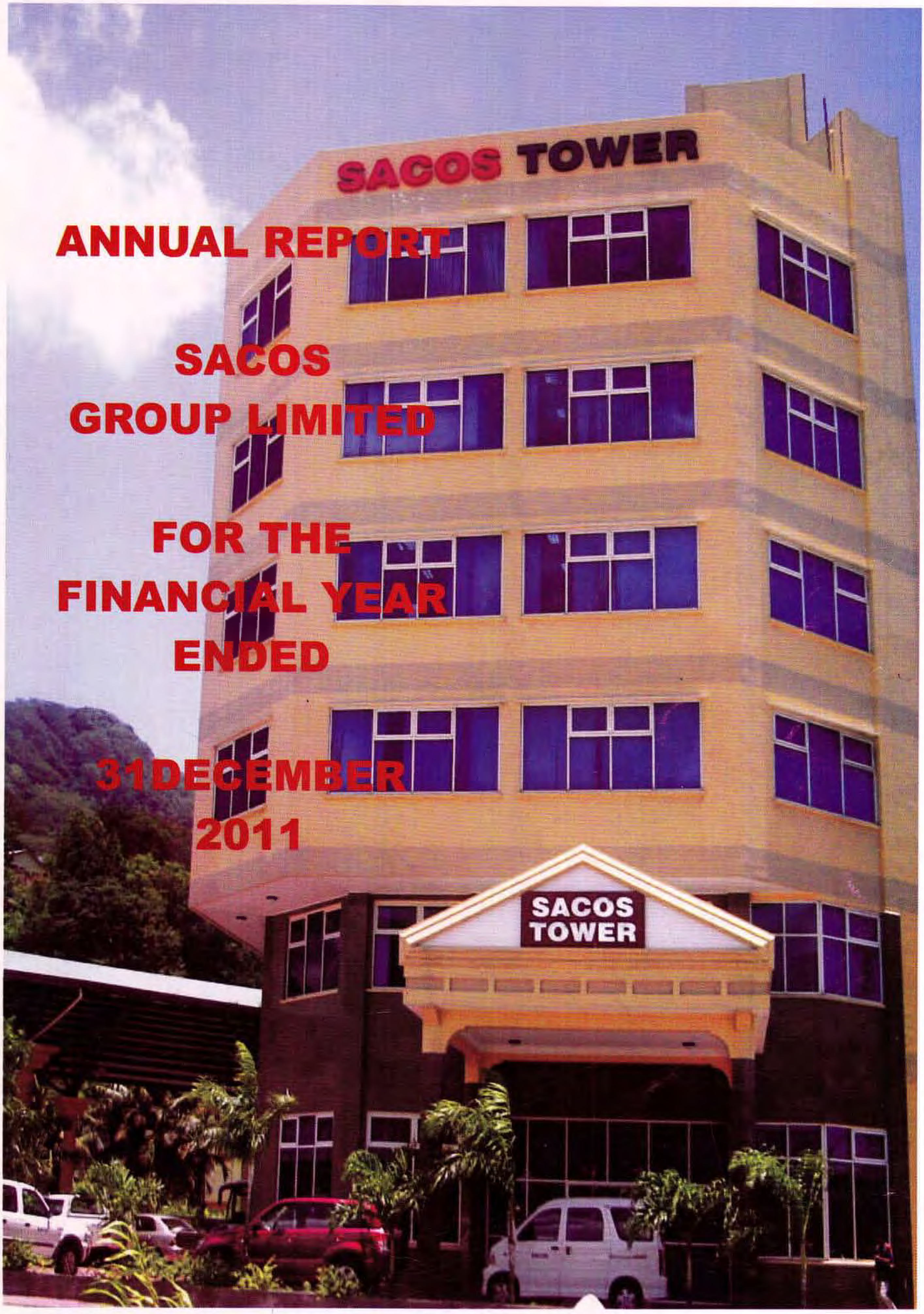
ANNUAL REPORT

SACOS GROUP LIMITED

FOR THE FINANCIAL YEAR ENDED

31DECEMBER 2011



SACOS GROUP LIMITED

TABLE OF CONTENTS - DECEMBER 31, 2011

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 General Manager - 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
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	Messrs. 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 OF ANNUAL GENERAL MEETING

Notice is hereby given that the 6th Annual General Meeting of SACOS GROUP LTD will be held at the STC Conference Centre, Latanier Road on Thursday 19th July 2012 at 10.15 a.m. for the following purposes:

1. To approve the Minutes of the 5th Annual General Meeting held on Saturday 2nd July 2011 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 2011.

4. To declare a final dividend.

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

    a. That Mr. G. Ferley who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
    b. That Mr. L. Rivalland who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
    c. That the Directors' remuneration of SR402,732 per annum be approved for the financial year 2012
    d. That the Directors' remuneration of approximately SR752,400 per annum be approved in respect of the Managing Director for the financial year 2012
    e. That the Directors' remuneration of approximately SR456,000 per annum be approved in respect of Mr Guy Ferley who is also the Director – SACOS Life Assurance Company Ltd for the financial year 2012
    f. 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

25th June 2012

Chairman's Report

Dear Shareholders,

The last 12 months appear to have gone fast and we have come to the end of what can be considered a rewarding year. As we close this sixth year of activity, I am to happy to report that the group took a more aggressive approach, in managing the business, whilst at the same time, working hard to address areas and issues of concern. It therefore gives me great pleasure in presenting my report for the year ended 31st December, 2011.

