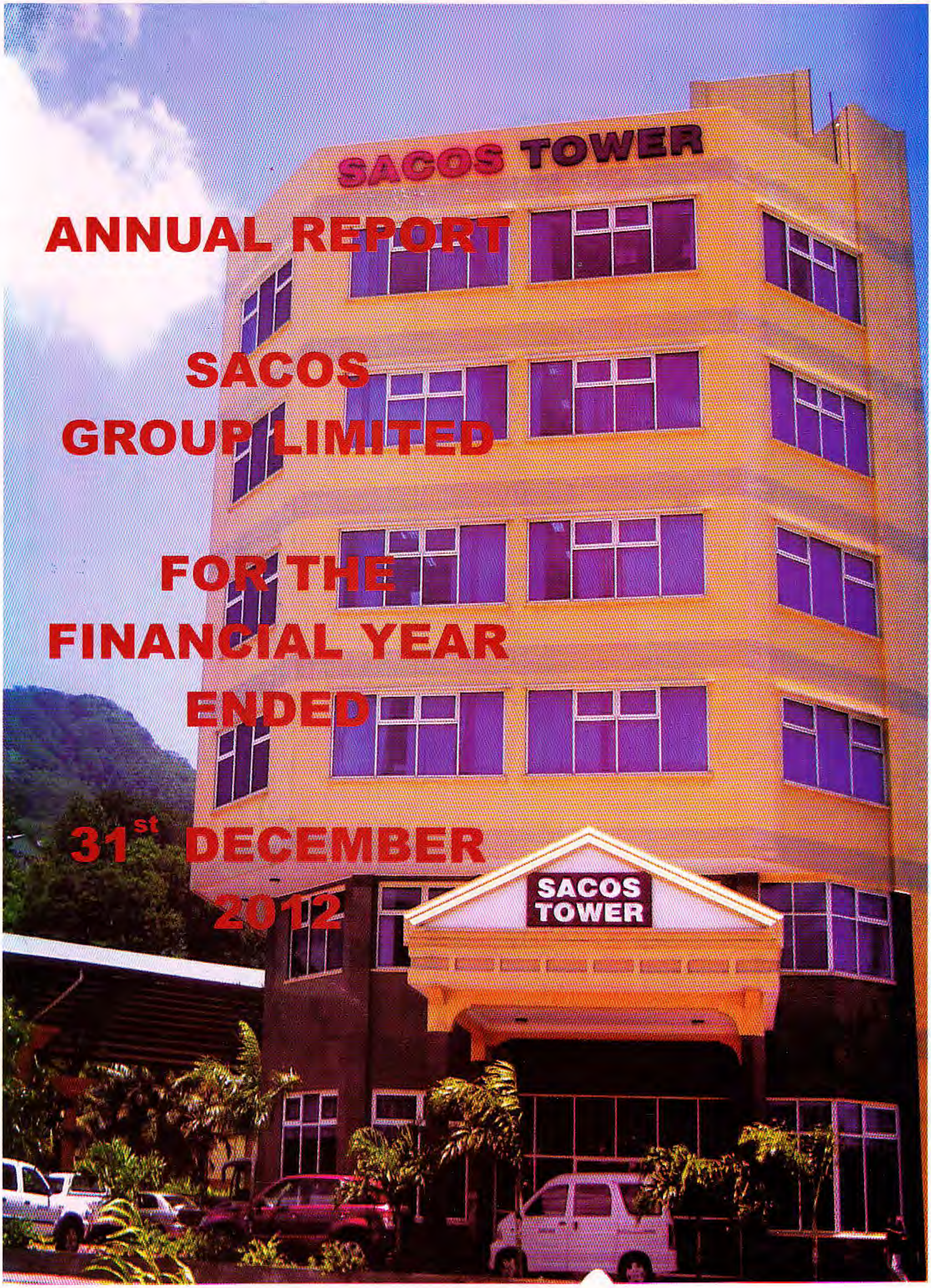
ANNUAL REPORT

SACOS GROUP LIMITED

FOR THE FINANCIAL YEAR ENDED

31st DECEMBER 2012



SACOS GROUP 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	Mr. M Felix Business Consultant	Appointed on July 16, 2007
Directors	Mr. W Confait CEO Seychelles Pension Fund	Appointed on July 16, 2007
	Mr. G Ferley General Manager Life	Appointed on July 16, 2007
	Mr. L Rivalland Group Chief Operations Officer Swan Insurance Company Ltd, Mauritius	Appointed on July 16, 2007
	Mr. Y Suleman Businessman	Appointed May 28, 2009
	Mr. J C DOffay Retired	Appointed December 11, 2009
	Ms. M Stravens	Resigned July 19, 2012
	Mr. G DeGaye	Resigned January 1, 2013
Managing Director	Mr. A Lucas	Appointed July 17, 2007
Company Secretary	Ms. C Payet	Appointed July 17, 2007
Legal Advisors:	Mr. K B Shah Attorney-at-Law & Notary Public	
	Mr. D Lucas Attorney-at-Law & Notary Public	
Auditors:	BDO Associates Chartered Accountants	
Actuary:	State Insurance Company of Mauritius Ltd Port Louis, Mauritius	
Bankers:	Bank of Baroda Barclays Bank (Seychelles) Ltd Habib Bank (Seychelles) Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) Seychelles Savings Bank Limited The Mauritius Commercial Bank (Seychelles) Limited	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 7th Annual General Meeting of SACOS Group Limited will be held at the International Conference Centre. Latanier Road on Thursday 4th July 2013 at 10.15 a.m. for the following purposes:

1. To approve the Minutes of the 6th Annual General Meeting held on Thursday 19th July 2012 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 2012.

