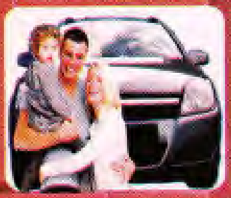

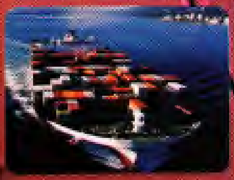

ANNUAL REPORT 2013

SACOS GROUP LTD.

For The Financial Year Ended

31st December 2013

SACOS GROUP LIMITED

TABLE OF CONTENTS - DECEMBER 31, 2013

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 16th July 2007
Directors	Mr W. Confait CEO - Seychelles Pension Fund	Appointed 16th July 2007
	Mr L. Rivalland, FIA, UK Group Chief Executive Officer Swan Insurance Company Ltd, Mauritius	Appointed 16th July 2007
	Mr Y. Suleman Businessman	Appointed 28th May 2009
	Mr J.C. D'Offay Retired	Appointed 11th December 2009
	Mr P. Bastide Sr. Manager, International Development Swan Goup, Mauritius	Appointed 28th March 2013
	Mr A. Hassan Senior Trade Officer	Appointed 19th July 2013
	Mr J. Raguin Executive Manager	Appointed 2nd August 2013
	Ms E. Agathine Director General	Appointed 13th August 2013
	Mr. G. Ferley Mr. G. DeGaye	Resigned 30th April 2013 Resigned 01st January 2013
Managing Director	A. Lucas	Appointed 17th July 2007
Company Secretary	C. Payet	Appointed 17th July 2007

Legal Advisers	K.B Shah Attorney-at-Law & Notary Public D. Lucas Attorney-at-Law & Notary Public
Auditors	BDO Associates Chartered Accountants
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 Commercial Bank The Mauritius Commercial Bank (Seychelles) Ltd

Notice is hereby given that the 8th Annual General Meeting of SACOS Group Limited will be held at the International Conference Centre, Latanier Road on Tuesday 8th July 2014 at 10.15 a.m. for the following purposes:

1. To approve the Minutes of the 7th Annual General Meeting held on Thursday 4th July 2013 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 2013.

4. To declare a final dividend.

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

    a. That Mr M. Felix who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
    b. That Mr W. Confait who retires by rotation at the Annual General Meeting be re-elected as a Director of the Company
    c. That the Directors' remuneration of SR705,852 per annum be approved for the financial year 2014
    d. That the Directors' remuneration of approximately SR910,404 per annum be approved in respect of the Managing Director for the financial year 2014
    e. 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

C. Payet (Mrs)
Company Secretary
4th June 2014

Chairman's Report

Dear Shareholders,

I have much pleasure to submit my report for the year ended 31st December, 2013 and thus welcome you all to the 8th Annual General meeting of Sacos Group Ltd.

Much has happened in the past 12 months, with Sacos becoming the first company to be listed on the Seychelles Securities Exchange in August, 2013. This provided a platform for shareholders and the general public at large to purchase or sell shares. The shareholders benefited from a bonus share issue on a ratio of 1:1. We also saw the effects of the new regulations for all assets to be insured locally, which enabled us to secure some new hotel businesses, notably Four Seasons, Hilton Hotels, Kempinski and Allamanda. Where we have had to front in some cases, we have earned commission, whereas in other cases we have retained the premium.

In the past 3 to 4 years, we have seen increases year on year in claims, and last year was no exception, with gross claims of SR 58m last year. As you well know in the insurance business, this is unavoidable and beyond our control. This included claims arising from the floods and landslides in early 2013, as well from fires to Les Laurier in Praslin, Fisherman Cove Hotel, one large Marine Hull and the SPTC buses which were all quite significant, plus numerous others within our retention. The most significant however, which had an impact on our bottom line, was the additional quota share treaty imposed last year by the lead reinsurer Munich Re to correct the Surplus Treaty being in Sacos favour only over the preceeding 10 years. This caused a major increase in reinsurance premium as evidenced in the accounts, by SR 15m, of which at least SR 5m to SR 6m from the quota share would have been retained.

Motor claims has now become a phenomenon, and remain a cause for concern. Its continuous increase has has a bad effect on the local market and needs to be reviewed. Furthermore, we have noted several attempts to defraud, and we managed to halt several cases last year, which would have resulted in some SR 2m in payments. It is high time that the association of local insurers try to find a way with Land Transport, to initiate an education programme for drivers. This is not a matter of reducing claims, but rather to address the consequences arising from accidents, such as death or long term injury.

In effect, reinsurance and claims paid, amounted to SR108m in total thus accounting for the lower than expected PBT. Following negotiations undertaken with the reinsurers for the year 2014, we have insisted on removing this quota share from the treaty, which has resulted in our parting of ways with Munich Re and taken Swiss Re on board, which is an A rated reinsurer, in that they were more accommodating and were prepared to reinsure hotels with thatched roofs. It is important to reiterate the importance of reinsurance cover, despite the fact that their premium increased significantly last year. With the assistance of our treaty reinsurance broker AON Benfield, we ensure that we accommodate only A rated reinsurers.

