ANNUAL REPORT

STATE ASSURANCE COMPANY LIMITED

FOR THE FINANCIAL YEAR ENDED 31DECEMBER 2010

STATE ASSURANCE COMPANY LIMITED

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CORPORATE INFORMATION

Vision Statement:	To be the leading insurer in terms of premium volume and profitability in Seychelles	
	To be a major real estate developer	
Mission Statement:	To provide quality insurance solutions, strong security and excellent service to our customers	
	To look after the interests of our stakeholders including customers, shareholders, employees and the community at large	
Core Values:	Integrity – Honesty – Customer Satisfaction – Loyalty to stakeholders	
Board of Directors:		
Chairman	M. Felix Business Consultant	Appointed 16th July 2007
Directors	W. Confait CEO – Seychelles Pension Fund	Appointed 16th July 2007
	G. Ferley Director - Life	Appointed 16th July 2007
	L. Rivalland Group Chief Operations Officer Swan Insurance Company Ltd, Mauritius	Appointed 16th July 2007
	M. Stravens Director General Ministry of Finance	Appointed 18th February 2009
	Y. Suleman Businessman	Appointed 28th May 2009
	Mr J.C. D'Offay Retired	Appointed 11th December 2009
	Mr G. DeGaye Senior Manager Swan Insurance Company Ltd, Mauritius	Appointed 30th March 2010
	Mr P. Rousset	Resigned 1st January 2010
Managing Director	A. Lucas	Appointed 17th July 2007
Company Secretary	C. Payet	Appointed 17th July 2007

Legal Advisers	K.B Shah Attorney-at-Law & Notary Public
	D. Lucas Attorney-at-Law & Notary Public
Auditors	BDO Associates 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 5th Annual General Meeting of State Assurance Company Limited will be held at the International Conference Centre, Maison Du Peuple on Saturday 2nd July 2011 at 10.15 a.m. for the following purposes:

1. To approve the Minutes of the 4th Annual General Meeting held on Friday 20th August 2010 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 2010.

4. To declare a final dividend.

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

    a. That Ms M Stravens who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
    b. That Mr Y Suleman who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
    c. That the Directors' remuneration of SR386,400 per annum be approved for the financial year 2011
    d. That the Directors' remuneration of approximately SR621,600 per annum be approved in respect of the Managing Director for the financial year 2011
    e. That the Directors' remuneration of approximately SR401,952 per annum be approved in respect of Mr Guy Ferley who is also the Director – Life for the financial year 2011
    f. That the name of State Assurance Company Limited be changed to SACOS Group Limited
    g. That SACOS Group Limited be listed on the Stock Exchange when this becomes operational
    h. That the directors be authorized to appoint its 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

7th June 2011

Chairman's Report

Dear Shareholders,

We have come to the end of yet another year of our business operations, and it is my pleasure to submit my report to the shareholders for the year ended 31st December, 2010,

Last year will be considered for the efforts of the company in consolidating its existing asset base, whilst seeking new business opportunities. The strategy adopted by the Board and Management have been value and growth to the shareholders by a better understanding and improving certain areas of focus. It was felt there was a necessity to review and reorganize the cost allocation, manage and control them, and also ensure continued improvement in revenue.

Consequently, we can say with confidence that in doing so, better results than originally anticipated have beeh achieved. It can be noted that Gross Written Premium rose to a record high of SR 139.37m, of which SR 99.22m was from General Insurance which was up by SR 12.652m, representing a 14.61% increase on 2009, thus better than the budgeted 10%. The final results showed Profit before tax of SR 27.19 m (2009- SR 21.24m). Despite a significant drop in interest income by some SR 4 m, there were also major reductions in costs, in addition to exchange gains of SR 2.5m against exchange losses SR 3.4m in 2009. After provision for business tax of SR 7.4m there will be SR 19.8m left for disposal partly to dividends and balance to retained earnings.

The Board has thus recommended the payment of a final dividend of SR 50 per share (2009- SR40) for the total sum of SR10 m, giving a return of 28.57% on investment. This financial year has seen SACOS achieve further growth and greater financial strength, and at the same time rewarding our shareholders. This success has been made possible by strict adherence to the principles in place.

The board is also conscious of the need to ensure growth in the Shareholders' funds, which will stand at SR 103.6 m after tax and dividends. It is the quality of SACOS income generation, and continuous good business performance, coupled with the improving strength of its balance sheet that has enabled the Board to consider the improved dividend payment this year.

We have been committed from the outset to ensure the company adheres to the principles of Good Governance. This is the main reason we have pressed for the set up of both an internal audit, and Compliance and Risk Management sections.

The Risk Management Division has developed a risk register, as the main part of the risk management plan, which included identification of the company's legal obligations for compliance. It has also developed a Risk Management Policy which has been approved by the Board. Two other areas covered have been training for key staff members on the operations of the Anti-Money Laundering and Anti Terrorism Act and drawing up of list of legal imperatives for compliance testing. This Division is no doubt of enormous significance for the operational success of the Company.

The Internal Audit department has been constinuously performing random audit tests and ongoing review of the financially orientated scope of work as well as regulatory requirements under the legislation. The function of internal audit also expanded to other more operational aspects, such areas as IT change management and general insurance underwriting procedural standards. The findings so far have confirmed a culture of firm engagement commitment and open discussions, all of which position us well to respond to current challenges. In turn, such findings and are reported to the Audit Committee which meets regularly to review the reports and consider issues needing corrective action. As we move forward it is important to show transparency, ensure controls are fully tested and all regulatory requirements are met. The Audit Committee ensures this happens and reports to the Board.

The new software system for the Life Fund was eventually commissioned and went live during the year. Much more up to date information is now available to our clients. The General Insurance software is well advanced and is due to go live by the end of July 2011. The change to the new systems was considered necessary to cope with the needs of the business, and future development.