4. To declare a final dividend.

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

   a. That Mr J.C. D'Offay who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
   b. That Mr P. Bastide who was appointed a Director by the Board of Directors on the 21st March 2013 and who retires under section 163 (4) of the Companies Act 1972, be elected as a Director of the Company.
   c. That Mr J. Raguin who was nominated as a Director by the Board of Directors on the 16th May 2013 and who retires under section 163 (4) of the Companies Act 1972, be elected as a Director of the Company
   d. That Ms E. Charles who was nominated as a Director by the Board of Directors on the 16th May 2013 and who retires under section 163 (4) of the Companies Act 1972, be elected as a Director of the Company
   e. That Mr A. Hassan who was nominated as a Director by the Board of Directors on the 16th May 2013 and who retires under section 163 (4) of the Companies Act 1972, be elected as a Director of the Company
   f. That the Directors' remuneration of SR586,500 per annum be approved for the financial year 2013
   g. That the Directors' remuneration of approximately SR827,640 per annum be approved in respect of the Managing Director for the financial year 2013
   h. That approval be given to increase the authorized share capital to SR70,000,000.00
   i. Pursuant to Regulation 59 (1) (a) of the Companies Act. 1972, and subject to the consent of members in the General Meeting, the Board of Directors do hereby recommend that a sum of SR35,000,000.00 be capitalized out of the following namely;

	1. Share Premium	SR23,239,094.00
	2. Retained Earnings	SR11,760,906.00
	Total	SR35,000,000.00

   and be distributed amongst the equity shareholders of the company as a bonus share by issue of 1 equity share of SR175.00 each in proportion of one equity share for every equity share held by them on the day the transfer books are proposed to be closed as may be declared by the Board and that such new shares as and when issued and full paid, shall rank pari passu with the existing equity shares.
   j. That the approval be given for the present shareholding of the Company be split by increasing the number of each equity share in a ratio of 5:1
   k. 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
3rd June 2013

Dear Shareholders,

I once again welcome you all to the 7th Annual General Meeting of your Company and have the pleasure of presenting to you my report for the year ended December 31, 2012.

We have come to the end of what we consider our toughest year so far, and although we have come out subdued, there have been lessons learnt. Growth was stalled in the face of stiff competition, on rates from the other two insurance companies which trend is likely to continue in 2013, and increase in the number of claim payments. Nevertheless, we managed to maintain our position, with a 5% growth in gross revenue.

In 2012 following our recommendation the authorities eventually passed legislation making it mandatory for assets situated in Seychelles to be registered locally. This will give a boost to the insurance industry, and Sacos is well positioned to capitalise on this, to ensure growth in premium income. The Business Development team has been working hard over the past year to make physical contact to secure as much of this market segment, evidence of which will be seen in 2013.

As was the case in 2010 and 2011, once again, there were some major fires and continuous accidents resulting in a significant number of claims. To name a few Fisherman's Cove and Berjaya Hotels, Masons boat Le Cerf destroyed at sea by storm, another boat lost between Mahe and Praslin, are some cases in point. Whereas total claims increased to SR 53.53m, (2011 SR 51.67m), the recoveries from reinsurers were some SR 10.40 less. Furthermore, reinsurance premiums also increased by SR 5.8m partly as a result of several claims paid in 2011.

Growth in Gross Written Premium for General Insurance was curtailed, showing a mere 4.78% increase to SR 115.74m (2011 SR 110.45m), from the original projection of 10%. Revenue was thus marginally up SR 119.56m (2011 SR 113.45m). The final results showed Profit of SR23.86m before Tax SR6.95m (2011 PBT SR 33.62m Tax SR 7.48m), which was short of expectations, arising primarily from claims paid remaining high, most falling within the company's retention, and much less recoveries from reinsurers. Other income was down SR3.4m whereas surplus from life reduced by SR600k, and operating expenses was up by SR 5.3m. We also recorded loss on exchange SR 1.578m from a gain of SR 4.37m in 2011, which all added to the reduced profit.

In spite of all these constraints, the Board reviewed the position and discussed at length and felt it was justified once again, to recommend the payment of a final dividend of SR 12m (SR 60 per share) giving a return of 34.28% on investment. After taxation and provision for dividends SR 12m, the shareholders funds will stand at SR 122.5m, increasing by SR5m on 2011.

As you are very much aware, the Seychelles Securities Exchange was launched in November 2012, and Sacos had been encouraged to list. Several presentations were made to the Board by sponsored advisors, and we concluded that sooner or later it would be the best way forward. Consequently, as we already hold the shareholders approval to do so, we will proceed after the Annual General Meeting. Prior to listing, we have also felt it appropriate to consider a Bonus Share issue, which has been approved by the Board, and will be tabled for your further approval at the AGM.