There is no doubt that in the past year, our investment income has stalled and remains at the mercy of the subdued market. Our investments generated an income of SR 8m against SR 7.85m in 2012 and based on current trends, it is likely this line of income could decline. Interest rates offered by commercial banks and on Treasury Bills have been on the decline which is quite depressing, but we are monitoring our position constantly and our surplus funds in hand will enable us to ride out of this market volatility to secure better returns in the future. We currently hold USD1.93m of which USD 1m on deposit earns us 1.75%, whereas other local currency deposits earn between 3% and 4.5%. The Treasury bonds maturing in 2015 still attract 8%. We continue to negotiate prudently with the local banks for the best rates on offer as and when deposits mature, and identify investment instruments which can provide a higher yield.

We had projected Gross Written Premium for General Insurance to increase by at least 10 %, and it is pleasing to note that there was an increase of 12.20%, to SR 129.84m(2012 SR 115.74m) The final results showed Profit of SR 23.14m before Tax SR 4.57m (2012 Profit SR 23.87m.B/tax SR 6.96 m). These results would have been better but for reasons already explained, and we have already taken action to ensure the reinsurance issue is not repeated. We need also to take into account additional costs incurred in 2013 from listing SR 700k, Corporate Social Responsibility SR 418k and Tourism Marketing SR 667k a total of SR 1.785m, again having an effect on profitability.

Despite all these constraints and challenging conditions, the final results, were good and at par with the previous year.

At a recent board meeting, we approved a dividend policy, and we have agreed that at least 70% of profits after tax be paid in dividends. As such, we have recommended the payment of a final dividend of SR 7 per share for the total sum of SR 14m, which is an increase from SR 6 per share in 2012. After tax and dividends, our retained earnings will increase to SR 57m and total shareholders funds will stand at SR 127m, of which share capital is now SR70m. This is a strong position that we intend to build on to ensure we retain a solid base.

Last year a new Human Resourses and Remunerations Committee was created, comprising of non executive directors, primarily to assist the Board with such issues as HR policies, recruitment of senior officers and directors, succession planning for senior executives including the CEO, and talent management. A roadmap was drawn, and a succession plan for the critical positions has been put in place by management.
A staff satisfaction survey was also carried out, the results of which have been analysed and discussed at length at the Staff forum held in April, 2014. The forum was the first of its kind to be held, where staff had the opportunity not only to raise concerns, but to make constructive contribution in the development of Sacos. This forum will now be undertaken on an annual basis, as we endeavour to get our people more involved and committed.
We continue to invest in our staff, with particular attention to those with the commitment and drive to take the business forward. Some 18 staff successfully completed the In House Insurance course Level 1,undertaken from April to June 2013, whereas two others attended a short course in Supervisory skill at SIM in November, 2013. 7 others attended overseas courses in Life, Claims and General Insurance and a further 2 staff attended specialised reinsurance training in South Africa. We will continue to give them as much exposure to training as possible to improve their skills to their own benefit and the business in particular.

Sacos acknowledges the need to adopt a strategic and formal approach to Risk Management. The Risk Management and Compliance Division has developed a Risk Register in consultation with other Departments, which seeks to put together all events that have the potential to harm the business.
The Risk Register extends to cover all perceivable risks, including money laundering. To ensure that Sacos also remains in compliance with laws governing the insurance business a Compliance Plan has been formulated and put in place. It consists of a compilation of all identifiable legal provisions with which the Company needs to comply with, respecting of thresholds, maintenance of information or payments. Non-compliance can result in serious reputational damage as well as severe penalties, which must be avoided.

For the first time in 7 years, the Financial Services Authority, the insurance regulator carried out an audit of Sacos Insurance. All in all, whereas the report was complementary in some areas, there were certain recommendations, such Stress Testing on the business, more regular testing of solvency margin, a Customer Satisfaction Survey, complaints reporting for implementation. We are actually in discussions with them on certain issues of concern which the management will give due consideration and adopt as applicable. In so far as we are aware, there were no issues of non compliance in line with the insurance act.

The Agriculture and Fisheries insurance product also took a new dimension in 2013. The Ministry of Agriculture and Fisheries finally took the onus in getting this moving. Several meetings were held with the stakeholders and eventually, it was agreed to put this in place, but not made compulsory. It was however delayed for implementation in 2014. This is an area as a potential income stream, which will be monitored closely.

We have noted a remarkable increase in Travel insurance, whereas both Credit Life and Health Insurance, the other two new products continue to hold their own.

Needless to say, we suffered a major setback, in that Space 95 the developers of the insurance software did not manage to deliver the programme as originally planned. This caused a delay in implementation, to get the system fully operational. The software for the life Fund has already been commissioned, and is up and running but the General Insurance software is about 80% complete, and we have applied pressure to deliver, or else we may have have no alternative but to consider taking appropriate action in the best interest of the business. The delay has put back the integration of the Filosoff accounting system, but we expect this to be resolved eventually.

The conversion of financials to IFRS has now been completed and going forward for next year, we can confirm that the accounts will be audited under these standards as required by both the the Seychelles Securities Exchange and the Financial Services Authority.

