA to support National Social Inclusion Foundation

Rs **6,154,406**
Total contribution to societal causes in 2021

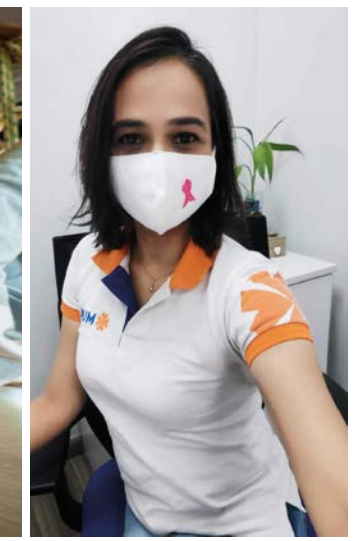
Projects	Funding (Rs)	Allocation (%)
Education, welfare & development of vulnerable children	**779,982**	**25%**
JA Mascareignes: Funding a Financial Literacy Course on Managing your Money, to students	200,000	6.4%
Association d'Alphabétisation de Fatima: Financial support towards the yearly salary of a teacher	200,000	6.4%
Étoile du Berger: Art therapy project by employees	3,982	0.1%
SOS Children's Village: Renovation & refurbishment of one family house	250,000	8.0%
Étoile du Berger: Training by a nutritionist & monthly delivery of fresh fruits & vegetables	86,000	2.7%
Donation to Le Centre de Solidarité pour une Nouvelle Vie	10,000	0.3%
Donation to Planète Enfants Vulnerables	10,000	0.3%
Donation to Mo Pense toi	10,000	0.3%
Donation to Enn rev ennn sourir	10,000	0.3%
Poverty alleviation, community development & capacity building	**357,015**	**11%**
Foodwise: Distribution of food packs via Small Steps Matters	100,000	3.2%
Creation of a website for the promotion of handcrafted products by the artisans of Beautiful Local Hands	170,476	5.4%
Hope House NGO: Covering their insurance needs for the year	23,237	0.7%
AfrAsia Foundation: Waiver for insurance premiums	13,302	0.4%
I61 Foundation: Admin Support	40,000	1.3%
Donation to Caritas	10,000	0.3%
Protection, health & special integration of vulnerable groups	**729,225**	**23%**
Ti Diams: Health care support for patients suffering from diabetes	100,000	3.2%
Road Safety First Aid Training project in partnership with Fellowship First Aiders & St-John	137,500	4.4%
Link to Life: Breast/prostate cancer awareness and screening campaign	115,000	3.7%
Funding of an Employability Training Project provided by ENL Foundation, in collaboration with I61 Foundation for the residents of APPEL	200,975	6.4%
Association de Malte: Sponsoring for their ambulance	50,000	1.6%
Donation to the Physical Handicapped Welfare Association	10,000	0.3%
Donation to Fellowship First Aiders	10,000	0.3%
Donation to the Global Rainbow Foundation	10,000	0.3%
Donation to Friends of the Poor	10,000	0.3%
Not A Number: Funding for the rental of their premises for the Rehabilitation Programme for Prisoners	85,750	2.7%
Sustainable Development / Environment	**1,162,200**	**37%**
Kolektif Rivier Nwar/I61 Foundation: Funding for the solar powered system for their aquaponics project	212,000	6.8%
Mission Verte: Funding for the Pa zet plastic dan la mer campaign	210,000	6.7%
Mauritius Wildlife Foundation: Funding for the Mauritian Fody Conservation Project	730,200	23.3%
Donation to PAWS	10,000	0.3%
Advocacy, awareness and prevention campaigns	**100,000**	**3%**
Friends in Hope: Promoting mental health care and creating public awareness	100,000	3%

Gallery - MUA Day and Pink October







SUSTAINABILITY

Gallery - Agent Award Night

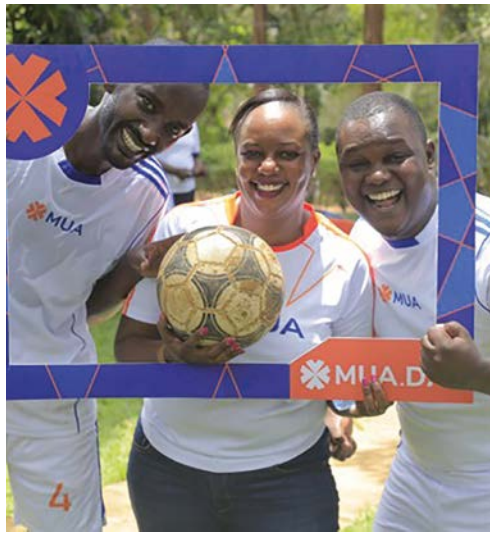
Gallery - East Africa





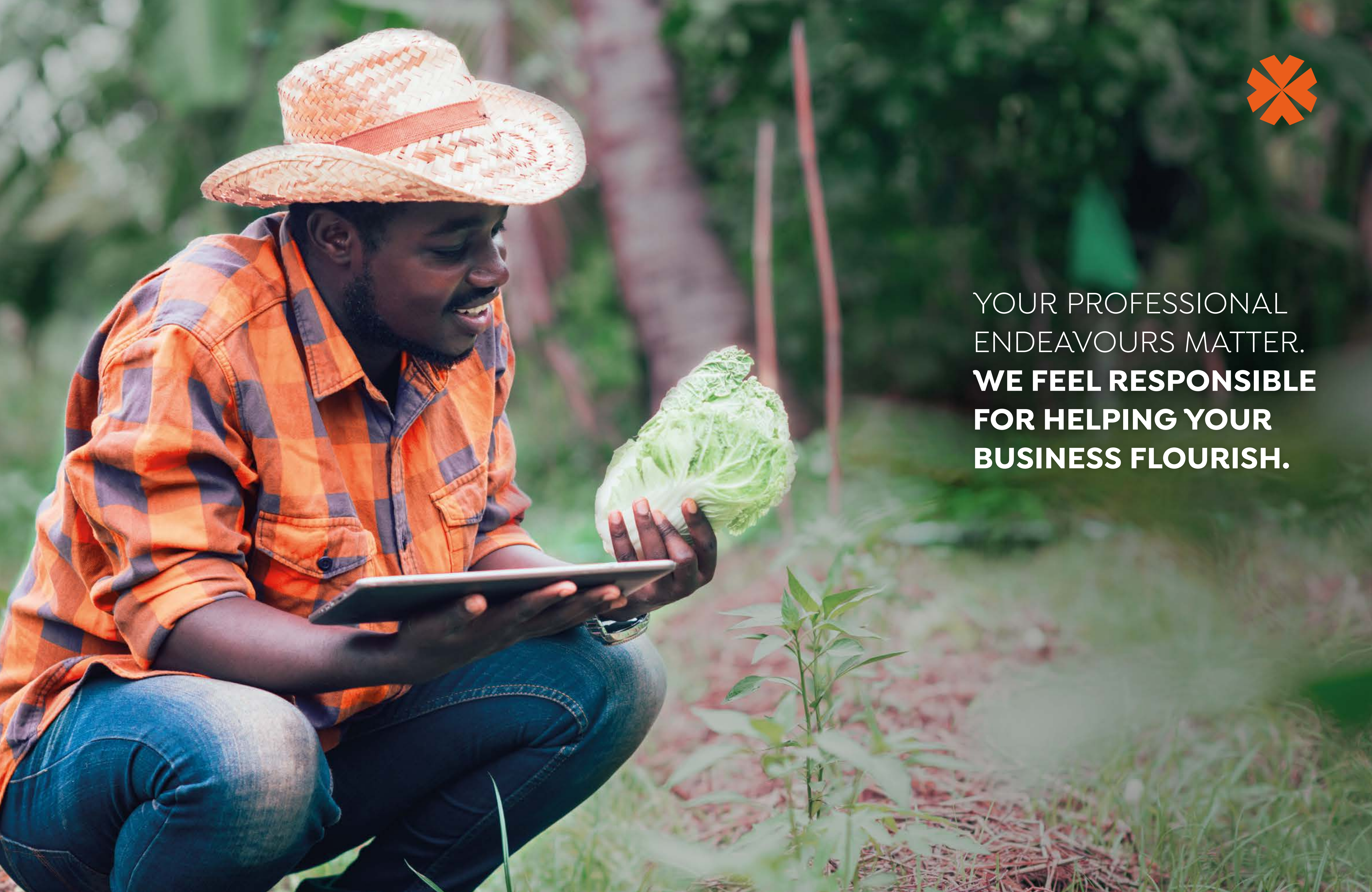




Gallery - Client Portal Lucky Draw, Sponsorship & CSR

With the collaboration of I61 and ENL Foundation


YOUR PROFESSIONAL ENDEAVOURS MATTER.
WE FEEL RESPONSIBLE FOR HELPING YOUR BUSINESS FLOURISH.

Corporate Governance Report 2021

Group Profile

MUA Ltd ('MUA' or 'the Company') is a public company listed on the Official List of the Stock Exchange of Mauritius ('SEM') since 8th January 2019 and is a Public Interest Entity as defined by the Financial Reporting Act 2004.

The Board of Directors ('Board') of MUA is committed to uphold the highest standards of integrity, accountability and transparency in the governance of MUA and its subsidiaries ('MUA Group' or 'the Group') and acknowledges its responsibility for applying and implementing the eight principles set out in the National Code of Corporate Governance (2016) ('the Code') as explained in appropriate sections of the Annual Report:

Principle 1: Governance Structure

The Role of the Board

The Board is responsible for leading effectively the Group and the Company by establishing strategies and policies to enhance the long-term value for its shareholders and other stakeholders.

The Board validates and monitors strategies, policies and business plans as well as considers all statutory matters, including the approval of financial statements, the declaration of dividends, the review of the Company's performance through budgets and forecasts and the Chief Executive Officer's report. It also ensures that all legal and regulatory requirements are met.

Charters and Code of Ethics

The Board is committed to doing business within high standards of conduct and ethical behaviour which are fundamental to the preservation of the MUA Group reputation and to the success of its operations. The Board has approved its charter, the organisation's Code of Ethics as well as a Code of Ethics for Directors.

Organisational Chart and Statement of Accountabilities

The Group operates within a defined governance framework with clear lines of authority, accountability and responsibility as illustrated in the chart below.

The Board has approved the positions statements of Key Governance positions as: The Chairman, the Group Chief Executive Officer (CEO) and the Company Secretary, as well as the Organisational Chart and statement of accountabilities.

Statement of Accountabilities

MUA is led by an effective and highly committed Board of Directors who possesses the appropriate skills, knowledge, experience and independence to enable them to discharge their duties and responsibilities in the most effective way. The Board is well aware of its responsibility to maintain a high standard of corporate governance. As outlined in the above visual, the Company operates within a well-structured and defined governance framework, with clearly articulated lines of responsibility. Where appropriate the Board can delegate that authority whilst retaining effective control. However, the Board remains fully accountable and responsible for the performance of MUA, at every level of the business.

To this end, the Board has created four Committees with direct reporting lines to the Board. A further eight Executive-level Committees operate under the CEO and the Executive Committee. All these committees operate within approved terms of reference and are mandated to provide guidance to the Board. The CEO leads the work of a number of the committees, and there are appropriate reporting mechanisms in place to escalate their recommendations to the Board.

Constitution

The Constitution of the Company complies with the provision of the Companies Act 2001 and the Listing Rules of the SEM.

The Constitution stipulates that no shareholder can hold more than five percent of the stated capital of the Company without the previous authorization of the Board of Directors.

The Constitution also stipulates that directors are not required to hold shares of the Company to qualify as Directors.

Principle 2: Structure of Board and Committees

Board size and structure

The Company's constitution states that the Board shall consist of a minimum of seven and a maximum of twelve Directors. As at 31 December 2021, the Company was headed by a unitary Board consisting of ten Directors, three of whom are Independent Non-Executives, five Non-Executives and two Executives.

The Directors come from different professional backgrounds with varied skills, expertise and strong business experience. Taking into account the sophistication of the Group's operations, the Board is satisfied that its actual size and composition is well balanced for it to assume fully its responsibilities while discharging its duties effectively. The Board Charter stipulates that composition of the Board shall include at least two Executive Directors, two Independent Directors and gender balance with at least one female Director.

Directors	Category	Date Appointed	Gender	Country of Residence	Board Attendance
Vincent Ah Chuen*	NED	2019	M	Mauritius	9/9
Alfred Bouckaert	IND	2019	M	Belgium	9/9
Bertrand Casteres – Chief Executive Officer	ED	2018	M	Mauritius	9/9
Mélanie Faugier	NED	2019	F	Mauritius	9/9
Bruno de Froberville	NED	2019	M	Mauritius	9/9
Dominique Galea* – Chairman	NED	2018	M	Mauritius	9/9
Catherine McIlraith	IND	2019	F	Mauritius	8/9
Ashraf Musbally	ED	2019	M	Tanzania	7/9
Mushtaq Oosman	NED	2019	M	Mauritius	9/9
Olivier De Grivel	IND	2019	M	Mauritius	8/9
*Brian Ah-Chuen (Alternate to Mr Vincent Ah-Chuen)		2019	M	Mauritius	N/A
*Celine Gormand (Alternate to Mr Dominique Galea)		2020	F	Mauritius	N/A

Definitions: NED: Non-Executive Director – IND: Independent Non-Executive Director – ED: Executive Director

The profile of the Directors is disclosed on pages 96 to 99 of the Annual Report.

The Board endeavours to ensure that each Director (a) can assess the broad outline of the Group's overall policy, (b) can act critically and independently from one another, and (c) takes part actively in debated issues and expresses his/her viewpoints.

The Board has approved a list of criteria to assess the independence of Directors and has entrusted to the Corporate Governance, Nomination and Remuneration Committee ('CGNRC') the monitoring of such independence on a regular basis. Moreover, upon their appointment, the Independent Directors have signed an undertaking to inform the CGNRC of any matter that arise and may affect their status of Independent Director.

The Company Secretary

The Company Secretary ensures that the Company complies with its constitution and all relevant statutory and regulatory requirements, codes of conduct and rules established by the Board. The Company Secretary provides guidance to the Board as a whole and to Directors individually as to how their responsibilities should be discharged in the best interests of the Company. The Company Secretary advises the Board on matters of ethics and good governance and is the focal point of contact within the Company for shareholders.

The Company Secretariat function has been entrusted to ECS Secretaries Ltd through a service agreement. This company is an independent provider of company secretarial services since more than two decades, and employs fully qualified secretaries from the Chartered Institute of Chartered Secretaries to fulfil its duties as Company Secretary in accordance with qualifications.

Board and Committees processes

The annual calendar of board, committees and annual shareholders' meetings are set well in advance. According to their respective charters, Board meetings are held at least four times a year and all Board committees meet at least four times a year except for the CGNRC that meets at least twice a year. Additional meetings may be convened to deliberate urgent matters. Certain decisions are taken by way of written resolutions.

The Board will review Board and Committees' charters on an annual basis upon recommendation of the CGNRC.

Board Committees

The four Board Committees, namely the Audit Committee, Risk Committee, Assets and Liabilities Committee and Corporate Governance, Nomination and Remuneration Committee, assist the directors in the discharge of their duties through a comprehensive evaluation of specific issues.

The Chairmen of the four committees are invited to report verbally to the directors during board meetings.

Each Committee is governed by a charter as approved by the Board.

(1) Audit Committee

Members	Category	Attendance at Committee meetings
Mushtaq Oosman (Chairman)	NED	5/5
Bruno de Froberville (up to 01 April 2021)	NED	1/1
Catherine McIlraith	IND	5/5
Olivier de Grivel (since 01 April 2021)	IND	2/4

All members of the Audit Committee are financially literate and the Chairman is a Fellow of the Institute of Chartered Accountants, England and Wales.

Main Terms of Reference:

- The functioning of the internal control system and internal audit;
- The risk areas of the company's operations to be covered within the remit of the internal and external audits, with the exclusion of those addressed by the Risk Committee;
- The reliability and accuracy of financial information provided to management and other users of financial statements;
- The company's compliance with regulatory requirements with regard to financial matters;
- The scope and results of the external audit, its cost-effectiveness, independence and objectivity;
- The nature and extent of non-audit services provided by external auditors. External and Internal Auditors attend meetings when required.

Main Areas of Focus during the year under review:

- Quarterly unaudited financial statements and audited annual financial statements including management reports from the external auditor;
- Debtors review;
- Internal restructuring matters;
- Impact of Covid-19 pandemic;
- Monitoring implementation plan of the new accounting standard: IFRS 17 ;
- Internal Audit reports – Company and subsidiaries (including East African subsidiaries);
- Recommendation of rate of dividend to declare.

(2) Corporate Governance, Nomination and Remuneration Committee ('CGNRC')

Members	Category	Attendance at Committee meetings
Catherine Mc Ilraith (Chairman)	IND	6/6
Vincent Ah Chuen	NED	6/6
Mélanie Faugier	NED	6/6
Dominique Galea	NED	6/6
Mushtaq Oosman	NED	6/6

Main Terms of Reference:

- To keep the Board informed of current best practices in corporate governance for their applicability to the Company;
- To update the Company's corporate governance principles and governance practices;
- To ensure that the reporting requirements with regard to corporate governance, whether in the annual report or on an ongoing basis, are in accordance with the 8 principles of the Code;
- To make recommendations to the Board on the appointment of new executive, non-executive directors and advises on the composition of the Board in general and the balance between executive and non- executive directors appointed to the Board, and on succession planning;
- The committee makes recommendations regarding the company's general policy pertaining to executive, non-executive, independent non-executive fees and senior management remuneration.

Main Areas of Focus during the year under review:

- Review of the corporate governance report;
- Review of proposed share option scheme;
- Board and Committees composition and Review criteria for Independent Directors;
- Review and recommendation on directors' fees;
- Executives' bonuses;
- Review of Group Management Structure;
- Review Succession planning for directors and members of the Executive Committee.

(3) Risk Committee

Members	Category	Attendance at Committee meetings
Alfred Bouckaert (Chairman)	IND	4/4
Olivier De Grivel	IND	3/4
Dominique Galea	NED	4/4
Mushtaq Oosman	NED	4/4

Main Terms of Reference:

- Reviewing the Group's risk appetite and future risk strategy for economic capital, liquidity and reputation and also for operational risks;
- Reviewing the Group's risk profile against risk appetite, effectiveness of risk management framework;
- Reviewing scenarios and stress tests which the Group uses to assess the adequacy of its economic and regulatory capital and liquidity;
- Managing the Group risk policies.

Main Areas of Focus during the year under review:

- Quarterly Risk reports (including Mauritian and East African subsidiaries);
- Risk Management Framework (RMF) in line with the Insurance Risk Management Rules (2016);
- Covid-19 pandemic impact;
- Reinsurance Risk;
- Capital Management;
- Disaster Recovery and Business Continuity Plan in East African subsidiaries;
- Cyber security.

(4) Assets and Liabilities Committee (ALCO)

Members:	Category	Attendance at Committee Meetings
Alfred Bouckaert (Chairman)	IND	5/5
Bertrand Casteres	ED	5/5
Olivier de Grivel	IND	5/5
Laval Foo-Kune *	Group CFO	2/5
Mehtab Aly **	Group CFO	3/5
Dominique Galea	NED	5/5
Bruno de Froberville	NED	5/5
Ashraf Musbally	ED	5/5

*Until March 2021
**As from May 2021

Main Terms of Reference:

- Devise the Group's investment strategy, including that of MUA Life Ltd;
- Define the investment philosophy and specific investment objectives of the Group consistent with this strategy;
- Define responsibilities with regard to the management of the Group investment portfolio;
- Determine appropriate levels of investment risk which the Group is prepared to accept within the broader guidelines set by the MUA Group Risk Policy and the Board;
- Determine capital allocation criteria;
- Monitor the Assets and Liabilities management;
- Determine appropriate benchmarks for the measurement of investment performance.

While the Board is ultimately responsible for ensuring that the appropriate structure and processes are in place to effectively manage capital and treasury risk, the ALCO decides on the appropriate asset allocation, on portfolio construction and asset manager selection (where applicable) in order to achieve the goals set out in the investment strategy.

Main Areas of Focus during the year under review:

- Introduction of Socially Responsible Investment Policy;
- Consistent monitoring of portfolios in light of the impact of the current pandemic;
- Increased allocation to foreign equity & fixed income asset class;
- De-risking and optimisation of African portfolios;
- Asset and Liabilities matching of Life insurance portfolio;
- Diversification across and within each asset class;
- Liquidity and capital management.

Principle 3: Director Appointment Procedures

Appointment and Re-Election of Directors

According to the Constitution of the Company, directors may be appointed by:

- Notice in writing signed by the holders of the majority of the ordinary shares.
- Directors' resolution to fill a casual vacancy or to increase the number of directors up to the maximum number allowable by the Constitution.
- Shareholders' ordinary resolution.
- Moreover, to be in line with the Code, the Board has adopted a Nomination Policy which defines the election and re-election processes.
- Directors are appointed on a yearly basis at the annual meeting of shareholders. Each director is elected by a separate resolution.
- The process of selection and nomination of candidates as directors and the process for re-election of directors are entrusted to the CGNRC.

CORPORATE GOVERNANCE

Directors' Profile

Dominique GALEA

Non-Executive Director and Group Chairman

Citizen and Resident of Mauritius

Appointed: July 2018

Qualifications: HEC Paris (France).

Skills & Experience:

- Started in the clothing industry by setting up a buying office for overseas buyers (Kasa Textile Ltd).
- Then diversified his activities by acquiring controlling stakes in Ducray Lenoir Ltd in 1988, and in Rey & Lenferna Ltd in 1998.

Board Committee memberships: Corporate Governance, Nomination & Remuneration Committee; Risk Committee; Assets and Liabilities Committee.

Directorship in other listed companies: Director of Ascencia Ltd, Chairman of Forges Tardieu Ltd and United Docks Ltd.

Bertrand CASTERES

Executive Director and Group CEO

Citizen and Resident of Mauritius

Appointed: July 2018

Qualifications: Master's degree in applied mathematics, actuarial science and finance and Executive MBA from HEC Paris (France).

Skills & Experience:

- Worked in the internal audit department of Aviva Europe as audit senior manager in the financial management and actuarial audit department, conducting internal audit reviews in actuarial processes across Aviva's European subsidiaries.
- Involved in the implementation of Solvency II EU Directive within the Aviva Group.
- Joined MUA in January 2012 as head of internal audit and was appointed CEO in 2015.

Board Committee memberships: Assets and Liabilities Committee.

Directorship in other listed companies: none.

Vincent AH CHUEN

Non-Executive Director

Citizen and Resident of Mauritius

Appointed: January 2019

Skills & Experience:

- Managing Director of ABC Group of Companies.
- Played a key role in the development and diversification of the ABC Group of Companies.
- Actively involved in various socio-cultural and non-profit associations.

Board Committee memberships: Corporate Governance, Nomination & Remuneration Committee.

Directorship in other listed companies: Chairman of ABC Motors Co Ltd and POLICY Ltd.

Alfred BOUCKAERT

Independent Non-Executive Director

Citizen and Resident of Belgium

Appointed: January 2019

Qualifications: Bachelor degree from the University of Louvain (Belgium).

Skills & Experience:

- Served as General Manager at Crédit Lyonnais Europe and, before its acquisition, at Chase Manhattan Bank.
- Worked at AXA where he was CEO of Axa Belgium, Germany, Switzerland (with the acquisition of Winterthur), Ukraine and Russia and a member of the main Management Board.
- Past President of the Board at Belfius Bank and Insurance.
- Currently holds various positions in several boards of non-listed and listed companies outside Mauritius.

Board Committee memberships: Risk Committee (Chairman); Assets and Liabilities Committee (Chairman).

Directorship in other listed companies: none.

Bruno DE FROBERVILLE

Non-Executive Director

Citizen and Resident of Mauritius

Appointed: January 2019

Qualifications: MBA from the University of Birmingham (UK), a Bachelor in Science with a Major in Marketing from Louisiana State University (USA).

Skills & Experience:

- Experienced professional in the property and building sector.
- General Manager and owner of Square Lines Ltd, a property development company.

Board Committee memberships: Assets and Liabilities Committee.

Directorship in other listed companies: Director of MDF Group Ltd.

Olivier DE GRIVEL

Independent Non-Executive Director

Citizen and Resident of Mauritius

Appointed: May 2019

Qualifications: Master in Management ESCP Paris (France).

Skills & Experience:

- Career in international corporate and investment banking at JP Morgan and HSBC with responsibilities in senior management and client coverage.
- Worked in Paris, New York, London and Hong Kong with a specialty in financial institutions.

Board Committee memberships: Risk Committee; Assets and Liabilities Committee and Audit Committee.

Directorship in other listed companies: none.

Directors' Profile (continued)

Mélanie FAUGIER

Non-Executive Director

Citizen and Resident of Mauritius

Appointed: January 2019

Qualifications: DEUG in economics from University of Paris I - Panthéon Sorbonne (France) and an MSc in Management from EM Lyon School of Management (France).

Skills & Experience:

- Started her career as the trading manager of Thon des Mascareignes Ltee (IBL Group).
- Since 2010, she has served as non-executive director and member of various committees of La Prudence Leasing Finance Cy Ltd and Credit Guarantee Insurance Co Ltd.
- Co-founder and owner of Cottons Trading Ltd, a local clothing retailer.
- Co-founder and Managing Director of Senior Homes Ltd, the leading company in assisted living in Mauritius.

Board Committee memberships: Audit Committee; and Corporate Governance, Nomination & Remuneration Committee.

Directorship in other listed companies: none.

Catherine MCILRAITH

Independent Non-Executive Director

Citizen and Resident of Mauritius

Appointed: January 2019

Qualifications: Bachelor of Accountancy from the University of the Witwatersrand (Johannesburg, South Africa); member of the South African Institute of Chartered Accountants, Fellow Member of the Mauritius Institute of Directors (MIoD).

Skills & Experience:

- Started her career with Ernst & Young in Johannesburg before joining the investment banking industry where she held senior positions in corporate and specialised finance for Ridge Corporate Finance, BoE NatWest and BoE Merchant Bank in Johannesburg.
- Former Head of Banking at Investec Bank (Mauritius) Limited between 2004 and 2010.
- Serves as an Independent Non-Executive Director and as a member of various Committees of several public and private companies in Mauritius, South Africa and the UK. She also served as a Director of the MIoD for 5 years and as its Chairman for 2 years.

Board Committee memberships: Audit Committee; Corporate Governance, Nomination & Remuneration Committee (Chairman).

Directorship in other listed companies: Director of Astoria Limited, CIEL Limited, Grit Real Estate Income Group Limited, Les Gaz Industriels Limited, Phoenix Beverages Limited and Paradise Hospitality Group Ltd.

Ashraf MUSBALLY

Executive Director, Country CEO - Tanzania and Regional CEO - East Africa

Citizen of Mauritius and Resident of Tanzania

Appointed: January 2019

Qualifications: BSc City University (London, UK), MBA Imperial College (London, UK), Fellow of the Chartered Insurance Institute (FCII).

Skills & Experience:

- Started his career as Management Consultant at Kemp Chatteris Deloitte & Touche.
- Joined La Prudence (Mauricienne) Assurances (now part of MUA) in 1997 to manage and develop its health insurance department. He was appointed Chief Operations Officer (General Insurance) in 2004. He retained this post after the Company's merger with Mauritius Union in 2010.
- In 2012, he took over the responsibility of the General Insurance Underwriting Department. He was promoted to Head of General Insurance in 2014.
- Appointed CEO Kenya & East Africa in 2016.
- Appointed CEO Tanzania & Regional CEO for East Africa in August 2021.

Board Committee memberships: Assets and Liabilities Committee.

Directorship in other listed companies: none.

Mushtaq OOSMAN

Non-Executive Director

Citizen and Resident of Mauritius

Appointed: January 2019

Qualifications: Chartered Accountant, fellow of the Institute of Chartered Accountants in England and Wales.

Skills & Experience:

- Over 25 years professional experience in audit and financial advice, with a diversified portfolio of clients in sectors such as banking, insurance, manufacturing, sugar companies, the hospitality industry, betting operator, textiles and trading.
- Joined Roger de Chazal & Partners (founders of Price Waterhouse in 1988 in Mauritius), serving as a partner from 1991 until his retirement in 2015. Primarily an Assurance Partner, he was also responsible for Business Recovery Services as well as the Chief Operating Partner for Mauritius.

Board Committee memberships: Audit Committee (Chairman); and Risk Committee.

Directorship in other listed companies: Director of ENL Land Ltd, Automatic Systems Ltd, United Docks Ltd, Les Moulins de la Concorde Ltée, Forges Tardieu Ltd, PIM ltd and Sun Resorts Ltd.

Brian AH CHUEN

Alternate Director

Citizen and Resident of Mauritius

Appointed: Alternate Director to Vincent Ah Chuen since January 2019

Qualifications: Bachelor of Business Administration Honours degree from Schulich School of Business, York University (Toronto, Canada). Fellow Member of the Mauritius Institute of Directors.

Skills & Experience:

- Previously the Executive Director of several companies in the ABC Group including Chue Wing & Co. Ltd (Foods), ABC Autotech Ltd (Automobile) and Marina Resort (Hospitality).
- Current Executive Director of ABC Banking Corporation Ltd (listed on the DEM of the Stock Exchange of Mauritius) and serves as its Strategic Business Executive Director.

Board Committee memberships: none.

Directorship in other listed companies: Director of ABC Banking Corporation Ltd and ABC Motors Company Limited.

Celine GORMAND

Alternate Director

Citizen and Resident of Mauritius

Appointed: Alternate Director to Dominique Galea since January 2020

Qualifications: Master in Management ESCP Europe (Paris, France).

Skills & Experience:

- Started her career with Duff & Phelps in Paris in 2006, specialising in business valuation and advisory.
- Held various positions in Strategy and Marketing at AXA Group in Paris from 2010 to 2017, before moving to AXA Middle East to work in the Partnership and Bancassurance division of the Gulf region.
- Joined the retail industry in 2019, first as Head of Strategy and Marketing at Majid Al Futtaim Carrefour in Iran, and now as Group Director of New Business at Carrefour Group in France.

Board Committee memberships: none.

Directorship in other listed companies: none.

CORPORATE GOVERNANCE

Executive Committee

The Executive Committee of the MUA group ('The Team") has been constituted to manage business issues, opportunities and threats that have cross-divisional implications or are considered as material and/or sensitive for the MUA Group. The Team is the executive decision-making body of the MUA Group and it acts as the primary forum through which decisions of a transverse nature are taken. To effectively address matters of relevance to its duties and responsibilities, the Team has set up appropriate management sub-committees which provide comprehensive evaluation on key issues for members of the Team to reach informed decisions.

The Executive Committee of MUA consists of the following senior management team members, as at 31 January 2022.

Delphine AHNEE

Chief Operating Officer – General Insurance

Citizen and Resident of Mauritius

Qualifications: LLB (Hons.) degree; Qualified Quality Management System Auditor; Executive Education program ESSEC (France).

Skills & Experience:

- Joined La Prudence (Mauricienne) Assurances (now part of MUA) in 2000 as Claims Manager of the General Insurance business. After the merger with MUA in 2010 she was appointed Head of Claims until 2013.
- In 2014 she was appointed Head of Group Risk, Legal & Compliance and Customer Care, where she served as the Group Risk Officer and Money Laundering Reporting Officer.
- In June 2021 she was promoted to Acting Chief Operating Officer for the General Insurance business.
- She is a Non-Executive Director on the Board of Phoenix of Tanzania and sits on the Board of MUA Foundation.

Mehtab ALY

Group Chief Finance Officer

Citizen and Resident of Mauritius

Qualifications: Master in Business Administration from the Université de Bordeaux IV (France).

Skills & Experience:

- Financial specialist with more than 20 years' experience in financial analysis and structuring, cross-border transactions, corporate valuation, finance raising and financial strategy, also expert in stock exchange related matters, from IPOs and takeovers to delistings.
- Broad experience in insurance operations.
- Worked for more than 15 years at PwC.
- Joined MUA in 2016 as Head of Mergers & Acquisitions.

Vikash BOOLELL

Head of Legal, Compliance & Risk

Citizen and Resident of Mauritius

Qualifications: Maitrise en Droit des Affaires (Université R.Schuman, Strasbourg, France); LL.M Corporate & Tax (The London School of Economics & Political Sciences, UK); Certified Trustee (College of Insurance, Kenya).

