INTEGRATED REPORT FOR THE YEAR ENDING 31 MARCH 2012

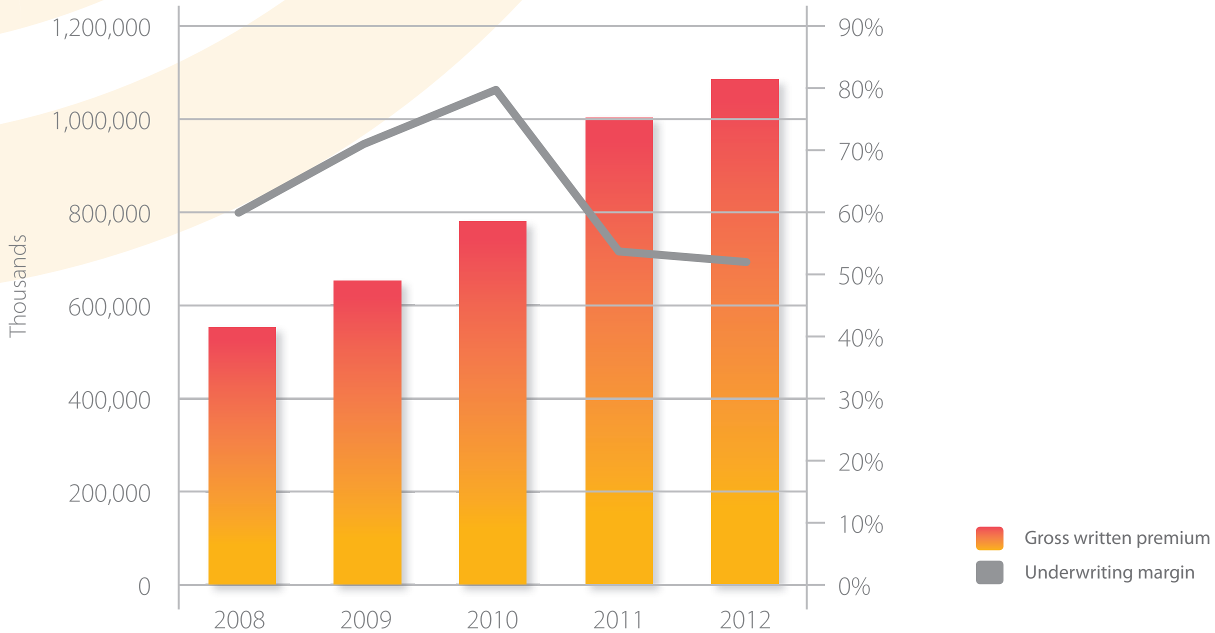
Key facts and figures

Increase of 10.3% in profit before tax

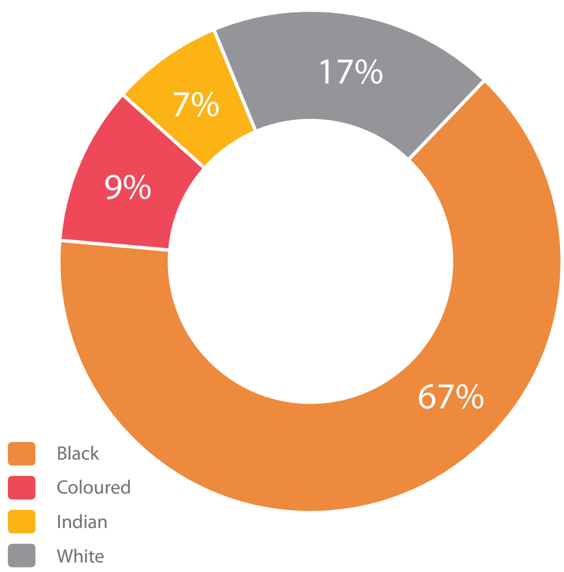
2% of NPAT contributed to CSI initiatives

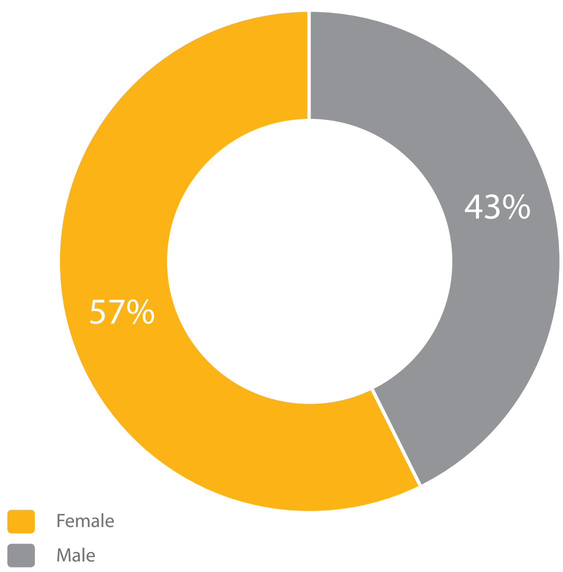
135% increase in volume of claims due to increased activity in labour disturbances and service delivery protests

Obtained Inseta accreditation for training provided to industry



Employment demographics





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Scope, boundary and assurance

This is Sasria's first integrated report, encompassing the company's economic, social and environmental performance for the year ending 31 March 2012. Sasria's integrated annual report has been prepared in line with the recommendations of the King Report on Governance for South Africa, 2009, (King III).

The report covers the scope and operations of Sasria's business units regarding material issues. It does not cover Sasria's intermediary partners as they operate their business activities independently of Sasria.

This integrated report includes data and information deemed to be useful and relevant to our stakeholders; it is informed by the following legislation and standards:

- The Public Finance Management Act (PFMA);
- King III report on Governance for South Africa (King III);
- Financial Sector Charter (FSC);
- Department of Trade and Industry's (dti) Code of Good Practice for BBBEE;
- Companies Act 71 of 2008; and
- The International Integrated Reporting Council (IIRC) discussion paper (published for comment in September 2011).

These guidelines and standards require a change from how Sasria has reported to its stakeholders in previous years. These changes will be implemented over time to eventually adhere to all the required aspects of integrated reporting.

The report covers our performance for the year ending 31 March 2012 and an overview of our strategy and specifically the focus areas for our current planning period ending in 31 March 2013.

The financial information provided in the separately indexed annual financial statements has been prepared in line with International Financial Reporting Standards (IFRS) and has been audited by our external auditors, PricewaterhouseCoopers. Financial information included elsewhere in the body of this report has been extracted from the figures included in the annual financial statements.

King III requires the Board to ensure the integrity of the integrated report. At Sasria, this responsibility is delegated to the Audit Committee. As this is the first comprehensive integrated report for the company, and recognising that establishing an appropriate and robust integrated reporting process is a 2- to 3-year journey, the Board has decided not to obtain external assurance on the selected non-financial indicators provided in this report.

To see our online integrated report and for more information about Sasria and the services we offer, please visit our website at www.sasria.co.za.

Forward looking statements

In this report, we make certain statements that are not historical facts, which relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to gross premium growth levels, underwriting margins and investment returns.

These are forward-looking statements as defined in the United States Private Securities Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour", "project" and similar expressions are intended to identify such forward-looking statements but are not the exclusive means of identifying them.

Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise or should the underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward looking statements apply only as of the date on which they are made, and Sasria does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Company profile

Sasria SOC Limited (Sasria) is a short term insurance company wholly owned by the state and reporting to National Treasury. As a state owned company, Sasria has a specific strategic mandate that is prescribed and further informed by the Reinsurance of Damages and Losses Act of 1989, the Conversion of Sasria Act of 1998 and continuous engagement with National Treasury.

The mandate allows Sasria to cover the following risks as defined in the Reinsurance of Material Damages and Losses Act 56 of 1989:

- Any act directed to overthrow the Government (local, provincial, national or tribal authority) by means of fear, violence or terrorism;
- Any act directed to bring about damage in order to achieve political, social or economic change, or in protest against any Government or for the purpose of inspiring fear in the public;
- Any riot, strike or public disorder (includes civil commotion, labour disturbances or lockouts);
- Any attempt to perform any act mentioned above; and
- Any act by lawfully established authority in controlling or suppressing any occurrence referred to above.

History

Sasria was formed in 1979 as a direct result of the Soweto uprisings. Following an escalation in violence and unrest, with a particular escalation in acts of politically motivated malicious damage, such as bomb blasts and sabotage, the short-term insurance industry in South Africa became reluctant to provide insurance cover for these types of losses.

The short-term insurance industry's reluctance opened a gap in the short-term insurance market, which prompted the South African government to approach the South African Insurance Association regarding the establishment of a separate institution to provide insurance cover for the above-mentioned incidents. Sasria was formed as a section 21 company, the South African Special Risk Insurance Association, to provide insurance for politically motivated acts, political riots and terrorism. The cover that Sasria provided was extended in 1998 to include non-political perils such as strikes and labour disturbances. The company has a legislated monopoly over the perils (special risks) for which it provides cover.

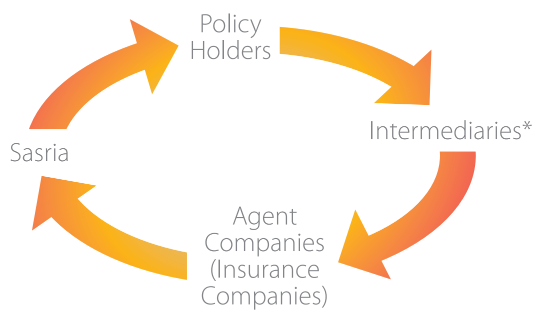
Product offering and business model

Sasria's core business is the provision of short-term insurance for special risks in South Africa.

Sasria provides cover for special risks to individuals, commercial and corporate clients on property, engineering, business interruption (currently limited to fixed costs), motor, transportation and guarantee to a limited extent.

The company is self-funding and generates income from premiums in the form of tariffs, which represents a small percentage of premiums paid to conventional insurers by clients.

Sasria cover is available through a network of authorised agents (underlying insurers); Sasria does not do direct business with clients (Figure 1). The agents handle the day-to-day administration of the business and collect premiums on Sasria's behalf, which means Sasria's customer base is closely linked to that of its distribution channel (agents).



* Some agent companies does not utilise the services of intermediaries

Figure 1: Sasria business model

This business model has enabled Sasria to maintain low operational costs, which in turn make the cover available at affordable premiums. The organisation's success for the past 33 years can be attributed to its business model.

Sasria's stakeholders

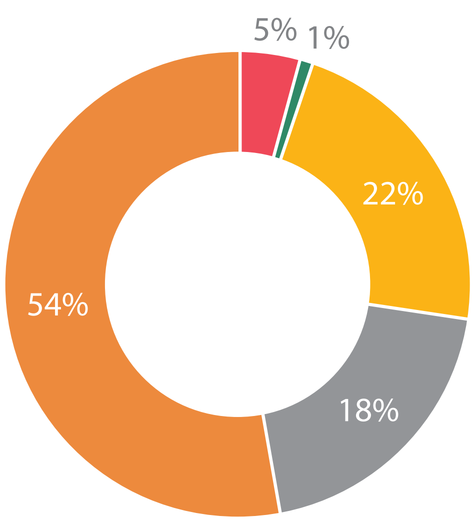
Sasria's stakeholders and their impact on our business is depicted Table 1.

Table 1: Sasria's stakeholders

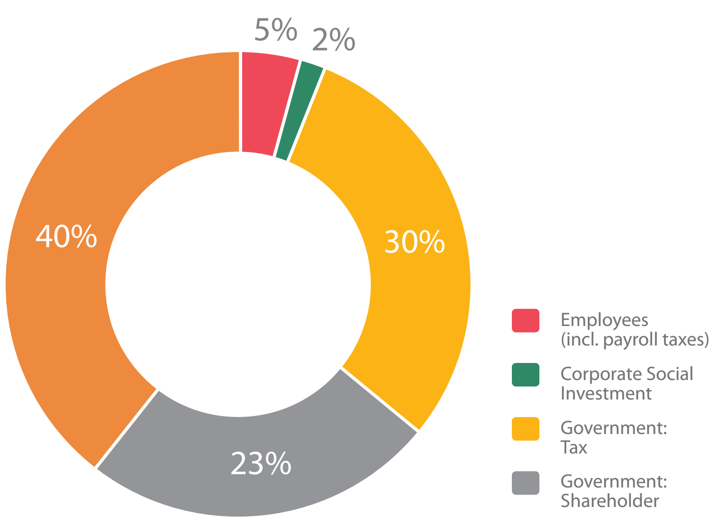
Stakeholder Category	Stakeholder Name	Impact On Business
Users or primary stakeholders	Agent companies / Short-term insurance companies	Agent companies are authorised to interface with policyholders and sell Sasria insurance. In the event of a claim, they are the first interface point with the customer. Our approach is to build loyalty and partnerships with these agent companies. We keep them up-to-date with new developments and continuously train this important segment of our stakeholders.
	Intermediaries	Short-term insurance intermediaries work on behalf of agent companies and sell Sasria insurance on behalf of the agent company. Intermediaries include independent brokers, group scheme brokers and commercial brokers. We continue to create awareness and train intermediaries on Sasria-related matters.
	Policy holders (consumers)	Sasria policyholders comprise individuals, government and corporate policyholders. It remains important for us to build product and brand awareness in this key stakeholder segment.
	Employees	Sasria's people are one of our primary assets – we are reliant on our human capital as a key component of our on-going success. Their experience and commitment allow us to cover the extraordinary.
Influence market (where Sasria may influence or be influenced regarding decisions to its benefit)	The key industry bodies comprising the Sasria influence market include: • South African Insurance Association • Institute of Insurance South Africa • Institute of Insurance Gauteng • Financial Intermediaries Association • Local Government Business Network Other influencers are: • Financial Service Board (FSB) • Department: National Treasury • Media – print (trade, financial, newspapers), electronic, radio, TV and multimedia.	Sasria's influence markets are organisations that represent our key stakeholders, including industry bodies, government, civil society and trade unions.

Value added statement

	2012 R'000	2011 R'000
Value added		
Gross written premium	1,087,133	1,010,915
Claims paid and cost of other services	643,318	645,123
	443,815	365,792
Investment income net of fees	274,885	289,824
	718,700	655,616
Value distributed		
Employee benefits	31,626	31,642
Corporate social investment	9,761	9,996
Government direct taxation of income	156,488	194,018
Provider of capital (Government)	126,656	153,299
	324,531	388,955
Retained for reinvesting and future support of the business	394,169	266,661
Depreciation, amortisation and maintenance	3,775	6,145
Retained income before transfer to reserves	390,394	260,516
	718,700	655,616



Value distributed 2012



Value distributed 2011

Sasria's vision, mission and values

Vision

To make Sasria SOC Ltd a leading African insurer covering extraordinary risks.

Mission

The vision will be achieved by:

- providing quality customer service;
- developing the skills of our employees;
- maintaining the current and establishing new strategic partnerships;
- providing innovative and relevant products; and
- optimising shareholder value.

Values

The values that underpin Sasria's pursuit of its stated vision and mission are as follows:

- **Professionalism:** We treat our stakeholders, i.e. customers, employees and shareholders, with respect and dedication while remaining accountable to them.
- **Integrity:** We conduct ourselves in a manner that is fair, transparent and ethical, and uphold high levels of equality and trust.
- **Teamwork:** In the performance of our tasks, we are guided by the ideals of unity of purpose, cooperation and mutual respect.
- **Innovation:** We create opportunities for creativity and learning, and encourage it among our employees.
- **Customer centricity:** We strive to meet and exceed our customers' expectations.

Sasria's strategy

Sasria's strategy for 2009–2014 has focused on ensuring that Sasria is sustainable and that it delivers on its mandate. Sasria's strategic environment consists of two layers as depicted in Figure 2. The first layer is the 5-year strategic plan for 2009–2014 and the second layer is the annual strategic plan for the year ending 31 March 2012. Sasria measures itself against the targets set in both the 5-year and the annual plan on an on-going basis.

Figure 2: Sasria's strategy layers

Sasria is on track to achieve the key strategic objectives as set out in its 5-year strategic plan. The detailed overview of Sasria's key performance indicators for the year ending 31 March 2012 is included in a separate section of the report (refer to page 54).

Looking forward

The strategic direction Sasria has chosen for the next year revolves around business growth and product development. Sasria has set itself the key strategic objectives detailed in Table 2.

Table 2: Key performance indicators for the year ending 31 March 2013

Strategic Objective	Key Performance Indicator (KPI)	Performance Targets
Optimisation of Shareholder Value – Increase in net income: Increase in premium	Gross written premium (GWP) income growth of ≥ 12.5%.	Achieving GWP income of at least R1,256,045,270 for the year ending 31 March 2013.
Optimisation of Shareholder Value – Increase in net income: Increase in investment income	Achieve a minimum growth of ≥ CPI + 1% on investments.	Achieving growth of ≥ CPI + 1% on investments by 31 March 2013.
Establishment of a broader customer base: Enhancement of current products	Launch the enhancement of the full BI cover to Sasria's commercial customers.	Implement and market full BI cover (within the R500m Coupon) to Sasria's commercial customers by Sept 2012; Achieve premium income of at least R5,000,000 on this product by 31 March 2013[1].
Integration and Alignment of Processes: Ensuring good corporate governance	SAM Project: Development of the project plan derived from the SAM gap analysis; Tracking of the progress on the implementation of the project plan derived from the SAM gap analysis; Development of a capital projection tool completed by 31 March 2013; Development of simplified standard formula model (to determine the FSB capital requirements) by 31 March 2013.	SAM Project[2]: Development of the project plan derived from the SAM gap analysis; Tracking of the progress of the implementation of the project plan derived from the SAM gap analysis; Development of a Capital projection tool completed by 31 March 2013; Development of simplified standard formula model (to determine the FSB capital requirements) by 31 March 2013.
Integration and Alignment of Processes: Ensuring good corporate governance	Achieve compliance (with FSB requirements) for risk management as required by SAM Pillar 2 by 31 March 2013.	Project plan derived from the SAM gap analysis to be submitted for review to the Executive Committee by 1 April 2012; Tracking of implementation progress by providing quarterly updates on the project to the Executive Committee.
Establishment of a broader customer base: Maximisation of Sasria brand and product awareness	Improved knowledge of Sasria products by conducting industry-training sessions to agents and brokers.	37 industry-training sessions conducted by 31 March 2013.
Customer centricity: Provide superior customer service to external stakeholders	Reduce the internal claim turnaround time – 70% of claims to be settled within 30 days of date of submission (by 31 March 2013).	Reduce the internal claim turnaround time – 70% of claims to be settled within 30 days of date of submission (by 31 March 2013).
Investment in Human Capital development: Develop a sustainable employment brand	Development of a Talent Management Strategy[3] by 30 June 2012; Quarterly reporting on the tracking of the implementation of the Talent Management Strategy.	Talent Management Strategy 100% complete and Executive Committee approval obtained by 30 June 2012; Tracking the progress of the implementation of the Talent Management Strategy by providing quarterly updates on the project to the Executive Committee.

1 The R5,000,000 premium income achieved on Full BI cover product is included in the GWP target in item 1.

2 The Solvency Assessment and Management (SAM) is the Financial Services Board's risk-based solvency regime for South African insurers to align the insurance industry with international standards. The SAM project is Sasria's initiative to ensure compliance to the new FSB regime.

3 Talent and Succession Management is the holistic and integrated management practice of balancing the supply and demand for pivotal skills in both the short term and long term, including the proactive identification, planning, attraction, development, retention and monitoring thereof.

Sasria is in the process of developing its new 5-year strategy that will be based on the following principles:

- Exceptional deliverance on its mandate to all stakeholders;
- Stable financial performance to ensure self-sufficiency;
- Good governance;
- Contributing to the government's growth path by:
  - focusing on enterprise development at all levels;
  - contributing to the development of human capital skills, especially in the financial sector; and
  - contributing to programmes that are aimed at social economic problems such as high unemployment and consumer education.

Risk and opportunities

The strategic risks facing Sasria and our responses are outlined in Table 3.