Sacos Life Assurance company remains undoubtedly the leading life insurer in Seychelles. We have 11,663 policy holders, with a Life Fund of SR 385m, which has grown by 5% from SR 367m in 2012. In 2013, the Company sold 2,085 new policies, a combination of ordinary life, credit life and mortgage . It is clear that the company is here to stay to fulfill its long term commitments to policyholders.
Underwriting however, is our core business, and one can measure the success of the yearly performance with our Gross Written premium income for the year which rose to SR. 53.15m for 2013 (2012 -SR.45.68m), up SR 7.47m representing an increase of 16.35%.
The activity for year 2013 generated a total surplus of SR 18.73m out of which SR 17.83 m was attributed to policyholders and 0.9m to Shareholders.
Rental income of SR8.77m was consistent with the previous year at SR 8.5m, as there was no new income arising therefrom. Claims paid rose by approx. SR 5m to SR 31.3m primarily from more maturing policies SR18.65m and survival benefits SR 9.35m. On the other hand investment income also reduced by SR 1.5m in view of reduced Bank and Treasury Bills rates. SACOS Life Assurance Company Limited will continue to focus on the underwriting of new business with special emphasis on after sales.

We have approval for the construction of 30 units at Anse aux Pins at and will be tendered out by mid 2014. Likewise, the Anse Royale project will likely go to tender as well once the estate road now under construction is completed. Other development in the pipeline, the Victoria commercial property will not feature until early 2015.
Demand for rental of property far exceeds availability and Sacos is geared to complete these projects, which will generate much added income in the near future. Investments in properties is quite significant but we would not wish to be over exposed, for which purpose, we have proposed for 3 properties at Beoliere, Glacis and La Digue to be sold, and utilize the proceeds to inject into those projects under development. Consequently we will be looking at a significant increase from rental income in the near future.

On the regional stage profile, Sacos is now a permanent member of the IOC(Indian Ocean Commission) islands project, representing Seychelles with stakeholders from DRDM and the Ministry of Finance in seeking new risk transfer mechanisms. This is primarily to alleviate cumulative damages following catastrophes in the region, such as cyclone Felleng last year. This enhanced profile will be of benefit for future business development in various sectors such as Risk Assessment and mitigation.

Sacos has played a leading and guiding role in the insurance industry in Seychelles and will continue doing so through a consistent and reliable approach, thus ensuring customer trust both locally and internationally. The Sacos Brand continues to be exposed through marketing activities, as we strive to assert our corporate identity in the insurance industry.
It is important that we look forward and focus on key objectives, by looking for opportunities to enhance our financial performance, and also giving particular attention to our cost structures. The management team have been tasked to ensure there is continuous contact with existing and potential customers, to keep the competition at arm's length. The threat will continue as we have evidenced with reduced premiums on offer to our customers, thus the necessity to be vigilant and ahead at all times.

As we look ahead with prudence, the Board and management have a duty to persue strategies and policies that will ensure the company remains ahead in the local insurance industry and in so doing, provide increased shareholders satisfaction and wealth.

To conclude, I would like to thank my fellow directors for their support during the year.

Thank you,

Michel Felix
Chairman
05 May, 2014

DIRECTORS' REPORT - DECEMBER 31, 2013

The Directors are pleased to submit their report together with the audited financial statements of the Company and the Group for the year ended December 31, 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding and sale of spare parts and services. These activities have remained unchanged during the year under review. Activities of the subsidiaries are detailed in note 8 to the financial statements.

RESULTS FOR THE YEAR

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
Underwriting surplus	35,239,692	34,368,677	-	-
Investment income	8,023,258	7,850,801	12,847,015	14,685,597
Rental income	1,377,717	1,335,635		
Other operating revenue	6,834,046	1,689,297	1,686,490	1,689,583
Fair value gains on revaluation of properties	1,757,689	2,944,055	-	-
Operating expenses	(30,992,186)	(25,423,468)	(712,209)	(686,035)
Transfer from Life Assurance Fund	900,000	1,101,238	900,000	1,101,238
Profit before tax	23,140,216	23,866,235	14,721,296	16,790,383
Income tax expense	(4,570,000)	(6,955,930)	(1,170,000)	(2,162,374)
Profit after tax	18,570,216	16,910,305	13,551,296	14,628,009
Retained earnings brought forward	76,315,637	71,405,332	41,397,327	38,769,318
Transfer to share capital	(11,760,906)	-	(11,760,906)	-
Dividends	(12,000,000)	(12,000,000)	(12,000,000)	(12,000,000)
Retained earnings carried forward	71,124,947	76,315,637	31,187,717	41,397,327

SIGNIFICANT CURRENT YEAR EVENTS

(i) During the year under review, the Company capitalised equity as follows:

	SR'm
Share premium	23
Retained earnings	12
	35

Consequently, each shareholder was offered one bonus share for every one share held. Following the capitalisation, the number of shares was split in the ratio 5:1 i.e, an increase in shares from 200,000 to 2m.

(ii) The Company was listed on the Trop-X, The Seychelles Securities Exchange on August 08, 2013.

