ANNUAL REPORT

STATE ASSURANCE COMPANY LIMITED

FOR THE FINANCIAL YEAR ENDED

31 DECEMBER 2009

STATE ASSURANCE COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

DECEMBER 31, 2009

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
	L. Rivalland Group Chief Executive 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
	M. Stravens Director General Ministry of Finance	Appointed 18th February 2009
	Y. Suleman Businessman	Appointed 28th May 2009
	J. Raguin Principal Secretary - Ministry of Employment & Human Resources Development	Resigned 1st September 2009
	G. Morel Head of Domestic Services - Air Seychelles	Resigned 1st October 2009
Managing Director	A. 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 4th Annual General Meeting of State Assurance Company Limited will be held at the International Conference Centre, Maison Du Peuple on Friday 20th August 2010 at 10.15 a.m. for the following purposes:

1. To approve the Minutes of the 3rd Annual General Meeting held on Tuesday 13th October 2009 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 2009.

4. To declare a final dividend.

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

   a. That Mr M. Felix who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
   b. That Mr W. Confait who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
   c. That Mr J.C. D'Offay who was appointed a Director by the Board on 11th December 2009 and who retires under section 163(4) of the Companies Act 1972, be elected as a Director of the Company.
   d. That Mr G. DeGaye who was appointed as a Director by the Board on 30th March 2010 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 SR356,400 per annum including social security be approved for the financial year 2010
   f. That the Directors' remuneration of approximately SR561,600 per annum including social security be approved in respect of the Managing Director for the financial year 2010
   g. That the Directors' remuneration of approximately SR375,552 per annum including social security be approved in respect of Mr Guy Ferley who is also the General Manager - Life for the financial year 2010
   h. That the name of State Assurance Company Limited be changed to SACOS Group Limited
   i. That the directors be authorized to appoint as auditors and fix their remuneration

6. Any Other Business

Note
A member is entitled to appoint a proxy, who need not also be a member, to attend and vote in his or her stead. A form of proxy is enclosed.
All appointments of proxies must be delivered to the Company not later than forty-eight hours before the time at which the meeting will commence.

By Order of The Board Of Directors

C. Payet (Mrs)
Company Secretary

20th July 2010

Chairman's Report

Ladies and Gentlemen,

I would like to welcome you all to the fourth Annual General Meeting of SACOS.

As we enter this 5th year of operation, we need to reflect on the company's performance over the previous 12 months. It was indeed a year of many challenges and thus a test to management and staff, as well as the board in general.

We witnessed the continuing impact on the business from the steep decline in interest rates, combined with a sharp fall in currency exchange rates. Furthermore the rising cost of both utilities and commodities resulted in people having less cash at their disposal. We were cautious not to increase premiums which would have caused pressure on clients thus resulting in losses in revenue and business. To counter this, much emphasis and effort were placed on encouraging our clients to revalue their assets to ensure they were sufficiently covered.

Despite the challenges during the year, SACOS still recorded a high level of profit. Gross Written Premium rose to SR126m of which SR 86.57m was from General Insurance. This increased by 18.5% on the previous year showing a Profit of SR21.24m before Tax of SR9.53m (2008 Profit SR25.06m - Tax SR10.3m). These results were achieved last year against a backdrop of very challenging conditions in the country, but despite the continued increases in net claims incurred, up 15% to SR 29.45 m, the company still generated a high return on its cash balances, from interest on the bonds and deposits, which was up by SR 6.25m.

I am pleased to report that the Board has once again recommended payment of a final dividend of SR40 per share, for a total of Sr8m. For the second year running, shareholders will receive a return of 22.85% on their investment. After dividends, retained earnings will stand at SR35.56m and shareholders equity at SR93.79m. There is thus a continuous growth in the net worth for our shareholders and this will be one of the real tests of our success over the long term.

So in an extraordinarily difficult time and the current volatile economic situation, our profits have been maintained, we strengthened our financial position and retained our market share, in the face of competition. SACOS now needs to focus on the long term, practice good corporate governance and disclosure, and emphasise values like integrity and working to the highest possible standards.

We strive to make SACOS a place where the best and brightest people want to work. We will support our people who volunteer time and take a leadership role in helping others develop and reach their potential. During the year, SIM conducted an Insurance Foundation Course which was attended by 14 staff members, which was in addition to an in-house Level III training undertaken. Furthermore senior staff attended specialised courses overseas Training will continue as we build confidence in their ability to improve their knowledge to develop themselves and in the end benefit the company at large. Our staff turnover has also remained very low and our people generally stay with us for a long time. We strive to get all our people to work as a team, to ensure they deliver what is expected. We have a training and succession plan whereby graduates and young professionals are being encouraged to join SACOS and make a career to eventually occupy key management positions and also replace the expatriates. To date we have been able to recruit two graduates.

A Business Plan for the next 3 years is now being formalised, and will shortly be put to the Board for approval. The plan deals with different aspects of Business Development, particularly assessment of new products, investments, marketing and Public Relations, IT and training. Once the plan is laid down, then the executive will have the ability to act as necessary and the board will give their commitment and support.

To continue to compete, and to meet high expectations, we targeted some captive business in the market where we could have a real advantage. It is with confidence that we can claim having secured two major clients amongst others that is Eden Island and Cat Coco, both of which can lead to attracting new clients. However, a major impediment to market growth is the insistence of many foreign investors to place their insurance business overseas even if they can obtain similar or better terms locally. We are in discussions with the regulators on this issue.

