

A photograph of a multi-story office building with a yellow facade and blue-tinted windows. The building has a prominent entrance with a portico supported by columns. The name 'SACOS TOWER' is written in large, bold letters on the upper part of the building. The sky is clear and blue. Two white cars are parked in front of the building.

SACOS TOWER

**ANNUAL REPORT
STATE ASSURANCE COMPANY LIMITED
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2007**

STATE ASSURANCE COMPANY LIMITED
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CORPORATE INFORMATION

| | | |
|----------------------------|--|---|
| Vision Statement: | To be the leading insurer in terms of premium volume and profitability in Seychelles | |
| | To be a major real estate developer | |
| Mission Statement: | To provide quality insurance solutions, strong security and excellent service to our customers | |
| | To look after the interests of our stakeholders including customers, shareholders, employees and the community at large | |
| Core Values: | Integrity - Honesty - Customer Satisfaction - Loyalty to stakeholders | |
| Board of Directors: | | |
| Chairman | M. Felix Business Consultant | Appointed 9 th August 2006 |
| Directors | W. Confait CEO - Seychelles Pension Fund | Appointed 9 th August 2006 |
| | G. Ferley General Manager - Life | Appointed 9 th August 2006 |
| | G. Morel Head of Domestic Services - Air Seychelles | Appointed 27 th October 2006 |
| | L. Nair Comptroller General- Ministry of Finance | Appointed 9 th August 2006 |
| | J. Raguin Principal Secretary - Ministry of Employment & Human Resources Development | Appointed 9 th August 2006 |
| | L. Rivalland Group Chief Operations Officer Swan Insurance Company Ltd, Mauritius | Appointed 9 th August 2006 |
| | P. Rousset Senior Manager (retired)/ Adviser Swan Insurance Company Ltd The Anglo-Mauritius Assurance Society Ltd | Appointed 7 th March 2007 |
| | P. Stravens Head of Division Banking Central Bank of Seychelles | Appointed 9 th August 2006 |
| Managing Director | A. Lucas | Appointed 9 th August 2006 |
| Company Secretary | C. Payet | Appointed 27 th October 2006 |

| | |
|---------------------------|--|
| Legal Advisers | K.B Shah Attorney-at-Law & Notary Public |
| | D. Lucas Attorney-at-Law & Notary Public |
| Auditors | Ernst & Young |
| Actuaries | State Insurance Company of Mauritius Ltd Port Louis, Mauritius |
| Technical Advisers | Swan Insurance Company Ltd Port Louis, Mauritius |
| Bankers | Bank of Baroda |
| | Barclays Bank (Seychelles) Ltd |
| | Habib Bank |
| | Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) |
| | Seychelles Savings Bank |
| | The Mauritius Commercial Bank (Seychelles) Ltd |

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2nd Annual General Meeting of State Assurance Company Limited will be held at the International Conference Centre Seychelles, Victoria on Wednesday 15th October at 10.15 a.m. for the following purposes:

1. To approve the Minutes of the 1st Annual General Meeting held on Wednesday 11th October 2007 at 10.50 a.m.
2. To receive the Chairman's Report
3. To receive and, if thought fit, adopt the Directors' and Auditors' Reports together with the Financial Statements for the year ended 31st December 2007.
4. To declare a final dividend.
5. To consider, if thought fit, to pass the following ordinary resolutions:
 - a. That Mr. M. Felix who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
 - b. That Mr. W. Confait who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
 - c. That the Directors' remuneration of SR298,800 per annum including social security be approved for the financial year 2008
 - d. That the Directors' remuneration of approximately SR403,200 per annum including social security be approved in respect of the Managing Director Officer for the financial year 2008
 - e. That the Directors' remuneration of approximately SR279,600 per annum including social security be approved in respect of Mr. Guy Ferley who is also the General Manager - Life
 - f. That two new subsidiary companies namely SACOS Life Assurance Company Limited and SACOS Insurance Company Limited are created in order to comply with Section 4 of the Insurance Act 2008.
 - g. That the directors be authorized to reappoint Ernst & Young as auditors and fix their remuneration
6. Any Other Business

Note

A member is entitled to appoint a proxy, who need not also be a member, to attend and vote in his or her stead. A form of proxy is enclosed.

All appointments of proxies must be delivered to the Company not later than forty-eight hours before the time at which the meeting will commence.

By Order of The Board Of Directors



C. Payet (Mrs)
Company Secretary

19th September 2008

Chairman's Report

Ladies and Gentlemen

The year 2007 at the State Assurance Company was marked by a positive management driven change with remarkable results that positions us well for years ahead.

Normally much of our growth has come from General Insurance business locally. Whilst we will continue to build on what we have achieved so far, it is necessary that we begin to change our focus, and give consideration to diversify to improve the income stream. In doing so, we will be well placed to provide a better return to shareholders on their investments. We feel confident that we will now see progressive growth in the business.

The new Insurance Act did not actually come into force in 2007, but did provide for the separation of Long Term Insurance i.e Life Insurance and General Insurance business. As such the board approved the recommendations to restructure the company. Consequently, once the insurance regulations are in place, the subsidiary companies created will carry out their different functions, with the State Assurance Company Ltd becoming the Holding company. Sacos Insurance Co Ltd will deal with general insurance and SACOS Life Assurance Co. Ltd will be responsible for life insurance. Sun Investment (Seychelles) Ltd, which already exists, will continue to manage the various properties. These changes will be communicated to the shareholders and life policy holders when they happen.

The year has seen the business continuing its drive for profitable growth. The end results showed a Profit before tax of SR21.58 million, (R20,40 m for General Insurance and R1.18 m for life), which is inclusive of a gain of SR6.9 million on revaluation of investment property. This reflects an increase of 15.8% after tax on the previous year, which is an improvement on 2006 and is considered good.

For the year 2006, a tax credit arising from previous year losses, was a bonus whereas we do have a tax liability of SR4.452 million this year, slightly reducing our retained earnings. Nevertheless, after giving due consideration to capital commitments, the board had recommended the payment of a final dividend of SR30 per share, for a sum of SR6 million, which gives a return of 17% return on your investments. As you will recall last year dividend declared was at R20 per share. This will still leave the company with a surplus of SR20.46 million after the two years of operation. This we need to continue to build upon, for the future.

In 2007, we have seen the Life Insurance premiums, practically static at SR34.3 million, arising from the lack of cash fuelled by increased costs of commodities. We have noted Policy Holders cashing in prior to maturity. To counter this, the board has approved the construction of an additional 14 housing units at Anse Etoile which will cost about SR6.5 million, on which we expect a return of at least 8% per annum.

Also last year, a concerted effort was made for the lease ownership of the Sacos Tower to be transferred from Orion Promet (VBT) Ltd to State Assurance Company Ltd., and we also successfully negotiated the return of a property from Government in settlement of a claim for SR17.56 million for the Life Fund.

As part of our refocus on personal lines business we will concentrate on product development. The Board of Directors reviewed its marketing and sales strategy, as the company now tries to further increase its market share and expand on other products such as Mortgage Protection, Health Insurance, Marine Cargo, Loss of Profits, as well as Employment Liability. These are areas of great potential for growth, to improve our income stream. These sources have been too static and will now be tested to their full potential.

I cannot but reiterate the importance and significance of reinsurance which is critical to the business operations. Our requirements for Foreign exchange is high but we have successfully negotiated with our local bankers, and we are pleased to have been able to service our commitment of some SR11.3million during the year.

