

The Directors are pleased to present the condensed financial statements of the Group and the Company for the year ended December 31, 2008.

(a) Basis of Accounting

The condensed audited financial statements comply with the International Financial Reporting Standards (IFRS) and are prepared under the historical cost convention except that:

- (i) Land and buildings are stated at fair value;
- (ii) Available-for-sale financial assets are stated at their fair values;
- (iii) Investments in associated companies in the Group and the Life Business financial statements are accounted for under the equity method;
- (iv) Investment properties are stated at fair value; and
- (v) Held-to-maturity investments, loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost.

(b) Review of results

- The Group's net profit for the year has increased by 50% to reach Rs146m.
- Underwriting operations generated a surplus of Rs 86m compared to Rs 47m last year.
- Group's Investment and other income increased by 10% over the year under review.
- Our equity investment portfolio has been adversely affected by the downturn in stock market prices but performed better than benchmark indices. It decreased by about 20% compared to a drop of 34% in SEMTRI and a decline of 35% in MSCI All Country World Index over the year.
- Rs78,156K were paid as dividends for 2008 compared to Rs70,140K for 2007.

(c) Section 27 of the Insurance Act 2005

An investor acquired 30% of the shareholding of MUA on May 21, 2008. The Financial Services Commission (FSC) has subsequently not approved this acquisition and has asked the investor to dispose of its shareholding. The Board of MUA has been advised that this requirement is in process of being complied with.

(d) MCB Case

All legal costs in connection with the MCB case have been provided for.

By order of the Board
Gilbert Poisson
Secretary
30 March 2009

AUDITED CONDENSED BALANCE SHEETS - DECEMBER 31, 2008

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	Rs'000	Rs'000	Rs'000	Rs'000
ASSETS				
Non-current assets	3,373,484	4,471,244	1,161,331	1,170,702
Current assets	1,009,137	882,924	598,259	711,949
Life Business non-current assets held-for-sale	-	46,346	-	-
Total assets	4,382,621	5,400,514	1,759,590	1,882,651
EQUITY AND LIABILITIES				
Capital and reserves				
Equity holders' interest	1,036,211	1,481,016	860,443	1,200,253
Minority Interest	3,233	3,315	-	-
Total equity	1,039,444	1,484,331	860,443	1,200,253
Technical Provisions	767,919	616,315	767,919	616,315
Life Assurance Fund	2,412,918	3,046,106	-	-
Non-current liabilities	247	48	199	-
Life business non-current liabilities	199	-	-	-
Current liabilities	135,053	85,913	131,029	66,083
Life business current liabilities	26,841	167,801	-	-
Total equity and liabilities	4,382,621	5,400,514	1,759,590	1,882,651
Net assets per share	Rs 51.71	Rs 73.90		
Number of shares('000)	20,040	20,040		

AUDITED CONDENSED BALANCE SHEETS - DECEMBER 31, 2008

	LIFE	
	2008	2007
	Rs'000	Rs'000
ASSETS		
Non-current assets	2,034,113	3,014,721
Current assets	405,845	152,840
Non-current assets held-for-sale	-	46,346
Total assets	2,439,958	3,213,907
Less:		
Non-current liabilities	199	-
Current liabilities	26,841	167,801
Life Assurance Fund	2,412,918	3,046,106