We have been actively engaged in finding ways to invest funds at our disposal for a better return. The fact that interest on deposits and T/Bills will remain low for the forseable future, we continued on our drive to invest in properties which gives a better yield. A property of 28 units at Quincy village, for the Life fund was acquired for SR 15m on which we are getting a return of 10%. The construction of the additional 18 units at Anse Etoile at a cost of SR 9.8m is well underway for completion and rental by the end of 2011. All existing rent of apartments was revised upwards in 2011 and we will endeavour for improved rental on all new accommodation.

The management has also been engaged in discussions to consider various propositions with a view to invest in other instruments that can give a higher return than offered by the banks. We have however had setbacks in view of the postponement in the setting up of the Stock exchange. However, certain investments are extremely high risk and very careful thought and consideration have to be given before launching in what we believe to be much uncharted waters. Nevertheless, potential investments are being looked at closely, and new opportunities which meet strategic and investment objectives set by the Board and Management will be considered.

Marine cargo, Travel Insurance and Mortgage Protection insurance are products already available and we are currently marketing these vigorously. Progress is slow but we believe there is potential for growth in these areas. Credit Life is now well established generating good income and this can be further improved. Regrettably Agriculture Insurance has yet to make any headway. The risks are high and unless there are guarantees from various parties, it is unlikely to be pushed. However, Health Insurance was recently launched. This is a new product with potential and we hope will bring some additional income to the business.

The company continues to invest in its staff and training is an ongoing priority for staff development. 14 staff completed the In house Insurance course Level 1. 3 others successfully completed the Foundation in Insurance course conducted by SIM, whereas 2 more completed the Chartered Insurance Institute Certificates. 1 graduate recruited last year has undergone extensive on the job training and has settled well. 4 senior staff members were also exposed through attendance at seminars and courses overseas to improve their knowledge of insurance in their respective areas which we feel can build their confidence. Staff turnover has remained relatively low, with 6 new recruits, 4 of which were replacements. It is our commitment to establish SACOS as an employer of choice, and we endeavour to attract the best. We now require to give much thought to succession planning for senior management positions. It is important that we look forward to have people with the ability to take the business forward in the coming years.

Our relationship with our overseas reinsurers remains of paramount importance to the business. AON which is our leading reinsurance broker have been instrumental in recovery of some SR 2m of outstanding debts last year, and we are hopeful the balance will be cleared this year. We have had visits from Munich Re, Kenya Re and the Regional Africa Re, whereas we have made visits overseas to discuss reinsurance business and negotiate for better deals. We are also the reference for other brokers such as CKRe for insurance in Seychelles. This particular area is under continuous focus and review to ensure necessary cover has been undertaken as the risks are very high. Through our contact and visits overseas, we were given the First Choice Insurer in Seychelles for the Ace Group, for international companies operating in Seychelles. We also organized the OESAI conference with some 30 delegates from the eastern and Southern Africa region, at the Barbarons Hotel in November, which was quite successful.

The company also launched its website to provide existing and potential customers with online access to information on the company and its subsidiaries, as well as products on offer for both General and Life Insurance. Our marketing drive continued with much more coverage on TV and the local papers, in addition to branding of the company's vehicles. It is through such continuous exposure that we will be able to sell the business more and attract potential new customers, which was the case last year. More aggressive advertising of products will be persued in 2011.

We also cannot ignore the fact that we have competitors and they are posing a threat to our client base. It is thus imperative that we continuously review our position and remain focused to counter any attempt to attract our clients. Simultaneously, we need to drive the business forward, and it was pleasing to note that we were quite sucessful in 2010, that a number of hotels restaurant and shops were secured in both Mahe and Praslin, the Berjaya group, La Reserve, and the ex-Plantation club amongst several others.
Measures have been set up to improve our standards on both the underwriting and claims side by means of new procedures to enable a speedier process.

I take this opportunity on behalf of the Board to thank the CEO, his management team and all of the staff for their efforts over the past year. It is through the efforts of this group of people, that SACOS will realise its full potential. My gratitude also goes to my fellow directors for their continued support of the company and shareholders in general.

In view of challenges ahead arising from the open market thus more competition, SACOS has been working on an aggressive marketing campaign not only to maintain, but endeavour to improve its market share to increase profitability. I look forward to the company meeting its targets for 2011 and being able to report another successful year to the shareholders of SACOS

MicFelix

Michel Felix
Chairman
03 May, 2011

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 2010.

Statement of Directors' Responsibilities

1. The Directors are responsible for the overall management affairs of the Group and the Company including their operations and making investment decisions.
2. The Board is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Standards in Seychelles, and in compliance with 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. The Directors have the general responsible for safeguarding the assets, both owned by the Company and those that are held in trust and used by the Company.
3. The Directors consider they have met their aforementioned responsibilities.

Principal Activities of the Company

The principal activity of the Company is to hold investment. This has remained unchanged during the year under review. Activities of the subsidiaries are detailed in note 7 to the financial statements.

RESULTS FOR THE YEAR	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	SR	SR	SR	SR
Underwriting surplus	28,740,453	22,784,958	-	-
Investment income	5,703,022	11,188,562	1,944,255	3,465,766
Rental income	1,168,244	1,073,896	-	-
Other operating revenue	6,364,920	4,421,419	1,475,180	1,487,408
Fair value gains on revaluation of properties	3,193,723	2,893,160	-	-
Operating expenses	(18,953,183)	(25,037,453)	-	(365,585)
Transfer from Life Fund	900,000	3,916,948	900,000	3,916,948
Profit before tax	27,193,592	21,241,490	11,846,809	8,513,537
Income tax expense	(7,389,373)	(9,533,535)	(1,189,447)	(3,305,415)
Profit after tax	19,804,219	11,707,955	10,657,362	5,208,122
Retained Earnings brought forward	43,457,778	39,749,821	32,859,712	35,651,590
Dividends	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)
Retained Earnings carried forward	55,261,997	43,457,778	35,517,074	23,859,712

Fixed Assets

The Directors are of the opinion that the market or saleable value of the fixed assets as at 31st December 2010 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 43,557,776 makes a total of SR 55,261,995 in the Company's reserves.

