ANNUAL REPORT

STATE ASSURANCE COMPANY LIMITED

FOR THE FINANCIAL YEAR ENDED

31 DECEMBER 2008

STATE ASSURANCE COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

December 31, 2008

STATE ASSURANCE COMPANY LIMITED
INDEX

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 9th August 2006
Directors	W. Confait CEO Seychelles Pension Fund	Appointed 9th August 2006
	G. Ferley General Manager - Life	Appointed 9th August 2006
	G. Morel Head of Domestic Services Air Seychelles	Appointed 27th October 2006
	J. Raguin Principal Secretary Ministry of Employment & Human Resources Development	Appointed 9th August 2006
	L. Rivalland Group Chief Operations Officer Swan Insurance Company Ltd, Mauritius	Appointed 9th August 2006
	P. Rousset Senior Manager (retired)/Adviser Swan Insurance Company Ltd The Anglo-Mauritius Assurance Society Ltd	Appointed 7th March 2007
	Patrick Stravens Head of Division Banking Central Bank of Seychelles	Resigned 1st February 2008
	L. Nair Comptroller General Ministry of Finance	Resigned 1st November 2008
Managing Director	A. Lucas	Appointed 9th August 2006
Company Secretary	C. Payet	Appointed 27th October 2006

Legal Advisers	K.B Shah Attorney-at-Law & Notary Public
	D. Lucas Attorney-at-Law & Notary Public
Auditors	Ernst & Young Mahé, Seychelles
Actuaries	State Insurance Company of Mauritius 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 is hereby given that the 3rd Annual General Meeting of State Assurance Company Limited will be held at the International Conference Centre, Maison Du Peuple on Tuesday13th October at 10.15 a.m. for the following purposes:

1. To approve the Minutes of the 2nd Annual General Meeting held on Wednesday 15th October 2008 at 10.15 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 2008.

4. To declare a final dividend.

5. To consider, if thought fit, to pass the following ordinary resolutions:

    a. That Mr G. Ferley who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
    b. That Mr L. Rivalland who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
    c. That Ms M. Stravens who was appointed a Director by the Board on 18th February 2009 and who retires under section 163(4) of the Companies Act 1972, be elected as a Director of the Company.
    d. That Mr Y. Suleman who was appointed as a Director by the Board on 10th July 2009 and who retires under section 163(4) of the Companies Act 1972, be elected as a Director of the Company.
    e. That the Directors' remuneration of SR397,820 per annum including social security be approved for the financial year 2009
    f. That the Directors' remuneration of approximately SR483,840 per annum including social security be approved in respect of the Managing Director for the financial year 2009
    g. That the Directors' remuneration of approximately SR334,080 per annum including social security be approved in respect of Mr Guy Ferley who is also the General Manager - Life
    h. 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.
A full set of accounts is available on request

By Order of The Board Of Directors

C. Payet (Mrs)
Company Secretary

17th September 2009

Chairman' Report

I am pleased to report on the company's affairs for the year ended 31st December,2008. The past year turned out to be an interesting and productive year, both in terms of revenue and profitability, in fact better than projected.

The past 12 months was a testing time for the company, in view of the uncertainty in the local economy, despite the good performance achieved in the previous two years. Steps were taken to settle all external debts, especially to our reinsurers, with the assistance of our main bankers.

As you are all well aware, Government took some bold steps to reform the economy, which culminated with the devaluation of the Seychelles Rupee and liberalization of foreign exchange. No doubt the reform reduced considerably the disposal income of clients. However following the substantial increase in interest rate on deposits, we managed to sail through the difficult time without any significant adverse effects on our businesses.

The gross written premium was up by SR 21.31million, although this was partly attributed to accruals on the life fund. Final results showed Profit before tax of SR 25.058 million(2007 SR 16.178m). The fact that the tax credit was used up in full in 2007, there was a tax liability of SR 10.30 million for the year ended, higher than previously seen.

From Profit after Tax, the board has recommended the payment of a final dividend of SR 40 per share (2007-SR30) for the total sum of SR 8 million, giving a return of 22.85% on your investment.
After payment of tax and dividends, retained earnings stood at SR 32 million bringing shareholders equity to SR 90million, which is commendable after 3 years of operation. These results are clearly indicative of positive signs with potential for further growth in the business.

With regards to diversification, all the ground work have been set for the spare parts shop to come on line in late 2009. As previously indicated the main purpose was not only to make spare parts available to its clients at affordable prices, but also to try to cut back on cost of claims. This it is felt will improve the financial position. As for the car hire, there has been some setback but will be persued as there will be cost savings in doing so.

Discussions have been going on for some time with potential stakeholders to launch at least two new products. These are Health and Agriculture Insurance, both of which are untapped and are areas to generate additional source of revenue. Mortgage Protection, and Marine Cargo are others that are being developped to their full potential.

Towards the end of 2008 much emphasis was placed on managing the company's finances better. With the guidance of the Finance and Investment committee, the management have been monitoring and investing in areas providing a higher yield, Treasury Bills in particular right through to 2009. On the other hand, the proposed construction of additional flats at Anse Etoile for the Life Fund, is still going ahead, but costs have escalated and is thus being reviewed.

During 2008, a number of outstanding matters were finalized and adopted. All committees were set up and have been meeting on a regular basis handling issues and making recommendations to the board, which have thus facilitated action to be taken where appropriate. Incidentally all the committees are headed by non executive directors, which is a necessity, as part of good governance.

As the new computer system comes on line, this will facilitate many aspects of customer service, and place the company in a stronger position for the future. The software development for General Insurance is still in progress and will only be finalized in early 2010.

Training remains a key to development of staff, and this has continued to remain a priority. This includes in-house training, which is followed in some cases by attachment overseas, an essential criteria for their development. A programme had been under development with SIM for Insurance training to be provided and this has now come on line.
One graduate was recruited last year and vacancy exist for others as the company seeks to get more qualified staff to fill more senior positions in the future and thus facilitate succession planning.

This business would not be where it is today without the commitment and dedication of the management and other staff, which has kept it on the right track to achieving positive results. The Board of directors continues to work closely with management and staff to ensure funds are invested wisely, thus ensuring that shareholders are satisfied at the level of return on their investments. It is important that staff in general develops a satisfaction of involvement and ownership in the business, which is a mechanism for retaining key players.

That said, it was a surprise to find that a third player in La Prudence Mauritienne, a new insurance company registered to operate here. With the entrance of this new competitor, we need to redefine the way we move forward to consolidate our position. This has already been discussed at board level, and steps are underway to review our marketing strategy, and enhance our customer service including the proper use of the Brand name of SACOS. The company already has a wide customer base to build on and a customer service survey is already underway.

The necessity to mention that the close relationship with overseas reinsurers and brokers is very important. to the business. The company continues to ensure that this particular area is closely monitored and properly managed in view of the risks involved.

In conclusion, it is fair to say that the company is well entrenched, and the shareholders are reassured that it can only get better. I would like to express my gratitude to the Board of Directors, as well as the management and staff in general for their support during the past year.

Let us look forward with confidence that performance in 2009 can be as good.

Michel Felix
Chairman

17th September 2009

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 2008.