DIVIDENDS

Dividend of SR 6 per share amounting to SR 12m were declared and paid for the year under review (2012: SR 60 per share amounting to SR 12m). The number of shares in issue for 2013 was 2m as compared to 200,000 in 2012. This followed a split of shares of 5:1 during the year under review.

EQUIPMENT

The Group
Additions to Property and equipment during the year amounting to SR 809k comprised the following:
(i) Furniture and fittings;
(ii) Computer equipment; and
(iii) Motor vehicles

The Company
There were no additions during the year under review.

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

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:

	Shares in Holding Company	Director of Company			
		Group	urai	Life	Sun
M Felix	180	√	√	√	√
A Lucas	3,510	√	√	√	√
L Rivalland	Nil	√	√	√	×
W Confait	130	√	√	√	√
J C D'Offay	170	√	√	√	√
Y Suleman	180	√	√	√	√
P. Bastide	Nil	√	√	√	×
E. Agathine	180	√	√	√	×
J. Raguin	10	√	√	√	×
A. Hassan	Nil	√	√	√	√
G Ferley (resigned Apr 30, 2013)					
G DeGaye (Resigned on Jan 1, 2013)					

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.

AUDITORS

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

BOARD APPROVAL

M Felix **Director**	A Lucas **Director**	E L Rivalland **D Director**	W Confait **Director**	E Agathine **Director**
J C D'Offay **Director**	P Bastide **Director**	J Y Suleman **D Director**	A Hassan **Director**	J Raguin **Director**

May 8, 2014
Victoria,
Seychelles

BDO

Tel: +248 4612 612
Fax: +248 4612 300
bdoseychelles@bdo.sc

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

SACOS GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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 5 to 30 which comprise the Balance Sheet as at December 31, 2013, 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.

Opinion

In our opinion, the financial statements on pages 5 to 30 give a true and fair view of the financial position of the Group and the Company at December 31, 2013 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.

SACOS GROUP LIMITED

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

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 20, 2014
Victoria, Seychelles

BALANCE SHEETS AS AT DECEMBER 31, 2013

	Notes	THE GROUP		THE COMPANY	
		2013	2012	2013	2012
ASSETS		SR	SR	SR	SR
Non-current assets					
Equipment	5	2,757,655	3,018,459	113,657	164,847
Intangible assets	6	1,249,198	1,120,498	-	7,273
Investment properties	7	36,911,468	42,198,130	-	-
Investment in subsidiaries	8	-	-	64,271,362	64,271,362
Held-to-maturity financial assets	9	50,975,847	48,886,173	5,816,664	5,435,439
		91,894,168	95,223,260	70,201,683	69,878,921
Current assets					
Inventories	10	7,475,211	8,163,319	7,475,211	8,163,319
Held-to-maturity financial assets	9	70,227,887	85,657,652	38,685,912	39,473,107
Amounts due from group company	11	1,548,016	4,447,536	900,000	4,447,536
Trade and other receivables	12	41,264,256	34,704,410	3,766	1,092,846
Cash and cash equivalents	13	23,727,334	10,386,782	141,774	500,946
		144,242,703	143,359,699	47,206,662	53,677,754
Life Business Assets	14	385,352,995	367,520,176	-	-
Total assets		621,489,867	606,103,135	117,408,346	123,556,675
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	70,000,000	35,000,000	70,000,000	35,000,000
Share premium	16	-	23,239,094	-	23,239,094
Retained earnings		71,124,947	76,315,637	31,187,717	41,397,327
Total equity		141,124,947	134,554,731	101,187,717	99,636,421
Technical provisions					
Outstanding claims and IBNR	17	10,113,569	19,079,500	-	-
Unearned premiums	18	44,725,503	46,550,123	-	-
Life Assurance Fund	14	385,352,995	367,520,176	-	-
		440,192,067	433,149,799	-	-
Non-current liabilities					
Mortgage Protection Fund	19	680,796	885,598	-	-
Fisheries and Agricultural Fund		2,000,000	2,000,000	-	-
		2,680,796	2,885,598	-	-
Current liabilities					
Trade and other payables	20	28,401,037	27,384,879	217,087	191,624
Amounts due to group company	21	827,767	1,110,685	9,961,085	19,365,114
Bank overdraft	13	7,220,828	3,815,569	3,220,173	751,347
Current tax liabilities	22	1,042,425	3,201,873	2,822,284	3,612,169
		37,492,057	35,513,006	16,220,629	23,920,254
Total liabilities		480,364,920	471,548,403	16,220,629	23,920,254
Total equity and liabilities		621,489,867	606,103,135	117,408,346	123,556,675

These financial statements have been approved for issue by the Board of Directors on 08 May 2014

W Confait
Director

J C D'Offay
Director

M Felix
Director

A Lucas
Director

L Rivalland
Director

P Bastide
Director

E Agathine
Director

J Raguin
Director

Y Suleman
Director

A Hassan
Director

The notes on pages 9 to 30 form an integral part of these financial statements.