We have established a good working relationship with our major bankers, which positions us well for the foreseeable future. Following negotiations with overseas insurance brokers, it was decided to retain Alsford, Page and Gems Ltd (APG) to place our insurance treaties for the ensuing year. This company, as well as being very highly rated, has also served us well in the past and has offered us a better and more competitive package.

During the past year, we felt the necessity to review the IT systems in use. It was found that the existing system was too old and outdated and thus recommended and approved the development of a new software programme, to interface with the company's finance sector. This would allow clients to have online and up to date information on their insurance policies. The programme for Life policy holders is about completed and we are pressing for the programme for General Insurance to be accelerated. Despite this being a major capital cost to the business, in doing so we will be in a position to be more competitive as well as provide a better service.

Following the re-structuring exercise early in 2007, Performance Management Training was completed for all Senior Staff, and subsequently, as planned, this came into effect in early 2008. All staff reviews are now undertaken quarterly to ensure they are aware of the company's objectives and expectations. Any progress or financial reward will be linked to performance. This is one way to reward the better performers and motivate others to be more committed. A major training programme is now underway, with staff at various levels being sent on attachment, whereas internal training remains ongoing. We are also in the process of recruiting two staff at post graduate level, as we look to the future with staff of higher calibre to incorporate in the succession planning. It is important that the company recognises the need to invest more in its staff giving opportunity to those who are prepared to improve to take the business forward to another level in the next decade.

Good governance is now a key factor in the success of any business. The world at large is in difficulty and irregularities in businesses are not uncommon even in Seychelles. This company must be prepared to counter this. Since last year an Audit Committee was formed to consider various issues of the company. We have advertised for an Internal Auditor to be appointed urgently and will report directly to the Audit Committee for transparency. Shareholders's interest and confidence in the business need to be maintained.

The Executive has been tasked to put in place a Business plan for the next three years. Particular attention is to be given to succession planning to ensure the transition expected over the next five years as senior staff retires, with the object of making any change as smooth as possible. This is particularly important as the recent resignation of a very senior experienced staff, albeit through ill health has left a void.

The time has come when we are looking at options available to diversify, particularly in property development where the return on investment can be good if wisely taken. The Finance Committee is looking carefully at investment opportunities, using the cash resources available. Much more management time will be devoted to planning and development and investing wisely for the benefit of shareholders of State Assurance Company.

Finally we cannot ignore the fact that we do have competition and we need to remain active on all fronts. You the shareholders, can have a role to play to protect your interest and we welcome ideas that can be constructive to the business.

To conclude, on behalf of the Board of directors, I would like to thank the shareholders for your presence here and to my fellow members, and staff in general for the hard work and support in 2007.



Michel Felix

19th September, 2008

REPORT OF THE DIRECTORS

The directors present their report together with the Auditor's Report and the Audited Financial Statements for the year ended 31st December 2007.

Statement of Directors' Responsibilities

1. The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
2. The Directors accept responsibility for the maintenance of accounting records necessary for the preparation of financial statements that give a true and fair view of the financial affairs of the Company, and also designing, implementing and maintaining internal controls for the prevention and detection of fraud and other irregularities.
3. The Directors consider that they have met their responsibilities as set out in the Companies Act, 1972.

Principal Activities of the Company

The Company underwrites general and life assurance business as defined in the Insurance Act. It is also involved in real estate development.

| Results for the Year | THE GROUP | | THE COMPANY | |
|-----------------------------------|--------------|--------------|--------------|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| | SR | | SR | |
| Underwriting surplus | 20,496,946 | 16,100,875 | 20,496,946 | 16,100,875 |
| Investment Income | 5,208,796 | 5,923,903 | 4,406,726 | 5,148,253 |
| Other Income | 4,376,744 | 2,453,805 | 1,973,547 | 1,418,705 |
| Gain on Revaluation of properties | 6,879,691 | 1,171,275 | 1,438,166 | - |
| Operating Expenses | (16,566,339) | (13,040,610) | (13,806,252) | (12,496,191) |
| Transfer from Life Fund | 1,184,138 | 730,716 | 1,184,138 | 730,716 |
| Profit before tax | 21,579,976 | 13,339,964 | 15,693,271 | 10,902,358 |
| Taxation | (4,452,328) | - | (4,452,328) | |
| Profit after Taxation | 17,121,648 | 13,339,964 | 11,234,943 | 10,902,358 |
| Dividends | (6,000,000) | (4,000,000) | (6,000,000) | (4,000,000) |
| Retained Profit for the Period | 11,121,648 | 9,339,964 | 5,234,943 | 6,902,358 |

Fixed Assets

The Directors are of the opinion that the market or saleable value of the fixed assets as at 31st December 2007 does not differ substantially from the amounts at which they are included in the accounts as at date.

Reserves

The current year's profit of SR11,121,648 together with the retained earnings of SR9,339,964 makes a total of SR20,461,296 in the Company's reserves.

Dividends

The Directors recommend the payment of a dividend of SR30.00 per share for the year under review.

Directors

The Directors of the Company during the year and their interests in accordance with the registered maintained under section 111 of the Companies Act, 1972 were as follows:

Directors' Emoluments and Ordinary shares as at 31st December 2007 were:

| NAME | NATIONALITY | DESCRIPTION | SALARY/ FEES(SR) | SOCIAL SECURITY | SHARES |
|--------------|--------------|-------------------|---------------------|--------------------|--------|
| M. Felix | Seychellois | Chairman | 36,000 | 6,000 | 18 |
| W. Confait | Seychellois | Director | 24,000 | 3,600 | 13 |
| G. Ferley | Seychellois | Director | 24,000 | 3,600 | 350 |
| | | Head of Life | 174,075 | 48,271 | |
| A. Lucas | Seychellois | Managing Director | 288,500 | 90,200 | 351 |
| G. Morel | Seychellois | Director | 24,000 | 3,600 | Nil |
| L. Nair | Seychelloise | Director | 24,000 | 3,600 | 28 |
| J. Raguin | Seychellois | Director | 24,000 | 3,600 | 1 |
| L. Rivalland | Mauritian | Director | 24,000 | 3,600 | Nil |
| P. Rousset | Mauritian | Director | 24,000 | 3,600 | Nil |
| P. Stravens | Seychellois | Director | 24,000 | 3,600 | Nil |

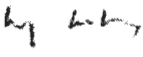
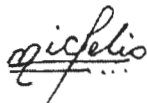



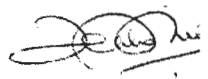




The Company has a technical services agreement with Swan Insurance Company Limited of which L. Rivalland and P. Rousset are directors.

Otherwise no directors had any material interest, directly or indirectly, in any contract with the Company.

Auditors

The Auditors Ernst & Young will continue in office in accordance with the provisions of and subject to the provisions of section 155(2) of the Companies Act, 1972.

DIRECTORS

| | | | |
|---|---|---|--|
|  |  |  |  |
| W. Confait | M. Felix | G. Ferley | A. Lucas |
|  |  |  |  |
| G. Morel | L. Nair | J. Raguin | L. Rivalland |
|  |  | | |
| P. Rousset | P. Stravens | | |

19th September 2008

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
STATE ASSURANCE COMPANY LIMITED**

Report on the Financial Statements

We have audited the financial statements of State Assurance Company Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 6 to 27 which comprise the balance sheets at December 31, 2007 and the income statements, revenue accounts for both life assurance business and general business, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Standards applicable in Seychelles, the Insurance Act 1994 and in compliance with the requirements of the Seychelles Companies Act 1972. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

**AUDITORS' REPORT TO THE MEMBERS OF
STATE ASSURANCE COMPANY LIMITED**

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements on pages 6 to 27 give a true and fair view of the financial position of the Company and the Group at December 31, 2007 and of their financial performance and their cash flows for the year then ended in accordance with Generally Accepted Accounting Standards applicable in Seychelles and comply with the Seychelles Companies Act 1972.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members, as a body 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.