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 2008	THE GROUP		GENERAL BUSINESS (THE COMPANY)	
	2008	2007	2008	2007
	SR	SR (Restated)	SR	SR (Restated)
Underwriting surplus	24,804,410	20,981,303	24,804,410	20,981,303
Investment income	4,935,325	4,299,706	4,899,325	4,286,726
Rental income	963,647	922,070	144,000	120,000
Other operating revenue	11,130,997	4,363,764	8,726,806	1,973,547
Fair value gains on revaluation of properties	7,115,362	6,879,691	440,000	1,438,166
Operating expenses	(15,064,124)	(16,566,339)	(11,791,303)	(13,806,252)
Transfer from Life Fund	1,961,690	1,184,138	1,961,690	1,184,138
Profit before tax	25,058,848	22,064,333	29,184,928	16,177,628
Income tax expense	(10,300,000)	(4,458,328)	(10,300,000)	(4,458,328)
Profit after tax	14,758,848	17,606,005	18,884,928	11,719,300
Dividends	(6,000,000)	(4,000,000)	(6,000,000)	(4,000,000)
Retained profit for the year	8,758,848	13,606,005	12,884,928	7,719,300

Fixed Assets

The Directors are of the opinion that the market or saleable value of the fixed assets as at 31st December 2008 does not differ substantially from the amounts at which they are included in the accounts as at that date.

Reserves

The current year's retained profit of SR12,884,928 together with the opening retained earnings of SR22,766,662 makes a total of SR35,651,590 in the Company's reserves.

Dividends

The Directors recommend the payment of a dividend of SR40.00 per share for the year under review (2007: SR30.00 per share).

Directors

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

Directors' Emoluments and Ordinary shares as at 31st December 2008 were:

NAME	NATIONALITY	DESCRIPTION	SALARY/ FEES(SR)	SOCIAL SECURITY	SHARES
M. Felix	Seychellois	Chairman	48,000	9,600	18
W. Confait	Seychellois	Director	28,000	5,600	13
G. Ferley	Seychellois	Director	28,000	5,600	350
		Head of Life	204,000	40,800	
A. Lucas	Seychellois	Managing Director	336,000	67,200	351
G. Morel	Seychellois	Director	28,000	5,600	Nil
J. Raguin	Seychellois	Director	28,000	5,600	1
L. Rivalland	Mauritian	Director	28,000	5,600	Nil
P. Rousset	Mauritian	Director	28,000	5,600	Nil
P. Stravens	Seychellois	Director	Resigned on 1st February 2008		
L. Nair	Seychelloise	Director	Resigned on 1st November 2008		

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 J.Raguin L.Rivalland P.Rousset

4th September 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STATE ASSURANCE COMPANY LIMITED

We have audited the accompanying financial statements of State Assurance Company Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 7 to 34 which comprise the consolidated balance sheets at December 31, 2008 and the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is 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 SHAREHOLDERS OF STATE ASSURANCE COMPANY LIMITED

Opinion

In our opinion, the financial statements on pages 7 to 34 give a true and fair view of the financial position of the Company and the Group at December 31, 2008 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.
Without qualifying our opinion, we draw attention to the fact that the comparatives to these consolidated financial statements have been restated. As explained in note 28, management carried an in depth analysis of its existing provision for outstanding claims which revealed that certain liabilities recognised in prior years had actually been extinguished. The restatement made was to reflect the correct provision for outstanding claims balances in prior years.

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

ERNST & YOUNG
Mahé, Seychelles

Date: 4th September 2009

	Notes	THE GROUP		THE COMPANY	
		2008	2007(Restated)	**2008**	2007(Restated)
		SR	SR	**SR**	SR
Turnover	3	**73,996,305**	63,099,899	**122,779,558**	101,355,484
Underwriting surplus (Page 8)		**24,804,410**	20,981,303	**24,804,410**	20,981,303
Investment income	4	**4,935,325**	4,299,706	**4,899,325**	4,286,726
Rental income from investment properties	9	963,647	922,070	**144,000**	120,000
		30,703,382	26,203,079	**29,847,735**	25,388,029
Other operating revenue	5	**11,130,997**	4,363,764	**8,726,806**	1,973,547
Fair value gains on investment properties	9	**7,115,362**	6,879,691	**440,000**	1,438,166
		48,949,741	37,446,534	**39,014,541**	28,799,742
Operating expenses	6	**(15,064,124)**	(16,566,339)	**(11,791,303)**	(13,806,252)
Impairment of goodwill	13	**(10,788,459)**	-	-	-
Transfer from Life Business Revenue Account	22b)	**1,961,690**	1,184,138	**1,961,690**	1,184,138
Profit before tax		**25,058,848**	22,064,333	**29,184,928**	16,177,628
Income tax expense	7	**(10,300,000)**	(4,458,328)	**(10,300,000)**	(4,458,328)
Net profit for the year		**14,758,848**	17,606,005	**18,884,928**	11,719,300

The notes set out on pages 13 to 35 form an integral part of these consolidated financial statements.
Independent auditor's report on pages 5 and 6.

STATE ASSURANCE COMPANY LIMITED
GENERAL INSURANCE BUSINESS REVENUE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2008

	Notes	THE COMPANY 2008 SR	2007(Restated) SR
Gross written premiums	3	**73,032,658**	62,177,829
Premiums ceded to reinsurers		**(15,360,302)**	(11,218,882)
Increase in unearned premiums		**(3,807,333)**	(3,817,615)
Net earned premiums		**53,865,023**	47,141,332
Gross benefits and claims paid		**(31,362,689)**	(24,857,476)
Claims recovered from reinsurers		**4,624,710**	1,832,221
Decrease/(increase) in provision for outstanding claims and IBNR	18&19	**1,149,094**	(2,046,584)
Net claims incurred		**(25,588,885)**	(25,071,839)
Commission receivable from reinsurers		**1,692,202**	3,101,241
Commission paid to agents and brokers		**(5,163,930)**	(4,189,431)
Net commission paid		**(3,471,728)**	(1,088,190)
Underwriting surplus (Page 7)		**24,804,410**	20,981,303

The notes set out on pages 13 to 35 form an integral part of these consolidated financial statements.
Independent auditor's report on pages 5 and 6.

The notes set out on pages 12 to 34 form an integral part of these consolidated financial statements.

STATE ASSURANCE COMPANY LIMITED
LIFE ASSURANCE BUSINESS REVENUE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2008

	Notes	THE COMPANY 2008 SR	2007 SR
Gross written premiums	3	**44,798,898**	34,342,710
Premiums ceded to reinsurers		**(996,312)**	(380,991)
Net insurance premiums		**43,802,586**	33,961,719
Investment income	4	**7,247,583**	5,240,783
Rental income from investment properties	9	**4,804,002**	4,714,945
Other operating revenue	5	**49,248,985**	327,181
		61,300,570	10,282,909
Commission receivable from reinsurers		**116,087**	70,880
Commission paid to agents and brokers		**(1,741,237)**	(1,468,569)
Net commission paid		**(1,625,150)**	(1,397,689)
Claims paid		**(19,673,968)**	(17,473,365)
Operating expenses	6	**(11,147,215)**	(9,579,442)
		(30,821,183)	(27,052,807)
Suplus for the year		**72,656,823**	15,794,132
Fair value gains on investment properties	9	**3,815,139**	8,069,626
Transfer to Income Statement	22b)	**(1,961,690)**	(1,184,138)
Net surplus for the year	22a)	**74,510,272**	22,679,620

The notes set out on pages 13 to 35 form an integral part of these consolidated financial statements.
Independent auditor's report on pages 5 and 6.