Many will recall that 2011 started on a very indifferent note with major fire in town early on, and a further big one at Bel Ombre. Regrettably there were several other fires throughout the year, in addition to continuously increasing accidents. These naturally caused much strain on the business from claims incurred, which for the past year increased by 61% to SR 56.87 m. However, as a result of proper reinsurance, there were significant recoveries, SR 16.29m thus the increase in net claims were SR 6.6m only.

Last year, we pursued with our strategy to improve shareholders wealth in the company, with much emphasis on business development. Over the last 12 months, we have continued to focus on our core market segments in General Insurance, and any business lost was covered from some SR 27m in new premiums. This shows the hard work of the management and staff to maintain growth.

In 2011, we recorded a further increase of SR 16.7m in Gross Written Premium of which General Insurance increased by SR 11.2m, to SR 110.4m (2010 - SR 99.2m). The consolidated results showed Profit before tax of SR 33.62m (2010 - SR 27.19). After provision for business tax of SR 7.48m, we are left with SR26.14m for disposal. The Group's full year performance has thus once again delivered significant profitable growth and this underpins the Board's desire to increase the final dividend over last year, which clearly shows our confidence in the future of the group. As a result of such good results in the face of growing competition, the Board has once again made recommendations to pay a final dividend of SR 60 per share for the total sum of SR 12m, which represents a return of 34.28% on investment. This is an increase of dividend to shareholders from SR 50 in 2010 to SR 60 per share in 2011. We remain conscious of the need to build up our retained earnings and maintain a good level of shareholders' funds, which will stand at SR 117.64m after dividends.

With the challenging business environment, competition has been intense last year and will likely continue for some time. We have noted continuous approaches made to our existing clients who are being offered much discount rates than the norm, as much as up to 30 per cent. In many case we have had to make concessions to ensure we do not lose out on our good clients. Furthermore, we have had to relook at our strategy to continue driving the business forward. face to face meetings have now become a necessity, and senior management are actively involved in the process. In so doing, our main goal is not only to retain our better clients but to attract others. As shareholders we have to be fully committed and do all we can to promote and do business with SACOS and get others to do so.

A new Business development section was created to promote the direct acquisition of commercial insurance. The intense competition has made it necessary to expand this section, for the senior supported by three sales executive to seek for new business. It is vital that they also keep close contact with existing clients who remain crucial to our business. Our marketing campaign also continued through advertising on TV, Radio, and newspaper, but we have to intensify this as we endeavour to attract new business.

It was announced at the year-end by Government that companies whose principal place of business is in Seychelles must insure with local insurers. This had provided us with a window of opportunity which we must capitalized on. It will serve to grow the insurance industry and improve premium income. Consequently management and staff have a lead role to play particularly in ensuring the development of the business.

Areas of major importance in any business are Audit, Compliance and Risk Management. Much emphasis has been placed on the development of a compliance plan to enable management to ensure the legal and regulatory requirements are adhered to Training has been undertaken and is ongoing with staff and systems being put in place for reporting to the EU in compliance with the Anti Money Laundering Act. Furthermore we are now required by the regulators to put procedures in place to handle customer complaints. The Risk Management plan is in place, with procedures to be applied to ensure identified risks and their impacts are controlled to avoid unnecessary claims on the business.

The audit committee is tasked to ensure that control issues are tested and where there is cause for concern, these are challenged. The Internal auditor continues to oversee tests and reporting to the Audit committee, where issues raised are not being handled promptly by the responsible party. It is important that management and staff in general are aware of their accountability where ineffective controls are not being addressed. The Committee ensures that weaknesses identified are acted upon and rectified in a timely manner. We wish to ensure the shareholders that we take such matters very seriously as part of good corporate governance within the business

The new software systems have taken much longer to develop than anticipated, and although the Life software did go since last year, we are encountering some glitches, which are being dealt with. This has enabled us to ensure that no such problems will arise with the software for General Insurance, which is expected to go live by mid July 2012. We firmly believe once these have been embedded, the system will facilitate work for staff and assist in handling customers' needs.

Health Insurance, the new product launched last year, has yet to make an impact. The package on offer does not appear attractive, and we have to relook at the whole product, on the way forward. It definitely has potential, but needs to be redefined to make it more salable. We had indicated last year that this product could have improved the bottom line, which sadly is not the case. We have made contact with other overseas insurers in this regard for an alternative.

One of our most important resources of the business and very precious indeed is our employees. Some have been with the company for many years, and thus are very dedicated, and their market knowledge of the industry have proved invaluable. Training remains our priority, and is ongoing. For the first time 13 attended the beginners course and 12 others the intermediate in Microsoft office. 13 staff also completed in-house training in the Insurance Course Level 2, whereas 1 attended the ACCA programme at SIM. In 2011, there was 11 staff that enrolled for the CII exams by correspondence. We also recruited two graduates who both had extensive on the job training but sadly they have both resigned. However SACOS has to move on despite this setback. As part of our succession planning, two senior staff in General and Life attended courses at the Malaysian Insurance Institute, one for a Diploma and the other for an Advanced Diploma, which is equivalent to ACII. Other senior staff also attended reinsurance seminars in Singapore and at Munich Re in Germany. As can be noted we continue to invest in committed employees, which positions us well to capitalize on opportunities as they come up.