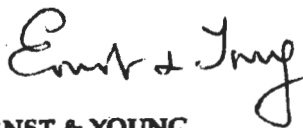
Report on Other Legal and Regulatory Requirements

Companies Act 1972

We have no relationship with or interests in the Company and in the Group other than in our capacities as auditors, and dealings with the Company and the Group in the ordinary course of business.

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

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



ERNST & YOUNG

Mahé, Seychelles

Date: 19 SEP 2008

STATE ASSURANCE COMPANY LIMITED
INCOME STATEMENTS - YEAR ENDED DECEMBER 31, 2007

6.

| | Notes | THE GROUP | | THE COMPANY | |
|--|-------|---------------------|--------------|---------------------|--------------|
| | | 2007 | 2006 | 2007 | 2006 |
| | | SR | SR | SR | SR |
| Turnover | 3 | 97,442,609 | 87,895,986 | 96,640,539 | 87,120,336 |
| Underwriting surplus (Page 7) | | 20,496,946 | 16,100,875 | 20,496,946 | 16,100,875 |
| Investment income | 4 | 5,208,796 | 5,923,903 | 4,406,726 | 5,148,253 |
| | | 25,705,742 | 22,024,778 | 24,903,672 | 21,249,128 |
| Other income | 5 | 4,376,744 | 2,453,805 | 1,973,547 | 1,418,705 |
| Gain on revaluation of investment property | 13 | 6,879,691 | 1,171,275 | 1,438,166 | - |
| | | 36,962,177 | 25,649,858 | 28,315,385 | 22,667,833 |
| Operating expenses | 6 | (16,566,339) | (13,040,610) | (13,806,252) | (12,496,191) |
| Transfer from Life Business Revenue Account | | 1,184,138 | 730,716 | 1,184,138 | 730,716 |
| Profit before taxation | | 21,579,976 | 13,339,964 | 15,693,271 | 10,902,358 |
| Taxation | 7 | (4,458,328) | - | (4,458,328) | - |
| Net profit for the period | | 17,121,648 | 13,339,964 | 11,234,943 | 10,902,358 |

The notes set out on pages 12 to 27 form an integral part of these financial statements.

STATE ASSURANCE COMPANY LIMITED
GENERAL INSURANCE BUSINESS REVENUE ACCOUNT
YEAR ENDED DECEMBER 31, 2007

7.

| | Notes | THE COMPANY | |
|---|-------|---------------------|---------------------|
| | | 2007 | 2006 |
| | | SR | SR |
| Gross written premiums | | 62,177,829 | 53,940,597 |
| Premiums ceded to reinsurers | | (11,218,882) | (10,177,570) |
| Increase in unearned premiums | 20 | (3,817,615) | (2,595,317) |
| Net earned premiums | | 47,141,332 | 41,167,710 |
| Gross claims paid | | (24,857,476) | (28,558,076) |
| Claims recovered from reinsurers | | 1,832,221 | 3,023,151 |
| (Increase)/decrease in outstanding claims | 23 | (2,530,941) | 2,153,197 |
| Net claims incurred | | (25,556,196) | (23,381,728) |
| Commissions receivable from reinsurers | | 3,101,241 | 1,080,071 |
| Commissions paid to agents and brokers | | (4,189,431) | (2,765,178) |
| Net commissions paid | | (1,088,190) | (1,685,107) |
| Underwriting surplus (Page 6) | | 20,496,946 | 16,100,875 |

The notes set out on pages 12 to 27 form an integral part of these financial statements.

STATE ASSURANCE COMPANY LIMITED
LIFE ASSURANCE BUSINESS REVENUE ACCOUNT
YEAR ENDED DECEMBER 31, 2007

8.

| | Notes | THE COMPANY 2007 SR | THE COMPANY 2006 SR |
|--|-------|------------------------------|------------------------------|
| Gross written premiums | | 34,342,710 | 33,059,739 |
| Ceded to reinsurers | | (380,991) | (662,129) |
| Net insurance premiums | | 33,961,719 | 32,397,610 |
| Investment income | 8 | 9,955,728 | 8,146,158 |
| Other income | | 327,181 | 226,934 |
| | | 10,282,909 | 8,373,092 |
| Commissions paid | | (1,468,569) | (1,376,224) |
| Commission income | | 70,880 | 67,539 |
| Net commission paid | | (1,397,689) | (1,308,685) |
| Claims paid | | (17,473,365) | (15,514,986) |
| Operating expenses | 9 | (9,579,442) | (9,664,958) |
| | | (27,052,807) | (25,179,944) |
| Surplus for the period | | 15,794,132 | 14,282,073 |
| Gain on revaluation of investment property | 13 | 8,069,626 | 2,706,439 |
| Transfer to Income Statement | | (1,184,138) | (730,716) |
| Net surplus for the year | | 22,679,620 | 16,257,796 |

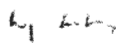
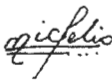

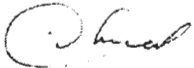
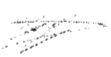





The notes set out on pages 12 to 27 form an integral part of these financial statements.

STATE ASSURANCE COMPANY LIMITED
BALANCE SHEET AS AT DECEMBER 31, 2007

9.