Table 3: Sasria's strategic risks

Risk	Our response
1. Premium growth and market relevance	• Focus on product development and product enhancement • Increase in brand and product awareness activities
2. Adverse exposure to underwriting risk	• Reinsurance strategy
3. Adverse change in the level of labour disturbances and service delivery protests in the country	• Reinsurance strategy
4. Increase in regulation and compliance requirements	• Regular engagement with regulatory role players • Assignment of appropriate accountability to management and staff • Conducting regular training and awareness sessions • Compliance monitoring • Internal and external audits
5. Attracting and retaining skilled employees	• Total rewards framework • Focus on training and development • Employee engagement initiatives
6. Failure to collect Sasria premium	• Audit of agent companies by independent external auditors • Audit of agent companies by Sasria's Internal Audit team
7. Constraints on introducing new products into the market (legislative constraint)	• Regular engagement with SAIA and FIA on the role that Sasria can play • Regular engagement with other stakeholders on the role that Sasria can play
8. Relevancy of Sasria cover	• Development and implementation of a Marketing and Customer Relationship Management plan • Continuous research on new product and product enhancement within our mandate

Board and management team

Directors

MC Ramaphosa (59)

Chairperson*
Independent Non-executive Director
Baccalaureus Procurationis (University of South Africa) 1981

JRK Du Preez (59)

Independent Non-executive Director
Bankers Diploma (CAIB (SA)) 1986

Bachelor of Commerce (University of South Africa) 1989

Programme for Management Development (Harvard University) 1990

PED (IMD-Switzerland) 2001

*Retired as Chairperson on 30 November 2011

CD Da Silva (47)

Independent Non-executive Director
Bachelor of Arts (Law)(University of Natal) 1985

Post Graduate Diploma in Management Practice (University of Cape Town) 2004

CH Du Toit (61)

Non-executive Director
Bachelor of Commerce (Economics) (University of Pretoria) 1973

Bachelor of Commerce (Honours)(Economics) (University of Pretoria) 1975

MA Samie (60)

Independent Non-executive Director*

Bachelor of Commerce (University of South Africa)

AIRMSA (University of Cape Town)

Management Development Programme (University of Cape Town)

Master of Business Administration (University of Cape Town)

Fellow of the Chartered Insurance Institute

Fellow of the Insurance Institute of South Africa

*Appointed as Chairperson on 01 December 2011

BJ Njenje (53)

Independent Non-executive Director

Diploma in General Nursing (Mount Coke Hospital) 1980

Diploma in Midwifery (Frere College of Nursing) 1982

Diploma in (Advanced) Health Education (Leeds Polytechnic England) 1986

Masters of Education for Primary Health Care (Manchester University) 1989

Diploma in Human Resource Management (University of South Africa) 1996

MP Lehutso-Phooko (49) (Deceased)

Independent Non-executive Director

Bachelor of Arts (Urban and Regional Planning) (National University of Lesotho) 1985

Master of Arts (Population Studies) (University of Ghana) 1986

SH Schoeman (48)

Independent Non-executive Director

Bachelor of Commerce (University of Pretoria) 1983

Higher Education Diploma (University of Pretoria) 1984

Master of Business Administration (University of Pretoria) 1989

Directors (cont.)

AL Mhlanga (38)

Independent Non-executive Director

Bachelor of Commerce (Accounting)
(University of the Witwatersrand) 1994

CTA (University of South Africa) 1996

Chartered Accountant (SA) (PAAB) 1999

R Mothapo (30)

Independent Non-executive Director

Bachelor of Economic Science (Actuarial Science & Mathematical Statistics) (University of the Witwatersrand) 2001

Bachelor of Science (Honours) (Actuarial Science and Advanced Mathematics of Finance) 2002

Fellow of the Faculty of Actuaries 2004

Fellow of the Actuarial Society of South Africa 2004

K Pepler (33)

Executive Director: Financial Director

Bachelor of Commerce (Accounting)
(University of Johannesburg) 2002

Bachelor of Accounting Sciences (Honours)
(University of South Africa) 2005

Chartered Accountant (SA)(SAICA) 2010

CM Masondo (44)

Executive Director: Managing Director

Bachelor of Commerce (Economics)
(University of Durban Westville) 1991

Diploma in Insurance
(Insurance Institute of South Africa) 1997

Advanced Diploma in Insurance
(Institute of South Africa) 1998

Executive Management

CM Masondo

Executive Director: Managing Director

Bachelor of Commerce (Economics)
(University of Durban-Westville) 1991

Diploma in Insurance
(Insurance Institute of South Africa) 1997

Advanced Diploma in Insurance
(Institute of South Africa) 1998

K Pepler

Executive Director: Financial Director

Bachelor of Commerce (Accounting)
(University of Johannesburg) 2002

Bachelor of Accounting Sciences (Honours)
(University of South Africa) 2005

Chartered Accountant (SA) (SAICA) 2010

TC Ntshiqa

Executive Manager Stakeholder Management

BJuris (University of South Africa) 1998

Management Development Programme
(Gordon Institute of Business Science) 2006

Higher Certificate in Insurance
(University of South Africa) 2007

NG Wabanie

Executive Manager Business Support

BJuris (Nelson Mandela Metropolitan University) 1997

LLB (Nelson Mandela Metropolitan University) 1999

Senior Management Development Programme
(University of Stellenbosch) 2008

Other Directorships

MC Ramaphosa

1. Alexander Forbes Equity Holdings (Pty) Ltd
2. Aurum Restaurants Company (Pty) Ltd
3. Bidvest Group Limited
4. Ivanplats Limited
5. Kangra Coal (Pty) Ltd
6. Lonmic PLC
7. Macsteel Service Centres (Pty) Limited
8. Maxshell 80 Investments (Pty) Ltd
9. MTN International (Pty) Ltd
10. MTN Group Ltd
11. MTN Holdings (Pty) Ltd
12. Mondi plc
13. Mondi Limited
14. Optimum Coal Holdings Limited
15. SABMiller plc
16. Shanduka Group (Pty) Limited
17. Shanduka Resources (Pty) Limited
18. Standard Bank Group Limited
19. Standard Bank of South Africa Limited
20. TBWA Hunt Lascaris Holdings (Pty) Ltd
21. Tutuwa Strategic Holdings 1 (Pty)

JRK Du Preez

1. Eat Smart Organics (Pty) Ltd
2. Klein Karoo Group
   a. Klein Karoo Saad Bemarking
   b. KLein Karoo Saad Produksie
   c. Klein Karoo Limited
   d. Klein Karoo International
3. UNIVEG South Africa Holdings Limited
4. Xinergistix Holdings Limited Group
   a. Xinergistix Holdings Limited
   b. Crystal Cool Holdings Limited
   c. Great Force Investments (Pty) Ltd

CD Da Silva

1. Mutual & Federal Namibia
2. Mutual & Federal Risk Finance

CH Du Toit

1. Export Credit Insurance Corporation of South Africa

MA Samie

1. Lion of Africa Insurance Company Limited
2. South African Actuaries Development Programme
3. South African Insurance Association
4. Timesquare Investments Pty Ltd

BJ Njenje

1. Village Main Reef
2. Kwik Fit
3. Continental Tyres SA
4. Vulisango Holdings

MP Lehutso-Phooko

1. C TRU Visions Holdings
2. Fresh Cut Meat Wholesalers
3. Mutloatse Kalane Keswa Investments

SH Schoeman

1. Guardrisk Allied Products and Services (Pty) Ltd
2. Alexander Forbes Risk and Insurance Services (Pty) Ltd
3. Alexander Forbes Insurance Company Limited
4. Guardrisk Holdings Limited
5. Guardrisk Insurance Company Holdings
6. Guardrisk Life Limited
7. Guardrisk Insurance Management Limited (Mauritius)
8. Guardrisk International Limited (PCC) (Mauritius)
9. Alexander Forbes Insurance Company Namibia Ltd
10. Euroguard Insurance Company PCC Limited
11. South African Insurance Association

AL Mhlanga

1. Standard Executors and Trust

R Mothapo

1. Land Bank Insurance Company
2. Export Credit Insurance Corporation
3. Moruba Consultants and Actuaries
4. Matlotlo Group (Pty) Ltd

K Pepler

1. Trustee: Aloecap Trust

CM Masondo

1. Trustee: Aloecap Trust

Chairperson's Report

Economic challenges

The global economy is in a period of great uncertainty. Europe is struggling to find sustainable solutions to its on-going sovereign debt crisis and economic growth remains moribund. It is clear that we have yet to see the full extent of the European debt crisis. The bailout packages to shore up the economies of Greece and most recently Spain have yet to have the desired effect, exposing deep political divisions within the EU and offering gloomy growth prospects for the world economy for the immediate future. These events are having a significant impact on our local economy and although South Africa is increasingly exporting to emerging markets, especially China and India, the Eurozone still remains a significant destination for South African goods.

South Africa's financial system has been less affected by the subprime crisis due to the regulatory capital requirements and the restrictions on international investments imposed on South African banks. The South African Reserve Bank has been extremely cautious in managing monetary policy, walking a fine line between keeping inflation at bay and ensuring that economic growth is not completely stifled. However, with an economic growth forecast at just 2.8% for 2012, perhaps the real risk lies in managing the ever-increasing unemployment rate especially among South Africa's youth.

Changing claims trends

Although South Africa's economy may appear relatively stable on the macroeconomic front, it struggles with seemingly endemic inequality, a high level of poverty and an elevated unemployment level. Rapid urbanisation coupled with an influx of refugees has put pressure on the government to deliver on basic services, especially at local government level. With slow economic growth and high unemployment, it is not surprising that South Africa continues to experience strikes and protests fuelled by both social and labour unrest. People are feeling the squeeze with wage increases not matching rising electricity, fuel and food costs. Service delivery in many areas is failing to meet expectations and levels of frustration are rising.

In the past 10 years, we have seen a significant decline in claims relating to political violence. Unfortunately, over the same period we have seen an increase in the number of claims resulting from labour strikes, social unrest (particularly service delivery protests) and incidents of public disorder (burning of trains by commuters). Over the last 12 months alone, we have seen an increase of 135% in Sasria's claims frequency and more than 70% of these claims are labour strike-related claims.

Adding value

Against this backdrop, Sasria remains a vital and fundamental support not just for the South African insurance industry but also for the people, businesses and government of South Africa. By providing insurance for special risks, we provide insurance cover for assets against extraordinary events such as terrorism strike, labour strike, political violence, etc. This provides further encouragement to business both locally and internationally to invest in our country and create job opportunities to build our economy.

Over the past 33 years, our business model has worked extremely effectively in making sure that we continue to provide affordable cover on a non-refusable and non-cancellable basis. Sasria has remained financially strong and ready to deal with the increasing and changing claims trends.

Sasria not only seeks to provide value for policyholders and shareholders, it also invests in the wider stakeholder community, which includes investing in projects targeted at infrastructure expansion in underdeveloped, rural communities and education projects. We also support the development of new enterprises by diverting a portion of our investment funds to BEE investment managers.

As a state owned company, it is critical for Sasria to remain accountable and transparent to the people of South Africa. Sasria's Board and management welcome all initiatives by regulators to improve the governance of financial institutions and remain committed to complying with all principles of good governance and further to embedding them in the way we do business.

Outlook

Since inception, Sasria has shown its ability to provide special risks insurance cover to its clients on a sustainable basis and to provide value over and above for the South African nation. In doing so, Sasria has shown its readiness to continue to provide affordable insurance solutions as we face the uncertainty of the immediate future. Our strategic plans have focussed on optimising shareholder value, on broadening our customer base, on developing a customer centric culture, on integrating and aligning our processes, and on investing in human capital development. We are constantly reviewing how we add value in today's environment by researching new ideas, products and methodologies while seeking to understand our role in the complexity of the global environment. We believe we are rising to the challenges of the increasing regulatory requirements and good governance with an emphasis on transparency, ethical business and meaningful sustainability.

In the light of current reporting trends, we have set our sights on producing fully integrated annual reports to help our stakeholders engage with and understand our business better. Integrated reporting is a journey but we have begun. We look forward to feedback from all our stakeholders on how to improve further.

A word of thanks

I would like to thank our partners, our agent companies and our brokers, through whom we manage ultimately to fulfil our mandate of providing insurance for special risks to the people and businesses of our country. In particular, we would like to thank the Honourable Minister of Finance, Mr Pravin Gordhan, and colleagues at the National Treasury for on-going support and guidance.

On a more personal note, I would like to thank all the members of the Sasria Board who work tirelessly and offer me their expertise and unstinting support. During the year, the Board saw changes in its composition. Ms Caroline Da Silva and Mr Cyril Ramaphosa retired from the Board and I would like to thank them for building a stable platform for Sasria's success over the past 10 years. I will continue, however, to particularly feel the loss of the presence and stature of Cyril Ramaphosa, our outgoing chairperson, to whom we must credit much of Sasria's successful development as one of South Africa's premier state owned companies. I shall do my best to live up to the high standards by which he has led the company.

I would also like to welcome Mr Herman Schoeman, Ms Angela Mhlanga and Mr Ranti Mothapi to our Board. We look forward to their contributions.

To the people of Sasria who make Sasria the success it is through their loyalty and hard work, I offer you all my sincerest thanks.

MA SAMIE
Chairperson
02 August 2012

Managing Director's Report

There is no doubt that this has been a challenging and testing year for Sasria alongside others in the South African insurance industry. The tough economic conditions in our country are reflected by the slow growth in our industry. The average GWP growth according to the PricewaterhouseCoopers' survey indicates that the growth recorded in 2011 was only 5%. *(PWC, Realising full potential: Insurance industry analysis, First edition, March 2012).*

The shifting sands of the European financial crisis continue to make the investment environment extremely difficult; there has been and still is no clarity, and lack of clarity makes for a jittery global market and all the implications that follow from economic slowdown and declining demand. The performance of the equity market coupled with low interest rates makes it difficult for insurance companies to achieve adequate return on investment.

Accompanied by these challenges, Sasria has also been operating in a rising claims environment over the past two years. Furthermore, like most financial companies, Sasria has also had to deal with increasing regulatory requirements exacerbated by skills shortages. Despite all this, Sasria stands firm and has achieved results that bode well for the future and testify to the success of our strategy and management.

We believe that we have delivered on our mandate, which is to provide special risk insurance at reasonable cost, at all times, to all citizens of this country. This means that we must continue to be self-sustainable and always do our business backed by sound governance principles.

We are on track to deliver on our 5-year strategic plan. The 5-year strategic plan includes five key objectives approved by the Board and endorsed by the shareholder – creating shareholder value, broadening the customer base, creating a customer centric culture, developing human capital, and integrating and aligning processes.

Strategic performance

Sasria's strategic environment consists of two layers with the annual strategic plan for the 2011–2012 financial year emanating from the previous year but firmly within the 5-year 2009–2014 strategic plan. Our performance against the targets we set is outlined below.

Optimising our shareholder value

Sasria's income is derived from both GWP income and investment income. While Sasria has maintained solid growth in GWP income, as explained in more detail in the financial director's report, the past year has not been an easy one on the investment front. However, we are making good progress at reducing costs, especially through restructuring our reinsurance costs, and this has had a beneficial impact on Sasria's bottom line as has managing to maintain expenditure at an acceptable level. Capital reserves are also looking healthy and we exceeded our target by achieving reserve levels of R3.83 billion, R89 million ahead of target, and this is in line with our strategy to be ready and self-sufficient for capital requirement as required by the Financial Services Board (FSB) Solvency Assessment and Management (SAM) requirement. This indicates that Sasria is a well governed company and poses no threat to our shareholder.

Broadening our customer base

Our on-going engagement with industry stakeholders resulted in new product developments and product enhancements. The introduction of Sasria Wrap and the planned enhancement of Business Interruption are just two of the initiatives undertaken by Sasria in its goal to provide the consumer with relevant products. Sasria Wrap (R1 billion limit cover), introduced in 2010, has continued to show good growth indicating that we should maintain our focus not only on enhancing our current products but also on developing new products.

Short-term insurance remains an underdeveloped market in our country and we remain committed to the objectives of the Financial Sector Charter (FSC) in making all financial products accessible to all South Africans. We are still researching our micro-insurance prospects by reviewing products presented by insurers for suitability and possible Sasria participation. However, our research into the feasibility and legislative requirements of disaster relief insurance is no longer on the agenda because our current mandate does not extend to that type of insurance; however, we will continue to monitor and research this subject.

Developing a customer centric culture

Like most financial companies, our product is not visible and so what distinguishes one financial company from another is the level of service provided to customers and we realised that a customer centric culture was not fully embedded in our organisation. Since then, a lot of work has been done and progress achieved to indicate that it is becoming embedded. We have undertaken a number of projects, such as implementing a new claims turnaround strategy that included increasing the claims personnel, intervention programmes aimed at all levels of staff, the Customer Web Portal (CWP), adopting divisional charters and including customer centricity as a key performance indicator (KPI) for our staff.

We have also embraced the FSB new initiatives on treating customers fairly (TCF). We are aware, however, that TCF is not a once-off project and we firmly believe it should be embedded in the organisation. We have therefore adopted the project as a way to do business rather than as a compliance requirement. We are on track with the implementation of this project and we hope to have more information on our success in implementing this project in the next reporting period.

Integrating and aligning our business processes

As part of our 5-year strategy, knowledge management was identified as a key operational initiative. To this end, we have completed our crucial Ulwazi project, an intranet site that significantly improves knowledge sharing in Sasria by providing a platform for shared documentation, the latest happenings, internal procedures, vacancies, calendars, forthcoming events, website links, newsletters, circulars, resource lists, surveys and departmental sections are accessible.

We have also completed phase two of our CWP project by rolling it out to all major agents and brokers. Indeed, it has already shown its value in assisting with improving the claims turnaround time for agents using the CWP system.

Finally, we have completed our business process review. All internal department processes have been mapped, reviewed and improved, together with a review and update of all our internal policies, procedures, divisional charters and Board charters. To achieve this, we held 54 workshops with 14 departments and functions; in all 143 processes were identified, mapped and documented, including improvements to previously documented processes. This important review process led to several resource and technology gaps being identified and addressed and a number of organisational structure changes being made.

During the project, the change readiness of the business was addressed through the alignment of leadership and management, change impact assessment and the development and implementation of a change intervention strategy. This strategy was implemented by identifying organisational culture issues and other issues and areas critical to change implementation and addressing them through stakeholder communication and one-on-one sessions with Sasria staff.

Investing in our human capital

In times of skills scarcity such as South Africa is experiencing now, we realise the pivotal importance of our people and the value of a sustainable employment brand. "The industry continues to be plagued by talent shortages. In 2012, the two most sought-after executive professional positions were specialist underwriters and actuaries followed by capital management and risk management professionals. Non-executive directors and audit committee members are also in high demand." *PWC, Strategic and Emerging Issues in South African Insurance 2012, Fifth edition, June 2012.*

In order to develop our human capital, Sasria is committed to focussing on talent management, leadership development, workforce planning and performance management. In this current year, the performance management system was implemented and the Human Capital department developed a strategy focussing on employee wellness, workforce planning, training and development. We also believe it is our responsibility to society as good citizens to contribute to human capital development, especially in our industry.

Ensuring good corporate governance

As a company, Sasria has been working hard to align to King III and the new Companies Act and to this end, all gaps that were identified in our review have now been addressed. We are happy with what we have achieved in the last year to make sure we are FAIS compliant. All our key individuals and representatives have written and successfully passed their RE1 examinations and are waiting for the RE2 examination to be fully compliant as required by the FSB.

The experience in North America and Europe on banking failures has emphasised the need for a well-embedded Risk Management culture in the organisation. I am comfortable with the road that we have travelled in the last 2 years to make sure that Risk Management is not a compliance issue but a way to do business. Our Risk Management framework has matured and we believe that we can further improve.

Finally, I am proud we have begun our journey along the road to integrated reporting. This is our first integrated report, and we believe it will significantly improve our stakeholders' understanding of our business, how we add value and our continued relevance as we face the social, economic and political challenges of the future. We look forward to your feedback.

Outlook

We remain very aware of the fragility of the Eurozone due the debt crisis and the impact it may yet have even on the strong growth in the Chinese economy. The South African economy, which up to now has steered clear from the major world financial crises, is very exposed to the influences of these two economic powerhouses.

On the local front, Sasria, like the rest of the industry, needs to contend with the ever more stringent regulations imposed on it. However, we fully support the FSB initiatives and our objective is not just to comply but to embed some of these initiatives into our business culture. SAM, TCF and Binder agreements are some of the FSB initiatives we will continue to tackle in the next financial year.

Overall, Sasria has proved that it is well positioned to manage the changing environment it faces and to continue to deliver on its mandate.

A word of thanks

To our clients, intermediaries, agent companies and other stakeholders, I offer my thanks for the support, feedback and partnership. It is through our solid partnership and your on-going support that Sasria can continue to operate with a core team and focus on ensuring that Sasria is sustainable over the long term.

On a personal level, I would like to thank our previous Chairperson, Mr Cyril Ramaphosa, and Ms Caroline Da Silva, both of whom retired from the Board after serving with commitment and dedication for many years. To both of them in IsiZulu we say, "Ukwada kwaliwa Umthakathi".

To our new Chairperson, Mr Adam Samie, I would like to thank you for the support and guidance that you have given my team and me in the past year. I am also deeply grateful to the support and expertise of the members of the Sasria Board, who in this dynamic and complex global environment ensure that Sasria remains strong, both financially and in terms of good corporate governance.

I would also like to express my sincerest thanks to the members of the Executive Management, who have worked tirelessly to ensure that Sasria's direction and strategy remain constant to our mandate and the requirements of the insurance industry as a whole.

I would also like to thank all the members of the Sasria staff who have worked as an incredible team this past year and embraced an enormous amount of change to position us even better to face our future.

Lastly, I would like to thank all the people in the industry that have supported me in my first year as Managing Director. I am grateful and humbled by the support I have received from these captains of industry.

CM MASONDO
Managing Director
02 August 2012

Financial Director's Report

Basis of reporting

The financial statements for the year ending 31 March 2012 were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee, effective as at 31 March 2012.

There were no significant changes to the accounting policies during the period and the financial statements therefore provide comprehensive information regarding the company's assets, liabilities, income and expenditure. In addition, detailed background has been provided on the recognition and measurement of insurance contracts and insurance and financial risks.

Financial overview

The company's profit before tax increased by 10.3% compared to last year. The return on equity for the year under review equates to 14.3%, which is an improvement from the previous year's 12.7%. Sasria's balance sheet remains strong, providing a solid base from which to achieve our strategic objectives. Tables 4 and 5 below present a summary of key figures and ratios.