The company is driven to attract and develop the best talent, and going forward Sacos must be seen as an employer of choice among jobseekers. Thus a continuous investment in training is of primary importance for development, which has been ongoing from where we left off last year. In house training continues at junior level whereas the 11 staff studying for the Chartered Insurance Institute in different units will be sitting for their exams shortly. The two senior staff in General and Life both qualified in their respective fields and are understudying to eventually head these departments. We are geared to start succession planning to ensure key positions can be filled by promising individuals with the drive and determination to take the business forward. Various positions in business development and property management have now been filled by graduates, who we believe, have the potential to make an impact. Management must now use the tools available at their disposal to increase the company's profitability.

The Life Assurance software system is working satisfactorily and minor issues that occur are being handled promptly. The software system for General Insurance has finally been completed, and a parallel run is being carried out. This has been a long process, but thankfully, we can look forward to make it easier for both customers and staff. The resignation of two senior expatriate personnel in finance in July 2012 caused further delays in implementation of the accounting software, as well as the move to IFRS. It has taken longer than expected to recruit their replacements with insurance accounting background. This is now resolved and they will start in June. However emphasis needs to be put on localizing these posts by the end of their contract.

During the year, there has been a relentless drive to attract new customers. Incentive schemes were put in place for existing and new clients, which includes discount on premium and lottery draws. The Business Development team has remained focused on reaching out, and continuously making face to face contact. It must remain our mission to continue making available our products, from crop, health, travel, credit life insurance and many others, which are areas with potential to grow the overall income stream. The onus in on management to take the products and services to the wider spectrum of the market, to attract new businesses and reach out to the uninsured.

It is evident that Health Insurance will take time to make an impact on the overall business. Progress is slow as businesses and individuals still consider it an expensive product. This will however be pursued, as we firmly believe it will come good in time. Discussions have remained ongoing with the authorities to activate the Agriculture and Fisheries insurance. Whereas this is a joint venture with our main competitor, there is sufficient business to be secured over the next 12 months and beyond.

Investment of cash balances fared better in 2012, as a result of improved T/Bills rates, evidenced by an increase in investment income of SR 2m to SR 7.8m. Sadly these rates on offer were short term, but close monitoring continues to ensure we do not miss out on opportunities as and when they arise. An investment policy was implemented in 2012, and management is aware of the requirements to be adhered to and avoid taking unnecessary risks to ensure no loss of capital. We are at the crossroads where we must review and manage our cost centres, which will also help with the net results.

The Life Fund

Gross written premium has been consistent with the previous year, increasing by SR 1.1m to SR 54.18m and surplus was up 35% to SR 26.95m(2011-SR20.12m), arising from reduced claims and less maturing policies. Income from rental increased by SR 1m, to SR 8.5m, taking into account the new building at Anse Etoile and the Quincy village apartments. Investment income also increased by SR 3.4m.arising from improved T//Bills rates.

Plans for the construction of up to 50 units at Anse Royale have been approved and will be going be going to tender soon. This construction, at an estimated cost of SR 50m will not be completed before 2 years. Demand for accommodation far outweighs availability and the fund must continue to invest in such areas that bring a good return.

The two properties at La Gogue and Beoliere have been subdivided and will be sold to release funds for other developments. One other property at Beau Bel, which is an ongoing concern has been identified and will bring instant return, once the deal is finalised. The property development at Anse Aux Pins is also at planning stage, and is very likely to be under construction by end 2013. A further property was recently acquired in Victoria, on which a commercial development is the most likely outcome. The investment of US$ 500,000 through Anglo Mauritius Financial Services is now doing well, yielding 7%and is closely monitored from the monthly report, the most recent indicating the fund has improved. Credit Life continues to progress, with a premium income of SR 2m, slightly down on 2011.The overall Fund increased by SR 16m to SR 367.5m, of which SR 11m represented increase in fair value of properties.

The past year has been challenging in many respects and given much food for thought as we look back and take stock of our failings. For the business to survive and progress, Sacos needs continuous changes and adjustments to meet its plans and targets. The management and staff must remain committed and cost conscious to compete efficiently to meet the challenges and risks, which includes the competitors in the market. It is certainly a threat that cannot be taken lightly and every effort must be made to contain it. Our continued focus must be on meeting challenges head-on to deliver better results to satisfy the shareholders, whilst keeping ahead of our competitors.

I would like to take the opportunity to thank the management and staff for their efforts and commitment for another good year despite the constraints, and circumstances beyond their control.

Finally my thanks to the shareholders for their support and understanding, and to the Board of Directors for their continued support during the year and their contribution in challenging management constructively on issues at board meetings, which I consider to be a healthy approach in keeping in touch with the business.

Thank you,

Michel Felix
Chairman
16th May, 2013

The directors present their report together with the Auditors Report and the Audited Financial Statements for the year ended December 31, 2012.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the overall management of the affairs of the Group and the Company including their operations and making investment decisions.

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 responsibility of safeguarding the assets, both owned by the Company and those that are held in trust and used by the Company.

The Directors consider they have met their aforesaid responsibilities.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to holding investment. These activities have remained unchanged during the year under review. Activities of the subsidiaries are detailed in note 8(ii) to the financial statements.