Our clients are at the centre of all that we do and they include investors, the Government and Corporates, professionals and entrepreneurs, as well as other individuals. We are therefore continuing in our efforts to increase our customer base through more aggressive marketing, as now evidenced in the local newspapers, TV and Radio, on Buses, and billboards at sports venues, and the International and domestic airport terminals. Much work has been done on an internet site from which online information on the company can be searched. We have increased our interactive presence on the local market by direct communication with various local entities, as well as face to face contact with the major customers which is also a priority and this is being stepped up.

We know that we will only achieve superior returns through the highest quality work thus providing good value to our clients and others with whom we deal. We also believe a company's reporting should be as transparent as necessary for which purpose we have recommended for the accounts to be reported under the International Financial Reporting Standards (IFRS) as of 2010. Under these new standards, our business will be required to disclose much more reliable information to enhance shareholders' confidence.

SACOS has a more focused and diverse business mix that generates more stable profits. Whereas the core business of underwriting will remain so, focus on investment has to shift to property development where the return will be higher than on bank deposits and Treasury Bills and Bonds. Plans for the construction of 18 new units at Anse Etoile have been approved and will go to tender shortly. We have been in negotiations to secure a plot of land at Pointe la Rue to build more apartments adjacent to the existing ones. We have already approved a development concept for the property at Anse Royale, on which apartments and houses will be built. You will note that funds have been invested in assets that have produced good returns, and the company has to continuously reassess the trend of investment return.

During 2009, other important matters were attended to:

Procedures Manuals, Contingency Plan, and Business Continuity Plans were fully implemented.
The new AS400 Computer hardware was installed offsite, and online backup undertaken to avoid loss of information in the event of disaster.
The Internal Auditor was fully settled and is undertaking rigorous reviews of procedures and policies.
The Spare Parts shop was opened, and this we believe will assist in bringing the cost of claims down.

Several meetings with our major Insurance Broker AON Benfield as well as the Reinsurers were held. AON also agreed to assist with the recovery of very old outstanding claims from the time of the Tsunami.

The installation of computer software for the Life Fund was eventually completed and tested and came on "live" in June 2010, whereas that for General Insurance is progressing well and is on target for commission in about September 2010.

Three new products were actively pursued during 2009.
Health Insurance - We managed to secure business from two hotels for a start and quoted to other establishments.
Credit life - This was fully embedded and has produced good returns.
Agriculture and Fisheries Insurance - Much work was done by an FAO consultant, but is yet to be launched.

To ensure that SACOS complies with the new Insurance Legislation, the executive have held several meetings and discussions with the regulators, to ensure such regulations are in place and above all that the company complies to avoid penalties being imposed. A Risk and Compliance Officer was recruited, as part of the requirement and is on board to give support to the team.

SACOS remains committed towards its corporate social responsibilities. When an organisation is continuously showing profits, it is but fair that it makes a contribution that will benefit the community at large. As such we need to consider this going forward.

Given the sustainability of our earnings so far, and our financial strength, our outlook for the future looks promising. Let me again reiterate on behalf of the Board of our commitment to you and to creating and delivering shareholder value. I want to reassure you that there are very sound and rigorous processes in place to ensure that funds are properly managed and invested wisely.

On a more assuring note SACOS will continue to deliver sound financial results, endeavour to develop our staff to be able to react positively to changing conditions of the business as we implement our plan.

In conclusion, I take this opportunity to thank the management and staff, as to the Board of Directors for their commitment and support during the past year. I firmly believe there is still room for improvement, and it is the duty of everyone to ensure the continued progress of the company for years to come.

Thank you

Michel Felix
Chairman

20th July, 2010

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 2009.

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

RESULTS FOR THE YEAR	THE GROUP		THE COMPANY	
	2009	2008	2 009	2008
	SR	SR	SR	SR
Underwriting surplus	22,784,958	24,804,410	-	24,804,410
Investment income	11,188,562	4,935,325	3,465,766	4,899,325
Rental income	1,073,896	963,647	-	144,000
Other operating revenue	4,421,419	11,130,997	1,487,408	8,726,806
Fair value gains on revaluation of properties	2,893,160	7,115,362	-	440,000
Operating expenses	(25,037,453)	(15,064,124)	(365,585)	(11,791,303)
Transfer from Life Fund	3,916,948	1,961,690	3,916,948	1,961,690
Profit before tax	21,241,490	25,058,848	8,513,537	29,184,928
Income tax expense	(9,533,535)	(10,300,000)	(3,305,415)	(10,300,000)
Profit after tax	11,707,955	14,758,848	5,208,122	18,884,928

Fixed Assets

The Directors are of the opinion that the market or saleable value of the fixed assets as at 31st December 2009 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 together with the opening retained earnings of SR 39,849,821 makes a total of SR 43,557,776 in the Company's reserves.