Dividends

The Directors recommend the payment of a dividend of SR50.00 per share for the year under review (2009: 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 2010 were:

NAME	NATIONALITY	DESCRIPTION	SALARY/ FEES	SOCIAL SECURITY	SHARES
M. Felix	Seychellois	Chairman	79,200	7,200	18
W. Confait	Seychellois	Director	39,825	3,600	13
J.C. D'Offay	Seychellois	Director	39,825	3,600	17
G. DeGaye	Mauritian	Director	30,825	1,800	Nil
G. Ferley	Seychellois	Director	39,825	3,600	1
		Head of Life	309,456	27,996	
A. Lucas	Seychellois	Managing Director	514,800	46,800	351
L. Rivalland	Mauritian	Director	39,825	3,600	Nil
M. Stravens	Seychelloise	Director	39,825	3,600	12
Y. Suleman	Seychellois	Director	39,825	3,600	Nil
P. Rousset	Mauritian	Director	Resigned 1st January 2010		

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

Auditors

The Auditors, Messrs. BDO Associates, retire and being eligible offer themselves for re-appointment.

DIRECTORS

M. Felix W. Confait G. DeGaye J.C. D'Offay G. Ferley

A. Lucas L. Rivalland M. Stravens Y. Suleman

Dated: May 6, 2011
Victoria, Mahe
Seychelles

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STATE ASSURANCE COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of **State Assurance Company Limited and its subsidiaries,** (the "Group"), as a body, in terms of our engagement to conduct the audit on their behalf. Our audit work has been undertaken so that we might state to the members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the attached financial statements of **State Assurance Company Limited and its subsidiaries** set out on pages 5 to 28 which comprise the Balance Sheet as at December 31, 2010, the Income Statement, Statement of Changes in Equity and the Statement of Cash Flows for the year then . ended and a summary of significant accounting policies and explanatory notes.

Board's Responsibility for the Financial Statements

As stated on page 1(a) of the Director's Report, the Board of Directors are responsible for preparation of the financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of 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 these 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 Board of 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

Emphasis of matter

The following emphasis of matter paragraph is being reproduced in our audit report and applies to the subsidiary, SACOS Life Assurance Company Limited which transacts in life business activities.

Insurance Act, 2008

Under Section 45 of the Act, a Long Term Insurer is required to have its insurance liabilities valued and certified by an Actuary. The Actuary is also the one to recommend the amount of the surplus arising in the Life Assurance Fund for the year to be transferred to the shareholders. The surplus is, per the Act, shared in the ratio of 90: 10 between policyholders and shareholders.

However, due to time constraint, neither an actuarial valuation nor a certificate could be made available to us for the year ended December 31, 2010 for the subsidiary SACOS Life Assurance Company Limited. The Directors are of the opinion that the life business assets of the subsidiary are adequate to meet the underlying liabilities and the Life Assurance Fund is fairly stated at SR 321 m. They have also estimated that, out of the surplus of the subsidiary for the year amounting to SR 21.7m, SR 0.9m would be transferred to the Holding Company, State Assurance Company Limited.

Opinion

In our opinion, the financial statements on pages 5 to 28 give a true and fair view of the financial position of the Group and the Company at December 31, 2010 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Standards and comply with the Companies Act, 1972.

Report on Other Legal Regulatory Requirements

Companies Act, 1972

We have no relationship with, or interests, in the Company and its subsidiaries other than in our capacity as auditors, tax and business advisers and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company and its subsidiaries as far as it appears from our examination of those records and comply with the provisions of the Seychelles Companies Act, 1972.

Insurance Act, 2008

The financial statements of the subsidiaries transacting in life and general business activities have been prepared in the manner and meet the requirements specified by the Act.

Other matter

The financial statements of the Group and the Company for the year ended December 31, 2009 were audited by another auditor who expressed an unmodifed opinion on those financial statements on July 2,2010.

BDO Associates

BDO Associates
Chartered Accountants

Dated: May 6, 2011
Victoria, Seychelles

BALANCE SHEETS AS AT DECEMBER 31, 2010

	Notes	THE GROUP 2010	THE GROUP 2009	THE COMPANY 2010	THE COMPANY 2009
ASSETS		SR	SR	SR	SR
Non-current assets					
Property and equipment	5	4,570,541	3,853,267	248,246	-
Investment properties	6	35,130,953	31,937,230	-	-
Investment in subsidiaries	7	-	-	64,271,362	64,271,362
Held-to-maturity financial assets	8	66,278,116	47,887,026	5,435,440	5,435,440
		105,979,610	83,677,523	69,955,048	69,706,802
Current assets					
Inventories	9	7,709,452	2,888,948	7,709,452	-
Held-to-maturity financial assets	8	35,980,821	39,429,554	35,980,821	34,575,000
Amounts due from group companies	10	15,210,438	6,989,779	4,678,121	2,141,305
Trade and other receivables	11	22,709,765	30,465,209	716,166	345,917
Cash and cash equivalents	12	17,034,400	21,248,125	5,640,950	4,855,531
		98,644,876	101,021,615	54,725,510	41,917,753
Life Business Assets	13	321,572,667	295,796,509	-	-
Total assets		526,197,153	480,495,647	124,680,558	111,624,555
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	35,000,000	35,000,000	35,000,000	35,000,000
Share premium	15	23,239,094	23,239,094	23,239,094	23,239,094
Retained earnings		55,261,997	43,457,778	35,517,074	32,859,712
Total equity		113,501,091	101,696,872	93,756,168	91,098,806
Technical provisions					
Outstanding claims and IBNR	16	17,938,611	16,260,667	-	-
Unearned premiums	17	44,357,698	37,360,790	-	-
Life Assurance Fund	13	321,572,667	295,796,509	-	-
		383,868,976	349,417,966	-	-
Non-current liabilities					
Mortgage Protection Fund	18	1,728,165	1,730,136	-	-
Fisheries and Agricultural Fund		2,000,000	2,000,000	-	-
		3,728,165	3,730,136	-	-
Current liabilities					
Trade and other payables	19	14,404,133	19,760,810	19,614	-
Amounts due to group company	20	-	-	26,409,914	17,220,334
Current tax liabilities	21	10,694,788	5,889,863	4,494,862	3,305,415
		25,098,921	25,650,673	30,924,390	20,525,749
Total liabilities		412,696,062	378,798,775	30,924,390	20,525,749
Total equity and liabilities		526,197,153	480,495,647	124,680,558	111,624,555