Table 4: Extracts from the statement of comprehensive income: comparison 2010–2012

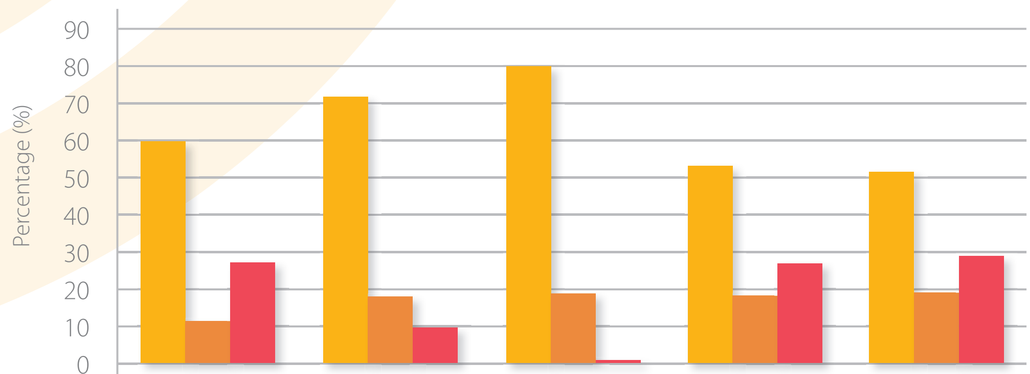
	2012		2011		2010
Statement of comprehensive income	**R'000**	**% change**	**R'000**	**% change**	**R'000**
Gross insurance premium written	1,087,133	7.5	1,010,915	28.7	785,548
Insurance premiums ceded to reinsurers	(309,881)	(24.0)	(407,646)	23.2	(330,990)
Investment income	299,277	0.8	296,789	(21.3)	377,103
Net insurance claims	(206,854)	23.8	(167,151)	3,523.8	(4,613)
Share of profit /(loss)of associate	(6,872)	(174.7)	9,200	(133.8)	(27,200)
Profit before tax	679,813	10.3	616,204	(11.9)	699,317

Table 5: Extracts from the statement of financial position: comparison 2010–2012

	2012		2011		2010
Statement of financial position	**R'000**	**% change**	**R'000**	**% change**	**R'000**
Total assets	4,487,385	9.0	4,115,383	11.5	3,691,993
Total equity	3,867,350	11.4	3,471,007	8.4	3,202,120
Total liabilities	620,035	(3.8)	644,376	31.5	489,873
Key ratios (Percentage)					
Management expense ratio	9.9	(14.4)	11.6	(25.6)	15.6
Operating ratio	63.0	(13.0)	72.5	40.2	51.7

Underwriting results

Underwriting profit increased by 25.3% compared to the previous year. Underwriting profit has fluctuated significantly over the past 5 years mainly due to the volatility of claims and in the current year it has been further affected by the change in our reinsurance strategy whereby Sasria increased its retention from 70% to 80%.



	2008	2009	2010	2011	2012
Underwriting result (%)	59.9%	71.3%	79.3%	53.6%	52.1%
Cost of acquisition (%)	12.0%	18.2%	19.6%	18.7%	19.4%
Net claims paid and provided (%)	28.0%	10.5%	1.1%	27.8%	28.9%

Figure 3: Underwriting results (2008–2012)

Gross written premium

Despite the economic challenges faced by the industry this past year, Sasria experienced a 7.5% growth in gross written premium (Figure 4). We attribute this growth to organic growth, new income from the Sasria Wrap product and new business from our traditional products stemming from increased brand awareness and improved stakeholder management. This is above the industry growth level of 5% recorded for the year ending 31 December 2011 *(PWC Insurance Industry Analysis, dated March 2012 – Short-term insurance statistics).*

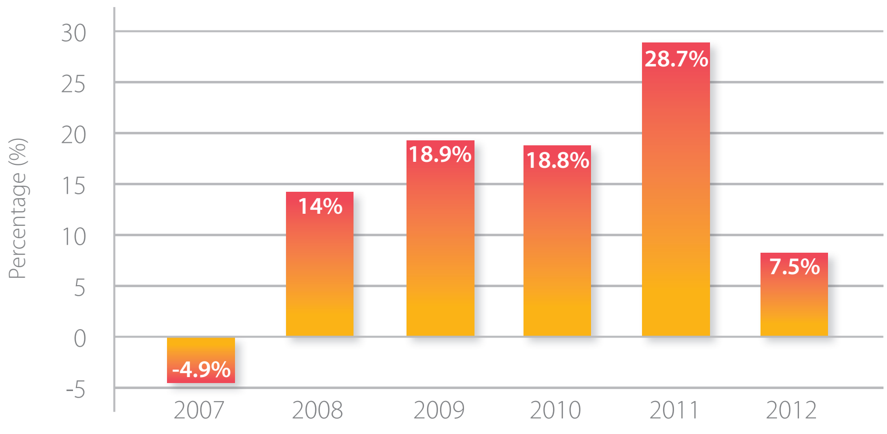


Figure 4: Percentage increase in gross written premium

The current year's growth in gross insurance premium written appears low when compared to the previous years (Figure 4). The main reason for this variance is that Sasria had a premium rate increase of 20% which led to the growth in 2009 and 2010, and in addition, it introduced Sasria Wrap in 2010 and this provided additional growth in 2010 and 2011. Sasria introduced no new products in the year under review and is satisfied with the 7.5% growth achieved.

Table 6 provides a summary of the company's insurance activities spread over various classes of business.

Apart from the Home Loan Guarantee and Money classes of business, which have contracted by 13.6% and 38.4% respectively, the other classes of business have recorded growth year-on-year, although there was almost no movement in the Motor class. Contract Works had the highest increase with 22.5%.

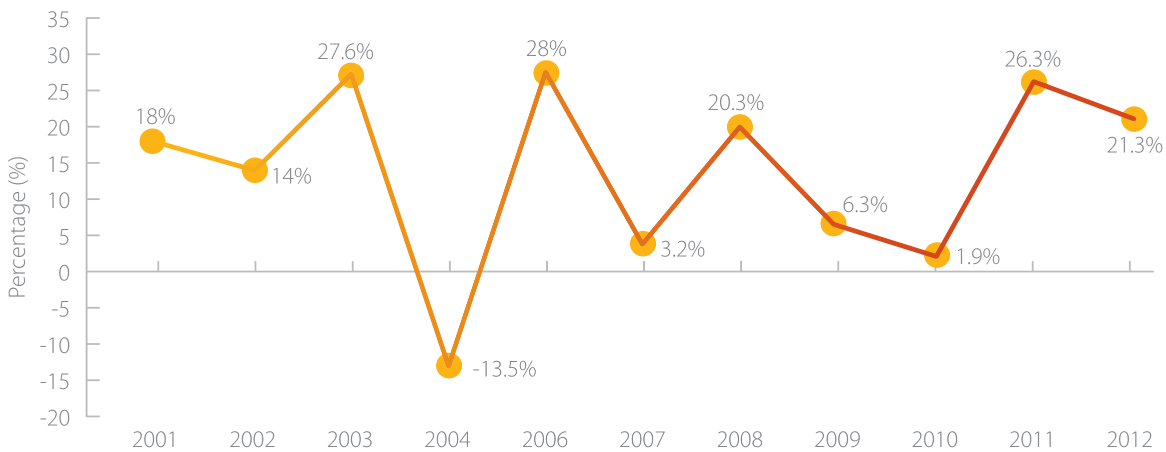
Claims activity

The loss ratio as at 31 March 2012 was 21.3%, (2011: 26.3%) as depicted in Figure 5. The loss ratio remained elevated for the second year in a row. The drivers for this loss ratio were the increase in labour strikes and service delivery protests.

The number of claims received increased by 135% (2011: 497 vs. 2012: 1,168) while the average claim value more than halved. The average value per claim (original estimate) in 2011 was R612,049 versus R213,242 in 2012, which resulted in a lower overall claim figure.

Table 6: Summary of classes of Sasria insurance activities

	2012		2011		2010
Class of business	**R'000**	**% change**	**R'000**	**% change**	**R'000**
Contract Works	40,827	22.5	33,334	39.2	23,953
Fire	844,219	8.9	775,091	29.5	598,618
Goods in Transit	10,126	10.1	9,196	19.5	7,694
Home Loan Guarantee	802	(13.6)	929	829.0	100
Money	3,325	(38.4)	5,400	65.8	3,256
Motor	187,834	0.5	186,965	23.1	151,927
Total	1,087,133	7.5	1,010,915	28.7	785,548



No 2005 loss ratio value presented as the year-end changed and an 18-month period was presented in 2006.

Figure 5: Loss ratios for 2001–2012

Investment Income

Investment income consists of interest and dividends together with realised and unrealised investment gains and losses. The relative contribution of each category to Sasria's overall investment income is shown in Table 7 below. Sasria achieved an average return on investments of 8.06% compared to 8.91% in 2011.

The reduction in the average return on investments is due to the low interest rate environment as well as the turmoil in the global economy, which contributed to the volatility in the South African equity markets. As can be seen from Figure 6 the interest rates were higher during the 2011 financial year than during the 2012 financial year. The previous year's investment returns were positively affected due to the higher yield that the interest bearing instruments obtained. The previous year was also positively affected by the decrease in interest rates. An inverse relationship exists between the fair value of a financial instrument and the discount rate used to value it. When the interest rates decreased in the previous year, the fair value automatically increased, thus increasing the total investment return for the year.

Dividend income was 14.7% lower than in 2011. However, despite the difficult conditions, Sasria's investment income compared favourably to the benchmarks set in the investment mandates as well as the average return on investments in the insurance industry.

Table 7: Investment income comparison: 2010–2012

	2012		2011		2010
	R'000	% change	R'000	% change	R'000
Interest income	205,005	2.3	200,412	(5.9)	213,048
Dividend income	25,129	(14.7)	29,471	317.6	7,057
Unrealised net fair value gain / (loss)	33,312	62.5	20,496	(85.2)	139,225
Realised net fair value gains	35,831	(22.8)	46,410	161.1	17,773
Total	299,277	0.8	296,789	(21.2)	377,103

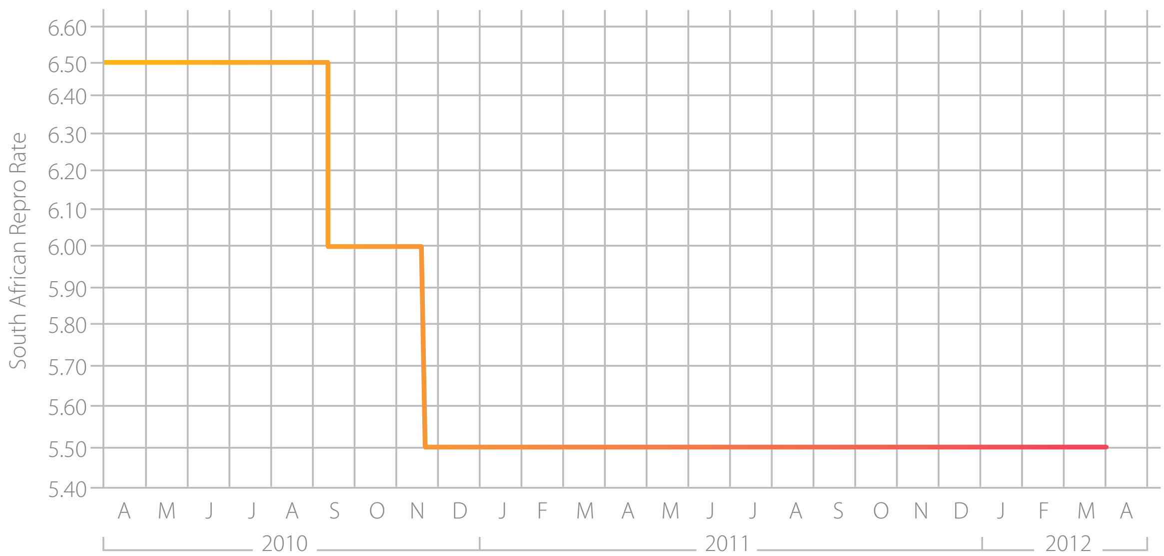


Figure 6: South Africa's repo rate (April 2010 to March 2012)

The majority of the company's investments are in short term instruments (Table 8) in order to accommodate operational needs.

The composition of Sasria's total investment holdings remained consistent with previous year and tracked our target investment allocation. Sasria reviewed its investment policy and strategy towards the end of 2011 to ensure that the asset allocation was also being managed and monitored from an asset/liability perspective. This ensures that there are sufficient funds available to meet Sasria's insurance liabilities and that the shareholders' fund is not unduly exposed to investment risk.

Our investment strategy, including return objectives, asset allocation, portfolio construction and asset manager has been formulated and approved by the board of directors and any variations have to be approved by the Board. The Board has delegated some of its responsibility to the Investment Committee, which operates as a Board sub-committee and is described in more detail in the Corporate Governance report.

The majority of Sasria's investments are outsourced to independent external fund managers under pre-determined mandates as per Sasria's investment policy. The overall performance of fund managers against their mandates is monitored and tracked by an independent asset consultant who reports to the investment committee on a quarterly basis. The mandate guidelines include performance objectives, market risk limitations including duration, asset allocation, credit and exposure limitations, the use of derivative structures and compliance with relevant FSB regulations. As at 31 March 2012, approximately R3.7 billion of the company's investments was managed by external investment managers. Their mandates comprise a combination of benchmarks such as CPI, SWIX and SteFi.

Sasria has appointed a manager internally to monitor the performance of Sasria's investment and the risks the investments are exposed to. The investments will be monitored utilising Sasria's new Investment Management Information System.

Table 8: Composition of Sasria's total investments

	2012		2011		2010
	Year ending 31 Mar 2012 R'000	**%**	**Year ending 31 Mar 2011 R'000**	**%**	**Year ending 31 Mar 2010 R'000**
Equity securities					
- Listed and quoted	876,392	21.8	789,291	21.9	700,602
- Unlisted and unquoted	28,420	0.7	25,038	0.7	31,449
Property development fund					
- Unlisted and unquoted	169,940	4.2	163,873	4.6	149,591
Money market fund (> 3 months)	582,170	14.5	473,361	13.2	498,641
Debt securities - fixed interest rate					
Quoted in an active market					
- Government and semi-government bonds	79,581	2.0	148,700	4.1	53,669
- Other bills and bonds	1,257,394	31.3	940,249	26.1	745,893
Cash and cash equivalents	957,532	23.8	936,507	26.0	1,002,756
Associate company	68,670	1.7	122,520	3.4	113,320
Total	4,020,099	100.0	3,599,539	100.0	3,345,921

Cash flow

The company's operating activities generated R398.1 million in cash for the year; this was a significant increase on 2011, (2011: R240.5 million), with the rise being due to the increase in underwriting profitability.

Regulatory solvency and capital requirements

The FSB has undertaken the development of a new risk -based solvency regime for the South African long-term and short-term insurance industries in order to bring them in line with international standards. This is being carried out under the banner of Solvency Assessment and Management (SAM).

The main objective of the SAM initiative is to protect the policyholder and beneficiaries by aligning the capital requirements with the underlying risk of the insurer. Secondary benefits include developing a risk-based approach to supervision, maintenance of financial stability and provision of incentives to insurers to adopt more sophisticated risk monitoring and management tools.

The implementation date of interim measures relating mainly to changes to the calculation of incurred but not reported claims (IBNR) and the calculation of capital adequacy was 1 January 2012. The overall impact on Sasria is not material.

Amendments to the legislation to provide the regulator with a mechanism to manage insurance groups and to introduce new requirements for risk management, governance and outsourcing are expected to come into effect during the first quarter of 2013. We have assessed our readiness to comply with these requirements and are confident that Sasria will be able to comply.

The target implementation date for the final requirements under the new regime for all short-term insurers is currently January 2015.

SAM progress

The company set itself ambitious SAM-related targets for the financial year ending 31 March 2012 and we are satisfied that we have met our objectives thus far. In order to satisfy the FSB's requirements for the implementation of SAM, Sasria undertook a detailed gap analysis to identify gaps and weaknesses. The gap analysis highlighted a number of areas for improvement, particularly with regard to risk management. The results of this gap analysis provide the foundation for the Sasria SAM readiness project, which will be completed over the coming years.

Under Pillar 1, the company made good progress in the following areas:

- Sasria is fully compliant with SAM Pillar 1 Interim Measures requirements.
- Sasria successfully completed the first voluntary Financial Services Board SAM Quantitative Impact Study (QIS1).
- Sasria has developed a simplified standard formula capital requirements tool, based on the SAM QIS1 results. This model will be updated during the coming SAM QIS2 and internal resources are being trained to use it.
- Sasria has undertaken the development of a more detailed economic capital model calculation to aid pro-active risk management and the move towards informed risk-based capital management under SAM.

Over the course of the next financial year, Sasria will also begin to tackle the majority of the SAM Pillar II Governance-related requirements. This ambitious 2-year project is made up of 16 work streams with over a hundred initiatives and deliverables.

Capital management

Sasria's capital management philosophy is to maximise the return on the shareholders' capital within an appropriate risk framework. We will continue to monitor our solvency levels and required solvency range in the light of industry changes and regulatory requirements. Sasria is committed to efficient capital management and the Board decided to maintain an appropriate level of capital with the balance of the required capacity being made up of reinsurance.

During the year, the existing regulatory minimum reserve and capital requirements were replaced by the SAM Interim Measures requirements as prescribed by the Financial Services Board. As part of this change, the requirement to hold a contingency reserve has been removed.

Sasria has calculated its solvency position for 2012 on the new Interim Measures basis and the results are shown below. The results on the previous regulatory requirement basis are shown for previous years. The decrease in the solvency position year-on-year is due to the increase in claims over the last two years.

Regulatory solvency position	2012	2011	2010
Capital required as % of premium	28%	15%	15%
Capital available as % of premium	500%	560%	683%
Available as % of required	1757%	3732%	4552%

The company remains in a healthy solvency position on the Interim Measures basis, as was the case in previous years. However, as in previous years, the regulatory minimum capital requirement underestimates the risk capital required for Sasria's unique business, which is why Sasria has commenced an investigation into a more accurate calculation of capital through the development of an economic capital model.

In 2012, the FSB also undertook the SAM QIS1 industry field study of the draft minimum capital requirements proposed for introduction under SAM in 2015. This field study will be followed by a SAM QIS2 in 2013. The results of Sasria's participation in the SAM QIS1 exercise are shown below:

SAM QIS1 proposed solvency position	2012
Capital required as % of premium	284%
Capital available as % of premium	445%
Available as % of required	156%

The draft requirements under SAM QIS1 provide a more realistic value of the risk capital required by Sasria, because they allow more accurately for the risk of catastrophic claims events. The company would be in a solvent position under the proposed SAM QIS1 requirements, with a solvency margin of 156%. This is calculated as the available own funds divided by the minimum capital required.

Sasria will continue to monitor the development of SAM and will partake in SAM QIS2 in 2013.

Dividends

In this financial year, Sasria paid a dividend of R126.6 million (2011: R153.3 million) to its shareholder. Dividend payments are made within the context of the company's capital management policy, which takes a conservative view to the payment of dividends.

Risk management

Sasria is exposed to several financial and other risks namely market risk, credit risk, insurance risk, liquidity risk, operational risk, legal risks and risks associated with the management of capital. The potential impact and management of these risks are discussed in detail in the annual financial statement included in this report.

Outlook

From an earnings perspective, Sasria is focussing on premium growth and should be able to grow its premium income in excess of the growth in nominal GDP, being approximately 9% per annum. Inflation is declining in South Africa and our forecast is that interest rates will be cut by at least 500 basis points in the second half of the year, This will have a negative impact on Sasria's investment returns because its investments are largely in short-term money market instruments and bonds. The equity market in South Africa recently hit a new high of over 34 750 index points, which indicates that there is still a lot of value to be unlocked. On the investment side, we forecast an investment return of at least CPI+1%. This is sufficient to grow our reserves in excess of inflation to ensure that we remain able to pay claims.

Pepler

K PEPLER
Financial Director
02 August 2012

Operational Overview

Structure

The company was restructured last year and the number of divisions was reduced from five to four as depicted in Figure 7. The aim of restructuring was to streamline our operations and eliminate any duplication.