Dividends

The Directors recommend the payment of a dividend of SR40.00 per share for the year under review (2008: SR40.00 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 2009 were:

NAME	NATIONALITY	DESCRIPTION	SALARY/ FEES	SOCIAL SECURITY	SHARES
M. Felix	Seychellois	Chairman	72,000	14,400	18
W. Confait	Seychellois	Director	36,000	7,200	13
G. Ferley	Seychellois	Director	36,000	7,200	Nil
		Head of Life	242,400	55,215	
A. A. Lucas	Seychellois	Managing Director	403,200	91,395	351
L. Rivalland	Mauritian	Director	36,000	7,200	Nil
P. Rousset	Mauritian	Director	36,000	5,600	Nil
M. Stravens	Seychelloise	Director	31,179	6,239	12
Y. Suleman	Seychellois	Director	21,387	4,277	Nil
J. Raguin	Seychellois	Director	Resigned 1st September 2009		
G. Morel	Seychellois	Director	Resigned 1st October 2009		

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

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

L. Rivalland M. Stravens Y. Suleman

2nd July 2010

ERNST & YOUNG

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 35 which comprise the consolidated balance sheets at December 31, 2009 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 Revised Insurance Act 2008 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.

ERNST & YOUNG

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

Opinion

In our opinion, the financial statements on pages 7 to 35 give a true and fair view of the financial position of the Company and the Group at December 31, 2009 and of their financial performance and their cash flows for the year then ended in accordance with Generally Accepted Accounting Standards applicable in Seychelles, Revised Insurance Act 2008 and comply with the Seychelles Companies Act 1972.

Other matter

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

Report on Other Legal and Regulatory Requirements

Companies Act 1972

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

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

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

Ernst & Young

ERNST & YOUNG

Mahé, Seychelles

Date: 02 JUL 2010

		THE GROUP		THE COMPANY	
		2009	2008	**2009**	2008
		SR	SR	**SR**	SR
Turnover	3	**87,644,144**	73,996,305	-	73,176,658
Underwriting surplus		**22,784,958**	24,804,410	-	24,804,410
Investment income	4	**11,188,562**	4,935,325	**3,465,766**	4,899,325
Rental income from investment properties	9	**1,073,896**	963,647	-	144,000
		35,047,416	30,703,382	**3,465,766**	29,847,735
Other operating revenue	5	**4,421,419**	11,130,997	**1,487,408**	8,726,806
Fair value gains on investment properties	9	**2,893,160**	7,115,362	-	440,000
		42,361,995	48,949,741	**4,953,174**	39,014,541
Operating expenses	6	**(25,037,453)**	(15,064,124)	**(356,585)**	(11,791,303)
Impairment of goodwill		-	(10,788,459)	-	-
Transfer from SACOS Life Assurance Company Limited		**3,916,948**	1,961,690	**3,916,948**	1,961,690
Profit before tax		**21,241,490**	25,058,848	**8,513,537**	29,184,928
Income tax expense	7	**(9,533,535)**	(10,300,000)	**(3,305,415)**	(10,300,000)
Net profit for the year		**11,707,955**	14,758,848	**5,208,122**	18,884,928

The notes set out on pages 12 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
AS AT DECEMBER 31, 2009

	Notes	THE GROUP		THE COMPANY	
		2009	2008	2009	2008
		SR	SR	SR	SR
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	8	3,853,267	2,870,674	-	2,870,674
Investment Properties	9	31,937,230	29,033,845	-	2,640,000
Investment in subsidiary companies	10	-	-	64,271,362	22,619,772
Other investments	11	47,887,026	47,887,025	5,435,440	47,887,025
		83,677,523	79,791,544	69,706,802	76,017,471
CURRENT ASSETS					
Inventories	12	2,888,948	-	-	-
Accounts receivables	13	27,565,209	28,859,145	345,917	28,588,299
Taxation recoverable	7	-	1,730,308	-	1,730,308
Amount due from SACOS Life Assurance Company Limited		6,989,779	5,294,856	2,141,305	5,294,856
Amount due from Sun Investment (Seychelles) Limited		-	-	-	1,069,284
Other investments	11	39,429,554	26,647,101	34,575,000	26,647,101
Cash and bank balances	14	21,248,125	21,418,120	4,855,531	21,052,438
		98,121,615	83,949,530	41,917,753	84,382,286
LIFE BUSINESS ASSETS	21	295,796,509	270,240,529	-	270,240,529
TOTAL ASSETS		477,595,647	433,981,603	111,624,555	430,640,286
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent company					
Issued share capital	15	35,000,000	35,000,000	35,000,000	35,000,000
Share premium	16	23,239,094	23,239,094	23,239,094	23,239,094
Retained earnings		43,557,776	39,849,821	32,859,712	35,651,590
Total ordinary shareholders' equity		101,796,870	98,088,915	91,098,806	93,890,684
TECHNICAL PROVISIONS					
Provision for outstanding claims	17	13,260,667	13,210,165	-	13,210,165
Incurred but not reported (IBNR)	18	3,000,000	3,000,000	-	3,000,000
		16,260,667	16,210,165	-	16,210,165
NON-CURRENT LIABILITIES					
Unearned premiums	19	37,360,790	30,352,112	-	30,352,112
Mortgage Protection Fund	20	1,730,136	2,111,101	-	2,111,101
Fisheries and Agricultural Fund		2,000,000	2,000,000	-	2,000,000
Life Assurance Fund	21	292,796,509	270,240,529	-	270,240,529
		333,887,435	304,703,742	-	304,703,742
CURRENT LIABILITIES					
Accounts payable	22	19,760,812	14,927,835	-	15,784,749
Taxation payable	7	5,889,863	-	3,305,415	-
Amount due to SACOS Insurance Company Limited		-	-	17,220,334	-
Bank overdraft	14	-	50,946	-	50,946
		25,650,675	14,978,781	20,525,749	15,835,695
TOTAL LIABILITIES		375,798,777	335,892,688	20,525,749	345,743,359
TOTAL EQUITY AND LIABILITIES		477,595,647	433,981,603	111,624,555	430,640,286

These consolidated financial statements have been approved for issue by the Board of Directors on 2nd July 2010

The notes set out on pages 12 to 35 form an integral part of these consolidated financial statements.
Independent auditor's report on pages 5 and 6.