These financial statements have been approved for issue by the Board of Directors on May 6, 2011.

W Confait Director	M Felix Director	A Lucas Director	M Stravens Director	Y Suleman Director
L Rivalland Director	G Ferley Director	G DeGaye Director	J C D'Offay Director	

The notes on pages 9 to 28 form an integral part of these financial statements.

Auditors' report on pages 4 and 4(a).

	Notes	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		SR	SR	SR	SR
Turnover	2(o)	100,886,446	89,648,183	668,508	-
Underwriting surplus	2(o)	28,740,453	22,784,958	-	-
Profit on sale of spares		76,413	-	76,413	-
Investment income	22	5,703,022	11,188,562	9,944,255	3,465,766
Rental income		1,168,244	1,073,896	-	-
		35,688,132	35,047,416	10,020,668	3,465,766
Other income	23	5,522,849	2,782,850	1,475,180	1,487,408
Increase in fair value of investment properties	6	3,193,723	2,893,160	-	-
		44,404,704	40,723,426	11,495,848	4,953,174
Other operating expenses	24	(17,014,974)	(22,274,522)	(519,521)	(356,585)
Depreciation	5	(1,096,138)	(1,124,360)	(29,518)	-
Shareholders' share of surplus of Life Assurance Fund	2(q)	900,000	3,916,948	900,000	3,916,948
Profit before tax		27,193,592	21,241,492	11,846,809	8,513,537
Tax charge	21	(7,389,373)	(9,533,535)	(1,189,447)	(3,305,415)
Net profit for the year		19,804,219	11,707,957	10,657,362	5,208,122

The notes on pages 9 to 28 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

	Note	Share capital	Share premium	Retained earnings	Total
		SR	SR	SR	SR
THE GROUP					
At January 1, 2010		**35,000,000**	**23,239,094**	**43,457,778**	**101,696,872**
Net profit for the year		**-**	**-**	**19,804,219**	**19,804,219**
Dividends paid	27	**-**	**-**	**(8,000,000)**	**(8,000,000)**
At December 31, 2010		**35,000,000**	**23,239,094**	**55,261,997**	**113,501,091**
At January 1, 2009		35,000,000	23,239,094	39,749,821	97,988,915
Net profit for the year		-	-	11,707,957	11,707,957
Dividends paid	27	-	-	(8,000,000)	(8,000,000)
At December 31, 2009		35,000,000	23,239,094	43,457,778	101,696,872
THE COMPANY					
At January 1, 2010		**35,000,000**	**23,239,094**	**32,859,712**	**91,098,806**
Net profit for the year		**-**	**-**	**10,657,362**	**10,657,362**
Dividends paid	27	**-**	**-**	**(8,000,000)**	**(8,000,000)**
At December 31, 2010		**35,000,000**	**23,239,094**	**35,517,074**	**93,756,168**
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	27	-	-	(8,000,000)	(8,000,000)
At December 31, 2009		35,000,000	23,239,094	32,859,712	91,098,806

The notes on pages 9 to 28 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

	Notes	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		SR	SR SR	SR	SR SR
Cash flows from operating activities					
Profit before tax		**27,193,592**	21,241,492	**11,846,809**	8,513,537
Adjustments for:					
Depreciation	5	**1,096,138**	1,124,358	**29,518**	-
Increase in fair value of investment property	6	**(3,193,723)**	(2,893,160)	**-**	-
Profit on disposal of equipment	23	**(110,355)**	(93,900)	**-**	-
Movement in outstanding claims and IBNR	16	**1,677,944**	50,502	**-**	-
Movement in unearned premium	17	**6,996,908**	7,008,678	**-**	-
Amortisation of Mortgage Protection Fund	18	**(1,971)**	(380,965)	**-**	-
		33,658,533	26,057,005	**11,876,327**	8,513,537
Changes in working capital:					
- Decrease/(Increase) in trade and other receivables		**7,755,444**	1,293,936	**(370,249)**	(345,917)
- Increase in inventories		**(4,820,504)**	(2,888,948)	**(7,709,452)**	-
- Increase in amounts due from group companies		**(8,220,659)**	(1,694,923)	**(2,536,816)**	(2,141,305)
- (Decrease)/Increase in trade and other payables		**(5,356,677)**	4,832,977	**19,614**	-
- Increase in amounts due to group companies		**-**	-	**9,189,580**	17,226,097
		23,016,137	27,600,047	**10,469,004**	23,252,412
Tax paid	21	**(2,584,448)**	(1,913,364)		-
Net cash inflow from operating activities		**20,431,689**	25,686,683	**10,469,004**	23,252,412
Cash flows from investing activities					
Purchase of property and equipment	5	**(1,843,056)**	(2,106,953)	**-**	-
Transfer of property and equipment from subsidiaries		**-**	-	**(277,764)**	-
Proceeds from sale of property and equipment		**139,999**	93,900	**-**	-
Purchase of investment property		**-**	(10,225)	**-**	-
Investment in SACL Life Assurance Company Limited		**-**	(3,000,000)	**-**	-
Capital contribution		**-**	-	**-**	(23,470,473)
Movement in held-to-maturity financial assets	8	**(14,942,357)**	(12,782,454)	**(1,405,821)**	(7,927,900)
Net cash outflow from investing activities		**(16,645,414)**	(17,805,732)	**(1,683,585)**	(31,398,373)
Cash flows from financing activities					
Dividend paid	27	**(8,000,000)**	(8,000,000)	**(8,000,000)**	(8,000,000)
Net (decrease)/increase in cash and cash equivalents		**(4,213,725)**	(119,049)	**785,419**	(16,145,961)
Movement in cash and cash equivalents					
At January 1,		**21,248,125**	21,367,174	**4,855,531**	21,001,492
(Decrease)/Increase		**(4,213,725)**	(119,049)	**785,419**	(16,145,961)
At December 31,	12	**17,034,400**	21,248,125	**5,640,950**	4,855,531