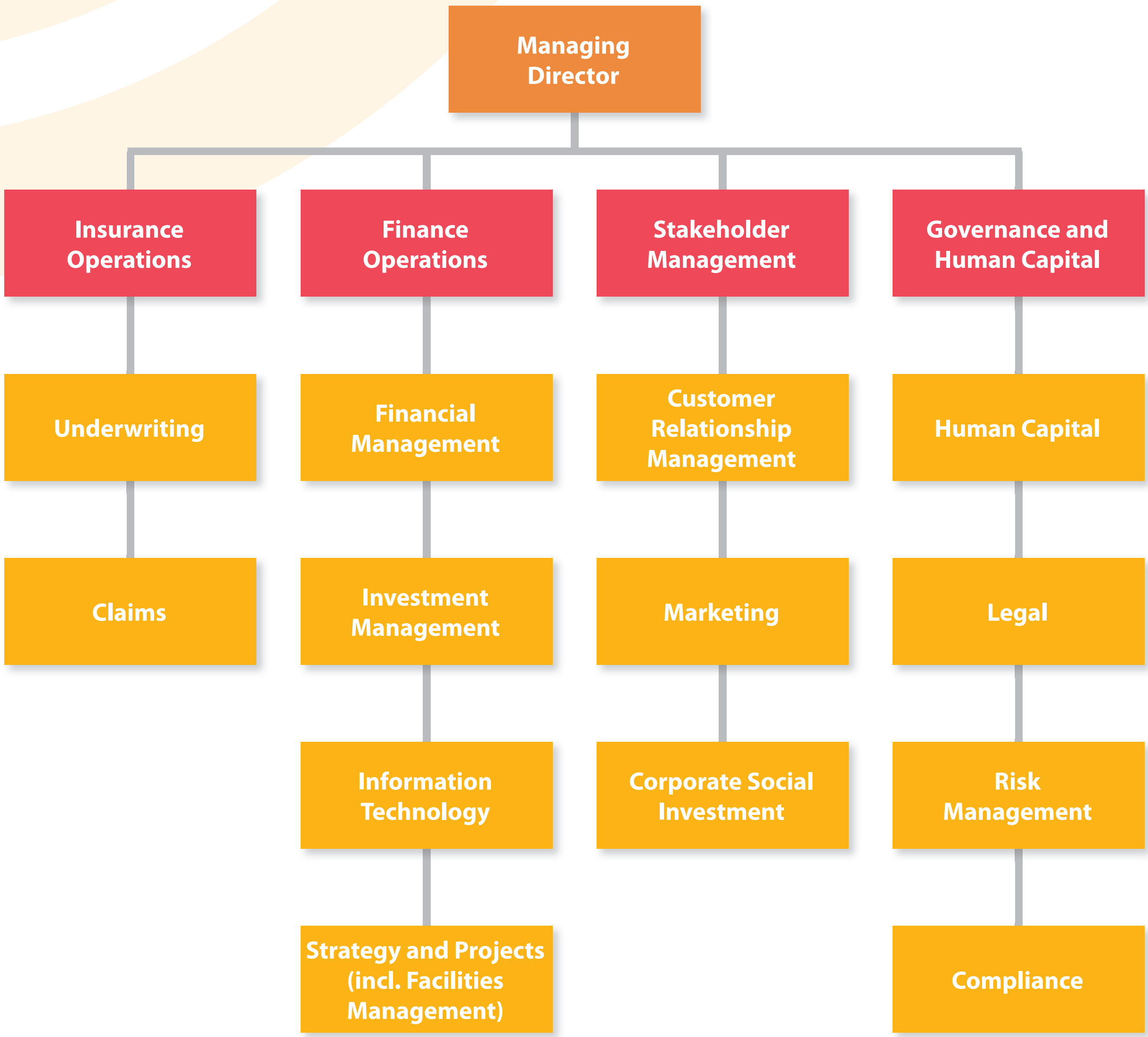


Figure 7: Functional structure

Insurance Operations Activities

The Insurance Operations Division is responsible for underwriting, reinsurance, actuarial and claims functions. As part of the restructuring and the business reengineering process, the division was refocused to concentrate on business opportunities, efficiency management of reinsurance use and improving efficiency in the claims department.

Sasria's products are continuously reviewed to avoid gaps in cover in the underlying policies and to ensure that the cover we provide remains relevant to our clients. The industry's needs are taken into account during the review of covers and products, which is done through the forum meetings with the Financial Intermediaries Association (FIA) and the South African Insurance Association (SAIA).

During this year, the following notable enhancements were effected:

- The rates of the Sasria Wrap product were reduced to meet the needs of the target customers;
- The Material Damage section was enhanced to include free fire extensions up to a limit of R1 million; and
- The Mobile Plant rate was reduced.

Partnership with our distribution channel is of utmost importance. To further strengthen this partnership, we increased the broker commission under the Sasria Wrap product from 7.5% to 15%. In addition, we effected various changes to ease the administration of Sasria business by Sasria agents and brokers. Furthermore, we support our distribution channel by providing technical support and product training sessions.

We restructured our reinsurance programme resulting in an increase in Sasria's retention, which in turn had a positive impact on our underwriting results.

During the year, the Claims department was boosted by skilled and experienced new employees to help cope with the increased volume of claims. In addition, the Claims department's operations were revamped and its processes streamlined, leading to an increase in claims efficiency and a reduced claims turnaround time from 120 days to 75 days for 80% of the claims.

Stakeholder Management Activities

Sasria's stakeholder management approach is to build a long-term, relationship-oriented and customer-centric approach to all its key stakeholders. The overriding objective of our stakeholder management plan is to establish strong partnerships and cultivate loyalties among key stakeholders in a dynamic environment.

Due to Sasria's business model, partnership and continuous engagement with our distribution channel are critical. Effective functioning of the value chain is of key importance to Sasria, hence the establishment of our Stakeholder Management Division with a focus on customer relations management (CRM). Sasria will continue to identify ways to improve and promote effective stakeholder communication and relations because we recognise the value of working hard to improve our engagement with all our stakeholders.

During the past year, we conducted a stakeholder analysis and categorised our stakeholders to better understand and cater for their varying needs. The stakeholder identification and categorisation process was driven by the company's strategic positioning and arose as part of the Business Process Re-engineering (BPR) project, which reviewed the organisational processes.

Figure 8 is a graphical presentation of the process followed during the stakeholder identification.

Figure 8: Stakeholder identification process

Our interaction with stakeholders takes place through quarterly forums with the industry, monthly participation in industry committee meetings, interactions among customer relations officers, the marketing manager, executive management and strategically important stakeholders; complaints and compliments monitoring by the marketing department and feedback from the industry.

Table 9 provides more detail on some of the more specific issues and processes regarding the company's interaction with identified stakeholder groupings.

Table 9: Interaction with Sasria stakeholders

Stakeholder	Frequency of engagement	Type of engagement	Material issues identified	Response to identified issues
Shareholder	Quarterly Annually	Meetings with executive directors	Operational matters Strategic matters	Operational applications Formal quarterly and annual reports
Sasria agent companies	Daily Monthly Quarterly	Telephonic discussions Correspondence Agent visits	Availability and visibility of Sasria brand Continuous technical support to the industry Customer service	Provided agent specific product training Actively participated in industry events Established a CRM department
Brokers	Quarterly	Broker visits	Broker commission Communication Gaps in Sasria product Customer service	Increased broker commission on Sasria Wrap product in April 2011 and increased commission on all other classes of business in April 2012 Effected product enhancements Introduced quarterly newsletter Revamped website and made it interactive Provided broker specific product training Established a CRM department

Stakeholder	Frequency of engagement	Type of engagement	Material issues identified	Response to identified issues
Industry associations	Monthly Quarterly	Association meetings	Gaps in Sasria cover Regional presence	Enhanced Sasria cover Regional presence established in all provinces, including outlaying areas
Regulator	Quarterly Annually	Correspondence Regulatory returns Meetings	Regulatory return review queries	Compliance with TCF, FAIS Act & STI Act SAM project in progress
Investment managers	Monthly Quarterly	Monthly reports Quarterly meetings	Mandate constraints	Mandates under review following approval of new investment strategy
Reinsurers	Quarterly	Quarterly meetings Informal meeting	Reinsurers' credit rating and capacity	Monthly monitoring of reinsurers' credit rating
Business partners	Quarterly	Formal and informal meetings	Enhancement of cover	Enhancement effected
Employees	Daily Weekly Monthly Quarterly Annually	Formal & informal meetings Workshops Interviews Telephonic discussions Correspondence	People management matters Skills development Operational matters Technical matters Financial matters	Responsive to employees and customer needs
Community	Monthly Quarterly	Marketing, CSI, Maths & Science development programmes	Support of relevant CSI projects	Developed a CSI policy
Media	Ad hoc Monthly	Telephonic interviews Brand & product awareness through articles	Marketing, Communication Industry related matters, Strategic & operational	Continuous brand and product awareness Organisational profiling

Finance Activities

During the year under review, Sasria's finance policies were reviewed, updated and approved by the Board. The Finance division documented the entity level internal controls, all financial processes, procedures and financial controls as these had not been formally documented before. All financial processes were captured in a risk and controls matrix to enable the process of formally documenting a combined assurance approach.

We created a new position, Investment and Reporting Manager, to deal with the new challenges the SAM project has presented. Furthermore, a new investment strategy and related policies were developed and approved by the Board.

Sasria has undertaken a project to develop an Investment Management Information System after the need was identified as part of the SAM implementation project to ensure the availability of data – the underlying assets (see-through principle) and consolidated view – for effective risk management, performance measurement and reporting.

Sasria's intranet, Ulwazi, was successfully upgraded to SharePoint 2010 with its additional enhancements and features. The Sasria website project was successfully completed and it received positive feedback from stakeholders. The new website includes a comprehensive content management system that allows Sasria to update the website content internally.

Not only was CWP implemented at the majority of our agent companies, it was enhanced to include e-coupon and other functionalities.

The following further enhancements to the current CWP system are being developed:

Underwriting Manager enhancement: We envisage extending the current CWP functionality to Underwriting Managers. The following functionality will be extended:

- Claim submission;
- Creation of e-coupons; and
- Claims status search.

Rates calculator and bordereaux enhancement: Sasria is looking at significantly improving the current functionality of CWP by enhancing the current rates calculator and e-coupon functionality. These enhancements will allow the information on the e-coupons to flow directly to the bordereaux and the Annexure 1 report. The rates calculator will be incorporated into e-coupon functionality allowing the agent companies to include the correct Sasria premium amount. This will benefit Sasria with agent company audits and assist with the completeness and accuracy of premium information.

Human Capital Activities

The change in leadership within the company led to a period of uncertainty, which in turn induced mistrust and thereby low morale. A two-pronged approach was undertaken to address the low morale entailing firstly, a leadership intervention that was aimed at identifying solutions to build the leadership team to lead effectively and create a shared mind-set and a series of behaviours related to leadership. The second was a team building exercise using the values of the organisation as the backdrop; this process was aimed to build a more cohesive team backed by Sasria's core values.

The functioning of the Human Capital management department was also reviewed; as a result, the Human Capital activities have now been categorised as Corporate Wellness, Learning & Development and Workforce Planning.

To date the following has been achieved:

- Design of a competency framework;
- Development of a reward strategy framework;
- Review and evaluation of existing job profiles;
- An analysis of salaries against the market;
- Implementation of a Human Capital Information Management System;
- Development of internal human capital management skills; and
- Review and updating of human capital management policies and procedures.

Sasria firmly believes in the need to improve the skills and abilities of all employees. In order to achieve our goals in this area, the organisation allocates both time and resources to stimulate growth and develop all employees. A key element of this growth will be the improvement of internal training processes across the different levels in the organisation to ensure alignment with each employee's role and the organisation's strategic objectives.

Governance and Remuneration

Statement of commitment

Sasria confirms its commitment to the principles of openness, integrity and accountability as advocated in the King III Code on Corporate Governance (King III). Our commitment to good governance is formalised in the company's charters and policies. Through this process, shareholders and other stakeholders may derive assurance that the company is ethically managed according to prudently determined risk parameters in compliance with best corporate practices. Monitoring the company's compliance with the King Code on Corporate Governance forms part of the Audit Committee's mandate.

The Board further acknowledges its responsibility for the integrity of the integrated report and is of the view that the report fairly reflects the company's integrated performance and addresses all material matters.

Level of King III application

Sasria has improved its level of application of the King III governance principles and recommendations during the period under review. Details of Sasria's adherence to the King III principles are highlighted below.

Compliance with laws

The Board adopted a 3-year compliance framework in the year under review, which it monitored throughout the year. All core and high-risk laws were monitored and the compliance coverage plan for the reporting period has been achieved with the result that the level of compliance during the period under review was satisfactory. This means that while there are certain areas for improvement, such improvements are not significant and do not threaten the achievement of business objectives.

Compliance forms an integral part of the risk management process. To this end, the Board is comfortable with the assurance that it operated an effective compliance framework and process in terms of which compliance risks were included in the risk register with the following information documented in the risk register for each compliance risk:

- Risk of non-compliance;
- Controls in place to mitigate this risk;
- Persons responsible for implementing this control; and
- Any further action required.

These risks were regularly reported on to the Board and its committees.

No regulatory penalties, sanctions or fines for contraventions of statutory obligations were imposed on the company or any of its directors or officers during the year under review.

Promotion of access to information

Sasria received no requests for information in terms of the Promotion of Access to Information Act, 2000, during the period under review despite the company having its Access to Information Manual available on the website.

Disclosure in terms of section 55(2)(b) of the Public Finance Management Act (PFMA)

There were no:

- material losses suffered through criminal conduct and any irregular and/or fruitless and/or wasteful expenditure that occurred during the financial year;
- criminal or disciplinary steps taken as a consequence of such losses or expenditure; or
- losses recovered or written off.

Furthermore, no financial assistance was received from the State nor were any commitments made by the State on its behalf.

Internal Audit

The Board has ensured that Sasria has an effective risk-based and independent internal audit function governed by an internal audit charter approved by the Board that adheres to the Standards and Code of Ethics set out by the Institute of Internal Auditors. This internal audit function reports functionally to the Audit Committee and provides reports at its meetings. The internal auditors, among others, evaluate the company's governance processes and objectively assess and report on the effectiveness of risk management and the internal control environment.

Risk management and internal control

Effective risk management is integral to the company's objective of consistently adding value to the business. The Board adopted a new risk strategy and new risk appetite statements, and updated the company's risk policy at its March 2012 meeting. The implementation of these items are considered by the Risk Committee. The Board further considers and comments on the effectiveness of the risk management system and process and reviews the implementation of the risk management plan at least annually, with continuous monitoring.

Management is constantly developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks. Sasria will further improve the effectiveness of its risk management function during the following year by aligning it to the requirements of the SAM regime.

Continuous training on risk management and SAM was conducted to the Board, Board committees and management. Continuous risk management training was also conducted to all staff and will be provided on an on-going basis.

Sasria continued to implement the Cura risk management system in the year under review to improve the efficiency of its risk management process and to assist in improved aggregation, reporting and monitoring of risks.

Operational risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems. Sasria has key policies and procedures in place to manage operational risk, which involve the segregation of duties, transaction authorisation, supervision, monitoring, financial and managerial reporting.

Financial risk management is dealt with in the financial statements on pages 69 to 125. To meet its responsibility with respect to providing reliable financial information, Sasria maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority; that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal; and that transactions are properly authorised and recorded. The system includes a documented organisational structure and division of responsibility, as well as established policies and procedures, including a code of ethics to foster a strong ethical climate, which is communicated throughout the company. It also includes the careful selection, training and development of people.

Internal auditors monitor the operation of the internal control system and report findings and recommendations to management and the board of directors. Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are identified. The Board, operating through its audit committee, provides supervision of the financial reporting process and the internal control system. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

A documented and tested business continuity plan exists to ensure the continuity of business-critical activities.

Governance of Information Technology (IT)

Sasria recognises that IT is strategically significant and has changed from being an enabler to a key driver of business. It is important that IT be aligned to business in order to maximise effectiveness and therefore it must be shaped to deliver business needs. Operationally, IT is a support function of business because it ensures that the business systems are functioning in an efficient and effective manner.

The Sasria IT policy is in place and aims to secure Sasria's vital information assets, specifically with respect to confidentiality, integrity and availability.

The key areas focused on in the IT policy are as follows:

- Access control;
- Security incident management;
- Physical security; and
- Information confidentiality.

During the year under review, the IT policy was updated and approved by the Board. The policy sets out the general approach to Information Technology Management at Sasria and focuses on:

- Prevention and regular assessment, containment, and effective recovery (from a breach); and
- Improvement in response to any breach.

The Audit Committee, which has IT governance on its agenda, both ensures that IT risks are adequately addressed and obtains appropriate assurance on controls.

IT Governance is discussed in detail in the sustainability report.

Stakeholder management

In line with good governance principles, the Board appreciates that stakeholder perceptions affect reputation and as a result, it sought to manage reputation risk. Key stakeholders were identified and the responsibility to deal with stakeholder relationships has been delegated to management.

Formal mechanisms and processes for constructive engagement with stakeholders have been developed and implemented. Sasria's stakeholders are detailed on page 3 and the stakeholder management activities discussed on pages 28 to 30.

Integrated reporting and disclosure

The Board is committed to the implementation of the principles of transparency and disclosure in all its relations with the company's stakeholders. To this end, accurate and meaningful information is made available to the company's stakeholders through formal and informal tools of communication.

This report marks Sasria's first integrated report although Sasria acknowledges that the journey to a truly integrated report will take 2 to 3 years.

Ethics performance

The Board adopted an Ethics Management Policy aligned with King III recommendations. This policy is aimed at providing an understanding of the corporate values and principles set out by the Board. The policy provides a non-exhaustive list of rules and guidelines that govern and support Sasria's ethical conduct practices and illustrate the behavioural expectations attached to Sasria's core values.

The company also developed a fraud prevention and protection of whistle-blowers policy, which provides an understanding of the corporate values and principles set out by the Board in relation to ensuring that there is both an anti-fraud mechanism and protection of whistle-blowers in the company. An independently operated anti-fraud hotline is also in place to encourage reporting of unethical behaviour without fear of being victimised. The hotline received no reports of fraud for the year under review.

Sasria has also developed a conflict of interest management policy, which seeks to assist Sasria's Board, executives and employees identify and declare potential and actual conflicts of interest. The policy also deals with procedures to mitigate the risk of damages or losses that may arise from unmanaged or undisclosed conflicts of interest.

Finally, Sasria has a fraud prevention plan in place aimed at mitigating the risk and opportunity for fraud and fraud-related irregularities.

Accounting and auditing

The Board places a strong emphasis on achieving the highest level of financial management, accounting and reporting to shareholders. The Board is committed to compliance with International Financial Reporting Standards. It is the directors' responsibility to prepare financial statements that fairly present:

- the state of affairs as at the end of the financial year under review;
- profit or loss for the period;
- cash flows for the period; and
- non-financial information.

The external auditors observe the highest level of business and professional ethics and their independence is not impaired in any way. The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate.

The external auditors provide an independent assessment of systems of internal financial control to the extent necessary for the audit and express an independent opinion on whether the financial statements are fairly presented.

The external auditors complement the work of the internal audit department and review all internal audit reports on a regular basis. The external audit function offers reasonable but not absolute assurance as to the accuracy of financial disclosures.

Governance structure

Board of directors

Sasria's Board is appointed by the shareholder. The Board consists of eight non-executive directors and two executive directors. A new managing director and financial director were appointed during the year under review.

Table 10: Composition of the Sasria Board in the 2012 financial year

Board Members in 2012	Year Appointed	Executive	Non-executive	Independent non-executive	Race White (W) Black (B)	Gender Male (M) Female (F)
MC Ramaphosa (Chairperson)	1998		*	*	B	M
JRK Du Preez (Deputy Chairperson)	2006		*	*	B	F
CD Da Silva	2002		*	*	W	F
MP Lehutso-Phooko (Deceased)	2006		*	*	B	F
MA Samie (Chairperson)	2002		*	*	B	M
BJ Njenje	2009		*	*	B	F
CH Du Toit	2009		*		W	M
AL Mhlanga	2011		*	*	B	F
SH Schoeman	2011		*	*	W	M
R Mothapo	2011		*	*	B	M
CM Masondo (Managing Director)	2011	*			B	M
K Pepler (Financial Director)	2011	*			W	F

Changes during 2012

- MC Ramaphosa retired as Chairperson on 30 November 2011 and as member of the Board on 27 March 2012.
- MA Samie was appointed as Chairperson of the Board on 01 December 2011.
- CD Da Silva retired from the Board on 30 November 2011.
- AL Mhlanga, R Mothapo and SH Schoeman were appointed to the Board on 01 December 2011.
- CM Masondo was appointed as Managing Director on 01 May 2011.
- K Pepler was appointed as Financial Director on 01 July 2011.

Role and function of the Board

The Board operates in terms of a charter that sets out its roles and responsibilities. It provides leadership and oversight of the company and its role includes the establishment, review and monitoring of strategic objectives; it also provides strategic direction and ensures that appropriate governance and management structures are in place. It oversees the company's systems of internal control, governance and risk management.

The Board further ensures that the company is led ethically for sustainability in terms of the economy, environment and society, taking into account its impact on internal and external stakeholders.

In terms of the PFMA, the Board is the accounting authority of the company and executes all the roles and functions of an accounting authority set out in that act.

The Board meets quarterly to review the strategic and operational performance of the company and to consider such topics as strategic issues, business plans, policies and the approval of major contracts and commitments. Executive directors are responsible for ensuring that the decisions, strategies and views of the Board are implemented.

Structure and composition of the Board

The directors are appointed by the shareholder from diverse backgrounds and they possess extensive skills and business experience. The Board composition also takes into account matters of diversity and demographics. The company has a formal and transparent Board nomination process. There are two executive directors and eight non-executive directors, seven of whom are classified as independent in terms of the Companies Act and King III.

Independence

There is a clear division of responsibility between the various roles within the company's corporate governance structure. The executive element of the Board is balanced by an independent group of non-executive directors who are all able to influence decision-making. There is also a clear separation between the roles of the non-executive chairperson and the managing director.