STATE ASSURANCE COMPANY LIMITED
CONSOLIDATED BALANCE SHEETS
FOR THE YEAR ENDED DECEMBER 31, 2008

		THE GROUP		THE COMPANY			
	Notes	2008	2007 (Restated)	LIFE 2008	GENERAL 2008	TOTAL 2008	TOTAL 2007 (Restated)
ASSETS		**SR**	SR	**SR**	**SR**	**SR**	SR
NON-CURRENT ASSETS							
Property, plant and equipment	8	**2,870,674**	2,833,355	**46,050,339**	**2,870,674**	**48,921,013**	29,843,135
Investment Properties	9	**29,033,846**	21,779,384	**38,442,150**	**2,640,000**	**41,082,150**	53,760,174
Loans on Life assurance policies	10	-	-	**16,796,509**	-	**16,796,509**	14,390,574
Investment in subsidiary companies	11	-	-	-	**22,619,772**	**22,619,772**	22,619,772
Other investments	12	**74,534,126**	63,275,728	**126,280,684**	**74,534,126**	**200,814,810**	117,518,472
Intangible assets	13	-	10,788,459	-	-	-	-
		106,438,646	98,676,926	**227,569,682**	**102,664,572**	**330,234,254**	238,132,127
CURRENT ASSETS							
Accounts receivables	14	**28,859,145**	26,011,850	**16,108,234**	**28,588,299**	**44,696,533**	31,639,509
Taxation recoverable	7	**1,730,308**	5,330,308	-	**1,730,308**	**1,730,308**	5,330,308
Amount due from Life Business		**5,294,856**	2,031,245	-	**5,294,856**	**5,294,856**	2,031,245
Amount due from Sun Investment		-	-	-	**1,069,284**	**1,069,284**	1,330,692
Cash and bank balances	15	**21,418,120**	26,967,139	**35,556,370**	**21,052,438**	**56,608,808**	57,747,233
		57,302,429	60,340,542	**51,664,604**	**57,735,185**	**109,399,789**	98,078,987
LIFE BUSINESS ASSETS	22c)	**270,240,529**	177,141,147	-	-	-	-
TOTAL ASSETS		**433,981,603**	336,158,615	**279,234,286**	**160,399,757**	**439,634,043**	336,211,114
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the parent company)							
Issued share capital	16	**35,000,000**	35,000,000	-	**35,000,000**	**35,000,000**	35,000,000
Share premium	17	**23,239,094**	23,239,094	-	**23,239,094**	**23,239,094**	23,239,094
Retained earnings		**39,849,821**	31,090,973	-	**35,651,590**	**35,651,590**	22,766,662
Total ordinary shareholders' equity		**98,088,915**	89,330,067	-	**93,890,684**	**93,890,684**	81,005,756
TECHNICAL PROVISIONS							
Provision for outstanding claims	18	**13,210,165**	15,359,259	-	**13,210,165**	**13,210,165**	15,359,259
Incurred but not reported (IBNR)	19	**3,000,000**	2,000,000	-	**3,000,000**	**3,000,000**	2,000,000
		16,210,165	17,359,259	-	**16,210,165**	**16,210,165**	17,359,259
NON-CURRENT LIABILITIES							
Unearned premiums	20	**30,352,112**	26,544,779	-	**30,352,112**	**30,352,112**	26,544,779
Mortgage Protection Fund	21	**2,111,101**	3,552,925	-	**2,111,101**	**2,111,101**	3,552,925
Fisheries and Agricultural Fund		**2,000,000**	1,000,000	-	**2,000,000**	**2,000,000**	1,000,000
Life Assurance Fund	22a)	**270,240,529**	177,141,147	**270,240,529**	-	**270,240,529**	177,141,147
		304,703,742	208,238,851	**270,240,529**	**34,463,213**	**304,703,742**	208,238,851
CURRENT LIABILITIES							
Accounts payable	23	**14,927,835**	20,840,672	**3,311,368**	**16,784,749**	**19,096,117**	23,548,399
Amount due to General Business		-	-	**5,294,856**	-	**5,294,856**	2,031,245
Bank overdraft	15	**50,946**	389,766	**387,533**	**50,946**	**438,479**	4,027,604
		14,978,781	21,230,438	**8,993,757**	**16,835,695**	**24,829,452**	29,607,248
TOTAL LIABILITIES		**335,892,688**	246,828,548	**279,234,286**	**66,509,073**	**345,743,359**	255,205,358
TOTAL EQUITY AND LIABILITIES		**433,981,603**	336,158,615	**279,234,286**	**160,399,757**	**439,634,043**	336,211,114

These consolidated financial statements have been approved for issue by the Board of Directors on 4th September 2009

M. Felix W. Confait G. Ferley A. Lucas

G. Morel J. Raguin L. Rivaliand P. Rousset

The notes set out on pages 13 to 35 form an integral part of these consolidated financial statements
Independent auditor's report on pages 5 and 6.

THE GROUP

	Notes	Issued Share Capital	Share Premium	Retained Earnings	Total
2007		SR	SR	SR	SR
At January 1, 2007 (as previously stated)		35,000,000	23,239,094	13,339,964	71,579,058
Effect of prior period adjustment	28	-	-	4,145,004	4,145,004
At January 1, 2007 (restated)		35,000,000	23,239,094	17,484,968	75,724,062
Net profit for the year (restated)		-	-	17,606,005	17,606,005
Dividends paid during the year	26	-	-	(4,000,000)	(4,000,000)
At December 31, 2007 (restated)		**35,000,000**	**23,239,094**	**31,090,973**	**89,330,067**
2008					
At January 1, 2008 (restated)		**35,000,000**	**23,239,094**	**31,090,973**	**89,330,067**
Net profit for the year		-	-	14,758,848	**14,758,848**
Dividends paid during the year	26	-	-	(6,000,000)	(6,000,000)
At December 31, 2008		**35,000,000**	**23,239,094**	**39,849,821**	**98,088,915**

THE COMPANY

	Notes	Issued Share Capital	Share Premium	Retained Earnings	Total
2007		SR	SR	SR	SR
At January 1, 2007 (as previously stated)		35,000,000	23,239,094	10,902,358	69,141,452
Effect of prior period adjustment	28	-	-	4,145,004	4,145,004
At January 1, 2007 (restated)		35,000,000	23,239,094	15,047,362	73,286,456
Net profit for the year (restated)		-	-	11,719,300	11,719,300
Dividends paid during the year	26	-	-	(4,000,000)	(4,000,000)
At December 31, 2007 (restated)		**35,000,000**	**23,239,094**	**22,766,662**	**81,005,756**
2008					
At January 1, 2008 (restated)		**35,000,000**	**23,239,094**	**22,766,662**	**81,005,756**
Net profit for the year		-	-	18,884,928	18,884,928
Dividends paid during the year	25	-	-	(6,000,000)	(6,000,000)
At December 31, 2008		**35,000,000**	**23,239,094**	**35,651,590**	**93,890,684**

The notes set out on pages 13 to 35 form an integral part of these consolidated financial statements.