The notes on pages 9 to 28 form an integral part of these financial statements.

Auditors' report on pages 4 and 4(a).

1. GENERAL INFORMATION

State Assurance Company Limited was incorporated under the Companies Act, 1972 on November 23, 2005. The principal activity of the Company is investment holding.

The Company is domiciled in Seychelles and its registered office is SACOS Tower, Palm Street, Victoria, Mahé, Seychelles.

The assets, liabilities and business activities of State Assurance Company Limited were transferred to SACOS Life Insurance Company Limited and SACOS Life Assurance Company Limited with effect on January 1, 2010 (date of split of the former) in order to conform with the requirements of the Seychelles Insurance Act, 2008.

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

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of **State Assurance Company Limited** have been prepared in accordance with Generally Accepted Accounting Standards (GAAS), the Seychelles Companies Act, 1972 and the Insurance Act, 2008. These financial statements have been prepared under the historical cost convention, except that:

(i) held-to-maturity financial assets are carried at amortised cost; and
(ii) investment properties and relevant financial assets and financial liabilities are stated at their fair value.

(b) Property and equipment

Land and buildings are stated at their revalued amount. All other property and equipment are stated at historical cost less accumulated depreciation. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item is expected and the cost of the item can be measured reliably.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in the Life Assurance Fund.

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

	%
Furniture and fittings	10%
Computer and equipment	15% - 20%
Motor vehicles	25%
Computer software	33 1/3%

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) **Plant and equipment (Cont'd)**

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with their carrying amount and are included in the income statement.

(c) **Investment property**

Properties held to earn rentals/or for capital appreciation or both are classified as investment property. Investment properties are initially stated at cost and subsequently carried at fair value, which reflect market conditions at balance sheet date.

Gains and losses arising from changes in fair values of investment property are recognised in the income statement.

(d) **Investment in subsidiaries**

Separate financial statements of the investor
In the separate financial statements of the investor, investment in subsidiary company is carried at cost. The carrying amount is reduced to recognise any impairment in the value of investment.

Consolidated financial statements
The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiary) made up to December 31, each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of their acquisition or up to the effective date of their disposal.

The consolidated financial statements have been prepared in accordance with the purchase method. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. 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 in the year of acquisition.

All significant intercompany transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Investment in subsidiaries (Cont'd)

Consolidated financial statements (Cont'd)
Where necessary appropriate adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by the Group.

(e) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument. It comprises the following:

(i) ***Loans on life assurance policies***
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. Loans are granted by the subsidiary and accounted under Life Business Asset (note 13(a)).

(ii) ***Held-to-maturity financial assets***
Held-to-maturity financial assets are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Interest on held-to-maturity financial assets are included in the income statement. Held-to-maturity financial assets are treasury bonds which are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

(iii) ***Trade and other receivables***
Trade and other receivables, which generally have 30 - 60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of provision is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate. The amount of provision is recognised in the Income Statement.

The carrying amount of trade and other receivables approximate their fair values.

(iv) ***Trade and other payables***
Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed or not billed to the Group.

The carrying amount of trade and other payables is assumed to approximate their amortised cost.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (Cont'd)

(v) ***Cash and cash equivalents***
Cash comprises cash in hand and at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, against which the bank overdrafts, if any are deducted.

(vi) ***Share capital***
Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(f) Inventories

Inventories are stated at lower of cost and net realised value. Cost is determined by the first-in, first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business less selling expenses.

(g) Insurance contracts

(i) ***Product classification***

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affect 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.

The Group considers that all its short term products are insurance contracts.

(ii) ***Types of insurance contracts***

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

(a) <u>Short-term insurance contracts</u>
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 occurrence of the events insured against.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(g) Insurance contracts (Cont'd)

(ii) ***Types of insurance contracts (Cont'd)***

(b) Long-Term insurance contracts without 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.

(c) 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 and bonuses. The size of the profit or bonuses as well as the timing of 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 proportional or non-proportional treaty basis, with all risk falling within the treaty terms, conditions and limits being reinsured automatically, or on a facultative basis. Proportional reinsurance can be either 'quota share' where the proportion of each risk reinsured is stated or 'surplus' which is a more flexible form of reinsurance and where the Group fixes its retention limit. Non-proportional reinsurance is mainly 'excess-of-loss' type of reinsurance where, in consideration for a premium, the reinsurer agrees to pay all claims in excess of a specified amount i.e. the retention and up to a maximum amount. Under facultative reinsurance, risk 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 trade and other receivables. Amounts recoverable from reinsurers are estimated on a manner consistent with the outstanding claims provisions or settle 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 trade and other payables. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(g) Insurance contracts

(iii) *Reinsurance contracts (Cont'd)*

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.

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

(h) Unearned premiums

The provision for unearned premiums represent the portion of premium written on short term insurance contracts relating to period of insurance risk 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.