Board evaluation

Self-assessment appraisals for the Board and its committees have been conducted. The appraisals covered the range of skills, experience and effectiveness of the directors. The results reflect that the Board and its committees are performing at the level of good to very good. The areas of improvement, as indicated by Board members, include senior management succession planning and succession planning for the managing director; the need for annual strategic plan review sessions in addition to the annual meeting plan for the year; participation by all members at Board and Board committee meetings; participation at Board meetings by all Board members; and efficiency in the distribution of Board information and meeting packs.

As a result of the above, action plans have been put in place to address the areas of improvement reflected in the Board assessment report. These include, among others, independent Board performance assessment at 3-year intervals and the holding of a strategic plan review session annually in addition to the Board annual meeting plan.

Membership and attendance

During the year ended 31 March 2012, four Board meetings were held and the attendance was as shown in Table 11. The executive management attends Board meetings by invitation.

Table 11: Board attendance 2011–2012

Director	08 Jun 2011	08 Aug 2011	23 Nov 2011	27 Mar 2012
MC Ramaphosa (Chairperson)	Present	Present	Present	Present
JRK Du Preez	Apology	Present	Present	Present
CD Da Silva	Present	Present	Present	N/A
CH Du Toit	Present	Present	Apology	Present
MA Samie (Chairperson)	Present	Present	Present	Present
BJ Njenje	Present	Present	Present	Present
MP Lehutso-Phooko (Deceased)	Apology	Apology	Apology	Apology
SH Schoeman	N/A	N/A	N/A	Present
AL Mhlanga	N/A	N/A	N/A	Present
R Mothapo	N/A	N/A	N/A	Apology
CM Masondo (Executive)	Present	Present	Present	Present
K Pepler (Executive)	Present	Present	Present	Present

Induction of new directors

New directors were inducted in line with the company's induction policy and programme, which means new directors were adequately briefed on the company's governance structure, operations, policies and industry related matters, in order to enable them to fulfil their duties and responsibilities.

Company secretary

The company secretary provides the company's directors, collectively and individually, with guidance on how to execute their duties, responsibilities and powers in line with applicable legislative and regulatory framework and in the interests of the company.

Board committees

The Board has established various committees to assist it in the discharge of its duties. In addition to the statutory Audit Committee, the Board has established the Remuneration and Nomination Committee, the Risk Committee and the Investment Committee. All these committees operate in terms of charters approved by the Board that set out their respective mandates. Details of these committees are dealt with below.

The new Companies Act requires a Social and Ethics Committee to be established. Sasria established its Social and Ethics Committee after the financial year end and the committee is scheduled to meet on 01 August 2012.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee (Remco) serves as a vehicle to ensure that reward practices are aligned to Sasria's business and human capital goals and to ensure that the principles and spirit of the reward principles are aligned to Sasria's reward intent and strategic objectives. It is also responsible for making recommendations to the Board on the appointment of new executive and non-executive directors. The Board is ultimately responsible for the remuneration policy of the company, although the Board has appointed and mandated Remco to assist it in fulfilling its responsibilities in this regard. Remco also monitors and strengthens the objectivity and credibility of Sasria's reporting process and Human Capital functions.

Remco is composed of three non-executive directors who report to the Board. The managing director attends Remco meetings by invitation but does not participate in discussions and decisions regarding his/her remuneration and benefits.

The committee was chaired by CD Da Silva and is presently chaired by JRK Du Preez. The committee met twice during the year as outlined in Table 12.

Total rewards framework

The Sasria Total Rewards framework has been aligned with King III requirements to ensure that directors and executives are remunerated fairly and responsibly. The

Table 12: Remco meetings in 2011–2012

Member	04 Aug 2011	28 Mar 2012
CD Da Silva (Chairperson)	Present	N/A
MP Lehutso-Phooko (Deceased)	Apology	Apology
MC Ramaphosa	Present	N/A
JRK Du Preez (Chairperson)	N/A	Present
BJ Njenje	N/A	Present

CD Da Silva retired as Chairperson on 30 November 2011.

JRK Du Preez was appointed as Chairperson on 28 March 2012.

strategic imperative for holistic reward management is to ensure Sasria attracts, retains and recognises staff in support of its business objectives. Sasria's reward strategy ensures that members of staff are remunerated in line with the market and company internal equity, helping to retain pivotal talent through various reward mechanisms. The remuneration is linked to a certain grade and is determined by the pay structure or by benchmarking a job directly to the market. Sasria has pay scales within which it manages its remuneration.

To measure market competitiveness, Sasria uses remuneration surveys conducted by reputable salary survey companies that have sufficient sample sizes and spread of positions as well as adequate representation in relevant industries.

Sasria is committed to developing, implementing and upholding total rewards strategies and practices across the entire organisation, which:

- are consistent with and aligned to Sasria's vision, mission, values, and business objectives;
- pursue the best interests of Sasria, its shareholder and its employees;
- are fair, equitable and justifiable in line with King III;
- are market related; and
- are driven by and show a commitment to rewarding performance, competence and capability aligned to Sasria's values.

Total rewards framework vision

Sasria believes in rewarding and recognising high performance. Rewards in Sasria are linked to performance and are used to drive employee behaviour by significantly rewarding those employees who are performing at an exceptional level. Sasria has a robust, strategically aligned reward structure that rewards individuals in alignment with its strategic objectives; this refers to fixed and variable pay, benefits, organisation culture, recognition programmes and development. The process is owned and driven by Sasria's Exco and line managers.

Sasria believes that the benefits of a holistic reward strategy include the following:

- Higher engagement levels of staff: If reward practices are robust and transparent, it provides employees with the reassurance that they are fairly rewarded for the jobs they perform and recognised for their individual contributions;
- Achievement of business objectives: If there is clear alignment between Sasria's strategic goals and departmental and individual scorecards that results in a relevant performance bonus, it will result in business success; and
- Better cost control: Sound reward practices allow Sasria a clear sight of the labour market and so assist with more accurate planning for salary costs.

Expectations for teams and individuals

Sasria sets measurable objectives for both teams and individuals. These vary according to the nature of the work performed and an individual's level in the company, but generally include a combination of deliverables for achieving financial goals, key success factors, and the transformation of the company in line with the company's vision, achievement of both quantitative and qualitative targets and alignment, measurement, support and reward.

Thus through its Total Rewards programme and clear expectations, Sasria strives to ensure that all members of staff are focused and motivated through continual communication of the company's vision aligning employee responsibilities with the overall strategy and regular performance management and coaching reviews. Short-term, delivery-specific incentives are viewed as strong drivers of competitiveness and performance and a significant portion of senior management's reward is therefore variable, being determined by key performance indicators achieved and personal contributions.

Overview of executive remuneration structure

The components of the remuneration paid to executive directors and members of Exco are summarised in Table 13.

Detail of non-executive directors, executive directors and prescribed officers' remuneration is included in the annual financial statement on page 123.

Table 13: Executive remuneration components

Element	Purpose	Performance period and measures	Operation and delivery
Basic salary (guaranteed)	Core element to reflect market value of role and individual performance	Reviewed annually, based on performance against contracted output and market surveys	Benchmarked and positioned on average on 50th percentile
Benefits (guaranteed)	Retirement and lifestyle benefits to assist employees in carrying out their duties	Reviewed annually	Included in comparator benchmarking
Annual bonus (short-term variable)	Cash bonus in relation to performance against predetermined outputs to create a high performance culture	Annually	Based on different levels and pre-determined performance hurdles of business and personal targets

The quantum of the different components of the packages is determined as follows:

- The guaranteed component is market related in line with the individual's performance, competence and potential.
- The short-term variable component of remuneration is based on a combination of individual and annual business performance.

Remuneration for non-executive directors

Non-executive directors' fees are reviewed annually and industry benchmarked to ensure the fees remain competitive. Remco reviews fees and makes recommendations to the Board for consideration. The Board then recommends these fees to the shareholder for approval at the annual general meeting.

Remco is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the period under review.

Audit Committee

The Audit Committee provides assurance to the Board and shareholders on the integrity of financial reporting and the audit process, as well as the maintenance of a sound risk management and an internal control system. The Audit Committee exercised oversight over the internal audit function and has complied with the requirements of section 77 of the PFMA. The committee is responsible for ensuring the integrity of financial reporting, the audit process and the maintenance of a sound risk management and internal control system.

In pursuing these objectives, the committee oversees relations with the external auditors. The committee further approves the terms of engagement of external auditors, the scope of external audit work, the annual audit and the applicable levels of materiality. The committee also ensures effective communication between the internal auditors, external auditors and the Board.

The committee reports internally to the Board and externally to the shareholder through the Audit Committee report which forms part of the annual report. The Audit Committee reports, among others, on the appropriateness of the expertise and adequacy of resources of the finance function of the company.

In the past year, certain changes were made to the Audit Committee charter and the committee's membership to align them with King III and the applicable legislation.

The Audit Committee considered and adopted the internal audit charter and coverage plan. Internal Audit provides the Audit Committee and management with assurance on the appropriateness and effectiveness of internal controls, including internal financial controls. Internal Audit has prepared and initiated a risk-based, 3-year audit plan in consultation with the Audit Committee. This has been approved by the Board.

The committee was chaired by MA Samie until his appointment as chairperson of the Board on 01 December 2011. AL Mhlanga took over as the chairperson of the Audit Committee with effect from 28 March 2012 and SH Schoeman as a new member of the committee.

The committee held four meetings as outlined in Table 14.

Table 14: Audit Committee meetings 2011–2012

Member	06 Jun 2011	21 Jul 2011	14 Nov 2011	28 Mar 2012
MA Samie (Chairperson)	Present	Present	Present	N/A
JRK Du Preez	Present	Present	Present	Present
MP Lehutso-Phooko (Deceased)	Apology	Apology	Apology	Apology
CH Du Toit	Present	Present	Apology	Present
AL Mhlanga (Chairperson)	N/A	N/A	N/A	Present
SH Schoeman	N/A	N/A	N/A	Present

MA Samie retired as Chairperson and member of the Audit Committee on 30 November 2011.

AL Mhlanga was appointed as Chairperson and member of the Audit Committee on 28 March 2012.

Apart from the matters reflected in its charter, no other responsibilities have been assigned to the Audit Committee by the Board.

Meetings are held quarterly with the managing director, financial director, the external auditors and the internal auditors. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has complied with its terms of reference for the year under review.

Investment Committee

The Investment Committee evaluates and monitors the investment portfolio and the performance of investment managers to ensure that nominated portfolio managers perform adequately and continue to produce good returns for the company on the investments under their control.

The committee meets on a bi-annual basis to review and evaluate the returns achieved on the portfolios and approve future strategies. The committee further guides the Board on the mandates of investment managers and makes recommendations regarding the investment philosophy of the company.

The Investment Committee is comfortable that it has satisfied its responsibilities for the period under review.

The Investment Committee was chaired by MP Lehutso-Phooko and in her absence due to illness, JRK Du Preez was appointed as interim chairperson. MA Samie was appointed as a new member of the Investment Committee on 01 December 2011. Three meetings were held during the year as outlined in Table 15.

Table 15: Investment Committee meetings 2011–2012

Name of member	19 Apr 2011	03 Nov 2011 (Discussion meeting)	28 Mar 2012
MP Lehutso-Phooko (Chairperson)	Present	Apology	Apology
JRK Du Preez (Interim Chairperson)	Apology	Present	Present
CH Du Toit	Present	Present	Present
MC Ramaphosa	Present	Apology	N/A
MA Samie	N/A	N/A	Present

JRK Du Preez was appointed as Interim Chairperson in the absence of MP Lehutso-Phooko, who took ill during the year.

Risk Committee

The Board has the ultimate responsibility for risk management, the main purpose of which is to provide independent and objective oversight of risk management within the company. It achieves this by reviewing and assessing the integrity of risk control systems and by ensuring that risk policies and strategies are effectively managed and contribute to a climate of discipline and control that will reduce the opportunity for fraud.

The Risk Committee is composed of three non-executive directors who report to the Board. The committee is responsible for assisting the Board in the fulfilment of its responsibilities with regard to insurance risks. The committee meets at least once per year to consider technical issues raised, including the review of new products, the capital adequacy of the company and to consider complex claims. The Risk Committee was chaired by CD Da Silva until 30 November 2011 and held two meetings during the year as outlined in Table 16. SH Schoeman was appointed as chairperson and R Mothapo as new member of the committee on 28 March 2012.

Table 16: Risk Committee meetings 2011–2012

Name of member	23 November 2011	28 March 2012
CD Da Silva (Chairperson)	Present	N/A
MA Samie	Present	Present
JRK Du Preez	Present	N/A
SH Schoeman (Chairperson)	N/A	Present
R Mothapo	N/A	Apology

CD Da Silva retired as Chairperson and member of the Risk Committee on 30 November 2011.

SH Schoeman was appointed as Chairperson and member of the Risk Committee on 28 March 2012.

New Legislation

The ever-changing regulatory environment will continue to have an impact on the company. However, Sasria is determined to ensure that, where possible, it derives benefits from the implementation of requirements as opposed to an approach of merely performing superficial exercises without business or governance value.

There were several regulatory developments in the period under review, which are summarised in Table 17 below.

Table 17: Regulatory developments in 2012

Regulatory development		Sasria's response
Companies Act 71 of 2008	The new Companies Act came into effect during the year under review.	1. **Revision of MOI** The MOI is currently being revised to align with the Companies Act 2008. Due date for revised MOI is 01 May 2013. 2. **Establishment of Social and Ethics Committee (S&EC)** The Board advised of the requirement for establishment of S&EC. Committee established. 3. **Use of expression "SOC Ltd" in State Owned Company name** Completed. 4. **Declaration of dividend** Declaration forms part of the agenda for the November Board meeting each year when the Board declares the dividend. 5. **Notice periods for Shareholders' meetings** Included in revised MOI. 6. **Audit Committee** In place. 7. **Disclosure of conflicts of interests** Implemented. annual declaration. Standing agenda item for all meetings. 8. **Protection of whistle-blowers** Fraud Prevention & Whistle blowing Policy adopted by Board in March 2012. Currently being implemented and whistle-blowing mechanism in place. 9. **Directors indemnity insurance** In place. Extends to prescribed officers and committee members. 10. **Director's fees to be approved at Shareholders' meeting** Revision of Board fees submitted for approval by the Shareholder. 11. **Round robin resolutions.** All directors to have received notice of the matter to be decided. Included in revised MOI.

Regulatory development		Sasria's response
Insurance regulation and legislation changes	**FSB directive 156.A.i (ST)** Pursuant to the FSB's attempt to ensure consistency in the application of the STIA, and in particular, section 45 which deals with the handling and receipt of policy premiums by intermediaries, it released directive 156.A.i (ST) on 16 August 2011. This directive provides guidelines on how insurers and independent intermediaries are to apply section 45.	A letter dated 29 November 2011 was submitted to the FSB advising them that Sasria does not deal directly with intermediaries as defined in the STIA. Sasria therefore does not require any form of security provided for in the directive. Sasria, however, ensures that its agent companies comply with the STIA and the directive in the revised binder and outsourcing agreements with the agent companies.
	Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS Act) In terms of the General Code of Conduct for authorised financial services providers and representatives, authorised financial services providers such as Sasria were required to put in place a conflict of interest management policy aimed at avoiding conflicts of interest and, where this is not possible, to mitigate conflicts of interest between itself and policyholders when rendering financial services to policyholders.	The board of directors approved Sasria's Conflict of Interest Management Policy in November 2011. The policy has been implemented.
	Amendments to section 48, introduction of 48A of the Short-term Insurance Act 53 of 1998 (the STIA) and the introduction of regulation 6 issued in terms of the STIA from 1 January 2012 Section 48 regulates remuneration paid by insurers to intermediaries and section 48A lays down requirements under which insurers may conclude binder agreements with third parties. Regulation 6 introduces new definitions and prescribes requirements, limitations and prohibitions relating to binder agreements, consideration that may be offered or provided to binder holders, and any participation by binder holders in profits attributable to the policies referred to in binder agreements and for certain exemptions.	Sasria's Binder Agreement is in the process of being reviewed. It will be submitted to Binder holders during Quarter 2 for signature. The due date for the revised Binder Agreement is December 2012.

Regulatory development		Sasria's response
	Insurance Laws Amendment Bill 2011 (the Bill) In August 2011, the FSB released the Bill as part of the SAM II project. The Bill is aimed at introducing interim measures relating to the governance of insurers, risk management, internal controls, group supervision and outsourcing of functions. A further aim is to address the existing regulatory gaps and introduce technical amendments to insurance legislation.	There are currently governance structures in place to ensure compliance with the draft Bill once implemented. There is also an established Compliance Management function and systems in place to ensure compliance. An Outsourcing Policy is currently being developed to ensure compliance with the proposed legislative changes.
	Treating customers fairly (TCF) TCF is aimed at introducing a framework to ensure that customers in the financial services industry receive fair treatment when engaging with regulated entities.	Sasria conducted a gap analysis and a project team led the by the Stakeholder Management division executive has been formed.

Sustainability at Sasria

As a specialist risk insurer, we support our clients and the people of South Africa by covering the extraordinary so that the ordinary can continue. Sustainability is therefore at the very core of our business. Sasria is committed to sustainability as defined in the King III report. This report outlines our commitment to sustainability by presenting the highlights of activities for the 2011/2012 financial year and summarising our commitment for the coming years.

Sustainability at Sasria necessitates understanding and engaging with the world we live in. We are part of the broader world community and therefore affected by global environmental, economic and socio-political events and developments. An organisation's ability to create and sustain value is determined in part by how it is led and its governance.

However, beyond that, for Sasria, being sustainable and providing long-term value in such an uncertain world means being able to anticipate, adapt and respond in terms of our people, our business policies and processes, our products and our interaction with stakeholders and the broader community in which we live (Figure 9). We are committed to vigorously reviewing every aspect of our organisation to ensure its adherence to sustainability in line with international best practice environmental, social and governance (ESG) principles and to ensuring that our strategy embodies our brand and our values. To continue to be able to cover the extraordinary, we need to be there for the long term.

Transformation and human capital

Sasria's people are among our primary assets – we are reliant on our human capital as a key component of our on-going success. Sasria employed 42 staff members as at 31 March 2012 and it is their experience and commitment that allow us to cover the extraordinary. We have therefore realised that we need to develop a comprehensive human capital strategy to deal with the increasing skills shortage and to align our strategy to meet the demands of the insurance company in twenty first century.

Sasria is committed to providing equal opportunities for all employees regardless of their ethnic origin or gender. In compliance with the Employment Equity Act, we have developed and implemented an Employment Equity Plan and Strategy to ensure that employee profiles continue to be representative of the demographics of the environment in which the company operates.

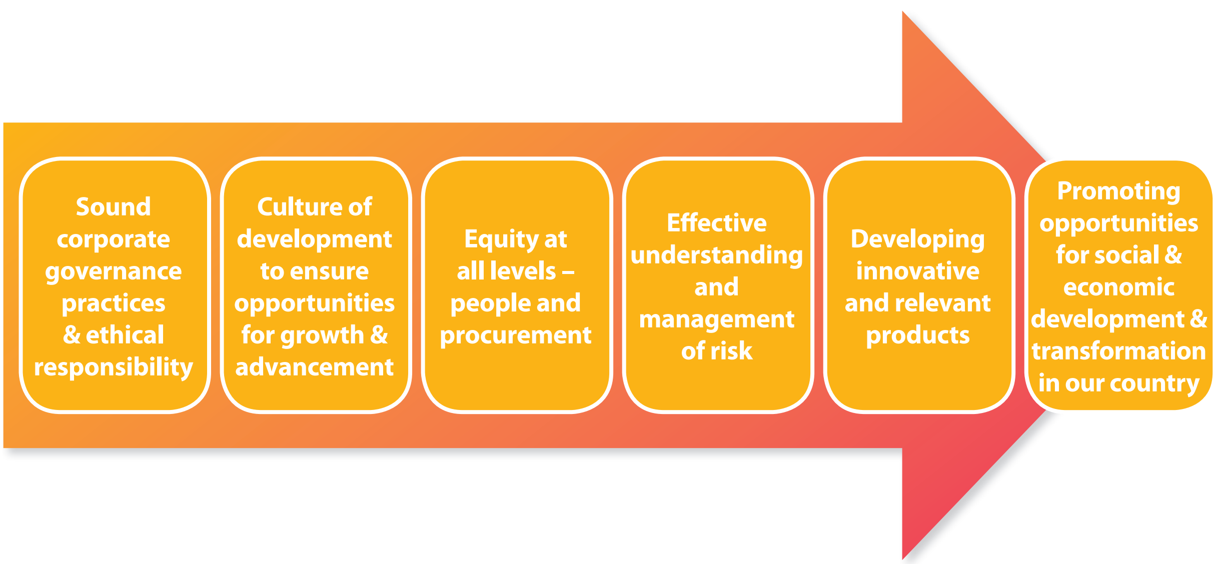


Figure 9: Sustainability at Sasria

Our Employment Equity Plan and related strategies and policies are reviewed by Remco and the board of directors in compliance with the respective King reports.

Sasria strives to empower all its employees and while we are doing well in terms of reflecting the country's demographics at all levels of the company, including at Board and executive management level, we remain committed to implementing an on-going transformation strategy bolstered by a policy of continuous learning and development to create an environment in which individuals feel part of the team, where contribution is encouraged and valued, and output, creativity and excellent service are both recognised and rewarded.

Our continuous learning and development policy provides not only opportunities for growth and advancement but also helps our staff understand how sustainability is enhanced through a holistic and integrated approach to ESG issues and how our staff are pivotal to creating long-term value in the organisation.