STATE ASSURANCE COMPANY LIMITED
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Notes	THE GROUP 2008 SR	THE GROUP 2007 SR (Restated)	THE COMPANY LIFE 2008 SR	THE COMPANY GENERAL 2008 SR	THE COMPANY TOTAL 2008 SR	THE COMPANY TOTAL 2007 SR (Restated)
OPERATING ACTIVITIES							
Profit before tax		25,058,848	22,064,333	76,471,962	29,184,928	105,656,890	40,041,386
Adjustments to reconcile profit before tax to net cash flows							
Non-cash:							
Depreciation	8	1,015,171	1,076,323	494,296	1,015,183	1,509,479	1,801,008
Impairment of goodwill	13	10,788,459	-	-	-	-	-
Fair value gain of investment properties	9	(7,115,362)	(6,879,691)	(3,815,139)	(440,000)	(4,255,139)	(9,507,792)
Write offs of property, plant and equipment	8	491,169	-	24,375	-	24,375	-
Profit on disposal of investment property	5	-	-	(48,341,652)	-	(48,341,652)	-
Loss /(Profit) on disposal of property, plant and equipment	5	56,097	(173,900)	-	56,097	56,097	(173,900)
Share of surplus transferred from Life Assurance	22b)	-	-	-	(1,961,690)	(1,961,690)	(1,184,138)
(Decrease)/increase in outstanding claims provision and IBNR	18&19	(1,149,094)	2,046,584	-	(1,149,094)	(1,149,094)	2,046,584
Increase in unearned premium	20	3,807,333	3,817,615	-	3,807,333	3,807,333	3,817,615
Decrease in Mortgage Protection Fund	21	(1,441,824)	(219,988)	-	(1,441,824)	(1,441,824)	(219,988)
Operating profit before working capital changes		31,510,797	21,731,276	24,833,842	29,070,933	53,904,775	36,620,775
Working capital adjustments:							
Increase in accounts receivables	14	(2,847,295)	(6,750,667)	(9,088,419)	(3,968,605)	(13,057,024)	(1,640,681)
Increase in amount due to General Business		-	-	3,263,611	-	3,263,611	1,300,529
Increase in amount due from Life Business		(3,263,611)	(1,300,529)	-	(3,263,611)	(3,263,611)	(1,300,529)
Decrease/(Increase) in amount due from Sun Investment		-	-	-	261,408	261,408	(1,225,372)
(Decrease)/ Increase in accounts payable	23	(5,912,837)	6,457,716	294,277	(4,746,559)	(4,452,282)	5,583,853
Net movement in loans on life assurance policies	10	-	-	(2,405,935)	-	(2,405,935)	(925,895)
Receipts for Fisheries and Agricultural Fund		1,000,000	1,000,000	-	1,000,000	1,000,000	1,000,000
Income tax paid	7	(6,700,000)	(4,700,000)	-	(6,700,000)	(6,700,000)	(4,700,000)
Net cash flows from operating activities		13,787,054	16,437,796	16,897,376	11,653,566	28,550,942	34,712,630
INVESTING ACTIVITIES							
Purchase of property, plant and equipment	8	(1,722,256)	(971,695)	(479,963)	(1,721,256)	(2,201,219)	(1,401,891)
Purchase of investment property	9	(139,099)	-	(628,911)	-	(628,911)	-
Proceeds from sale of investment property	5a)	-	-	65,903,726	-	65,903,726	-
Proceeds from sale of property, plant and equipment		122,500	288,900	-	122,500	122,500	288,900
Movement in other investments	12	(11,258,398)	2,473,191	(72,037,940)	(11,258,398)	(83,296,338)	835,610
Net cash used in/(from) investing activities		(12,997,253)	1,790,396	(7,243,088)	(12,857,154)	(20,100,242)	(277,381)
FINANCING ACTIVITIES							
Dividends paid to equity holders of the parent	26	(6,000,000)	(4,000,000)	-	(6,000,000)	(6,000,000)	(4,000,000)
Net cash used in financing activities		(6,000,000)	(4,000,000)	-	(6,000,000)	(6,000,000)	(4,000,000)
Net increase/(decrease) in **cash and cash equivalents**		(5,210,199)	14,228,192	9,654,288	(7,203,588)	2,450,700	30,435,299
Cash and cash equivalents at January 1,		26,577,373	12,349,181	25,514,549	28,205,080	53,719,629	23,284,330
Cash and cash equivalents at 31 December	15	21,367,174	26,577,373	35,168,837	21,001,492	56,170,329	53,719,629

The notes set out on pages 13 to 35 form an integral part of these consolidated financial statements.
Independent auditor's report on pages 5 and 6.

1. CORPORATE INFORMATION

State Assurance Company Limited thereafter referred to as "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 principal activities of the company is 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.

The Company is domiciled in Seychelles and its registered office is SACOS Tower, Palm Street, Victoria, Mahé, Seychelles. The consolidated financial statements of State Assurance Company Limited for the year ended 31 December 2008, will be submitted for consideration and approval at the forthcoming Annual General Meeting of the shareholders of the Company.

The Company also has three wholly owned subsidiaries. SACOS Insurance Company Limited and SACOS Life Assurance Company Limited are dormant companies. Sun Investment (Seychelles) Limited is an investment property holding and management company in Seychelles. These consolidated financial statements comprise that of the Company and also its subsidiaries collectively referred to as the Group.

2.1 BASIS OF PREPARATION

The consolidated financial statements of State Assurance Company Limited have been prepared under the historical cost convention, except for investment properties (both in the Life and General) that have been measured at fair value, and land and buildings as part of property, plant and equipments (in the Life Business only) which are stated at their revalued amount.

The consolidated financial statements of the Group have been prepared in accordance with generally accepted accounting standards in Seychelles.

Consolidated financial statement values are presented in Seychelles Rupee (SR) unless otherwise indicated.

(a) Presentation of information

The results of the Life and General Business (non- life) are presented seperately in the income statement of the Company. The balance sheet of the Company and the accompanying notes disclose the assets and liabilities attributed to the Life and General Business seperately.

The Group represents the General Business and the subsidiaries' assets and liabilities. The accounts of the Life Business have been included in the Consolidated Balance Sheet as Life Business Asset and Life Assurance Fund using the principle of a single line consolidation.
The Group presents current and non-current assets, and current and non-current liabilities, as separate classifications in its consolidated balance sheet.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable 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 liability simultaneously. Income and expense will not be offset in the consolidated income statement unless specifically disclosed in the accounting policies of the Group.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of State Assurance Company Limited and its subsidiaries as at 31 December 2008 each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

All intra-group balances, transactions, income and expenses and profits and losses, including dividends, resulting from intra-group transactions are eliminated in full.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition method requires that the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, at the acquisition date. Acquisition costs directly attributable to the acquisition are expensed in the period. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing goodwill acquired in a business combination is allocated to an appropriate cash generating unit.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(b) Investment in a subsidiary

Separate financial statements of the Company

Investment in subsidiries is carried at cost in the separate financial statements of the Company. The carrying amount is reduced to recognise any impairment in the value of the individual investment.

(c) Foreign currency translation

The Group's consolidated financial statements are presented in Seychelles Rupees (SR) which is also the Company's functional currency. That is the currency of the primary economic environment in which State Assurance Company Limited operates. 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

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange differences are taken to the income statement.

(d) Insurance contracts

(i) Product classificaton

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Insurance contracts (Cont'd)

(i) Product classificaton (Cont'd)

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are further classified as being either with or without discretionary participation features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits,
- whose amount or timing is contractually at the discretion of the issuer, and
- that are contractually based on the:
- performance of a specified pool of contracts or a specified type of contract,
- realised and or unrealised investment returns on a specified pool of assets held by the issuer, or
- the profit or loss of the company, fund or other entity that issues the contract.

The Company considers that all its short term and long term products are insurance contracts.

(ii) Types of insurance contracts

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

Short-term insurance contracts (General Business)

Short-term insurance contracts are in respect of the following classes of business: Motor, fire, marine, engineering, personal accident, household and miscellaneous. These contracts provide compensation following damage to or loss of property, goods, equipment, losses and expenses incurred, and loss of earnings resulting from the occurence of the events insured against.