Skills & Experience:

- From 2000, worked in various legal advisory positions in the financial services industry.
- In 2004, joined Banque des Mascareignes as Legal Manager.
- From 2007 to 2010, was the Temple Group's senior legal & compliance consultant and registered trainer.
- From 2008 to 2009: Director of Transparency Mauritius.
- Joined the Nestlé Group in 2010, initially as Regional Legal & Tax Manager covering 9 jurisdictions.
- From 2012 to 2018, was the Regional Head of Legal for Nestlé Equatorial African Region, covering 21 jurisdictions.
- In 2018, moved to Nestlé South Africa, as Senior Legal Manager, leading the fiscal and legal reorganisation across 23 jurisdictions.
- Joined MUA in 2022 as Head of Legal, Compliance & Risk.

Konde BUGINGO

Country CEO - Rwanda

Citizen and Resident of Rwanda

Qualifications: Business Economics Degree, MSc Finance & Management, Part Qualified CIMA and Candidate CFA.

Skills & Experience:

- After gaining experience in Europe as a Senior Analyst, he spearheaded transformation projects at Banque Populaire du Rwanda as Chief Operating Officer.
- He was CEO of RSwitch, Rwanda's national payments switch.
- Then became CEO of Atlas Mara's Commercial Bank in Rwanda, following the merger between BPR and BRD.
- He has extensive boardroom experience in hospitality, energy, insurance, ICT, real estate, leisure industry and export agriculture. Combined with two decades of business executive experience in business start-up, banking, insurance, as well as turnaround, merges & acquisition and expansion experience in Europe and Africa.
- Joined MUA in 2021 as Managing Director of MUA Rwanda.

Naresh GOKULSING

Country CEO - Mauritius

Citizen and Resident of Mauritius

Qualifications: BA in Accounting and Finance from the University of Leeds (UK); MBA from Warwick Business School (UK); Fellow Member of the Association of Chartered Certified Accountants (FCCA); Advanced Management Programme INSEAD (France).

Skills & Experience:

- Started his career with PwC in 1993.
- Joined the Cim Group in 1997 as Head of Research and General Manager of Cim Stockbrockers; then became Head of Finance of Cim Insurance, Chief Operating Officer and Executive Director of Cim Insurance and Cim Life, and finally Managing Director of Cim Property Fund, where he launched Ascencia Ltd.
- Joined MUA in 2012 and was appointed Managing Director of the Life subsidiary in Mauritius in 2015
- Appointed Country CEO - Mauritius, in 2022.

CORPORATE GOVERNANCE

Executive Committee (continued)

Jérôme KATZ

Head of Group Strategy & Investment

Citizen and Resident of Mauritius

Qualifications: Master in Management ESCP Europe (Paris, France).

Skills & Experience:

- Started his career with the American bank JPMorgan in Paris in 2006.
- Joined Feber Associates (now part of MUA) in 2009 as the Manager. He now oversees group strategy, with extensive involvement in the African subsidiaries, strategic marketing and digitalisation and also supervises all the group's investment and asset management activities.

Lydia KIBAARA – NZIOKI

Country CEO - Kenya

Citizen and Resident of Kenya

Qualifications: Bachelor of Commerce in Marketing from University of Nairobi (UON), MBA in Finance from University of Leicester (UK). Associate member of the Chartered Insurance Institute of London (ACII) and a member of the Insurance Institute of Kenya (IIK).

Skills and Experience:

- Lydia has a wealth of experience in the insurance industry in Kenya and East Africa. She was Regional Head of Medical (East Africa & Mauritius) at Jubilee Insurance between 2007 and 2011.
- She was Chief Operations Officer at Jubilee Insurance Company between 2011 and 2014.
- She was Managing Director and Principal Officer of Saham Assurance Kenya, between 2014 and 2021. She was appointed Managing Director of MUA Kenya in August 2021, following the amalgamation of the General Insurance businesses of Saham Kenya and MUA Kenya.

Clarel MARIE

General Manager - Life Insurance Operations

Citizen and Resident of Mauritius

Qualifications: MBA; Chartered Insurer and an Associate of the Chartered Insurance Institute (London, UK).

Skills & Experience:

- Started his career with Swan Life and was there from 1979 to 1993.
- Joined Cim Insurance in 1993 to develop the long-term individual assurance products and was appointed Technical Manager for Life and Pension in 2001.
- Joined La Prudence (Mauricienne) Assurances (now part of MUA) in 2006 as Technical Manager of the Life and Pension department and is currently in charge of the Operations of the life insurance subsidiary in Mauritius.

Latimer KAGIMU MUKASA

Country CEO - Uganda

Citizen and Resident of Uganda

Qualifications: Banking degree; Postgraduate qualification in Management. (London UK).

Skills & Experience:

- Founder of Rock Insurance Services in 2000, an insurance brokerage firm subsequently acquired by Marsh Uganda, of which he became Managing Director.
- Joined MUA in 2017 as Managing Director in Uganda.
- Served as a Board Member for Financial Literacy Foundation, the Private Sector Foundation of Uganda, Member of the Financial Literacy Advisory Group under the Bank of Uganda and GIZ, founding Vice Chairman of the Forum for South African Businesses in Uganda (FOSABU); and current Board Chairman of Experian Uganda (formerly Compuscan Credit Reference Bureau Uganda).

Annie NANKOU

Group Head of Human Resources

Citizen and Resident of Mauritius

Qualifications: BSc (Hons.) in Management; Master of Business Administration in Human Resources.

Skills & Experience:

- Human Resources professional with over 13 years' experience incorporating business strategy into HR Affairs within different sectors – Service, Manufacturing, Construction, Finance.
- Before joining MUA, Annie Nankou has completed 9 years within the HOLCIM Group and was occupying the double-hat role of Head of Human Resources at Lafarge Mauritius and Head of Regional Communications at LafargeHolcim within the Indian Ocean Cluster, combining 6 countries.
- Joined MUA in May 2021 as Group Head of Human Resources.

Executive Committee (continued)

Rishi SEWNUNDUN

Head of Group Information Systems & Logistics

Citizen and Resident of Mauritius

Qualifications: Graduated in Computer Science and Engineering from University of Mauritius; MBA University of Mauritius. Post Graduate Diploma in Digital Business, MIT Sloan and Columbia Business School Executive Education.

Skills & Experience:

- He joined J. Kalachand & Co. Ltd in 1998 as Systems Manager and later Sales Manager.
- Joined MUA in 2005 as Head of Information Systems and appointed Senior Manager in 2008.
- Pioneered several key strategic IT projects including mergers in Mauritius and East Africa and led the implementation of a number of innovative technologies across the group.

Kenny WONG

Group Chief Underwriting Officer

Citizen and Resident of Mauritius

Qualifications: Graduated from London School of Economics and Political Science (UK); Fellow and Graduate Statistician of the Royal Statistical Society of London (UK); Certified Insurance Professional and Associate of the Australian and New Zealand Institute of Insurance and Finance.

Skills & Experience:

- Served various positions in reinsurance broking, investment banking, and marketing both in Mauritius and London.
- Joined MUA in 2009 as Reinsurance Manager and was promoted Senior Manager in 2012.
- Appointed Practice Group Manager of the Globus Financial Lines Centre of Excellence in October 2016.

CORPORATE GOVERNANCE

Induction of Directors

An induction program is available for all directors on their first appointment with the aim of getting promptly acquainted with the Company and its subsidiaries, and obtaining insights of the business, environment and market in which the Group evolves.

Professional Development and Training

The CGNRC identifies specific training needs of the directors. In 2021, all the directors were invited to attend a training session on “Une Gouvernance Efficace”. Our Group Chairman, Dominique Galea, also attended a training on International Executive Coaching.

Succession Planning

The Board assumes responsibility for succession planning of Board members and key management personnel so as to maintain an appropriate balance of knowledge, skills and experience required to ensure stability and sustainability of the Group. A succession plan and internal restructuring have been approved by the CGNRC and the Board of directors in 2021.

Principle 4: Directors Duties, Remuneration And Performance

Legal Duties

Directors are made aware of their legal duties in the induction program they follow on first appointment. The Board Charter includes a summary of legal duties under various relevant enactments.

Conflicts of Interests, Related Party Transactions and Share Dealing

Group Conflicts of Interests (including Related Party) Policy provide clear guidance on procedures to follow when any occurrence that may lead to a conflict of interest arise.

In line with the Model Code for Securities Transaction by Directors of Listed Companies (Appendix 6 of Listing Rules of SEM), the Board has approved a Group Share Dealing Policy which is applicable to directors and senior management. Declarations made by directors are entered in the Register of Interests which is maintained by the Company Secretary. The Register of interests is available to shareholders upon written request of shareholders.

Moreover, at the beginning of each meeting of the Board, the Chairman invites the directors to declare any potential source of conflicts of interests, or any share dealings to be thereafter recorded in the Register of Interests.

Apart from share dealings reported under paragraph 4.3, no additional entries had been made in the Register of Interests in 2021.

Moreover, the Board will regularly monitor and evaluate compliance with the Code of Ethics.

Directors' Interest in the shares of the Company as at 31 December 2021:

Name of Directors	Direct Interest		Indirect Interest
	Number of shares	Percentage	Percentage
Vincent Ah Chuen	456,207	0.89	0.49
Alfred Bouckaert	-	-	-
Bertrand Casteres	294,421	0.58	-
Bruno De Froberville	872,903	1.71	-
Olivier De Grivel	-	-	0.05
Dominique Galea	362,631	0.71	5.60
Mélanie Faugier	411,174	0.81	0.28
Catherine Mcilraith	-	-	-
Ashraf Musbally	5,400	0.01	-
Mushtaq Oosman	10,374	0.02	-
Brian Ah-Chuen (alternate to Mr Vincent Ah Chuen)	3,250	0.01	-
Celine Gormand (alternate to Mr Dominique Galea)	24,097	0.05	2.26

During 2021, share dealing by directors and their associates were as follows:

Name of Directors	Acquired	Disposed of	Acquired Associates	Disposed of Associates
Dominique Galea	-	-	120,726	-
Bertrand Casteres	282,394*	10,000	-	-

Note *: Shares acquired through the Share Option Scheme 2020 and Employee Share Scheme 2021.

Board Evaluation

In accordance with the Board Charter, a Board and Committee Evaluation process is conducted every two years. The next one was due end 2021 but due to the pandemic, was postponed to 2022.

Remuneration

Remuneration Policy

The guiding principle for compensation and rewards is to be within the 50th percentile of the benchmarked remuneration of similar and acceptable insurance companies and financial institutions. The compensation practice of MUA derives from remuneration surveys and participation in peer reviews, complemented by effective staff and team performance management policies. MUA pay practice comprises fixed pay, variable pay, allowances, share scheme and other benefits.

Fees for directors and members of committees

The CGNRC reviews on an annual basis the adequacy of directors' and senior executives' remuneration.

Fees payable to non-executive directors in 2021 were as follows:

Directors	Board Fees (Rs)	Audit Committee Fees (Rs)	Corporate Governance, Nomination & Remuneration Committee Fees (Rs)	Risk Committee Fees (Rs)	Assets and Liabilities Committee (Rs)	Total Fees (Rs)
Vincent Ah Chuen	574,395	-	148,000	-	-	722,395
Alfred Bouckaert	637,000	-	-	210,000	210,000	1,057,000
Olivier De Grivel	384,000	74,000	-	148,000	148,000	754,000
Mélanie Faugier	384,000	-	148,000	-	-	532,000
Bruno De Froberville	384,000	148,000	-	-	148,000	680,000
Dominique Galea	1,008,000	-	148,000	148,000	148,000	1,452,000
Catherine McIlrath	637,000	148,000	210,000	-	-	995,000
Mushtaq Oosman	384,000	210,000	148,000	148,000	-	890,000

Remuneration received from the Group:	2021 Rs	2020 Rs
Executive Directors:		
Bertrand Casteres	11,558,649	12,436,535
Ashraf Musbally	23,318,553	19,626,608
Non-Executive Directors	14,600,395	6,796,790
Total	**49,477,597**	**38,859,933**

Non-Executive Directors do not receive remuneration in the form of share options or bonuses associated with organisational performance.

Share Option Scheme

During the year ended 31 December 2021, out of a total of 1,156,000 options offered to selected members of the executive team under the Share Option Scheme 2020, 882,000 options were exercised.

Also, in April 2021, 186,982 options were offered to employees under the Employee Share Scheme ("ESS"), out of which 93,631 options were exercised in May 2021.

The new ordinary shares are listed on the Stock Exchange of Mauritius Ltd.

Moreover, at a special meeting held in July 2021, the shareholders approved the setting up of a second Share Option Scheme ("SOS 2023") to be offered to selected members of its executive management team and exercised as from 2023.

Information, Information Technology and Information Security Governance

Information Technology

With the protection of the confidentiality and availability of information being critical to the smooth running of our activities, MUA continuously seeks to foster a robust IT platform that upholds the security and performance of its IT systems in adherence with regulatory and industry norms. In this respect, the Group has implemented an Information Security management system, including information security policies, based on internationally accepted standards and best practices to regulate the use, security standards, control and access rights within its IT infrastructure and systems. An Information Security Policy is in place and forms part of the Information Security framework (based on ISO 27001 international standard) that has been implemented. Matters relating to Information Security are overseen by the board through the Risk Committee. Since October 2021, the IT systems, electronic information assets and information risk management of the Mauritian subsidiaries of MUA Ltd are ISO 27001 certified.

The Information Security management system is being monitored and updated as needed by the Group's information Security department. The information security policies are available on the Group's intranet with staff being made aware of relevant requirements through regular awareness sessions. MUA continues to invest in information technology to enhance its operational resilience.

The Audit Committee reviews on an annual basis the budget of expenditure on information technology for recommendation to the Board. Investment in information technology and IT security is ongoing and the Group has a well-established and effective process in place for approval of all major investments.

Data Protection

In compliance with the EU General Data Protection Regulations ("GDPR") and the Data Protection Act 2017 ("DPA"), MUA has approved a Data Protection Policy ("Policy") with a view to promoting a privacy culture within the Group and ensuring that all clusters, business units and employees protect the privacy of personal information of individuals in their daily operations including procedures for personal data breach; the escalation process when discovering a breach and the procedures to notify the relevant authorities.

The Policy defines the MUA's requirements regarding the collection, storage, use, transmission, disclosure to third parties and retention of personal information. The Policy is used as a general guideline to the clusters and business units, which remain responsible for ensuring strict compliance while collecting personal information without derogating from the core principles of the DPA.

Principle 5: Risk Governance and Internal Control

Risk Management

The Board of directors is responsible for the governance of risk and ultimately responsible for the setting up and monitoring of the risk management process.

All significant areas are covered by appropriate and adequate internal controls and the internal controls are reviewed as and when required to cater for changes in the level of risks.

The Risk report is found on pages 124 to 143 of this report.

Terms of reference of MUA Risk Committee, comprise of:

- Reviewing the Group's risk appetite and future risk strategy for economic capital, liquidity and reputation and also for operational risks
- Reviewing the Group's risk profile against risk appetite, effectiveness of risk management framework
- Reviewing scenarios and stress tests which the Group uses to assess the adequacy of its economic and regulatory capital and liquidity
- Managing MUA risk policies

CORPORATE GOVERNANCE

During the year under review this committee' main areas of focus were:

- Quarterly Risk Reports
- Risk Management Framework (RMF) in line with the Insurance Risk Management Rules (2016) Implementation
- Reinsurance Risk
- Business Continuity Plan
- Data Protection
- Cyber security

Whistleblowing Policy

MUA is committed to the highest possible standards of openness, integrity and accountability. In line with that commitment, MUA has implemented a Whistleblowing Policy, whereby an alternative reporting process is established for use by all employees in strict confidence, without the risk of subsequent retaliation, victimisation, discrimination or disadvantage.

The Whistleblowing Policy is available on the MUA's intranet and it has been designed in such a way to assist employees who have concerns about any aspect which involves malpractices or unethical issues, to come forward and voice out those concerns anonymously in writing or electronically via MUA's Whistleblowing Portal or verbally with their immediate supervisor/manager or their superior officer.

If for any reason, they feel that their immediate management is involved, employees are encouraged to approach a more senior level of management, e.g.: the designated person within the Internal Audit department, the Money Laundering Reporting Officer (depending on the nature of the complaint) or they may address their report to the Group CEO.

Principle 6: Reporting with Integrity

The directors reaffirm their responsibility for preparing the annual report including the annual financial statements in compliance with International Financial Reporting Standards and the Companies Act 2001, and considers the annual report, taken as a whole, fairly balanced and understandable. The Board confirms its commitment in providing therein necessary information for shareholders and stakeholders to assess the Group's position, performance and outlook. More comprehensive information pertaining to the organisation's financial, environmental, social and governance position, performance and outlook are included in the following sections of the Annual Report – About MUA, Strategy & Performance, Risk Management and Financial Statements.

The annual report 2021 is published on the Group's website.

Sustainability

We, at MUA, recognize that the essence of insurance is solidarity, built around the premise that insurance ultimately benefits society by protecting its members from adverse events. In these times of high uncertainty that we are facing, our role as responsible insurers take even greater importance. We have hence embarked on a new, ambitious Strategic Plan, Transition 2023, to pave the way towards a greater engagement towards a more sustainable, ethical, efficient and empathetic form of insurance. We reinstate our commitment to create long-lasting value for the community, to constantly empower our workforce, and ultimately to ensure efficient and effective insurance operations.

In line with the Group's Sustainability Vision, our focus areas for 2021 - 2023 are; "To Focus on Prevention, Close the Protection Gap and Responsible Investment." 2021 has been in particular marked by the launch of an innovative road safety app, Drive by MUA (a telematics mobile app solution that automatically calculates a driving score and handsomely rewards good drivers periodically) and by our partnership with DietSensor, an award winning nutritional tracking and planning mobile app.

As well as realigning our operations with our sustainability ethos, we have also adopted a new vision and approach for MUA Foundation, the philanthropic arm of the MUA Group in Mauritius. We have focused our funding on projects that create a real and long-lasting value to the local communities and which are directly linked to our role as a responsible insurer. In addition to that, employees of the Group are now entitled to 8 hours per year that they can dedicate to participating in any of the activities of the Foundation. Our pool of volunteers have now exceeded 100 employees, led by 17 team leaders who work in close collaboration with the various departments and under the aegis of our Internal Sustainability Committee.

Throughout the year, we have been very touched by the waves of solidarity and team spirit with which our pool of volunteers have reached out to support our partner NGOs. The Foundation's success was dependent on their involvement, knowledge sharing, and the continued development of long-term partnerships with NGOs. We have now firmly aligned our CSR activities with MUA's new strategic plan and corporate values.

Environment, Health & Safety

MUA continues to focus on enhancing the positive safety culture already in place. Key safety objectives are a mandatory component of its business plan, forming an integral part of the daily routine across all business locations. The Group's health and safety framework incorporates industry best practices to effectively control risks and prevent accidents in the workplace.

In 2021, MUA has had the opportunity to encourage further health and safety implementation by working on the following:

- The main safety issue that MUA had to address was the prevention of transmission of Covid-19 in the workplace. MUA has focused on putting in place sanitary measures, giving awareness training, encouraging work from home as far as possible, and giving all means to allow the staffs to do their vaccination.
- MUA has also put emphasis on First Aiding. More of the staffs have volunteered to become First-Aiders and a training has been organised for them in February 2021.
- We have also had the opportunity to review the MUA Risk Assessment and thus focusing on issues such as electrical arrangements, transportation and the use of chemical products in the company.
- Health and safety remains an integral and daily part of the business, with each employee taking personal responsibility. The Executive Team pursues a sensible and balanced approach to health and safety of all the business units and its employees.

Charitable and Political Contributions

Charitable Contributions

MUA Foundation received Rs 6,927,847 in CSR contributions and in additional donations from the various local entities of the group. A total contribution to societal causes amounting to Rs 6,154,406 was made by the Foundation in 2021, Rs 3,023,484 of which was disbursed directly to the Mauritius Revenue Authority in support of the National Social Inclusion Foundation.

Undoubtedly, Covid-19 pandemic has tremendously affected the economy, society and educational activities which have widened the inequality spectrum and impacted drastically on the most vulnerable communities. By taking this into account, MUA has been actively dedicated and mobilized to assist these vulnerable communities by providing emergency assistance.

Charitable Donations channelled through MUA Foundation

Category	Number of projects	Total Spend
Education, welfare and development of vulnerable children	9	779,982
Poverty alleviation, community development and capacity building	6	357,015
Protection, health and social integration of vulnerable groups	10	729,225
Sustainable development & environment	4	1,162,200
Advocacy, Awareness and Prevention campaigns	2	102,500

MUA Foundation, has always aimed to contribute meaningfully in creating a better world, one that is inclusive, empowers vulnerable communities in the fight against poverty and provides children with access to education of quality in a safer and cleaner planet. Our philosophy will always go beyond providing financial assistance towards involving our employees in paving the way towards a better community, a better environment and a better world.

Political Contributions

In line with the Company's policy, no political donations were made during the year under review.

Principle 7: Audit

Internal Audit

The MUA Internal Audit's mission is to provide reliable independent assurance to the Board and the Audit Committee on the adequacy and effectiveness of the risk management, governance and internal controls. The members of the audit committee and the internal audit function have the necessary qualifications and experience to carry out their responsibilities. The internal audit team are composed of auditors with auditing and insurance experience, and the management team consists of fully qualified accountants.

The MUA Internal Audit methodology is risk based and sets out the mandatory standards to be followed by all our Internal Auditors which should allow our Internal Audit function to achieve its mission.

As the third line of defence of the "three lines of defence model", the MUA Internal Audit function provides an independent assurance over the first and second lines of defence, which are the business operations and risk function respectively. An overview of the company's internal control system is illustrated hereunder:

Internal Control System

The Internal Audit team carries out the internal audits at MUA Group. The scope of their work encompasses:

- Identification of risk areas and the evaluation of the level of risk for each area;
- Review of internal controls and agreed actions which are communicated to the Audit Committee and to the Management; and
- Monitoring of the implementation of the agreed actions and reporting these to the Audit Committee.

The following internal audit reviews were carried out during 2021:

- Non Motor claims;
- Compliance function;
- Reinsurance Life;
- Life Onboarding through Partner portal;
- MUA Fondation;
- Seychelles support functions;
- HR & Payroll for MUA Uganda and Phoenix of Tanzania Assurance Ltd;
- HR & Payroll, Motor Underwriting and Sales Commission at MUA Rwanda;
- HR & Payroll, Motor Underwriting, Procurement and Transfer of Assets & Liabilities at MUA Kenya (Ex-Saham).

Reporting Lines

Our Internal Audit function derives its authority from the Board through the Audit Committee. The Internal Auditors have a direct reporting line to the Audit Committee and maintain an open and constructive communication with the Management. They also have direct access to the Chairman of the Audit Committee. This structure allows the Internal Auditors to remain independent. Every quarter, the Audit Committee meets with the internal and external auditors to review and discuss any findings. There are regular follow-ups to ensure that these are addressed promptly.

Coverage

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

Restrictions

The Internal Auditors have unrestricted access to the Company's records, to management and employees.

External Audit

PricewaterhouseCoopers (PwC) have been appointed as external auditors of the Company in 2020 and have been automatically reappointed in 2021. PwC presented to the Audit Committee their audit plan for 2021 comprising of status and procedures, relevant and significant risks identified, potential areas of focus, intelligent scoping of material and non-material components.

The Audit Committee invites the external auditors at their quarterly meetings to discuss the accounts presented, management letters, key audit issues, critical policies and to keep apprise of new accounting standards, methods and terminology. Consultation between the latter and the internal audit team are regularly encouraged. The Audit Committee meets the external auditors without management presence on an ad hoc basis.

The effectiveness and independence of the external auditor is reviewed by the Audit Committee through feedbacks received from its members and from the management team.

The external auditors also provided the additional services as detailed on page 118 of the Statutory Disclosures section of the Annual Report.

The provision of non-audit services is subject to a tender process with objective to ensure that the nature of the non-audit services, if provided by the external auditors, could not be perceived as impairing their independence on the external audit exercise.

Principle 8: Relations with Shareholders and other Key Stakeholders

Key Stakeholders

The Company is committed towards an open communication with its key stakeholders and to take into account their expectations in the decision-making process. Our various stakeholders are involved in a dialogue on aspects of the MUA's organisational position, performance and outlook, where appropriate.

The key stakeholders of the Group and the principle ways in which we engage with them are detailed below:

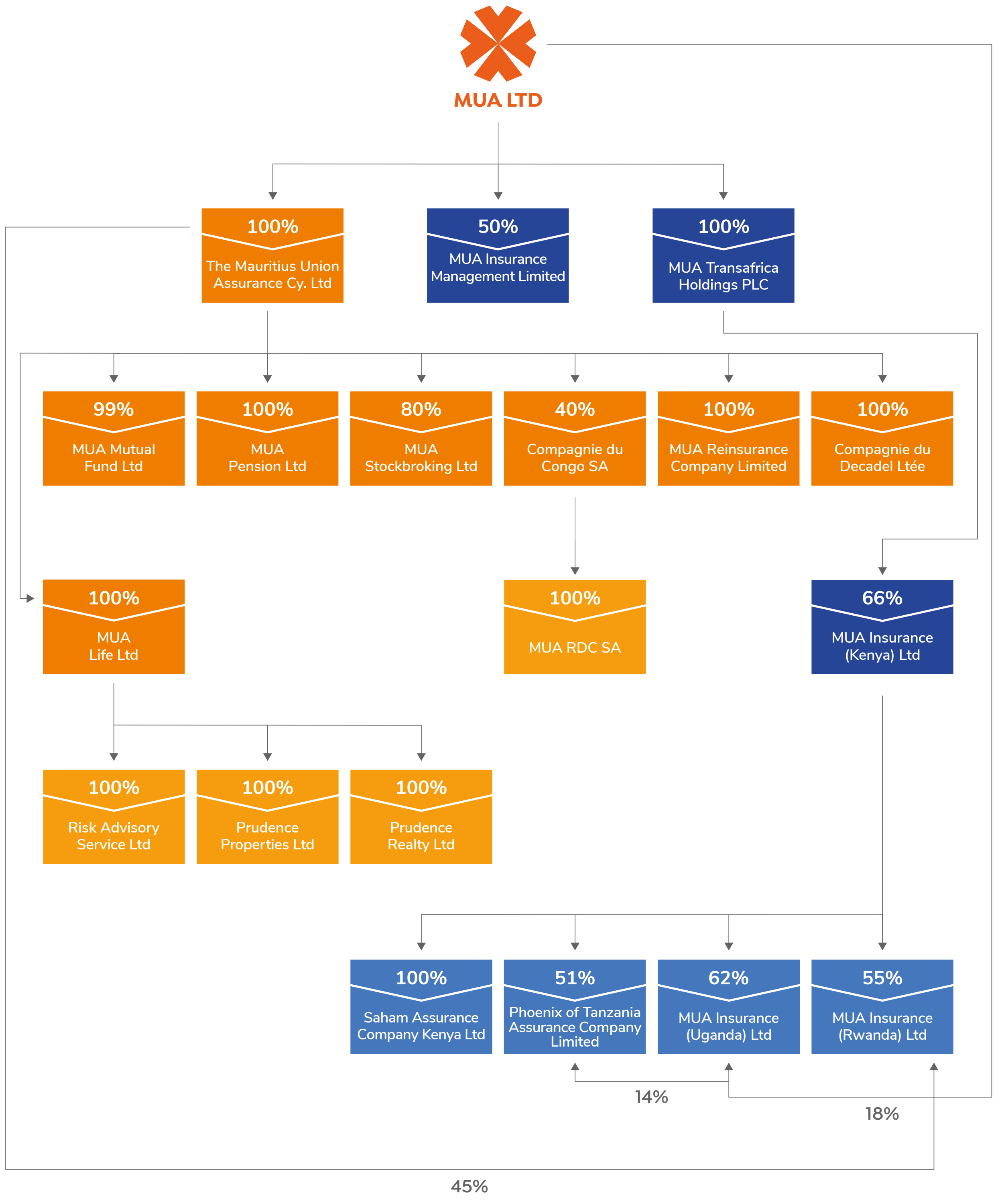
Shareholders & Institutional Investors	The importance of transparency in our shareholder communication is vital and is reflected in various initiatives: the company website (company information, statutory disclosures & updated news); Annual Report; media communiqués (Statement of Accounts, Notice of Dividends & Press Releases); investor meeting (presentation available online); Annual General Meeting.
Employees	Employee engagement is a pillar of the organisation and this is articulated in weekly communication via various channels (email, staff portal & social media); training & development sessions; monthly management and quarterly staff meetings; internal publications.
Customers	Co-ordinated media campaigns across various channels; dynamic social media presence; informative company website; marketing & communication supports available through our offices and representatives; direct communications (email, post & text messages).
Regulators	Regular meetings and interactions with various departments of the Financial Services Commission and ongoing interaction on new products, marketing materials, compliance issues and the financial services sector.
Suppliers & Partners	We prioritise communications with our business partners and service providers, including brokers, agents and our reinsurers. The aim is to build solid and enduring partnerships by exchanging insights, best-practices and experience to empower the respective teams.

Group Shareholding Structure

Shareholders holding more than 5% of the Ordinary Shares:

Name of shareholder	% HOLDING
Kasa Investments Ltd	13.86
Succession Mr Pierre Joseph Emile Latour-Adrien	10.68
Devlin Investments Ltd	6.91

Group Shareholding structure as at 31 December 2021 was as follows:



Shareholding Profile

Shareholders' Spread				
Number of shares	**Number of shareholders**	**% of shareholders**	**Number of shares**	**% of shares**
1-500	793	36.5775	126,661	0.2480
501-1,000	206	9.5018	159,614	0.3125
1,001-5,000	554	25.5535	1,371,516	2.6853
5,001-10,000	194	8.9483	1,408,779	2.7582
10,001-50,000	287	13.2380	6,441,757	12.6122
50,001-100,000	55	2.5369	4,088,088	8.0040
100,001-250,000	47	2.1679	7,813,948	15.2988
250,001-500,000	20	0.9225	6,910,213	13.5294
500,000	12	0.5535	22,755,055	44.5517
Total	**2,168**	**100.0000**	**51,075,631**	**100.0000**

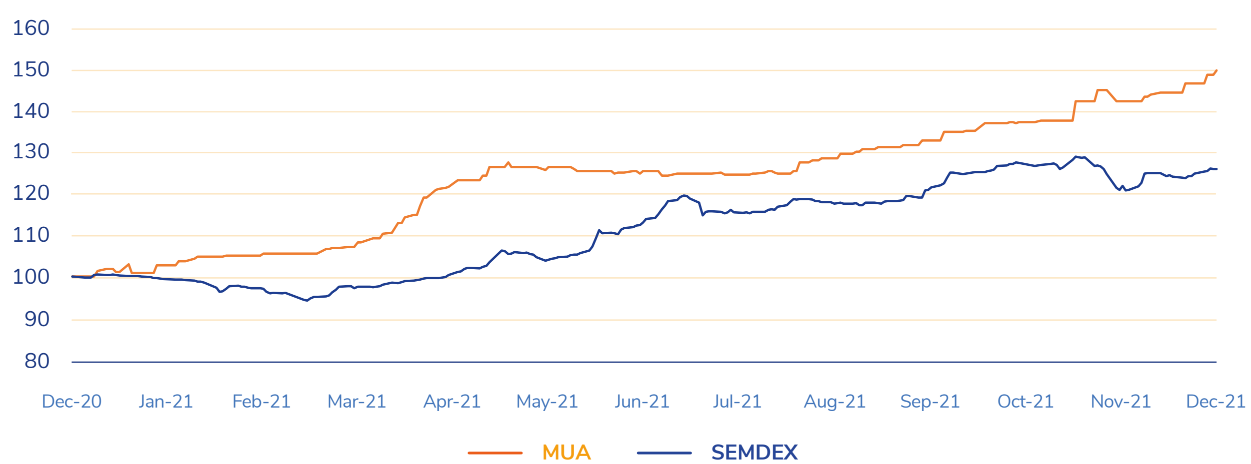
Shares in Public Hands

In accordance with the Listing Rules of the Stock Exchange of Mauritius, at least 25% of the shareholding of the Company is in public hands.

Dividend Policy

The Company has no formal dividend policy. Dividends are paid twice a year, in June and December and are subject to the profitability, cash flow, minimum capital requirements, capital expenditure and foreseeable investments opportunities.

Shareholder Price Information



Shareholders' Agreement

The Company is not aware of any shareholders' agreement.

Shareholders Information

The annual meeting of shareholders is the main forum where shareholders may exercise their rights to vote on the company's affairs and on its governing body. Notices of meetings and annual reports are sent to the shareholders within prescribed delays A number of Board and Committees' members are present at the annual meeting to give insights on the company's performance, outlook and strategies and to respond to queries from the floor. The external auditor is also invited to the annual meeting.