The Life has continued with its policy of investment for better return and improving value to policyholders. Rental income increased considerably as result of additional income from the Quincy Village flats. This will further improve in 2012 with the 18 units at Anse Etoile now all leased. We have already commissioned an architect to commence preliminary drawings for construction of some 50 to 60 units at Anse Royale in 2 phases, to be followed by development of two other properties at Anse Aux Pins and Ma Joie. This will not happen overnight but will do, over the next 2 to 3 years at an estimated cost of SR 80m for the 3 projects. Additionally, in 2011 with a view to maximize our investment return, we finally agreed to invest US$ 500,000 overseas through Anglo Mauritius Financial Services. It has to be noted that the investment is managed by them and invested outside Mauritius with a yield of between 7% to 10% p.a. These funds can also be recalled whenever we feel it is necessary.
Credit Life is an area with potential bringing good value to the life fund, with premium of SR 3.1m last year (2010 SR 2.4m). Overall the Life Fund is progressing well and in the last 5 years has risen from SR 142.5m in 2006 to SR 338.7m in 2011.

Over the past few years, many shareholders have been vocal at the AGM's about the shares owned by Government. The Stock Exchange has been put forward for launching in September, 2012 following which, we believe the sale could happen. SACOS Group could be amongst the first to be listed, and we need to be positive, as there could be other investment opportunities available, although, we still need to take a cautious approach. Investment vehicles in Seychelles are few other than properties, in which most of the investments are concentrated. Treasury Bills rates have fallen drastically in the past year, much lower that we have managed to obtain from commercial banks ranging from 4% to 6% Treasury Bonds still yields 8%, but will eventually mature, when we will have to be prepared to reinvest the funds some SR 53m at our disposal. Investment income has been maintained and we will ensure these remains the case.

I am liasing with management for the board members to have timely access to full information prior to board meetings to allow enough time for open and frank discussions. Going forward it is imperative that we establish closer contact and communication between board members and senior management, some of whom are already in attendance at our meetings.

We are confident the group will once again deliver strong profitable growth in the coming year, even taking into consideration the threats posed by our competitors. Against the odds the performance has indeed delivered increased shareholder value and the board will continue in its efforts to ensure that this remains the case and welcome your support.

In conclusion, I wish to thank the management and staff for the job well done and look forward to their continued commitment to ensure continuous and profitable growth in 2012. My thanks also goes to the board members for their support during the past year and to all those who in one way or another have supported SACOS.

Thank you

Michel Felix
Chairman
15th May, 2012

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 2011.

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	
	2011	2010	2011	2010
	SR	SR	SR	SR
Underwriting surplus	35,311,866	28,740,453	-	-
Investment income	5,899,599	5,703,022	11,845,021	9,944,255
Rental income	1,527,146	1,168,244		-
Other operating revenue	6,888,958	6,364,920	1,886,099	1,551,594
Fair value gains on revaluation of properties	4,093,122	3,193,723	-	-
Operating expenses	(21,802,749)	(18,953,183)	(648,807)	(549,039)
Transfer from Life Fund	1,704,516	900,000	1,704,516	900,000
Profit before tax	33,622,459	27,193,592	14,786,,829	11,846,809
Income tax expense	(7,479,124)	(7,389,373)	(1,534,585)	(1,189,447)
Profit after tax	26,143,335	19,804,219	13,,252,244	10,657,362
Retained Earnings brought forward	55,261,997	43,457,778	35,517,074	32,859,712
Dividends	(10,000,000)	(8,000,000)	(10,000,000)	(8,000,000)
Retained Earnings carried forward	71,405,332	55,261,997	38,769,318	35,517,074

Fixed Assets

The Directors are of the opinion that the market or saleable value of the fixed assets as at 31st December 2011 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 55,261,997 makes a total of SR 71,405,332 in the Company's reserves.

Dividends

The Directors recommend the payment of a dividend of SR60.00 per share for the year under review (2010: SR50.00 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 2011 were:

	Shares in Holding Company	Director of Company			
		Group	Insurance	Life	Sun
W Confait	13	√	√	√	√
G DeGaye	Nil	√	√	√	×
J C D'Offay	17	√	√	√	√
M Felix	18	√	√	√	√
G Ferley	1	√	√	√	×
A Lucas	351	√	√	√	√
L Rivalland	Nil	√	√	√	×
M Stravens	12	√	√	√	√
Y Suleman	Nil	√	√	√	√

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 offers themselves for re-appointment.

DIRECTORS

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

A Lucas L Rivalland M Stravens Y Suleman

Dated: May 17, 2012
Victoria, Mahe
Seychelles

BDO

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Victoria
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SACOS GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of **SACOS Group Limited (previously known as State Assurance Company Limited (SACL)) 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 **SACOS Group Limited (previously known as SACL) and its subsidiaries** set out on pages 5 to 32 which comprise the Balance Sheet as at December 31, 2011, 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 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.