AUDITED STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2008

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY							
	Share capital	Revaluation and other reserves	Non distributable share of Life Surplus	Retained earnings	Statutory reserve fund	Total	Minority Interest	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
THE GROUP								
Balance at January 1, 2008	200,400	898,205	92,328	290,083	-	1,481,016	3,315	1,484,331
Net movement in fair value of available-for-sale financial assets	-	(471,374)	-	-	-	(471,374)	(480)	(471,854)
Other movements for the year	-	697	-	(597)	-	100	4	104
Net profit for the year	-	-	-	144,447	-	144,447	1,085	145,532
Share of deficit transferred to Life Fund	-	-	(39,822)	-	-	(39,822)	-	(39,822)
Transfer of distributable share of Life Surplus	-	-	(7,306)	7,306	-	-	-	-
Dividends	-	-	-	(78,156)	-	(78,156)	(691)	(78,847)
Balance at December 31, 2008	200,400	427,528	45,200	363,083	-	1,036,211	3,233	1,039,444
Balance at January 1, 2007 as previously reported	200,400	515,367	-	205,401	36,117	957,285	2,600	959,885
Changes in accounting policies / prior period adjustments:	-	(4,882)	85,652	(18,113)	-	62,657	-	62,657
Balance at January 1, 2007 as restated	200,400	510,485	85,652	187,288	36,117	1,019,942	2,600	1,022,542
Net movement in fair value of available-for-sale financial assets	-	386,146	-	-	-	386,146	292	386,438
Other movements for the year	-	(4,276)	-	(1,835)	-	(6,111)	4	(6,107)
Revaluation of land and buildings	-	5,850	-	-	-	5,850	-	5,850
Net profit for the year	-	-	-	145,329	-	145,329	1,110	146,439
- As previously reported	-	-	-	145,329	-	145,329	1,110	146,439
- Share of Life surplus transferred to shareholders now recognised in equity	-	-	-	(49,113)	-	(49,113)	-	(49,113)
- As restated	-	-	-	96,216	-	96,216	1,110	97,326
Transfer of non-distributable share of Life Surplus	-	-	6,676	(6,676)	-	-	-	-
Share of Life surplus	-	-	-	-	-	-	-	-
- As previously reported	-	-	-	-	-	-	-	-
- Share of Life surplus transferred to shareholders now recognised in equity	-	-	-	49,113	-	49,113	-	49,113
- As restated	-	-	-	49,113	-	49,113	-	49,113
Transfer of statutory reserve fund no longer required following the Insurance Act 2005	-	-	-	36,117	(36,117)	-	-	-
Dividends	-	-	-	(70,140)	-	(70,140)	(691)	(70,831)
Balance at December 31, 2007	200,400	898,205	92,328	290,083	-	1,481,016	3,315	1,484,331

AUDITED STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2008

	Share Capital	Revaluation and other reserves	Non distributable share of Life Surplus	Retained earnings	Statutory reserve fund	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	THE COMPANY					
Balance at January 1, 2008	200,400	642,412	92,328	265,113	-	1,200,253
Net movement in fair value of available-for-sale financial assets	-	(372,058)	-	-	-	(372,058)
Net profit for the year	-	-	-	150,226	-	150,226
Share of Life deficit transferred to Life Fund	-	-	(39,822)	-	-	(39,822)
Transfer of distributable share of Life Surplus	-	-	(7,306)	7,306	-	-
Dividends	-	-	-	(78,156)	-	(78,156)
Balance at December 31, 2008	200,400	270,354	45,200	344,489	-	860,443
Balance at January 1, 2007 as previously reported	200,400	410,694	-	167,598	36,117	814,809
Changes in accounting policies / prior period adjustments:	-	-	85,652	(3,144)	-	82,508
Balance at January 1, 2007 as restated	200,400	410,694	85,652	164,454	36,117	897,317
Net movement in fair value of available-for-sale financial assets	-	225,868	-	-	-	225,868
Revaluation of land and buildings	-	5,850	-	-	-	5,850
Net profit for the year	-	-	-	141,358	-	141,358
- As previously reported	-	-	-	141,358	-	141,358
- Share of Life surplus transferred to shareholders now recognised in equity	-	-	-	(49,113)	-	(49,113)
- As restated	-	-	-	92,245	-	92,245
Transfer of non-distributable share of Life Surplus	-	-	6,676	(6,676)	-	-
Share of Life surplus	-	-	-	-	-	-
- As previously reported	-	-	-	-	-	-
- Share of Life surplus transferred to shareholders now recognised in equity	-	-	-	49,113	-	49,113
- As restated	-	-	-	49,113	-	49,113
Transfer of statutory reserve fund no longer required following the Insurance Act 2005	-	-	-	36,117	(36,117)	-
Dividends	-	-	-	(70,140)	-	(70,140)
Balance at December 31, 2007	200,400	642,412	92,328	265,113	-	1,200,253