Shareholders are encouraged to attend the meeting and to avail of the opportunity of raising and discussing any matter relevant to the Company's performance.

The Company publishes on a quarterly basis abridged financial statements and, as and when necessary, any share price sensitive information including dividend declaration.

The Annual Report of the Company and its subsidiaries is published on the website: mua.mu

Shareholders' Calendar of Events

Timetable of important upcoming events

Financial year end
(31 December 2021)

December

Publication of yearly group abridged financial statements
(End of March)

March

Publication of unaudited accounts first quarter to 31 March (Mid-May)

Declaration of interim dividend
(Mid-May)

May

Payment of interim dividend
(Mid-June)

Annual General Meeting of shareholders (End of June)

June

Publication of unaudited accounts second quarter to 30 June (Mid-August)

August

Publication of unaudited accounts second quarter to 30 September (Mid-November)

Declaration of final dividend
(Mid-November)

November

Payment of final dividend
(Mid-December)

December

Other Statutory Disclosures

(Pursuant to Section 221 of the Companies Act 2001)

Activities

The principal activity of the Company during the year comprised the transacting of all classes of insurance business, principally protecting assets – motor and non-motor and medical insurance. The Company also granted secured loans and invested in shares. There has been no change in the nature of its business.

Board of Directors

The Directors of the Company and of its subsidiaries as at 31 December 2021 were:

Cie du Decadel Ltée
Risk Advisory Services Ltd
Prudence Properties Ltd
Prudence Realty Ltd

Bertrand Casteres
Dolly Leung

Compagnie du Congo SA

Joseph M. Lebon (Chairman)
Bertrand Casteres
Jérôme Katz
Joseph J. Lebon

MUA Foundation (formally known as Foundation Mauritius Union Ltd)

Bertrand Casteres (Chairman)
Delphine Ahnee
Jérôme Katz
Clarel Marie
Annie Nankou
Vincent Noël

MUA Insurance (Kenya) Ltd

Bertrand Casteres (Chairman)
(Resigned)Moyez Alibhai
Maheboob Alibhai
Mehtab Aly
Charles W.Gatonye
Japhet Mucheke
Ashraf Musbally
Jérôme Katz
Samson R.Ndegwa
Lydia Kibaara - Nzioki

MUA Insurance Management Ltd

Bertrand Casteres (Chairman)
Valerie Bishop Cusano
Mehtab AlySimon Pringle
Kenny Wong

MUA Insurance (Rwanda) Limited

Erneste Gerard Lemaire (Chairman)
Maheboob Alibhai (Resigned)
Mehtab Aly (Resigned)
Felix Bizumuremyi (Resigned)
Bertrand Casteres
Théophile Munyaruganda (Resigned)
Hebert Gatsinzi
Ashraf Musbally (Alternate)
Aliza Alibhai
Mireille Umwali
Jérôme Katz

MUA Insurance (Uganda) Limited

Bertrand Casteres (Chairman)
Kenny Wong
Maheboob Alibhai
Mehtab Aly (Resigned)
Latimer Kagimu Mukasa
James Mukasa Sebugenyi
Joseph Tinkamanyire
Emmanuel Katongole
Jérôme Katz
Ashraf Musbally (Alternate)

MUA Life Ltd

Dominique Galea (Chairman)
Vincent Ah Chuen
Alfred Bouckaert
Bertrand Casteres
Bruno de Froberville
Naresh Gokulsing
Catherine McIlraith
Mushtaq Oosman
Olivier De Grivel
Mélanie Faugier

MUA Mutual Fund Ltd

Bruno de Froberville (Chairman)
Bertrand Casteres
Naresh Gokulsing
Jérôme Katz
Deah Ah-Low

MUA Pension Ltd

Bruno de Froberville (Chairman)
Bertrand Casteres
Naresh Gokulsing

MUA Reinsurance Company Limited

Bertrand Casteres (Chairman)
Mehtab Aly
Kamal Hassan Iyaroo
Jérôme Katz
Kenny Wong
Marie Catherine Yow Mook Yuen
Hemlata Kulpoo

MUA RDC SA

Joseph M. Lebon (Chairman)
Bertrand Casteres
Jérôme Katz
Joseph J. Lebon
Piet Provoost (Resigned)
Martine Lanneau

MUA Stockbrocking Ltd

Vincent Ah Chuen (Chairman)
Bertrand Casteres
François Cayeux (Resigned)
Pierre de Chasteigner du Mée
Naresh Gokulsing

Phoenix of Tanzania Assurance Company Limited

Bertrand Casteres (Chairman)
Delphine Ahnee
Maheboob Alibhai
Mehtab Aly
Wilbert Kapinga
Isaac Kiwango
Yusuf Mushi
Tanil Somaiya (Deceased)
Sonia Somaiya
Jérôme Katz (Alternate)
Ashraf Musbally (Alternate)
Ashraf Mushi (Alternate)

MUA Transafrica Holdings Public Limited Company

Dominique Galea (Chairman)
Vincent Ah Chuen
Bertrand Casteres
Mélanie Faugier

The Mauritius Union Assurance Cy. Ltd

Dominique Galea (Chairman)
Vincent Ah Chuen
Alfred Bouckaert
Bertrand Casteres
Olivier De Grivel
Mélanie Faugier
Bruno de Froberville
Catherine McIlraith
Ashraf Musbally
Mushtaq Oosman

Saham Assurance Company Kenya Limited

Samson R Ndegwa (Chairman)
Bertrand Casteres
Jérôme Katz
Driss Benchaffai
Dorothy Angote – Muya
Charles Nyachae
Lydia Kibaara – Nzioki

Executive Director's Service Contract

Bertrand Casteres, Group Chief Executive Officer, has no fixed term contract. Ashraf Musbally, Executive Director and CEO Tanzania & Regional CEO for East Africa, has no fixed term contract.

Auditors' Remuneration

	The Group		The Company	
	2021 Rs'000	2020 Rs'000	2021 Rs'000	2020 Rs'000
Audit Fees Paid to:				
PwC	11,054	10,143	350	334
Other Audit Firms	1,519	1,185	-	-
Fees Paid For Other Services Provided By:				
PwC	2,393	5,402	2,516	2,513
Details:				
Tax Services	1,542	1,484	42	40
Advisory and Other Services	851	3,918	2,473	2,473
Other Audit Firms:	13,631	543		-
Details:				
Tax Services	930	543		-
Advisory and Other Services	12,701	-		
Total	**28,596**	**17,273**	**2,866**	**2,847**

Contracts of Significance

There was no contract of significance subsisting during the year to which the Company, or one of its subsidiaries, was a party and in which a director was materially interested, either directly or indirectly.

CORPORATE GOVERNANCE

Directors' Statement of Responsibilities

Financial Statements

The Directors of MUA Ltd are required by the Companies Act 2001 to prepare, for every financial year, financial statements which present a true and fair view of the financial position of the Company and the Group at the end of the financial year as well as the results of their operations for the year then ended. They are responsible for the adequacy and accuracy of these financial statements and for the objectivity of any other information presented therein.

The Directors confirm that in preparing these financial statements they have:

1. Selected suitable accounting policies that are compliant with International Financial Reporting Standards and applied them consistently.
2. Made judgments and estimates that are reasonable and prudent.
3. Prepared the financial statements on a going-concern basis.
4. Kept proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.
5. Taken appropriate measures to safeguard the assets of the Company through the application of appropriate internal control, risk management systems and procedures.
6. Taken reasonable steps for the prevention and detection of fraud and other irregularities.
7. Adhered to the Code of Corporate Governance and provided reasons for any area of non-compliance.

Internal Control

The Directors are responsible for the Company's systems of internal control. The systems have been designed to provide the Directors with reasonable assurance that assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or detected within a reasonable time. An internal audit and a risk and compliance function have been established to assist management in the effective discharge of its responsibilities. Internal audit review business controls on an on-going basis are carried out independently of management. Reports are presented directly to the Audit Committee.

Risk Management

Through the Risk Committee, Directors are made aware of the risk areas that affect the Company and ensure that Management has taken appropriate measures to mitigate these risks.

The Board ensures that the principles of good governance are also applied in the Company's subsidiaries.

Approved by the Board of Directors on 30 March 2022 and signed on its behalf by:

Dominique GALEA
Chairman

Bertrand CASTERES
Group CEO

Statement of Compliance

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

Name of Public Interest Entity: MUA Ltd

Reporting Period: Year ended 31 December 2021

Throughout the year ended 31 December 2021 to the best of the Board's knowledge MUA Ltd has complied with the Code of Corporate Governance for Mauritius (2016). The Company has applied all principles set out in the Code and explained how these principles have been applied.

Dominique GALEA
Chairman

Bertrand CASTERES
Group CEO

30 March 2022


YOUR HAPPY NEST MATTERS.
WE FEEL RESPONSIBLE FOR HELPING YOU MAKE YOUR HOME SAFE.
MUA Home Check

Risk Management

Business Continuity Management

Business Continuity Management is a holistic management process that identifies potential threats that may disrupt critical business operations, provides the framework for building resilience and establishes the capability for effective response to safeguard the interests of relevant stakeholders.

During the Covid-19 crisis period, the BCP plans, including the Disaster Recovery Plan, have helped to deal with the unprecedented situation. The BCP awareness of all employees, previously trained, has facilitated the transition for a quasi-seamless business continuity of our operations. The pandemic has shifted the way businesses are operating. The Group, including its East African subsidiaries, has swiftly embarked on the "new normal" way of doing business by introducing measures to ensure the safety of our employees and to stay resilient during the crisis. An increased use of IT technology under a controlled environment, in line with the Disaster Recovery Plan has allowed employees to work remotely, with only critical employees working on site. Hygiene enhancement measures such as frequent cleaning of common touch points, wearing of masks, regular sanitisation and social distancing have also been promoted within the office(s), with the recommended safety measures still be applied to date.

Having a robust Business Continuity Management system in place also ensured continuity of operations when a fire broke at Caudan and affected our offices within those premises.

Risk Management philosophy and objectives

As a financial services company active in short and long-term insurance, investments, life insurance and retirement services, MUA is naturally exposed in its daily business activities and strategic planning to numerous types of risk. Examples of such risks are changes in mortality rates, undergoing losses due to man-made or natural catastrophes, losing income ability through operational disruptions, outliving of assets among others.

Risk management in practice is where companies steadily identify, quantify and manage the various types of risk inherent to their operations. In our case, the most vital goals of a sound risk management program are:

- Ensuring risks inherent to our business activities in Mauritius and in the East African market are identified, monitored, quantified, and adequately managed;
- Managing the business' exposure to prospective earnings and unpredictability in capital;
- Supporting stakeholders' capitalism.

We are fully committed to maintain our existing strategy of embedding risk management in what we do, as it is a source of value creation as well as an essential form of control. It is an integral part of maintaining financial stability for our customers, shareholders and other stakeholders.

Our sustainability and financial strength are supported by an effective risk management process which helps us identify major risks to which we may be exposed, while instituting appropriate controls and taking mitigating actions for the benefit of our customers and shareholders.

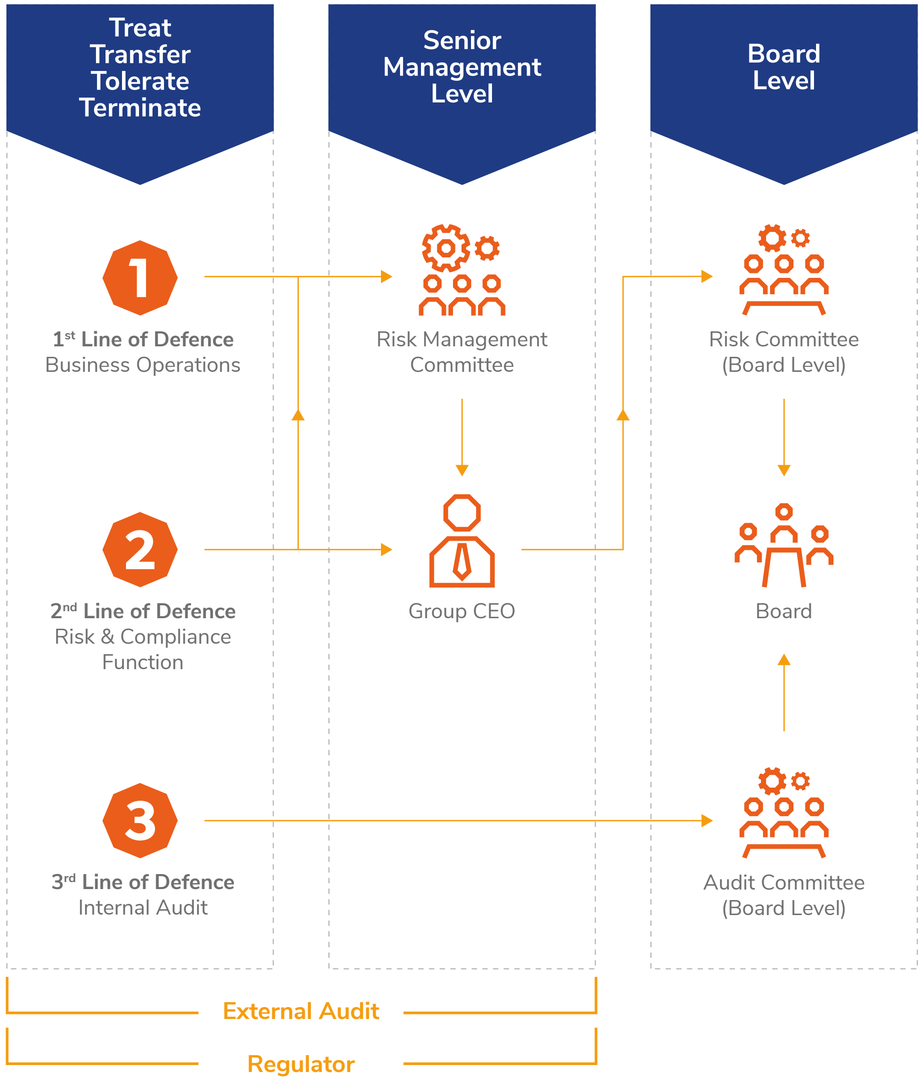
Consequently, our risk management objectives are based on the following:

Open risk culture: Promote a strong risk management culture amongst our employees, driven by a robust risk governance structure and clear risk appetites.

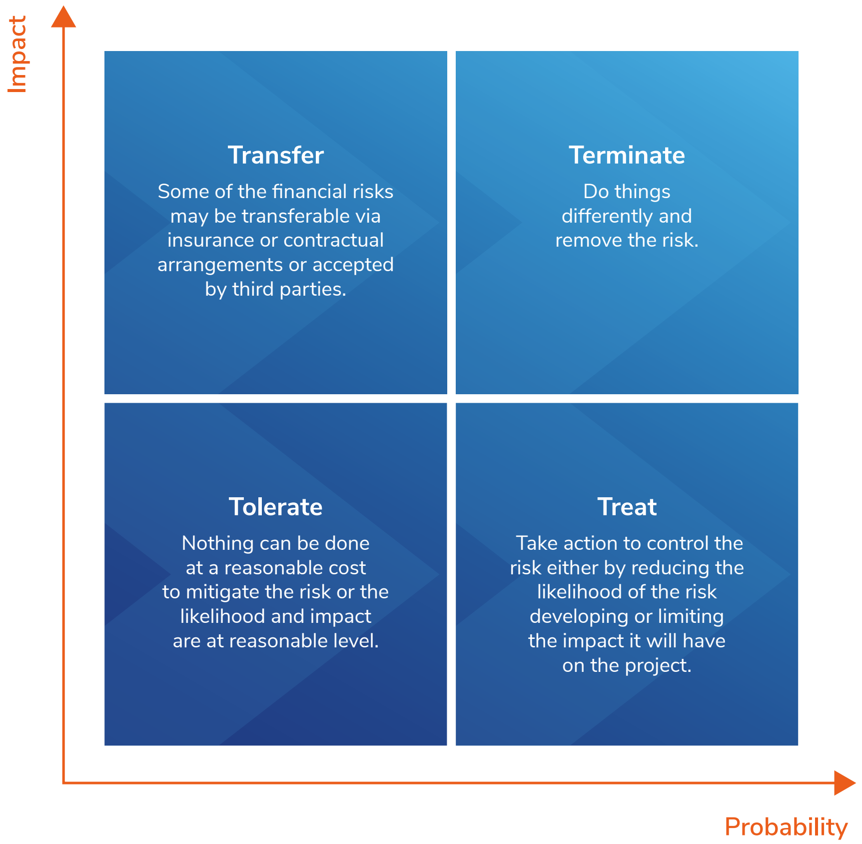
Ensure that sufficient capital surpluses are available to not only meet the expectations of customers, shareholders but also to remain compliant with regulatory obligations, and to meet our liabilities even if a number of extreme risks were to materialize.

Clear accountability: Our operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for the risks they take on and their incentives are aligned with MUA's overall business objectives.

Risk Management Overview



The Group has a defined step by step approach with respect to risk management. The above diagram illustrates the high-level process, whereby risks can be managed through the 4 T's, at each step.



Types of Risks - Inherent v/s Residual

The inherent risk is the one that exists before a company addresses it, that is the risk to the Group in the absence of any action taken to alter either its likelihood or its impact. Every company faces it, not all manage it effectively. These risks are reflected mainly on how it does business, its complexity, growth, changes, the staffing, technology and the organisational structure.

The residual risk is also known as "vulnerability" or "exposure". It is the risk that remains after the company has attempted to mitigate the inherent risk.

Adopting the approach of Enterprise Risk Management within the Group, where management provides assurance and internal audit provides reassurance, management is responsible for:

- Assessing the inherent risk (i.e., before mitigation and controls);
- Assessing the effectiveness of existing risk mitigation and controls;
- Determining the residual risk (i.e., the risk that remains after mitigation and controls are implemented);
- Determining whether such exposure is within the company's risk appetite for that type of risk, and if not, taking additional steps to further mitigate the risk;
- Providing reasonable assurance to the board that the controls are both effective and efficient in managing the exposure, so that it remains within the board- approved appetite for that type of risk.

Risk Control Framework

The diagram below illustrates how the Group's risk control framework minimizes the number of inherent risks to residual ones. The duty of the risk management is to review continuously the internal controls of the inherent risks and to monitor closely the residuals risks while taking actions when appropriate.

Risk Management Responsibilities

MUA has adopted the 'three-lines-of-defence' model where ownership for risk is taken at all levels in the Group. This model is widely adopted by financial services companies globally. It clearly sets out the risk management responsibilities across the business and is consistent with the current regulatory risk-based approach, encompassing corporate governance, processes and controls.

The Risk Management Committee (RMC) - Group level

- Acknowledges and reviews all the risks facing the organisation.
- Evaluates and prioritises those risks and review the policies and strategy recommended for managing the risks.
- Oversees compliance with the policy, internal control systems and procedures for reporting unusual or high-risk transactions.
- Reviews the management's reports detailing the adequacy and overall effectiveness of the group's risk management function.
- Is accountable for the Group's Business Continuity Management's (BCM) capability and its effectiveness and shall be responsible to give advice, guidance and management oversight on the overall BCM programme.

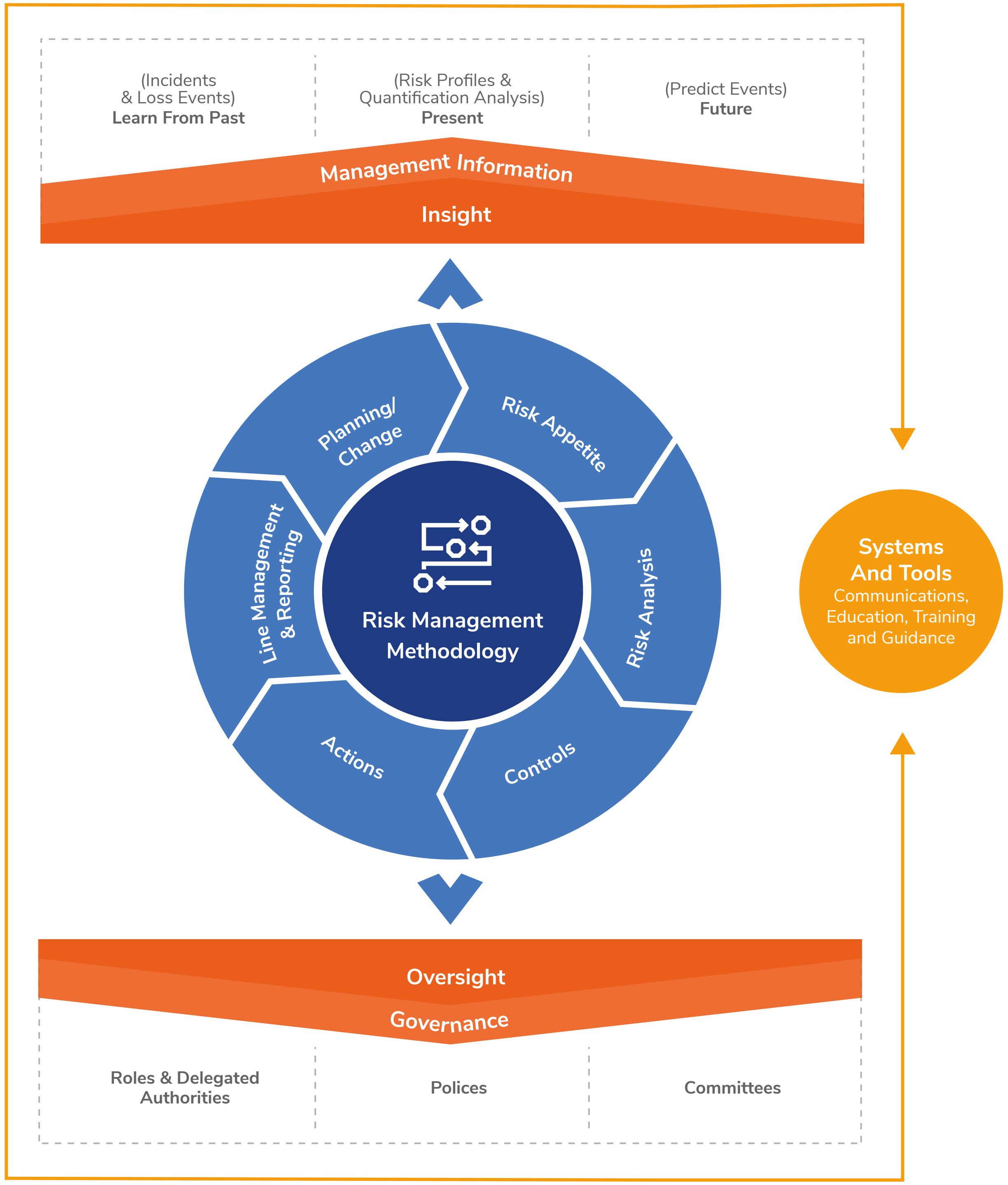
The Local Risk Committee – East African subsidiaries level

- Ensures that the implementation of the Risk Management Framework is occurring in a systematic, timely and effective manner.
- Reviews, monitors, recommends and reports to the Board on the risk management aspects.
- Encourages and facilitates the development of a risk management culture within the Company.
- Facilitates Senior Management and the Board to make informed decisions that have risk management considerations.
- Reviews the Risk Management Strategy on a regular basis.
- Escalates critical risks to the Board.
- Reviews and approves the Risk management policies and Charter of the company.

Risk Management Framework

The Group Audit and Risk Methodology is fully risk-based and aligned on COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management (ERM) Framework. The COSOERM Framework is the broadly accepted standard against which organisations can benchmark their internal control activities.

MUA's risk management framework forms an integral part of the management and Board processes as well as the decision-making framework across the organisation. The key elements of the risk management framework are illustrated below:



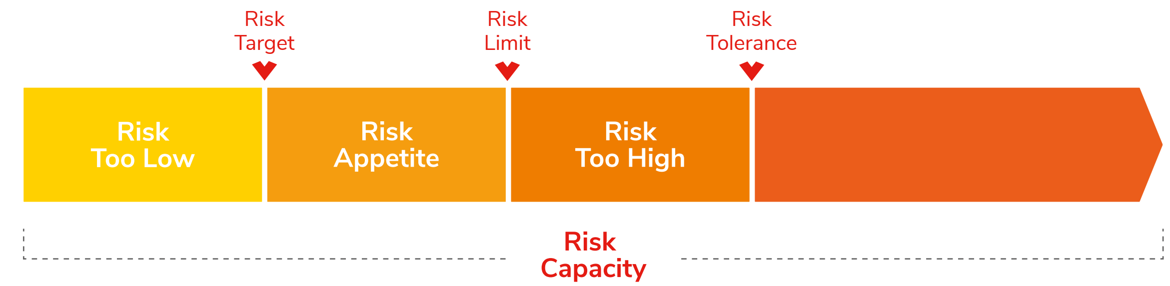
The Risk Management Process

The Risk Management Process involves 5 steps:

1. **Identify risks:** consists of defining potential risks that may have a negative impact on MUA.
2. **Analyse risks:** involves scrutinising the different risks which have been identified to determine: The impact of the risks; and The likelihood of the risks arising.
3. **Evaluate risks:** the company determines whether the identified risks are acceptable or unacceptable.
4. **Treat risks:** the company adopts the 4T's principles.
5. **Monitor and review risks:** is the ongoing process of managing risk.

It is the process of tracking risk management execution and continuing to identify and manage existing and new risks.

Risk Appetite



The risk appetite is the level of risk the Group acknowledges and is willing to accept in the pursuit of its strategic objectives.

The strategic and operational planning process supports the group in optimally exploiting its opportunities. This involves the consideration of the portfolio of opportunities identified by businesses, leading to decisions by the Board in relation to the opportunities the group wishes to pursue.

Capital is allocated to businesses to support delivery of these plans. The group's required returns will be reflected in the targets set for businesses, including targets for return on capital employed, growth in business and profitability and dividend payment expectations.

The group's business plan, capital allocation and business targets are therefore a key component of the group's risk appetite. Risk appetite will accordingly continually evolve and be reviewed.

Policies and Procedures

To inculcate a consistent and rigorous approach to risk management across all the businesses in which we operate, we observe a set of formal risk policies. These delineate risk management and control requirements for the Group's operations. As our business responds to changing market conditions and customer needs, we regularly monitor the appropriateness of our risk policies to ensure that they remain up-to-date.

We regularly identify and review risk exposures. Where risks are outside of tolerance, action plans are required. Similarly, controls are regularly reviewed for effectiveness and corrective actions implemented where necessary. This helps to provide assurance to the various risk oversight committees that there are appropriate controls in place for all our core business activities, and that the processes for managing risk are understood and followed consistently.

Critical Risks

Strategic Risks

Definition: The risk of a negative impact on the company's value, arising from the adverse effect of management decisions regarding business strategies and their implementation. This risk reflects on the compatibility between strategic goals, business continuity management and the resources deployed to achieve those goals. Strategic risk also includes the lack of management's ability to effectively analyse and react to external factors (e.g. market conditions/natural catastrophes) which could affect critical operations of the Group and prevent critical services to be resilient.

Owner: **Group CEO**

Management and Mitigation Examples

Strategy & Planning

We agree, monitor, and manage Strategic Targets. Emerging risks are dentified and managed using established Risk Management Framework.

Business Continuity Management

We have a Business Continuity Management in place which includes a Disaster Recovery plan. The BCM has enabled continuity of operations both during the national lockdowns and when a fire broke at the Caudan premises.

Covid-19

- Business Continuity Management – We have a Business Continuity Management in place which includes a Pandemic Response Plan.
- Operation level – We continuously reassess our product portfolio to consider Covid-19 effects to safeguard our stakeholders' interest while also tapping on the different opportunities brought by the pandemic.
- People – We engage in regular communications with our employees to ensure that they are informed of measures being taken by the company as the pandemic evolves. We also take into consideration their well-being and safety with the installation of sanitary measures and ensuring proper social distancing within the compound. We encouraged employees to work from home to prevent contamination within the office thus ensuring minimal disruption to work due to absence of sick employees.

Corporate Responsibility

We have put in place a Corporate Social Responsibility (CSR) committee to look after all CSR related activities.

Environment

We have launched e-documents for insurance policies to live up to our philosophy of reducing carbon footprint and sustainability commitments.

Critical Risks (continued)

Customer, Products & Markets Risk

Definition: During insurance operations, there may be a risk related to customer management, brand management, products and distribution management which can cause significant damage to the group's reputation, profitability, future business and market share.

Owner:
Group CEO

Management and Mitigation Examples

Customer

- We have a strong culture of considering customers' perspectives and it is imperative that we deliver the right outcome for them.
- We have implemented a customer care standard.

Distribution Management

An adequate selection of sales force is done with satisfactory sales capabilities, customer centricity in compliance with the regulatory framework, to distribute MUA's products effectively.

Brand & Marketing Communication

- We make use of external skilled consultants in the fields of marketing, communication, and advertising.
- We have implemented branding initiatives and social media visibility following the acquisition of East African subsidiaries.

Outsourcing

We monitor performance of our outsourced activities.

Communications

Information shared to internal and external stakeholders is well-structured and managed.

Critical Risks (continued)

Operational Risks

Definition: Operational risks are risks of loss and/or opportunity gain foregone resulting from inadequate or untried internal processes, human error and systems' malfunction, fraud or from externa events. Most organisations like MUA Group accept that their people and processes will inherently incur errors and contribute to ineffective operations. In evaluating operational risk, practical remedial steps should be emphasised to eliminate exposures and ensure successful responses.

Owner:
Heads of Support Functions

Management and Mitigation Examples

Information Technology

- Improved performance of our IT systems across the board, while focussing on the development of future system capability is key for us. With significant changes underway, we are monitoring risks associated with out IT systems' stability, cyber security, and internal control environment.
- The IT infrastructure and IT security controls in place allowed employees to work from home.
- The implementation of data security and backup is ongoing.
- The new medical claims system, Beyontec, has gone live and transition issues are being tackled.

Legal & Regulatory

- We have a rigorous control framework in place and work towards efficient and customer friendly processes while having a strong risk-based approach to minimise exposure and ensure robustness of processes.
- Compliance Risk: We have a robust compliance manual which has been approved by the relevant Boards of Directors. The manual provides a clear link between internal and external compliance requirements with the different business and operational processes. We maintain regular communications and awareness sessions with employees with regards to developments and trends in laws, regulations, supervisory provisions and industrial rules and guidelines.

Financial Crime

- We have a Financial Crime policy which establishes well-defined and well-documented procedures to prevent money-laundering and fraud. We provide continuous training to our employees with regards to the inherent risks faced by our business.
- These include: proper reporting processes to the Money Laundering Reporting Officer, including suspicious transactions reporting; Flagging of Politically Exposed Persons and a Whistleblowing Policy.

People

There are clear strategies and an internal control by the Board and senior management and we make sure that the objectives of our employees are aligned with the company's business objectives and are reviewed annually.

Health & Safety

- We have implemented the OSHA policy and have put in place measures to ensure the health and safety of our employees.
- We have a Health & Safety committee in place to promote cooperation between the employer and employees in instigating, developing, and carrying out measures to ensure the health and safety of employees.

Purchasing & Supply Management

We have a procurement policy and committee in place.

Critical Risks (continued)

Financial Risks

Definition: Financial Risks as the term suggests is the risk that involves financial loss to firms. It generally arises due to instability and losses in the financial market caused by movements in stock prices, currencies, reserves, interest rates and more. Our focus is on capital management which is an accounting strategy that strives to maintain sufficient and equal levels of working capital, current assets, and current liabilities at all times.

Owner:
Chief Financial Officer / Head of Investment / Actuarial

Management and Mitigation Examples

Capital Management

- Capital is held with comfort margins over minimum statutory and other capital requirements, including a minimum level of capital requirements of the Insurance Act 2005 and the Insurance Rules and Regulations 2007.
- We monitor the capital adequacy ratio on a quarterly basis and abide by the regulatory requirements to have an appropriate capital adequacy ratio.
- The investment policy in place highlights the strategic asset allocation.
- We review our capital movements regularly.

Credit

- We have credit policies and sound credit risk accounting policies in place.
- We continuously monitor the ratings for our Reinsurers through credit rating agencies and make sure we purchase reinsurance from the ones with the best ratings.

Financial Reporting

- We ensure that there is a maker and checker for each financial reporting process while having in-built controls in our systems.
- There are periodic reviews of financial reports.
- We have contracted EY South Africa to assist in the transition from IFRS 4 to IFRS 17 and regular training on IFRS 17 is being provided to relevant employees.