Our approach to sustainability necessitates embedding a culture of accountability in our management and staff for the responsible management of the social, economic and environmental challenges affecting our communities. Sasria therefore recognises the need to be supportive and relevant to all our stakeholders – our agents, suppliers, industry colleagues and of course our clients. Our recent stakeholder review and engagement programme form part of our strategy in this regard.

Employment equity

Employment equity applies to all employers and workers; it protects workers and job seekers from unfair discrimination and provides a framework for implementing affirmative action.

As part of Sasria's transformation process, the organisation strives for the empowerment of all its employees. The empowerment process is achieved by ensuring that Sasria employees are afforded the opportunity and given all the relevant information about the organisation's transformation process to enable them to make informed inputs on matters that affect them.

Sasria ensures that no person unfairly discriminates, directly or indirectly, against another employee, in any employment practice, on one or more grounds, as defined in the Employment Equity Act. Sasria is committed to contributing to the process of addressing the past imbalances and to achieve this critical objective, Sasria supports the principles of Employment Equity Act in addressing the past injustice.

In addition to the above, Sasria has begun the process of being rated in terms of our Preferential Procurement and Socio Economic Development in line with the proposed BBBEE Amendment Bill and revised Codes of Good Practice. Our target is to be a Level 1 contributor.

Occupational health and safety

Sasria's approach to occupational health and safety means ensuring a safe and healthy environment for all its employees. We have a formalised health and safety programme, administered by a dedicated administrator. Monthly reporting on health and safety issues is made to management.

Sasria has the following health and safety representatives:

- Health and Safety Administrator (1);
- Emergency Controller (1);
- Fire Marshals (3); and
- First Aid Providers (3).

Strategic levers for transformation

The strategic approach to transformation to which Sasria subscribes is through the development and implementation of an integrated Employment Equity (EE) and Transformation Plan. This plan contains measures by which Blacks, Coloureds, Indians, women and people with disabilities will be advantaged by the organisation in terms of business and employment practices. This is expressed in the strategic levers that have been identified by Sasria through the Human Capital Strategy and Business Plan.

Employment Equity is one of the pillars of the transformation process and is achieved by the removal of all forms of discrimination and with due recognition and attention given to the following, which is overseen by the Human Capital function:

- The implementation of affirmative action measures;
- The setting of numerical affirmative action targets to maintain and/or achieve action targets;
- Preferential recruitment with a focus on proactively recruiting suitable candidates from historically disadvantaged backgrounds;
- The identification of target groups, the setting of numerical goals and targets, together with time frames and milestones to achieve them;
- Concerted efforts to ensure Sasria meets at least the minimum targets for inclusion of people with disabilities;
- The maintenance of appropriate demographic congruence;
- The upgrading and development of the Sasria skills profiles; and
- Ensuring that EE processes are linked to Skills Development.

Sustainable relationships

We believe that our success over the past 30 years has been in part due to our ability to identify, assess and cover extraordinary risk. Sasria was born of the need to create security and assurance for businesses investing in South Africa. We believe the world is as beset by uncertainty today as it was then – even if the measures of uncertainty and risk have evolved. Global climate change, economic depression, growing concerns about rising food and oil prices combined with mounting socio-political unrest in many parts of the world underline the need for the corporate world to constantly reassess its role and the way it adds value to society over the long term. Sasria will be part of that long term.

We are therefore constantly engaging with stakeholders to assess how best to maintain a relevant and beneficial product range to suit our clients' needs.

Furthermore, we regularly review our systems and procedures and provide industry training for agent companies and brokers both to support them and to improve how Sasria products are sold and understood in the market place. We have set up a number of forums to discuss Sasria-related matters with both agent companies and broker associations and these provide a valuable communication channel to assist us in identifying risks and market trends ahead of the curve. To remain relevant we must not only respond but anticipate.

IT governance and sustainability

Responsible, sustainable business development for Sasria effectively means growing our product base, increasing market penetration of existing products, retaining customers, enhancing existing products, delivering products through new channels and entering into new markets. For this, we rely on sound business processes and technology.

IT governance is dealt with in detail in the King Report on Governance for South Africa and the King Code of Governance Principles (King III) for the first time. In line with King III, IT Governance focuses on the following four key areas.

1. Strategic alignment

Alignment with the company's strategy has been achieved. In addition to effectively managing IT service provision, our key focus areas on information technology, which link back to Sasria's key strategic focus areas, are as follows:

- ***Optimisation of Shareholder Value – Increase of net income by:*** Managing expenses and the total cost of ownership (TCO) of information technology.
- ***Integration and Alignment of Processes - Knowledge Management:*** Annual review of IT policies, procedures and controls and providing training and awareness workshops to Sasria staff on IT related matters.
- ***Development of a Customer Centric Culture – Provide superior customer service to internal and external stakeholders:*** Clustering and failover

of critical servers to improve uptime and service delivery. Improvements and enhancements to CWP and Ulwazi.

- ***Integration and Alignment of Processes – Ensuring good Corporate Governance:*** Pro-active management of the IT Department's risks by reviewing the departmental risk and compliance registers on a monthly basis (current and emerging risks).

2. Value delivery

Sasria has controls in place to deliver value-enhancing projects that enable business growth and are aligned with operational plans.

Optimising Expenses and Improving Value

IT related expenditure includes the following key areas:

- Operational day-to-day expenditure; and
- Capital expenditure: Hardware related costs, which include replacing out of warranty assets on a 3-year cycle and procurement of new software.

Sasria's procurement and management of IT assets is done based on a holistic lifecycle basis. The policies below provide the basis for this adopted approach:

- To facilitate the overall management of risk for IT and IT related equipment and software;
- To improve asset utilisation, identify and remove problem assets and those assets which are now 'dormant', so avoiding redundant maintenance, warranty and insurance coverage;
- To generate and maintain an accurate and current IT asset register of all IT and IT-related equipment and software;
- To ensure that Sasria fulfils its legal, statutory and audit requirements in relation to IT and IT-related equipment and software;
- To provide appropriate management information in relation to IT and IT-related equipment and software;
- To ensure IT assets are subject to the appropriate disposal processes, thus abiding by all legal, statutory and/or audit requirements;
- To ensure that design specifications for IT and IT-related equipment are directly linked to business requirements and address the entire life-cycle;
- To reduce over-provisioning of IT and IT-related equipment and software; and
- To improve Sasria's ability to recycle and reuse assets with a remaining useful life.

Project specific expenditure: IT projects aimed at enhancing Sasria's key areas of business.

Projects for the year under review included the following:

- CWP enhancements to improve Sasria's service offering to the industry and to improve claims turnaround times;
- Investment Information Management System implementation was started and was 90% complete by year end. The aim of this project is to collect all investment data electronically from our asset managers, standardise the data received and to utilise this data to monitor performance of the investments and to monitor the risk pertaining to these underlying investments on an asset manager and investment portfolio level; and
- Server virtualisation to improve and enhance the current IT infrastructure to improve efficiency, lower costs on operational and capital expenditure, lower power consumption, ventilation and space requirements thereby lowering our carbon footprint.

3. Risk management

Robust systems and controls are in place to mitigate risks relating to disaster recovery, continuity of operations and the safeguarding of IT assets.

The IT policy, which was updated and approved by the Board during the year under review, sets out the general approach to Information Technology Management at Sasria and focuses on:

- prevention and regular assessment, containment, and effective recovery (from a breach); and
- improvement in response to any breach.

The policy also aims to secure Sasria's vital information assets, specifically with respect to confidentiality, integrity and availability.

The key areas focused on in IT policy are:

- access control;
- security incident management;
- physical security;
- information confidentiality; and
- Information Technology Disaster Recovery plan and testing.

A fundamental change has taken place in the direction of information systems continuity planning. This process no longer concentrates solely on protecting just the closely defined area in which the centralised computer operates, it also addresses the larger environment in which an organisation functions and into which its data processing resources have been distributed.

Testing of the IT disaster recovery capability is carried out bi-annually to prove its overall effectiveness for the purpose defined in the recovery plan, and to identify errors and issues with existing plans, documentation and procedures. The recovery and business continuity capability will be maintained at a constant state of readiness to provide the best possible means of recovering from a catastrophic incident that would affect Sasria's data and business critical processes.

4. Resource management

The IT department is continuously optimising its infrastructure to improve its service offering to the company. Staff personal development plans are in place for all staff in the IT department, which focuses on developing skills within the organisation.

In addition, IT has implemented Ulwazi, the company intranet, to assist with knowledge management and information sharing across the organisation.

Over the coming years, Sasria will continue to seek out areas through which it can become more environmentally friendly and efficient. Already, our claims documentation is electronically stored, meaning no more paper-based claim files. Sasria has also implemented software that allows for electronic preparation, distribution and use of all Board and management meetings.

Business continuity management

As indicated under IT Governance above, Sasria has an adequate IT Disaster Recovery Plan in place. This plan ensures business continuity from a technology perspective in case of a major event.

The company implemented a rigorous planning process that included its business environmental analysis as well as identifying and mitigating potential risks that were deemed material to its progress and continued survival. Each business unit has completed a Business Impact Assessment (BIA) in order to understand critical business processes, functions, documents, resources and infrastructure needed to perform acceptable levels of service should the business continuity plan be activated following a major event. A formal Business Continuity Management Framework has been developed consisting of these four main components:

- Emergency Response Plan*;
- Crisis Management Plan;
- IT Disaster Recovery Plan*; and
- Business Continuity Plan.

Plans indicated with an asterisk are tested every six months. The Business Continuity Plan and Crisis Management Plan undergo desktop reviews on an annual basis.

Sustaining our customer base

Sasria has adopted a customer centric approach as part of its strategic plan, aiming to provide superior customer service to both internal and external stakeholders and to meet and exceed industry benchmarks.

As part of our strategic objectives, we are committed to increasing our customer base by reaching the uninsurable part of our society and by looking at risks that are currently regarded as uninsurable. To achieve this, we are reviewing our existing products and developing new ones. We are also exploring new market segments such as micro-insurance but still within our mandate.

Responsible investing

As part of its vision of sustainability, Sasria not only makes social investments in the community it serves but has also adopted ESG principles in its investment activities. The aim of an integrated ESG approach for the company is to ensure sustainable investment growth and long-term investment value.

We have investigated the principles of the United Nations Principles for Responsible Investment (UNPRI). The UNPRI is a set of six best practice standards developed to assist asset owners and asset managers to implement ESG principles in their investment activities. Sasria has adopted the UNPRI and is currently one of only four asset owner signatories in South Africa. Sasria has also adopted the requirements set forth in the Code on Responsible Investing by Institutional Investors in South Africa (CRISA).

We believe Sasria has a responsibility to guide and direct the asset managers it invests with to embed sound ESG practices into their investment decisions. To this end, the company engages and influences its investment managers to act in compliance with all legislation and to implement best practice to promote governance in investment activities. Sasria is currently in the research phase of designing its own investment due diligence process (including negative screening) to screen its investment managers in an effort to minimise systemic risks. Examples of these systemic risks include corruption, human rights violations, and unacceptable socio- and environmental impacts.

Sasria believes in an integrated and holistic approach to providing value over the longer term. We therefore seek to set an example through our own approach to our people, business practice and governance. We also aim to extend ESG principles and best practice through our influence and relationships with partners and stakeholders and out into the broader community of which we are part (Figure 10). Benefit for Sasria should lead to benefit for all.

Corporate social investment

Sasria was born out of the events of June 16, 1976. The youth that day showed extraordinary passion and bravery. In recognition of their contribution to our democracy, Sasria focuses its Corporate Social Investment (CSI) intervention on two areas, youth and education. We believe the youth are the future through education.

Figure 10: Sasria's integrated approach to sustainability

Investing in the development of skills, knowledge and competencies of underprivileged South Africans has become our primary corporate social investment priority thereby assisting Government in addressing the shortage of skills in the country. Sasria embraces the need to invest in the community and in particular the youth and their education. Sasria has been contributing 1% of its after-tax profit to socially responsible projects for the past 8 years; in the 2010 financial year, Sasria's Social Responsibility contribution was increased to 2%. The contribution to CSI in the financial year under review was 2%.

South African Actuaries Development Programme (SAADP)

SAADP is one of our strategic CSI projects. We established the SAADP programme to nurture mathematical and analytical skills among black students to help them capitalise on career opportunities in the field of Actuarial Science, particularly relevant at the moment bearing in mind that the two most sought-after executive professional positions in 2012, according to PricewaterhouseCoopers, were specialist underwriters and actuaries. The programme is geared towards creating greater awareness, understanding and appreciation of Actuarial Science as a field of study. Senior SAADP students act as mentors and provide academic and social support to junior students. The Student Mentorship Programme seeks to establish a cohesive SAADP student group to encourage members to be mutually supportive.

Over the past 8 years, the SAADP has produced 82 graduates, including eight fully qualified actuaries.

University of Johannesburg Maths and Science Centre

Sasria partnered with University of Johannesburg (UJ) in 2009 to establish a Maths and Science centre at the UJ Soweto campus. Sasria has sought this partnership because we firmly believe in the importance of being a primary contributor to the development of South Africa from the ground up.

Since Sasria's involvement in the UJ project, the number of learners from grades 10 to 12 attending the classes every Friday afternoon and for a full day on Saturday has increased to 632. The following subjects are offered at the centre, with the number of learners attending as depicted below in Table 18:

Undergraduate students from UJ are utilised as tutors, and university lecturers and postgraduate students are employed as lecturers at the school.

The Science Centre, in partnership with Sci Bono, trained 9 Physical Sciences educators, 30 Natural Sciences educators and 44 Mathematics educators in 2011. Outreach sessions are conducted for 23 schools on rotation and 1 500 learners are reached through these sessions.

The study material is aligned to the curriculum as set out by the Department of Education.

Bursaries for previously disadvantaged learners

Ten bursaries have been extended to students doing second-year degrees (through NSFAS) within the finance faculty. This initiative was in response to a call by

Table 18: Number of learners attending subjects through Sasria's UJ project

Subject	Grade 10	Grade 11	Grade 12	Total
Mathematics and English	211	190	231	632
Life Sciences	143	140	135	418
Physical Sciences	157	150	144	451

the President of the country in 2011 when he appealed to corporate South Africa to assist in improving access to higher education through funding. All 10 students passed their examinations with pleasing results and are now doing their third year.

Infrastructure development

Sasria has invested in infrastructure development to improve the conditions under which learners are taught and in leadership development in poor performing schools. To date, we have renovated a primary school in Daveyton called Enkangala Primary School and we celebrated the 2012 Mandela Day there together with the Gauteng MEC. The second infrastructure development project is nearing completion at Dan Pharasi School in Etwata.

Improving Mathematics and Science knowledge in Gauteng

Sasria partnered with the Gauteng Department of Education (GDE) to assist the department in implementing one of its strategic objectives, namely, improving Mathematics and Science skills within the province. We sponsored four Mathematics and Science projects in the province in the period under review.

The Gauteng Province achieved an 81.1% matric pass rate in 2011, slightly more than the 80% target set by the GDE; the Gauteng Province now stands second following the Western Cape Province at 82.9%. Sasria contributed to this pass rate by investing R2.2 million to SCI-BONO, an institution mandated by GDE to implement the abovementioned strategic objective.

Under our Mathematics outreach project, we reached 10 schools between August and December 2011.

Our second project focused on providing supplementary Mathematics, Science and Life Science tuition classes in Sedibeng district, one of the poorest performing districts in Gauteng. An improvement was also noted in the results of the learners that took part in this intervention.

For our third project, we adopted a site in Tembisa, through which we provided supplementary tuition in various subjects to over 600 matric learners from three different schools. The district posted an overall improvement in 2011 and achieved the second best performance in the province.

Sasria's fourth project focused on exposing learners to careers within the financial sector. A finance week was hosted at the SCI-BONO centre at which 23 schools were present, incorporating 4 871 learners and 105 educators. Sasria facilitated some exhibitors and presenters from within the insurance industry.

Career development

Sasria has recently partnered with WIPHOLD (Women Investment Portfolio Holdings) in conducting career expo days, where various professionals within the financial sector present to learners on the qualifications required to follow a particular career path as well as job competencies for various job functions.

Adopt a school foundation

We are currently in the process of formally adopting a school in Mogale City, through the Adopt a School Foundation, with a view to improving its conditions and the standard of education it provides.

Collaborative SAIA Industry Consumer Education Initiative

As a member of SAIA, Sasria contributed R1.25 million towards the SAIA Consumer Education Initiative this year. Under this initiative, SAIA annually pools the financial contributions of over 50 of its member companies to ensure that projects are collaboratively financed and strategically co-ordinated to ensure that industry efforts are not duplicated and that needs are addressed holistically. To date, over R40 million has been spent through this initiative on consumer literacy and generic insurance knowledge development in our country.

Strategic Objectives: Performance against targets as agreed with our shareholder for the year ending 31 March 2012

The results of our performance against our annual strategic plan for the year ending 31 March 2012 are satisfactory and the details are included in Table 19 below.

Table 19: Strategic objectives: Performance against targets for the year ending 31 March 2012

	Strategic Objective	Key Performance Indicators	Performance Targets	Actual Performance	Variances
1.	Increase in premium income	Increase GWP income from conventional business to R 1,056 million for the year ending 31 March 2012.	Increase GWP income growth to R 1,056 million (≥12.5%) from conventional business for the year ending 31 March 2012.	R 1,046 million.	Target not achieved.
2.	Increase in premium income	Achieve GWP income growth on Sasria Wrap product of R 40 million for the year ending 31 March 2012.	Achieve GWP income growth on Sasria Wrap product of R 40 million (≥14.3%) for the year ending 31 March 2012.	R 40.7 million.	Target achieved.
3.	Managing of expenses	Reduce reinsurance cost to 22.9% of premium income (% of GWP) for the year ending 31 March 2012.	Reduce reinsurance cost to 22.9% of premium income (% of GWP) for the year ending 31 March 2012.	Reinsurance costs reduced to 15.1% of GWP.	Target achieved.
4.	Increase in investment income	Achieve net investment income of R 304 million for the year ending 31 March 2012.	Achieve net investment income of R 304 million (increase of 7.4% from previous year's forecast) for the year ending 31 March 2012.	R 299.3 million.	Target not achieved.

	Strategic Objective	Key Performance Indicators	Performance Targets	Actual Performance	Variances
5.	Managing of expenses	Maintain expenditure within agreed budget for the year ending 31 March 2012.	Maintain expenditure within agreed budget of R 93.6 million for the year ending 31 March 2012.	R 93.5 million.	Target achieved.
6.	Capital reserves	Achieve projected capital reserve levels of R 3,741 million by 31 March 2012.	Achieve projected capital reserve levels of R 3,741 million by 31 March 2012.	R 3,867 million.	Target achieved.
7.	Operational efficiency	All internal department business processes mapped, reviewed and improved by 31 March 2012.	All internal department business processes mapped, reviewed and improved by 31 March 2012.	Phase 3 of the Business Process Re-engineering project completed. 54 workshops were held with the 14 departments and functions; 143 processes were mapped, including improvements to previously documented processes.	Target achieved.
8.	Develop a sustainable employment brand	To limit staff turnover to less than 10% by establishing an Employee Value Proposition (EVP), by 31 March 2012.	To limit staff turnover to less than 10% by establishing an EVP by 31 March 2012.	Staff turnover below 10%. Initial part of EVP completed; dipstick survey conducted on employee engagement.	Target achieved.
9.	Customer centricity	To improve customer service by reducing the claims turnaround time to less than 90 days from claim submission date, by 31 March 2012.	Reduced internal claim turnaround time to less than 90 days from the date of claim submission by 31 March 2012.	Turnaround time is 90 days from claim submission date for claims above R 50,000. Turnaround time for claims under R 50,000 is 75 days from claim submission date.	Target achieved.

Strategic Objective	Key Performance Indicators	Performance Targets	Actual Performance	Variances
10. Product awareness and customer relationship building	Improved industry knowledge of Sasria products by:	Improved industry knowledge of Sasria products by:		
	1. Conducting 45 industry-training sessions, by 31 March 2012.	1. Conducting 45 industry training sessions, by 31 March 2012.	1. 49 product awareness (industry training) sessions were conducted by 31 March 2012. This included 2 mini conferences, one conducted to members of SALGA and another to the Insurance Institute of the Cape of Good Hope.	Target achieved.
	2. Conducting an industry survey to measure product awareness (2.5% improvement, baseline to be determined during 2011/2012), by 31 March 2012.	2. Conducting an industry survey to measure product awareness (2.5% improvement, baseline to be determined during 2011/2012), by 31 March 2012.	2. Industry survey not conducted as at 31 March 2012.	Target not achieved.
	3. Obtain Inseta accreditation on Sasria product training sessions by 31 March 2012.	3. Obtain Inseta accreditation on Sasria product training sessions by 31 March 2012.	3. Inseta accreditation achieved in January 2012.	Target achieved.
11. Customer relationship management	Develop and implement an effective customer/ stakeholder relationship management (CRM) program by:			
	1. CRM strategy developed and implemented and by 31 March 2012.	1. CRM strategy developed and implemented and by 31 March 2012.	1. Development of the CRM strategy is complete. Implementation of the CRM strategy has commenced. Identification of strategically important stakeholders is complete; regional presence has been established in Cape Town, Durban, Eastern Cape, and Free State; customer segmentation is underway.	Target achieved.
	2. Roll out to all agent companies and selected brokers of the Customer Web Portal (CWP) by 31 March 2012.	2. CWP rolled out to all agent companies and selected brokers by 31 March 2012.	2. CWP roll out to agent companies and selected brokers completed.	Target achieved.