Long-term insurance contracts with fixed and guaranteed terms

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

Long-term insurance contracts without fixed terms and with DPF

These contracts contain a DPF which entitles the contract holder in supplement to a guaranteed amount, a contractual right to receive additional profits or bonuses. The size of the profit or bonuses as well as the timing of the payments are however at the discretion of the Company. Any portion of the DPF eligible surplus that is not declared as a profit or bonus is retained as a liability under the Life Assurance Fund, until declared and credited to contract holders in future periods.

(iii) Reinsurance contracts

The Group enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposure.

The Company reinsures either on a treaty basis, with all risks falling within the treaty terms, conditions and limits being reinsured automatically, or on a facultative basis. Under facultative reinsurance, risks are offered to the reinsurer on an individual basis and can be accepted or rejected by the reinsurer.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Insurance contracts (Cont'd)

(iii) Reinsurance contracts (Cont'd)

Short-term balances due from reinsurers are classified within accounts receivable. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant insurance contract.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are classified within accounts payables. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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 Company reduces the carrying amount accordingly and recognises that impairment in the income statement. 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 Company 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 Company will receive from the reinsurer.

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

(e) 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 balance sheet date computed on the basis of the 24th method for all classes except for open cargo which is on a 60:40 basis. The movement on the provision is taken to the income statement 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.

(f) Provision for outstanding claims

Provision for these liabilities is made for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not incurred (IBNR) at that date. It also includes an estimate of the internal and external costs of handling the outstanding claims.

Notified claims are only recognised when the Company considers that it has a contractual liability to settle the claims.

Significant delays can be expected in the notification and settlement of certain claims, the ultimate cost of which cannot therefore be known with certainty at the 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.

(g) Life insurance business provisions

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.The liability is derecognised when the contract expires, is discharged or is cancelled.

The long term liabilities to policyholders are determined by an actuarial valuation annually. The difference between the income and expense of the Life Business, after deduction of bonus to the policyholders and attribution to shareholders as recommended by the Company's external actuary which in turn is based on the results of their annual actuarial valuation, is transferred to the Life Assurance Fund account from the Life Business Revenue Account. The Life Assurance Fund represents the difference between the assets and liabilities attributed to the Life Assurance Business and is recorded as a liability.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

(ii) Initial recognition and subsequent measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

The Group determines the classification of its financial instruments at initial recognition. The subsequent measurement of financial instruments depends on their classification.

The Group's financial assets include cash and short-term deposits, accounts receivables, loans receivables, and unquoted financial instruments.

(iii) Held-to-maturity financial assets

The Group holds fixed-income investments consisting of Treasury Bonds, Treasury Bills, call and term deposits. These are non-derivative financial assets with fixed or determinable payments and fixed maturities which are classified as held-to-maturity when the Group has the positive intention and ability to hold until maturity.

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement held-to-maturity financial assets are measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(iv) Loans on life assurance policies

Following 36 premium payments made towards a life insurance contract, the policy attains a Surrender value, based on which 95% can be granted as loans to the policy holder.

Loans on life assurance policies are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans on life assurance policies are measured at cost less capital repayment.

(i) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Derecognition of financial assets and financial liabilities (Cont'd)

(i) Financial assets (Cont'd)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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

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

(j) Valuation of financial instruments

All financial instruments are initially recognised at fair value. On initial recognition, the fair value of a financial instrument is the transaction price unless it is determined appropriate that the fair value of a financial instrument is more accurately determined by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. In circumstances where unobservable data has a significant impact on the valuation of a financial instrument, the entire difference between the model determined fair value and the transaction price is not recognised on initial recognition. The difference is recognised in the income statement over the life of the transaction, or when inputs become observable, or when the transaction is effectively closed out.

Subsequent to initial recognitions, the fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

(k) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankrubtcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of financial assets (Cont'd)

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each balance sheet date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(l) 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 an asset's or cash-generating unit's 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.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

(m) Property, plant and equipment

Apart from land and buildings, which are stated at revalued amount, property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Land is not depreciated.

Land and Buildings (Life Business only) are measured at revalued amounts. The revaluation surplus is recognised in the Life Assurance Fund.

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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Property, plant and equipment (Cont'd)

Depreciation on property, plant and equipment is calculated on a straight line basis such that the rates used write off their costs, less estimated residual value, of each asset evenly over their expected useful life. The principal annual depreciation rates, except for land which is not depreciated, are as follows:

	Depreciation rate	Useful life
Buildings	2%	50 years
Furniture and fittings	10%	10 years
Computers and equipment	15 - 20%	5-7 years
Motor vehicles	25%	4 years
Software development costs	30%	3 1/3 years

The asset's residual values, and useful lives and methods are reviewed and adjusted prospectively if appropriate at each financial year end.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the income statement as expense.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(n) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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

Transfers are made to or from investment property only 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, plant and equipment up to the date of the change in use.

When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

(o) Cash and bank balances

Cash and bank balances comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the balance sheet.

For the purpose of the consolidated cash flow, cash and cash equivalents consist of cash and bank balances as defined above, net of outstanding bank overdrafts.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) 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 the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounting 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 as a borrowing cost.

(q) Equity movements

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 paid.

Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

(r) Taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods 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 substantively enacted by the balance sheet date.

(ii) Tax on Life Business

There is no tax on the Life Business.

(s) Income recognition

(i) Gross premiums on General Business

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.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised as revenue (earned premiums) on the date on which the policy incepts, proportionally over the period of coverage.

Unearned premiums are those proportions of premiums written in a year on in-force contracts that relate to periods of risk after the balance sheet date (unexpired premium). Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

(ii) Gross premiums on Life Business

Gross recurring premiums on long-term life contracts with or without DPF are recognised as revenue when payable by the policyholder, i.e the date when payments are due.

Premium on long term insurance contracts which have been in force for less than three years and for which not all premium have been received is accrued for three months. When these policies lapse due to non receipt of premium after three months, then all related premium income accrued but not received from the date they are deemed to have lapsed is charged in the income statement.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Income recognition (Cont'd)

(iii) Reinsurance premiums

Gross reinsurance premiums on life and investment contracts are recognised as an expense when payable or on the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustment arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

(iv) Investment income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Rental income derived from Investment properties is recognised on an accrual basis.

Commission receivable is recognised as it accrues in accordance with the substance of the relevant agreements.

(v) Management fees

The General Business 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.

(vi) Realised gains and losses

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and on investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

(t) Benefits, claims and expense recognition

(i) General Business

These consist of all claims paid to policyholders, claims handling costs including both internal and external costs incurred in connnection with the negotiation and settlement of the claims net of salvage and subrogation recoveries and with any adjustments to claims of prior years.

(ii) Life Business

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Death claims and surrenders are recorded on the basis of notifications received.

(iii) Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

(iv)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.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management 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 reporting date. However, uncertainty about these asumptions 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.

Judgements

In the process of applying the Group's accounting policies, management has not had to make any judgement, apart from those involving estimations and assumptions.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Valuation of insurance contract liabilities

(i)Life insurance contract liabilities

The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expense, lapse and surrender rates and discount rates. The Group base mortality and morbidity on industry's standard and 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 change to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life assurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected inflation if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapse and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposures.

(ii)General (non-life) insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies.

Outstanding claims are usually reserved at the face value of the loss adjuster estimates or separately projected in order to reflect their future development. The assumptions used are those implicit in the historic claims development date on which the projections are based. Alternative qualitative judgement is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated utimate cost of claims that present the likely outcome from the rate of possible outcomes, taking account of all uncertainties involved.

The estimates of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. The amount of provision made for IBNR is based on management experience.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

(b) Goodwill impairment testing

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which goodwill is allocated.