Reserving

- We estimate technical reserves using various actuarial and statistical techniques. Management's best estimate of total reserves is set at not less than the actuarial best estimate.
- There are periodic reviews and reporting on adequacy of reserves.

Liquidity

- We measure our liquidity risks on an on-going basis through cash flow forecasts, asset allocation and maturity profile and run scenario testing.
- We continuously monitor the investment policies and reporting.
- We adhere to the strategic asset allocation in place.

ORSA

We have an established ORSA risk policy in place to ensure the annual regulatory Own Risk and Solvency Assessment is properly conducted.

Critical Risks (continued)

Insurance Risks

Definition: The main activity of the group is the acceptance of risk under an insurance contract (Life/Non-life) 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. The core of our business is to underwrite those policies whereby underwriters evaluate the risk and exposures of potential clients to determine whether coverage can be provided or not and under which terms.

Owner:
Heads of Business Lines / Actuarial

Management and Mitigation Examples

Life Insurance Risk

We make sure that the recommendations of the actuarial reports are firmly implemented.

Life Insurance Product Development and Pricing

Products are developed, approved and managed in line with relevant risk appetite, risk preferences, capital and profitability targets and are vetted by our statutory actuary.

Unit Pricing

We have a unit pricing guideline and governance framework in place.

General Insurance Underwriting

- We have an effective underwriting management process in place and are guided by the Underwriting manual, market tariff and strategies.
- Underwriting guidelines are set for all transacted business and pricing refined by analysing comprehensive data.

General Insurance Reinsurance

- Excess of loss (XOL) are determined by the business head and are approved by the Board annually at renewal.
- The East African subsidiaries adheres to the group's reinsurance policy guidelines, the RI Manual, and the Group Risk Management Framework.

General Insurance Claims

- We have an effective claims management process in place and are guided by the Claims manual.
- We have appropriate controls in place for the detection and investigation of fraudulent claims.

Role of the Risk Committee

The Risk Committee is established by the Board of Directors to assist in its oversight of risk and risk management across the Group, including its East African subsidiaries.

The committee provides an independent and objective review of all aspects of risk as presented in our risk profile (Strategic/Financial/Insurance etc.). It also has an oversight of all management committees such as the Risk Management Committee, the Audit Committee and the Assets and Liabilities Committee, to ensure that significant existing or emerging risks are efficiently identified, measured, managed, monitored and reported on a continuous basis.

Regulatory Developments

The Financial Services Commission (the 'FSC Mauritius') with the collaboration of the World Bank embarked on a project in 2014 aimed at strengthening prudential regulations, risk-based supervisory and resolution frameworks for the insurance sector.

The main features of these rules are:

1. Risk Appetite Statements
2. Risk Management Strategies
3. Forecasted Business Plans
4. Own Risk Solvency Assessment (ORSA) Framework
5. Liquidity Policy
6. Designated Risk Management Function; and
7. Defined responsibilities and roles and reporting lines within the insurer for the management of material risks

Under the Insurance (Risk Management) Rules 2016, we are in the process of submitting our Own Risk and Solvency Assessment Report and Risk Management Framework for the third year in a row. We have ensured over the past three years that our business practices are compliant with this new piece of legislation. In alignment with these rules, we now have a Business Continuity Plan in place. Awareness and training sessions have been held with all employees. The disaster recovery aspect of the Business Continuity Plan has also been successfully tested.

In compliance with Section 5(4), our external auditors have reviewed and reported to the Board that our Risk Management Framework is compliant with the rules. Moreover, as per Section 5(5) of the rules, our statutory actuaries have reviewed and reported to the Board on the effectiveness of our Risk Management Framework.

The East African subsidiaries are also governed by risk management laws and guidelines to ensure that they are managed in a sound and prudent manner by having effective systems of risk management and internal controls. Below is a summary of the different applicable risk management laws and guidelines within the four East African jurisdictions of operations:

Applicable laws, regulations and guidelines	Guideline on Risk Management and Internal Controls	Risk Management Guidelines for banks and financial institutions 2010	Insurance Act 2017	Regulation on Corporate Governance Risk Management & Internal Controls requirements for insurance business
Risk areas covered	**Kenya**	**Tanzania**	**Uganda**	**Rwanda**
Risk Management Function	✔	✔	✔	✔
Risk Management Framework	✔	✔	-	✔
Risk Appetite Statement	✔	-	-	✔
Risk Management Strategies	✔	✔	✔	-
Risk Categories	✔	✔	✔	✔
Risk Management System	✔	✔	-	✔
Risk Mitigation and Controls	✔	✔	✔	-
Compliance Function	✔	✔	✔	✔
Internal Audit Function	✔	✔	-	✔

Risk Management in the day-to-day

- Implementation of the Bank of Mauritius supervisory expectations with regards to climate-related and environmental financial risk management (Key project for 2022).
- Continuous risk reviews in Mauritius and the four East African subsidiaries.
- Implementation of new risk policies in the four East African subsidiaries.
- Risk awareness campaign for all employees to increase the risk culture/mindset across the company.
- Assistance in MUA projects as per the group's strategy 2021-2023 by monitoring the risk aspects to ensure that there are sufficient controls in place.

The Liquidity Policy in MUA

Liquidity risk is defined as the risk that a firm, though solvent, does not have sufficient financial resources available to enable it to meet its obligations as they fall due.

The objective of this policy is to provide the minimum standards for managing liquidity risk for MUA. It recognises the group has significant cash flow obligations that need to be managed and needs sufficient liquidity to operate efficiently and maintain MUA's reputation in the markets.

For the ORSA reporting, the Risk team has enforced the liquidity policy by requesting for the liquidity policies of both MUA GI and MUA Life to be approved during ALCO.

Section 6.1.7 has been added regarding segregation of liquidity of entities.


YOUR VENTURES MATTER.
WE FEEL RESPONSIBLE FOR HELPING THEM BLOSSOM.

Secretary's Certificate

As at 31 December 2021

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

ECS SECRETARIES LTD

Secretary

Date: 30 March 2022

Independent Auditor’s Report

To the Shareholders of MUA Ltd

Report on the Audit of the Consolidated and Separate Financial Statements

Our Opinion

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of MUA Ltd (the “Company”) and its subsidiaries (together the “Group”) and of the Company standing alone as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

MUA Ltd’s accompanying consolidated and separate financial statements set out on pages 63 to 151 comprise:

- The statements of financial position as at 31 December 2021;
- The statements of profit or loss for the year then ended;
- The statements of comprehensive income for the year then ended;
- The statements of changes in equity for the year then ended;
- The statements of cash flows for the year then ended; and
- The notes to the financial statements, which include significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the risk management report, rather than in the notes to the consolidated and separate financial statements. These disclosures are cross-referenced from the consolidated and separate financial statements and are identified as audited.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements” section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (the “IESBA Code”). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report

To the Shareholders of MUA Ltd

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matters

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

Key audit matter relating to the consolidated financial statements	How our audit addressed the key audit matter relating to the consolidated financial statements
Valuation of insurance contract liabilities - Long term insurance The insurance contract liabilities as disclosed under Note 17, requires an actuarial valuation and estimation of the adequacy of the Life fund which results in an actuarial surplus or deficit. The valuation of insurance contract liabilities involves significant judgement in estimating the expected future outflows. Specifically, the actuarial assumptions and methodologies involve judgement about future events. The valuation results are also dependent on the quality, integrity and accuracy of the data used. The assumptions in the valuation include both economic and non-economic inputs. Economic assumptions such as discount rates, investment returns, and inflation rates are benchmarked to available market information. Non-economic assumptions such as mortality rates, future expenses, investment returns, discount rates and lapse rates, are projected based on past experience. Additional qualitative judgement is applied in assessing the extent to which past trends may or may not recur in the future. A margin for adverse deviation is included in the liability valuation. However, changes in the assumptions and methodology can have a material impact.	Our procedures included the following: • We worked with our internal actuaries to assess the results of management actuarial valuations as at 31 December 2021; • We compared the data used in the valuation to the existing policyholder data for consistency; • We assessed the appropriateness of the methodology and assumptions, including the risk margins, used by the statutory actuary and management in the estimation of the life assurance fund as at 31 December 2021; • We assessed the reasonableness of the economic assumptions used in comparison to market observable data or Group's past experience where applicable; and • We evaluated whether the actuary appointed by management has the relevant expertise and experience in this field, and is independent and objective.

FINANCIAL STATEMENTS

Independent Auditor's Report

To the Shareholders of MUA Ltd

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter relating to the consolidated financial statements (Continued)	How our audit addressed the key audit matter relating to the consolidated financial statements (Continued)
Valuation of insurance contract liabilities - Short term insurance The valuation of outstanding claims reserves involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Group uses a range of actuarial methodologies to estimate these provisions. Outstanding claims reserves require significant judgement relating to factors and assumptions such as inflation, claims development patterns and regulatory changes. Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short tail, high frequency claims. Further, some catastrophic events can be more complex to model using actuarial methodologies, which increases the degree of judgement needed in estimating outstanding claims reserves. Given its complexity and significance the valuation of insurance contract liabilities-short term insurance has been considered as a Key Audit Matter.	Our procedures included the following: • We reviewed the assessment made and approach used by management to determine the outstanding claims reserves. • We agreed the consistency of the underlying claims data that are sent to the actuary in estimating general insurance loss reserves to the accounting records. This includes the testing of information sent to the actuary for the determination of claims incurred but not reported (IBNR); • We have involved our own independent actuarial specialist to evaluate the actuarial assumptions used by management based on the analysis of the experience to date, industry practice and the financial and regulatory requirements; • We evaluated management's methodology and assumptions against actuarial practices and industry standards; and • We evaluated whether the actuary has the relevant expertise and experience in this field, and is independent and objective.

Independent Auditor's Report

To the Shareholders of MUA Ltd

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter relating to the consolidated financial statements (Continued)	How our audit addressed the key audit matter relating to the consolidated financial statements (Continued)
Assessment of goodwill for impairment At December 31, 2021, goodwill amounted to Rs 434m, as detailed in Note 44 of the consolidated financial statements. The Group is required to annually test goodwill for impairment. The Group's goodwill is allocated to Cash Generating Units (CGUs) that are identified generally at a segment level. Management has assessed the performance of the CGUs to which the goodwill has been allocated and has computed their value in use. The computation of the value in use is complex and highly judgmental and is based on assumptions and estimates, including projections of future income, terminal growth rate assumptions, and discount rates.	Our procedures included the following: • We tested the principles and integrity of the Group's discounted cash flow model that supports the value-in-use calculations in order to assess the recoverable amount which was compared to the carrying amount of the goodwill; and • We evaluated management's methodology and assumptions used including projections on future income, terminal growth rate assumptions, discount rates, claims ratio and sensitivity analysis to determine the impact of those assumptions.
Investments in subsidiaries In the Company's financial statements, investments in subsidiaries are carried at cost less impairment. As detailed in Note 9 of the financial statements, the Company has an investment in subsidiaries of Rs 1,878m. At the end of each reporting period, Management makes an assessment for each individual investment as to whether there is any indicator at impairment. Management's assessment includes reviewing the performance of each subsidiary and in addition, they also compute the value in use of the investments using discounted cash flow model. The assessment of the indicators and the computation of the value in use involves management judgments and estimates. The recoverable amount of the investments, through the value in use computed, is then compared to the carrying amount of the investments. Due to the significance of the balance and the subjective nature of the assumptions used, investments in subsidiaries has been considered as a significant risk and an area of focus.	Our procedures included the following: • We have tested the principles and integrity of the Company's recoverable amount which was compared to the carrying amount of the investment in subsidiaries. We have assessed the appropriateness of the methodology applied in the Company's impairment assessment of investment in subsidiaries; and • Where applicable, we evaluated management's methodology and assumptions used including projections on future income, terminal growth rate assumptions, discount rates and sensitivity analysis to determine the impact of those assumptions.

Independent Auditor's Report

To the Shareholders of MUA Ltd

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Other Information

The Directors are responsible for the other information. The other information comprises the statutory disclosures, the corporate governance report 2021, the risk management report 2021 and the secretary's certificate but does not include the consolidated and separate financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the Chairman's Report, About MUA Performance and Strategy and Sustainability report, which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Report, About MUA Performance and Strategy and Sustainability report not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

In addition to the responsibilities described above and our work undertaken in the course of the audit, the Financial Reporting Act 2004 requires us to report certain matters as described below.

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance (the "Code") disclosed in the corporate governance report 2021 and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the corporate governance report 2021, the Company has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

The Directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

Independent Auditor's Report

To the Shareholders of MUA Ltd

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Independent Auditor's Report

To the Shareholders of MUA Ltd

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

(a) we have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditor of the Company and of some of its subsidiaries and as tax and/or business advisors of the Company and some of its subsidiaries and dealings in the ordinary course of business with the Company and some of its subsidiaries;

(b) we have obtained all the information and explanations we have required; and

(c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Other Matter

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

PricewaterhouseCoopers

John Li How Cheong, licensed by FRC

30 March 2022

Statements of Financial Position

As at 31 December 2021

	Notes	THE GROUP 2021 Rs'000	THE GROUP 2020 Rs'000	THE COMPANY 2021 Rs'000	THE COMPANY 2020 Rs'000
ASSETS					
Non-current assets					
Property and equipment	5	361,074	357,889	-	-
Right of use assets	6	102,617	115,067	-	-
Investment properties	7	554,071	520,035	-	-
Intangible assets	8	736,013	733,096	-	-
Investments in subsidiaries	9	-	-	1,877,842	1,872,582
Investment in associate	10	1,080	1,080	-	-
Investment in joint ventures	11	15,057	18,875	495	495
Financial assets at fair value through other comprehensive income	12 (a)	1,259,400	1,313,022	-	-
Financial assets at fair value through profit or loss	12 (b)	4,122,933	3,356,883	-	-
Debt instruments at amortised cost	12 (c)	7,333,505	6,227,469	939,982	652,545
Loans and receivables	13	530,217	604,184	102,817	-
Deferred income tax assets	19	39,100	52,622	-	-
		15,055,067	13,300,222	2,921,136	2,525,622
Current assets					
Financial assets at fair value through other comprehensive income	12 (a)	80,381	54,400	-	-
Debt instruments at amortised cost	12 (c)	1,679,764	1,099,159	8,419	95,909
Loans and receivables	13	146,381	155,774	-	-
Insurance and other receivables	14	1,608,933	1,288,193	-	-
Prepayments		49,893	8,631	-	-
Deferred acquisition costs receivable	15 (b)	244,501	212,130	-	-
Current income tax assets	23 (b)	23,616	19,849	-	-
Amount receivable from related parties	47	-	-	6,850	6,850
Reinsurance assets	15 (a)	2,037,275	1,715,058	-	-
Cash and cash equivalents	43 (b)	1,097,436	1,247,364	13,911	149,790
		6,968,180	5,800,558	29,180	252,549
Assets held for sale	46	-	101,876	-	-
Total assets		22,023,247	19,202,656	2,950,316	2,778,171

The notes on pages 162 to 257 form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2021

	Notes	THE GROUP 2021 Rs'000	THE GROUP 2020 Rs'000	THE COMPANY 2021 Rs'000	THE COMPANY 2020 Rs'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	16	1,198,142	1,138,104	1,198,142	1,138,104
Total reserves		2,749,679	2,400,547	1,142,584	1,129,761
Non-distributable share of Life surplus		9,866	1,661	-	-
Total ordinary shareholders' equity		3,957,687	3,540,312	2,340,726	2,267,865
Non-controlling interests		793,818	698,519	-	-
Total equity		4,751,505	4,238,831	2,340,726	2,267,865
Technical provisions					
Life assurance fund	17	8,902,468	7,778,400	-	-
Investment contract liabilities	18	1,297,548	1,107,302	-	-
Insurance contract liabilities	15 (a)	4,772,195	3,995,471	-	-
		14,972,211	12,881,173	-	-
Non-current liabilities*					
Borrowings	21	604,216	504,204	604,216	504,204
Deferred income tax liabilities	19	94,409	97,989	-	-
Lease liabilities	6	56,408	81,677	-	-
Employee benefit obligations	20	13,952	16,930	-	-
		768,985	700,800	604,216	504,204
Current liabilities*					
Borrowings	21	-	100,000	-	-
Trade and other payables	22	1,303,829	956,149	4,431	3,206
Deferred acquisition costs payable	15 (c)	157,759	150,246	-	-
Lease liabilities	6	57,252	45,214	-	-
Amount due to related parties	47	-	-	545	2,795
Current income tax liabilities	23 (b)	11,706	28,367	398	101
		1,530,546	1,279,976	5,374	6,102
Liabilities held for sale	46	-	101,876	-	-
Total liabilities		17,271,742	14,963,825	609,590	510,306
Total equity and liabilities		22,023,247	19,202,656	2,950,316	2,778,171

* exclude technical provisions

These financial statements have been approved for issue by the Board of Directors on: 30 March 2022

Bertrand CASTERES
Group CEO

Mushtaq OOSMAN
Director

The notes on pages 162 to 257 form an integral part of these financial statements.

Statements of Profit or Loss

For the Year Ended 31 December 2021

	Notes	THE GROUP		THE COMPANY	
		2021	2020	2021	2020
		Rs'000	Rs'000	Rs'000	Rs'000
Gross premium earned	24 (a)	6,679,655	5,237,703	-	-
Premium ceded to reinsurers	24 (b)	(2,006,825)	(1,411,609)	-	-
Net earned premiums		4,672,830	3,826,094	-	-
Fees and commission income	25	428,840	309,916	-	-
Revenue from contracts with customers	25	22,370	20,671	-	-
Investment income	26	101,942	38,743	162,702	144,288
Interest calculated using EIR	27	667,997	641,308	33,626	21,965
Credit loss expenses		5,372	(3,568)	(678)	(974)
Net realised gains/(losses)	28	183,570	(1,452)	-	-
Net unrealised gains/(losses)	29	761,571	(238,201)	-	-
Other operating income	30	142,638	133,513	1,447	11,904
Total Income		6,987,130	4,727,024	197,097	177,183
Gross claims paid	15	(3,501,701)	(2,821,781)	-	-
Claims ceded to reinsurers	15	634,014	415,554	-	-
Gross change in contract liabilities	15	(1,517,054)	(247,254)	-	-
Change in contract liabilities ceded to reinsurers	15	145,622	284,966	-	-
Net claims and benefits		(4,239,119)	(2,368,515)	-	-
Change in investment contract liabilities	18	(144,051)	(66,063)	-	-
Commission and brokerage fees paid	31	(805,492)	(640,589)	-	-
Other operating and administrative expenses	32	(1,270,289)	(1,156,262)	(19,237)	(13,299)
Total claims, benefits and other expenses		(6,458,951)	(4,231,429)	(19,237)	(13,299)
Profit from operations		528,179	495,595	177,860	163,884
Finance costs	33	(27,110)	(36,760)	(17,781)	(21,881)
Share of loss from joint ventures	11	1,175	(2,201)	-	-
Profit before income tax		502,244	456,634	160,079	142,003
Income tax expense	23 (a)	(87,720)	(91,611)	(4,636)	(1,621)
Profit for the year		414,524	365,023	155,443	140,382
Attributable to:					
Equity holders of the parent		390,541	333,972		
Non-controlling interests		23,983	31,051		
		414,524	365,023		
Earnings per share:					
- Basic (Rs)	42	7.71	7.24		
- Diluted (Rs)	42	7.64	7.19		

The notes on pages 162 to 257 form an integral part of these financial statements.

Statements of Comprehensive Income

For the Year Ended 31 December 2021

	Notes	THE GROUP		THE COMPANY	
		2021	2020	2021	2020
		Rs'000	Rs'000	Rs'000	Rs'000
Profit for the year		414,524	365,023	155,443	140,382
Other comprehensive Income					
Items to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		156,039	65,681	-	-
Increase/(decrease) arising on revaluation of financial assets at fair value through other comprehensive income		64,341	(72,706)	-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		220,380	(7,025)	-	-
Items that will not be reclassified to profit or loss in subsequent periods:					
(Decrease)/increase arising on revaluation of financial assets at fair value through other comprehensive income		(46,146)	144,109	-	-
Income tax effect		-	424	-	-
		(46,146)	144,533	-	-
Re-measurement gains/(losses) on defined benefit plans		5,444	(3,016)	-	-
Income tax effect		(926)	512	-	-
		4,518	(2,504)	-	-
Revaluation of land and buildings	5	1,430	3,420	-	-
		1,430	3,420	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		(40,198)	145,449	-	-
Other comprehensive income for the period, net of tax		180,182	138,424	-	-
Comprehensive income for the year		594,706	503,447	155,443	140,382
Attributable to:					
Equity holders of the parent		499,062	423,090		
Non-controlling interests		95,644	80,357		
		594,706	503,447		

The notes on pages 162 to 257 form an integral part of these financial statements.

FINANCIAL STATEMENTS

Statements of Changes in Equity

For the Year Ended 31 December 2021

THE GROUP

		Attributable to owners of the Parent					Attributable to owners of the Parent							
	Notes	Stated capital	IFRS 2 reserves	Share Option reserve	Revaluation reserves	Currency translation reserve	Investment revaluation reserve	Retained earnings	Contingency reserve	Non distributable reserves	Total reserves	Non distributable share of Life Surplus *	Non-controlling interests	Total equity
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2020		723,968	(4,473)	11,629	53,551	(27,400)	(72,270)	2,098,555	51,355	243	2,111,190	4,335	638,039	3,477,532
Profit for the year		-	-	-	-	-	-	333,972	-	-	333,972	-	31,051	365,023
Other comprehensive income		-	-	-	3,420	16,645	71,557	(2,504)	-	-	89,118	-	49,306	138,424
Comprehensive income		-	-	-	3,420	16,645	71,557	331,468	-	-	423,090	-	80,357	503,447
Share based payment		-	3,578	-	-	-	-	-	-	-	3,578	-	-	3,578
Movement in reserves*		-	-	-	-	-	-	(4,850)	4,850	-	-	-	-	-
Transfer of distributable share of Life Surplus		-	-	-	-	-	-	2,674	-	-	2,674	(2,674)	-	-
Acquisition of non-controlling interests								(2,711)	-	-	(2,711)	-	(19,848)	(22,559)
Right issue	16	414,136	-	-	-	-	-	-	-	-	-	-	-	414,136
Dividends	36	-	-	-	-	-	-	(137,274)	-	-	(137,274)	-	(29)	(137,303)
At 31 December 2020		1,138,104	(895)	11,629	56,971	(10,755)	(713)	2,287,862	56,205	243	2,400,547	1,661	698,519	4,238,831
At 01 January 2021		**1,138,104**	**(895)**	**11,629**	**56,971**	**(10,755)**	**(713)**	**2,287,862**	**56,205**	**243**	**2,400,547**	**1,661**	**698,519**	**4,238,831**
Profit for the year		-	-	-	-	-	-	390,541	-	-	390,541	-	23,983	414,524
Other comprehensive income		-	-	-	1,144	85,184	17,675	4,518	-	-	108,521	-	71,661	180,182
Comprehensive income		-	-	-	1,144	85,184	17,675	395,059	-	-	499,062	-	95,644	594,706
Share based payment		-	895	5,260	-	-	-	-	-	-	6,155	-	-	6,155
Movement in reserves*		-	-	-	-	4,689	-	(11,028)	6,339	-	-	-	-	-
Transfer of gains on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	-	(2,985)	2,985	-	-	-	-	-	-
Transfer of distributable share of Life Surplus		-	-	-	-	-	-	(8,205)	-	-	(8,205)	8,205	-	-
Share issue	16	60,038	-	-	-	-	-	-	-	-	-	-	-	60,038
Dividends	36	-	-	-	-	-	-	(147,880)	-	-	(147,880)	-	(345)	(148,225)
At 31 December 2021		1,198,142	-	16,889	58,115	79,118	13,977	2,518,793	62,544	243	2,749,679	9,866	793,818	4,751,505

* As per the Insurance Act of the respective foreign countries, a transfer of 2% of the gross premium is made from retained earnings to the contingency reserve.

The notes on pages 162 to 257 form an integral part of these financial statements.

Statements of Changes in Equity

For the Year Ended 31 December 2021

THE COMPANY

	Note	Stated capital	Share Option reserve	Restructuring reserve	Retained earnings	Total reserves	Total equity
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2020		723,968	7,156	1,119,394	103	1,126,653	1,850,621
Profit for the year		-	-	-	140,382	140,382	140,382
Other comprehensive income		-	-	-	-	-	-
Comprehensive income		-	-	-	140,382	140,382	140,382
Right issue		415,830	-	-	-	-	415,830
Issue costs		(1,694)	-	-	-	-	(1,694)
Dividends	36	-	-	-	(137,274)	(137,274)	(137,274)
At 31 December 2020		1,138,104	7,156	1,119,394	3,211	1,129,761	2,267,865
At 01 January 2021		**1,138,104**	**7,156**	**1,119,394**	**3,211**	**1,129,761**	**2,267,865**
Profit for the year		**-**	**-**	**-**	**155,443**	**155,443**	**155,443**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**
Comprehensive income		**-**	**-**	**-**	**155,443**	**155,443**	**155,443**
Share based payment		**-**	**5,260**	**-**	**-**	**5,260**	**5,260**
Issue of shares	16	**60,038**	**-**	**-**	**-**	**-**	**60,038**
Dividends	36	**-**	**-**	**-**	**(147,880)**	**(147,880)**	**(147,880)**
At 31 December 2021		**1,198,142**	**12,416**	**1,119,394**	**10,774**	**1,142,584**	**2,340,726**

The notes on pages 162 to 257 form an integral part of these financial statements.

Statements of Cash Flows

For the Year Ended 31 December 2021

	Notes	THE GROUP 2021	THE GROUP 2020	THE COMPANY 2021	THE COMPANY 2020
		Rs'000	Rs'000	Rs'000	Rs'000
Operating activities					
Net cash (used in)/generated from operations	43 (a)	**(1,289,785)**	319,120	**(17,847)**	28,098
Dividend received		**93,669**	23,832	**162,702**	144,288
Interest received		**711,337**	606,458	**32,858**	10,315
Interest paid		**10,674**	(16,802)	**(17,769)**	(21,881)
Proceeds on disposal/maturity of financial assets		**990,134**	294,648	**-**	-
Purchase of financial assets		**(1,583,950)**	(833,476)	**-**	-
Loans and receivables disbursed		**(71,320)**	(93,368)	**-**	-
Loans and receivables repaid		**143,109**	161,350	**-**	-
Income tax paid	23 (b)	**(102,859)**	(62,075)	**(1,292)**	-
Net cash (used in)/from operating activities		**(1,098,991)**	399,687	**158,652**	160,820
Investing activities					
Proceeds on disposal of property and equipment		**1,967**	165	**-**	-
Proceeds on disposal/maturity of financial assets		**1,614,265**	1,713,336	**93,878**	-
Purchase of property and equipment	5	**(46,904)**	(20,130)	**-**	-
Purchase of intangible assets	8	**(45,568)**	(30,579)	**-**	(885,528)
Purchase of financial assets	12	**(1,896,765)**	(1,400,005)	**(299,802)**	518,425
Purchase of additional stake in subsidiary	9 (a)	**-**	(22,560)	**-**	-
Loans and receivables disbursed		**(60,531)**	(71,878)	**(100,000)**	-
Loans and receivables repaid		**79,579**	89,662	**-**	-
Acquisition of subsidiaries	45	**-**	(353,130)	**-**	(22,559)
Amount received from subsidiary		**-**	-	**(2,047)**	4,055
Change in investment contract liabilities		**1,314,313**	89,038	**-**	-
Net cash from/(used in) investing activities		**960,356**	(6,081)	**(307,971)**	(385,607)
Financing activities					
Rights issue		**-**	414,136	**-**	414,136
Issue of shares		**60,038**	-	**60,038**	-
Issue of notes		**100,000**	-	**100,000**	-
Repayment of principal portion - lease liabilities		**(29,844)**	(19,684)	**-**	-
Dividends - Owners of the Parent	36	**(147,880)**	(137,274)	**(147,880)**	(137,274)
- Non-controlling interest		**(345)**	(29)	**-**	-
Net cash (used in)/from financing activities		**(18,031)**	257,149	**12,158**	276,862
Net (decrease)/increase in cash and cash equivalents		**(156,666)**	650,755	**(137,161)**	52,075
Movement in cash and cash equivalents					
At 01 January		**1,247,364**	611,685	**149,790**	97,715
Net (decrease)/increase in cash and cash equivalents		**(156,666)**	650,755	**(137,161)**	52,075
Exchange gain/(loss) on cash and cash equivalents		**6,738**	(15,076)	**1,282**	-
At 31 December	43 (b)	**1,097,436**	1,247,364	**13,911**	149,790

The notes on pages 162 to 257 form an integral part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2021

1. CORPORATE INFORMATION AND ACTIVITIES

MUA Ltd (the "Company") is a public company incorporated and registered as a limited liability company in Mauritius on 03 July 2018 under the Mauritian Companies Act 2001. These financial statements will be submitted for adoption at the forthcoming Annual Meeting of the Company. The Company is domiciled in the Republic of Mauritius and the address of its registered office is 4 Léoville l'Homme Street, Port Louis.

The principal activity of the Company is to hold investments in companies which transact in all classes of insurance business and also in granting secured loans and investing in shares.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The separate and consolidated financial statements have been prepared under the historical cost basis except for the revaluation of land and buildings, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are stated at their fair values.

The consolidated financial statements are presented in Mauritian Rupee (Rs) rounded to the nearest thousand ('000), unless otherwise indicated.

Statement of compliance

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC), and comply with the Mauritian Companies Act 2001.

The principal accounting policies applied in the preparation of these separate and consolidated financial statements are set out below:

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries referred to as the "Group". The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the subsidiaries' financial statements to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Amalgamation of entities

Transactions in which combining entities are controlled by the same party or parties before and after the transaction, and that control is not transitory, are referred to as common control transactions. The Group has elected to apply predecessor values with the retrospective method of presentation for common control transactions. Therefore, no purchase price allocation is performed and any difference between the net asset value and the amount paid (i.e., the purchase consideration) is recorded directly in the common control/ restructuring reserve in equity. During the year ended 31 December 2021, the operations of two subsidiaries, MUA (Kenya) Ltd and Saham Assurance Co Kenya Limited were merged, with MUA (Kenya) Ltd as the surviving entity. This amalgamation did not have any impact on the consolidated financial statements of the Group.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

Impact of Covid-19

The Corona Virus (Covid-19) has had most countries in a state of complete or partial lockdown over the past two years. While it is still not possible to tell exactly the economic damage from the Covid-19 pandemic, at MUA Group the impact was mitigated. The Group has a strong balance sheet and is well capitalised. The Group's book of business is well-diversified with a lot of retail clients and no particular concentration. On the liquidity side, the Group's financial assets are highly liquid and it also has cash call arrangements with its high-rated reinsurers in case of major claims.

Loans are well collateralised and the impact is not significant. The Group has put in place a business continuity plan that allows the business to operate without major disruptions. Further, the Group is, and will continue to be, operational on a work-from-home basis having sufficient remote work capabilities in terms of access, capacity and bandwidth for employees for extended period of time.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures

Standards and amendments effective for accounting period beginning on 01 January 2021

A number of new standards and amendments to standards and interpretations are effective for the first time for the financial year beginning on 01 January 2021. None of these had a significant effect on the financial statements of the Group and the Company.

New standards, interpretations and amendments that are not yet effective and have not been early adopted

Several new standards, interpretations and amendments to standards become effective for annual periods beginning after 01 January 2021. None is expected to have a significant impact on the financial statements of the Group and the Company, except IFRS 17 'Insurance contracts' which is effective for annual periods beginning on or after 01 January 2023.

Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. The transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis at the end of each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation of the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

The Group plans to adopt the new standard on the required effective date. The Group expects that the new standard will result in an important change to the accounting policies of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

The directors have appointed an external consultant to assist the insurance companies of the Group in the implementation journey of IFRS 17. After having performed a detailed gap analysis and the acquisition of the necessary tools, the Group had put in place the necessary policy and methodology decisions and spent considerable time and effort in data transformation for sprint runs. The external consultant is also working closely with the internal team in order to bring the operational and technical changes for a smooth transition to IFRS 17, as well as to upskill the resources.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation

The Group's consolidated financial statements are presented in Rs which is also the parent's functional currency. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within finance costs. All other foreign exchange gains and losses are presented in profit or loss on a net basis within 'other gains/losses'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Insurance contracts

(i) Classification of insurance contracts

The Group issues contracts which transfer insurance risk. Insurance contracts are those contracts which transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

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

<u>Short-term insurance contracts</u>

Short-term insurance contracts are mainly in respect of motor business but the Group also sells fire and allied perils, health, marine, engineering and other miscellaneous insurance contracts. These contracts protect the Group'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.