	Strategic Objective	Key Performance Indicators	Performance Targets	Actual Performance	Variances
12.	Operational efficiency	Achieve Financial Services Board (FSB) deadline for the implementation of Solvency Assessment and Management (SAM). The deadline is set for January 2015. The target for this year is to adhere to the project plan prepared for the implementation of SAM. The following are the main tasks to be performed in terms of the project plan (by 31 March 2012):	Successful execution of the following key initiatives:		
		1. Perform a GAP analysis to gauge current status.	1. Completion of Gap analysis by 31 March 2012.	1. Gap analysis completed.	Targets achieved.
		2. Development of a partial internal model.	2. Completion of Quantitative Impact Study1 by 31 March 2012.	2. QIS1 completed and submitted to the FSB.	
		3. Participate in the Quantitative Impact Studies (QIS) as required by the FSB.	3. Development of the capital model by 31 March 2012.	3. Development of draft simplified standard formula capital model completed.	

Strategic Objective	Key Performance Indicators	Performance Targets	Actual Performance	Variances
13. Ensuring good corporate governance	To align to the King III Corporate Governance Principles by 31 March 2012. The following areas were identified as gaps and we plan to address them as follows:	The following areas were identified as gaps and Sasria plans to address them as follows:		
	1. Develop a formal stakeholder relations policy, plan and communication matrix, to be approved by the Board by 31 March 2012.	1. Develop a formal stakeholder relations policy, plan and communication matrix, to be approved by the Board by 31 March 2012.	1. Internal communication matrix approved by Exco on 28 July 2011. CRM Strategy tabled at Board meeting of November 2011 and progress noted at Board meeting of March 2012.	Targets achieved.
	2. Integrated report to be prepared for the year ending 31 March 2012.	2. Integrated report to be prepared for the year ending 31 March 2012.	2. Financial and Project departments in progress of achieving integrated reporting for the 2012 financial year.	
	3. Dispute resolution process to be adopted by the Board of Directors by 31 March 2012.	3. Dispute resolution process to be adopted by the Board of Directors by 31 March 2012.	3. Board adopted the Alternative Dispute Resolution (ADR) clause in November 2011 and elected an ADR Panel in March 2012.	
	4. Succession plan to be developed for Sasria by 31 March 2012.	4. Succession plan to be developed for Sasria by 31 March 2012.	4. Succession planning policy statement has been approved by the Board.	
	5. Ethics programme to be integrated with Risk Management Plan by 31 March 2012.	5. Ethics program to be integrated with Risk Management Plan by 31 March 2012.	5. Ethics programme and risks integrated with Risk Management Plan. Board advised of need to establish a Social and Ethics Committee in terms of the Companies Act 2008 at the 23 November 2011 Board meeting. On 27 March 2012, the Board elected a Task Team to look into the matter and report at its next meeting planned for July 2012. Governance function staff members (Governance Department, Human Capital and Internal Audit) attended the Ethics Officer Certification Programme with the Ethics Institute of South Africa from September to November 2011.	

	Strategic Objective	Key Performance Indicators	Performance Targets	Actual Performance	Variances
14.	Corporate Social Investment	To make an annual contribution to South African Actuarial Development Project (SAADP) of R 4.5 million towards the development of future actuaries, by 31 March 2012.	Annual contribution to SAADP of R 4.5 million towards the development of future actuaries, by 31 March 2012.	Annual contribution of R 2.5 million was made to SAADP.	Target not achieved.
15.	Corporate Social Investment	To make an annual R 2.2 million contribution towards the establishment of the Sasria Mathematics and Science Centre at the University of Johannesburg, by 31 March 2012.	Annual contribution of R 2.2 million to the UJ Mathematics and Science Centre by 31 March 2012	Annual contribution of R 2.6 million was made to UJ Mathematics and Science Centre.	Target achieved.
16.	Corporate Social Investment	To make study bursaries available to Previously Disadvantaged Individuals (R 750,000), by 31 March 2012.	Bursaries of R 750,000 made available for the year ending 31 March 2012.	A total of R 556,000 was spent on bursaries for Previously Disadvantaged Individuals.	Target not achieved.
17.	Corporate Social Investment	To provide monetary assistance on a needs-based basis to disadvantaged schools (R 750,000), by 31 March 2012.	To assist disadvantaged schools (needs-based) by providing monetary assistance as required, but limited to budget of R 750,000 for year ending 31 March 2012.	Two infrastructure development projects have been completed. The total cost of the projects was R 952,000.	Target achieved.
18.	Develop a sustainable employment brand	To invest in staff development and training (R 1.2 million), by 31 March 2012.	All staff to have agreed Personal Development Plans by May 2011 to facilitate the appropriate spending of the budget.	The training budget has been fully utilised, spend against budget was R 1,213,485.	Target achieved.

Report of the Audit Committee

For the year ended 31 March 2012

The audit and risk committee changed to an audit committee with effect from 1 April 2011 and a risk committee was constituted on that date.

Audit Committee responsibility

The Audit Committee has complied with its responsibilities arising from section 51 of the PFMA and Treasury Regulation 27.1. In addition, the Audit Committee has adopted appropriate formal terms of reference as its Audit Committee charter and has regulated its affairs in compliance with this charter. It has discharged all its responsibilities as contained therein.

Effectiveness of internal control

Based on the various reports of the internal auditors and the report of the independent auditor on the annual financial statements, the Audit Committee is of the opinion that no significant or material non-compliance with prescribed policies and procedures occurred.

Quality of monthly and quarterly reports submitted in terms of the Act

The Audit Committee is satisfied with the content and quality of the reports prepared by Sasria management.

Finance function

We believe that Karen Pepler CA(SA), the financial director, possesses the appropriate expertise and experience to meet her responsibilities in that position.

We are satisfied with the expertise and adequacy of the resources with the finance function.

Based on the processes and assurance obtained, we believe that the accounting practices are effective.

Regulatory compliance

The Audit Committee complied with all applicable legal, regulatory and other responsibilities.

External audit

The Audit Committee has considered PricewaterhouseCoopers Inc's independence and is satisfied that it was independent throughout the year.

To assess the effectiveness of the external auditor, the committee reviewed:

- The fulfilment of the agreed audit plan and variations from the plan; and
- The robustness of the external auditor in its handling of the key accounting and audit judgements.

Regarding the oversight of the external audit process, the committee reviewed the following:

- The areas of responsibility and scope of the audit;
- Issues that arose from the audit and their resolution;
- Key accounting and audit judgements; and
- Recommendations made by the external auditor and management's response.

Based on the Audit Committee's satisfaction with the results of the external audit, the committee has recommended to the Board that PricewaterhouseCoopers should be reappointed for the next financial year.

Evaluation of financial statements

The Audit Committee has reviewed and discussed the audited annual financial statements to be included in the annual report with the external auditor and the Financial Director.

The Audit Committee concurs and accepts the opinion of the external auditor regarding the annual financial statements and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the independent auditors.

On behalf of the Audit Committee

ALMhlanga

AL MHLANGA
Chairperson of the Audit Committee
02 August 2012

Independent auditor's report to Sasria SOC Limited

Introduction

We have audited the financial statements of Sasria SOC Limited as set out on pages 69 to 125, which comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa (PAA), the General Notice issued in terms thereof and International Standards on Auditing. These standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, 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 present fairly, in all material respects, the financial position of Sasria SOC Limited as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2012, we have read the Directors' Report, the Audit Committee's Report and the Statement by the Company Secretary to identify whether there were material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the performance against the annual strategic plan as set out on pages 54 to 59 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

There were no material findings on the performance against annual strategic plan concerning the usefulness and reliability of the information.

Additional matter

Although no material findings concerning the usefulness and reliability of the performance information were identified in the Performance against annual strategic plan, we draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

Of the total number of planned programmes for the selected targets, only two were not achieved during the year under review, which represents 22% of total planned targets that were not achieved during the year under review.

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

We considered internal control relevant to our audit of the financial statements, performance against the annual strategic plan and compliance with laws and regulations. We did not identify any deficiencies in internal control that we considered sufficiently significant for inclusion in this report.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
Director: G Mtetwa
Registered Auditor
Johannesburg
03 August 2012

Directors' Responsibility and approval of Annual Financial Statements

The directors are responsible for the preparation, integrity and fair presentation of the financial statements. The external auditors are responsible for independently reviewing and reporting on the financial statements.

The financial statements set out in this report have been prepared by management in accordance with the provisions of the Companies Act and the PFMA and comply with International Financial Reporting Standards. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgments and estimates.

The going concern basis was adopted in preparing the annual financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecasts and available cash resources. The viability of the company is supported by the annual financial statements.

The company's internal controls and systems are designed to provide reasonable assurance on the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established written policies and procedures that are monitored through the company and all employees are required to maintain the highest ethical standards in ensuring that the company's business practices are conducted in a manner that in all reasonable circumstances is above reproach.

The annual financial statements were audited by the independent auditor, PricewaterhouseCoopers Inc., which was given unrestricted access to all financial records and related data, including minutes of meetings of shareholder, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit valid and appropriate.

Nothing has come to the attention of the directors to indicate that there has been any material breakdown in the functioning of these controls, systems and procedures during the year under review. The directors are of the opinion that Sasria's risk management process is effective.

The unqualified audit report of PricewaterhouseCoopers Inc. is presented on page 61.

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act, 2008.

The company annual financial statements, set out on pages 69 to 125, were approved by the directors in accordance with their responsibilities and were signed on their behalf by:

MA SAMIE
Chairperson
02 August 2012

Company Secretary Certificate

In accordance with section 88(2)(e) of the Companies Act, 71 of 2008, as amended (the Act), it is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.

MS MAVUSO
Company Secretary
02 August 2012

Glossary

Acquisition cost	Those costs that are primarily related to the acquisition of new or renewal of insurance contracts, e.g. commissions and management expenses. Acquisition costs are often expressed as a percentage of earned premium and referred to as the acquisition cost ratio.
Binder	An authority issued by an insurer to another party to enter into, vary or renew a short-term policy on behalf of that insurer; to determine the wording of a short-term policy; to determine premiums under a short-term policy; to determine the value of policy benefits under a short-term policy; or to settle claims under a short-term policy.
Bordereaux	The term 'bordereau' (plural – bordereaux) is used generally to designate detailed listings of risks insured or premiums and losses. Bordereaux are prepared by insurance brokers or insurers for submission to interested parties including other brokers, insurers and reinsurers.
Claim	A demand on the insurer for indemnification for a loss incurred from an insured peril.
Claims incurred	Claims cost for an accounting period made up of: • Claims paid for the period, including claims handling expenses; • Less outstanding claims at the end of the preceding accounting period, including IBNR; and • Plus outstanding claims at the end of the current accounting period, including IBNR.
Claims incurred but not reported (IBNR)	Claims resulting from events which have taken place, but of which the insurer has not received notices or reports of loss. An estimate is made of the amount of these claims based on previous experience.
Claims ratio	Ratio expressing the relationship between claims and premiums. The net claims ratio expresses claims net of recoveries from reinsurers as a percentage of premiums net of premiums ceded to reinsurance. The gross claims ratio reflects the position before reinsurance is taken into account. Also referred to as the loss ratio.
Deferred acquisition costs (DAC)	Acquisition costs relating to unearned premiums, disclosed as a separate asset on an insurer's balance sheet.
Earned premium	The proportions of premium attributable to the periods of risk that relate to the current accounting period. It represents written premium adjusted by the unearned premium provision at the beginning and end of the accounting period.
FSB	The Financial Services Board, the regulator of insurance companies in South Africa.
FSC	Financial Sector Charter

Gross written premium	Premiums which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance or from other insurers in relation to inwards reinsurance contracts. These are premiums on contracts entered into during the accounting period or adjustment to premiums from prior years. Also defined as premiums written and received but before deduction of reinsurance ceded.
Intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured.
Net written premium	Gross premiums written or received on all business less return premiums and premiums ceded to reinsurers.
Reinsurance premium	The premium paid by the ceding company to the reinsurer in consideration for the liability assumed by the reinsurer.
Salvage	The amount received by an insurer from the sale of (usually damaged) property on which he has paid a total loss to the insured.
SAM	Solvency Assessment and Management.
Short-term insurance	Defined in the Short-Term Insurance Act as providing benefits under short-term policies, which means engineering policies, guarantee policies, liability policies, miscellaneous policies, motor policies, accident and health policies, property policies or transportation policies or a contract comprising a combination of any of those policies.
Solvency Assessment and Management (SAM)	The project launched by the FSB to develop a new solvency regime for the South African long-term and short-term insurance industries to be in line with international standards and specifically the Solvency II initiative under way in Europe.
Solvency margin	A measurement of the financial strength of a short-term insurer. It represents the shareholders' funds, expressed as a percentage of net written premium income. This method of measurement is generally accepted internationally.
Underwriting	The process of examining, accepting, or rejecting insurance risks, and classifying or segmenting those selected, in order to charge the proper premium for each.
Underwriting cycle	The regular pattern of rising profits and increasing premiums and reduced profits/losses, and decreased premiums experienced in short-term insurance. The cycle starts when insurers underwriting standards become more stringent and premiums increase. This happens once underwriting losses reach unacceptable levels.
Underwriting result	The underwriting profit or loss calculated by deducting claims incurred, net of commission and management expenses from premiums earned.
Unearned premium provision	The portion of premiums attributable to the periods of risk that relate to subsequent accounting periods and which are carried forward to such subsequent accounting periods.

Company Information

Company Registration Number	1979/00287/06
Authorised Financial Services Provider	FSP No. 39117
Company Secretary	M Mavuso +27 11 881 1361 (Telephone)
Legal and Compliance Officer	N Wabanie +27 11 881 1311 (Telephone)
Bankers	Nedbank Limited 81 Main Street, Johannesburg, 2001
External Auditor	PricewaterhouseCoopers Inc. 2 Eglin Road, Sunninghill, 2157

Administration

Registered office	47 Wierda Road West, Wierda Valley, Sandton, 2196
Postal address	PO Box 653367, Benmore, 2010
Contact number	+27 11 881 1300 (Telephone) +27 11 783 0781 (Fax)
Web site	www.sasria.co.za
Email addresses	info@sasria.co.za accounts@sasria.co.za claims@sasria.co.za it@sasria.co.za complaints@sasria.co.za

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FINANCIAL STATEMENTS

Statement of Financial Position

for the year ended 31 March 2012

	Notes	2012 R'000	2011 R'000
Assets			
Property, plant and equipment	5	4,239	37,810
Intangible assets including intangible insurance asset	6	46,918	41,351
Investments in associates	7	68,670	122,520
Financial assets			
- at fair value through profit and loss	8	2,993,897	2,540,512
- loans and receivables	8	149,981	182,614
Insurance receivables	9	120,710	121,808
Reinsurance contracts	10	103,767	132,261
Current tax receivable		9,869	-
Cash and cash equivalents	11	957,532	936,507
Non-current assets held for sale	12	31,802	-
Total Assets		4,487,385	4,115,383
Equity			
Share capital	13	-	-
Non distributable regulatory reserves		221,132	73,019
Retained earnings		3,646,218	3,397,988
Total Equity		3,867,350	3,471,007
Liabilities			
Deferred income	16	21,387	27,537
Deferred tax	17	47,203	49,176
Employee benefit liability	15	9,001	6,730
Insurance contracts	10	468,532	401,420
Current tax payable		-	22,477
Payables	14	73,912	137,036
Total Liabilities		620,035	644,376
Total Equity and Liabilities		4,487,385	4,115,383

Statement of Comprehensive Income

for the year ended 31 March 2012

	Notes	2012 R'000	2011 R'000
Gross insurance premium written	18	1,087,133	1,010,915
Insurance premiums ceded to reinsurers	18	(309,881)	(407,646)
Net insurance premium revenue		777,252	603,269
Change in gross unearned premium provision		(14,689)	(7,834)
Change in reinsurers' share of unearned premium provision		(13,926)	5,974
Net insurance premiums earned	18	748,637	601,409
Commission earned from reinsurers		146,140	158,900
Investment income	19	299,277	296,789
Other income		1,770	4,262
Net income		1,195,824	1,061,360
Gross insurance claims and loss adjustment expenses	20	(231,402)	(250,183)
Claims and loss adjustment expenses recovered from reinsurers	20	24,548	83,032
Net insurance claims		(206,854)	(167,151)
Expenses for the acquisition of insurance contracts	21	(208,791)	(200,225)
Expenses for administration and marketing	22	(93,494)	(86,980)
Total expenses		(302,285)	(287,205)
Results of operating activities		686,685	607,004
Share of profit / (loss) of associate	7	(6,872)	9,200
Profit before tax		679,813	616,204
Income tax expense	24	(156,814)	(194,018)
Profit for the year		522,999	422,186
Total comprehensive income attributable to:			
Ordinary shareholder		522,999	422,186

Statement of Changes in Equity

for the year ended 31 March 2012

	Share capital	Statutory contingency reserve	Capital adequacy reserve	Non distributable regulatory reserves	Retained earnings	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 01 April 2010	**-**	**63,912**	-	**63,912**	**3,138,208**	**3,202,120**
Changes in equity						
Comprehensive income for the year	-	-	-	-	422,186	422,186
Transfer to contingency reserve	-	9,107	-	9,107	(9,107)	-
Dividends	-	-	-	-	(153,299)	(153,299)
Total changes	-	9,107	-	9,107	259,780	268,887
Balance at 01 April 2011	**-**	**73,019**	-	**73,019**	**3,397,988**	**3,471,007**
Changes in equity						
Comprehensive income for the year	-	-	-	-	522,999	522,999
Transfer to contingency reserve	-	(73,019)	-	(73,019)	73,019	-
Transfer to capital adequcy reserve	-	-	221,132	221,132	(221,132)	-
Dividends	-	-	-	-	(126,656)	(126,656)
Total changes	-	(73,019)	221,132	148,113	248,230	396,343
Balance at 31 March 2012	**-**	**-**	**221,132**	**221,132**	**3,646,218**	**3,867,350**
Note(s)	13					

Statement of Cash Flows

for the year ended 31 March 2012

	Notes	2012 R'000	2011 R'000
Cash flows from operating activities			
Cash generated from operations	27	449,948	332,487
Dividends received		25,129	29,471
Interest received		205,005	203,920
Realised gains on investments		35,831	-
Income tax paid		(191,133)	(172,112)
Dividend paid		(126,656)	(153,299)
Net cash from operating activities		398,124	240,467
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,481)	(2,395)
Proceeds on disposal of property, plant and equipment	5	45	104
Purchases relating to intangible assets	6	(2,566)	(59)
Purchase of investments		(420,075)	(304,366)
Net cash flows on sale of investment in associate		46,978	-
Net cash used in investing activities		(377,099)	(306,716)
Net (decrease) / increase in cash and cash equivalents		21,025	(66,249)
Cash and cash equivalents at beginning of year		936,507	1,002,756
Cash and cash equivalents at end of year	11	957,532	936,507

Accounting Policies

1. General information

Sasria Limited underwrites short-term insurance risks generally not covered by a traditional insurance company. These risks include loss of or damage to property, directly related to or caused by:

- any act (whether on behalf of any organisation, body or person, or group of persons) calculated or directed to overthrow or influence any state or government, or any provincial, local or tribal authority with force, or by means of fear, terrorism or violence;
- any act which is calculated or directed to bring about loss or damage in order to further any political aim, objective or cause, or to bring about any social or economic change, or in protest against any state or government, or any provincial, local or tribal authority, or for the purpose of inspiring fear in the public, or any section thereof; or
- any riot, strike or public disorder, or; any act or activity which is calculated or directed to bring about a riot, strike or public disorder;

These products are offered only to the domestic market. The company employs 42 people.

Sasria is a state owned company incorporated and domiciled in the Republic of South Africa.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee that were effective as at 31 March 2012. This is contrary to Chapter 28 of the Treasury Regulations which specifies that the Statements of Generally Accepted Accounting Practice (SA GAAP) should be used. Sasria has obtained approval for this departure from National Treasury in terms of section 79 of the PFMA.

The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

2.1 Basis of presentation

The Company's financial statements were prepared in accordance with IFRS, interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective at the reporting date of 31 March 2012.

The following is a summary of the more important changes.

a) International Financial Reporting Standards, amendments to standards and new interpretations

The following standards, interpretations and amendments have been adopted by the company in the current financial year:

IAS 24 (revised), 'Related party disclosures' (effective 1 January 2011): This revised standard removes the requirement for government related entities to disclose details of all transactions with the government and other government-related entities and it clarifies and simplifies the definition of a related party. The amendment does not have a material impact on the company's financial statements.

Annual improvements to IFRSs 2010 (effective 1 January 2011): This set of amendments includes changes to six standards and one IFRIC:
IFRS 1, 'First time adoption'.
IFRS 3, 'Business combinations'.
IFRS 7, 'Financial instruments; Disclosure'.
IAS 1, 'Presentation of financial statements'.
IAS 27, 'Separate financial statements'.
IAS 34, 'Interim financial reporting'.
IFRIC 13, 'Customer loyalty programmes'.