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

INCOME STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	THE GROUP		THE COMPANY	
		2013	2012	2013	2012
		SR	SR	SR	SR
Revenue	2(p)	135,510,086	119,566,168	14,533,505	16,375,180
Underwriting surplus	2(p)	35,239,692	34,368,677	-	-
(Loss)/Profit on sale of spares		(128,646)	47,801	(128,646)	47,801
Investment income	23	8,023,258	7,850,801	12,847,015	14,685,597
Rental income		1,377,717	1,335,635	-	-
		44,512,021	43,602,914	12,718,369	14,733,398
Other income	24	6,962,692	1,641,496	1,815,136	1,641,782
Increase in fair value of investment properties	7	1,757,689	2,944,055	-	-
		53,232,402	48,188,465	14,533,505	16,375,180
Other operating expenses	25	(29,886,073)	(24,069,335)	(653,747)	(645,846)
Depreciation of property and equipment	5	(1,070,090)	(1,316,812)	(51,190)	(31,620)
Amortisation of intangible assets	6	(36,023)	(37,321)	(7,272)	(8,569)
Shareholders' share of surplus of Life Assurance Fund	2(q)	900,000	1,101,238	900,000	1,101,238
Profit before tax		23,140,216	23,866,235	14,721,296	16,790,383
Tax charge	22	(4,570,000)	(6,955,930)	(1,170,000)	(2,162,374)
Profit for the year		18,570,216	16,910,305	13,551,296	14,628,009

The notes on pages 9 to 30 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	Share capital	Share premium	Retained earnings	Total
		SR	SR	SR	SR
THE GROUP					
At January 1, 2013		**35,000,000**	**23,239,094**	**76,315,637**	**134,554,731**
Net profit for the year		-	-	**18,570,216**	**18,570,216**
Transfer to share capital		**35,000,000**	**(23,239,094)**	**(11,760,906)**	-
Dividends	28	-	-	**(12,000,000)**	**(12,000,000)**
At December 31, 2013		**70,000,000**	-	**71,124,947**	**141,124,947**
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
THE COMPANY					
At January 1, 2013		**35,000,000**	**23,239,094**	**41,397,327**	**99,636,421**
Net profit for the year		-	-	**13,551,296**	**13,551,296**
Transfer to share capital		**35,000,000**	**(23,239,094)**	**(11,760,906)**	-
Dividends	28			**(12,000,000)**	**(12,000,000)**
At December 31, 2013		**70,000,000**	-	**31,187,717**	**101,187,717**
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

The notes on pages 9 to 30 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

CASH FLOW STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	THE GROUP		THE COMPANY	
		2013	2012	2013	2012
		SR	SR	SR	SR
Cash flows from operating activities					
Profit before tax		**23,140,216**	23,866,235	**14,721,296**	16,790,383
Adjustments for:					
Depreciation of equipment	5	**1,069,790**	1,316,812	**51,190**	31,620
Amortisation of intangible assets	6	**36,025**	37,321	**7,273**	8,569
Profit on sale of investment property	7	**(465,253)**	-	-	-
Increase in fair value of investment properties	7	**(1,757,689)**	(2,944,055)	-	-
Movement in outstanding claims and IBNR	17	**(8,965,931)**	(5,505,680)	-	-
Movement in unearned premium	18	**(1,824,620)**	117,758	-	-
Amortisation of Mortgage Protection Fund	19	**(204,802)**	(842,567)	-	-
		11,027,736	16,045,824	**14,779,759**	16,830,572
Changes in working capital:					
- (Increase)/Decrease in trade and other receivables		**(6,559,846)**	(2,751,953)	**1,089,080**	(1,039,556)
- Decrease in inventories		**688,108**	737,789	**688,108**	737,789
- Decrease in amounts due from group company		**2,899,520**	4,668,587	**3,547,536**	3,318,577
- Increase in trade and other payables		**1,016,158**	5,283,125	**25,463**	62,478
- (Decrease)/Increase in amounts due to group company		**(282,918)**	1,117,684	**(9,404,029)**	(8,601,167)
		8,788,757	25,101,056	**10,725,917**	11,308,693
Tax paid	22	**(6,729,448)**	(5,014,152)	**(1,959,885)**	(409,418)
Net cash inflow from operating activities		**2,059,309**	20,086,904	**8,766,032**	10,899,275
Cash flows from investing activities					
Purchase of property and equipment	5	**(808,986)**	(789,668)	-	-
Purchase of intangibles	6	**(164,725)**	-	-	-
Proceeds from sale of investment property	7	**9,770,321**	-	-	-
Purchase of investment property	7	**(2,260,717)**	(30,000)	-	-
Movement in held-to-maturity financial assets	9	**13,340,091**	(14,233,388)	**405,970**	(3,645,218)
Net cash inflow/(outflow) from investing activities		**19,875,984**	(15,053,056)	**405,970**	(3,645,218)
Cash flows from financing activity					
Dividend paid	28	**(12,000,000)**	(12,000,000)	**(12,000,000)**	(12,000,000)
Net change in cash and cash equivalents		**9,935,293**	(6,966,152)	**(2,827,998)**	(4,745,943)
Movement in cash and cash equivalents					
At January 1,		**6,571,213**	13,537,365	**(250,401)**	4,495,542
Increase/(Decrease)		**9,935,293**	(6,966,152)	**(2,827,998)**	(4,745,943)
At December 31,	13	**16,506,506**	6,571,213	**(3,078,399)**	(250,401)

The notes on pages 9 to 30 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(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 3 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 stated.