The short-term contracts are grouped into two broad categories: casualty and property. Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

<u>Long-term insurance contracts</u>

These contracts insure human life events (e.g., death or survival) over a long duration. A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Group with the consideration received from the contract holders after deducting life charges, administration charges and any unpaid charges. The Group does not separately measure any embedded derivatives as they qualify for recognition as an insurance contract. As such they are measured as insurance contracts.

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the Gross Premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding. Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Insurance contracts (Continued)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in profit or loss and subsequently, an additional insurance liability for the remaining loss is established. In subsequent periods the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

<u>Long-term insurance contracts without fixed terms and with DPF</u>

Some insurance contracts contain a Discretionary Participation Feature ("DPF"). These types of insurance contracts entitle the contract holder, in supplement of a guaranteed amount, to a contractual right to receive additional profits or bonuses. The magnitude of the profits or bonuses as well as the timing of the payments is however at the discretion of the Group. The Group has an obligation to eventually pay to contract holders 93.5% (2020: 93.5%) of the DPF eligible surplus (i.e., all interest and realised gains and losses arising from the assets backing these contracts). The remaining 6.5% (2020: 6.5%) accrues to the shareholders. Any portion of the DPF eligible surplus accruing to contract holders that is not declared as a profit or bonus is retained as a liability in the Life Assurance Fund, until declared and credited to contract holders in future periods. The portion of the DPF eligible surplus accruing to shareholders is transferred annually to a Non Distributable reserve under shareholder's equity. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

100% of all profits arising out of the non-profit annuity and unit-linked books of business are now allocated to shareholders.

<u>Unit linked contracts</u>

These are insurance contracts which include an embedded derivative linking payments on the contracts to units of an internal investment fund set up by the Group with the consideration received from contract holders. This embedded derivative meets the definition of an insurance contract and has therefore not been accounted for separately from the host insurance contract. The liability of such contracts is adjusted for all changes in the fair value of underlying assets.

(ii) Reinsurance contracts

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

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Insurance contracts (Continued)

(iii) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. Receivables are tested for impairment when there are indications that the balances might not be recoverable. Indication of impairment includes among others: payment terms not satisfied, agents/ brokers facing financial difficulties, balance from individuals are long overdue. For balances that are less than 365 days, a portfolio provision is made by the Group and balances over 365 days are fully provided for.

For the life business, it is industry practice that the Company will send reminders for balances due from the policyholders and the process of sending reminders is embedded in the law. Where the balances remained unsettled after 3 months and all procedures have been followed, the Company will issue a mise-en-demeure to the policyholders, and if the balances remained unsettled, the policies are cancelled or the status is changed into paid up. All balances due after the procedures have been carried, usually this process can take up to six months, are written off and no premiums are billed because the status of the policies has been set to non-active. The write offs are accounted against the premium account.

(iv) Impairment of reinsurance assets

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment in profit or loss. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of that asset, that the Group may not recover all amounts due under the terms of the contract and that the event has a measurable impact on the amounts that the Group will receive from the reinsurer.

(v) Claims expenses and outstanding claims provisions

Outstanding claims provisions are based on the ultimate costs of all claims incurred but not settled at the end of reporting period, whether reported or incurred but not reported ("IBNR"). Notified claims are only recognised when the Group considers that it has a contractual liability to settle the claims. IBNR has been provided for on an actuarial method which consists in the projection of IBNR claims based on the claims reporting delay pattern for the Group over the last ten years. Claims expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties.

There are often delays between the occurrence of the insured event and the time it is actually reported to the Group, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the end of the reporting period. Following the identification and notification of the insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. Outstanding claims 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, salvage or subrogate under the terms of the insurance contracts are included when providing for outstanding claims. The liability is not discounted due to the fact that the exact timing and actual amount to be paid cannot be determined.

Benefits are recorded as an expense when they are incurred.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Insurance contracts (Continued)

(vi) Salvage and subrogation reimbursements

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liabilities for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

(vii) Deferred acquisition costs

The liability for commissions payable is recognised at the inception date of the insurance contract/endorsement.

Commissions payable and reinsurance commissions receivable relating to unexpired premiums are recognised and released to profit or loss as and when the premiums are earned.

(viii) Provision for unearned premiums

The provision for unearned premiums represents the portion of premiums written on short-term insurance contracts relating to periods of insurance risks subsequent to the reporting date. It is calculated on the inception basis (daily method). The movement in the provision is taken to profit or loss in order for revenue to be recognised over the period of the risk. The provision is derecognised when the contract expires, is discharged or cancelled.

(ix) Liability adequacy test

Short-term insurance contracts

At end of each reporting period, the Group's Independent actuary reviews the adequacy of the contract liabilities. In performing the test, current best estimates of future contractual cash flows (including claims handling and administration expenses) and expected investment returns on assets backing such liabilities are used. Any deficiency is immediately charged to profit or loss and a provision is established for losses arising from the liability adequacy test (the unexpired risk provision).

Long-term insurance contracts

The Group's Independent Actuaries review the adequacy of insurance liabilities for long-term insurance contracts on an annual basis and ensure that provisions made by the Group are adequate.

(x) Investment contract liabilities

Investment contracts are contracts without DPF. Investment contract liabilities without DPF are recognised when contracts are entered into. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in profit or loss.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Insurance contracts (Continued)

Fair value adjustments are performed at each reporting date and are recognised in profit or loss in "movement in contract liabilities". For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit prices at the reporting date are valued on a basis consistent with their measurement basis in the statement of financial position.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above.

2.5 Financial instruments

(i) Financial assets

Initial recognition

Financial assets with the exception of loans and receivables, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and receivables are recognised when funds are transferred to the customers' accounts.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss are expensed in profit or loss.

Classification of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. The Group's financial assets are measured at either:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

This classification depends on whether the financial asset is a debt or equity instrument. The following table shows the classification of the different types of financial assets:

Classification	*Type of financial assets included*
Amortised cost	Deposits, corporate bonds, government debt securities, amounts receivable, loans and receivables and cash and cash equivalents
Fair value through other comprehensive income	Quoted and unquoted equity and debt securities
Fair value through profit or loss	Government bonds, quoted corporate bonds, quoted and unquoted securities, and investment in open ended mutual funds

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (Continued)

(i) Financial assets (continued)

Amortised cost

The Group only measures debts instruments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

If either of the two criteria above is not met, the debt instrument is classified as fair value through other comprehensive income or fair value through profit or loss.

A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the financial asset is derecognised or impaired. Interest revenue shall be calculated using the effective interest method.

The Group directly reduces the gross carrying amount of a financial asset when it has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Fair value through other comprehensive income ("FVOCI")

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Impairment gains and losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

For equity investments not classified as fair value through profit or loss, the Group can make an irrevocable election at initial recognition to recognise changes in fair value through OCI. Where the directors have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

Fair value through profit or loss ("FVTPL")

The Group classifies financial assets as held for trading when they have been purchased primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured at fair value. Changes in fair value are recognised in profit or loss and presented as part of 'net realised gains/losses' in the period in which they arise.

Financial assets in this category are mandatorily classified as at FVTPL as they have been acquired principally for the purpose of selling or repurchasing in the near term. The Group has not designated any debt investment measured at FVTPL to eliminate or significantly reduce an accounting mismatch.

Interest and dividend income is recorded in profit or loss according to the terms of the contract, or when the right to payment has been established.

Notes to the Financial Statements
For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (Continued)

(i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement;
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at FVTPL or other financial liabilities at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, lease liabilities, bank overdrafts and borrowings, which are classified as at amortised cost.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ("EIR"). The EIR amortisation is included in 'Finance costs' in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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Notes to the Financial Statements
For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (Continued)

(iii) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses will not be offset in profit or loss unless required or permitted by any accounting standard or interpretation.

2.6 Impairment of financial assets

(i) Overview of the Expected Credit Loss ("ECL") principles

The ECL allowance is based on the credit loss expected to arise over the life of the asset (the lifetime ECL or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 3.2.2.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 3.2.2.

Based on the above process, financial instruments are grouped into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2. Management determines that credit risk has improved when the client has not defaulted for a consecutive 6 months' period.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. The loans are transferred from Stage 3 to Stage 2 where the client has consistently paid all instalments for a consecutive 9 months' period.
- Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECLs. For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the asset is credit impaired and interest is calculated on the amortised cost based on a credit-adjusted effective interest rate.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of financial assets (Continued)

(ii) Calculation of ECLs

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanics of the ECL method is summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

(iii) Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the reporting date. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(iv) Collateral valuation

To mitigate its credit risk on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third party valuers.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. A subsidiary is an entity (including structured entities) over which the Company has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Separate financial statements

Investments in subsidiaries in the separate financial statements of the Company are carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

2.8 Investment in associate

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies. This is generally the case when the Group holds between 20% and 50% of the voting rights.

The investment in associate is accounted for using the equity method whereby it is carried at cost plus post-acquisition changes in the share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The profit or loss reflects the share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in associate and its carrying value and recognises the amount in the 'Share of profit/(loss) from associate' in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment is recognised in profit or loss.

2.9 Investment in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The investment in joint venture is accounted for using the equity method, as described in note 2.8. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint venture, similar to its investment in associate.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

2.11 Dividend payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are approved. Final dividends which are approved after the reporting date are dealt with as a non-adjusting event.

2.12 Contingency reserve

A contingency reserve was created by one of the overseas subsidiaries in order to comply with its local Insurance Act Regulations. This reserve is required to cover fluctuations in securities and variation in statistical estimates.

2.13 Non–controlling interests

Non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Non-controlling interests may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. All non-controlling interests have been measured at the proportionate share of the acquiree's identifiable net assets.

2.14 Shareholders' share of the surplus generated by the Life Business

The Group recognises the shareholders' share of the DPF eligible surplus on an annual basis and transfers this amount from/to the Life Assurance Fund to/from the shareholders' share of Life surplus in equity. The non-distributable share of the surplus is transferred annually from retained earnings to a non-distributable reserve. Whenever bonuses are paid/credited to policyholders, an amount representing 6.5 % (2020: 6.5%) of these bonuses is transferred from the non-distributable reserve to retained earnings in the statement of changes in equity.

2.15 Life Assurance Fund

At the end of every year, the amount of the liabilities of the life assurance fund is established. A portion of the surplus between the value of the assets and the value of the liabilities is transferred to profit or loss. The adequacy of the fund is determined annually by actuarial valuation.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Property and equipment

Land and buildings are recognised at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. The valuation is performed every three years. However, directors assess whether the carrying amount has not changed significantly in the intermediate years. All other property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated by the revalued amount of the asset. Any revaluation surplus is recognised in OCI and accumulated in the revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

Cost excludes the cost of day-to-day servicing. Replacement or major inspection costs are capitalised when incurred and if probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amount, to its residual values over its estimated useful life as follows:

	Rate per annum
Buildings	2%
Office equipment, computers, fixtures, fittings and other electricals	10 - 33.33%
Motor vehicles	20%

Freehold land is not depreciated.

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

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and the disposal proceeds are taken into account in determining operating profit. On disposal of revalued assets, any amounts in revaluation reserve relating to those assets are transferred to retained earnings.

2.17 Investment properties

Properties held to earn rentals or capital appreciation or both and not occupied by the Group are classified as investment properties. They are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss. Fair values are determined based on the valuation performed by an accredited external, independent valuer.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers made to or from investment properties are only made when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Acquisition of client portfolio

The cost of acquisition of a client portfolio is capitalised and amortised using the straight-line method over five to twenty-five years.

Computer software

Computer software is initially recorded at cost and amortised using the straight-line method over the estimated useful life of 5 years.

Goodwill

Goodwill is not amortised but tested for impairment annually.

2.19 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

2.20 Cash and cash equivalents

Cash and short-term deposits comprise cash at banks and on hand, and short-term deposits with original maturities of three months or less. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost. For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions are recognised when the Group 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 Group 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised in finance cost.

2.22 Retirement benefit obligations

(i) Defined Contribution Pension Scheme

Retirement benefits to employees of the local subsidiaries of the Group are provided by a Defined Contribution Pension Scheme, the Mauritius Union Group Pension Scheme, which is funded by contributions from the Group and the employees. Payments made by the Group are charged to profit or loss in the year in which they are payable.

Members of the Defined Contribution Scheme, who were previously members of the MUA Staff Pension Scheme, a Defined Benefit Scheme, are entitled to a No Worse Off Guarantee ("NWOG") based on the benefits of the Defined Benefit Pension Scheme.

The local and foreign subsidiaries contribute to the statutory National Social Security Fund in the respective countries. Contributions to these schemes are determined by local statute. The obligations to retirement benefits are charged to profit or loss in the year to which they relate.

(ii) Defined Benefit Scheme

For Defined Benefit retirement benefit plans, the cost of providing benefits using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes on the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognised in OCI in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expenses or income and
- Remeasurement.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Notes to the Financial Statements
For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Income taxes

The income tax expense or credit for the year is the tax payable on the current period's taxable income, based on the applicable income tax rate, adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and consider whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

Corporate Social Responsibility

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility ("CSR") is regarded as a tax and is therefore subsumed with the income tax shown within the statement of profit or loss and the income tax liability on the statement of financial position.

The CSR charge for the current period is measured at the amount expected to be paid to the Mauritian tax authorities. The CSR rate and laws used to compute the amount are those charged or substantively enacted by the end of the reporting period.

Alternative Minimum Tax (AMT)

Prior to 01 January 2021, as per section 17(5) of Income Tax Regulation, the net income of MUA Life Ltd was the difference between:

A. the income from investment held by the company in connection with its life insurance business but excluding that attributable to the general annuity business and pension business in that income year; and

B. the sum of all management expenses incurred and all commissions paid by the company and all allowable deductions.

However, for the year ended 31 December 2021, as introduced by the Finance Act 2021 and as per Section 50 (1A) of the Income Tax Act, the tax payable by MUA Life Ltd is now the higher of (a) the normal tax payable; or (b) 10% of the relevant profit.

Notes to the Financial Statements
For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition

The Group mainly transacts in all classes of insurance business and it also administers pension schemes, provides actuarial services advice and investment advice to its clients under contract. Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from sale of services is recognised over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(i) Premiums earned

Premiums on short-term insurance contracts represent gross premiums net of premiums ceded to reinsurers and are recognised as revenue (net earned premiums) on an inception basis (daily method).

Gross recurring premiums on life business are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Gross reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

(ii) Consideration for annuities

Consideration for annuities is recognised in the Life Assurance Fund when receivable.

(iii) Other revenues

Other revenues are recognised on the following bases:

- Fees and commission income - on the accrual basis in accordance with the substance of the relevant agreements.
- Interest income - it is recognised using the effective interest method as it accrues.
- Dividend income - when the shareholder's right to receive payment is established.

(iv) Revenue from contracts with customers

The policy fees are revenues recognised at a point in time. This is generally when the policy contracts are finalised with the customer. Most of the revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. For most contracts, there is a fixed fee for each policy sold.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Fair value measurement

The Group measures financial instruments, such as, financial assets at fair value through profit or loss, financial assets at fair value through OCI, and non-financial assets such as investment properties, land and buildings, at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are also disclosed in Note 38.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The level in the hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Group. The directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group's valuation committee determines the policies and procedures for recurring and non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The valuation committee, in conjunction with the Group's external valuers, also compares each of the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases

The Group as lessee

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. The Group assesses whether the contract meets 3 key evaluations:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- The Group has the right to direct the use of the identified asset throughout the period of use.

The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group leases space for its branches and the rental contracts are for fixed periods but may have renewal option as described below. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. The Group has elected to separate lease and non-lease components and accounts for these as two separate components. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from lease contracts are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Amounts expected to be payable under residual value guarantees

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost, comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. While the Group revalues its land and buildings that are presented within property and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Extension and termination options

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

The Group as lessor

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Non-current assets and liabilities held-for-sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

2.28 Share-based payment

The Company has a Group Share Option Scheme where executive management team of its subsidiaries receive remuneration in the form of share-based payments, whereby they render services as consideration for equity instruments of the Company (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. In the separate financial statements, the cost is recognised as a quasi-capital contribution in the subsidiaries, together with a corresponding increase in reserves in equity, over the period in which the performance and/ or service conditions are fulfilled in employee benefits expense. At Group level, the cumulative expenses are recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

2.29 Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Valuation of insurance contract liabilities

The uncertainty inherent in the financial statements of the Group arises mainly in respect of insurance liabilities, which include 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 Group applies estimation techniques to determine the appropriate provisions.

These estimates are described below:

<u>Short-term insurance business</u>

Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims' settlement trends for the claims incurred but not reported. General insurance loss reserves require significant judgment relating to factors and assumptions such as inflation, claims development patterns and regulatory changes.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Significant accounting judgments, estimates and assumptions (Continued)

Valuation of insurance contract liabilities (Continued)

Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, not all catastrophic events can be modelled using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

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

<u>Long-term insurance business</u>

The liability for life insurance contracts with DPF is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on the Ultimate Table (UK) which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure. The operational assumptions are informed by actual experience, market experience and practice, and expectations as to future trends. Economic assumptions are typically based on latest market conditions and are set in accordance with relevant guidance and the Group's approved policy.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

For long-term insurance contracts with fixed and guaranteed terms and with DPF, estimates of future deaths, voluntary terminations, investment returns and administration expenses are made at each valuation date and form the assumptions used for calculating the liabilities. A margin for risk and uncertainty is added to these assumptions. Assumptions are reconsidered each year based on the most recent operating experience and estimate of future experience and are used to recalculate the liabilities. Refer to note 3.1.3 where the sensitivity analysis is described.

Revaluation of land and buildings and investment properties

The Group measures its land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive Income. For investment properties, the changes in fair value is being recognised in profit or loss. The Group has engaged an independent professional valuer to determine the fair value. These estimates have been based on recent transaction prices for similar properties. The actual amount of the land and buildings and investment properties could therefore differ significantly from the estimates in the future. Refer to note 5 'Property and Equipment' and note 7 'Investment Properties' for more detail.

Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Significant accounting judgments, estimates and assumptions (Continued)

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Recoverable amount on insurance and other receivables

In preparing these financial statements, the directors have made estimates of the recoverable amounts of insurance and other receivables and impaired those receivables where the carrying amounts exceeded recoverable amounts. The estimation of recoverable amounts involves an assessment of the financial condition of the debtors concerned and an estimate of the timing and the extent of cash flows likely to be received by the Group.

Impairment of goodwill at Group level and investments in subsidiaries at Separate level

The recoverable amount of the cash-generating units ("CGUs") was determined based on value-in-use calculations which require the use of assumptions, including a suitable discount rate. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period.

Cash flows beyond the three-year period are extrapolated using the estimated growth rates and terminal growth. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Management does not expect that the growth rate will exceed the long term average growth rate in which the CGU operates. Management believes that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGUs. Management has reviewed the carrying amount of goodwill and investments in subsidiaries at the end of the reporting period and is in the opinion, they are not impaired.

Impairment of financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows, the collateral values and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models.

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Notes to the Financial Statements

For the Year Ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Significant accounting judgments, estimates and assumptions (Continued)

Net employee defined benefit liabilities

The cost under the employee defined benefit plans as disclosed in note 20 requires the use of actuarial valuations. The actuarial valuation involves the use of significant estimate in respect of inter-alia, discount rate, future salary increases and mortality rate. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Control over subsidiaries

The directors of the Company assessed whether or not the Group has control over its subsidiaries based on whether the Group has the practical ability to direct their relevant activities unilaterally. In making their judgment, the directors considered the Group's absolute size of holding in these subsidiaries and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has sufficient dominant voting interest to direct the relevant activities of these subsidiaries and therefore the Group has control over them.

Estimating the incremental borrowing rate for leases

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (e.g., when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Determination of lease term

In determining the lease term, management considers all facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods with termination options) are only included in the lease term if the lease term is reasonably certain to be extended (or terminated).

Change in business model

Up to September 2020, the Group's business model for the bonds portfolio of the shareholder's funds was to hold to collect contractual cash flows and as such, this portfolio was measured at amortised cost. In September 2020, the directors have re-assessed the objective of holding the bonds portfolio of the shareholder's funds. The directors noted that the advent of a secondary market for government bonds provides an opportunity to better manage liquidity needs as there is now a possibility to sell these bonds as the need arises. Internally, the ALCO closely monitors the asset-liability requirements of the Group and interest rate yields of the secondary market. Given the industry in which the Group operates, shareholder's funds form a significant and integral part of the operations of the Group. The shareholder's funds are therefore considered a significant part of the operations of the Group. The above re-assessment was approved by the directors and it resulted in the business model for the bonds portfolio of the shareholder's funds to change from 'hold to collect contractual cash flows' to 'hold to collect contractual cash flows and sell'. Consequently, the bonds were measured at fair value through comprehensive income as from the subsequent quarter beginning 01 October 2020.

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

3.1 Insurance risks

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

The main risk that the Group faces under its insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This may occur if the frequency or severity of claims and benefits 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 Group 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.

3.1.1 Insurance liabilities

(a) Short-term 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 Group's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Group has underwriting limits by type of risks and by industry. Performance of individual insurance policies is reviewed by management and the Group reserves the right not to renew individual policies. It can impose deductibles and has the right to reject the payment of a fraudulent claim. Where relevant, the Group may sue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

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

(b) Long-term Insurance

For long-term insurance contracts, where the insured event is death, the most significant factors that could impact on insurance claims are diseases like heart problems, diabetes, high blood pressure or changes in lifestyle, such as eating habits, smoking and lack of exercise, resulting in higher and earlier claims being submitted to the Group. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. The liabilities in terms of insurance contracts are based on recommendations of the Group's Independent Actuaries.

Underwriting processes are in place to manage exposure to death, disability and medical risks. The most significant measures are:

(a) Premium rates are reviewed for financial soundness by the actuary to the Life fund; and

(b) Reinsurance arrangements are negotiated in order to limit the risk on any individual contract.

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (Continued)

3.1.1 Insurance liabilities (Continued)

The nature of risks varies depending on the class of business. The material classes of business most affected by these risks are discussed below:

Individual insurance business

These are contracts providing benefits on death and disability that are sold directly to individuals. These contracts may also bear significant financial risk.

The most significant factors that could substantially increase the frequency of claims are epidemics or widespread changes in lifestyle (smoking, exercise, eating, sexual practices), resulting in more or earlier claims. Economic conditions can also potentially affect morbidity claims where benefits are determined in terms of the ability to perform an occupation.

Risk premiums may be adjusted within the terms and conditions of the contracts. There is residual mortality risk resulting from delays in identifying worsening experience and adjusting charges as well as marketing pressures. All applications are subject to underwriting rules. Applications for risk cover above certain limits are reviewed by experienced underwriters and evaluated against established standards.

To reduce cross-subsidisation of risks, and the possibility of anti-selection, premium rates differentiate on the basis of age, gender, occupation, smoker status, education, income level, and the results of underwriting investigations. Industry experience has shown these are reliable indicators of the risk exposure. All applications are subject to underwriting rules. Applications for risk cover above certain limits are reviewed by experienced underwriters and evaluated against established standards. Underwriting is done to identify abnormal risks and take appropriate actions such as additional premium loadings or alteration of benefit terms.

Reinsurance agreements are used to limit the risk on any single policyholder. Sums assured above a negotiated retention level are reinsured on a risk premium basis. Facultative arrangements are used for sub-standard lives and large sums assured.

Company insurance business

These are contracts that provide life and/or disability cover to members of a group (e.g. clients or employees of a specific company).

Contracts are similar to individual insurance contracts but there is greater risk of correlation between claims on group schemes because the assured lives live in the same geographical location or work in the same industry. Underwriting processes may be streamlined, with cover supplied up to certain limits without underwriting.

Reinsurance arrangements are in place to limit the risk on each individual life. In addition, catastrophe cover is used to limit the risk of a large number of claims arising as a result of a single event.

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (Continued)

3.1.2 Concentration of insurance risk

(a) Short-term Insurance

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

THE GROUP

	Outstanding claims			
	2021			
Class of Business	No. of claims	Gross liabilities	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	20,210	554,144	(66,780)	487,364
Fire	499	286,231	(232,856)	53,375
Personal Accident	17,872	153,618	(129,201)	24,417
Transport	207	121,745	(104,087)	17,658
Miscellaneous	3,983	774,006	(459,201)	314,805
IBNR	-	368,782	(91,965)	276,817
Total	42,771	2,258,526	(1,084,090)	1,174,436

	Outstanding claims			
	2020			
Class of Business	No. of claims	Gross liabilities	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	17,378	562,319	(80,382)	481,937
Fire	526	225,145	(171,911)	53,234
Personal Accident	10,033	249,046	(220,642)	28,404
Transport	194	183,575	(164,897)	18,678
Miscellaneous	3,074	301,868	(156,072)	145,796
IBNR	-	321,931	(107,163)	214,768
Total	31,205	1,843,884	(901,067)	942,817

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (Continued)

3.1.2 Concentration of insurance risk (Continued)

(b) Long-term Insurance

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

2021	THE GROUP			
	Total benefits insured			
	Before reinsurance		After reinsurance	
Rs'000	Rs'000	%	Rs'000	%
0 - 50	1,974,874	2	1,974,713	5
50 - 100	5,985,920	6	5,982,968	15
100 - 150	2,379,992	2	2,363,168	6
150 - 200	1,792,692	2	1,771,198	4
200 - 250	1,641,274	2	1,581,727	4
250 - 300	2,614,539	3	2,570,266	50
More than 300	80,718,442	83	24,245,194	16
Total	97,107,733	100	40,489,234	100

2020	THE GROUP			
	Total benefits insured			
	Before reinsurance		After reinsurance	
Rs'000	Rs'000	%	Rs'000	%
0 - 50	1,752,473	2	1,764,214	5
50 - 100	4,478,470	5	4,505,587	12
100 - 150	2,095,153	2	2,141,627	6
150 - 200	1,685,334	2	1,761,170	5
200 - 250	1,704,701	2	1,655,531	5
250 - 300	2,677,370	3	18,923,292	52
More than 300	72,836,904	84	5,681,814	15
Total	87,230,405	100	36,433,235	100

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (Continued)

3.1.2 Concentration of insurance risk (Continued)

(b) Long-term Insurance (Continued)

The following table for annuity insurance contracts illustrates the concentration of risk in bands that group these contracts in relation to the amount payable per annum as if the annuities were in payment at the year end. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

Annuities payable per annum per life insured	THE GROUP			
	2021		2020	
Rs'000	Rs'000	%	Rs'000	%
0 - 10	2,797	3	2,667	3
10 - 20	5,927	5	5,659	6
20 - 50	21,274	20	20,119	20
50 - 100	22,117	21	21,786	22
100 - 150	13,633	13	12,133	12
More than 150	39,667	38	37,472	37
Total	105,415	100	99,836	100

3.1.3 Sources of uncertainty

(a) Short term insurance

Claims on short-term insurance contracts are payable on a claims occurrence basis for motor and liability business and on a claims made basis for non-motor. Under the claims occurrence basis, the Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract. As a result, liability claims may be settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR). For the claims made basis, the Group 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 Group ensures that claims provisions are determined using the best information available of claims settlement patterns, forecast inflation and settlement of claims. Estimation techniques also involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the best overall estimates. However, given the uncertainty in claims provisions, it is very probable that estimated costs and subsequent settlement amounts would differ.

	% Change	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before income tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost					
2021	**10%**	**(188,166)**	**95,059**	**(93,107)**	**(77,279)**
2020	10%	(149,519)	77,306	(72,213)	(59,937)

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (Continued)

3.1.3 Sources of uncertainty (Continued)

(b) Long-term insurance

The Group manages long-term insurance risks through its underwriting strategy and reinsurance arrangements. Management ensures that risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is included in the Group's underwriting procedures, with premiums varied to reflect the health condition and family medical history of the applicant. Insurance risk may also be affected by the contract holder's behaviour who may decide to amend terms or terminate the contract or exercise a guaranteed annuity option.

The Group has a predetermined retention limit on any single life insured and the Group reinsures the excess of the insured benefit above the retention limit.

Sensitivity analysis

The following table presents the sensitivity of the value of insurance liabilities disclosed to movements in assumptions used in the estimation of insurance liabilities.

The table below indicated the level of the respective variables that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration of the variable.

	THE GROUP				
2021	Basic liability	Future bonus reserve	Total Life Fund	Change in basic liability	Impact on profit or loss
	Rs'000	Rs'000	Rs'000	%	%
Variable					
Base run	**8,760,532**	**141,936**	**8,902,468**	**-**	**-**
Future mortality 10% worse	**8,839,254**	**138,831**	**8,978,085**	**0.9%**	**(5.2%)**
Future lapses 10% higher	**8,766,267**	**150,412**	**8,916,679**	**0.1%**	**(1.0%)**
Future investment returns 1% lower	**8,877,534**	**130,796**	**9,008,330**	**1.3%**	**(7.2%)**
Future inflation 1% higher	**8,797,871**	**137,386**	**8,935,257**	**0.4%**	**(2.2%)**
Future maintenance expense 10% higher	**8,825,015**	**128,872**	**8,953,887**	**0.7%**	**(3.5%)**
2020					
Base run	7,754,488	23,912	7,778,400	-	-
Future mortality 10% worse	7,822,181	20,351	7,842,532	0.9%	(5.3%)
Future lapses 10% higher	7,764,057	30,910	7,794,967	0.1%	(1.4%)
Future investment returns 1% lower	8,297,457	(197,313)	8,100,144	7.0%	(17.5%)
Future inflation 1% higher	7,786,986	18,936	7,805,922	0.4%	(2.3%)
Future maintenance expense 10% higher	7,813,766	9,631	7,823,397	0.8%	(3.7%)

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (Continued)

3.1.4 Claims development tables

THE GROUP

2021	Underwriting year				
Net estimate of ultimate claim costs	**2017**	**2018**	**2019**	**2020**	**2021**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
- At end of claim year	**324,568**	**261,165**	**257,474**	**334,219**	**489,978**
- one year later	**201,278**	**126,369**	**129,999**	**409,563**	**-**
- two years later	**120,633**	**84,455**	**156,098**	**-**	**-**
- three years later	**113,788**	**126,555**	**-**	**-**	**-**
- four years later	**233,249**	**-**	**-**	**-**	**-**

2020	Underwriting year				
Net estimate of ultimate claim costs	2016	2017	2018	2019	2020
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
- At end of claim year	322,461	324,568	261,165	257,474	334,219
- one year later	202,000	201,278	126,369	129,999	-
- two years later	126,680	120,633	84,455	-	-
- three years later	115,280	113,788	-	-	-
- four years later	26,382	-	-	-	-

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.1 Insurance risks (Continued)

3.1.4 Claims development tables (Continued)

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

THE GROUP	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
2021	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Current estimates of cumulative claims	**787,385**	**932,277**	**1,603,396**	**1,411,488**	**1,649,199**	**6,383,745**
Cumulative payments	**(715,051)**	**(845,921)**	**(1,502,453)**	**(1,100,621)**	**(958,869)**	**(5,122,915)**
Liability	**72,334**	**86,356**	**100,943**	**310,867**	**690,330**	**1,260,830**
Liability in respect of prior years						**(319,977)**
Incurred but not reported (IBNR)						**257,509**
Total liability (net)						**1,198,362**

	2016	2017	2018	2019	2020	Total
2020	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Current estimates of cumulative claims	1,114,629	642,303	756,719	1,389,520	865,171	4,768,342
Cumulative payments	(1,088,559)	(599,455)	(719,020)	(1,343,211)	(548,752)	(4,298,997)
Liability	26,070	42,848	37,699	46,309	316,419	469,345
Liability in respect of prior years						258,699
Incurred but not reported (IBNR)						214,773
Total liability (net)						942,817

Long-term Insurance	**2021**	2020
	Rs'000	Rs'000
No stated maturity	**3,404,677**	4,158,164
0 - 1 year	**720,440**	250,114
1 - 2 years	**502,244**	244,594
2 - 3 years	**1,226,037**	249,436
> 3 years	**3,049,070**	2,876,092
	8,902,468	7,778,400

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks

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

Risk management is carried out by the investment department under policies approved by the investment committee. The investment department identifies and evaluates financial risks in close co-operation with the Group's operating units. The committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risks, interest rate risks and investment of excess liquidity.

The main risks to which the Group is exposed include:

- Market risk (which includes currency risk, interest rate risk and equity price risk);
- Credit risk; and
- Liquidity risk.

3.2.1 Market risk

(i) *Currency risk*

The Group has no significant concentration of currency risk.