| | Notes | THE GROUP | | THE COMPANY | | | TOTAL 2006 |
|--|-------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2007 | 2006 | LIFE 2007 | GENERAL 2007 | TOTAL 2007 | |
| | | SR | SR | SR | SR | SR | SR |
| ASSETS | | | | | | | |
| Non-current assets | | | | | | | |
| Property, plant and equipment | 10 | 2,833,355 | 2,539,434 | 27,009,780 | 2,833,355 | 29,843,135 | 18,406,219 |
| Loans on life assurance policies | 11 | - | - | 14,390,574 | - | 14,390,574 | 13,464,679 |
| Investment in subsidiary companies | 12 | - | - | - | 22,619,772 | 22,619,772 | 22,619,772 |
| Other investments | 13 | 85,055,112 | 76,462,160 | 105,802,918 | 65,475,728 | 171,278,646 | 162,606,464 |
| Intangible assets | 14 | 10,788,459 | 10,788,459 | - | - | - | - |
| | | 98,676,926 | 89,790,053 | 147,203,272 | 90,928,855 | 238,132,127 | 217,097,134 |
| Current assets | | | | | | | |
| Due from brokers | | 10,846,723 | 12,598,471 | 2,006,627 | 10,846,723 | 12,853,350 | 12,683,529 |
| Trade and other receivables | 15 | 15,165,127 | 11,362,713 | 5,013,188 | 13,772,971 | 18,786,159 | 17,315,298 |
| Taxation recoverable | | 5,330,308 | 5,088,636 | - | 5,330,308 | 5,330,308 | 5,088,636 |
| Amount due from Life Business | | 2,031,245 | 730,716 | - | 2,031,245 | 2,031,245 | 730,716 |
| Amount due from Sun Investment | | - | - | - | 1,330,692 | 1,330,692 | 105,320 |
| Cash and cash equivalents | 16 | 26,967,139 | 12,349,181 | 31,604,234 | 26,142,999 | 57,747,233 | 23,284,330 |
| | | 60,340,542 | 42,129,717 | 38,624,049 | 59,454,938 | 98,078,987 | 59,207,829 |
| Life Business Assets | 22 | 177,141,147 | 142,510,494 | - | - | - | - |
| Total assets | | 336,158,615 | 274,430,264 | 185,827,321 | 150,383,793 | 336,211,114 | 276,304,963 |
| EQUITY AND LIABILITIES | | | | | | | |
| Capital and reserves (attributable to equity holders of the parent company) | | | | | | | |
| Share capital | 17 | 35,000,000 | 35,000,000 | - | 35,000,000 | 35,000,000 | 35,000,000 |
| Share premium | 18 | 23,239,094 | 23,239,094 | - | 23,239,094 | 23,239,094 | 23,239,094 |
| Retained earnings | | 26,461,612 | 13,339,964 | - | 18,137,301 | 18,137,301 | 10,902,358 |
| Equity holders' interest | | 84,700,706 | 71,579,058 | - | 76,376,395 | 76,376,395 | 69,141,452 |
| Technical provisions | | | | | | | |
| Mortgage Protection Fund | 19 | 3,552,925 | 3,772,913 | - | 3,552,925 | 3,552,925 | 3,772,913 |
| Unearned premiums | 20 | 26,544,779 | 22,727,164 | - | 26,544,779 | 26,544,779 | 22,727,164 |
| General Insurance Fund | 21 | 2,000,000 | 2,000,000 | - | 2,000,000 | 2,000,000 | 2,000,000 |
| Fisheries and Agricultural Fund | | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| Life Assurance Fund | 22 | 177,141,147 | 142,510,494 | 177,141,147 | - | 177,141,147 | 142,510,494 |
| | | 210,238,851 | 171,010,571 | 177,141,147 | 33,097,704 | 210,238,851 | 171,010,571 |
| Current liabilities | | | | | | | |
| Due to brokers | | 9,294,911 | 7,801,846 | - | 9,294,911 | 9,294,911 | 10,069,437 |
| Outstanding claims | 23 | 19,988,620 | 17,457,679 | - | 19,988,620 | 19,988,620 | 17,457,679 |
| Other creditors and accruals | | 11,545,761 | 6,581,110 | 3,017,091 | 11,236,397 | 14,253,488 | 7,895,108 |
| Amount due to General Business | | - | - | 2,031,245 | - | 2,031,245 | 730,716 |
| Bank overdraft | | 389,766 | - | 3,637,838 | 389,766 | 4,027,604 | - |
| | | 41,219,058 | 31,840,635 | 8,686,174 | 40,909,694 | 49,595,868 | 36,152,940 |
| Total equity and liabilities | | 336,158,615 | 274,430,264 | 185,827,321 | 150,383,793 | 336,211,114 | 276,304,963 |

These financial statements have been approved for issue by the Board of Directors on

| | | | |
|---|--|--|--|
|  W. Confait |  M. Felix |  G. Ferley |  A. Lucas |
|  G. Morel |  L. Nair |  J. Raguin |  L. Rivalland |
|  P. Rousset |  P. Stravens | | |

The notes set out on pages 12 to 27 form an integral part of these financial statements.

STATE ASSURANCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2007

10.

THE GROUP

| | Share Capital | Share Premium | Retained Earnings | Total |
|--|-------------------|-------------------|----------------------|-------------------|
| | SR | SR | SR | SR |
| At November 23, 2005 | - | - | - | - |
| Issue during the period | 35,000,000 | - | - | 35,000,000 |
| Share premium arising on take over of assets and liabilities of SACOS | - | 23,239,094 | - | 23,239,094 |
| Net profit for the period | - | - | 13,339,964 | 13,339,964 |
| At December 31, 2006 | 35,000,000 | 23,239,094 | 13,339,964 | 71,579,058 |
| Net profit for the year | - | - | 17,121,648 | 17,121,648 |
| Dividends paid | - | - | (4,000,000) | (4,000,000) |
| At December 31, 2007 | 35,000,000 | 23,239,094 | 26,461,612 | 84,700,706 |

THE COMPANY

| | Share Capital | Share Premium | Retained Earnings | Total |
|--|-------------------|-------------------|----------------------|-------------------|
| | SR | SR | SR | SR |
| At November 23, 2005 | - | - | - | - |
| Issue during the period | 35,000,000 | - | - | - |
| Arising on take over of assets and liabilities of SACOS | - | 23,239,094 | - | 23,239,094 |
| Net profit for the period | - | - | 10,902,358 | 10,902,358 |
| At December 31, 2006 | 35,000,000 | 23,239,094 | 10,902,358 | 69,141,452 |
| Net profit for the year | - | - | 11,234,943 | 11,234,943 |
| Dividends paid | - | - | (4,000,000) | (4,000,000) |
| At December 31, 2007 | 35,000,000 | 23,239,094 | 18,137,301 | 76,376,395 |

The notes set out on pages 12 to 27 form an integral part of these financial statements.

| | THE GROUP | | THE COMPANY | | | |
|---|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|
| | 2007 | 2006 | LIFE 2007 | GENERAL 2007 | TOTAL 2007 | TOTAL 2006 |
| | SR | SR | SR | SR | SR | SR |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Profit before taxation/net surplus | 21,579,976 | 13,339,964 | 22,679,620 | 15,693,271 | 38,372,891 | 27,160,154 |
| Adjustments for: | | | | | | |
| Depreciation (Note 10) | 562,773 | 426,467 | 1,238,234 | 562,774 | 1,801,008 | 2,530,134 |
| Revaluation of investment properties | (6,879,691) | (1,171,275) | (8,069,625) | (1,438,167) | (9,507,792) | (2,706,439) |
| Write offs of property, plant and equipment | - | 287,990 | - | - | - | 267,413 |
| Profit on disposal of property, plant and equipment | (173,900) | (59,643) | - | (173,900) | (173,900) | (59,643) |
| Increase/(decrease) in outstanding claims provision | 2,530,941 | (2,153,197) | - | 2,530,941 | 2,530,941 | (2,153,197) |
| Increase in unearned premium | 3,817,615 | 2,595,317 | - | 3,817,615 | 3,817,615 | 2,595,317 |
| Decrease in Mortgage Protection Fund | (219,988) | (23,962) | - | (219,988) | (219,988) | (23,962) |
| Increase in Fisheries and Agricultural Fund | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| Operating profit before working capital changes | 22,217,726 | 13,241,661 | 15,848,229 | 21,772,546 | 37,620,775 | 27,609,777 |
| Decrease in balance due from brokers | 1,751,748 | 8,652,466 | (1,921,570) | 1,751,748 | (169,822) | 8,567,408 |
| (Increase)/ decrease in trade and other receivables | (8,502,415) | (6,265,658) | 1,081,954 | (7,252,813) | (6,170,859) | (6,188,427) |
| Decrease in balance due to brokers | 1,493,065 | 380,128 | (2,267,591) | 1,493,065 | (774,526) | (17,979) |
| Increase in amount due to General Business | - | - | 1,300,529 | - | 1,300,529 | 730,716 |
| Increase in amount due from Life Business | (1,300,529) | (730,716) | - | (1,300,529) | (1,300,529) | (730,716) |
| Increase in amount due from Sun Investment | - | - | - | (1,225,372) | (1,225,372) | - |
| Decrease in other creditors and accruals | 4,964,651 | 1,395,528 | 1,442,773 | 4,915,607 | 6,358,380 | (486,638) |
| Cash inflow from operating activities | 20,624,246 | 16,673,409 | 15,484,324 | 20,154,252 | 35,638,576 | 29,484,141 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchase of property, plant and equipment | (971,695) | (392,787) | (430,196) | (971,696) | (1,401,892) | (2,021,503) |
| Disposal proceeds of property, plant and equipment | 288,900 | 165,086 | - | 288,900 | 288,900 | 165,086 |
| Net increase in loans on life assurance policies | - | - | (925,895) | - | (925,895) | (493,527) |
| Increase in other investments | (1,713,259) | (15,053,323) | 2,224,312 | (1,388,702) | 835,610 | (21,069,929) |
| Acquisition of subsidiary net of cash | - | 344,021 | - | - | - | - |
| Net cash inflow upon transfer of SACOS | - | 10,612,775 | - | - | - | 17,220,062 |
| Net cash outflow from investing activities | (2,396,054) | (4,324,228) | 868,221 | (2,071,498) | (1,203,277) | (6,199,811) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Dividends paid | (4,000,000) | - | - | (4,000,000) | (4,000,000) | - |
| Net cash outflow from financing activities | (4,000,000) | - | - | (4,000,000) | (4,000,000) | - |
| Net change in cash and cash equivalents | 14,228,192 | 12,349,181 | 16,352,545 | 14,082,754 | 30,435,299 | 23,284,330 |
| Cash and cash equivalents at January 1/ November 23, | 12,349,181 | - | 11,613,851 | 11,670,479 | 23,284,330 | - |
| Cash and cash equivalents at 31 December (Note 16) | 26,577,373 | 12,349,181 | 27,966,396 | 25,753,233 | 53,719,629 | 23,284,330 |