W. Confait M. Felix A. A. Lucas

L. Rivalland G. Ferley M. Stravens Y. Suleman

THE GROUP

	Notes	Issued Share Capital	Share Premium	Retained Earnings	Total
2008		SR	SR	SR	SR
At January 1, 2008		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**
2009					
At January 1, 2009		**35,000,000**	**23,239,094**	**39,849,821**	**98,088,915**
Net profit for the year		-	-	**11,707,955**	**11,707,955**
Dividends paid during the year	26	-	-	**(8,000,000)**	**(8,000,000)**
At December 31, 2009		**35,000,000**	**23,239,094**	**43,557,776**	**101,796,870**

THE COMPANY

	Notes	Issued Share Capital	Share Premium	Retained Earnings	Total
2008		SR	SR	SR	SR
At January 1, 2008		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	26	-	-	(6,000,000)	(6,000,000)
At December 31, 2008		**35,000,000**	**23,239,094**	**35,651,590**	**93,890,684**
2009					
At January 1, 2009		**35,000,000**	**23,239,094**	**35,651,590**	**93,890,684**
Net profit for the year		-	-	**5,208,122**	**5,208,122**
Dividends paid during the year	26	-	-	**(8,000,000)**	**(8,000,000)**
At December 31, 2009		**35,000,000**	**23,239,094**	**32,859,712**	**91,098,806**

The notes set out on pages 12 to 35 form an integral part of these consolidated financial statements.
Independent auditor's report on pages 5 and 6.

	Notes	THE GROUP 2009	THE GROUP 2008	THE COMPANY 2009	THE COMPANY 2008
		SR	SR	**SR**	SR
OPERATING ACTIVITIES					
Profit before tax		**21,241,490**	25,058,848	**8,513,537**	29,184,928
Adjustments to reconcile profit before tax to net cash flows					
Non-cash:					
Depreciation	8	**1,124,360**	1,015,171	-	1,015,183
Impairment of goodwill		-	10,788,459	-	-
Fair value gain of investment properties	9	**(2,893,160)**	(7,115,362)	-	(440,000)
Write offs of property, plant and equipment		-	491,169	-	-
(Profit)/Loss on disposal of property, plant and equipment	8	**(93,900)**	56,097	-	56,097
Share of surplus transferred from Life Assurance		-	-	-	(1,961,690)
Increase/(Decrease) in outstanding claims provision and IBNR	18&19	**50,502**	(1,149,094)	-	(1,149,094)
Increase in unearned premium	20	**7,008,678**	3,807,333	-	3,807,333
Decrease in Mortgage Protection Fund	21	**(380,965)**	(1,441,824)	-	(1,441,824)
Operating profit before working capital changes		**26,057,005**	31,510,797	**8,513,537**	29,070,933
Working capital adjustments:					
(Increase)/Decrease in accounts receivables		**1,293,936**	(2,847,295)	**(345,917)**	(3,968,605)
(Increase) in inventories		**(2,888,948)**	-	-	-
(Increase) in amount due from Life Business		**(1,694,923)**	(3,263,611)	**(2,141,305)**	(3,263,611)
Decrease in amount due from Sun Investment		-	-	-	261,408
Increase/(Decrease) in accounts payable		**4,832,977**	(5,912,837)	-	(4,746,559)
Increase in amount due to General Business		-	-	**17,226,097**	-
Receipts for Fisheries and Agricultural Fund		-	1,000,000	-	1,000,000
Income tax paid		**(1,913,364)**	(6,700,000)	-	(6,700,000)
Net cash flows from operating activities		**25,686,683**	13,787,054	**23,252,412**	11,653,566
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	8	**(2,106,953)**	(1,722,256)	-	(1,721,256)
Additions on investment property	9	**(10,225)**	(139,099)	-	-
Proceeds from sale of property, plant and equipment	8	**93,900**	122,500	-	122,500
Capital Contribution		-	-	**(23,470,473)**	-
Increase investment in SACOS Life assurance Co ltd		**(3,000,000)**	-	-	-
Movement in other investments		**(12,782,454)**	(11,258,398)	**(7,927,900)**	(11,258,398)
Net cash used in investing activities		**(17,805,732)**	(12,997,253)	**(31,398,373)**	(12,857,154)
FINANCING ACTIVITIES					
Dividends paid to equity holders of the parent	26	**(8,000,000)**	(6,000,000)	**(8,000,000)**	(6,000,000)
Net cash used in financing activities		**(8,000,000)**	(6,000,000)	**(8,000,000)**	(6,000,000)
Net (decrease)/Increase in cash and cash equivalents		**(119,049)**	(5,210,199)	**(16,145,961)**	(7,203,588)
Cash and cash equivalents at January 1,		**21,367,174**	26,577,373	**21,001,492**	28,205,080
Cash and cash equivalents at 31 December	15	**21,248,125**	21,367,174	**4,855,531**	21,001,492

The notes set out on pages 12 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. The principal activity of the Company is to hold investments. 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.