SACOS GROUP LIMITED

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, 2011 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 338.7m. They have also estimated that, out of the surplus of the subsidiary for the year amounting to SR 20.1m, SR 1.7m would be transferred to the Holding Company, SACOS Group Limited. (previously known as SACL).

Opinion

In our opinion, the financial statements on pages 5 to 32 give a true and fair view of the financial position of the Group and the Company at December 31, 2011 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.

BDO Associates

BDO Associates
Chartered Accountants

Dated: May 17, 2012
Victoria, Seychelles

SACOS GROUP LIMITED

	Notes	THE GROUP		THE COMPANY	
		2011	2010	2011	2010
ASSETS		SR	SR	SR	SR
Non-current assets					
Property and equipment	5	3,545,603	3,443,425	196,467	223,835
Intangible Assets	6	1,157,819	1,127,116	15,842	24,411
Investment properties	7	39,224,075	35,130,953	-	-
Investment in subsidiaries	8	-	-	64,271,362	64,271,362
Held-to-maturity financial assets	9	84,610,021	67,508,929	5,562,912	5,562,912
		128,537,518	107,210,423	70,046,583	70,082,520
Current assets					
Inventories	10	8,901,108	7,709,452	8,901,108	7,709,452
Held-to-maturity financial assets	9	35,700,416	36,369,702	35,700,416	36,369,702
Amounts due Sun Investment	11	-	-	172,337	187,130
Amounts due from Sacos Life	11	9,116,123	15,210,438	7,593,776	4,490,991
Trade and other receivables	12	31,952,457	21,090,069	53,290	199,811
Cash and cash equivalents	13	13,537,366	17,034,400	4,495,542	5,640,950
		99,207,470	97,414,062	56,916,469	54,598,037
Life Business Assets	14	341,663,610	321,572,667	-	-
Total assets		569,408,596	526,197,153	126,963,052	124,680,558
EQUITY AND LIABILITIES					
Capital and reserves					
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		71,405,332	55,261,997	38,769,318	35,517,074
Total equity		129,644,426	113,501,091	97,008,412	93,756,168
Technical provisions					
Outstanding claims and IBNR	17	24,585,180	19,390,792	-	-
Unearned premiums	18	46,432,365	44,357,698	-	-
Life Assurance Fund	14	341,663,610	321,572,667	-	-
		412,681,155	385,321,157	-	-
Non-current liabilities					
Mortgage Protection Fund	19	1,728,165	1,728,165	-	-
Fisheries and Agricultural Fund		2,000,000	2,000,000	-	-
		3,728,165	3,728,165	-	-
Current liabilities					
Trade and other payables	20	22,094,755	12,951,952	129,146	19,614
Amounts due to group company	21	-	-	27,966,281	26,409,914
Current tax liabilities	22	1,260,095	10,694,788	1,859,213	4,494,862
		23,354,850	23,646,740	29,954,640	30,924,390
Total liabilities		439,764,170	412,696,062	29,954,640	30,924,390
Total equity and liabilities		569,408,596	526,197,153	126,963,052	124,680,558

These financial statements have been approved for issue by the Board of Directors on 17 May 2012.

W Confait
Director

G DeGaye
Director

J C D'Offay
Director

M Felix
Director

G Ferley
Director

A Lucas
Director

L Rivalland
Director

M Stravens
Director

Y Suleman
Director

The notes on pages 9 to 32 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

	Notes	THE GROUP		THE COMPANY	
		2011	2010	2011	2010
		SR	SR	SR	SR
Revenue	2(p)	124,553,907	110,749,237	13,137,381	10,612,763
Underwriting surplus	2(p)	35,311,866	28,740,453	-	-
Profit on sale of spares		196,169	76,413	196,169	76,413
Investment income	23	5,899,599	5,703,022	11,845,021	9,944,255
Rental income		1,527,146	1,168,244	-	-
		42,934,780	35,688,132	12,041,190	10,020,668
Other income	24	6,692,789	5,522,849	1,689,930	1,475,180
Increase in fair value of investment properties	7	4,093,122	3,193,723	-	-
		53,720,691	44,404,704	13,731,120	11,495,849
Other operating expenses	25	(20,425,946)	(16,985,455)	(608,975)	(519,521)
Depreciation	5	(1,339,481)	(1,124,356)	(31,263)	(28,218)
Software Amortisation	6	(37,321)	(1,300)	(8,569)	(1,300)
Shareholders' share of surplus of Life Assurance Fund	2(q)	1,704,516	900,000	1,704,516	900,000
Profit before tax		33,622,459	27,193,592	14,786,829	11,846,809
Tax charge	22	(7,479,124)	(7,389,373)	(1,534,585)	(1,189,447)
Net profit for the year		26,143,335	19,804,219	13,252,244	10,657,362