Segmental reporting

Year ended December 31, 2008

	THE GROUP				LIFE
	Casualty	Property	Other	Total	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment income	566,798	87,069	22,837	676,704	424,971
Segment results	102,289	36,953	17,872	157,114	118,042
Decrease in fair value of available-for-sale financial assets	-	-	-	-	(784,648)
Share of results of associates	-	-	-	(6,886)	(6,404)
Profit/(Deficit) before taxation	-	-	-	150,228	(673,010)
Taxation	-	-	-	(4,696)	-
Net profit/(Deficit) for the year	102,289	36,953	17,872	157,114	(673,010)

Segmental reporting

Year ended December 31, 2007

	THE GROUP				LIFE
	Casualty	Property	Other	Total	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment income	441,755	74,223	23,494	539,472	427,890
Segment results	54,571	27,892	19,004	101,467	182,004
Increase in fair value of available-for-sale financial assets	-	-	-	-	723,154
Share of results of associates	-	-	-	111	(3,513)
Profit/Surplus before taxation	-	-	-	101,578	901,645
Taxation	-	-	-	(4,252)	-
Net profit/Surplus for the year	54,571	27,892	19,004	101,467	97,326

AUDITED CONDENSED GENERAL BUSINESS REVENUE ACCOUNT - YEAR ENDED DECEMBER 31, 2008

	2008	2007
	Rs'000	Rs'000
Gross premiums	617,954	518,231
Net earned premiums	485,505	366,589
Net claims incurred	(371,582)	(296,289)
Net commissions	(27,979)	(23,366)
Underwriting surplus	85,944	46,934

AUDITED CONDENSED LIFE ASSURANCE FUND - YEAR ENDED DECEMBER 31, 2008

	2008	2007
	Rs'000	Rs'000
Premiums (Net of reassurances and discount)	315,722	258,991
Considerations for annuities	9,468	4,219
Investment and other income	91,928	158,653
(Decrease)/increase in fair value of available-for-sale financial assets	(784,648)	723,154
(Deficit)/surplus for the year	(673,010)	901,645
Fund at January 1, as previously reported	3,046,106	2,280,946
Prior year adjustments	-	(87,372)
Fund at January 1, as restated	3,046,106	2,193,574
(Deficit)/surplus for the year	(673,010)	901,645
Share of deficit transferred to Life Fund / (Share of surplus transferred to shareholders)	39,822	(49,113)
Fund at December 31	2,412,918	3,046,106

AUDITED CONDENSED INCOME STATEMENTS - YEAR ENDED DECEMBER 31, 2008

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	Rs'000	Rs'000	Rs'000	Rs'000
			Restated	Restated
Gross Premiums	617,954	518,231	617,954	518,231
Revenue	480,603	373,218	472,353	363,877
Underwriting surplus	85,944	46,934	85,944	46,934
Investment and other income	162,257	147,587	154,313	137,446
	248,201	194,521	204,257	184,380
Profit before taxation	150,228	101,578	154,134	95,816
Taxation	(4,696)	(4,252)	(3,908)	(3,571)
Net Profit for the year	145,532	97,326	150,226	92,245
Attributable to:				
Equity holders of the company	144,447	96,216	150,226	92,245
Minority interest	1,085	1,110	-	-
	145,532	97,326	150,226	92,245
Earnings per share	Rs 7.21	4.80		
Weighted average number of shares used in calculation of earnings per share	20,040,000	20,040,000		

AUDITED CASH FLOW STATEMENTS - YEAR ENDED DECEMBER 31, 2008

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	Rs'000	Rs'000	Rs'000	Rs'000
			Restated	Restated
Net cash generated from operating activities	349,036	45,063	350,553	43,784
Net cash generated used in investing activities	(198,969)	(73,387)	(200,430)	(73,468)
Net cash used in financing activities				