(c) Revaluation of Property, plant and equipment and Investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in the income statement. In addition, it measures Land and buildings (Life Business only) at revalued amounts with changes in fair value being recognised in the Life Assurance Fund. The Group engaged independent valuation specialists to determine fair value as at 31 December 2008. For the investment properties, the valuer used a mix of valuation techniques consisting of discounted cash flow model and comparable market data.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term occupancy rate. The key assumptions used to determine the fair value of the investment properties are further explained in Note 9.

(d) Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

3. TURNOVER

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	SR	SR	SR	SR
Gross Premiums				
Life	-	-	44,798,898	34,342,710
General	73,032,658	62,177,829	73,032,658	62,177,829
	73,032,658	62,177,829	117,831,556	96,520,539
Rental income from investment properties (Notė 9)	963,647	922,070	4,948,002	4,834,945
	73,996,305	63,099,899	122,779,558	101,355,484

4. INVESTMENT INCOME - 2008

	THE GROUP		
	TOTAL	LIFE BUSINESS	GENERAL BUSINESS (THE COMPANY)
	2008	2008	2008
	SR	SR	SR
Interest on treasury bonds	3,830,962	3,193,153	3,830,962
Interest on call deposits	145,711	213,937	145,711
Interest on term deposits	922,652	2,118,517	922,652
Interest on current accounts	-	1,153	-
Interest on T Bills	-	25,758	-
Interest on other loans	36,000	1,530,552	-
Interest on housing loans	-	164,513	-
	4,935,325	7,247,583	4,899,325

INVESTMENT INCOME - 2007

	THE GROUP		
	TOTAL	LIFE BUSINESS	GENERAL BUSINESS (THE COMPANY)
	2007	2007	2007
	SR	SR	SR
Interest on treasury bonds	3,830,962	3,185,838	3,830,962
Interest on call deposits	40,082	567,447	40,082
Interest on term deposits	415,682	-	415,682
Interest on current accounts	-	20,320	-
Interest on other loans	12,980	1,337,218	-
Interest on housing loans	-	129,960	-
	4,299,706	5,240,783	4,286,726

5. OTHER OPERATING REVENUE - 2008

	THE GROUP		
	TOTAL	LIFE BUSINESS	GENERAL BUSINESS (THE COMPANY)
	2008	2008	2008
	SR	SR	SR
Profit on sale of investment property (Note (a))	-	48,341,652	-
Loss on disposal of property, plant and equipment	(56,097)	-	(56,097)
Gain on exchange	6,148,676	593,148	6,148,676
Other income - miscellaneous	5,038,418	314,185	2,634,227
	11,130,997	49,248,985	8,726,806

Note (a): During the year, the Life Business disposed of an investment property located on Praslin island for a consideration of SR 65,903,726.

OTHER OPERATING REVENUE - 2007

	THE GROUP		
	TOTAL 2007	LIFE BUSINESS 2007	GENERAL BUSINESS (THE COMPANY) 2007
	SR	SR	SR
Profit on disposal of property, plant and equipment	173,900	-	173,900
Gain on exchange	407,800	-	407,800
Other income - miscellaneous	3,782,064	327,181	1,391,847
	4,363,764	327,181	1,973,547

6. OPERATING EXPENSES- 2008

	THE GROUP		
	TOTAL 2008	**LIFE BUSINESS 2008**	**GENERAL BUSINESS (THE COMPANY) 2008**
	SR	**SR**	**SR**
Staff costs	**7,000,605**	**3,199,303**	**5,526,588**
Repairs and maintenance	**616,185**	**163,959**	**212,621**
Legal and professional fees	**748,539**	**419,208**	**720,734**
Management expenses	**-**	**6,276,948**	**-**
Marketing expenses	**602,700**	**418,501**	**578,447**
Reversal of provision for bad debts	**(2,769,523)**	**-**	**(2,769,523)**
Adminstrative expenses	**5,808,[illegible]88**	**-**	**4,515,706**
Depreciation	**1,015,183**	**494,296**	**1,015,183**
Audit fees	**225,000**	**175,000**	**175,000**
Write-off of prepayments	**1,816,547**		**1,816,547**
Total operating expenses	**15,064,124**	**11,147,215**	**11,791,303**

OPERATING EXPENSES- 2007

	THE GROUP		
	TOTAL 2007	LIFE BUSINESS 2007	GENERAL BUSINESS (THE 2007
	SR	SR	SR
Staff costs	5,650,367	2,463,112	4,208,722
Repairs and maintenance	653,303	104,112	133,563
Legal and professional fees	2,507,664	537,349	2,461,876
Management expenses	-	5,311,425	-
Marketing expenses	531,219	364,077	492,529
Provision for impairment	720,000	-	720,000
Adminstrative expenses	4,683,656	-	4,001,491
Depreciation	1,585,718	215,290	1,585,718
Audit fees	234,412	153,824	202,353
Loss on foreign exchange	-	422,753	-
Write-off - Loans on Life Assurance Policies	-	7,500	-
Total operating expenses	16,566,339	9,579,442	13,806,252

7. TAXATION

	THE GROUP & GENERAL BUSINESS (THE COMPANY)	
INCOME TAX EXPENSE	**2008**	2007
Income statement	**SR**	SR
Charge for the year	**10,300,000**	4,458,328
TAXATION RECOVERABLE		
Balance Sheet		
At January 1,	**5,330,308**	5,088,636
Paid during the year	**6,700,000**	4,700,000
Charge for the year	**(10,300,000)**	(4,458,328)
At December 31,	**1,730,308**	**5,330,308**

8. PROPERTY, PLANT AND EQUIPMENT

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**
At January 1, 2008	1,078,688	4,749,877	2,090,496	7,919,061
Additions during the year	118,210	879,563	724,483	1,722,256
Disposals / write offduring the year	-	(106,336)	(742,213)	(848,549)
At December 31, 2008	**1,196,898**	**5,523,104**	**2,072,766**	**8,792,768**
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
Disposals during the year	(34,975)	-	(374,805)	(409,780)
At December 31, 2007	**130,593**	**4,051,238**	**903,875**	**5,085,706**
At January 1, 2008	130,593	4,051,238	903,875	5,085,706
Charge for the year	72,985	544,528	397,658	1,015,171
Disposals during the year	-	(106,336)	(72,447)	(178,783)
At December 31, 2008	**203,578**	**4,489,430**	**1,229,086**	**5,922,094**
NET BOOK VALUE				
At December 31, 2008	**993,320**	**1,033,674**	**843,680**	**2,870,674**
At December 31, 2007	948,095	698,639	1,186,621	2,833,355