The notes on pages 9 to 32 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, 2011		**35,000,000**	**23,239,094**	**55,261,997**	**113,501,091**
Net profit for the year		**-**	**-**	**26,143,335**	**26,143,335**
Dividends	28			**(10,000,000)**	**(10,000,000)**
At December 31, 2011		**35,000,000**	**23,239,094**	**71,405,332**	**129,644,426**
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	28	-	-	(8,000,000)	(8,000,000)
At December 31, 2010		35,000,000	23,239,094	55,261,997	113,501,091
THE COMPANY					
At January 1, 2011		**35,000,000**	**23,239,094**	**35,517,074**	**93,756,168**
Net profit for the year		**-**	**-**	**13,252,244**	**13,252,244**
Dividends	28			**(10,000,000)**	**(10,000,000)**
At December 31, 2011		**35,000,000**	**23,239,094**	**38,769,318**	**97,008,412**
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	28	-	-	(8,000,000)	(8,000,000)
At December 31, 2010		35,000,000	23,239,094	35,517,074	93,756,168

The notes on pages 9 to 32 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

	Notes	THE GROUP		THE COMPANY	
		2011	2010	2011	2010
		SR	SR	SR	SR
Cash flows from operating activities					
Profit before tax		33,622,459	27,193,592	14,786,829	11,846,809
Adjustments for:					
Depreciation	5	1,339,481	1,124,356	31,263	28,218
Software Amortisation	6	37,321	1,300	8,569	1,300
Increase in fair value of investment property	7	(4,093,122)	(3,193,723)	-	-
Profit on disposal of equipment	24	(353,491)	(110,355)	-	-
Movement in outstanding claims and IBNR	17	5,194,388	3,130,125	-	-
Movement in unearned premium	18	2,074,667	6,996,908	-	-
Amortisation of Mortgage Protection Fund	19	-	(1,971)	-	-
		37,821,703	35,140,232	14,826,661	11,876,327
Changes in working capital:					
- Decrease/(Increase) in trade and other receivables		(10,862,386)	7,755,444	146,522	(370,249)
- Increase in inventories		(1,191,656)	(4,820,504)	(1,191,656)	(7,709,452)
- Increase in amounts due from group companies		6,094,315	(8,220,659)	(3,087,992)	(2,536,816)
- (Decrease)/Increase in trade and other payables		9,142,803	(6,808,858)	109,532	19,614
- Increase in amounts due to group companies		-	-	1,556,366	9,189,580
		41,004,780	23,045,655	12,359,433	10,469,004
Tax paid	22	(16,913,817)	(2,584,448)	(4,170,234)	-
Net cash inflow from operating activities		24,090,963	20,461,207	8,189,200	10,469,004
Cash flows from investing activities					
Purchase of property and equipment	5	(1,441,659)	(1,225,818)	(3,895)	-
Purchase of Intangibles	6	(68,024)	(653,256)		
Transfer of property and equipment from subsidiaries		-	-	-	(277,764)
Proceeds from sale of property and equipment		353,491	139,999	-	-
Proceeds from sale of intangibles			6,500		
Purchase of investment property			-	-	-
Investment in SACL Life Assurance Company Limited		-	-	-	-
Capital contribution		-	-	-	-
Movement in held-to-maturity financial assets	9	(16,431,805)	(14,942,357)	669,287	(1,405,821)
Net cash outflow from investing activities		(17,587,997)	(16,674,932)	665,392	(1,683,585)
Cash flows from financing activities					
Dividend paid	28	(10,000,000)	(8,000,000)	(10,000,000)	(8,000,000)
Net (decrease)/increase in cash and cash equivalents		(3,497,035)	(4,213,725)	(1,145,409)	785,419
Movement in cash and cash equivalents					
At January 1,		17,034,400	21,248,125	5,640,950	4,855,531
(Decrease)/Increase		(3,497,035)	(4,213,725)	(1,145,409)	785,419
At December 31,	13	13,537,366	17,034,400	4,495,542	5,640,950

The notes on pages 9 to 32 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

1. GENERAL INFORMATION

SACOS Group Limited (previously known as SACL) was incorporated under the Companies Act, 1972 on November 23, 2005. The activities of the Company and the subsidiaries are detailed as per Director's report on Page 2 and Note 7 respectively.

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 SACOS Group Limited were transferred to SACOS Life Insurance Company Limited and SACOS Insurance 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 **SACOS Group 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%

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) Intangible Assets

Computer Software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over the estimated useful life.

Costs associated with developing or maintaining computer software are recognised as an expense

(d) 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.

(e) 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 (or at fair value). The carrying amount is reduced to recognise any impairment in the value of individual investment.

Consolidated financial statements
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Investment in subsidiaries

Consolidated financial statements (Cont'd)

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration 'transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement .

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) 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 - Sacos Life Assurance Company Ltd.***
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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

(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.

(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.

(g) 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.

(h) 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(h) **Insurance contracts (Cont'd)**

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

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) Short-term insurance contracts - *SACOS Insurance Company Ltd.*
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.

(b) Long-Term insurance contracts without fixed and guaranteed terms - *SACOS Life Assurance Co. Ltd.*
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 - *SACOS Life Assurance Co. Ltd.*
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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(h) **Insurance contracts (Cont'd)**

(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.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) 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.

(j) Provision for outstanding claims - *SACOS Insurance Co. Ltd.*

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.

(k) Life insurance business provisions - *SACOS Life Assurance Co. Ltd.*

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) 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).

(m) 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.

(n) Tax

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.

(o) 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(p) Revenue recognition

(A) The Group

(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 coverage.

(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.