RESULTS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	SR	SR	**SR**	SR
Underwriting surplus	**34,368,677**	35,311,866	**-**	-
Investment income	**7,850,801**	5,899,599	**14,685,597**	11,845,021
Rental income	**1,335,635**	1,527,146	**-**	-
Other operating revenue	**1,689,297**	5,199,698	**1,689,583**	1,886,099
Fair value gains on revaluation of properties	**2,944,055**	4,093,122	**-**	-
Operating expenses	**(25,423,468)**	(20,113,488)	**(686,035)**	(648,807)
Transfer from Life Fund	**1,101,238**	1,704,516	**1,101,238**	1,704,516
Profit before tax	**23,866,235**	33,622,459	**16,790,383**	14,786,829
Income tax expense	**(6,955,930)**	(7,479,124)	**(2,162,374)**	(1,534,585)
Profit after tax	**16,910,305**	26,143,335	**14,628,009**	13,252,244
Retained earnings brought forward	**71,405,332**	55,261,997	**38,769,318**	35,517,074
Dividends	**(12,000,000)**	(10,000,000)	**(12,000,000)**	(10,000,000)
Retained earnings carried forward	**76,315,637**	71,405,332	**41,397,327**	38,769,318

PROPERTY AND EQUIPMENT

Additions to property and equipment during the year amounting to **SR 0.8m** for the Group and it comprised:

(i) Motor vehicles
(ii) Furniture and fittings; and
(iii) Computer equipment

The Directors have estimated that the carrying amount of property and equipment at the balance sheet date approximate their fair value.

DIVIDENDS

Dividend of **SR 60 per share** amounting to **SR 12m** were declared and paid for the year under review (2011: SR 50 per share amounting to SR 10m).

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company and the subsidiaries since the date of the last report and the date of this report are as follows:

	Number of shares in Holding Company	Director of Company			
		Group	Insurance	Life	Sun
M Felix	18	√	√	√	√
A Lucas	351	√	√	√	√
L Rivalland	Nil	√	√	√	x
W Confait	13	√	√	√	√
J C D'Offay	17	√	√	√	√
G Ferley	Nil	√	√	√	x
Y Suleman	Nil	√	√	√	√

G DeGaye (Resigned on January 1, 2013)
M Stravens (Resigned on July 19, 2012)

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.

APPROVAL

M Felix
Director

A Lucas
Director

L Rivalland
Director

W Confait
Director

J C D'Offay
Director

G Ferley
Director

Y Suleman
Director

May 16, 2013
Victoria,
Seychelles

BDO

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P.O. Box 18
The Creole Spirit
Quincy Street, Mahe
Victoria
Seychelles

This report is made solely to the members of **SACOS Group 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 **SACOS Group Limited and its subsidiaries** set out on pages 6 to 31 which comprise the Balance Sheet as at December 31, 2012, 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 4(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.

SACOS GROUP LIMITED

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

Opinion

In our opinion, the financial statements on pages 6 to 31 give a true and fair view of the financial position of the Group and the Company at December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles 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

May 16, 2013
Victoria, Seychelles

	Notes	THE GROUP		THE COMPANY	
		2012	2011	2012	2011
ASSETS		SR	SR	SR	SR
Non-current assets					
Property and equipment	5	3,018,459	3,545,603	164,847	196,467
Intangible assets	6	1,120,498	1,157,819	7,273	15,842
Investment properties	7	42,198,130	39,224,075	-	-
Investment in subsidiaries	8	-	-	64,271,362	64,271,362
Held-to-maturity financial assets	9	48,886,173	84,610,021	5,435,439	5,562,912
		95,223,260	128,537,518	69,878,921	70,046,583
Current assets					
Inventories	10	8,163,319	8,901,108	8,163,319	8,901,108
Held-to-maturity financial assets	9	85,657,652	35,700,416	39,473,107	35,700,416
Amounts receivable from group companies	11	4,447,536	9,116,123	4,447,536	7,766,113
Trade and other receivables	12	34,704,409	31,952,456	1,092,846	53,290
Cash and cash equivalents	13	10,386,782	13,537,365	500,946	4,495,542
		143,359,698	99,207,468	53,677,754	56,916,469
Life Business Assets	14	367,520,176	341,663,610	-	-
Total assets		606,103,134	569,408,596	123,556,675	126,963,052
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		76,315,637	71,405,332	41,397,327	38,769,318
Total equity		134,554,731	129,644,426	99,636,421	97,008,412
LIABILITIES					
Technical provisions					
Outstanding claims and IBNR	17	19,079,500	24,585,180	-	-
Unearned premiums	18	46,550,123	46,432,365	-	-
Life Assurance Fund	14	367,520,176	341,663,610	-	-
		433,149,799	412,681,155	-	-
Non-current liabilities					
Mortgage Protection Fund	19	885,598	1,728,165	-	-
Fisheries and Agricultural Fund		2,000,000	2,000,000	-	-
		2,885,598	3,728,165	-	-
Current liabilities					
Trade and other payables	20	27,377,880	22,094,755	191,624	129,146
Amounts payable to group company	21	1,117,684	-	19,365,114	27,966,281
Bank overdraft	13	3,815,569	-	751,347	-
Current tax liabilities	22	3,201,873	1,260,095	3,612,169	1,859,213
		35,513,006	23,354,850	23,920,254	29,954,640
Total liabilities		471,548,403	439,764,170	23,920,254	29,954,640
Total equity and liabilities		606,103,134	569,408,596	123,556,675	126,963,052

These financial statements have been approved for issue by the Board of Directors on May 16, 2013.