The notes set out on pages 12 to 27 form an integral part of these financial statements.

1. GENERAL

The Company was incorporated under the Companies Act 1972 on November 23, 2005 and is governed by the provisions of Seychelles Insurance Act, 1994. The Company is domiciled in Seychelles and its registered office is SACOS Tower, Palm Street, Victoria, Mahé, Seychelles. Its main activities are to transact in life and general business in Seychelles. The company has taken over the assets, liabilities and business of State Assurance Corporation of Seychelles (SACOS) as from January 1, 2006, the date when the corporation was dissolved under the State Assurance Corporation of Seychelles (Dissolution) Act, 2005.

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

The financial statements are expressed in Seychelles Rupee (SR).

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are as follows:

(a) Basis of preparation

The financial statements of State Assurance Company Limited have been prepared under the historical cost convention, except for investment properties that have been measured at fair value. The consolidated financial statements comply with generally accepted accounting standards in Seychelles.

(b) Investment in subsidiaries

Separate financial statements of the investor

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

Consolidated financial statements

The consolidated financial statements comprise the financial statements of State Assurance Company Limited and its subsidiaries as at December 31 each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Control is achieved where the Company has the power to govern the financial and operating policies of the investee company so as to obtain benefits from its activities.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group represents the general business and the subsidiaries' assets and liabilities. The accounts of the Life Business has been included in the Consolidated Balance Sheet as Life Business Assets and Life Assurance Fund using the principle of a single line consolidation.

The Company balance sheet includes long term business assets and liabilities relating to life business policy holders and short term business.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Foreign currencies**

Transactions in foreign currencies are recorded in Seychelles Rupees at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences on all foreign currency transactions are dealt with in the income statement.

(d) General insurance underwriting results

General insurance underwriting results are determined for each class of business after taking into account inter alia, unearned premium reserves, outstanding claims and additional reserves.

Premium income

Premium income is recognised on the date of assumption of risk. General insurance premiums written reflect business incepted during the year. Premiums written are recognised as revenue over the period of the contract, calculated on the basis of the 24th method.

Unearned premiums

The provision for unearned premiums represents the portion of premiums written relating to periods of insurance risks subsequent to the balance sheet date computed on the basis of the 24th method. The movement on the provision is taken to the income statement in order that revenue is recognised over the period of the risk.

Claims incurred

Claims incurred comprise claims and claims handling costs paid in the year and changes in the provision of outstanding claims and related expenses together with any adjustments to claims of prior years. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct external expenses of the claims department.

Outstanding claims provision

Outstanding claims provision represents the estimated ultimate selling cost of settling all claims arising from events which have occurred up to the balance sheet date. It includes related expenses and a deduction for the expected salvage and subrogation.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Life insurance business

Revenue recognition-earned premium

Premiums on long term insurance contracts are recognised as income when receivable, i.e the date when payments are due. When policies lapse due to non receipt of premiums, which is within three years, then all related premium income accrued but not received from the date they are deemed to have lapsed is offset against premiums. For policies which have lapsed after longer periods, a surrender or paid up value is refunded to the policy holders based on the terms of the contracts. There is no surrender when death is the insured event.

Life insurance business provisions

The long term liabilities to policyholders are determined by an actuarial valuation annually.

Transfer to General Business Account

The shareholders' entitlement to profit under the life insurance business is transferred through to the General Business Account based on the recommendation of the Company's external Actuary, in turn based on the results of the annual actuarial valuation.

Commission and agency expenses

Commission and agency expenses represent costs directly incurred in securing premium on insurance policies. Income derived from reinsurers in the course of ceding of premium to reinsurers is netted off against the commission and agency expenses and the balances are charged to the revenue account in the period in which they are incurred.

Management fees

The Company charges 0.5% of the balance in the life fund at the end of each financial year as management fee for managing the life fund. The aforesaid management fee is charged to the life assurance revenue account.

(f) Other revenue recognition

Other revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

- Commission receivable - as it accrues in accordance with the substance of the relevant agreements.
- Interest income - on a time proportion basis
- Dividend income - when the shareholder's right to receive payment is established.
- Rental income is recognised on an accrual basis.

(g) Taxation

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(g) Taxation (continued)***(ii) Deferred tax*

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current liabilities and the deferred taxes relate to the same taxable entity and that same taxation authority.

(h) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment value.

Depreciation is calculated on a straight line basis over the useful life of the assets.

The cost of an asset comprises its purchase price and any attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs is charged to the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment and depreciation (continued)

Depreciation on property, plant equipment is provided at the rates calculated to write off their costs, less estimated residual value, of each asset evenly over its expected useful life. The principal annual depreciation rates are as follows:

| | |
|-----------------------------|----------|
| Freehold land and buildings | 2% |
| Furniture and fittings | 10% |
| Computers and equipment | 15 - 20% |
| Motor vehicles | 25% |

(i) Intangible asset - Goodwill

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Any net excess of the Group's interest in the net fair value of acquiree's net identifiable assets over cost is recognised in the income statement. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of losses on disposal. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(j) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Held-to-maturity investments

Investments consisting of Seychelles Government Treasury Bonds and other securities redeemable at fixed dates are stated at amortised cost.

Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed or not billed to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash, bank balances and bank deposits less than 90 days.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation.