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

THE COMPANY

	Land and Buildings	Furniture and fittings	Computers and equipment	Computer Software	Motor Vehicles	TOTAL
COST	SR	SR	SR	SR	SR	SR
At January 1, 2007	16,133,018	2,991,058	4,654,144	-	1,979,901	25,758,121
Additions during the year	59,650	217,074	524,767	-	600,400	1,401,891
Revaluation during the year	10,866,982	-	-	-	-	10,866,982
Disposals during the year	-	(34,975)	-	-	(489,805)	(524,780)
At December 31, 2007	**27,059,650**	**3,173,157**	**5,178,911**	**-**	**2,090,496**	**37,502,214**
At January 1, 2008	27,059,650	3,173,157	5,178,911	-	2,090,496	37,502,214
Additions during the year	72,072	129,476	1,174,788	101,400	723,483	2,201,219
Revaluation during the year (note 22)	17,755,778	-	-	-	-	17,755,778
Disposals during the year	-	(98,566)	(106,336)	-	(251,044)	(455,946)
At December 31, 2008	**44,887,500**	**3,204,067**	**6,247,363**	**101,400**	**2,562,935**	**57,003,265**
ACCUMULATED DEPRECIATION						
At January 1, 2007	1,084,051	1,650,171	3,774,638	-	843,042	7,351,902
Charge for the year	540,000	272,171	553,199	-	435,638	1,801,008
Revaluation adjustment	(1,084,051)	-	-	-	-	(1,084,051)
Disposals during the year	-	(34,975)	-	-	(374,805)	(409,780)
At December 31, 2007	**540,000**	**1,887,367**	**4,327,837**	**-**	**903,875**	**7,659,079**
At January 1, 2008	540,000	1,887,367	4,327,837	-	903,875	7,659,079
Charge for the year	293,332	208,914	579,159	30,420	397,654	1,509,479
Revaluation adjustment (note 22)	(833,332)	-	-	-	-	(833,332)
Disposals during the year	-	(74,191)	(106,336)	-	(72,447)	(252,974)
At December 31, 2008	**-**	**2,022,090**	**4,800,660**	**30,420**	**1,229,082**	**8,082,252**
NET BOOK VALUE						
At December 31, 2008	**44,887,500**	**1,181,977**	**1,446,703**	**70,980**	**1,333,853**	**48,921,013**
At December 31, 2007	26,519,650	1,285,790	851,074	-	1,186,621	29,843,135

	2008	2007
The assets of the Company are split as follows:	**SR**	SR
General Business	**2,870,674**	2,833,355
Life Business	**46,050,339**	27,009,780
	48,921,013	29,843,135

* The revaluation adjustment relates to the accumulated depreciation as at the valuation date that was eliminated against the gross carrying amount of the revalued asset.

Revaluation of land and buildings

The Group engaged Hubert Alton & Co , an accredited independent valuer, to determine the fair value of its land and buldings. This refers to the SACOS tower belonging to the LIFE Business and as such the revaluation surplus was credited to the Life Assurance Fund.(see note 22)

Fair value is determined by reference to market based evidence. This means that the valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The revaluation took place at the end of the year.

9. INVESTMENT PROPERTIES

	THE GROUP	THE COMPANY		
	TOTAL	LIFE	GENERAL	TOTAL
	SR	SR	SR	SR
At January 1, 2007	14,575,134	43,490,548	761,834	44,252,382
Transfer from property, plant and equipment	324,559	-	-	-
Gain from fair value adjustment	6,879,691	8,069,626	1,438,166	9,507,792
At December 31, 2007	**21,779,384**	**51,560,174**	**2,200,000**	**53,760,174**
At January 1, 2008	**21,779,384**	**51,560,174**	**2,200,000**	**53,760,174**
Subsequent expenditure during the year	139,099	628,911	-	628,911
Gain from fair value adjustment	7,115,362	3,815,139	440,000	4,255,139
Disposal of investment property	-	(17,562,074)	-	(17,562,074)
At December 31, 2008	**29,033,845**	**38,442,150**	**2,640,000**	**41,082,150**

Investment properties are stated at fair value, which has been determined based on valuations performed by Hubert Alton & Co and BaseLine Surveys & Co (Pty) Ltd, both being accredited independent valuers, as at December 31, 2008 and December 31, 2007. They are both industry specialists in valuing these types of investment properties. The fair value of some of the properties have not been determined on transactions observable in the market because of the nature of the property and the lack of comparable data. Instead, a valuation model in accordance with standard industry practice has been applied. The following main inputs have been used for those properties:

	2008	2007
Yield (%)	**7.50%**	7.50%
Long term occupancy rate (%)	**100%**	100%

Some of the investment properties generated rental income during the year as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	SR	SR	**SR**	SR
Rental income on investment properties	**963,647**	922,070	**4,948,002**	4,834,945

10. LOANS ON LIFE ASSURANCE POLICIES

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

	LIFE BUSINESS	
	2008	2007
	SR	SR
At January 1,	**14,390,574**	13,464,679
Net movement for the year	**2,405,935**	925,895
At December 31,	**16,796,509**	14,390,574

11. INVESTMENT IN SUBSIDIARY COMPANIES

(a) SUN INVESTMENT (SEYCHELLES)LIMITED

	LIFE 2008	GENERAL 2008	TOTAL 2008	TOTAL 2007
	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

Interest in subsidiaries are accounted for at cost.

(b) 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%	Investment property holding
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 were dormant as at December 31, 2008. Subsequent to the year end, the Board of Directors have approved the transfer of the life and general business to SACOS Life Assurance Company Limited and SACOS Insurance Company Limited respectively.

(c) The Directors have reviewed the financial position and performance of the above subsidiaries and are of the opinion that the estimated recoverable amount of the investments are not less than their carrying amounts.

12. OTHER INVESTMENTS

	THE GROUP		THE COMPANY			
			LIFE	GENERAL	TOTAL	TOTAL
	2008	2007	2008	2008	2008	2007
AT AMORTISED COST	SR	SR	SR	SR	SR	SR
Treasury bonds	47,887,025	47,887,025	40,947,975	47,887,025	88,835,000	88,835,000
Term deposits with banks	26,647,101	15,388,703	80,625,709	26,647,101	107,272,810	28,683,472
Treasury Bills	-	-	4,707,000	-	4,707,000	-
	74,534,126	63,275,728	126,280,684	74,534,126	200,814,810	117,518,472

13. INTANGIBLE ASSETS (GOODWILL)

	THE GROUP	
	2008	2007
	SR	SR
At January 1,	10,788,459	10,788,459
Impairment of goodwill	(10,788,459)	-
At December 31,	-	10,788,459

The above goodwill was acquired through the Group's investment in Sun Investment (Seychelles) Limited, which is the cash-generating unit to which the goodwill has been allocated to for impairment testing.

Sun Investment (Seychelles) Limited is an investment property holding and management company in Seychelles. It invests in properties with a view to generating rental income and for long-term appreciation. On top of the rental income received, it also provides property management services to the Life Business properties in exchange for management fees.

During the year, the full goodwill initally allocated upon acquision has been reviewed for impairment and was fully written off given as it was deemed that no benefits associated with the original goodwill will flow to the Group.

14. ACCOUNTS RECEIVABLES

	THE GROUP		THE COMPANY			
			LIFE	GENERAL	TOTAL	TOTAL
	2008	2007	2008	2008	2008	2007
	SR	SR	SR	SR	SR	SR
Premium	11,606,614	12,781,547	8,776,258	11,606,614	20,382,872	12,781,547
Provision for doubtful debts	(1,160,661)	(3,930,184)	-	(1,160,661)	(1,160,661)	(3,930,184)
	10,445,953	8,851,363	8,776,258	10,445,953	19,222,211	8,851,363
Due from reinsurers	14,075,156	10,846,723	-	14,075,156	14,075,156	12,853,350
Other receivables and prepayments	4,338,036	6,313,764	7,331,976	4,067,190	11,399,166	9,934,796
	28,859,145	26,011,850	16,108,234	28,588,299	44,696,533	31,639,509

15. CASH AND BANK BALANCES

	THE GROUP		THE COMPANY			
			LIFE	GENERAL	TOTAL	TOTAL
	2008	2007	2008	2008	2008	2007
	SR	SR	SR	SR	SR	SR
Cash in hand	4,500	4,500	1,600	4,500	6,100	6,100
Bank balances	17,871,592	26,433,678	24,293,480	17,505,910	41,799,390	57,040,567
Call and term deposits	3,542,028	528,961	11,261,290	3,542,028	14,803,318	700,566
As per Balance Sheet	21,418,120	26,967,139	35,556,370	21,052,438	56,608,808	57,747,233

Cash at banks earns interests at floating rates based on daily bank deposit rates. Call and short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest.