Following the New Insurance Act 2008, the company is prohibited to conduct its general and life business within the same company. It has therefore transferred its assets and liabilities from its general and life insurance to its two subsidiaries,SACOS Insurance Company Limited and SACOS Life Assurance Company Limited respectively at net book value on January1,2009 ,referred thereafter as "date of split".

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 2009, will be submitted for consideration and approval at the forthcoming Annual General Meeting of the shareholders of the Company.

In addition to the two subsidiaries mentioned above, the Company also has a wholly owned subsidiary, Sun Investment (Seychelles) Limited. The latter is an investment management property 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 that have been measured at fair value, and land and buildings as part of property, plant and equipments 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 Group represents the Company and the subsidiaries' assets and liabilities. The accounts of the SACOS Life Assurance Company Limited have been included in the consolidated balance sheet as Life Business Asset and Life Assurance Fund using the principal of a single line consolidation. Similarly, the assets and liabilities of SACOS Life Assurance Company Limited have been included in the company stand alone balance sheet in the 2008 comparatives as Life Business Asset and Life Assurance Fund.

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.

2.1 BASIS OF PREPARATION (CONT'D)

(a) Presentation of information (Cont'd)

Transfer of business to SACOS Life Assurance Company Limited and SACOS Insurance Company Limited

The transfer of the businesses from State Assurance Company Limited on the date of split to the two subsidiaries is considered as a transfer between entities under common control. The transaction has therefore been accounted for using the pooling of interest method. Under this method, the assets and liabilities of State Assurance Company Limited transferred to the companies are recorded at their carrying amounts at the date of transfer. No adjustment are made to reflect fair values and no goodwill is recognised.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of State Assurance Company Limited and its subsidiaries as at 31 December 2009 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.

As explained above, the transfer of business from the holding company to the subsidiaries was not considered as a business combination and therefore accounted for using the pooling of interest method.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Investment in a subsidiary

Separate financial statements of the Company

Investment in subsidiaries 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.

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.

Life 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 Group considers that all its short term and long term products are insurance contracts.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Insurance contracts (Cont'd)

(ii) Types of insurance contracts

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

Short-term insurance contracts

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 Group. 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 Group 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.

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 Group 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 Group may not recover all amounts due under the terms of the contract and that the event has a measurable impact on the amounts that the Group will receive from the reinsurer.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Insurance contracts (Cont'd)

Impairment of reinsurance assets (Cont'd)

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 Group 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 Group 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 Group'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.

(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 Group commits to purchase or sell the asset.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments - initial recognition and subsequent measurement (Cont'd)

(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 recognition, 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 in SACOS Life Assurance Company Limited are measured at revalued amounts. The revaluation surplus is recognised in the Life Assurance Fund.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 cr 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.

(p) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Spare Parts - purchase cost on a first in, first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(q) 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.

(r) Dividends

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.

(s) 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.

(t) Income recognition

(i) Gross premiums on General Insurance

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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Income recognition (Cont'd)

(i) Gross premiums on General Insurance (Cont'd)

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 Insurance

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.

(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 Company charges 0.5% of the balance in the Life Fund at the end of each financial year as management fee for managing the Life Fund.

(vi) Realised/Unrealised gains and losses

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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Income recognition (Cont'd)

(vii) Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

(u) Benefits, claims and expense recognition

(i) General Insurance

These consist of all claims paid to policyholders, claims handling costs including both internal and external costs incurred in connection 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 Insurance

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 assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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.

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

(a) Valuation of insurance contract liabilities (Cont'd)

General 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 ultimate 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.

(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. When no independent valuation is performed , management uses a mix of valuation techniques consisting of discounted cash flows model and comparable market data. The inputs of these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing the fair value. The judgement include consideration such as inflation rate, yield and long-term occupancy rate. Changes in assumptions about these factors could affect the reported fair value of the investment property.

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	
	2009	2008	**2009**	2008
	SR	**SR**	**SR**	**SR**
Gross Premiums (Note (i))	**86,570,248**	73,032,658	-	73,032,658
Rental income from investment properties (Note 9)	**1,073,896**	963,647	-	144,000
	87,644,144	73,996,305	-	73,176,658

(i) Following the date of split, the gross premium income generated bu the general insurance business is being recorded in SACOS Insurance Company Limited and not in State Assurance Company Limited.

4. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	SR	**SR**	**SR**	**SR**
Interest on treasury bonds	**7,661,896**	3,830,962	**869,671**	3,830,962
Interest on call deposits	**198,711**	145,711	**198,711**	145,711
Interest on term deposits	**2,397,384**	922,652	**2,397,384**	922,652
Interest on T Bills	**895,092**	-	-	-
Interest on other loans	**35,479**	36,000	-	-
	11,188,562	4,935,325	**3,465,766**	4,899,325

5. OTHER OPERATING REVENUE

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	SR	**SR**	**SR**	**SR**
Profit/(Loss) on disposal of property, plant and equipment	**93,900**	(56,097)	-	(56,097)
Gain on exchange	**(479,848)**	6,148,676	-	6,148,676
Other income - miscellaneous	**4,807,367**	5,038,418	**1,487,408**	2,634,227
	4,421,419	11,130,997	**1,487,408**	8,726,806

6. OPERATING EXPENSES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	SR	**SR**	**SR**	**SR**
Staff costs	**9,149,016**	7,000,605	-	5,526,588
Repairs and maintenance	**1,180,499**	616,185	-	212,621
Legal and professional fees	**719,892**	748,539	-	720,734
Marketing expenses	**662,180**	602,700	-	578,447
Donations	**217,714**	-	-	-
Loss on exchange	**3,375,140**	-	-	-
Provision for withholding tax	**747,927**	-	-	-
Reversal of provision for bad debts	-	(2,769,523)	-	(2,769,523)
Adminstrative expenses	7,552,148	5,808,900	**356,585**	4,515,706
Depreciation	**1,124,360**	1,015,171	-	1,015,183
Audit fees	**308,577**	225,000	-	175,000
Write-off of prepayments	-	1,816,547	-	1,816,547
Total operating expenses	**25,037,453**	15,064,124	**356,585**	11,791,303

7. TAXATION

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
INCOME TAX EXPENSE	**SR**	**SR**	**SR**	**SR**
Income statement				
Charge for the year	**9,533,535**	10,300,000	**3,305,415**	10,300,000
TAXATION RECOVERABLE/(PAYABLE)				
Balance Sheet				
At January 1,	**1,730,308**	5,330,308	**1,730,308**	5,330,308
Transferred to SACOS Insurance Company Limited	**-**	-	**(1,730,308)**	-
Paid during the year	**1,913,364**	6,700,000	**-**	6,700,000
Charge for the year	**(9,533,535)**	(10,300,000)	**(3,305,415)**	(10,300,000)
At December 31,	**(5,889,863)**	1,730,308	**(3,305,415)**	1,730,308

8. PROPERTY, PLANT AND EQUIPMENT

<u>THE GROUP</u>

	Furniture and fittings	Computers and equipment	Computer Software	Motor Vehicles	TOTAL
COST	**SR**	**SR**	**SR**	**SR**	**SR**
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 off during the year	-	(106,336)	-	(742,213)	(848,549)
At December 31, 2008	1,196,898	5,523,104	-	2,072,766	8,792,768
At January 1, 2009	**1,196,898**	**5,523,104**	**-**	**2,072,766**	**8,792,768**
Additions during the year	**573,512**	**526,785**	**481,660**	**524,996**	2,106,953
Disposals / write off during the year	**(8,080)**	**-**	**-**	**(180,000)**	(188,080)
At December 31, 2009	**1,762,330**	**6,049,889**	**481,660**	**2,417,762**	**10,711,641**
ACCUMULATED DEPRECIATION					
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
At January 1, 2009	**203,578**	**4,489,430**	**-**	**1,229,086**	**5,922,094**
Charge for the year	**155,433**	**455,485**	**-**	**513,442**	1,124,360
Disposals during the year	**(8,080)**	**-**	**-**	**(180,000)**	(188,080)
At December 31, 2009	**350,931**	**4,944,915**	**-**	**1,562,528**	**6,858,374**
NET BOOK VALUE					
At December 31, 2009	**1,411,399**	**1,104,974**	**481,660**	**855,234**	**3,853,267**
At December 31, 2008	993,320	1,033,674	-	843,680	2,870,674

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ND EQUIPMENT (CONT'D)

	Furniture and fittings	Computers and equipment	Computer Software	Motor Vehicles
	SR	**SR**	**SR**	**SR**
	1,091,797	4,749,888	-	2,090,496
r	118,210	879,552	-	723,483
ar	-	(106,336)	-	(251,044)
	1,210,007	5,523,104	-	2,562,935
	1,210,007	**5,523,104**	**-**	**2,562,935**
companies	**(1,210,007)**	**(5,523,104)**	**-**	**(2,562,935)**
	-	-	-	-
ECIATION				
	633,871	4,051,242	-	903,859
	72,985	544,528	-	397,670
r	-	(106,336)	-	(72,447)
	706,856	4,489,434	-	1,229,082
	706,856	**4,489,434**	**-**	**1,229,082**
companies	**(706,856)**	**(4,489,434)**	**-**	**(1,229,082)**
	-	-	-	-
	-	-	-	-
	503,151	1,033,670	-	1,333,853

PROPERTIES

	THE GROUP	THI
	SR	
008	21,779,384	
penditure during the year	139,099	
value adjustment	7,115,362	
1, 2008	29,033,845	
2009	**29,033,845**	
sidiaries companies	-	
penditure during the year	**10,225**	
value adjustment	**2,893,160**	
31, 2009	**31,937,230**	

9. INVESTMENT PROPERTIES (CONT'D)

2009

Group

Investment properties are stated at fair value, based on management judgements. The judgements include consideration such as inflation rate, yield and occupancy rate. Changes in the assumption about these factors could affect the reported fair value of the investment properties. The Group has fair value its investment property as at 31 December 2009, using the inflation rate prevailing, which amount to 10%,as reported by the Government Gazette inflation report.