(i) 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 incurred but not reported (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 liabilities 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 provisions, it is likely that the outcome will prove to be different from the original liability established. Differences between the estimated cost and subsequent settlement of claims are recognised in the income statement in the year in which they are settled or in which the provision for claims outstanding are re-estimated.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Life insurance business provisions

Life insurance liabilities are recognised when the 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, 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 Income Statement. The Life Assurance Fund represents the difference between the assets and liabilities attributed to the Life Assurance Business and is recorded as a liability.

(k) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(l) Foreign currencies

Functional and presentation currency
Items included in the financial statements are measured in the currency of the primary economic environment in which the Group operates. The Group's functional currency is the Seychelles Rupee, the currency in which the financial statements are presented.

Transactions and balances
Foreign currency transactions are translated in the functional currency using the exchange rates approximating those ruling on the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in a currency other than the presentation currency, are recognised in the Income Statement. Such monetary assets and liabilities are translated into presentation currency using the exchange rates ruling on the balance sheet date.

Non-monetary assets which are denominated in a currency other than the presentation currency are translated at exchange rates prevailing at the date these assets were recognised in the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(m) Taxation

Current tax is the expected amount of taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

(n) Provisions

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

(o) Income recognition

(i) ***Gross premiums on General Insurance***

Gross written premium comprise the total premium 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

(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.

Premiums 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) ***Earned premiums***

Earned premiums represent gross written premiums net of reinsurance ceded to reinsurers and adjusted for unearned premiums.

(iv) ***Underwriting surplus***

Underwriting surplus is determined for each class of business after taking into account inter alia, unearned premium reserves, outstanding claims and additional reserves.

(v) ***Rental income***

Rental income derived from investment property is recognised on an accrual basis.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(o) Income recognition (Cont'd)

(v) ***Other income***

(a) 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.

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

(p) Benefits, claims and expense recognition

(i) ***General insurance claims***

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 claims***

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.

Premiums 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 claims***

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(p) Benefits, claims and expense recognition (Cont'd)

(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.

(q) Transfer of surplus from Life Assurance Fund to Shareholders

The transfer of surplus arising from the Life Assurance Fund, as determined by an Actuary, is not recorded as an expense but as a movement recorded in the statement of changes in equity as it is regarded to be a transaction between the Group and its shareholders.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. It's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of the Group's financial performance.

A description of the significant risks is given below:

(i) 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.

(ii) Reinsurance risk

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

(iii) Liquidity risk

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

(iv) Interest rate risk

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

(v) Foreign exchange risk

The Group operates in Seychelles but is exposed to currency risk in respect of reinsurance premiums payable in foreign currencies. However, reinsurance 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 reinsurance premiums to reinsurers on a yearly basis but foreign exchange liabilities are settled by cash generated from seychelles rupees.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Valuation of insurance contract liabilities

For short term (general) 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.

(ii) Revaluation of investment property

The Group carries its investment property at fair value, with changes in fair values being recognised in the income statement. The Group last engaged an independent professional Valuer to determine the fair value at December 31, 2008. The Valuer used a mix of valuation techniques consisting of discounted cash flow model and comparable market data.

The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term occupancy rate.

However, the Group did not perform a valuation for the year ended December 31, 2009 and 2010, instead management used a mix of valuation techniques consisting of discounted cash flow 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.

5. PROPERTY AND EQUIPMENT

(a) THE GROUP

	Furniture and fittings	Computer equipment	Computer software	Motor vehicles	Total
	SR	SR	SR	SR	SR
COST					
At January 1, 2009	1,196,898	5,523,104	-	2,072,766	8,792,768
Additions	573,512	526,785	481,660	524,996	2,106,953
Disposals	(8,080)	-	-	(180,000)	(188,080)
At December 31, 2009	**1,762,330**	**6,049,889**	**481,660**	**2,417,762**	**10,711,641**
Additions	**877,662**	**270,580**	**-**	**694,814**	**1,843,056**
Disposals	**-**	**-**	**-**	**(100,205)**	**(100,205)**
At December 31, 2010	**2,639,992**	**6,320,469**	**481,660**	**3,012,371**	**12,454,492**
DEPRECIATION					
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
Disposal adjustment	(8,080)	-	-	(180,000)	(188,080)
At December 31, 2009	**350,931**	**4,944,915**	**-**	**1,562,528**	**6,858,374**
Charge for the year	**105,390**	**351,674**	**-**	**639,074**	**1,096,138**
Disposal adjustment	**-**	**-**	**-**	**(70,561)**	**(70,561)**
At December 31, 2010	**456,321**	**5,296,589**	**-**	**2,131,041**	**7,883,951**
NET BOOK VALUE					
At December 31, 2010	**2,183,671**	**1,023,880**	**481,660**	**881,330**	**4,570,541**
At December 31, 2009	1,411,399	1,104,974	481,660	855,234	3,853,267

(b) THE COMPANY

	Furniture and fittings	Computer equipment	Computer software	Motor vehicles	Total
COST	SR	SR	SR	SR	SR
At January 1, 2009	1,210,007	5,523,104	-	2,562,935	9,296,046
Transfer to subsidiaries	(1,210,007)	(5,523,104)	-	(2,562,935)	(9,296,046)
At December 31, 2009	**-**	**-**	**-**	**-**	**-**
Transfer from subsidiaries	**191,799**	**60,254**	**25,711**	**-**	**277,764**
At December 31, 2010	**191,799**	**60,254**	**25,711**	**-**	**277,764**
DEPRECIATION					
At January 1, 2009	706,856	4,489,434	-	1,229,082	6,425,372
Transfer to subsidiaries	(706,856)	(4,489,434)	-	(1,229,082)	(6,425,372)
At December 31, 2009	**-**	**-**	**-**	**-**	**-**
Charge for the year	**19,180**	**9,038**	**1,300**	**-**	**29,518**
At December 31, 2010	**19,180**	**9,038**	**1,300**	**-**	**29,518**
NET BOOK VALUE					
At December 31, 2010	**172,619**	**51,216**	**24,411**	**-**	**248,246**
At December 31, 2009	-	-	-	-	-

6. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
At fair value	**SR**	SR	**SR**	SR
At January 1,	**31,937,230**	29,033,845	**-**	2,640,000
Transfer to subsidiaries	**-**	-	**-**	(2,640,000)
Additions during the year	**-**	10,225	**-**	-
Increase in fair value	**3,193,723**	2,893,160	**-**	-
At December 31,	**35,130,953**	31,937,230	**-**	-

The basis of revaluation of the investment properties is detailed under note 4(ii).