M Felix
Director

A Lucas
Director

L Rivalland
Director

W Confait
Director

Y Suleman
Director

G Ferley
Director

J C D'Offay
Director

The notes on pages 10 to 31 form an integral part of these financial statements.
Auditors' report on pages 5 and 5(a).

	Notes	THE GROUP		THE COMPANY	
		2012	2011	2012	2011
		SR	SR	SR	SR
Revenue	2(p)	**119,566,168**	113,455,705	**16,375,180**	13,137,381
Underwriting surplus	2(p)	**34,368,677**	35,311,866	-	-
Profit on sale of spares		**47,801**	196,169	**47,801**	196,169
Investment income	23	**7,850,801**	5,899,599	**14,685,597**	11,845,021
Rental income		**1,335,635**	1,527,146	-	-
		43,602,914	42,934,780	**14,733,398**	12,041,190
Other income *	24	**1,641,496**	5,003,529	**1,641,782**	1,689,930
Increase in fair value of investment properties	7	**2,944,055**	4,093,122	-	-
		48,188,465	52,031,431	**16,375,180**	13,731,120
Other operating expenses *	25	**(24,069,335)**	(18,736,686)	**(645,846)**	(608,975)
Depreciation of property and equipment	5	**(1,316,812)**	(1,339,481)	**(31,620)**	(31,263)
Amortisation of intangible assets	6	**(37,321)**	(37,321)	**(8,569)**	(8,569)
Shareholders' share of surplus of Life Assurance Fund	2(r)	**1,101,238**	1,704,516	**1,101,238**	1,704,516
Profit before tax		**23,866,235**	33,622,459	**16,790,383**	14,786,829
Tax charge	22	**(6,955,930)**	(7,479,124)	**(2,162,374)**	(1,534,585)
Net profit for the year		**16,910,305**	26,143,335	**14,628,009**	13,252,244

* Re-stated for elimination of intercompany transactions.

The notes on pages 10 to 31 form an integral part of these financial statements.
Auditors' report on pages 5 and 5(a).

	Note	Share capital	Share premium	Retained earnings	Total
		SR	SR	SR	SR
THE GROUP					
At January 1, 2012		**35,000,000**	**23,239,094**	**71,405,332**	**129,644,426**
Net profit for the year		**-**	**-**	**16,910,305**	**16,910,305**
Dividends	28	**-**	**-**	**(12,000,000)**	**(12,000,000)**
At December 31, 2012		**35,000,000**	**23,239,094**	**76,315,637**	**134,554,731**
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
THE COMPANY					
At January 1, 2012		**35,000,000**	**23,239,094**	**38,769,318**	**97,008,412**
Net profit for the year		-	-	**14,628,009**	**14,628,009**
Dividends	28	**-**	-	**(12,000,000)**	**(12,000,000)**
At December 31, 2012		**35,000,000**	**23,239,094**	**41,397,327**	**99,636,421**
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

The notes on pages 10 to 31 form an integral part of these financial statements.
Auditors' report on pages 5 and 5(a).

	Notes	THE GROUP		THE COMPANY	
		2012	2011	2012	2011
		SR	SR	SR	SR
Cash flows from operating activities					
Profit before tax		**23,866,235**	33,622,459	**16,790,383**	14,786,829
Adjustments for:					
Depreciation of property and equipment	5	**1,316,812**	1,339,481	**31,620**	31,263
Amortisation of intangible assets	6	**37,321**	37,321	**8,569**	8,569
Increase in fair value of investment properties	7	**(2,944,055)**	(4,093,122)	-	-
Profit on disposal of equipment	24	-	(353,491)	-	-
Movement in outstanding claims and IBNR	17	**(5,505,680)**	5,194,388	-	-
Movement in unearned premium	18	**117,758**	2,074,667	-	-
Amortisation of Mortgage Protection Fund	19	**(842,567)**	-	-	-
		16,045,824	37,821,703	**16,830,572**	14,826,661
Changes in working capital:					
- (Increase)/Decrease in trade and other receivables		**(2,751,953)**	(10,862,387)	**(1,039,556)**	146,522
- Decrease/(Increase) in inventories		**737,789**	(1,191,656)	**737,789**	(1,191,656)
- Decrease/(Increase) in amounts receivable from group companies		**4,668,587**	6,094,315	**3,318,577**	(3,087,992)
- Increase in trade and other payables		**5,283,125**	9,142,804	**62,478**	109,533
- Increase/(Decrease) in amounts payable to group company		**1,117,684**	-	**(8,601,167)**	1,556,366
		25,101,056	41,004,779	**11,308,693**	12,359,434
Tax paid	22	**(5,014,152)**	(16,913,817)	**(409,418)**	(4,170,234)
Net cash inflow from operating activities		**20,086,904**	24,090,962	**10,899,275**	8,189,200
Cash flows from investing activities					
Purchase of property and equipment	5	**(789,668)**	(1,441,659)	-	(3,895)
Purchase of intangibles	6	-	(68,024)	-	-
Proceeds from sale of property and equipment		-	353,491	-	-
Purchase of investment property	7	**(30,000)**	-	-	-
Movement in held-to-maturity financial assets	9	**(14,233,388)**	(16,431,805)	**(3,645,218)**	669,287
Net cash outflow from investing activities		**(15,053,056)**	(17,587,997)	**(3,645,218)**	665,392
Cash flows from financing activity					
Dividend paid	28	**(12,000,000)**	(10,000,000)	**(12,000,000)**	(10,000,000)
Net decrease in cash and cash equivalents		**(6,966,152)**	(3,497,035)	**(4,745,943)**	(1,145,408)
Movement in cash and cash equivalents					
At January 1,		**13,537,365**	17,034,400	**4,495,542**	5,640,950
Decrease during the year		**(6,966,152)**	(3,497,035)	**(4,745,943)**	(1,145,408)
At December 31,	13	**6,571,213**	13,537,365	**(250,401)**	4,495,542

The notes on pages 10 to 31 form an integral part of these financial statements.
Auditors' report on pages 5 and 5(a).