Company

Following the date of split, all the investment properties within the Company were transferred to SACOS Insurance Company Limited and SACOS Life Assurance Company Limited in January 1, 2010 (date of split). Consequently the gain in fair value adjustment and rental income from the investment properties that have been transferred are no longer being recognised in State Assurance Company Limited's accounts.

2008

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

The following main inputs have been used for these properties for December 31:

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

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

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	SR	SR	**SR**	SR
Rental income on investment properties	**1,073,896**	963,647	-	144,000

10. INVESTMENT IN SUBSIDIARY COMPANIES

	2009	2008
	SR	SR
Investment at cost (note (I))	6,060,000	60,000
Investment recognised following split of assets (note(ii))	35,651,590	-
Long term advance	22,559,772	22,559,772
	64,271,362	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
SACOS Insurance Company Limited	Seychelles	Ordinary	100%	General insurance
SACOS Life Assurance Company Limited	Seychelles	Ordinary	100%	Life insurance

(i) Both SACOS Insurance Company Limited and SACOS Life Assurance Company Limited had no share capital as at December 31,2008. On January 1,2009, the company has invested an amount of SR 3million in each of these entities.

(ii) As a result of the split, the retained earnings generated by the general business which amounted to SR 35,651,590 as at December 31, 2008 was treated as an additional capital contribution by the company.

(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.

11. OTHER INVESTMENTS

			THE COMPANY	
AT COST	**Maturity**	**Interest rate**	**2009**	2008
		%	SR	SR
NON CURRENT ASSETS				
Treasury bonds	Nov 2015	16%	5,435,440	47,887,025
			5,435,440	47,887,025

			THE GROUP	
AT COST	**Maturity**	**Interest rate**	**2009**	2008
NON CURRENT ASSETS		%	SR	SR
Treasury bonds	Nov 2015	16%	47,887,026	47,887,025
			47,887,026	47,887,025

		THE COMPANY	
	Interest rate	**2009**	2008
	%	SR	SR
CURRENT ASSETS			
Term deposits with banks	2%-5%	34,575,000	26,647,101

11. OTHER INVESTMENTS (CONT'D)

	Interest rate	THE GROUP 2009	THE GROUP 2008
	%	SR	SR
CURRENT ASSETS			
Term deposits with banks	2%-5%	**34,575,000**	26,647,101
Treasury Bills	12%	**4,854,554**	-
		39,429,554	26,647,101

Accrued interests on the above investments are included in other receivables.

12. INVENTORIES

	THE GROUP 2009	THE GROUP 2008
	SR	SR
Spare parts (at cost or net realisable value)	**2,888,948**	-

The amount of write-down of inventories recognised as an expense is SR 145,675 (2008: nil) which is recognised in operating expenses.

This represents the spare parts held by the subsidiary, Sun Investment (Seychelles) Limited, as part of its spare parts line of business.

13. ACCOUNTS RECEIVABLES

	THE GROUP 2009	THE GROUP 2008	THE COMPANY 2009	THE COMPANY 2008
	SR	SR	SR	SR
Premium	**13,305,958**	11,606,614	-	11,606,614
Provision for doubtful debts	**(744,080)**	(1,160,661)	-	(1,160,661)
	12,561,878	10,445,953	-	10,445,953
Due from reinsurers	**7,536,964**	14,075,156	-	14,075,156
Interest receivable from other investments	**2,359,234**	-	**345,917**	1,591,692
Other receivables and prepayments	**5,107,133**	4,338,036	-	2,475,498
	27,565,209	28,859,145	**345,917**	28,588,299

14. CASH AND BANK BALANCES

	THE GROUP 2009	THE GROUP 2008	THE COMPANY 2009	THE COMPANY 2008
	SR	SR	SR	SR
Cash in hand	**5,500**	4,500	-	4,500
Bank balances	**19,634,561**	17,871,592	**3,247,467**	17,505,910
Call and term deposits	**1,608,064**	3,542,028	**1,608,064**	3,542,028
As per Balance Sheet	**21,248,125**	21,418,120	**4,855,531**	21,052,438

Cash at banks earn 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.

14. CASH AND BANK BALANCES (CONTINUED)

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	
	2009	2008	**2009**	2008
	SR	SR	**SR**	SR
Cash and bank Balances	**19,640,061**	17,876,092	**3,247,467**	17,510,410
Call and term deposits	**1,608,064**	3,542,028	**1,608,064**	3,542,028
Bank Overdraft	-	(50,946)	-	(50,946)
As per Cash Flow Statement	**21,248,125**	21,367,174	**4,855,531**	21,001,492

15. ISSUED SHARE CAPITAL

	THE GROUP & THE COMPANY	
Authorised and issued share capital	**2009**	2008
	SR	SR
200,000 Ordinary shares of SR175 each	**35,000,000**	35,000,000

16. SHARE PREMIUM

	SR
At 31 December 2008	23,239,094
At 31 December 2009	**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.