The below analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before income tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on the market risk, but to demonstrate the impact due to changes in variables, these variables had to be changed on an individual basis.

		THE GROUP			
		2021		2020	
	% Change	Impact on profit before income tax	Impact on equity	Impact on profit before income tax	Impact on equity
		Rs' 000	Rs'000	Rs'000	Rs'000
USD	+/-2.5%	+/- 26,565	+/- 26,565	+/- 1,027	+/- 1,027
EUR	+/-2.5%	+/- 9,292	+/- 9,292	+/- 14	+/- 14
GBP	+/-2.5%	+/- 601	+/- 601	+/- 63	+/- 63
ZAR	+/-2.5%	+/- 2,752	+/- 2,752	-	-

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (Continued)

3.2.1 Market risk (Continued)

(i) *Currency risk (Continued)*

		THE COMPANY			
		2021		2020	
	% Change	Impact on profit before income tax	Impact on equity	Impact on profit before income tax	Impact on equity
		Rs'000	Rs'000	Rs'000	Rs'000
USD	+/-2.5%	66	66	+/- 870	+/- 930
EUR	+/-2.5%	-	-	-	+/- 231
GBP	+/-2.5%	-	-	+/- 59	-
ZAR	+/-2.5%	-	-	-	-
SCR	+/-2.5%	-	-	+/- 917	-

The method used for deriving sensitivity information and significant variables did not change from the previous year's method.

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value of financial instruments or the future cash flows related to financial instruments will change due to a change in interest rates. The risk is also that there will be insufficient funds to fund the guaranteed benefits payable especially under long term life assurance contracts. Under short-term insurance contracts, liabilities are not directly sensitive to the level of market interest rates, as they are contractually non-interest bearing; except in case of bodily injury claims which are settled over long periods. Fluctuations in interest rates however impact on returns on financial instruments. This is closely monitored by management through a well-diversified portfolio of fixed income securities and equity investments.

The interest rate risk arises on debt instruments, loans and receivables, cash and cash equivalents and subordinated bonds.

The below analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before income tax and equity.

	THE GROUP			
	2021		2020	
Changes in interest rate	Impact on profit before income tax	Impact on equity	Impact on profit before income tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000
+/- 250 basis points	250,860	250,860	+/- 215,784	+/- 215,784

	THE COMPANY			
	2021		2020	
Changes in interest rate	Impact on profit before income tax	Impact on equity	Impact on profit before income tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000
+/- 250 basis points	11,175	11,175	+/- 6,106	+/- 6,106

Notes to the Financial Statements
For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (Continued)

3.2.1 Market risk (Continued)

(iii) Equity price risk

Equity price 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. The Group's price policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each industry sector and markets.

The equity price risk arises on the financial instruments held at fair value through other comprehensive income and at fair value through profit or loss.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity.

	THE GROUP			
	2021		2020	
Changes in share price	Impact on profit before income tax	Impact on equity	Impact on profit before income tax	Impact on equity
	Rs'000	Rs'000	Rs'000	Rs'000
+/-2.5%	+/- 85,400	+/- 95,177	+/- 83,922	+/- 94,884

3.2.2 Credit risk

Credit risk is a risk that a counterparty will be unable to pay an amount in full when due. The Group's credit risk is primarily attributable to its reinsurance assets, loans, insurance and other receivables and investment in debt securities. The Credit Control department assesses the creditworthiness of brokers, agents and of contract holders based on details of recent payment history, past experience and by taking into account their financial position. The Group is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid. Management monitors the financial strength of its reinsurers and the Group has policies in place to ensure that risks are ceded to top-rated and credit-worthy reinsurers only. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Group also has exposure to credit risk on its debt securities, more specifically on the corporate bonds. The Investment Committee assesses the credit quality of the issuers based on past experience the Group had with those issuers. The Investment Committee recommends investment in entities with which the Group had good experience with in the past years and with good standing. The financial performance and position of the issuers are assessed in detail prior to approval is obtained for investment by the Group. The table shows the maximum exposure to credit risk for the components of the financial position.

Notes to the Financial Statements
For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (Continued)

3.2.2 Credit risk (Continued)

Financial instruments	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets at fair value through other comprehensive income*	948,733	1,048,960	-	-
Financial assets at fair value through profit or loss*	621,458	611,126	-	-
Debt instruments at amortised cost	9,013,269	7,326,628	948,401	748,454
Loans and receivables	676,598	759,958	102,817	-
Insurance and other receivables	1,608,933	1,288,193	-	-
Amount receivable from subsidiary	-	-	6,850	6,850
Reinsurance assets	2,037,275	1,715,058	-	-
Bank balances	1,097,436	1,247,364	13,911	149,790
	16,003,702	13,997,287	1,071,979	905,094
Loan approved by the board of directors but not yet disbursed	22,639	29,124	-	-

* Excludes equity instruments.

The collaterals of loans and receivables of the Group are as follows:	Carrying value	Value of collaterals held	Net credit exposure
2021	676,598	1,694,408	-
2020	759,958	1,785,478	-

The Group's credit scorecard and probability of default (PD) estimation process

The Group's independent Credit Risk Department operates a credit scorecard model. The Group runs separate models for its key portfolios in which the customers are rated from 0 to 3 using internal grades. The model incorporates both qualitative and quantitative information and, in addition to information specific to the borrower, utilises supplemental external information that could affect the borrower's behaviour. The PDs are estimated using the number of defaulted number accounts on total number of accounts in the portfolio then projected on twelve months or the lifetime of the loans depending on the stage in which the client has been classified in.

Government Bonds, Treasury Bills, Short and Long-Term Deposits

The Group's government bonds, treasury bills and short & long-term deposits are with the following: Bank of Mauritius, commercial banks and other non-banking financial institutions. For these relationships, the Group's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of Moody's and S&P. The PD is derived using a transition matrix to convert the ratings into PDs.

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (Continued)

3.2.2 Credit risk (Continued)

Mortgage and Other Loans

For mortgage and other loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a credit scoring model that takes into account various historical current and forward looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Quality of the collaterals given as guarantee.
- Loan to value.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the Group's performance.

The complexity and granularity of the rating techniques vary based on the exposure of the Group and the complexity and size of the customer. Some of the less complex small loans are rated within the Group's models for such products.

Exposure at Default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial intruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time corresponding the multiple scenarios. The PDs are then assigned to each economic scenario based on the outcome of the Group's model.

Loss Given Default (LGD)

For corporate financial instruments, LGD values are assessed at least every year by accounts managers and reviewed and approved by the Group's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

Further recent data and forward looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments.

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (Continued)

3.2.2 Credit risk (Continued)

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when the financial asset is 30 days' overdue or if qualitative assessment demonstrates an increase in credit risk. When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Group calculates ECLs either on a collective or an individual basis.

Asset classes where the Company calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The corporate lending portfolio
- The large and unique exposures of the small lending portfolio
- Debt instruments at amortised cost
- Corporate bonds and short/long term deposits

Asset classes where the Group calculates ECL on a collective basis include:

- The smaller and more generic balances of the Company's Small lending
- Stage 1 and 2 mortgages and other loans

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are for mortgage and other loans. The Group has a floating charge on the collaterals and management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the Group does not physically repossess properties or other assets in its portfolio, but undertakes to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

Notes to the Financial Statements
For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (Continued)

3.2.2 Credit risk (Continued)

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Payout pattern of the borrower indicating default or near-default
- The borrower requesting emergency financing from the Group
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection

It is the Group's policy to consider a financial instrument as 'cured' and therefore reclassified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

FINANCIAL STATEMENTS

Notes to the Financial Statements
For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (Continued)

3.2.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Liquidity risk is considered to be low since the Group maintains an adequate level of cash resources or assets that are readily available on demand.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at 31 December 2021 and 2020 based on contractual undiscounted payments. However due to the nature of the business, it is not possible to quantify payment for the outstanding claims provision including IBNR over the years since these can be made as from next year and last up to ten years.

	THE GROUP						
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	No stated maturity	Total
2021	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Life assurance fund	-	-	**720,442**	**1,728,280**	**3,049,070**	**3,404,676**	**8,902,468**
Insurance contract liabilities*	-	-	**2,378,199**	-	-	-	**2,378,199**
Investment contract liabilities	-	-	-	-	-	**1,297,548**	**1,297,548**
Borrowings	**3,075**	**3,493**	**29,360**	**122,949**	**827,185**	-	**986,062**
Lease liabilities	-	**2,809**	**38,459**	**86,450**	**1,132**	-	**128,850**
Trade and other payables	**1,189,514**	-	-	-	-	-	**1,189,514**
	1,192,589	**6,302**	**3,166,460**	**1,937,679**	**3,877,387**	**4,702,224**	**14,882,641**
2020							
Life assurance fund	-	-	250,114	494,030	2,876,092	4,158,164	7,778,400
Insurance contract liabilities*	-	-	1,843,884	-	-	-	1,843,884
Investment contract liabilities	-	-	-	-	-	1,107,302	1,107,302
Borrowings	8,186	8,771	115,458	77,330	394,459	-	604,204
Lease liabilities	-	3,007	45,412	84,094	4,203	-	136,716
Trade and other payables	887,337	-	-	-	-	-	887,337
	895,523	11,778	2,254,868	655,454	3,274,754	5,265,466	12,357,843

2021	THE COMPANY						
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	No stated maturity	Total
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Borrowings	-	-	**20,000**	**80,000**	**669,000**	-	**769,000**
Trade and other payables	**4,431**	-	-	-	-	-	**4,431**
Amounts due to related parties	**545**	-	-	-	-	-	**545**
	4,976	-	**20,000**	**80,000**	**669,000**	-	**773,976**

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

3.2 Financial risks (Continued)

3.2.3 Liquidity risk (Continued)

2020	THE COMPANY						
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	No stated maturity	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Borrowings	7,686	7,771	15,458	77,330	395,959	-	504,204
Trade and other payables	3,206	-	-	-	-	-	3,206
Amounts due to related parties	2,795	-	-	-	-	-	2,795
	13,687	7,771	15,458	77,330	395,959	-	510,205

Loans repaid in advance, premiums prepaid, VAT payable and rent security deposit and advances have been excluded from the financial liabilities.

*Insurance contract liabilities exclude unearned premium.

3.2.4 Fair values

Except where otherwise stated, the carrying amounts of the Group's financial assets and liabilities approximate their fair values. See note 38 for fair value disclosures.

3.2.5 Capital management

The Group'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 Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for its policyholders.
- To provide an adequate return to shareholders by pricing insurance contracts in line with the level of risk and therefore solvency.

The Group manages the minimum capital requirement as follows:

Different targets level are set above the statutory requirements, providing a buffer in order to remain solvent at all times and this is monitored on a quarterly basis. Capital planning is done to ensure we minimise the risk of being below the minimum required and these calculations are done under different stress test scenarios using parameters in different areas of risks such as equity risk, interest rate risk, credit risk, business risk and currency risk. Reinsurance is used to reduce the volatility of our results, thus reducing our capital needs. This risk is further reduced by using rated reinsurers in our panel.

The Group met the Minimum Capital Requirement at 31 December 2021 and 2020 for both life and general businesses.

Capital available has been computed from the shareholders fund less any unadmitted asset.

The operations of the Group is also subject to regulatory requirements within the Mauritian as well as the overseas African jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the Group to meet unforeseen liabilities. In reporting financial strength, capital and solvency are measured using the rules prescribed by the applicable Insurance Acts. The Group and regulated entities within it have met all these requirements.

Notes to the Financial Statements

For the Year Ended 31 December 2021

4 RISK MANAGEMENT FRAMEWORK

The Group has set up a Risk Management Framework as required under the Insurance (Risk Management) Rules 2016 issued by the Financial Services Commission under section 130 of the Insurance Act and section 93 of the Financial Services Act 2007.

The Risk Management Framework includes the following components:

(a) A Risk Appetite Statement;

(b) A Risk Management Strategy;

(c) A three-year rolling business plan;

(d) An Own Risk Solvency Assessment (ORSA) Framework;

(e) The liquidity policy;

(f) Description of the responsibilities, roles and reporting lines within the insurer for the management of material risks.

A detailed description of the Risk Management Framework is disclosed in the Management of Financial and Insurance Risk note of the financial statements and in the Annual Report.

Notes to the Financial Statements

For the Year Ended 31 December 2021

5 PROPERTY AND EQUIPMENT

(a) THE GROUP

2021

	Land and Buildings		Office equipment, computers, fixtures, fittings & other electricals	Motor vehicles	Total
	Freehold land	Buildings on freehold land			
COST OR VALUATION	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2021	40,000	209,346	363,780	35,181	648,307
Additions during the year	-	-	43,241	3,663	46,904
Disposals during the year	-	-	(28,273)	(8,342)	(36,615)
Assets written off	-	-	(9,320)	-	(9,320)
Revaluation surplus	-	500	-	-	500
Exchange differences	-	-	10,904	2,521	13,425
At 31 December 2021	40,000	209,846	380,332	33,023	663,201
ACCUMULATED DEPRECIATION					
At 01 January 2021	-	929	261,855	27,634	290,418
Charge for the year	-	4,158	38,275	2,530	44,963
Disposals	-	-	(27,621)	(8,091)	(35,712)
Assets written off	-	-	(7,530)	-	(7,530)
Revaluation adjustment	-	(930)	-	-	(930)
Exchange differences	-	-	9,038	1,880	10,918
At 31 December 2021	-	4,157	274,017	23,953	302,127
CARRYING AMOUNT					
At 31 December 2021	40,000	205,689	106,315	9,070	361,074
2020					
COST OR VALUATION					
At 01 January 2020	40,000	217,956	310,078	32,272	600,306
Additions during the year	-	-	19,871	259	20,130
Acquisition through business combinations	-	-	35,424	2,009	37,433
Reclassification adjustment			(118)		(118)
Revaluation adjustment	-	(12,030)	-	-	(12,030)
Revaluation surplus	-	3,420	-	-	3,420
Disposals during the year	-	-	(2,629)	(179)	(2,808)
Exchange differences	-	-	1,154	820	1,974
At 31 December 2020	40,000	209,346	363,780	35,181	648,307
ACCUMULATED DEPRECIATION					
At 01 January 2020	-	7,189	204,327	21,613	233,129
Charge for the year	-	4,320	32,350	3,771	40,441
Acquisition through business combinations	-	-	35,424	2,009	37,433
Reclassification adjustment	-	1,450	(1,497)	-	(47)
Revaluation adjustment	-	(12,030)	-	-	(12,030)
Disposals	-	-	(2,199)	(186)	(2,385)
Exchange differences	-	-	(6,550)	427	(6,123)
At 31 December 2020	-	929	261,855	27,634	290,418
CARRYING AMOUNT					
At 31 December 2020	40,000	208,417	101,925	7,547	357,889

Notes to the Financial Statements

For the Year Ended 31 December 2021

5 PROPERTY AND EQUIPMENT (CONTINUED)

(b) The Group's land and building are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The land and building were revalued in December 2020 by JPW International, an independent valuer not related to the Group. They have appropriate qualification and experience in the fair value measurement of properties in the relevant location. The fair value was determined based on market comparable approach that reflects recent transactions prices for similar properties.

At 31 December 2021, the Company had obtained an independent assessment that the fair values of the land and building do not differ materially from the carrying amounts at the reporting date.

(c) If land and buildings had been stated on a historical cost basis, the amounts would be as follows:

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
Cost	174,227	207,154
Accumulated depreciation	(36,843)	(32,927)
Net book values	137,384	174,227

(d) The Group has not given any security against its plant and equipment.

6 LEASES

(a) **Right of use asset - Building**	THE GROUP	
	2021	2020
	Rs'000	Rs'000
At 01 January	115,067	113,756
Additions	37,952	19,558
Acquisition through business combination	-	20,854
Depreciation charge	(36,644)	(33,048)
Cancelled contract	(19,764)	(3,314)
Exchange difference	6,006	(2,739)
At 31 December	102,617	115,067

(b) **Lease liabilities**

Set out below are the carying amounts of the lease liabilities and the movements during the year:

	2021	2020
	Rs'000	Rs'000
At 01 January	126,891	117,539
Additions	34,653	18,916
Acquisition through business combination	-	26,498
Accretion of interest	11,521	10,173
Cancelled contract	(24,758)	(3,380)
Payments	(41,365)	(40,912)
Exchange difference	6,718	(1,943)
At 31 December	113,660	126,891
Analysed as:		
Current	57,252	45,214
Non-current	56,408	81,677
	113,660	126,891

The total cash outflow for leases in 2021 was Rs 41.4m which includes principal of Rs 29.8m, interest of Rs 11.6m (2020: principal and interest Rs 40.9m).

Notes to the Financial Statements

For the Year Ended 31 December 2021

6 LEASES (CONTINUED)

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
(c) Amounts recognised in statement of profit or loss		
Depreciation expense of right-of-use assets	36,644	33,048
Interest expense on lease liabilities	11,521	10,173
Total amount recognised in profit or loss	48,165	43,221

The total cash outflow for leases in 2021 was Rs 41.4m (2020: Rs 40.9m) which includes principal of Rs 29.8m (2020: Rs 30.7m) and interest of Rs 11.5m (2020: Rs 10.2m).

7 INVESTMENT PROPERTIES

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
At 01 January	520,035	486,362
Increase in fair value	-	13,225
Exchange differences	34,036	20,448
At 31 December	554,071	520,035

The fair value of the Group's investment properties as at 31 December 2021 has been arrived at on the basis of a valuation carried out by JPW International, an independent valuer not related to the Group. They have the appropriate qualifications and experience in the valuation of properties in the relevant locations. The fair value was determined using recent transaction prices for similar properties. At 31 December 2021, the Company had obtained an independent assessment that the fair values of the land and building do not differ materially from the carrying amounts at the reporting date.

The rental income arising during the year amounted to Rs 6.3m (2020: Rs 16.4m) for the Group, which is included in investment income. No direct operating expenses arose in respect of this property for the Group during the year (2020: Rs Nil).

There is no restriction on realisability of investment property or the remittance of income and proceeds of disposal. The Group has no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

FINANCIAL STATEMENTS

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For the Year Ended 31 December 2021

8 INTANGIBLE ASSETS

2021		THE GROUP				
	Note	Goodwill	Client portfolio	Computer software	Work in Progress	Total
COST		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2021		472,756	479,308	206,283	18,535	1,176,882
Additions during the year		-	-	40,712	4,856	45,568
Work in progress		-	-	15,380	(15,380)	-
Exchange differences		-	-	898	-	898
At 31 December 2021		472,756	479,308	263,273	8,011	1,223,348
AMORTISATION AND IMPAIRMENT						
At 01 January 2021		38,570	240,277	164,939	-	443,786
Charge for the year		-	26,443	16,552	-	42,995
Exchange differences		-	-	554	-	554
At 31 December 2021		38,570	266,720	182,045	-	487,335
CARRYING AMOUNT						
At 31 December 2021		434,186	212,588	81,228	8,011	736,013
2020						
COST						
At 01 January 2020		345,441	439,570	188,523	6,204	979,738
Acquisition through business combinations		127,315	39,738	-	-	167,053
Additions during the year		-	-	18,249	12,331	30,580
Reclassification adjustment		-	-	118	-	118
Disposal		-	-	(1,078)	-	(1,078)
Exchange differences		-	-	471	-	471
At 31 December 2020		472,756	479,308	206,283	18,535	1,176,882
AMORTISATION AND IMPAIRMENT						
At 01 January 2020		38,570	215,821	153,376	-	407,767
Charge for the year		-	24,456	12,289	-	36,745
Reclassification adjustment		-	-	47	-	47
Disposal		-	-	(1,078)	-	(1,078)
Exchange differences		-	-	305	-	305
At 31 December 2020		38,570	240,277	164,939	-	443,786
CARRYING AMOUNT						
At 31 December 2020		434,186	239,031	41,344	18,535	733,096

Work in progress relates to the new softwares that are being customised for internal use.

For Goodwill impairment assessment, refer to note 44.

Notes to the Financial Statements

For the Year Ended 31 December 2021

9 INVESTMENTS IN SUBSIDIARIES

		THE COMPANY	
		2021	2020
(a)	UNQUOTED	Rs'000	Rs'000
	At 01 January	1,872,582	1,850,022
	Additions	5,260	22,560
	At 31 December	**1,877,842**	1,872,582

During the year ended 31 December 2020, the Company acquired an additional 17.9% stake in MUA (Uganda) Ltd for Rs 22,560k.

(b) The financial statements of the following subsidiaries below have been included in the consolidated financial statements. The subsidiaries have the same reporting date as the parent and operate on the local and African markets.

Subsidiary's name	Main activities	Country of incorporation	Functional currency	Stated capital	Nominal value of investment		Class of shares held	% interest held by the Group		% of ownership interest held by NCI	
				000's	2021	2020		2021	2020	2021	2020
					Rs'000	Rs'000					
The Mauritius Union Assurance Cy. Ltd	General Insurance business	Mauritius	Mauritian Rupees	723,968	1,234,877	1,234,877	Ordinary	100%	100%	-	-
MUA Transafrica Holdings Limited	Investment holdings	Kenya	Kenya Shillings	5,000	615,125	615,125	Ordinary	100%	100%	-	
MUA Life Ltd	Life Insurance	Mauritius	Mauritian Rupees	25,000	167,327	167,327	Ordinary	100%	100%	-	-
MUA Mutual Fund Ltd	Fund management	Mauritius	Mauritian Rupees	4,000	28,561	28,561	Ordinary	98.6%	98.6%	1.4%	1.4%
MUA Stockbroking Ltd	Stock broker	Mauritius	Mauritian Rupees	9,500	10,979	10,979	Ordinary	80%	80%	20%	20%
Compagnie du Decadel Limitée	Property holding	Mauritius	Mauritian Rupees	25	675	675	Ordinary	100%	100%	-	-
MUA Pension Ltd	Manager & Consultant of pension funds	Mauritius	Mauritian Rupees	2,000	500	500	Ordinary	100%	100%	-	-
Risk Advisory Services Limited	Property holding	Mauritius	Mauritian Rupees	25,000	75	75	Ordinary	100%	100%	-	-
MUA (Kenya) Ltd*	General Insurance business	Kenya	Kenya Shillings	300,000	143,807	143,807	Ordinary	66.38%	66.38%	33.62%	33.62%
MUA (Rwanda) Ltd*	General Insurance business	Rwanda	Rwanda Francs	1,000,000	-	-	Ordinary	81.51%	81.51%	18.49%	18.49%
Phoenix of Tanzania Assurance Company Limited*	General Insurance business	Tanzania	Tanzania Shillings	8,000,000	-	-	Ordinary	33.89%	33.89%	66.11%	66.11%
MUA (Uganda) Ltd**	General Insurance business	Uganda	Uganda Shillings	4,000,000	-	-	Ordinary	63.68%	63.68%	36.32%	36.32%
MUA Reinsurance Company Limited	Reinsurance business	Mauritius	United States Dollars	1,403	50,000	50,000	Ordinary	100%	100%	-	-
Saham Assurance Company Kenya Limited	General Insurance business	Kenya	Kenya Shillings	206,707	-	-	Ordinary	66.38%	66.38%	33.62%	33.62%

* These three companies are the subsidiaries of Phoenix Transafrica Holdings Limited in which the Company holds 100% of ownership interest.

** 17.9% of MUA (Uganda) Ltd is held by the Company and 45.78% is held through MUA Transafrica Holdings Limited.

Notes to the Financial Statements

For the Year Ended 31 December 2021

9 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Summarised financial information on subsidiaries with material non-controlling interests:

2021	MUA Stockbroking Ltd	MUA (Kenya) Ltd	Phoenix of Tanzania Assurance Company Limited	MUA (Uganda) Ltd	MUA (Rwanda) Ltd
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Proportion of non-controlling interests ('NCI')	20%	33.62%	66.11%	36.32%	18.49%
Current assets	15,981	1,541,063	1,466,403	264,356	612,629
Non-current assets	23,135	1,081,414	447,945	163,768	282,972
Current liabilities	(12,245)	(531,316)	(270,459)	(48,206)	(166,151)
Non-current liabilities	(114)	(446,575)	(84,559)	(6,447)	(11,207)
Technical provisions	-	(1,156,106)	(620,853)	(153,646)	(495,499)
Net assets	26,757	488,480	938,477	219,825	222,744
Carrying amounts of NCI	5,351	164,227	620,427	79,840	41,185
Revenue	8,265	962,831	385,916	191,156	279,855
Profit for the year	1,186	(100,421)	69,757	17,607	24,500
Other comprehensive income/(loss)	1,829	1,449	90,122	25,298	11,042
Comprehensive income	3,015	(98,972)	159,879	42,905	35,542
Profit allocated to NCI	237	(33,762)	46,116	6,395	4,530
Comprehensive income allocated to NCI	603	(33,274)	105,696	15,583	6,572
Dividend paid to NCI	-	-	-	-	-

Notes to the Financial Statements

For the Year Ended 31 December 2021

9 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

2020	MUA Stockbroking Ltd	MUA (Kenya) Ltd	Saham Assurance Company Kenya Limited	Phoenix of Tanzania Assurance Company Limited	MUA (Uganda) Ltd	MUA (Rwanda) Ltd
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Proportion of NCI	20%	33.62%	33.62%	66.11%	36.32%	18.49%
Current assets	15,107	283,223	969,865	1,405,757	265,630	420,958
Non current assets	21,913	757,052	177,804	330,945	90,967	271,108
Current liabilities	(11,777)	(87,208)	(194,830)	(217,611)	(22,979)	(146,029)
Non current liabilities	-	(446,724)	(39,672)	(76,891)	(8,834)	(12,170)
Technical provisions	-	(250,294)	(581,764)	(663,603)	(147,864)	(346,665)
Net assets	25,243	256,049	331,403	778,597	176,920	187,202
Carrying amounts of NCI	5,049	86,084	111,418	514,730	64,257	34,614
Revenue	8,045	211,445	255,591	337,965	160,300	228,095
Profit/(losses) for the year	1,229	(71,174)	23,689	57,874	9,243	31,554
Other comprehensive (losses)/income	(746)	18,368	(12,372)	54,285	15,434	5,633
Comprehensive income/(losses)	483	(52,806)	11,317	112,159	24,677	37,187
Profit/(losses) allocated to NCI	246	(23,929)	7,964	38,261	3,357	5,834
Comprehensive income/(losses) allocated to NCI	97	(17,753)	2,476	74,148	8,963	6,876
Dividend paid to NCI	-	-	-	-	-	-

Summarised cash flow information:

2021	MUA Stockbroking Ltd	MUA (Kenya) Ltd	Phoenix of Tanzania Assurance Company Limited	MUA (Uganda) Ltd	MUA (Rwanda) Ltd
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Operating activities	(4,786)	(72,860)	90,386	(12,032)	83,203
Investing activities	167	(140,168)	(167,490)	(7,152)	(219,624)
Financing activities	(1,509)	43,434	(1,437)	(1,660)	(1,380)
Net decrease in cash and cash equivalents	(6,128)	(169,594)	(78,541)	(20,844)	(137,801)

Notes to the Financial Statements

For the Year Ended 31 December 2021

9 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

2020	MUA Stockbroking Ltd	MUA (Kenya) Ltd	Saham Assurance Company Kenya Limited	Phoenix of Tanzania Assurance Company Limited	MUA (Uganda) Ltd	MUA (Rwanda) Ltd
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Operating activities	821	(61,318)	(16,621)	(105,400)	(24,483)	50,908
Investing activities	(581)	(372,036)	58,240	90,899	(6,751)	(42,994)
Financing activities	-	438,368	13,357	(1,154)	-	(1,126)
Net increase/ (decrease) in cash and cash equivalents	240	5,014	54,976	(15,655)	(31,234)	6,788

(d) There are no restrictions to transfer assets to or from entities within the Group.

10 INVESTMENT IN ASSOCIATE

The Group holds 40% interest in Compagnie du Congo (Societe Anonyme) on 10 May 2017 which trades as an investment holding company. The registered office is Boulevard Bischoffsheim, 33 boite 1, 1000, Bruxelles.

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
At 01 January and 31 December	1,080	1,080
The following table providess the summarised financial information of the Group's investment in Compagnie du Congo.		
Current assets	2,070	2,070
Equity	2,699	2,699
Group's carrying amount of the investment	1,080	1,080

11 INVESTMENT IN JOINT VENTURES

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	18,875	20,922	495	495
Recovery	(5,815)	-	-	-
Share of profit/(loss)	1,175	(2,201)	-	-
Exchange differences	822	154	-	-
At 31 December	15,057	18,875	495	495

Notes to the Financial Statements

For the Year Ended 31 December 2021

11 INVESTMENT IN JOINT VENTURES (CONTINUED)

(a) Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Principal activity	Country of incorporation & place of business	Proportion of ownership interest and voting right held by the Group			
			2021		2020	
			Direct	Indirect	Direct	Indirect
Kenya Motor Insurance Pool*	Sharing of pool business and risks by insurance companies in Kenya and underwriting of Non Life Insurance Business	Kenya	-	5.1%	-	5.1%
MUA Insurance Management Limited	A joint venture involved in the management of insurance business	Mauritius	50%	-	50%	-

The Kenya Motor Insurance Pool is in the process of being wound up.

Summarised financial information of joint ventures is as follows:

	2021	2020
	Rs'000	Rs'000
Current assets	40,240	307,927
Non-current assets	269,755	-
Current liabilities	(21,666)	(20,704)
Non-current liabilities	-	-
Equity	288,329	287,223
% holding	50% -5.1%	50% -5.1%
Group's share in equity	15,057	18,875
Revenue and other income	22,472	20,205
Expenses		(6,764)
Profit before tax	22,472	13,441
Income tax		(5,347)
Profit for the year	22,472	8,094
Comprehensive income for the year	-	-
Group's share of profit/(loss)	1,175	(2,201)

The joint ventures had no other contingent liabilities or commitments as at 31 December 2021 and 2020.

Notes to the Financial Statements
For the Year Ended 31 December 2021

12 FINANCIAL ASSETS

(a) Financial assets at fair value through other comprehensive income

	Note	THE GROUP 2021 Rs'000	2020 Rs'000
At 01 January		1,367,422	518,065
Additions		1,274	498
Transfer from debt instuments at amortised cost	12 (c)	-	764,890
Acquisition through business combinations		-	9,898
Disposals		(54,395)	-
Movement in expected credit loss		(124)	(8)
Increase in fair value		18,195	71,214
Exchange differences		7,409	2,865
At 31 December		1,339,781	1,367,422
Analysed as follows:			
Quoted equity securities		326,438	266,396
Unquoted equity securities		64,610	52,066
Quoted debt instruments		829,417	901,790
Unquoted debt instruments		119,316	147,170
Open Ended Mutual Funds		-	-
		1,339,781	1,367,422
Analysed as follows:			
Non-current		1,259,400	1,313,022
Current		80,381	54,400
		1,339,781	1,367,422

Notes to the Financial Statements
For the Year Ended 31 December 2021

12 FINANCIAL ASSETS (CONTINUED)

(a) Financial assets at fair value through other comprehensive income (Continued)

(i) Debt instruments at fair value through other comprehensive income

	THE GROUP 2021 Rs'000	2020 Rs'000
Government debt securities	920,879	1,023,664
Corporate bonds	28,090	25,408
	948,969	1,049,072
Less: Allowances for expected credit losses	(236)	(112)
	948,733	1,048,960

The table below shows the credit quality and the maximum exposure to credit risk based on external credit rating for the instruments and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's use of external grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.2.

	THE GROUP 2021 Rs'000	2020 Rs'000
Stage 1		
High grade	920,879	1,023,664
Standard grade	28,090	25,408
Total	948,969	1,049,072
An analysis of changes in the ECLs is as follows:		
At 01 January	(112)	(104)
Impact of remeasurement	(124)	(8)
At 31 December	(236)	(112)

There were no transfers between stages during the year as there was no observed deterioration in credit risk on any of the instruments in the portfolio.