7. INVESTMENT IN SUBSIDIARIES

(i) THE COMPANY

	2010 & 2009
	SR
Investments at cost (note (ii) below)	**6,060,000**
Investment recognised upon split of assets (note (iii) below)	**35,651,590**
Long term receivables	**22,559,772**
	64,271,362

(ii)**Details of subsidiaries are as follows:**

Name of subsidiaries	**Activities**	**Country of incorporation**	**Class of shares**
Sun Investment (Seychelles) Limited	Investment property	Seychelles	Ordinary
SACOS Insurance Company Limited	General insurance	Seychelles	Ordinary
SACOS Life Assurance Company Limited	Life Insurance	Seychelles	Ordinary

All the above subsidiaries are wholly owned.

(iii The retained earnings generated by the general business activities which amounted to SR 35.7m as at December 31, 2008 was treated as an additional capital contribution by the Company upon split of insurance liabilities.

8. HELD-TO-MATURITY FINANCIAL ASSETS

		THE GROUP		THE COMPANY	
	Interest rate	**2010**	2009	**2010**	2009
At amortised cost	%	**SR**	SR	**SR**	SR
Treasury bonds	8%	**47,887,026**	52,741,580	**5,435,440**	5,435,440
Fixed deposit	2% - 5%	**54,371,911**	34,575,000	**35,980,821**	34,575,000
		102,258,937	87,316,580	**41,416,261**	40,010,440
Analysed as:					
Non-current		**66,278,116**	47,887,026	**5,435,440**	5,435,440
Current		**35,980,821**	39,429,554	**35,980,821**	34,575,000
		102,258,937	87,316,580	**41,416,261**	40,010,440

9. INVENTORIES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	SR	SR	SR	SR
Spare parts (at cost or net realisable value)	**7,709,452**	2,888,948	**7,709,452**	-

10. AMOUNTS DUE FROM GROUP COMPANIES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	SR	SR	SR	SR
SACOS Life Assurance Company Limited	15,210,438	6,989,779	**4,490,991**	2,141,305
Sun Investment (Seychelles) Limited	-	-	**187,130**	-
	15,210,438	6,989,779	**4,678,121**	2,141,305

The carrying amounts of amounts due from group companies approximate their fair value. The Directors are of the opinion that these amounts should be classifed as current assets.

11. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	SR	SR	SR	SR
Premiums receivable	**17,685,409**	16,205,958	-	-
Provision for credit impairment	**(363,572)**	(744,080)	-	-
	17,321,837	15,461,878	-	-
Amount receivable from reinsurers	**880,662**	7,536,964	-	-
Interest receivable	**1,623,091**	2,359,234	**519,750**	345,917
Other receivables and prepayments	**2,884,175**	5,107,133	**196,416**	-
	22,709,765	30,465,209	**716,166**	345,917

The carrying amounts of trade and other receivables approximate their fair value.

12. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	SR	SR	SR	SR
Cash in hand	**5,500**	5,500	**1,000**	-
Bank balances	**15,999,917**	19,634,561	**4,610,967**	3,247,467
Call and term deposits	**1,028,983**	1,608,064	**1,028,983**	1,608,064
	17,034,400	21,248,125	**5,640,950**	4,855,531

13. LIFE BUSINESS ASSETS/LIFE ASSURANCE FUND

(a) Life Business Assets comprise of the following items:

	2010	2009
	SR	SR
Non-current assets		
Property and equipment	55,677,711	50,226,912
Intangible asset	255,247	40,560
Investment properties	62,384,372	43,010,892
Loans on life assurance policies	22,546,212	18,340,893
Held-to-maturity financial assets	165,240,945	145,436,560
	306,104,487	257,055,817
Current assets		
Trade and other receivables	22,997,754	24,673,110
Cash and cash balances	22,043,625	32,721,181
	45,041,379	57,394,291
Current liabilities		
Trade and other payables	5,570,543	5,369,440
Unearned premium	2,207,576	2,207,576
Amounts payable to group companies	17,023,307	6,989,779
Current tax liabilities	2,954,059	2,954,059
Bank overdraft	1,817,714	1,132,745
	29,573,199	18,653,599
Net assets	321,572,667	295,796,509

(b) Movement in Life Assurance Fund during the year is as follows:

	THE GROUP	
	2010	2009
	SR	SR
At January 1,	295,796,509	273,240,529
Revaluation surplus	4,938,090	4,290,900
Surplus attributable to policyholders	20,838,068	18,265,080
At December 31,	321,572,667	295,796,509

14. SHARE CAPITAL

	2010 & 2009
	SR
<u>Authorised, issued and fully paid up</u>	
200,000 ordinary shares at SR 175 each	35,000,000

15. SHARE PREMIUM

THE GROUP AND THE COMPANY	2010 & 2009
	SR
At January 1, and December 31,	23,239,094

16. OUTSTANDING CLAIMS AND IBNR

	THE GROUP			
			2010	2009
	Outstanding claims	IBNR	Total	Total
	SR	SR	SR	SR
At January 1,	13,260,667	3,000,000	16,260,667	16,210,165
Movement during the year	1,677,944	-	1,677,944	50,502
At December 31,	14,938,611	3,000,000	17,938,611	16,260,667

17. UNEARNED PREMIUMS

	THE GROUP	
	2010	2009
	SR	SR
At January 1,	37,360,790	30,352,112
Movement during the year	6,996,908	7,008,678
At December 31,	44,357,698	37,360,790

18. MORTGAGE PROTECTION FUND

	THE GROUP	
	2010	2009
	SR	SR
At January 1,	1,730,136	2,111,101
Amortised during the year	(1,971)	(380,965)
At December 31,	1,728,165	1,730,136

The Fund is designated for Mortgage Protection Insurance under a 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 is expected to cover the loan repayments in case of death or permanent disability. The 6% consists of 4% risk premium and 2% management fee for the Company 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 carried forward as unearned premium.

19. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	SR	SR	SR	SR
Claims payable	1,452,181	1,586,057	-	-
Amount payable to reinsurers	6,801,949	10,234,350	-	-
Other payables and accruals	6,150,003	7,940,403	19,614	-
	14,404,133	19,760,810	19,614	-

The carrying amounts of 'trade and other payables' approximate their fair value.

20. AMOUNTS DUE TO GROUP COMPANY

	THE COMPANY	
	2010	2009
	SR	SR
SACOS Insurance Company Limited	**26,409,914**	17,220,334

The carrying amounts of amounts receivable from group companies approximate their amortised costs.

21. CURRENT TAX LIABILITIES

(a) Movement during the year

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	SR	SR	**SR**	SR
At January 1,	**5,889,863**	(1,730,308)	**3,305,415**	(1,730,308)
Transfer to SACOS Insurance Company Limited	-	-	-	1,730,308
Paid during the year	**(2,584,448)**	(1,913,364)	-	-
Charge to the income statement	**7,389,373**	9,533,535	**1,189,447**	3,305,415
At December 31,	10,694,788	5,889,863	4,494,862	3,305,415

(b) Applicable tax rates are as follows:

Taxable income	Tax rates - %
At December 31, 2010	
≤ SR. 1,000,00 (	**25%**
> SR. 1,000,00 (	**33%**
At December 31, 2009	
≤ SR. 250,000	Nil
> SR. 250,000	40%

22. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
Interest income on:	**SR**	SR	**SR**	SR
- Held-to-maturity financial assets	**5,697,482**	11,153,083	**1,944,255**	3,465,766
- Others	**5,540**	35,479	-	-
Dividend income	-	-	**8,000,000**	-
	5,703,022	11,188,562	**9,944,255**	3,465,766

23. OTHER INCOME

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	SR	SR	**SR**	SR
Profit on disposal of equipment	110,355	93,900	-	-
Gain on foreign exchange differences	2,509,020	(479,848)	-	-
Management fees	1,449,686	-	**1,449,686**	-
Sundry income	1,453,788	3,168,798	**25,494**	1,487,408
	5,522,849	2,782,850	**1,475,180**	1,487,408

24. OTHER OPERATING EXPENSES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	SR	SR	SR	SR
Staff costs	8,197,844	9,149,016	168,600	-
Repairs and maintenance	454,767	1,180,499	-	-
Legal and professional fees	230,013	719,892	-	-
Marketing expenses	423,215	662,180	27,309	-
Donations	214,974	217,714	-	-
Loss on exchange	842,071	3,375,140	-	-
Provision for withholding tax	75,960	747,927	70,572	-
Reversal of provision for bad debts		-	-	-
Adminstrative expenses			-	-
Audit fees	149,545	308,577	-	-
Other adminstrative expenses	6,426,585	5,913,577	253,040	356,585
	17,014,974	22,274,522	519,521	356,585

(a) **Directors' emoluments**

	THE GROUP			
			2010	2009
	Fees	Other emoluments	Total	Total
	SR	SR	SR	SR
W Confait	43,425	-	43,425	43,200
M Felix	86,400	-	86,400	86,400
A Lucas	-	561,600	561,600	494,595
G DeGaye	32,625	-	32,625	-
J C D'Offay	43,425	-	43,425	-
L Rivalland	43,425	-	43,425	43,200
P Rousset	-	-	-	41,600
G Ferley	43,425	337,452	380,877	340,815
M Stravens	43,425	-	43,425	37,418
Y Suleman	43,425	-	43,425	25,664
	379,575	899,052	1,278,627	1,112,892

25. CAPITAL COMMITMENTS

There were no capital commitments as at December 31, 2010 (2009: Nil).

26. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2010 (2009: Nil).

27. DIVIDENDS

Directors recommend the payment of a dividend of SR 50 per share for the year under review (2009: SR 40 per share).

28. RELATED PARTY TRANSACTIONS

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	SR	SR	**SR**	SR
Amounts due from group companies				
- SACOS Life Assurance Company Limited	15,023,308	6,989,779	**4,490,991**	2,141,305
- Sun Investment (Seychelles) Limited	-	-	**187,130**	-
Amount due to group company				
- SACOS Insurance Company Limited	-	-	**26,409,914**	17,220,334
Management fees	-	-	**1,449,686**	1,487,408

Transactions with related parties are made at normal market prices.

Outstanding balances at the year-end are unsecured and interest free. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2010, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2009: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

29. FINANCIAL SUMMARY

THE GROUP

	2010	2009	2008	2007	2006
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before tax	**27,193**	21,242	25,059	21,580	13,340
Tax charge	**(7,389)**	(9,534)	(10,300)	(4,458)	-
Net profit for the year	**19,804**	11,708	14,759	17,122	13,340
Retained earnings brought forward	**43,458**	39,750	30,991	13,340	-
Dividends	**(8,000)**	(8,000)	(6,000)	(4,000)	-
Retained earnings carried forward	55,262	43,458	39,750	26,462	13,340
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	**35,000**	35,000	35,000	35,000	35,000
Share premium	**23,239**	23,239	23,239	23,239	23,239
Retained earnings	**55,262**	43,458	39,750	26,462	13,340
Total equity	**113,501**	101,697	97,989	84,701	71,579

STATE ASSURANCE COMPANY LIMITED