1. GENERAL INFORMATION

SACOS Group Limited 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 4 and note 8(ii) respectively.

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

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

(a) Basis of preparation

The financial statements of **SACOS Group Limited** have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), the Seychelles Companies Act, 1972 and the Insurance Act, 2008. These financial statements have been prepared under the historical cost convention, except that:

(i) Land and buildings and investment properties are stated at their revalued amounts; and

(ii) held-to-maturity financial assets and relevant financial assets and financial liabilities are carried at amortised cost.

(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 equipment	15% - 20%
Motor vehicles	25%

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Plant and equipment (Cont'd)

Gains and losses on disposals of 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

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

(d) Investment properties

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 revalued amounts, 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.

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 acquirees net assets.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) **Investment in subsidiaries (Cont'd)**

Consolidated financial statements (Cont'd)

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 Groups 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 Company 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 amounts of trade and other receivables are assumed to approximate their fair values.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

(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 costs.

(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.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

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

(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.

(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)

(h) Insurance contracts (Cont'd)

(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.

(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 and IBNR - *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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(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.

(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 assets 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) **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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(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.

(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

(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.

(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 properties

The Group carries its investment properties 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 investment properties is most sensitive to the estimated yield as well as the long term occupancy rate.

The valuation of investment properties as at December 31, 2012 was based on Directors' best estimates, subsequently confirmed by an external Valuer.

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, 2011	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**
Additions	**147,474**	**366,194**	**276,000**	**789,668**
Disposals	**(880)**	**-**	-	**(880)**
At December 31, 2012	**2,331,277**	**6,739,162**	**4,572,387**	**13,642,826**
DEPRECIATION				
At January 1, 2011	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**
Charge for the year	**151,696**	**349,788**	**815,328**	**1,316,812**
Disposal adjustment	**(880)**	-	-	**(880)**
At December 31, 2012	**1,271,971**	**6,033,391**	**3,319,005**	**10,624,367**
NET BOOK VALUE				
At December 31, 2012	**1,059,306**	705,771	**1,253,382**	**3,018,459**
At December 31, 2011	1,063,528	689,365	1,792,710	3,545,603

(b) THE COMPANY

	Furniture and fittings	Computer equipment	Motor vehicles	Total
COST	SR	SR	SR	SR
At January 1, 2011	191,799	60,254	-	252,053
Additions	3,895	-	-	3,895
At December 31, 2011 and 2012	**195,694**	**60,254**	-	**255,948**
DEPRECIATION				
At January 1, 2011	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**
Charge for the year	**19,569**	**12,051**	-	**31,620**
At December 31, 2012	**57,961**	**33,140**	-	**91,101**
NET BOOK VALUE				
At December 31, 2012	**137,733**	**27,114**	-	**164,847**
At December 31, 2011	157,302	39,165	-	196,467

6. INTANGIBLE ASSETS

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	SR	SR	SR	SR
COST				
At January 1,	1,196,440	1,128,416	25,711	25,711
Additions	-	68,024	-	-
At December 31,	1,196,440	1,196,440	25,711	25,711
DEPRECIATION				
At January 1,	38,621	1,300	9,869	1,300
Charge for the year	37,321	37,321	8,569	8,569
At December 31,	75,942	38,621	18,438	9,869
NET BOOK VALUE				
At December 31,	1,120,498	1,157,819	7,273	15,842

7. INVESTMENT PROPERTIES

	THE GROUP	
	2012	2011
<u>At fair value</u>	SR	SR
At January 1,	39,224,075	35,130,953
Additions during the year	30,000	-
Increase in fair value	2,944,055	4,093,122
At December 31,	42,198,130	39,224,075

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

8. INVESTMENT IN SUBSIDIARIES

(i) THE COMPANY

	2012 & 2011
	SR
Investments at cost	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) 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 end.

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

(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.