CASH AND CASH EQUIVALENTS

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at December 31:

	THE GROUP		THE COMPANY			
			LIFE	GENERAL	TOTAL	TOTAL
	2008	2007	2008	2008	2008	2007
	SR	SR	SR	SR	SR	SR
Cash and bank Balances	17,876,092	26,438,178	24,295,080	17,510,410	41,805,490	57,046,667
Call and term deposits	3,542,028	528,961	11,261,290	3,542,028	14,803,318	700,566
Bank Overdraft	(50,946)	(389,766)	(387,533)	(50,946)	(438,479)	(4,027,604)
As per Cash Flow Statement	21,367,174	26,577,373	35,168,837	21,001,492	56,170,329	53,719,629

16. ISSUED SHARE CAPITAL

	THE GROUP & THE COMPANY	
Authorised and issued share capital	2008	2007
	SR	SR
200,000 Ordinary shares of SR175 each	35,000,000	35,000,000

17. SHARE PREMIUM

	SR
Issuance of additional share capital	23,239,094
At 31 December 2006	23,239,094
At 31 December 2007	23,239,094
At 31 December 2008	23,239,094

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

18. PROVISION FOR OUTSTANDING CLAIMS

	THE GROUP & THE COMPANY	
	2008	2007
	SR	SR (Restated)
At January 1, (as previously stated)	15,359,259	17,457,679
Prior Year Adjustment (note 27)	-	(4,145,004)
At January 1, (restated)	15,359,259	13,312,675
(Decrease)/ Increase during the year	(2,149,094)	2,046,584
At December 31,	13,210,165	15,359,259

19. INCURRED BUT NOT REPORTED

	THE GROUP & THE COMPANY	
	2008	2007
	SR	SR
At January 1,	2,000,000	2,000,000
Increase during the year	1,000,000	-
At December 31,	3,000,000	2,000,000

20. UNEARNED PREMIUMS

	THE GROUP & THE COMPANY	
	2008	2007
	SR	SR
At January 1,	**26,544,779**	22,727,164
Increase during the year	**3,807,333**	3,817,615
At December 31,	**30,352,112**	26,544,779

21. MORTGAGE PROTECTION FUND

	2008	2007
	SR	SR
At January 1,	**3,552,925**	3,772,913
Amortised/settled during the year	**(1,441,824)**	(219,988)
At December 31,	**2,111,101**	3,552,925

The Fund is designated for Mortgage Protection Insurance for the Home Ownership Scheme. Under this scheme, upon approval of their mortgage loan, borrowers are automatically charged 6% of the nominal value of the loan towards mortgage protection which will cover the loan repayments in case of death of permanent disability. The 6% consists of 4% risk premium and 2% management fee for SACOS which arises at inception of the loan.

As such, the full premium is amortised based on the duration of the loan with a corresponding amount being recognised each year, and the remainer being carried forward as unearned premium.

22. LIFE ASSURANCE FUND

(a) Movement during the year

	THE GROUP & THE COMPANY	
	2008	2007
	SR	SR
At January 1,	**177,141,147**	142,510,494
Revaluation surplus *(Note 8)	**18,589,110**	11,951,033
Surplus for the year attributable to policyholders (Page 9)	**74,510,272**	22,679,620
At December 31,	**270,240,529**	177,141,147

* The revaluation surplus relates to the revaluation of the SACOS tower belonging to the LIFE business.

(b) The assets and liabilities of the LIFE business are represented by a fund. Following an actuarial valuation, the net assets exceeded the liabilities and the actuary has therefore recommended that an amount of SR 1.96 million (2007 : SR 1.18 million) to be allocated to the shareholders of the company. The remaining balance of the surplus which amounted to SR 23.2 million would be carried forward in the life fund belonging to the policyholders. The actuary has assessed this liability as at December 31, 2008 to be SR 223,405,356.

(c) The Life Business Assets on the balance sheet are represented by:

	THE GROUP & THE COMPANY	
	2008	2007
	SR	SR
Property, plant and equipment (Note 8)	**46,050,339**	27,009,780
Investment properties (Note 9)	**38,442,150**	51,560,174
Loans on life assurance policies (Note 10)	**16,796,509**	14,390,574
Other investments (Note 12)	**126,280,684**	54,242,744
Net current assets	**7,502,010**	1,971,479
Cash and cash equivalents (Note 15)	**35,168,837**	27,966,396
NET ASSETS	**270,240,529**	177,141,147

23. ACCOUNTS PAYABLE

	THE GROUP		THE COMPANY			
			LIFE	GENERAL	TOTAL	TOTAL
	2008	2007	2008	2008	2008	2007
	SR	SR	SR	SR	SR	SR
Claims payable	**1,492,999**	1,518,290	**863,776**	**1,492,999**	**2,356,775**	2,321,878
Due to reinsurers	**7,467,999**	9,294,911	**227,873**	**7,467,999**	**7,695,872**	9,294,911
Other creditors and accruals	**5,966,837**	10,027,471	**2,219,719**	**6,823,751**	**9,043,470**	11,931,610
	14,927,835	20,840,672	**3,311,368**	**15,784,749**	**19,096,117**	23,548,399

24. CONTINGENCIES AND COMMITMENTS

Legal proceedings and regulations

The Group operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

Legal claims

The Company has an ongoing court case regarding a dysfunctional software that it had previously purchased and for which it is now seeking compensation. Professional advice has been obtained and court decision is pending. Accordingly, no provision for any claims has been made in these financial statements given the uncertainty of the outcome. In case of an adverse judgement against SACOS being ruled, an amount SR 700,000 has been valued by the lawyer as being payable to the software company in relation to expenses incurred.

:5. 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 maintenaining 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 minimal.

(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 PAID AND PROPOSED

	THE GROUP & THE COMPANY	
Declared and paid during the year	**2008**	2007
Equity dividends on ordinary shares	**SR**	SR
Final dividend for 2007 : SR 30 per share (2006 : SR 20 per share)	6,000,000	4,000,000

Proposed for approval at AGM (not recognised as a liability as equity dividends on ordinary shares at 31 December)

	THE GROUP & THE COMPANY	
	2008	2007
	SR	SR
Final dividend for 2008: SR 40 per share	**8,000,000**	
Final dividend for 2007: SR 30 per share		6,000,000

27. EVENTS AFTER THE BALANCE SHEET DATE

The Group currently prepares its consolidated financial statements in accordance with generally accepted accounting standards in Seychelles. However, subsequent to the year ended December 31, 2008, the Board has decided to report its consolidated financial statements for its year ended December 31, 2009 and thereafter under International Financial Reporting Standards.

28. Effect of prior period adjustment

During the year, management carried out an indepth analysis of its existing provision for outstanding claims which revealed that certain liabilities recognised in prior years had actually already been extinguished.

Consequently the comparative figures have been restated to reflect the correct provision for outstanding claims balances. The effect of this correction was to increase the underwriting surplus for the year ended December 31, 2007 from SR 20,496,946 to SR 20,981,303 Likewise the provision for outstanding claims as at December 31, 2007 was revised to SR 15,359,259 compared to SR 19,988,620.

29. Comparative figures

Some of the comparatives figures have ben reclassified in order to be in line with this year presentation.

STATE ASSURANCE COMPANY LIMITED