Notes to the Financial Statements

For the Year Ended 31 December 2021

12 FINANCIAL ASSETS (CONTINUED)

(b) **Financial assets at fair value through profit or loss**

	Note	THE GROUP 2021	THE GROUP 2020
		Rs'000	Rs'000
At 01 January		3,356,883	3,324,628
Additions		4,479	288,117
Disposals		-	(3,240)
Increase/(decrease) in fair value	29	761,571	(251,426)
Interfund transfer		-	(1,196)
At 31 December		4,122,933	3,356,883
Analysed as follows:			
Local - Listed		2,752,085	2,213,817
Local - Unquoted		85,459	82,557
Open ended mutual funds		1,285,389	1,060,509
		4,122,933	3,356,883
Analysed as follows:			
Non-current		4,122,933	3,356,883
Current		-	-
		4,122,933	3,356,883

(c) **Debt instruments at amortised cost**

	THE GROUP 2021	THE GROUP 2020	THE COMPANY 2021	THE COMPANY 2020
	Rs'000	Rs'000	Rs'000	Rs'000
Government debt securities	7,650,985	6,509,050	204,479	95,958
Corporate bonds and Fixed deposits	1,372,690	824,213	745,391	653,470
	9,023,675	7,333,263	949,870	749,428
Less: Allowances for impairment losses	(10,406)	(6,635)	(1,469)	(974)
	9,013,269	7,326,628	948,401	748,454
Analysed as follows:				
Non-current	7,333,505	6,227,469	939,982	652,545
Current	1,679,764	1,099,159	8,419	95,909
	9,013,269	7,326,628	948,401	748,454

Notes to the Financial Statements

For the Year Ended 31 December 2021

12 FINANCIAL ASSETS (CONTINUED)

(c) **Debt instruments at amortised cost (Continued)**

(i) The corporate bonds and fixed deposits for the Company include notes issued by The Mauritius Union Assurance Cy. Ltd ("MUACL") and MUA (Kenya) Ltd. On 25 September 2019, the Company subscribed to 200,000 notes at a nominal amount of Rs 1,000 each, equivalent to a total of Rs 200M, issued by its subsidiary, MUACL. At the issue date, the notes carried a credit rating of CARE MAU AA-stable and the rating shall be monitored each year by CARE Rating Agency (Africa) Ltd. The interest rate is calculated as the aggregate of the repo rate and the applicable spread per annum. The applicable spread is either the initial spread of 1.25% or the revised spread which takes into account any change in the credit rating of the notes, as defined in the Notes Subscription Agreement. Unless redeemed earlier, the maturity shall be on the 10th anniversary of the issue date.

On 03 July 2020, the Company subscribed to Rs 471,600,000 notes issued by MUA (Kenya) Ltd. At the issue date, the notes carried a credit rating of CARE MAU AA-stable and the rating shall be monitored each year by CARE Rating Agency (Africa) Ltd. The interest rate is calculated as the aggregate of the repo rate and the applicable spread per annum. The applicable spread is either the initial spread of 2.75% or the revised spread which takes into account any change in the credit rating of the notes, as defined in the Notes Subscription Agreement. Unless redeemed earlier, the maturity shall be on the 10th anniversary of the issue date.

(ii) An amount of Rs 8,000,000 (2020: Rs 8,000,000) included in debt instrument at amortised cost represents statutory deposit and pledged with the Financial Services Commission in compliance with the Insurance Act 2005.

The table below shows the credit quality and the maximum exposure to credit risk based on external credit rating for the instruments and year-end stage classification. The amounts presented are net of impairment allowances. Details of the Group's use of external grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.2.

	THE GROUP 2021	THE GROUP 2020	THE COMPANY 2021	THE COMPANY 2020
Stage 1				
External rating grade - Performing	Rs'000	Rs'000	Rs'000	Rs'000
High grade	7,651,819	6,516,167	204,335	95,908
Standard grade	1,361,450	810,461	744,066	652,546
Total	9,013,269	7,326,628	948,401	748,454

Notes to the Financial Statements

For the Year Ended 31 December 2021

12 FINANCIAL ASSETS (CONTINUED)

(c) Debt instruments at amortised cost (Continued)

An analysis of changes in the gross carrying amount and the corresponding ECLs is as follows:

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
Gross carrying amount	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	7,333,263	7,765,167	749,428	373,727
Acquisition through business combination	-	341,322	-	-
Addition	3,474,962	1,885,781	299,802	895,528
Assets matured	(1,939,907)	(1,971,953)	(93,878)	-
Amortisation adjustments	(6,001)	18,540	(5,482)	9,200
Transfer to fair value through other comprehensive income (note 12 (a))	-	(764,890)	-	-
Exchange differences	161,358	59,296	-	-
At 31 December	9,023,675	7,333,263	949,870	749,428
ECL allowance				
At 01 January	(6,635)	(10,173)	(974)	-
New assets purchased	(1,495)	(2,946)	-	-
Assets derecognised or matured (excluding write offs)	49	-	49	-
Impact of net- remeasurement of year end ECL	(2,325)	6,484	(544)	(974)
At 31 December	(10,406)	(6,635)	(1,469)	(974)

There were no transfers between stages during the year as there no observed deterioration in credit risk on any of the instruments in the portfolio.

13 LOANS AND RECEIVABLES

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Loans and advances	692,261	783,120	103,000	-
Less: Allowance for expected credit loss	(15,663)	(23,162)	(183)	-
	676,598	759,958	102,817	-
Analysed as follows:				
Non-current	530,217	604,184	102,817	-
Current	146,381	155,774	-	-
	676,598	759,958	102,817	-

Notes to the Financial Statements

For the Year Ended 31 December 2021

13 LOANS AND RECEIVABLES (CONTINUED)

During the year ended 31 December 2021, the Company acquired redeemable preference shares Rs 100m from MUACL. The shares bear interest dividend of 6% per annum and have maturity term of 10 years. The loan is classified as stage 1 and has suffered an ECL allowance of Rs 183,000 for the year ended 31 December 2021.

Mortgage and other loans

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in note 3.2.2.

	THE GROUP			
	2021			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
High grade	616,190	-	-	616,190
Standard grade	-	49,167	2,147	51,314
Individually impaired	-	-	24,757	24,757
Total	616,190	49,167	26,904	692,261

	2020			
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
High grade	621,513	-	-	621,513
Standard grade	-	107,833	21,970	129,803
Individually impaired	-	-	31,804	31,804
Total	621,513	107,833	53,774	783,120

	THE GROUP			
	2021			
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	621,513	107,833	53,774	783,120
New asset purchased	128,681	3,170	-	131,851
Assets derecognised or matured (excluding write-offs)	(132,501)	(64,648)	(25,539)	(222,688)
Transfer to Stage 1	8,064	(6,218)	(1,846)	-
Transfer to Stage 2	(8,406)	9,399	(993)	-
Transfer to Stage 3	(1,161)	(369)	1,530	-
Amounts written off	-	-	(22)	(22)
At 31 December	616,190	49,167	26,904	692,261

Notes to the Financial Statements

For the Year Ended 31 December 2021

13 LOANS AND RECEIVABLES (CONTINUED)

	THE GROUP			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	775,731	49,601	43,807	869,139
New assets purchased	150,991	14,255	-	165,246
Assets derecognised or matured (excluding write-offs)	(298,069)	41,804	5,253	(251,012)
Transfer to Stage 1	3,704	(2,747)	(957)	-
Transfer to Stage 2	(6,393)	7,663	(1,270)	-
Transfer to Stage 3	(4,452)	(2,743)	7,195	-
Amounts written off	1	-	(254)	(253)
At 31 December	621,513	107,833	53,774	783,120

	THE GROUP			
	2021			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	11,540	1,406	10,216	23,162
New assets purchased	616	-	-	616
Assets derecognised or matured (excluding write-offs)	(15,152)	1,907	5,130	(8,115)
Transfer to Stage 1	742	(549)	(193)	-
Transfer to Stage 2	3,024	(2,084)	(940)	-
Transfer to Stage 3	3,647	(721)	(2,926)	-
Impact of net - remeasurement of ECL	-	-	-	-
Recoveries	-	-	-	-
Amount witten off	-	-	-	-
At 31 December	4,417	(41)	11,287	15,663

Notes to the Financial Statements

For the Year Ended 31 December 2021

13 LOANS AND RECEIVABLES (CONTINUED)

	2020			
	Stage 1	Stage 2	Stage 3	Total
At 01 January	7,641	1,829	11,271	20,741
New assets purchased	1,521	-	-	1,521
Assets derecognised or matured (excluding write-offs)	(2,150)	1,613	1,437	900
Transfer to Stage 1	3,958	(2,417)	(1,541)	-
Transfer to Stage 2	122	556	(678)	-
Transfer to Stage 3	448	(175)	(273)	-
Impact of net - remeasurement of ECL	-	-	-	-
Recoveries	-	-	-	-
Amount witten off	-	-	-	-
At 31 December	11,540	1,406	10,216	23,162

14 INSURANCE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Premium debtors and agents' balances	1,316,470	1,179,391	-	-
Provision for credit impairment	(179,088)	(151,490)	-	-
	1,137,382	1,027,901	-	-
Amount due by reinsurers	276,434	110,932	-	-
Investment income receivable	23,291	12,263	-	-
Other receivables	171,826	137,097	-	-
	1,608,933	1,288,193	-	-

Notes to the Financial Statements

For the Year Ended 31 December 2021

14 INSURANCE AND OTHER RECEIVABLES (CONTINUED)

(a) The ageing analysis of premium debtors is as follows:

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
Up to 3 months	**743,882**	671,389
3 to 6 months	**258,471**	229,582
6 to 12 months	**134,283**	102,405
> 12 months	**746**	24,525
	1,137,382	1,027,901

(b) Movement in provision for credit impairment is as follows:

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
At 01 January	**151,490**	101,058
At acquisition	**-**	31,955
Charge during the year	**15,303**	19,769
Transfer	**-**	(3,319)
Exchange difference	**12,295**	2,027
At 31 December	**179,088**	151,490

(c) The other classes within insurance and other receivables do not include impaired assets.

(d) The Group and the Company do not hold any collateral as security in respect of insurance and other receivables, except for two balances amounting to Rs 9m in the form of fixed and floating charges on properties.

(e) The maximum exposure to credit risk is disclosed in note 3.2.2.

(f) The credit rating for the insurance and other receivables is unrated.

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15 REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES

(a)

	THE GROUP	
	2021	2020
Gross	**Rs'000**	Rs'000
- Claims reported and loss adjustment expenses	**1,881,659**	1,495,187
- Claims incurred but not reported (IBNR)	**397,676**	321,931
- Unearned premiums	**2,283,753**	2,132,018
- Exchange differences	**209,107**	46,335
Total gross insurance contract liabilities	**4,772,195**	3,995,471
Recoverable from reinsurers		
- Claims reported and loss adjustment expenses	**950,586**	773,064
- Claims incurred but not reported (IBNR)	**140,167**	107,158
- Unearned premiums	**846,688**	804,092
- Exchange differences	**99,834**	30,744
Total reinsurers' share of insurance contract liabilities	**2,037,275**	1,715,058
Net		
- Claims reported and loss adjustment expenses	**931,073**	722,123
- Claims incurred but not reported (IBNR)	**257,509**	214,773
- Unearned premiums	**1,437,065**	1,327,926
- Exchange differences	**109,273**	15,591
Total net insurance contract liabilities	**2,734,920**	2,280,413

Notes to the Financial Statements

For the Year Ended 31 December 2021

15 REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a)

		Notes	THE GROUP 2021 Gross	Reinsurance	Net	2020 Gross	Reinsurance	Net
			Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Claims	15(a)(i)	2,378,199	(1,140,259)	1,237,940	1,843,884	(901,067)	942,817
	Provision for unearned premiums	15(a)(ii)	2,393,996	(897,016)	1,496,980	2,151,587	(813,991)	1,337,596
			4,772,195	(2,037,275)	2,734,920	3,995,471	(1,715,058)	2,280,413
(i)	**Claims**							
	At 01 January		1,843,884	(901,067)	942,817	1,335,982	(538,757)	797,225
	Acquisition through business combination		-	-	-	218,072	(56,499)	161,573
	Reclassification		42,592	(44,374)	(1,782)	-	-	-
	Claims incurred during the year		2,804,499	(703,875)	2,100,624	2,022,214	(654,445)	1,367,769
	Cash paid for claims settled during the year		(2,411,640)	558,563	(1,853,077)	(1,759,150)	369,479	(1,389,671)
	Exchange differences		98,864	(49,506)	49,358	26,766	(20,845)	5,921
	At 31 December		2,378,199	(1,140,259)	1,237,940	1,843,884	(901,067)	942,817
	Recognised notified claims		1,980,523	(1,000,092)	980,431	1,521,953	(793,909)	728,044
	Incurred but not reported (IBNR)		397,676	(140,167)	257,509	321,931	(107,158)	214,773
			2,378,199	(1,140,259)	1,237,940	1,843,884	(901,067)	942,817
	Movement in outstanding claims		392,986	(145,622)	247,364	263,064	(284,966)	(21,902)
	Movement in insurance contract liabilities	17	1,124,068	-	1,124,068	(15,810)	-	(15,810)
	Movement recognised in profit or loss		1,517,054	(145,622)	1,371,432	247,254	(284,966)	(37,712)
	Total claims and benefits paid							
	Claims - Non Life		2,411,640	(558,563)	1,853,077	1,759,150	(369,479)	1,389,671
	Claims and benefits - Life		1,090,061	(75,451)	1,014,610	1,062,631	(46,075)	1,016,556
			3,501,701	(634,014)	2,867,687	2,821,781	(415,554)	2,406,227
(ii)	**Provision for unearned premiums**							
	At 01 January		2,151,587	(813,991)	1,337,596	1,488,986	(443,247)	1,045,739
	Acquisition through business combination		-	-	-	321,898	(161,925)	159,973
	Reclassification		21,016	(587)	20,429			
	Premium written during the year		5,234,815	(1,847,826)	3,386,989	4,247,833	(1,444,927)	2,802,906
	Premium earned during the year		(5,123,665)	1,815,716	(3,307,949)	(3,926,699)	1,246,007	(2,680,692)
	Exchange differences		110,243	(50,328)	59,915	19,569	(9,899)	9,670
	At 31 December		2,393,996	(897,016)	1,496,980	2,151,587	(813,991)	1,337,596

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15 REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES (CONTINUED)

		THE GROUP 2021	2020
		Rs'000	Rs'000
(b)	**Deferred Acquisition Costs Receivable**		
	At 01 January	212,130	136,447
	Movement	22,282	75,683
	Exchange differences	10,089	-
	At 31 December	244,501	212,130
(c)	**Deferred Acquisition Costs Payable**		
	At 01 January	150,246	71,792
	Movement	(909)	78,454
	Exchange differences	8,422	-
	At 31 December	157,759	150,246

16 STATED CAPITAL

THE GROUP AND THE COMPANY	Issued and fully paid 2021	2020	No of shares 2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	1,138,104	723,968	50,100	45,090
Issue of shares	60,038	-	976	-
Rights issue, net of issue costs	-	414,136	-	5,010
At 31 December	1,198,142	1,138,104	51,076	50,100

The ordinary shares are of no par value and have all been fully paid.

During the year ended 31 December 2021, the Company issued 976,000 shares as part of both the executive management share option scheme and employee share scheme.

The rights issue of 5,010,000 new ordinary shares at an issue price of Rs 83 per share, for an amount of Rs 415.8m was fully subscribed in November 2020. Shareholders were offered 1 new ordinary share for every 9 ordinary shares held.

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17 LIFE ASSURANCE FUND

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
At 01 January	**7,778,400**	7,794,209
Movement during the year	**1,124,068**	(15,809)
At 31 December	**8,902,468**	7,778,400

The actuaries of MUA Life Ltd are Deloitte, South Africa. The latest actuarial valuation of the Life assurance fund was done at 31 December 2021. At the end of every year, the amount of the liabilities of the Life assurance fund is established. The surplus between the fair value of the assets and the fair value of the liabilities amounting to **Rs 308.9m** at 31 December 2021 (2020: Rs 84.8m) has been transferred to profit or loss. This portion is calculated by MUA Life Ltd and approved by the actuaries on the basis that sufficient reserves are held to maintain the solvency of the life assurance fund over the long term.

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
At 01 January	**7,778,400**	7,794,209
Premium (net of reinsurance)	**1,364,881**	1,145,401
Interest, dividends and rent	**380,014**	393,796
Unrealised /Realised capital (losses)/gains	**284**	(34)
Unrealised capital gains / (losses)	**932,209**	(250,200)
Loss on disposal of asset	**18**	29
Death and disability claims (net of reinsurance)	**(62,598)**	(40,043)
Maturity claims	**(335,716)**	(299,596)
Surrenders	**(258,060)**	(365,346)
Annuities and pensions	**(333,137)**	(290,938)
Other benefits	**(25,099)**	(20,632)
Commissions (net of reinsurance)	**(50,169)**	(34,484)
Management expenses	**(166,870)**	(156,370)
Interest on leased assets	**(250)**	(429)
Depreciation and amortisation of assets	**(12,509)**	(12,194)
Transfer to revenue account	**(308,930)**	(84,769)
At 31 December	**8,902,468**	7,778,400

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18 INVESTMENT CONTRACT LIABILITIES

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
At 01 January	**1,107,302**	1,002,454
Contributions	**112,515**	59,251
Withdrawals	**(66,320)**	(20,466)
Investment fair value adjustment	**144,051**	66,063
At 31 December	**1,297,548**	1,107,302

Following a change in the Private Pension Scheme Act effective from 01 January 2015, the portfolio of the group pension was transferred from the books of MUA Life Ltd, a sub-subsidiary of the Company dealing in the life insurance business into a trust. The trust has invested in the underlying funds of MUA Life Ltd. The value of the Investment contract liabilities at 31 December 2021 and 2020 represent the fair value of the investments.

19 DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method at 17% for the local entities and 30% for the foreign subsidiaries.

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

		THE GROUP	
	Note	**2021**	2020
		Rs'000	Rs'000
At 01 January		**(45,367)**	(47,524)
At acquisition		**-**	1,390
(Under)/over provision of deferred income tax	23(a)	**(1,557)**	900
Recognised in OCI		**(926)**	512
Recognised in profit or loss	23(a)	**(6,053)**	(16,315)
Exchange differences		**(1,406)**	15,670
At 31 December		**(55,309)**	(45,367)
Deferred income tax (charge)/credit - Profit or loss		**(6,053)**	(16,315)
Deferred income tax charge - OCI		**(926)**	512
		(6,979)	(15,803)

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19 DEFERRED INCOME TAX

(b) The following amounts are shown in the statement of financial position:

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
Deferred income tax liabilities	(94,409)	(97,989)
Deferred income tax assets	39,100	52,622
	(55,309)	(45,367)
Deferred income tax assets and liabilities are attributable to the following:		
Deferred income tax liabilities		
Revaluation of investment property	(97,982)	(97,982)
Provisions for legal costs	2,902	-
Difference between capital allowances and depreciation	671	(7)
	(94,409)	(97,989)
Deferred income tax assets		
Difference between capital allowances and depreciation	6,328	(3,147)
Provision for bad debts	12,152	22,925
Provision for impairment of loan receivables	6,555	19,005
Provision for expenses/ impairment on balances with related party	206	(1,817)
Provision for outstanding claims	7,076	12,649
IFRS 16 impact	881	2,242
Provision for impairment of FVOCI	676	557
Fair value gain on equity investment	(3,736)	(3,341)
Retirement benefit obligations	2,206	3,850
Net DAC	(857)	-
Unrealised exchange gains	3,041	-
Tax losses carried forward	4,572	(301)
	39,100	52,622
	(55,309)	(45,367)

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20 EMPLOYEE BENEFIT OBLIGATIONS

The benefits of employees of the Group and the Company fall under the following different types of arrangements:

(i) A defined benefit scheme which is funded. The plan assets are held independently by MUA Life Ltd.

(ii) Unfunded defined benefit scheme which is entitled to a No Worse Off Guarantee ('NWOG').

The liabilities in respect of the defined benefit schemes above are analysed as follows:

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
Funded obligation (note a)	11,870	13,772
Unfunded obligation (note b)	2,082	3,158
	13,952	16,930

(a) **Funded obligation**

The amounts recognised in the statements of financial position in respect of funded obligation are as follows:

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
Defined benefit of funded obligation	15,447	16,792
Fair value of plan assets	(3,577)	(3,020)
Benefit liability	11,870	13,772
(i) Movement of defined benefit of funded obligations:		
At 01 January	16,792	13,729
Amount recognised in profit or loss:		
Interest cost	631	652
Amount recognised in other comprehensive income:		
Actuarial changes arising from changes in financial assumptions	(1,976)	2,411
At 31 December	15,447	16,792
(ii) Movement of fair value of plan assets:		
At 01 January	3,020	2,845
Amount recognised in profit or loss:		
Interest income	114	135
Amount recognised in other comprehensive income:		
Actuarial changes arising from changes in financial assumptions	443	40
At 31 December	3,577	3,020

Notes to the Financial Statements
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20 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(a) Funded obligation (Continued)

The main categories of plan assets are as follows:

	THE GROUP	
	2021	2020
	%	%
Local equities	46	46
Local - Debt Maturity >=12 months	34	34
Local - Cash and Debt Maturity	9	9
Overseas equities	11	11
	100	100

	2021	2020
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	4.5%	3.8%
Expected rate of return on plan assets	3.8%	3.8%
Future salary increases*	0.0%	0.0%
Future pension increases	3.0%	3.0%
Deferred pension increases	0.0%	0.0%
Actuarial table for employee mortality	PMA 92-PFA	

* No increase in future salary as the pension plan is frozen.

A quantitative sensitivity analysis showing impact on defined benefit obligations for changes in significant assumptions is shown as follows:

Assumptions	Discount rate		Future pension cost increase	
	1% increase	1% decrease	1% increase	1% decrease
	Rs'000	Rs'000	Rs'000	Rs'000
2021	(2,095)	2,611	1,937	(1,648)
2020	(2,488)	3,150	2,232	(1,886)

Assumptions	Life expectancy of male pensioners		Life expectancy of female pensioners	
	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
	Rs'000	Rs'000	Rs'000	Rs'000
2021	224	(253)	258	(253)
2020	260	(266)	296	(302)

Notes to the Financial Statements
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20 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(a) Funded obligation (Continued)

The sensitivity analyses have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

No contributions are expected to be paid to the defined benefit plan obligation in future years.

The average duration of the defined benefit plan obligation at the end of the reporting period is 7-8 years (2020: 7-8 years).

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. Management assessment of the expected returns is based on historical returns trends and analysts' predictions of the market for the asset in the next twelve months.

No contribution was received in 2021 and no future contribution is expected in 2022.

(b) Unfunded obligation

The amounts recognised in the statements of financial position in respect of unfunded obligation are as follows:

		THE GROUP	
		2021	2020
		Rs'000	Rs'000
	Present value of unfunded obligation	2,082	3,158
(i)	Movement in the liability recognised in the statements of financial position:		
	At 01 January	3,158	1,695
	Amount recognised in profit or loss:		
	Interest cost	1,949	818
	Amount recognised in other comprehensive income:		
	Actuarial (gain)/loss	(3,025)	645
	At 31 December	2,082	3,158

The principal actuarial assumptions used for accounting purposes were:

	THE GROUP	
	2021	2020
Discount rate	4.5%	3.8%
Future salary increase	2.8%	2.0%
Future pension increase	0.0%	0.0%

The Group does not expect any contribution in 2022.

A quantitative sensitivity analysis showing impact on defined benefit obligations for changes in significant assumptions is shown as follows:

Assumptions	Discount rate		Future pension cost increase		Life expectancy of male pensioners		Life expectancy of female pensioners	
	1% increase	1% decrease	1% increase	1% decrease	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2021	(334)	578	N/A	N/A	29	-	62	(64)
2020	(2,140)	3,915	N/A	N/A	471	(466)	182	(182)

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21 BORROWINGS

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Preference share capital (i)	-	100,000	-	-
Floating rate notes (ii), (iii)	604,216	504,204	604,216	504,204
	604,216	604,204	604,216	504,204
Analysed as follows:				
Non-current	604,216	504,204	604,216	504,204
Current	-	100,000	-	-
	604,216	604,204	604,216	504,204

(i) During the year ended 31 December 2021, the preference shares have been redeemed on their due redemption date.

(ii) On 24 September 2019, the Company issued floating rate notes through a private placement for a total nominal amount of Rs 500m. The interest rate is calculated as the aggregate of the repo rate and the applicable spread per annum. The applicable spread is either the initial spread of 1.25% or the revised spread which takes into account any change in the credit rating of the notes, as defined in the Notes Subscription Agreement. The notes have been assigned a rating of CARE MAU AA- by CARE Ratings (Africa) Private Limited and will mature on 24 September 2029.

(iii) On 30 June 2021, the Company issued 4.5% per annum fixed rate notes through a private placement for a total nominal amount of Rs 100m. The interest rate is subject to change should the CARE MAU Rating of the Company changes over the 10 year term of the notes. The notes have been assigned a rating of CARE MAU AA- by CARE Ratings (Africa) Private Limited and will mature on 30 June 2031.

22 TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Loans repaid in advance	14,935	6,826	-	-
Premiums prepaid	77,084	52,176	-	-
Amounts due to reinsurers	440,767	296,635	-	-
Commission payables	175,922	115,406	-	-
Accruals	162,528	161,610	3,635	3,008
Stale cheques	92,098	57,591	796	198
Financial Services Commission charges	3,918	6,499	-	-
Value Added Tax payable	20,335	4,322	-	-
Interest payable	-	5,190	-	-
Cash held guarantee	73,220	46,935	-	-
Salaries & wages payable	6,482	21,196	-	-
Payables to suppliers	37,302	36,064	-	-
Payables to garages and clients	7,588	18,025	-	-
Rent security deposit and advances	1,961	5,488	-	-
Client monies	8,609	13,485	-	-
Other payables	181,080	108,701	-	-
	1,303,829	956,149	4,431	3,206

The carrying amounts of trade and other payables approximate their fair values and are repayable within one year.

Trade and other payables are non-interest bearing and are repayable within one year.

Notes to the Financial Statements

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23 TAX CHARGE

	Note	THE GROUP		THE COMPANY	
		2021	2020	2021	2020
		Rs'000	Rs'000	Rs'000	Rs'000
(a) In the statements of profit or loss					
Income tax provision at applicable rate		54,863	78,737	4,636	1,621
CSR tax		1,061	5,537	-	-
Tax withheld on dividend received		(4,339)	(2,787)	-	-
Under/(over) provision of income tax		10,145	(8,091)	-	-
Under/(over) provision of deferred tax	19	1,557	(900)	-	-
Deferred income tax charge	19	6,053	16,315	-	-
Wage assistance scheme		-	1,083	-	-
Covid levy		-	70	-	-
Alternative Minimum Tax		18,380	-	-	-
Foreign tax credit		-	1,647	-	-
Tax charge for the year		87,720	91,611	4,636	1,621
(b) In the statements of financial position					
At 01 January		(8,518)	17,987	(101)	-
Payment		102,859	62,075	1,292	-
Acquisition through business combination		-	(7,006)	-	-
Tax withheld		3,047	-	3,047	-
Under/(over) provision of income tax		(10,145)	8,091	-	-
Income tax expense		(58,942)	(97,773)	(4,636)	(101)
CSR tax		(1,061)	5,537	-	-
Wage assistance scheme		-	1,083	-	-
Covid levy		-	70	-	-
Alternative Minimum Tax		(18,380)	-	-	-
Exchange differences		3,050	1,418	-	-
At 31 December		11,910	(8,518)	(398)	(101)
Current income tax liabilities		(11,706)	(28,367)	(398)	(101)
Current income tax assets		23,616	19,849	-	-
		11,910	(8,518)	(398)	(101)
(c) Tax rate reconciliation					
Profit before income tax		502,244	456,634	160,079	142,003
Tax thereon at applicable rate*		105,606	122,723	24,012	21,300
Tax effect of:					
Income not subject to tax		(35,129)	(33,215)	(27,370)	(18,401)
Expenses not deductible for tax purposes		9,333	12,100	(1,278)	(1,278)
Income exempt for tax		(22,325)	(6,558)	-	-
Under/(over) provision of deferred tax in prior years		1,557	(900)	-	-
Under/(over) provision of income tax		10,145	(8,091)	-	-
CSR contribution		153	5,537	-	-
Tax withheld on dividend received		-	(2,787)	-	-
Wage assistance scheme		-	1,083	-	-
Foreign tax credit		-	1,649	-	-
Alternative Minimum Tax		18,380	-	-	-
Covid levy		-	70	-	-
		87,720	91,611	(4,636)	1,621

* Rates applicable are 15% for Mauritius and 30% for African subsidiaries.

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24 NET EARNED PREMIUMS

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
(a) Gross premium earned is as follows:		
Non-life insurance	5,234,815	4,247,833
Life insurance	1,555,990	1,311,004
Change in unearned premiums provision	(111,150)	(321,134)
	6,679,655	5,237,703
(b) Premium ceded to reinsurers is as follows:		
Non-Life insurance	(1,847,826)	(1,444,927)
Life insurance	(191,109)	(165,602)
Change in unearned premiums provision	32,110	198,920
	(2,006,825)	(1,411,609)
Net earned premiums	4,672,830	3,826,094

25 FEES AND COMMISSION INCOME

	2021	2020
Reinsurance commission	426,990	310,638
Other fees	1,850	(722)
	428,840	309,916
Revenue from contracts with customers		
Policy fees - at point in time revenue	22,370	20,671
	451,210	330,587

26 INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Rental income from investment properties	6,347	16,423	-	-
Dividend income	95,595	22,320	162,702	144,288
	101,942	38,743	162,702	144,288

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27 INTEREST CALCULATED USING EFFECTIVE INTEREST RATE

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
Interest income on:	Rs'000	Rs'000	Rs'000	Rs'000
Loans	37,474	49,749	-	-
Fixed deposits	30,290	35,693	343	3,329
Corporate bonds	52,043	44,209	32,563	18,636
Government long term bonds	541,027	509,720	-	-
Government treasury bills	7,163	1,937	720	-
	667,997	641,308	33,626	21,965

28 NET REALISED GAINS/(LOSSES)

		THE GROUP	
	Notes	2021	2020
		Rs'000	Rs'000
Property and equipment			
Gain/(loss) on disposal		1,064	(221)
		1,064	(221)
Financial assets			
Gain/(loss) on disposal of financial assets at FVTPL		182,506	(1,231)
		182,506	(1,231)
		183,570	(1,452)

29 NET UNREALISED GAINS/(LOSSES)

		THE GROUP	
	Notes	2021	2020
		Rs'000	Rs'000
Fair value gain/(loss) on financial assets at FVTPL	12(b)	761,571	(251,426)
Fair value gains on investment properties	7	-	13,225
		761,571	(238,201)

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30 OTHER OPERATING INCOME

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Brokerage fees	7,905	7,609	-	-
Administration fees	57,766	56,985	-	-
Management fees	8,415	7,425	-	-
Exchange gains	26,121	36,902	1,282	11,749
Actuarial fee	823	562	-	-
Stale cheques	2,636	2,909	-	-
Loan fees	883	725	-	-
Other income	38,089	20,396	165	155
	142,638	133,513	1,447	11,904

31 COMMISSION AND BROKERAGE FEES PAID

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
Commission paid	779,238	615,428
Other charges	26,254	25,161
	805,492	640,589

32 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

		THE GROUP		THE COMPANY	
	Note	2021	2020	2021	2020
		Rs'000	Rs'000	Rs'000	Rs'000
Exchange loss		15,956	-	-	-
Management expenses		1,129,731	1,046,028	19,237	13,299
Depreciation of property and equipment	5	44,963	40,441	-	-
Depreciation on right-of-use assets	6	36,644	33,048	-	-
Amortisation of intangible assets	8	42,995	36,745	-	-
		1,270,289	1,156,262	19,237	13,299

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33 FINANCE COSTS

		THE GROUP		THE COMPANY	
	Note	2021	2020	2021	2020
		Rs'000	Rs'000	Rs'000	Rs'000
Interest expense:					
- Dividend on redeemable preference shares		-	6,000	-	-
- Interest on subordinated bonds/notes		15,589	20,516	17,781	21,881
- Interest on leased assets	6	11,521	10,173	-	-
- Interest on bank overdraft		-	71	-	-
		27,110	36,760	17,781	21,881

34 PROFIT BEFORE INCOME TAX

		THE GROUP		THE COMPANY	
	Note	2021	2020	2021	2020
		Rs'000	Rs'000	Rs'000	Rs'000
The profit before income tax has been arrived at after crediting/(charging) the following:					
Investment income					
- Dividend income	26	95,595	22,320	162,702	144,288
- Interest on financial assets and loans	27	667,997	641,308	33,626	21,965
Loss on disposal of financial assets	28	182,506	(1,231)	-	-
Gain/(loss) on disposal of property and equipment	28	1,064	(221)	-	-
Auditors' fees		(12,573)	(11,328)	(350)	(334)
Employee benefit expenses	35	(601,605)	(597,016)	-	-
Depreciation on property and equipment	5	(44,963)	(40,441)	-	-
Depreciation on right-of-use assets	6	(36,644)	(33,048)	-	-
Amortisation of intangible assets	8	(42,995)	(36,745)	-	-

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35 EMPLOYEE BENEFIT EXPENSE

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
Wages and salaries	521,023	515,973
Social Security costs	15,849	15,666
Defined contribution expenses	26,798	31,641
Defined benefits expenses	2,466	1,335
Other costs	35,469	32,401
	601,605	597,016

36 DIVIDENDS PAID

	THE GROUP	
	2021	2020
	Rs'000	Rs'000
Interim ordinary dividend - **Rs 0.80** (2020: Rs 0.80)	40,621	36,072
Final ordinary dividend - **Rs 2.10** (2020: Rs 2.02)	107,259	101,202
	147,880	137,274

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37 SHARE BASED PAYMENT

The Company's subsidiary, the Mauritius Union Assurance Cy Ltd ("MUACL") had set up a Share Option Scheme ("SOS") to selected members of its executive management team effective from 01 January 2018. Following the Group Restructuring, the SOS was cancelled and a Group share scheme ("GSOS 1")launched and the executive management team that were eligible to the GSOS agreed to exchange their shares in the Company to equivalent number of shares in the ultimate parent effective from 01 January 2019. The vesting period had been fixed at 39 months and came to an end in April 2021. The eligible members can exercise their options until 30 March 2023.