9. HELD-TO-MATURITY FINANCIAL ASSETS

	Interest	THE GROUP		THE COMPANY	
	rates	**2012**	2011	**2012**	2011
At amortised cost	%	**SR**	SR	**SR**	SR
Treasury bonds	8%	**48,886,173**	53,078,182	**5,435,439**	5,562,912
Treasury bills	15% - 16.5%	**12,208,306**	-	**6,896,800**	-
Fixed deposits	2% - 9.15%	**73,449,346**	67,232,255	**32,576,307**	35,700,416
		134,543,825	120,310,437	**44,908,546**	41,263,328
Analysed as:					
Non-current		**48,886,173**	84,610,021	**5,435,439**	5,562,912
Current		**85,657,652**	35,700,416	**39,473,107**	35,700,416
		134,543,825	120,310,437	**44,908,546**	41,263,328

10. INVENTORIES

	THE GROUP AND THE COMPANY	
	2012	2011
	SR	SR
Spare parts (at cost or net realisable value)	**8,163,319**	8,901,108

11. AMOUNTS RECEIVABLE FROM GROUP COMPANIES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	SR	SR	**SR**	SR
SACOS Life Assurance Company Ltd (see note (i) below)	4,447,536	9,116,123	**4,447,536**	7,593,776
Sun Investment (Seychelles) Ltd	-	-	-	172,337
	4,447,536	9,116,123	**4,447,536**	7,766,113

(i) Amount receivable from SACOS Life Assurance Company Ltd is not eliminated upon consolidation and the contra is in the Life business assets (Note 14). The carrying amounts of amounts receivable 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	
	2012	2011	**2012**	2011
	SR	SR	**SR**	SR
Premiums receivable	**21,162,221**	16,107,894	**-**	-
Provision for credit impairment	**(363,572)**	(363,572)	**-**	-
	20,798,649	15,744,322	**-**	-
Amount receivable from reinsurers	**3,049,798**	4,105,650	**-**	-
Other receivables and prepayments	**10,855,962**	12,102,484	**1,092,846**	53,290
	34,704,409	31,952,456	**1,092,846**	53,290

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

13. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	SR	SR	SR	SR
Cash in hand	**5,531**	5,839	1,000	1,000
Bank balances	**10,318,720**	12,575,835	**437,415**	3,538,851
Call and term deposits	**62,531**	955,691	**62,531**	955,691
	10,386,782	13,537,365	**500,946**	4,495,542
Bank overdraft	**(3,815,569)**	-	**(751,347)**	-
	6,571,213	13,537,365	**(250,401)**	4,495,542

14. LIFE BUSINESS ASSETS/LIFE ASSURANCE FUND

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

	2012	2011
Non-current assets	SR	SR
Property and equipment	**24,108,828**	56,743,699
Intangible asset	**363,941**	682,483
Investment properties	**166,519,555**	102,604,796
Loans on life assurance policies	**23,500,804**	22,201,549
Held-to-maturity financial assets	**38,827,933**	38,837,933
	253,321,061	221,070,460
Current assets		
Held-to-maturity financial assets	**108,820,149**	113,324,272
Amount receivable from group company	**1,117,684**	-
Tax asset	**478,324**	478,323
Trade and other receivables	**12,973,945**	17,971,272
Cash and cash balances	**6,115,896**	11,841,065
	129,505,998	143,614,932
Current liabilities		
Trade and other payables	**6,068,042**	9,418,122
Unearned premium	**2,746,926**	3,570,944
Amounts payable to Holding Company (Note 11)	**4,447,536**	9,116,123
Bank overdraft	**2,044,379**	916,593
	15,306,883	23,021,782
Net Business Assets	**367,520,176**	341,663,610

14. LIFE BUSINESS ASSETS/LIFE ASSURANCE FUND (CONT'D)

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

	THE GROUP	
	2012	2011
	SR	SR
At January 1,	341,663,610	321,572,667
Revaluation surplus	-	1,673,162
Surplus attributable to policyholders	25,856,566	18,417,781
At December 31,	367,520,176	341,663,610

15. SHARE CAPITAL

	2012 & 2011
	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

	2012 & 2011
	SR
At January 1, and December 31,	23,239,094

17. OUTSTANDING CLAIMS AND IBNR

	THE GROUP			
			2012	2011
	Outstanding claims	IBNR	Total	Total
	SR	SR	SR	SR
At January 1,	21,585,180	3,000,000	24,585,180	19,390,792
Movement during the year	(5,505,680)	-	(5,505,680)	5,194,388
At December 31,	16,079,500	3,000,000	19,079,500	24,585,180

18. UNEARNED PREMIUMS

	THE GROUP	
	2012	2011
	SR	SR
At January 1,	46,432,365	44,357,698
Movement during the year	117,758	2,074,667
At December 31,	46,550,123	46,432,365

19. MORTGAGE PROTECTION FUND

	THE GROUP	
	2012	2011
	SR	SR
At January 1,	1,728,165	1,728,165
Amortised during the year	(842,567)	-
At December 31,	885,598	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 is carried forward.

20. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	SR	SR	SR	SR
Amount payable to Reinsurers	14,501,502	8,010,839	-	-
Other payables and accruals	12,876,378	14,083,916	191,624	129,146
	27,377,880	22,094,755	191,624	129,146

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

21. AMOUNTS PAYABLE TO GROUP COMPANY

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	SR	SR	SR	SR
SACOS Life Assurance Company Ltd	1,117,684	-	-	-
SACOS Insurance Company Ltd	-	-	19,365,114	27,966,281
	1,117,684	-	19,365,114	27,966,281

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

(ii) Amount due to SACOS Life Assurance Company Ltd is not eliminated upon consolidation and the contra is in the Life business assets (Note 14). The Directors are of the opinion that these amounts should be classified as current assets.