3. TURNOVER

| | THE GROUP | THE GROUP | THE COMPANY | THE COMPANY |
|-----------------|-------------------|-------------------|-------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Gross premiums: | SR | SR | SR | SR |
| Life | 34,342,710 | 33,059,739 | 34,342,710 | 33,059,739 |
| General | 62,177,829 | 53,940,597 | 62,177,829 | 53,940,597 |
| Rental income | 922,070 | 895,650 | 120,000 | 120,000 |
| | <u>97,442,609</u> | <u>87,895,986</u> | <u>96,640,539</u> | <u>87,120,336</u> |

4. INVESTMENT INCOME

| | THE GROUP | THE GROUP | THE COMPANY | THE COMPANY |
|--|------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | SR | SR | SR | SR |
| Rental income from investment property | 922,070 | 895,650 | 120,000 | 120,000 |
| Interest on treasury bonds | 3,830,962 | 4,915,246 | 3,830,962 | 4,915,246 |
| Interest on call deposits | 40,082 | 26,856 | 40,082 | 26,856 |
| Interest on term deposits | 415,682 | 86,151 | 415,682 | 86,151 |
| | <u>5,208,796</u> | <u>5,923,903</u> | <u>4,406,726</u> | <u>5,148,253</u> |

5. OTHER INCOME

| | THE GROUP | THE GROUP | THE COMPANY | THE COMPANY |
|---|------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | SR | SR | SR | SR |
| Premium on Home Ownership Scheme | - | 1,034,717 | - | 1,034,717 |
| Profit on disposal of property, plant and equipment | 173,900 | 59,643 | 173,900 | 59,643 |
| Sale of salvaged motor vehicles | 45,000 | 75,000 | - | 75,000 |
| Gain on exchange | 407,800 | 4,595 | 407,800 | 4,595 |
| Other income - miscellaneous | 3,750,044 | 1,279,850 | 1,391,847 | 244,750 |
| | <u>4,376,744</u> | <u>2,453,805</u> | <u>1,973,547</u> | <u>1,418,705</u> |

6. OPERATING EXPENSES

| | THE GROUP | | THE COMPANY | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | SR | SR | SR | SR |
| Staff costs | 5,650,367 | 5,362,275 | 4,208,722 | 5,362,275 |
| Repairs and maintenance | 653,303 | 213,881 | 133,563 | 213,881 |
| Legal and professional fees | 2,507,664 | 1,079,837 | 2,461,876 | 1,079,837 |
| Administrative expenses | 4,683,657 | 4,731,453 | 4,001,492 | 4,253,793 |
| Marketing expenses | 531,219 | 808,707 | 492,529 | 808,707 |
| Provision for impairment | 720,000 | - | 720,000 | - |
| Auditors' remuneration | 234,412 | 130,000 | 202,353 | 120,000 |
| Depreciation | 1,585,717 | 426,467 | 1,585,717 | 369,708 |
| Write offs of property, plant and equipment | - | 287,990 | - | 287,990 |
| | 16,566,339 | 13,040,610 | 13,806,252 | 12,496,191 |

7. TAXATION

| | THE GROUP AND THE COMPANY (GENERAL) 2007 |
|-------------------------|--|
| Income statement | SR |
| Charge for the year | 4,458,328 |
| Balance Sheet | |
| At January 1, 2007 | 5,088,636 |
| Paid | 4,700,000 |
| Charge for the year | (4,458,328) |
| At December 31, 2007 | 5,330,308 |

8. INVESTMENT INCOME - LIFE BUSINESS

| | 2007 | 2006 |
|---|------------------|------------------|
| | SR | SR |
| Rental income - Ocean view | 2,353,620 | 2,264,657 |
| Rental income - Tower | 2,361,325 | 719,301 |
| Interest on treasury bonds | 3,185,838 | 3,185,838 |
| Interest on call deposit | 567,447 | 447,845 |
| Interest on current accounts | 20,320 | 6,643 |
| Interest on advances to commission agents | - | 43,524 |
| Interest on other loans - Life business | 1,337,218 | 1,478,350 |
| Interest on housing loans | 129,960 | - |
| | 9,955,728 | 8,146,158 |

9. OPERATING EXPENSES - LIFE BUSINESS

| | 2007 | 2006 |
|--|------------------|------------------|
| | SR | SR |
| Staff costs | 2,463,112 | 2,865,313 |
| Repairs and maintenance | 104,112 | 78,856 |
| Legal and professional fees | 537,349 | 521,759 |
| Management expenses | 5,311,425 | 3,610,574 |
| Marketing expenses | 364,077 | 428,030 |
| Depreciation (note 10) | 215,290 | 2,160,426 |
| Audit fees | 153,824 | - |
| Loss on foreign exchange | 422,753 | - |
| Write-off - Loans on Life Assurance Policies | 7,500 | - |
| | 9,579,442 | 9,664,958 |

10. PROPERTY, PLANT AND EQUIPMENT

2007

THE GROUP

| | Furniture and fittings | Computers and equipment | Motor Vehicles | TOTAL |
|---------------------------------|---------------------------|-------------------------------|-------------------|------------------|
| COST | SR | SR | SR | SR |
| At January 1, 2007 | 1,101,948 | 4,390,297 | 1,979,901 | 7,472,146 |
| Additions during the year | 11,715 | 359,580 | 600,400 | 971,695 |
| Disposals during the year | (34,975) | - | (489,805) | (524,780) |
| At December 31, 2007 | 1,078,688 | 4,749,877 | 2,090,496 | 7,919,061 |
| ACCUMULATED DEPRECIATION | | | | |
| At January 1, 2007 | 61,483 | 3,514,638 | 843,042 | 4,419,163 |
| Charge for the year | 104,085 | 536,600 | 435,638 | 1,076,323 |
| Disposal adjustments | (34,975) | - | (374,805) | (409,780) |
| At December 31, 2007 | 130,593 | 4,051,238 | 903,875 | 5,085,706 |
| NET BOOK VALUE | | | | |
| At December 31, 2007 | 948,095 | 698,639 | 1,186,621 | 2,833,355 |

STATE ASSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2007

0. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2007

THE COMPANY

COST

| | Land and buildings | Furniture and fittings | Computers and equipment | Motor Vehicles | TOT |
|-----------------------------|--------------------------|---------------------------|-------------------------------|-------------------|---------------|
| | SR | SR | SR | SR | SR |
| At January 1, 2007 | 16,133,018 | 2,991,058 | 4,654,144 | 1,979,901 | 25,758 |
| Additions during the year | 59,650 | 217,074 | 524,767 | 600,400 | 1,400 |
| Revaluation during the year | 10,866,982 | - | - | - | 10,866 |
| Disposals during the year | - | (34,975) | - | (489,805) | (52) |
| At December 31, 2007 | 27,059,650 | 3,173,157 | 5,178,911 | 2,090,496 | 37,500 |

ACCUMULATED DEPRECIATION

| | | | | | |
|-----------------------------|----------------|------------------|------------------|----------------|--------------|
| At January 1, 2007 | 1,084,051 | 1,650,171 | 3,774,638 | 843,042 | 7,355 |
| Charge for the year | 540,000 | 272,171 | 553,199 | 435,638 | 1,800 |
| Revaluation adjustment | (1,084,051) | - | - | - | (1,080) |
| Disposals adjustments | - | (34,975) | - | (374,805) | (40) |
| At December 31, 2007 | 540,000 | 1,887,367 | 4,327,837 | 903,875 | 7,655 |

NET BOOK VALUE

| | | | | | |
|----------------------|------------|-----------|---------|-----------|--------|
| At 31 December, 2007 | 26,519,650 | 1,285,790 | 851,074 | 1,186,621 | 29,840 |
| At 31 December, 2006 | 15,048,967 | 1,340,887 | 879,506 | 1,136,859 | 18,400 |

Apportioned as follows:

| | | | | | |
|------------------|-------|--------|--------|--------|--------|
| General Business | NB | SR | SR | SR | SR |
| Life business | 2,833 | 27,000 | 29,833 | 27,000 | 29,833 |

The land and buildings were revalued by Hubert Alton & Co., Chartered Quantity Surveyors and Construction Cost Consultants, at market value