In May 2021, another Group share scheme ("GSOS 2") was offered to selected members of the executive management team. The terms and conditions of the new GSOS are similar to the old scheme as described below:

Where the Company has commited to grant the award directly to the employees of MUACL and settle it in its own equity, it accounts for the award as equity-settled, with a corresponding increase in investment in subsidiary. At a group level, a charge to profit or loss is booked over the vesting period.

A shared understanding of the terms and conditions of the share based payment arrangements has been agreed between MUACL and its executive management team. At grant date, MUACL will confer to its executive management team options to subscribe for shares in the Company subject to certain vesting conditions.

The vesting period has been fixed by the Board at 39 months during which the executive management team members have to remain in employment with MUACL. Therefore, the equity instruments started to vest during the year ended 31 December 2021.

Once the shares are issued, they will rank 'pari passu' as to dividend, capital, voting rights and in all other respects with the existing shares of the Company.

The GSOS 2 is subject to an aggregare maximum number of shares which may be utilised and the GSOS 2 would be allowed to grant shares up to a maximum dilution of 2.5% of shareholders (" Maximum GSOS allocation"). Based on the curent capital structure, this represents a maximum of 1,284,500 shares, which can be issued to the participants.

The objectives of the GSOS are as follows:

(i) Focusing key staff on long term objectives to build sustainable value;

(ii) Delivering value to shareholders by focusing the executive management team on growth of the share price;

(iii) Aligning the objectives of management with those of the shareholders; and

(iv) Encouraging the adoption of a team environment and business culture.

For the year ended 31 December 2021, a total charge of Rs. 6.3m (2020: Rs.3.6m relating to GSOS 1) has been recognised as share based payment expense in the Group profit or loss for executive employees still in employment at year-end based on the fair value of the shares awarded. On a separate financial statements, the investment in MUACL was debited by Rs 5.3m at the reporting date (2020 - Rs 7.3m).

As the Company's equity instruments are publicly traded, the fair value of the equity instrument granted was determined using the Black Scholes option valuation model.

The average estimated fair value of shares at the date of exercise of these options was Rs 115.69.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 27 months.

The weighted average fair value of options granted during the year was Nil.

The exercise price for options outstanding at the end of the year was Rs 90.

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38 FAIR VALUE MEASUREMENTS

(a) Fair values of assets and liabilities that are measured at fair value on a recurring basis

Some of the assets and liabilities are measured at fair value at the end of the reporting period. The following table gives the information about how the fair value of these assets and liabilities are determined (in particular the valuation technique(s) and the inputs used):

	Fair Value		Fair Value Hierarchy		Valuation technique(s) and key input(s)	
	2021	2020	**2021**	2020	**2021**	2020
	Rs'000	Rs'000				
Investment properties						
Land	**90,475**	90,475	**Level 2**	Level 2	**Sales comparison approach and selling price**	
Building	**463,596**	429,560	**Level 2**	Level 2	**Sales comparison approach and selling price**	
Property and equipment:						
Land	**40,000**	40,000	**Level 2**	Level 2	**Sales comparison approach and selling price**	
Building	**205,689**	208,417	**Level 2**	Level 2	**Sales comparison approach and selling price**	
Financial assets at fair value through other comprehensive income:						
Quoted equity securities:	**326,438**	266,396	**Level 1**	Level 1	**Not applicable**	
Unquoted securities:						
Foreign Equities	**26,052**	19,521	**Level 3**	Level 3	see disclosure in Note (i)	
Commerce and Others	**38,558**	32,545	**Level 3**	Level 3		
Debt instruments:						
Quoted bonds	**829,417**	901,790	**Level 1**	Level 1	**Not applicable**	
Unquoted bonds	**119,316**	147,170	**Level 2**	Level 2	**Yield To Maturity**	
Financial assets at fair value through profit or loss:						
Quoted securities: Local	**2,752,085**	2,213,817	**Level 1**	Level 1	**Not applicable**	
Unquoted securities: Local	**85,459**	82,557	**Level 3**	Level 3	see disclosure in Note (i)	
Open-Ended Mutual Funds:						
Local	**114,250**	101,310	**Level 2**	Level 2	**Net Assets Value**	
Foreign	**1,171,139**	959,199	**Level 2**	Level 2	**Net Assets Value**	

There have been no transfers between levels in the fair value hierarchy.

Notes to the Financial Statements

For the Year Ended 31 December 2021

38 FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Fair values of assets and liabilities that are measured at fair value on a recurring basis (Continued)

(i) The following table shows the valuation techniques used in the determination of fair values in Level 3 of the hierarchy as well as the key unobservable inputs used in the valuation model.

Type	Fair value		Valuation approach	Key unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
	2021	2020				
	Rs'000	Rs'000				
Financial assets at fair value through other comprehensive income:						
Foreign equities: Leisure and hotels	**16,222**	9,233	Price to Book Value	Discount due to lack of marketability	20% - 40%	A 5% increase/decrease in discount factor will lead to a decrease/ increase of Rs 2.03m (2020: Rs 1.15m) in fair value.
Foreign equities: Reinsurance	**9,830**	10,288	Dividend discount model	Discount due to lack of marketability	10% - 20%	A 5% increase/decrease in discount factor will lead to a decrease/ increase of Rs 0.70m (2020: Rs 0.86m) in fair value.
Commerce and others	**38,558**	32,545	Net Assets Value	Fluctuation in NAV	5%	A 5% increase/decrease in discount factor will lead to a decrease/ increase of Rs 0.027m (2020: Rs 0.03m) in fair value.
Financial assets at fair value through profit or loss:						
Foreign equities: Leisure and hotels	**7,332**	6,643	Comparative EV/EBITDA	Discount due to lack of marketability	20% - 30%	An increase/decrease in discount factor will lead to a decrease/increase of Rs 1.7m (2020: Rs 1.6m) in fair value.
Foreign equities: Investment	**78,127**	75,914	NAV	Fair value of underlying property	5%	An increase/decrease in fair value of property will lead to a increase/decrease of Rs 3.9m (2020: Rs 3.8m) in fair value.

The sales comparison approach makes reference to the price per square metre from current year sales of comparable plot of land or buildings in the vicinity. Price-to-book value (P/B) was calculated using the market value of a company's shares (share price) over its book value of equity. The dividend discount model (DDM) was calculated using predicted dividends and discounting them back to present value.

Notes to the Financial Statements

For the Year Ended 31 December 2021

38 FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Fair values of assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of recognised financial assets and financial liabilities approximate their fair values.

	Carrying amount		Fair value		Fair value hierarchy	
	2021	2020	2021	2020	2021	2020
The Group	Rs'000	Rs'000	Rs'000	Rs'000		
Loans and receivables						
Mortgage Loans	264,103	322,960	274,923	344,675	Level 2	Level 2
Loans on life policies	8,132	9,658	8,562	10,533	Level 2	Level 2
Secured Loans	400,884	423,958	413,547	404,203	Level 2	Level 2
Unsecured Loans	3,151	2,637	3,132	1,949	Level 2	Level 2
CDS guarantee fund	328	745	365	785	Level 2	Level 2
Debt instruments at amortised cost						
Deposits and corporate bonds	1,619,582	821,198	1,985,989	1,436,812	Level 2	Level 2
Government loan stocks	7,393,687	6,505,430	7,829,957	7,906,398	Level 2	Level 2
Financial liabilities						
Preference share capital	-	100,000	-	133,105	Level 2	Level 2
Floating rate notes	604,216	504,204	587,742	500,000	Level 2	Level 2
The Company						
Debt instruments at amortised cost						
Corporate bonds and fixed deposits	948,401	748,454	1,038,445	748,454	Level 2	Level 2
Loan receivable	102,817	-	102,817	-	Level 2	N/a
Financial liabilities						
Floating rate notes	604,216	504,204	587,742	500,000	Level 2	Level 2

The valuation technique used to fair value the above instruments is discounted cash flow with observable yield for similar instruments.

Notes to the Financial Statements

For the Year Ended 31 December 2021

38 FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Reconciliation of Level 3 fair value measurements

The following table shows a reconciliation of the opening to the closing balances of Level 3 financial assets which are recorded at fair value:

	2021			2020		
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January	82,557	52,066	134,623	81,333	49,547	130,880
Additions			-	-	-	-
Total (loss)/ gains in profit or loss	2,902	-	2,902	1,224	-	1,224
Total (loss)/ gains in other comprehensive income	-	12,544	12,544	-	2,519	2,519
At 31 December	85,459	64,610	150,069	82,557	52,066	134,623

39 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The Chief Excecutive Officer (CEO) is the chief operating decision maker.

The Group's reportable segments under IFRS 8 are based on insurance classes as follows:

(i) Casualty - includes motor, liability, cash in transit, personal accident and health.

(ii) Property - includes fire and allied perils, engineering, marine, and all risks.

(iii) Life - includes both life and pensions.

Revenue in the above segments is derived primarily from insurance premiums, investment income and realised gain on financial assets.

(iv) Other - consists of stockbroking. Revenue in this segment is derived primarily from brokerage commissions, investment income and realised gains on financial assets.

Notes to the Financial Statements

For the Year Ended 31 December 2021

39 SEGMENT INFORMATION (CONTINUED)

The Company customer portfolio base is widely spread and no customer accounts for more than 10% of the total revenue.

2021	THE GROUP						
	Casualty	Property	Total General*	Life	Other	Consolidated adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Income							
Net earned premium	2,977,490	330,459	3,307,949	1,364,881	-	-	4,672,830
Fee and commission income	136,796	272,926	409,722	43,405	-	(24,287)	428,840
Brokerage fees	-	-	-	-	7,904	-	7,904
Share of profit from joint venture	924	132	1,056	-	119	-	1,175
Investment and other income	345,748	63,142	408,890	1,458,717	107,124	(97,175)	1,877,556
Segment income	3,460,958	666,659	4,127,617	2,867,003	115,147	(121,462)	6,988,305
Expenses							
Gross claims and benefits	2,079,406	332,234	2,411,640	1,090,061	-	-	3,501,701
Claims recovered from Reinsurers	(321,144)	(237,419)	(558,563)	(75,451)	-	-	(634,014)
Movement in outstanding claims	222,963	24,402	247,365	1,268,118	-	-	1,515,483
Commission and brokerage fee paid	484,264	251,942	736,206	93,574	-	(24,288)	805,492
Management and other expenses	798,014	124,675	922,689	169,012	66,092	(12,106)	1,145,687
Finance costs	39,786	7,017	46,803	250	18,123	(38,066)	27,110
Depreciation	57,218	13,312	70,530	8,365	2,712	-	81,607
Amortisation	18,808	4,122	22,930	4,145	427	15,493	42,995
	3,379,315	520,285	3,899,600	2,558,074	87,354	(58,967)	6,486,061
Segment profit before income tax	81,643	146,374	228,017	308,929	27,793	(62,495)	502,244
Profit before income tax							502,244
Income tax expense							(87,720)
Profit for the year							414,524

Notes to the Financial Statements

For the Year Ended 31 December 2021

39 SEGMENT INFORMATION (CONTINUED)

2020	THE GROUP						
	Casualty	Property	Total General*	Life	Other	Consolidated adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Income							
Net earned premium	2,263,696	416,997	2,680,693	1,145,401	-	-	3,826,094
Fee and commission income	84,616	207,504	292,120	42,602	-	(4,135)	330,587
Brokerage fees	-	-	-	-	44	-	44
Investment and other income	237,610	70,129	307,739	205,721	111,515	(54,676)	570,299
Segment income	2,585,922	694,630	3,280,552	1,393,724	111,559	(58,811)	4,727,024
Expenses							
Gross claims and benefits	1,193,411	565,739	1,759,150	1,062,631	-	-	2,821,781
Claims recovered from Reinsurers	7,271	(376,750)	(369,479)	(46,075)	-	-	(415,554)
Movement in outstanding claims	(44,764)	22,862	(21,902)	50,253	-	-	28,351
Commission and brokerage fee paid	346,184	221,454	567,638	77,088	-	(4,137)	640,589
Management and other expenses	706,478	151,782	858,260	152,435	58,644	(9,090)	1,060,249
Finance costs	28,161	6,564	34,725	430	22,100	(20,495)	36,760
Depreciation	43,190	6,036	49,226	9,364	2,633	-	61,223
Amortisation	16,186	4,064	20,250	2,830	191	11,519	34,790
Share of loss of Joint venture	-	-	-	-	2,201	-	2,201
	2,296,117	601,751	2,897,868	1,308,956	85,769	(22,203)	4,270,390
Segment profit before income tax	289,805	92,879	382,684	84,768	25,790	(36,608)	456,634
Profit before income tax							456,634
Income tax expense							(91,611)
Profit for the year							365,023

*Amounts represent those of The Mauritius Union Assurance Cy Limited and the African subsidiaries.

Notes to the Financial Statements

For the Year Ended 31 December 2021

39 SEGMENT INFORMATION (CONTINUED)

2021	THE GROUP						
	Casualty	Property	Total General*	Life	Other	Consolidated adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	**8,930,936**	**1,615,140**	**10,546,076**	**11,898,476**	**1,068,739**	**(1,490,044)**	**22,023,247**
Segment liabilities	**2,099,171**	**373,212**	**2,472,383**	**254,257**	**638,290**	**(1,065,399)**	**2,299,531**
Technical liabilities							
- Unearned premium reserve							**2,393,996**
- Life assurance fund							**8,902,468**
- Investment contract liabilities							**1,297,548**
- Outstanding claims							**2,378,199**
Total equity							**4,751,505**
Capital expenditure							
Property and equipment	**35,994**	**6,079**	**42,073**	**1,392**	**3,440**	**-**	**46,905**
Intangible assets	**25,565**	**5,158**	**30,723**	**13,868**	**976**	**-**	**45,567**
2020							
Segment assets	6,762,103	2,269,850	9,031,953	10,298,474	1,065,269	(1,193,040)	19,202,656
Segment liabilities	1,445,930	497,337	1,943,267	205,237	646,507	(712,359)	2,082,652
Technical liabilities							
- Unearned premium reserve							2,151,587
- Life assurance fund							7,778,400
- Investment contract liabilities							1,107,302
- Outstanding claims							1,843,884
Total equity							4,238,831
Capital expenditure							
Property and equipment	15,557	4,005	19,562	422	146	-	20,130
Intangible assets	18,649	4,284	22,933	7,058	590	167,052	197,633

*Amount represents that of The Mauritius Union Assurance Cy Limited and the African subsidiaries.

Notes to the Financial Statements

For the Year Ended 31 December 2021

39 SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION	Income from external customers		Non-current assets	
	2021	2020	**2021**	2020
	Rs'000	Rs'000	**Rs'000**	Rs'000
Mauritius	**5,167,372**	3,535,675	**773,392**	795,614
Kenya	**962,831**	467,035	**631,753**	618,210
Tanzania	**385,916**	337,965	**333,822**	300,421
Uganda	**191,156**	160,300	**15,972**	15,753
Rwanda	**279,855**	226,049	**14,973**	16,044
	6,987,130	4,727,024	**1,769,912**	1,746,042

40 CONTINGENCIES

In common practice with insurance industry in general, the Group is subject to litigations arising in the normal course of insurance business. The directors are of the opinion that these litigations will not have a material effect on the financial position or results of the Group as the insurance contract liabilities take into account the claims related to these litigations. The Group and the Company have bank guarantees totalling **Rs 95.8m** as at 31 December 2021 and 2020.

Material litigation

The matter relates to claims under the directors & officers policies. In alignment with external counsels, the Company is of opinion that, while the inherent risk appears high, the residual risk is low. Disclosing any details may affect the outcome of the case (in the event it proceeds), which is still at an early stage (pleadings), and certain particulars are not in the public domain.

41 COMMITMENTS

Outstanding financial commitments:	THE GROUP		THE COMPANY	
	2021	2020	**2021**	2020
	Rs'000	Rs'000	**Rs'000**	Rs'000
Loans approved by the Board of Directors but not yet disbursed	**22,639**	29,124	**-**	-

42 BASIC AND DILUTED EARNINGS PER SHARE

	THE GROUP	
	2021	2020
The following reflects the income and share data used in the basic and diluted EPS computations	**Rs'000**	Rs'000
Profit attributable to equity holders of the parent	**390,541**	333,972
Weighted average number of ordinary shares ranking for dividend:		
Number of ordinary shares for basic EPS	**50,624,404**	46,139,984
Effect of dilution from share options	**477,874**	278,927
Number of ordinary shares adjusted for the effect of dilution	**51,102,278**	46,418,911
Earnings per share - Basic	**7.71**	7.24
Earnings per share - Diluted	**7.64**	7.19

Notes to the Financial Statements

For the Year Ended 31 December 2021

43 NOTES TO THE STATEMENTS OF CASH FLOWS

		Notes	THE GROUP		THE COMPANY	
			2021	2020	2021	2020
(a)	**Cash generated from operations**		Rs'000	Rs'000	Rs'000	Rs'000
	Profit before income tax		502,244	456,634	160,079	142,003
	Fair value (gain) / loss on financial assets at FVTPL	12(b)	(761,571)	251,425	-	-
	Increase in fair value of investment properties	7	-	(13,225)	-	-
	Share based payment		6,154	-	-	-
	Foreign exchange (gains)/losses	30	(26,121)	(36,902)	(1,282)	-
	Provision for retirement benefit obligations		(1,626)	1,335	-	-
	Provision for credit impairment	11/12	18,017	24,695	-	-
	ECL - IFRS 9		(3,495)	(1,550)	678	974
	Loans and receivables written off	13	22	253	-	-
	Dividend income	26	(95,595)	(22,320)	(162,702)	(144,288)
	Interest income	27	(667,997)	(641,308)	(33,626)	(21,965)
	Interest expense	33	27,110	36,760	17,781	21,881
	Depreciation of property and equipment	5	44,963	40,441	-	-
	Depreciation of rights of use asset	6	36,644	33,048	-	-
	Amortisation of intangible assets	8	42,995	36,745	-	-
	Gain/(loss) on sale of property and equipment	28	(1,064)	221	-	-
	Gain/(loss) on disposal of financial assets	28	(182,506)	1,231	-	-
	Lease liability reassessment		(68)	-	-	-
	Share of loss/(profit) from joint venture	11	(1,175)	2,201	-	-
	Revaluation reserve realised on land and building from Life business		(1,063,069)	169,684	(19,072)	(1,395)
	Change in unearned premium		79,040	282,187	-	-
	Change in insurance and other receivables		(337,310)	(178,074)	-	27,375
	Net change in deferred acquisition costs		(24,858)	2,771	-	-
	Change in outstanding claims		(245,765)	(139,671)	-	-
	Change in trade and other payables		302,177	182,223	1,225	2,118
	Net cash (used in)/generated from operations		(1,289,785)	319,120	(17,847)	28,098

Notes to the Financial Statements

For the Year Ended 31 December 2021

43 NOTE TO THE STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Cash and short term deposits

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Cash at banks and on hand	575,009	1,247,364	13,911	149,790
Short-term deposits	522,427	-	-	-
	1,097,436	1,247,364	13,911	149,790

Cash at bank earns interest at fixed rates based on a daily basis deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposits rates. The interest rates on the cash at bank varies 0% to 0.5% and from 0.64% to 1.29% for short-term deposits.

(c) Net Debt reconciliation

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Cash and cash equivalents	1,097,436	1,247,364	13,911	149,790
Borrowings	(604,216)	(604,204)	(604,216)	(504,204)
Lease liabilities	(113,660)	(126,891)	-	-
Net surplus / (shortfall)	379,560	516,269	(590,305)	(354,414)

	THE GROUP				THE COMPANY		
	Borrowings	Lease liabilities	Cash	Total	Borrowings	Cash	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2020	(604,737)	(117,539)	611,685	(110,591)	(505,737)	97,715	(408,022)
Cash flows	-	19,684	650,755	670,439	-	52,075	52,075
New leases	-	(18,916)	-	(18,916)	-	-	-
Foreign exchange adjustments	-	1,943	(15,076)	(13,133)	-	-	-
Other changes	533	(12,063)	-	(11,530)	1,533	-	1,533
At 31 December 2020	(604,204)	(126,891)	1,247,364	516,269	(504,204)	149,790	(354,414)
Cash flows	-	29,844	(156,666)	(126,822)	-	(137,161)	(137,161)
New leases	-	(34,653)	-	(34,653)	-	-	-
Foreign exchange adjustments	-	(6,718)	6,738	20	-	1,282	1,282
Other changes	(12)	24,758	-	24,746	(100,012)	-	(100,012)
At 31 December 2021	(604,216)	(113,660)	1,097,436	379,560	(604,216)	13,911	(590,305)

Notes to the Financial Statements

For the Year Ended 31 December 2021

44 GOODWILL

Goodwill acquired through business combination with indefinite lives are allocated to eight individual CGUs. The carrying amounts of goodwill allocated to each of the CGUs as at 31 December 2020 and 2021 are shown below:

	MUA Life Ltd	MUA Mutual Fund Ltd	The Mauritius Union Assurance Cy. Ltd	MUA (Kenya) Ltd**	MUA (Uganda) Ltd*	Phoenix of Tanzania Assurance Company Limited	MUA (Rwanda) Ltd	Saham Assurance Company Kenya Limited	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Goodwill	51,197	21,780	133,188	-	28,543	48,725	23,438	127,315	434,186

The recoverable amounts of the cash generating units are determined on the basis of value in use calculations. At 31 December 2021, the value in use of each cash generating units exceeds its carrying amount for the CGUS. An impairment of Rs 38.6m has been recorded for the year ended 31 December 2016 in respect of MUA (Kenya) Ltd as the value in use is lower than its carrying value.

To determine the value in use for each cash generating unit, cash flow forecast from the most recent financial approved budgets for the next five years is used adjusted for any one off claims and change in business. Discount rates used represent the current market assessment of the risks specific to a cash generating unit, taking into consideration the time value of money and the weighted average cost of capital (WACC).

Life insurance CGU

The recoverable amounts for the life insurance business CGUs have been determined based on a value in use (VIU) calculation. The calculation is based on the VIU of the business, together with the present value of expected future profits from new business over a five year period.

The assumptions used for the VIU impairment calculation for the Life Insurance were:

- Risk-adjusted discount rates used for calculation of embedded value are calculated using a risk margin of 4% (2020: 4%), based on the operating segment's weighted average cost of capital.
- Future regular bonuses on contracts with DPF are projected in a manner consistent with current bonus rates and expected future returns on assets deemed to back the policies.
- Economic assumptions are based on market yields on risk-free fixed interest rates for the relevant currencies at the end of each reporting period.
- New business contribution represents the present value of projected future distributable profit generated from business written in a period. This is initially based on the most recent five-year business plans approved by senior management.

And the key assumptions were:

- Growth rate represents the rate used to extrapolate new business contributions beyond the business plan period, and is based on management's estimate of future growth of **-5%** (2020: -5%), which is in line with the average growth rate of life insurance industry.
- A pre-tax Group-specific risk-adjusted discount rate of **6.5%** (2020: 9.25%) is used to discount expected profits from future new business.

Investment Management services CGU

The recoverable amount of the investment management services businesses has also been determined based on a VIU calculation using cash flow projections based on the budgeted fee income margin approved by management covering a three-year period. A pre-tax Group-specific risk-adjusted discount rate of **5.38%** (2020: 7%) is used. The applied long-term growth rate is **2%** (2020: 2%).

Notes to the Financial Statements

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44 GOODWILL (CONTINUED)

Non-life insurance

The recoverable amount of the non-life insurance business has been determined based on a VIU calculation using cash flow projections based on financial budgets approved by management covering a three-year period. Discount rates used represent the current market assessment of the risks specific to a cash generating unit, taking into consideration the time value of money and the weighted average cost of capital (WACC). The projected cash flows beyond the three years excluding expenses have been extrapolated using a steady average growth rate of **3%** (2020: 3%) which is in line with the GDP growth rate of each country. The projected cash flows are determined by claim ratio, retention ratio, growth rate and rate of return on investment based on past performances, adjusted for one off expenses and management expectations for market developments.

The assumptions used for the VIU impairment calculation are:

- Policy lapses – The Group has retained records of policy lapses since its inception and is, therefore, able to predict trends over the coming years. Management plans assume no change from recent experiences.
- Expenses – Estimates are obtained from forecasted budget. The financial budget plans assume that expenses will broadly increase in line with inflation rate.

And the key assumptions used are:

- Premiums and margins – Premium income is based on past data and adjusted for any group development. Different growth rate has been applied to the different class of business and a growth rate varies between **10% to 30%** (2020: 10% to 25%) per annum was applied for non-life insurance.
- Claims ratio was determined by using the past payment made during the three preceding years adjusted for one off claims occurred.

Discount rate - The Group used the WACC for each entity by determining a local cost of equity and cost of debt.

Sensitivity to changes in assumptions

The Group also carried out sensitivity analyses based on changes on major assumptions. The impact of the change in assumptions on the recoverable amounts is shown below:

	MUA Life Ltd	
	2021	2020
	Rs'000	Rs'000
Discount factor +1%	(70,061)	(48,814)
Discount factor -1%	76,698	53,200
Growth rate +1%	81,369	58,135
Growth rate -1%	(75,552)	(54,097)

	MUA Mutual Fund Ltd	
	2021	2020
	Rs'000	Rs'000
Discount factor +1%	(23,308)	(8,065)
Discount factor -1%	42,885	12,345
Growth rate +1%	40,177	10,764
Growth rate -1%	(21,837)	(7,033)

Notes to the Financial Statements

For the Year Ended 31 December 2021

44 GOODWILL (CONTINUED)

	2021					
	The Mauritius Union Assurance Cy. Ltd	MUA (Kenya) Ltd	Saham Assurance Company Kenya Limited	MUA (Uganda) Ltd*	Phoenix of Tanzania Assurance Company Limited	MUA (Rwanda) Ltd
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Discount factor +1%	(474,664)	(22,046)	(30,432)	(10,223)	(14,547)	(31,746)
Discount factor -1%	693,960	25,871	35,394	11,713	17,214	36,976
Claim ratio +1%	(391,173)	(15,876)	(48,863)	(15,746)	(15,689)	(22,157)
Claim ratio -1%	391,173	15,876	48,863	15,679	15,689	22,174
Growth rate+1%	626,767	21,050	29,416	9,193	10,712	29,416
Growth rate-1%	(428,512)	(18,001)	(25,287)	(8,049)	(9,156)	(25,287)

	2020				
	The Mauritius Union Assurance Cy. Ltd	MUA (Kenya) Ltd	MUA (Uganda) Ltd*	Phoenix of Tanzania Assurance Company Limited	MUA (Rwanda) Ltd
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Discount factor +1%	(1,696,625)	(46,030)	(8,974)	(36,232)	(27,377)
Discount factor -1%	3,282,488	54,454	10,117	42,558	31,996
Claim ratio +1%	(638,546)	(19,420)	(9,259)	(29,699)	(16,034)
Claim ratio -1%	638,546	19,420	9,259	29,699	16,034
Growth rate +1%	2,997,321	39,371	6,459	30,138	22,756
Growth rate -1%	(1,549,340)	(33,314)	(5,732)	(25,643)	(19,519)

FINANCIAL STATEMENTS

Notes to the Financial Statements

For the Year Ended 31 December 2021

45 BUSINESS COMBINATION

(a) Summary of acquisition

On 03 July 2020, MUA Kenya Ltd acquired 100% of the issued share capital of Saham Assurance Company Kenya Limited ("Saham"), a composite insurance company for consideration of USD 12,325,000. The Company retained the general insurance business and the life business was transferred to Sanlam Life Insurance (Kenya) during the year ended 31 December 2021. The acquisition is expected to increase the Group's market share and reduce cost through economies of scale.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration (refer to (b) below):	Rs'000
Cash paid	492,301
The fair of the assets and liabilities recognised as a result of the acquisition are as follows:	
Cash and cash equivalents	164,137
Equipment	7,446
Right of Use Assets	25,875
Deferred tax asset	1,390
Intangible assets: customer contracts	39,738
Mortgage loans	711
Financial assets at fair value	360,195
Loans and deposits	36,807
Premium outstanding	42,911
Due from reinsurers	112,963
Reinsurers' share of insurance contract liabilities	218,423
Other receivables	32,494
Gross Deferred Acquisition Cost	32,378
Reinsurance Additional Unexpired Risk Reserve	5,337
Current tax receivable	11,259
Long term loan	(39,943)
Claims outstanding	(212,005)
Unearned premium reserve	(321,898)
Payables arising out of direct insurance and reinsurance arrangements	(19,852)
Reinsurance deferred acquisition cost	(14,931)
Gross additional unexpired risk reserve	(30,270)
Corporate tax payable	(4,043)
Other payables	(27,761)
Lease liability	(31,409)
Bank overdraft	(24,966)
Net identifiable assets acquired	364,986
Add: goodwill	127,315
Net assets acquired	492,301

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

Notes to the Financial Statements
For the Year Ended 31 December 2021

45 BUSINESS COMBINATION (CONTINUED)

Acquired receivables

The fair value of acquired trade receivables is Rs 41.7m. The gross contractual amount for trade receivables due is Rs 72.8m, with a loss allowance of Rs 31m recognised on acquisition.

Revenue and profit contribution

The acquired business contributed revenues of Rs 59m and net profit of Rs 15m to the Group for the period from 03 July to 31 December 2020.

If the acquisition had occurred on 01 January 2020, consolidated pro-forma revenue and profit for the year ended 31 December 2020 would have been Rs 741m and Rs 20m respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- Differences in the accounting policies between the Group and the subsidiary, and
- The additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property and equipment and intangible assets had applied from 01 January 2020, together with the consequential tax effects.

(b) Purchase consideration – cash outflow

	Rs'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	492,301
Less: Balances acquired	
Cash	164,137
Bank overdraft	(24,966)
	139,171
Net outflow of cash – investing activities	353,130

Acquisition-related costs

Acquisition-related costs of Rs 26m are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

46 ASSETS AND LIABILITIES HELD FOR SALE

At 31 December 2020, assets and liabilities held for sale related to the life business of Saham. These were transferred to Sanlam Life Insurance (Kenya) during the year ended 31 December 2021.

Notes to the Financial Statements
For the Year Ended 31 December 2021

47 RELATED PARTY TRANSACTIONS

(a) The Group

	Directors & Key management personnel	
	2021	2020
	Rs'000	Rs'000
Loan receivable from	**10,300**	20,129

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances are unsecured, interest-free except for loans and all settlements occur in cash.

There have been no guarantees provided or received for any related party receivables and payables.

At each reporting date, an 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.

Loans given to related parties are repaid on a monthly basis at market rates of 4.5% (2020: 4.1% to 6.1%).

(b) The Company

	2021	2020
	Rs'000	Rs'000
Subsidiaries		
Amounts owed by	**6,850**	6,850
Amounts owed to	**545**	2,795

(c) Remuneration of key management personnel

	THE GROUP		**THE COMPANY**	
	2021	2020	**2021**	2020
	Rs'000	Rs'000	**Rs'000**	Rs'000
Salaries and short-term employee benefits	**119,044**	166,132	**-**	-
Post-employments benefits	**10,807**	12,544	**-**	-
	129,851	178,676	**-**	-

Key management personnel consist of the Chief Executive Officer and senior managers.

Notes

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CONCEPTION & DESIGN BY **BEYOND COMMUNICATIONS**

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