(vi) *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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(p) Revenue recognition (Cont'd)

(B) The Company

Sale of spare parts and services
Sale is recognised in the income statement when the actual sale of spare part is done and cash is received.

(C) *Other income*

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

(b) Management Fees
Management fees is recognised at the year end on a pre-decided rate by the management.

(c) Interest Income
Interest Income is recognised on an accrual basis at the rates prescribed in the investment certificates

(q) 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)

(q) 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.

(r) Shareholders share of surplus from Life Assurance Fund

This represents the share of surplus of the Life Assurance Fund which belongs to the Shareholders and determined by the Life Assurance Actuary based on the requirements of the Insurance Act 2008.

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, 2011. 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, 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

(iii) **Depreciation Policies**

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group/Company would currently obtain from disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

5. PROPERTY AND EQUIPMENT

(a) THE GROUP

	Furniture and fittings	Computer equipment	Motor vehicles	Total
	SR	SR	SR	SR
COST				
At January 1, 2010	1,775,439	6,049,889	2,907,931	10,733,259
Additions	452,221	330,834	694,814	1,477,869
Disposals	(191,799)	(60,254)	(100,205)	(352,258)
At December 31, 2010	**2,035,861**	**6,320,469**	**3,502,540**	**11,858,870**
Additions	**148,822**	**52,499**	**1,240,338**	**1,441,659**
Disposals	**-**	**-**	**(446,491)**	**(446,491)**
At December 31, 2011	**2,184,683**	**6,372,968**	**4,296,387**	**12,854,038**
DEPRECIATION				
At January 1, 2010	854,209	4,944,917	1,562,524	7,361,650
Charge for the year	124,570	360,712	639,074	1,124,356
Disposal adjustment	-	-	(70,561)	(70,561)
At December 31, 2010	**978,779**	**5,305,629**	**2,131,037**	**8,415,445**
Charge for the year	**142,376**	**377,974**	**819,131**	**1,339,481**
Disposal adjustment	**-**	**-**	**(446,491)**	**(446,491)**
At December 31, 2011	**1,121,155**	**5,683,603**	**2,503,677**	**9,308,435**
NET BOOK VALUE				
At December 31, 2011	**1,063,528**	**689,365**	**1,792,710**	**3,545,603**
At December 31, 2010	1,057,082	1,014,840	1,371,503	3,443,425

(b) THE COMPANY

	Furniture and fittings	Computer equipment	Motor vehicles	Total
COST	SR	SR	SR	SR
At January 1, 2010	-	-	-	-
Transfer from subsidiaries	191,799	60,254	-	252,053
At December 31, 2010	**191,799**	**60,254**	**-**	**252,053**
Additions	**3,895**	**-**	**-**	**3,895**
At December 31, 2011	**195,694**	**60,254**	**-**	**255,948**
DEPRECIATION				
At January 1, 2010	-	-	-	-
Charge for the year	19,180	9,038	-	28,218
At December 31, 2010	**19,180**	**9,038**	**-**	**28,218**
Charge for the year	**19,212**	**12,051**	**-**	**31,263**
At December 31, 2011	**38,392**	**21,089**	**-**	**59,481**
NET BOOK VALUE				
At December 31, 2011	**157,302**	**39,165**	**-**	**196,467**
At December 31, 2010	172,619	51,216	-	223,835

6. INTANGIBLE ASSETS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
COST	**SR**	SR	**SR**	SR
At January 1,	**1,128,416**	481,660	**25,711**	-
Transfer from subsidiaries	-	-	-	25,711
Additions	**68,024**	653,256	-	-
Disposal	-	(6,500)	-	-
At December 31,	**1,196,440**	1,128,416	**25,711**	25,711
DEPRECIATION				
At January 1,	**1,300**	-	**1,300**	-
Charge for the year	**37,321**	1,300	**8,569**	1,300
At December 31,	**38,621**	1,300	**9,869**	1,300
NET BOOK VALUE				
At December 31,	**1,157,819**	1,127,116	**15,842**	24,411

7. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
<u>**At fair value**</u>	**SR**	SR	**SR**	SR
At January 1,	**35,130,953**	31,937,230	-	-
Additions during the year	-	-	-	-
Increase in fair value	**4,093,122**	3,193,723	-	-
At December 31,	**39,224,075**	35,130,953	-	-

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

8. INVESTMENT IN SUBSIDIARIES

(i) THE COMPANY

	2011	2010
	SR	SR
Investments at cost (note (iii) below)	**13,060,000**	6,060,000
Investment recognised upon split of assets (note (iii) below)	**28,651,590**	35,651,590
Long term receivables	**22,559,772**	22,559,772
	64,271,362	64,271,362

(ii) Details of subsidiaries are as follows:

Name of subsidiaries	Activities	Country of incorporation	Class of shares
Sun Investment (Seychelles) Ltd.	Investment property	Seychelles	Ordinary
SACOS Insurance Company Ltd.	General insurance business	Seychelles	Ordinary
SACOS Life Assurance Company Ltd.	Life Insurance Business	Seychelles	Ordinary

All the above subsidiaries are wholly owned and have December 31st as year ends.

(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. During the year SR 7m was capitalised as bonus shares and transferred to Share Capital.