**THE ASSURANCE COMPANY LIMITED
STATEMENTS TO THE FINANCIAL STATEMENTS - PERIOD ENDED DECEMBER 31, 2007**

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2006

THE COMPANY

COST

at November 23, 2005
transfers from SACOS
transfer to Investment property
additions
write offs
disposals

at 31 December, 2006

| | Land and buildings | | Furniture and fittings | | Computers and equipment | | Motor Vehicles | | TOTAL |
|--|--------------------|------------------|------------------------|------------------|-------------------------|------------------|------------------|-----------|-----------|
| | SR | US\$ | SR | US\$ | SR | US\$ | SR | US\$ | |
| | - | - | - | - | - | - | - | - | 30,888 |
| | 16,889,261 | 4,417,138 | 4,417,138 | 7,824,731 | 7,824,731 | 1,733,779 | 1,733,779 | (8) | 2,065 |
| | (895,315) | - | - | - | - | - | - | - | (5,779) |
| | 139,072 | 442,830 | 442,830 | 516,657 | 516,657 | 922,944 | 922,944 | (178,504) | (498,318) |
| | - | (1,868,910) | (1,868,910) | (3,683,244) | (3,683,244) | (178,504) | (178,504) | (5) | 25,779 |
| | - | - | - | (4,000) | (4,000) | (498,318) | (498,318) | (5) | 25,779 |
| | 16,133,018 | 2,991,058 | 2,991,058 | 4,654,144 | 4,654,144 | 1,979,901 | 1,979,901 | | |

CUMULATED DEPRECIATION

at November 23, 2005
transfers from SACOS
transfer to Investment property
charge for the year
write offs
disposals

at 31 December, 2006

NET BOOK VALUE

at 31 December, 2006

| | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|----------------|----------------|-----------|-----------|
| | - | - | - | - | - | - | - | - | 10,810 |
| | 180,861 | 3,103,895 | 3,103,895 | 6,482,800 | 6,482,800 | 1,047,813 | 1,047,813 | (1) | 2,579 |
| | (133,481) | - | - | - | - | - | - | - | (5,479) |
| | 1,036,671 | 241,559 | 241,559 | 882,196 | 882,196 | 369,708 | 369,708 | (178,504) | (395,975) |
| | - | (1,695,283) | (1,695,283) | (3,589,458) | (3,589,458) | (178,504) | (178,504) | (3) | 7,379 |
| | - | - | - | (900) | (900) | (395,975) | (395,975) | | |
| | 1,084,051 | 1,650,171 | 1,650,171 | 3,774,638 | 3,774,638 | 843,042 | 843,042 | | |

15,048,967

1,340,887

879,506

1,136,859

18,415

proportioned as follows:

General Business
Life business

NET
2,579
15,810
18,415

11. LOANS ON LIFE ASSURANCE POLICIES

These represent loans advanced to the policy holders against their life policies.

| | THE COMPANY | |
|--|-------------|------------|
| | 2007 | 2006 |
| | SR | SR |
| At January 1, 2007 / November 23, 2005 | 13,464,679 | - |
| Taken over from SACOS | - | 12,971,152 |
| Net movement for the period | 925,895 | 493,527 |
| At December 31, | 14,390,574 | 13,464,679 |

12. INVESTMENT IN SUBSIDIARY COMPANIES

| | TOTAL | THE COMPANY | | |
|--|------------|-------------|------------|------------|
| | | LIFE | GENERAL | TOTAL |
| | 2007 | 2007 | 2007 | 2006 |
| | SR | SR | SR | SR |
| Investment at cost | 60,000 | - | 60,000 | 60,000 |
| Long term advance | 22,559,772 | - | 22,559,772 | 22,559,772 |
| | 22,619,772 | - | 22,619,772 | 22,619,772 |
| Movements | | | | |
| At January 1, 2007 / November 23, 2005 | 22,619,772 | - | - | - |
| Acquired on take over of SACOS | - | - | 22,619,772 | 22,669,873 |
| Amount recovered during the period | - | - | - | (50,101) |
| At December 31, | 22,619,772 | - | 22,619,772 | 22,619,772 |

Details of the subsidiaries are as follows:

| | Country of incorporation and operation | Class of shares held | Portion of ownership interest | Main business |
|--------------------------------------|--|----------------------|-------------------------------|-------------------|
| Sun Investment (Seychelles) Limited | Seychelles | Ordinary | 100% | Property rental |
| SACOS Insurance Company Limited | Seychelles | Ordinary | 100% | General insurance |
| SACOS Life Assurance Company Limited | Seychelles | Ordinary | 100% | Life insurance |

Both SACOS Insurance Company Limited and SACOS Life Assurance Company Limited are dormant companies.

13. OTHER INVESTMENTS

| | THE GROUP | | THE COMPANY | | | |
|--------------------------|------------|------------|-------------|-------------|------------|-------------|
| | 2007 | 2006 | TOTAL | LIFE | GENERAL | TOTAL |
| | SR | SR | 2007 | 2007 | 2007 | 2006 |
| | SR | SR | SR | SR | SR | SR |
| Treasury bonds | 47,887,025 | 47,800,874 | 88,835,000 | 40,947,975 | 47,887,025 | 88,748,849 |
| Term deposits with banks | 15,388,703 | 14,086,152 | 28,683,472 | 13,294,769 | 15,388,703 | 29,605,233 |
| Investment properties | 21,779,384 | 14,575,134 | 53,760,174 | 51,560,174 | 2,200,000 | 44,252,382 |
| | 85,055,112 | 76,462,160 | 171,278,646 | 105,802,918 | 65,475,728 | 162,606,464 |

13. OTHER INVESTMENTS (CONTINUED)

| | THE GROUP | | THE COMPANY | | | |
|---|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| | 2007 | 2006 | TOTAL 2007 | LIFE 2007 | GENERAL 2007 | TOTAL 2006 |
| | SR | SR | SR | SR | SR | SR |
| <i>Analysis of investment properties:</i> | | | | | | |
| At January 1, 2007/November 23, 2005 | 14,575,134 | - | 44,252,382 | 43,490,548 | 761,834 | - |
| Taken over from SACOS | - | - | - | - | - | 23,222,036 |
| Transfer from property, plant and equipment | 324,559 | 761,834 | - | - | - | 761,834 |
| Land received from the State | - | - | - | - | - | 17,562,073 |
| On acquisition of subsidiary | - | 12,642,025 | - | - | - | - |
| Gain on revaluation | 6,879,691 | 1,171,275 | 9,507,792 | 8,069,626 | 1,438,166 | 2,706,439 |
| | <u>21,779,384</u> | <u>14,575,134</u> | <u>53,760,174</u> | <u>51,560,174</u> | <u>2,200,000</u> | <u>44,252,382</u> |

The land and buildings were revalued at market value by Hubert Alton & Co., Chartered Quantity Surveyors and Construction Cost Consultants, and Baseline Surveys & Co (Pty) Ltd, Land Surveyors.