22. CURRENT TAX LIABILITIES

(a) Movement during the year

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	SR	SR	SR	SR
At January 1,	1,260,095	10,694,788	1,859,213	4,494,862
Paid during the year	(5,014,152)	(16,913,817)	(409,418)	(4,170,234)
Charge to the income statement	6,955,930	7,479,124	2,162,374	1,534,585
At December 31,	3,201,873	1,260,095	3,612,169	1,859,213

22. CURRENT TAX LIABILITIES (CONT'D)

(b) Applicable tax rates are as follows:

Taxable income	Tax rates - %
At December 31, 2012 & 2011	
SR. 1,000,000	**25%**
> SR. 1,000,000	**33%**

23. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
Interest income on:	SR	SR	SR	SR
- Held-to-maturity financial assets	**7,709,364**	5,725,239	**2,685,597**	1,845,021
- Others	**141,437**	174,360	**-**	-
Dividend income	**-**	-	**12,000,000**	10,000,000
	7,850,801	5,899,599	**14,685,597**	11,845,021

24. OTHER INCOME

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	SR	SR	SR	SR
Profit on disposal of equipment	**-**	353,491	**-**	-
Gain on foreign exchange differences	**432,930**	4,369,864	**-**	-
Management fees	**-**	-	**1,641,782**	1,689,260
Sundry income	**1,208,566**	280,174	**-**	670
	1,641,496	5,003,529	**1,641,782**	1,689,930

25. OTHER OPERATING EXPENSES

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	SR	SR	SR	SR
Staff costs (including Directors' emoluments, note (a))	**9,538,631**	8,808,398	**145,838**	198,227
Repairs and maintenance	**521,295**	345,765	**2,200**	-
Legal and professional fees	**400,067**	307,910	**-**	-
Marketing expenses	**800,926**	518,820	**14,000**	10,823
Sponsorships	**288,654**	289,490	**-**	-
Provision for withholding tax	**158,745**	105,370	**97,064**	70,509
Audit fees	**273,764**	254,995	**60,500**	57,500
Other administrative expenses	**12,087,253**	8,105,938	**326,244**	271,916
	24,069,335	18,736,686	**645,846**	608,975

25. OTHER OPERATING EXPENSES (CONT'D)

(a) Directors' emoluments

THE GROUP			2012	2011
	Fees	Other emoluments	Total	Total
	SR	SR	SR	SR
W Confait	63,534	-	63,534	63,534
G DeGaye	63,534	-	63,534	63,534
J C D'Offay	63,534	-	63,534	63,534
M Felix	128,820	-	128,820	128,820
G Ferley	63,534	475,500	539,034	430,036
A Lucas	14,118	752,400	766,518	655,668
L Rivalland	63,534	-	63,534	63,534
M Stravens	27,178	-	27,178	63,534
Y Suleman	63,534	-	63,534	63,534
	551,320	1,227,900	1,779,220	1,595,728

26. CAPITAL COMMITMENTS

There were no capital commitments as at December 31, 2012 (2011: Nil).

27. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2012 (2011: Nil).

28. DIVIDENDS

The Directors declared and paid dividend of SR 60 per share amounting to SR 12m for the year under review (2011: SR 50 per share, amounting to SR 10m).

29. RELATED PARTY TRANSACTIONS

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	SR	SR	SR	SR
Amounts due from:				
- SACOS Life Assurance Company Ltd	4,447,536	9,116,123	4,447,536	7,593,776
- Sun Investment (Seychelles) Ltd	-	-	-	172,337
Amount due to group company				
- SACOS Life Assurance Company Ltd	1,117,684	-	-	-
- SACOS Insurance Company Ltd	-	-	19,365,114	27,966,281
Investment insubsidiaries	-	-	64,271,362	64,271,362
Dividends	-	-	12,000,000	10,000,000
Management fees	-	-	1,641,782	1,689,260

Transactions with related parties are made at normal market prices.

29. RELATED PARTY TRANSACTIONS (CONT'D)

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, 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: 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

(i) THE GROUP

	2012	2011	2010	2009	2008
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before tax	**23,866**	33,622	27,193	21,242	25,059
Tax charge	**(6,955)**	(7,479)	(7,389)	(9,534)	(10,300)
Net profit for the year	**16,911**	26,143	19,804	11,708	14,759
Retained earnings brought forward	**71,405**	55,262	43,458	39,750	30,991
Dividends	**(12,000)**	(10,000)	(8,000)	(8,000)	(6,000)
Retained earnings carried forward	**76,315**	71,405	55,262	43,458	39,750
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	**76,315**	71,405	55,262	43,458	39,750
Total equity	**134,554**	129,644	113,501	101,697	97,989

(ii) THE COMPANY

	2012	2011	2010	2009
	SR'000	SR'000	SR'000	SR'000
Profit before tax	**16,789**	14,787	11,847	8,514
Tax charge	(2,162)	(1,535)	(1,189)	(3,305)
Net profit for the year	**14,627**	13,252	10,658	5,208
Retained earnings brought forward	**38,770**	35,518	32,860	35,652
Dividends	**(12,000)**	(10,000)	(8,000)	(8,000)
Retained earnings carried forward	**41,397**	38,770	35,518	32,860
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	**35,000**	35,000	35,000	35,000
Share premium	**23,239**	23,239	23,239	23,239
Retained earnings	**41,397**	38,770	35,518	32,860
Total equity	**99,636**	97,009	93,757	91,099

SACOS
GROUP LIMITED