9. HELD-TO-MATURITY FINANCIAL ASSETS

	Interest rates	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
At amortised cost	%	SR	SR	SR	SR
Treasury bonds	8%	**53,078,182**	49,010,075	**5,562,912**	5,562,912
Fixed deposit	2% - 5%	**67,232,255**	54,868,556	**35,700,416**	36,369,702
		120,310,437	103,878,632	**41,263,328**	41,932,615
Analysed as:					
Non-current		**84,610,021**	67,508,929	**5,562,912**	5,562,912
Current		**35,700,416**	36,369,702	**35,700,416**	36,369,702
		120,310,437	103,878,632	**41,263,328**	41,932,615

10. INVENTORIES

	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
	SR	SR	SR	SR
Spare parts (at Cost or NRV)	**8,901,108**	7,709,452	**8,901,108**	7,709,452

11. AMOUNTS DUE FROM GROUP COMPANIES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	SR	SR	**SR**	SR
SACOS Life Assurance Company Ltd. (See note below)	9,116,123	15,210,438	**7,593,776**	4,490,991
Sun Investment (Seychelles) Ltd.	-	-	**172,337**	187,130
	9,116,123	15,210,438	**7,766,114**	4,678,121

Note: Amount receivable from SACOS Life Assurance Company Ltd. Is not eliminated during consolidation and the contra is in the Life business assets (Note 14). The carrying amounts of amounts due from group companies approximate their fair value. The Directors are of the opinion that these amounts should be classified as current assets.

12. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	SR	SR	**SR**	SR
Premiums receivable	**16,107,894**	17,685,409	-	-
Provision for credit impairment	**(363,572)**	(363,572)	-	-
	15,744,322	17,321,837	-	-
Amount receivable from reinsurers	**4,105,650**	880,662	-	-
Other receivables and prepayments	**12,102,485**	2,887,570	**53,290**	199,811
	31,952,457	21,090,069	**53,290**	199,811

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

13. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	SR	SR	**SR**	SR
Cash in hand	**5,839**	5,500	**1,000**	1,000
Bank balances	**12,575,835**	15,999,917	**3,538,851**	4,610,968
Call and term deposits	**955,691**	1,028,983	**955,691**	1,028,983
	13,537,366	17,034,400	**4,495,542**	5,640,950

14. LIFE BUSINESS ASSETS/LIFE ASSURANCE FUND

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

	2011	2010
	SR	SR
Non-current assets		
Property and equipment	56,743,699	55,677,711
Intangible asset	682,483	255,247
Investment properties	102,604,796	62,384,372
Loans on life assurance policies	22,201,549	22,546,212
Held-to-maturity financial assets	152,162,205	171,638,029
Tax asset	478,324	-
	334,873,055	312,501,571
Current assets		
Trade and other receivables	17,971,272	16,600,671
Cash and cash balances	11,841,065	22,043,625
	29,812,337	38,644,296
Current liabilities		
Trade and other payables	9,418,122	7,383,412
Unearned premium	3,570,944	2,207,576
Amounts payable to Holding Company (Note 11)	9,116,123	15,210,438
Current tax liabilities	-	2,954,059
Bank overdraft	916,593	1,817,714
	23,021,783	29,573,199
Net Business Assets	341,663,610	321,572,667

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

	THE GROUP	
	2011	2010
	SR	SR
At January 1,	321,572,667	295,796,509
Revaluation surplus	1,673,162	4,938,090
Surplus attributable to policyholders	18,417,781	20,838,068
At December 31,	341,663,610	321,572,667

15. SHARE CAPITAL

	2011 & 2010
	SR
<u>Authorised, issued and fully paid up</u>	
200,000 ordinary shares at SR 175 each	35,000,000

16. SHARE PREMIUM

THE GROUP AND THE COMPANY	2011 & 2010
	SR
At January 1, and December 31,	23,239,094

17. OUTSTANDING CLAIMS AND IBNR

	THE GROUP			
			2011	2010
	Outstanding claims	IBNR	Total	Total
	SR	SR	SR	SR
At January 1,	**16,390,792**	**3,000,000**	**19,390,792**	16,260,667
Movement during the year	**5,194,388**	**-**	**5,194,388**	3,130,125
At December 31,	**21,585,180**	**3,000,000**	**24,585,180**	19,390,792

18. UNEARNED PREMIUMS

	THE GROUP	
	2011	2010
	SR	SR
At January 1,	**44,357,698**	37,360,790
Movement during the year	**2,074,667**	6,996,908
At December 31,	**46,432,365**	44,357,698

19. MORTGAGE PROTECTION FUND

	THE GROUP	
	2011	2010
	SR	SR
At January 1,	**1,728,165**	1,730,136
Amortised during the year	**-**	(1,971)
At December 31,	**1,728,165**	1,728,165

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.

20. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	SR	SR	SR	SR
Amount payable to reinsurers	**8,010,839**	6,801,949	**-**	-
Other payables and accruals	**14,083,916**	6,150,003	**129,146**	19,614
	22,094,755	12,951,952	**129,146**	19,614

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

21. AMOUNTS DUE TO GROUP COMPANY

	THE COMPANY	
	2011	2010
	SR	SR
SACOS Insurance Company Ltd.	**27,966,281**	26,409,914

The carrying amounts of amounts receivable from group companies approximate their fair value.