(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 are carried at amortised cost.

(b) Equipment

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.

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(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 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

Investments in subsidiaries are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

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 accounting 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 interest in the acquire either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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 interest 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 and expenditure account.

Inter-Fund/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.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(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 14(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 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 is 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.

(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) <u>Short-term insurance contracts</u> - *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 Discretionary Participation Feature (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 - *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 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) 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.

No provision has been made for deferred tax.

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 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 are recognised at the year end based on a pre-determined rate.

(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 negligible.

(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.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(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.

Revaluation of investment property for years 2012 and 2013 was based on Directors' best estimates and was 7.5% and 5% respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(ii) Revaluation of investment property (Cont'd)

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

(iii) Depreciation policies

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 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. EQUIPMENT

(a) THE GROUP

	Furniture and fittings	Computer equipment	Motor vehicles	Total
	SR	SR	SR	SR
COST				
At January 1, 2012	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**
Additions	**167,777**	**341,209**	**300,000**	**808,986**
Disposals	-	-	-	-
At December 31, 2013	**2,499,054**	**7,080,371**	**4,872,387**	**14,451,812**
DEPRECIATION				
At January 1, 2012	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**
Charge for the year	**166,019**	**278,540**	**625,230**	**1,069,790**
At December 31, 2013	**1,437,990**	**6,311,931**	**3,944,235**	**11,694,157**
NET BOOK VALUE				
At December 31, 2013	**1,061,064**	**768,440**	**928,152**	**2,757,655**
At December 31, 2012	1,059,306	705,771	1,253,382	3,018,459

(b) THE COMPANY

	Furniture and fittings	Computer equipment	Total
COST	SR	SR	SR
At January 1, and December 31, 2013	**195,694**	**60,254**	**255,948**
DEPRECIATION			
At January 1, 2012	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**
Charge for the year	**39,139**	**12,050**	**51,190**
At December 31, 2013	**97,100**	**45,19D**	**142,291**
NET BOOK VALUE			
At December 31, 2013	**98,594**	**15,064**	**113,657**
At December 31, 2012	137,733	27,114	164,847

6. INTANGIBLE ASSETS

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
COST	SR	SR	SR	SR
At January 1,	1,196,440	1,196,440	25,711	25,711
Additions	164,725	-	-	-
At December 31,	1,361,165	1,196,440	25,711	25,711
AMORTIZATION				
At January 1,	75,942	38,621	18,438	9,869
Charge for the year	36,025	37,321	7,273	8,569
At December 31,	111,967	75,942	25,711	18,438
NET BOOK VALUE				
At December 31,	1,249,198	1,120,498	-	7,273

7. INVESTMENT PROPERTIES

	THE GROUP	
	2013	2012
<u>At fair value</u>	SR	SR
At January 1,	42,198,130	39,224,075
Additions during the year	2,260,717	30,000
Increase in fair value	1,757,689	2,944,055
Disposals	(9,305,068)	-
At December 31,	36,911,468	42,198,130

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

8. INVESTMENT IN SUBSIDIARIES

(i) THE COMPANY

	2013 & 2012
	SR
Investments at cost (note (iii) below)	13,100,000
Investment recognised upon split of assets (note (iii) below)	28,651,590
Long term receivables	22,519,772
-	64,271,362

(ii) Details of subsidiaries are as follows:

Name of subsidiaries	Amount	Activities	Country of incorporation	Class of shares
	SR'000			
Sun Investment(Seychelles)	100	Investment property	Seychelles	Ordinary
SACOS Insurance Company Li	10,100	General insurance business	Seychelles	Ordinary
SACOS Life Assurance Co	3,000	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 28.7m 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

	Intere rates	THE GROUP 2013	THE GROUP 2012	THE COMPANY 2013	THE COMPANY 2012
At amortised cost	%	SR	SR	SR	SR
Treasury bonds	8%	50,975,847	48,886,173	5,816,664	5,435,439
Treasury bills		-	12,208,306	-	6,896,800
Fixed deposit	2% - 5	70,227,887	73,449,346	38,685,912	32,576,307
		121,203,734	134,543,825	44,502,576	44,908,546
Analysed as:					
Non-current		50,975,847	48,886,173	5,816,664	5,435,439
Current		70,227,887	85,657,652	38,685,912	39,473,107
		121,203,734	134,543,825	44,502,576	44,908,546

10. INVENTORIES

	THE GROUP AND THE COMPANY 2013	THE GROUP AND THE COMPANY 2012
	SR	SR
Spare parts	7,678,540	8,163,319

11. AMOUNTS DUE FROM GROUP COMPANIES

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	SR	SR	SR	SR
SACOS Life Assurance Company Ltd. (See note below)	1,548,016	4,447,536	900,000	4,447,536