17. PROVISION FOR OUTSTANDING CLAIMS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	SR	SR	**SR**	SR
At January 1,	**13,210,165**	15,359,259	**13,210,165**	15,359,259
Transferred to SACOS Insurance Company Limited	-	-	**(13,210,165)**	-
Increase/(Decrease) during the year	**50,502**	(2,149,094)	-	(2,149,094)
At December 31,	**13,260,667**	13,210,165	-	13,210,165

18. INCURRED BUT NOT REPORTED

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	SR	SR	**SR**	SR
At January 1,	**3,000,000**	2,000,000	**3,000,000**	2,000,000
Transferred to SACOS Insurance Company Limited	-	-	**(3,000,000)**	-
Increase during the year	-	1,000,000	-	1,000,000
At December 31,	**3,000,000**	3,000,000	-	3,000,000

19. UNEARNED PREMIUMS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	SR	SR	**SR**	SR
At January 1,	**30,352,112**	26,544,779	**30,352,112**	26,544,779
Transferred to SACOS Insurance Company Limited	-	-	**(30,352,112)**	-
Increase during the year	**7,008,678**	3,807,333	-	3,807,333
At December 31,	**37,360,790**	30,352,112	-	30,352,112

20. MORTGAGE PROTECTION FUND

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	SR	SR	**SR**	SR
At January 1,	**2,111,101**	3,552,925	**2,111,101**	3,552,925
Transferred to SACOS Insurance Company Limited	-	-	**(2,111,101)**	-
Amortised/settled during the year	**(380,965)**	(1,441,824)	-	(1,441,824)
At December 31,	**1,730,136**	2,111,101	-	2,111,101

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 Insurance Company Limited 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 remainder being carried forward as unearned premium.

21. LIFE ASSURANCE FUND

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
(a) Movement during the year	**SR**	SR	**SR**	SR
At January 1,	**270,240,529**	177,141,147	**270,240,529**	177,141,147
Transferred to SACOS Life Assurance Limited	-	-	**(270,240,529)**	-
Revaluation surplus *	**4,290,900**	18,589,110	-	18,589,110
Surplus for the year attributable to policyholders	**18,265,080**	74,510,272	-	74,510,272
At December 31,	**292,796,509**	270,240,529	-	270,240,529

* The revaluation surplus relates to the revaluation of the SACOS tower belonging to the SACOS Life Assurance Company Limited.

21. LIFE ASSURANCE FUND (CONT'D)

(b) The assets and liabilities of the Life business are represented by a Life Assurance Fund. An actuarial valuation is carried at each year end by State Insurance Company of Mauritius (SICOM) following which, the actuary allocates the surplus generated for the year as follows:

	THE GROUP	
Recommended allocation:	**2009**	2008
	SR	SR
Share of surplus attributable to policy holders for the year	**18,265,080**	74,510,272
Share of surplus attributable to shareholders:		
For the year (see note b(I) below)	**653,897**	1,961,690
Arising on split (see note b(ii) below)	**3,263,051**	-
Total surplus appropriated	**22,182,028**	**76,471,962**

b(i) An amount of SR 653,897 has been estimated by the actuaries, to be transferred to the holding Company, State Assurance Company Limited, for the year ended December 31, 2009.

b(ii) An amount of SR 3.26 million has been paid to the holding Company, State Assurance Company Limited, out of the Life Fund, following the split of the Life Business from State Assurance Company Limited to Sacos Life Assurance Company Limited, which took effect as from January 1, 2009.

(c) The Life Business Assets are represented by:

	2009	2008
	SR	SR
Property, plant and equipment	**50,267,472**	46,050,339
Investment properties	**43,010,892**	38,442,150
Loans on life assurance policies	**18,340,893**	16,796,509
Other investments	**145,436,560**	126,280,684
Net current assets	**7,152,256**	7,502,010
Cash and cash equivalents	**31,588,436**	35,168,837
NET ASSETS	**295,796,509**	270,240,529

22. ACCOUNTS PAYABLE

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	SR	SR	**SR**	SR
Claims payable	**1,586,057**	1,492,999	-	1,492,999
Due to reinsurers	**10,234,350**	7,467,999	-	7,467,999
Other creditors and accruals	**7,940,405**	5,966,837	-	6,823,751
	19,760,812	14,927,835	-	15,784,749

23. 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 State Assurance Company Limited being ruled, an amount SR 400,000 has been valued by the lawyer as being payable to the software company in relation to expenses incurred.

24. 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.

25. DIVIDENDS PAID AND PROPOSED

	THE GROUP & THE COMPANY	
Declared and paid during the year	**2009**	2008
	SR	SR
Equity dividends on ordinary shares		
Final dividend for 2009: SR 40 per share (2008 : SR 30 per share)	**8,000,000**	6,000,000

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

	THE GROUP & THE COMPANY	
	2009	2008
	SR	SR
Final dividend for 2009: SR 40 per share	**8,000,000**	
Final dividend for 2008: SR 40 per share		8,000,000

26. 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, 2009, the Board has decided to report its consolidated financial statements for its year ended December 31, 2010 and thereafter under International Financial Reporting Standards.

27. RELATED PARTY DISCLOSURES

The following table provides the total amount of transaction that the Company have entered with related parties for the relevant financial year.

INCOME STATEMENT	**2009**	2008
	SR	SR
Management fees received from SACOS Life Assurance Company Limited	1,487,408	1,207,863

BALANCE SHEET	**2009**	2008
	SR	SR
Amount due from SACOS Life Assurance Company Limited	2,141,305	5,294,858
Amount due to SACOS Assurance Company Limited	17,220,334	-
Amount due from Sun Investment(Seychelles) Limited	-	1,069,284

STATE ASSURANCE COMPANY LIMITED