22. CURRENT TAX LIABILITIES

(a) Movement during the year

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	SR	SR	**SR**	SR
At January 1,	**10,694,788**	5,889,863	**4,494,862**	3,305,415
Paid during the year	**(16,913,817)**	(2,584,448)	**(4,170,234)**	-
Charge to the income statement	**7,479,124**	7,389,373	**1,534,585**	1,189,447
At December 31,	**1,260,095**	10,694,788	**1,859,213**	4,494,862

(b) Applicable tax rates are as follows:

Taxable income	Tax rates - %
At December 31, 2011 & 2010	
≤ SR. 1,000,000	**25%**
> SR. 1,000,000	**33%**

23. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
Interest income on:	**SR**	SR	**SR**	SR
- Held-to-maturity financial assets	**5,899,599**	5,703,022	**1,845,021**	1,944,255
- Others	-	-	-	-
Dividend income	-	-	**10,000,000**	8,000,000
	5,899,599	5,703,022	**11,845,021**	9,944,255

24. OTHER INCOME

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	SR	SR	**SR**	SR
Profit on disposal of equipment	**353,491**	110,355	-	-
Gain on foreign exchange differences	**4,369,864**	2,509,020	-	-
Management fees	**1,689,260**	1,449,686	**1,689,260**	1,449,686
Sundry income	**280,174**	1,453,788	**670**	25,494
	6,692,789	5,522,849	**1,689,930**	1,475,180

25. OTHER OPERATING EXPENSES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	SR	SR	**SR**	SR
Staff costs	**9,793,451**	8,197,844	**198,227**	168,600
Repairs and maintenance	**345,765**	454,767	**-**	-
Legal and professional fees	**307,910**	230,013	**-**	-
Marketing expenses	**518,820**	423,215	**10,823**	27,309
Sponsorships	**289,490**	214,974	**-**	-
Loss on exchange	**-**	842,071	**-**	-
Provision for withholding tax	**105,370**	75,960	**70,509**	70,572
Audit fees	**254,995**	149,545	**57,500**	-
Other administrative expenses	**8,810,145**	6,397,067	**271,916**	253,040
	20,425,946	16,985,455	**608,975**	519,521

(a) Directors' emoluments

	THE GROUP			
			2011	2010
	Fees	**Other emoluments**	**Total**	Total
	SR	**SR**	**SR**	SR
W Confait	**65,298**		**65,298**	43,425
G DeGaye	**65,298**		**65,298**	32,625
J C D'Offay	**65,298**		**65,298**	43,425
M Felix	**130,585**		**130,585**	86,400
G Ferley	**65,298**	**366,502**	**431,800**	380,877
A Lucas	**-**	**641,550**	**641,550**	561,600
L Rivalland	**65,298**		**65,298**	43,425
M Stravens	**65,298**		**65,298**	43,425
Y Suleman	**65,298**		**65,298**	43,425
	587,673	**1,008,052**	**1,595,725**	1,278,627

26. CAPITAL COMMITMENTS

There were no capital commitments as at December 31, 2011 (2010: Nil).

27. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2011 (2010: Nil).

28. DIVIDENDS

The Directors declared and paid dividend of SR 50 per share amounting to SR 10m for the year under review (2010: SR 40 per share, amounting to SR. 8m).

29. RELATED PARTY TRANSACTIONS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	SR	SR	**SR**	SR
Amounts due from:				
- SACOS Life Assurance Company Ltd.	**9,116,123**	15,210,438	**7,593,776**	4,490,991
- Sun Investment (Seychelles) Ltd.	-	-	**172,337**	187,130
Amount due to group company				
- SACOS Insurance Company Ltd.	-	-	**27,966,281**	26,409,914
Management fees	-	-	**1,689,260**	1,449,686

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, 2011, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2010: 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.

30. FINANCIAL SUMMARY

THE GROUP

	2011	2010	2009	2008	2007
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before tax	**33,622**	27,194	21,242	25,059	21,580
Tax charge	**(7,479)**	(7,389)	(9,534)	(10,300)	(4,458)
Net profit for the year	**26,143**	19,804	11,708	14,759	17,122
Retained earnings brought forward	**55,262**	43,458	39,750	30,991	13,340
Dividends	**(10,000)**	(8,000)	(8,000)	(6,000)	(4,000)
Retained earnings carried forward	**71,405**	55,262	43,458	39,750	26,462
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	71,405	55,262	43,458	39,750	26,462
Total equity	**129,644**	113,501	101,697	97,989	84,701

30. FINANCIAL SUMMARY (Cont'd)

THE COMPANY

	2011	2010	2009
	SR'000	SR'000	SR'000
Profit before tax	14,787	11,847	8,514
Tax charge	(1,535)	(1,189)	(3,305)
Net profit for the year	13,252	10,657	5,208
Retained earnings brought forward	35,517	32,860	35,652
Dividends	(10,000)	(8,000)	(8,000)
Retained earnings carried forward	38,769	35,517	32,860
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	35,000	35,000	35,000
Share premium	23,239	23,239	23,239
Retained earnings	38,769	35,517	32,860
Total equity	97,008	93,756	91,099

SACOS
GROUP LIMITED