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 receivables 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	
	2013	2012	2013	2012
	SR	SR	SR	SR
Premiums receivable	19,811,035	21,162,221	-	-
Provision for credit impairment	(450,236)	(363,572)	-	-
	19,360,799	20,798,649	-	-
Amount receivable from reinsurers	7,479,787	3,049,798	-	-
Other receivables and prepayments	14,423,670	10,855,963	3,766	1,092,846
	41,264,256	34,704,410	3,766	1,092,846

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

13. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	SR	SR	SR	SR
Cash in hand	7,026	5,531	1,000	1,000
Bank balances	23,610,756	10,318,720	31,222	437,415
Call and term deposits	109,552	62,531	109,552	62,531
	23,727,334	10,386,782	141,774	500,946
Bank overdraft (Book)	(7,220,828)	(3,815,569)	(3,220,173)	(751,347)
	16,506,506	6,571,213	(3,078,399)	(250,401)

14. LIFE BUSINESS ASSETS/LIFE ASSURANCE FUND

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

	2013	2012
	SR	SR
Non-current assets		
Property and equipment	24,076,081	24,108,828
Intangible asset	106,100	363,941
Investment properties	189,738,322	166,519,555
Loans on life assurance policies	26,295,428	23,500,804
Held-to-maturity financial assets	40,368,328	38,827,933
	280,584,259	253,321,061
Current assets		
Held to maturity financial assets	96,058,922	108,820,149
Amount receivable from group company	827,767	1,110,685
Trade and other receivables	12,295,641	12,980,944
Tax asset	-	478,324
Cash and cash balances	8,848,364	6,115,896
	118,030,694	129,505,998
Current liabilities		
Trade and other payables	8,223,113	6,068,042
Unearned premium	2,789,368	2,746,926
Amounts payable to group companies	1,548,016	4,447,536
Bank overdraft	701,461	2,044,379
	13,261,958	15,306,883
Net Business Assets	385,352,995	367,520,176

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

	THE GROUP	
	2013	2012
	SR	SR
At January 1,	367,520,176	341,663,610
Surplus attributable to policyholders	17,832,819	25,856,566
At December 31,	385,352,995	367,520,176

15. SHARE CAPITAL

THE GROUP AND THE COMPANY	2013	2012
	SR	SR
Authorised, issued and fully paid up		
At January 1, (200,000 ordinary shares at SR 175 each)	35,000,000	35,000,000
Capitalised during the year:		
- Share premium (note 16)	23,239,094	
- Retained earnings (page 7)	11,760,906	
At December 31, (2,000,000 ordinary shares at SR 35 each)	70,000,000	35,000,000

Following the bonus issue, a share split of 5:1 was carried out, hence increasing the number of shares from 400,000 shares of SR 175 each to 2,000,000 shares of SR 35 each.

16. SHARE PREMIUM

THE GROUP AND THE COMPANY	2013	2012
	SR	SR
At January 1,	23,239,094	23,239,094
Transferred to share capital (note 15)	(23,239,094)	-
At December 31,	-	23,239,094

17. OUTSTANDING CLAIMS AND IBNR

	THE GROUP			
			2013	2012
	Outstanding claims	IBNR	Total	Total
	SR	SR	SR	SR
At January 1,	16,079,500	3,000,000	19,079,500	24,585,180
Movement during the year	(8,965,931)	-	(8,965,931)	(5,505,680)
At December 31,	7,113,569	3,000,000	10,113,569	19,079,500

18. UNEARNED PREMIUMS

	THE GROUP	
	2013	2012
	SR	SR
At January 1,	46,550,123	46,432,365
Movement during the year	(1,824,620)	117,758
At December 31,	44,725,503	46,550,123

19. MORTGAGE PROTECTION FUND

	THE GROUP	
	2013	2012
	SR	SR
At January 1,	885,598	1,728,165
Amortised during the year	(204,802)	(842,567)
At December 31,	680,796	885,598

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 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	
	2013	2012	2013	2012
	SR	SR	SR	SR
Amount payable to reinsurers	12,948,390	14,501,502	-	-
Length of service compensation	1,758,878	-	-	-
Other payables and accruals	13,897,098	12,883,377	217,087	191,624
	28,604,366	27,384,879	217,087	191,624

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

21. AMOUNTS DUE TO GROUP COMPANY

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	SR	SR	SR	SR
SACOS Life Assurance Company	827,767	1,110,685	-	-
SACOS Insurance Company Ltd	-	-	10,164,414	19,365,114
	827,767	1,110,685	10,164,414	19,365,114

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	
	2013	2012	2013	2012
	SR	SR	SR	SR
At January 1,	3,201,873	1,260,095	3,612,169	1,859,213
Paid during the year	(6,729,448)	(5,014,152)	(1,959,885)	(409,418)
Charge to the income statement	4,570,000	6,955,930	1,170,000	2,162,374
At December 31,	1,042,425	3,201,873	2,822,284	3,612,169

(b) Applicable tax rates are as follows:

Taxable income	Tax rates - %	
	THE COMPANY	
At December 31,	2013	2012
≤ SR. 1,000,000	25%	25%
> SR. 1,000,000	25%	33%

23. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
Interest income on:	SR	SR	SR	SR
- Held-to-maturity financial assets	7,898,235	7,709,364	2,844,058	2,685,597
- Others	125,023	141,437	2,957	-
Dividend income	-	-	10,000,000	12,000,000
	8,023,258	7,850,801	12,847,015	14,685,597

24. OTHER INCOME

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	SR	SR	**SR**	SR
Profit on disposal of investment Pro	**465,253**	-	-	-
Gain on foreign exchange differenc	**2,842,033**	432,930	-	-
Management fees	**2,817,413**	-	**1,778,606**	1,641,782
Sundry income	**837,993**	1,208,566	**36,530**	-
	6,962,692	1,641,496	**1,815,136**	1,641,782

25. OTHER OPERATING EXPENSES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	SR	SR	**SR**	SR
Staff costs	**13,245,910**	10,856,306	**153,615**	145,838
Repairs and maintenance	**563,359**	521,295	**3,126**	2,200
Legal and professional fees	**751,056**	400,067	-	-
Marketing expenses	**731,205**	800,926	**22,200**	14,000
Sponsorships	**309,357**	288,654	-	-
Provision for withholding tax	**83,514**	158,745	**57,907**	97,064
Other administrative expenses	**14,201,672**	11,043,342	**416,899**	386,744
	29,886,073	24,069,335	**653,747**	645,846

(a) Directors' emoluments

	THE GROUP			
			2013	2012
	Fees	Other emoluments	**Total**	Total
	SR	**SR**	SR	SR
E Agathine	**43,081**	-	**43,081**	-
G De Gaye			-	63,534
P Bastide	**68,790**	-	**68,790**	-
W Confait	**86,472**	-	**86,472**	63,534
J C D'Offay	**86,472**	-	**86,472**	63,534
M Felix	**174,710**	-	**174,710**	128,820
G Ferley	**23,298**	**128,340**	**151,638**	539,034
A Hassan	**48,027**	-	**48,027**	-
A Lucas	-	**842,640**	**842,640**	766,518
J Raguin	**45,215**	-	**45,215**	-
L Rivalland	**86,472**	-	**86,472**	63,534
M Stravens	-	-	-	27,178
Y Suleman	**86,472**	-	**86,472**	63,534
	749,009	**970,980**	**1,719,989**	1,779,220

26. CAPITAL COMMITMENTS

There were no capital commitments as at December 31, 2013 (2012: Nil).

27. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2013 (2012: Nil).

28. DIVIDENDS

Following the split of shares in the ratio 5:1, the Directors declared and paid dividend of **SR 6** per share amounting to **SR 12m** for the year under review (2012: SR 60 per share, amounting to SR 12m).

29. RELATED PARTY TRANSACTIONS

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	SR	SR	SR	SR
Amounts due from:				
- SACOS Life Assurance Company Ltd	**1,548,016**	4,447,536	**900,000**	4,447,536
Amount due to group company				
- SACOS Life Assurance Company Ltd	**827,767**	1,117,684	-	-
- SACOS Insurance Company Ltd	-	-	**10,164,414**	19,365,114
Investment Subsidiaries	-	-	**64,271,362**	64,271,362
Dividends	-	-	**10,000,000**	12,000,000
Management fees (income)	**2,817,413**	-	**1,778,606**	1,641,782

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, 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: 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. FIVE YEAR FINANCIAL SUMMARY

THE GROUP

	2013	2012	2011	2010	2009
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before tax	23,140	23,866	33,622	27,193	21,242
Tax charge	(4,570)	(6,955)	(7,479)	(7,389)	(9,534)
Net profit for the year	18,570	16,911	26,143	19,804	11,708
Retained earnings brought forward	76,316	71,405	55,262	43,458	39,750
Transfer to share capital	(11,762)	-	-	-	-
Dividends	(12,000)	(12,000)	(10,000)	(8,000)	(8,000)
Retained earnings carried forward	71,125	76,316	71,405	55,262	43,458
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	70,000	35,000	35,000	35,000	35,000
Share premium	-	23,239	23,239	23,239	23,239
Retained earnings	71,125	76,316	71,405	55,262	43,458
Total equity	141,125	134,555	129,644	113,501	101,697

THE COMPANY

	2013	2012	2011	2010	2009
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before tax	14,721	16,790	14,787	11,847	8,514
Tax charge	(1,170)	(2,162)	(1,535)	(1,189)	(3,305)
Net profit for the year	13,551	14,628	13,252	10,658	5,209
Retained earnings brought forward	41,398	38,770	35,518	32,860	35,652
Transfer to share capital	(11,762)	-	-	-	-
Dividends	(12,000)	(12,000)	(10,000)	(8,000)	(8,000)
Retained earnings carried forward	31,187	41,398	38,770	35,518	32,861
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	70,000	35,000	35,000	35,000	35,000
Share premium	-	23,239	23,239	23,239	23,239
Retained earnings	31,188	41,397	38,770	35,518	32,860
Total equity	101,188	99,636	97,009	93,757	91,099

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