14. INTANGIBLE ASSETS (GOODWILL)

| | THE GROUP 2007 | THE GROUP 2006 |
|--------------------------------------|----------------------|----------------------|
| | SR | SR |
| At January 1, 2007/November 23, 2005 | 10,788,459 | - |
| On acquisition of subsidiary | - | 10,788,459 |
| At December 31, | <u>10,788,459</u> | <u>10,788,459</u> |

15. TRADE AND OTHER RECEIVABLES

| | THE GROUP | | THE COMPANY | | | |
|------------------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | 2007 | 2006 | TOTAL 2007 | LIFE 2007 | GENERAL 2007 | TOTAL 2006 |
| | SR | SR | SR | SR | SR | SR |
| Debtors and prepayments | 19,095,311 | 15,571,091 | 22,716,343 | 5,013,188 | 17,703,155 | 21,523,676 |
| Provision for doubtful debts | (3,930,184) | (4,208,378) | (3,930,184) | - | (3,930,184) | (4,208,378) |
| | 15,165,127 | 11,362,713 | 18,786,159 | 5,013,188 | 13,772,971 | 17,315,298 |

16. CASH AND CASH EQUIVALENTS

| | THE GROUP | | THE COMPANY | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2007 | 2006 | TOTAL 2007 | LIFE 2007 | GENERAL 2007 | TOTAL 2006 |
| | SR | SR | SR | SR | SR | SR |
| Cash and bank balances | 26,438,178 | 11,858,012 | 57,046,667 | 31,432,629 | 25,614,038 | 22,793,161 |
| Call and term deposits | 528,961 | 491,169 | 700,566 | 171,605 | 528,961 | 491,169 |
| As per Balance Sheet | 26,967,139 | 12,349,181 | 57,747,233 | 31,604,234 | 26,142,999 | 23,284,330 |
| Bank overdraft | (389,766) | - | (4,027,604) | (3,637,838) | (389,766) | - |
| As per Cash Flow Statement | 26,577,373 | 12,349,181 | 53,719,629 | 27,966,396 | 25,753,233 | 23,284,330 |

17. SHARE CAPITAL

| | THE GROUP AND THE COMPANY (GENERAL) | |
|--------------------------------------|--|-------------------|
| | 2007 | 2006 |
| | SR | SR |
| At January 1, 2007/November 23, 2005 | 35,000,000 | - |
| Issued during the period | - | 35,000,000 |
| At December 31, | 35,000,000 | 35,000,000 |

The Company was initially incorporated with a share capital of SR 1,000,000 divided into 10,000 shares of SR 100 each. The nominal value of the share was subsequently increased to SR 175 followed by the creation of an additional 190,000 shares.

18. SHARE PREMIUM

| | THE GROUP AND THE COMPANY (GENERAL) | |
|--------------------------------|--|-------------------|
| | 2007 | 2006 |
| | SR | SR |
| Fair value of shares issued | 58,239,094 | 58,239,094 |
| Nominal value of shares issued | (35,000,000) | (35,000,000) |
| Share premium on shares issued | <u>23,239,094</u> | <u>23,239,094</u> |

The share premium arose on the take over of the assets and liabilities of State Assurance Corporation of Seychelles by the Company on January 1, 2006.

19. MORTGAGE PROTECTION FUND

| | THE GROUP AND THE COMPANY (GENERAL) | |
|---------------------------------------|--|------------------|
| | 2007 | 2006 |
| | SR | SR |
| At January 1, 2007/ November 23, 2005 | 3,772,913 | - |
| Taken over from SACOS | - | 3,796,875 |
| Movement during the year/period | (219,988) | (23,962) |
| At December 31, | <u>3,552,925</u> | <u>3,772,913</u> |

20. UNEARNED PREMIUMS

| | THE GROUP AND THE COMPANY (GENERAL) | |
|---------------------------------------|--|-------------------|
| | 2007 | 2006 |
| | SR | SR |
| At January 1, 2007/ November 23, 2005 | 22,727,164 | - |
| Taken over from SACOS | - | 20,131,847 |
| Increase during the year/period | 3,817,615 | 2,595,317 |
| At December 31, | <u>26,544,779</u> | <u>22,727,164</u> |

21. GENERAL INSURANCE FUND

| | THE GROUP AND THE COMPANY (GENERAL) | |
|--------------------------------------|--|-----------|
| | 2007 | 2006 |
| | SR | SR |
| At January 1, 2007/November 23, 2005 | 2,000,000 | - |
| Taken over from SACOS | - | 2,000,000 |
| At December 31, | 2,000,000 | 2,000,000 |

22. LIFE ASSURANCE FUND

| | THE COMPANY | THE COMPANY |
|--|----------------|----------------|
| | 2007 | 2006 |
| | SR | SR |
| Movements in fund | | |
| At January 1, 2007/ November 23, 2005 | 142,510,494 | - |
| Taken over from SACOS | - | 126,252,698 |
| Revaluation surplus | 11,951,033 | - |
| Surplus for the year | 22,679,620 | 16,257,796 |
| At December 31, | 177,141,147 | 142,510,494 |
| Represented by Life Business Assets: | | |
| Other investments | 105,974,522 | 99,957,604 |
| Property, plant and equipment | 27,009,780 | 15,866,785 |
| Loans on life assurance policies (see note 11) | 14,390,574 | 13,464,679 |
| Cash and cash equivalents | 27,790,422 | 11,613,851 |
| Net current assets | 1,975,849 | 1,607,575 |
| | 177,141,147 | 142,510,494 |

23. OUTSTANDING CLAIMS PROVISION

| | THE GROUP AND THE COMPANY (GENERAL) | |
|--|--|-------------|
| | 2007 | 2006 |
| | SR | SR |
| At January 1, 2007/ November 23, 2005 | 17,457,679 | - |
| Taken over from SACOS | - | 19,610,876 |
| Increase/(decrease) during the year/period | 2,530,941 | (2,153,197) |
| At December 31, | 19,988,620 | 17,457,679 |

23. CAPITAL COMMITMENTS

| | THE GROUP AND THE COMPANY (GENERAL) 2007 | THE GROUP AND THE COMPANY (GENERAL) 2006 |
|---|--|--|
| Life business | SR | SR |
| <i>Approved and contracted for fixed assets</i> | | |
| SACOS Tower | | 2,500,000 |

24. CONTINGENT LIABILITIES

In the normal course of business, the Group makes various commitments and incurs certain liabilities on behalf of the customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies outstanding at December 31, 2007 relate to security performance bonds amounting to SR 9,297,762 (2006 - SR 29,588,564).

25. FINANCIAL RISK MANAGEMENT

(a) **Financial risk management objectives and policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity, credit and reinsurance risks.

(b) **Interest rate risk**

The Group finances its operations through operating cash flows which are principally denominated in Seychelles Rupee and United States Dollar. The Group's primary interest rate risk relates to deposits with commercial banks in call and term deposits.

(c) **Foreign exchange risk**

The Group operates in Seychelles but is exposed to currency risk in respect of reinsurance premiums payable in foreign currencies. However, the re-insurance claims are received in foreign currencies and the claims are mostly payable in Seychelles Rupees. The revenue of the Group in foreign exchange is not sufficient to meet the requirement for settlement of re-insurance premiums to re-insurers on a yearly basis.

(d) **Liquidity risk**

The Group practices prudent liquidity risk management by maintaining adequate funds to meet its funding needs.

(e) **Credit risk**

The Group seeks to invest cash assets safely and profitably. The Group also seeks to control credit risk by setting counterparty limits and ensuring that credit facility is made to customers with appropriate credit history, and monitoring customers' financial standing through periodic credit review and credit checks at point of sales. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

(f) **Reinsurance risk**

The Group is exposed to the possibility of default by its reinsurers. Management has policies in place to ensure that risks are ceded to well rated reinsurers only.

26. DIVIDENDS

| | THE GROUP AND THE COMPANY (GENERAL) | |
|--|--|-----------|
| | 2007 | 2006 |
| | SR | SR |
| Dividends payable - SR 30 per share (2006 : SR 20 per share) | 6,000,000 | 4,000,000 |