None of the above amendments have a material impact on the Company's financial statements

(b) Standards, amendments to published standards and interpretations early adopted by the company

In the current year the company did not early adopt any new, revised or amended standards.

(c) Standards and interpretations effective in the current year but not relevant to the company's operations

Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement' (effective 1 January 2011): This amendment will have no impact, as it applies only to entities that are required to make minimum funding contributions to a defined benefit pension plan.

IFRIC 19, 'Extinguishing financial liabilities with equity investments' (effective 1 July 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. This amendment is not applicable to the company.

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition (effective for periods beginning on or after 1 July 2011): These amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The new disclosure requirements are not expected to have a material impact on the company's financial statements.

Amendment to IAS 12, 'Income Taxes' on deferred tax (effective for periods beginning on or after 1 January 2012): This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The new guidance is not expected to have a material impact on the company's financial statements.

Amendment to IAS 19, 'Employee Benefits' (effective for periods beginning on or after 1 July 2012): These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The new guidance is not applicable to the company.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective for periods beginning on or after 1 July 2012): The main change resulting from these amendments is a requirement for entities to group items presented in Other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The new disclosure requirements are not expected to have a material impact on the company's financial statements.

IFRS 9, 'Financial Instruments' – classification and measurement (effective for periods beginning on or after 1 January 2013): This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. The new guidance is not expected to have a material impact on the company's financial statements.

IFRS 10, 'Consolidated financial statements' (effective for periods beginning on or after 1 January 2013): This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The new guidance is not expected to have a material impact on the company's financial statements.

IFRS 11, 'Joint arrangements' (effective for periods beginning on or after 1 January 2013): This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. Proportional consolidation of joint ventures is no longer allowed. The new guidance is not expected to have a material impact on the company's financial statements.

IFRS 12, 'Disclosure of interests in other entities' (effective for periods beginning on or after 1 January 2013): This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The new disclosure requirements are not expected to have a material impact on the company's financial statements.

IFRS 13, 'Fair value measurement' (effective for periods beginning on or after 1 January 2013): This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The new guidance is not expected to have a material impact on the company's financial statements.

IAS 27 (revised 2011) 'Separate financial statements' (effective for periods beginning on or after 1 January 2013): This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The new guidance is not expected to have a material impact on the company's financial statements.

IAS 28 (revised 2011) 'Associates and joint ventures' (effective for periods beginning on or after 1 January 2013): This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The new guidance is not expected to have a material impact on the company's financial statements.

2.2 Consolidation

Investment in associates

Associates are entities over which the Company has significant influence but not control over the financial and operational policies. Significant influence is determined based primarily on percentage voting rights (generally between 20% and 50%), together with other factors such as board participation and participation in the policy-making process. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in the associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss where appropriate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment on an annual basis. Any excess of the company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the statement of comprehensive income.

The Company's share of its associates' post-acquisition profits or losses is recognised in the Statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments were made to the accounting policies of associates to ensure consistency with the policies adopted by the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount adjacent to share of profit/(loss) of associates in the statement of comprehensive income.

Equity accounting is discontinued when the Company no longer has significant influence over the investment. The Company accounts for its investment in associates at cost less provision for impairment.

2.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land is not depreciated.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average Useful Life
Land	N/A
Buildings	20 years
Motor vehicles	5 years
Office equipment	5 years
Computer equipment	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in the statement of comprehensive income unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

2.4 Intangible assets

An intangible asset including intangible insurance asset are recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets including intangible insurance asset are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

To the extent that subsequent costs are incurred in the development phase, these are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

Intangible assets including intangible insurance asset are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets other than including intangible insurance asset, on a straight line basis, to their residual values as follows:

Item	Useful Life
Computer software, internally generated	3 years

2.5 Financial Assets

Classification

The company classifies its financial assets into the following categories: financial assets held at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated as at fair value through profit or loss at inception.

A financial asset is classified as a trading instrument if acquired principally for the purpose of selling in the short-term if it forms part of the portfolio of financial assets in which there is evidence of profit taking, or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial assets designated as at fair value through profit or loss at inception are the following:

Those that are held in funds to match investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases.

Those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. The Company's investment strategy is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets included in these portfolios are designated upon initial recognition as at fair value through profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the company intends to sell in the short-term or that it has designated as held at fair value through profit and loss.

Recognition and Measurement

Financial asset purchases and disposals are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value. Transaction costs are recognised in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Unrealised movements arising from changes in the fair value of financial assets at fair value through profit or loss are included in the statement of comprehensive income in the period in which they arise. Dividend income and interest accrued from financial assets at fair value through profit or loss are recognised in the statement of comprehensive income as part of investment income when the Company's right to receive payments is established.

Realised gains on financial assets at fair value through profit or loss are calculated as the difference between proceeds received and cost. Realised gains are recognised as part of net loss/gain on financial assets and liabilities at fair value through profit or loss.

The fair values of quoted investments are based on current stock exchange bid prices at the close of business on the reporting date. If the market for a financial asset is not active or if it is unquoted, the Company establishes fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/discount to net asset value and price-earnings techniques. The Company's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond. Unit trusts are measured at fair value based on the quoted repurchase prices.

Loans and receivables are subsequently measured at amortised cost using the effective-interest rate method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

The carrying value (less impairment provision) of trade receivables and payables are assumed to approximate their fair values.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise and settle the asset and liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and deposits held at call with banks. Cash equivalents comprise of highly liquid investments that are convertible to cash with insignificant risk of changes in value and with original maturities of less than three months.

2.6 Impairment of assets

The carrying amounts of all the company's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the statement of comprehensive income.

(a) Receivables including insurance related receivables

Receivables including insurance related receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that receivables including insurance related receivables are impaired includes observable data that comes to the attention of the company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual assets in the group, including:
  - adverse changes in the payment status of issuers of debtors in the group,
  - national or local economic conditions that correlate with defaults on the assets in the group.

The company first assesses whether objective evidence of impairment exists individually for assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised through profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised through profit or loss.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised through profit or loss.

(b) Impairment of other non-financial 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

In the case of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is taken through profit or loss.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

2.8 Insurance classification

The Company issues contracts which transfer insurance risk or financial risk or, in some cases, both.

Insurance contracts are those contracts under which the company (as insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects them. Such contracts may also transfer financial risk.

Receipts and payments under insurance contracts are accounted for in the statement of comprehensive income in accordance with the requirements of IFRS 4.

The insurance contracts that the company underwrites are classified and described below:

Short-term insurance

Short-term insurance provides benefits under short-term policies, which include special risk cover for engineering, fire, transportation, motor and guarantee or a contract comprising a combination of any of those policies. Short-term insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property
- Commercial insurance, providing cover on the assets and liabilities of business enterprises

2.9 Recognition and measurement of insurance contracts

Gross written premiums

Gross written premiums exclude value added tax and comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period and are disclosed gross of commission payable to intermediaries. Gross premiums written include adjustments to premiums written in prior accounting periods.

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten.

Outward reinsurance premiums are recognised as an expense in accordance with the risk pattern of cover ceded.

Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. As the majority of the underwriting risks are incurred uniformly over the term of the contract the unearned premium liability is calculated on the straight line basis, using the 365th method, except for insurance classes where allowance is made for uneven exposure.

Claims incurred

Claims incurred exclude Value added tax and consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims and provision for claims incurred but not reported.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

i. Provision for outstanding claims

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to policy holders. The Company's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and internal and external handling expenses. Claims provisions are not discounted.

Claims provisions are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard to the specific circumstances, information available from the insured notes to the financial statements and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The Company employs individuals experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance program the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

ii. Provision for claims incurred but not reported (IBNR)

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the Company at that date. This provision is calculated using actuarial modelling with at least 5 years historical claims experience

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This assists in developing a greater understanding of the trends inherent in the data being projected.

Basic chain-ladder methodology and Bornhuetter-Fergussen methodology

The company uses Basic chain ladder methodology and Bornhuetter Fergussen methodology to estimate the ultimate cost of claims. This process is performed separately for the motor and property lines of business. The basic technique involves analysing historical claims development factors, net of reinsurance, and selecting estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. The remaining lines of business is estimated based on the interim measures issued by the Financial Services Board which became effective on 1 January 2012.

It is the nature of these techniques that a weighted average of claims inflation within the past data will be projected into the future. A stochastic process is applied to the choice of development factors for each accident year in accordance with standard statistical practices. Numerous simulations are performed to obtain a distribution of the ultimate claims cost.

The claims provisions are subject to close scrutiny within the Company. In addition, for major classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for the outstanding claims and unexpired periods of risk.

The IBNR reserve is held so as to be at least sufficient at the 75th percentile.

As this method uses historical claims development information, it assumes that the historical claims development pattern will occur again in future. There are reasons why this may not be the case. Such reasons include:

- change in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business; and
- random fluctuations, including the impact of large losses

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim.

The establishment of insurance liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from the initial estimates. The Company seeks to provide appropriate levels of claims provisions taking the known facts and experience into account.

Deferred acquisition costs (DAC)

The costs of acquiring new and renewal insurance business that are primarily related to the production of that business are deferred and recognised as an intangible asset when they can be identified and measured reliably and it is probable that they will be recovered. The costs are subsequently amortised to the income statement as the premium income is earned. Similarly, any reinsurance commissions received are deferred and recognised as income over the term of the reinsurance contract.

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Any DAC written off as a result of this test cannot subsequently be reinstated.

Reinsurance contracts held

Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and there is a reliably measurable impact on the amounts that the Company will recover from a reinsurer. Impairment losses are recognised through the statement of comprehensive income.

Reinsurance contracts are only recognised as such when they give rise to significant transfer of insurance risk from the Company to the reinsurers. These reinsurance contracts meet the definition of an insurance contract as defined above. Contracts that do not meet these classification requirements are classified as financial assets. Claims that are recoverable under such contracts are recognised in the same year as the related claims.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers on settled claims, as well as estimates that are dependent on the outcome of claims experiences related to the reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred.

The reinsurer's share of unearned premiums represents the portion of the current year's reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurers' share of unearned premium is calculated using the 365th method.

Reinsurance commission

Commissions paid to intermediaries are accounted for over the risk period of the policy to which they relate. The portion of the commission which is deferred to subsequent accounting periods is termed deferred acquisition cost. Reinsurance commission is deferred in line with the reinsurance premium expense. Profit commissions receivable should be taken into account when they are likely to be realised, and are measurable.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance policy holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income. The Company gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

Salvage reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.10 Taxation

The tax expense for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognized directly in equity.

Current income tax

The current income tax charge is calculated on the basis of the South African tax laws enacted or substantively enacted at the statement of financial position date, and any tax payable in respect of prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax is provided on temporary differences arising on investments in associates, except where the company controls the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2.11 Employee benefits

Pension obligations

The Company provides for the retirement benefits of its employees through a defined contribution plan. The assets are held in separate trustee administered funds. The Company pays defined contributions into these funds and thereafter, Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is assured.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

Bonus plan

The company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Leave pay

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. Provision is made for the estimated liability of this leave as a result of services rendered by employees up to the statement of financial position date

2.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation of uncertain timing or amount as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are not recognised for future operating losses. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Claims benefits payable and the provision for claims that have occurred but have not yet been reported as at the balance sheet date are disclosed under insurance liabilities.

2.13 Revenue recognition

The accounting policy relating to the recognition of revenue from insurance contracts is disclosed as part of note 2.9 above which describes the recognition and measurement of insurance contracts in detail.

Interest income and expenditure

Interest income and expenditure for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognised within investment income and finance costs in the income statement using the effective-interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original interest rate of the instrument and continues unwinding the discount as interest income.

Dividend income

Dividend income for equities is recognised when the right to receive payment is established, which is the last day of trade in respect of quoted shares and when declared in respect of unquoted shares. Dividends include shares received in terms of capitalisation issues, irrespective of whether there is an option to receive cash in lieu of the shares

Rental income

Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of each lease.

2.14 Leases

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

When an operating lease is terminated, any payment required by the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.

Income for leases is disclosed under revenue in the statement of comprehensive income.

2.15 Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which they are approved by the company's shareholders.

2.16 Statutory contingency reserve

In the prior year the contingency reserve was provided for in terms of Section 32(1) (c) of the Short-term Insurance Act of 1998. It represented 10% of the difference between premiums written in the preceding twelve month period, and the amount payable under approved reinsurance contracts in respect of the insurance policies. Annual adjustments to the statutory contingency reserve therefore resulted from the increases or decreases in the premiums written during the prior year.

In the prior year it is disclosed as an appropriation of retained earnings, and is part of the company's equity. This amount could not be distributed to shareholders.

In the current year the statutory contingent reserve was written back to retained income due to a change in legislation.

2.17 Trade and other payables

Trade and other payables are recognised when the Company has a present obligation arising from past events, settlement of which is expected to result in an outflow of economic benefits from the Company. Trade and other payables are initially recorded at fair value and subsequent to initial recognition they are carried at amortised cost.

2.18 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in the statement of comprehensive income.

Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates in the valuation of certain assets and liabilities. It also requires management to exercise its judgement in the process of applying the company's accounting policies. This is specifically true for the estimation of liabilities from insurance contracts, including the estimate of the liability for claims incurred but not reported (IBNR). The estimates and assumptions are based on historical experience and various factors that may be relevant at the time. Actual results may subsequently be different to the estimates.

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

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. Several sources of uncertainty have to be considered in estimating the liability that the company will ultimately be exposed to for such claims. The risk environment can change quickly and unexpectedly owing to a wide range of events or influences. The company is constantly refining the tools with which it monitors and manages risks to place the company in a position to assess risk situations appropriately, despite the greatly increased pace of global changes. The growing complexity and dynamism of the environment in which we operate means that there are natural limits, however. There cannot and never will be absolute security when it comes to identifying risks at an early stage, measuring them sufficiently, or correctly estimating their real hazard potential.

Refer to note 3 and 4 – Management of Insurance and Financial risks for further detail on the estimation of the claims liability.

Valuation of unlisted investments

The unlisted investments which are held indirectly through the associate (private equity trust), other unlisted equity instruments and the property development fund (Futuregrowth) are valued by the private equity investment manager on a discounted cashflow valuation method. This valuation is independently reviewed by an accounting firm. The valuations are also reviewed by management for reasonableness. The use of discounted cash flow analyses involves the estimation of future cash flows based on the best estimates of provided by trust for each underlying investment and a discount rate which is market related at the balance sheet date. Subsequent changes to these estimates would result to changes to fair values. Sasria accounts for its share of the fair value movements as described in 2.5 above.

3. Management of insurance risk

Exposure to insurance risk

The company underwrites risks that natural persons, corporate or other entities wish to transfer to an insurer. While the company issues coupons or policies relating to conventional fire, motor, engineering, marine and aviation risks, the specific perils covered are restricted to material damage arising from riots, strikes, labour disturbances and terrorism.

As such the company is exposed to uncertainty surrounding the timing and severity of claims under insurance contracts which would be impacted by circumstances such as political unrest, downturn in the state of the economy and organised labour issues. These insurance events are, by their nature, random and given the type of perils that the company underwrites, the actual number and size of events during any one year may vary from those estimated. The actual claim amounts in any one year may be greater than what has been provided for.

In accordance with Sasria's business model, most of the administration is outsourced to Sasria's agent companies. This includes the issue of Sasria's coupons and policy contracts, as well as the collection of Sasria premiums. A Sasria agent company is typically a registered conventional short-term insurer who has entered into an agency agreement with the company. The Sasria agent companies allow the Sasria coupons to attach to their policies. The agency agreement clearly sets out the manner in which the agent company should administer the Sasria business. The agent companies are also provided with a comprehensive set of guidelines detailing the processes and procedures relating to the issue of the Sasria's documentation, the collection of premiums on its behalf, and the method of payment of the premiums over to Sasria.

The company underwrites primarily short-tail risks, which means that in the majority of cases claims are typically settled within one year of the occurrence of the events giving rise to the claims. Risks that are long-tail in nature represent an insignificant portion of the company's insurance portfolio. Consequently, whilst the company may experience variations in its claims patterns from one year to the next, the company's exposure at any time to insurance contracts issued more than one year before is minimal.

The product features of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts underwritten by the company are set out below.

Engineering – provides indemnity for loss of or damage sustained to machinery and equipment or damage to buildings or structures during the course of erection.

Fire – provides indemnity for loss of or damage to immovable property. This includes commercial and residential properties.

Transportation – provides indemnity for loss of or damage to goods-in-transit, marine cargo and marine hull, which includes ships and small craft as well as the marine or inland transit of cargo.

Motor – provides indemnity for loss of or damage to all types of motor vehicles.

Guarantee – provides indemnity to banks for default by their clients due to the occurrence of a Sasria peril and is sold by the Homeloan Guarantee Company.

Limiting exposure to insurance risk

Due to the business model followed by Sasria, there is no individual underwriting performed on the coupons up to R500 million; Sasria does underwrite individually all the coupons in excess of R500 million limited to R1.5 billion. Sasria offers cover on a non-refusable basis. The premium rates that the agent companies use are set by Sasria in underwriting guidelines. These premiums are a fixed percentage of the value insured. The underwriting risk is mitigated by the fact that the Sasria cover, being a coupon policy, attaches to a conventional insurer's underlying policy. If no cover is provided by the agent company, then no Sasria cover attaches.

The company's exposure is limited by the application of limits of cover as opposed to full value cover. The insured have an option of taking up the Sasria cover at the holding company level or at subsidiary level. Adequate reinsurance has been arranged to mitigate the increased exposure.

The company also provides a set of Sasria underwriting guidelines to the agent companies.

Underwriting strategy and limits and policies for mitigating insurance risk

The legislated monopoly enjoyed by Sasria as well as the underwriting philosophy of the company results in the company underwriting a large number of diverse risks resulting in a balanced portfolio spread across personal and commercial policyholders.

By using gross written premiums in each class as an indicator, the table below illustrates the company's distribution of risks underwritten:

Category of risk policy	2011/2012 %	2010/2011 %
Engineering	3.76	3.30
Fire	77.96	77.00
Transportation	0.93	1.00
Motor	17.28	18.60
Guarantee	0.07	0.10
Total for all categories	100.00	100.00

By using gross written premiums as an indicator, the company's insurance portfolio could also be divided between personal and commercial (all insured's other than natural persons) risks as follows:

Split by type of policyholder	2011/2012 %	2010/2011 %
Personal policies	28.50	28.60
Commercial policies	71.50	71.40
Total personal and commercial policies	100.00	100.00

The company ensures that agent companies adhere to the set underwriting guidelines through bi-annual audits conducted at each agent company. In addition, the company's own internal audit department conduct reviews of the Sasria process carried out on the company's behalf by agent companies and their underwriting managers.

Any changes to the guidelines are communicated to all agent companies and their underwriting managers by way of written circulars. The ability to adjust rates, either on a monthly or an annual basis (depending on the contract term), also allows the company to mitigate the risk of underwriting losses. These adjustments would be from renewal date on annual policies and over period of a few months on monthly policies. The company monitors the incidence of claims per insured or sector and if necessary has the ability to impose deductibles where necessary.

The split between annual and monthly premiums written is as follows:

Split by type of policy	2011/2012 %	2010/2011 %
Annual policies	49.90	52.30
Monthly policies	50.10	47.70
Total annual and monthly policies	100.00	100.00

The incidence of fraud is reduced by robust claims handling processes and regular review of these processes. The company's internal audit department conducts annual reviews of the in-house claims department to ensure adherence to the company's internal controls procedures. On a monthly basis the underwriting results per class of business are monitored against pre-determined budgets. The premium income is also monitored for each agent company on a monthly basis and compared to the previous period. Any major fluctuations are investigated.

Reinsurance strategy

The company has an extensive proportional and non-proportional reinsurance programme which is aimed at reducing the volatility of the company's underwriting results and protecting its capital. The company purchases catastrophe reinsurance to protect itself from losses arising from major catastrophes. The level of catastrophe reinsurance purchased is based on the company's maximum possible loss and capital adequacy exercise, which is performed annually.

Concentration of insurance risks

The company has a diversified insurance portfolio of risks across South Africa's geography, and across all types of industrial and commercial enterprises as well as personal lines. However, as a result of Sasria's predominant presence in this particular market and the types of risks covered, any single event could result in a large number of claims. In addition, a number of widespread related events could be the result of a single cause leading to an accumulation of claims. Sasria's maximum loss resulting from one event or a series of losses emanating from one event, is limited to R1.5 billion and this is split into a coupons up to R500 million and in excess limited to R1.5 billion.

Credit risk on reinsurance contracts

The company enters into reinsurance agreements to spread the insurance risk and minimise the effect of underwriting losses. The reinsurers agree to reimburse the company when a claim is paid under a risk that is reinsured. The company, however, remains liable to its policyholders regardless of whether the reinsurers honour their obligations in terms of the reinsurance agreements.

The credit risk that originates from the reinsurance transactions is managed as follows:

Independent credit ratings of all existing and prospective reinsurers are monitored prior to entering into reinsurance transactions. The credit ratings of all existing reinsurers are also monitored on an ongoing basis throughout the year.

The table below shows the credit ratings of the company's five largest reinsurers on the reinsurance program

Reinsurer As at 31 March 2012	% of total cover provided	Standard & Poor's rating
Hannover Re of Africa	19,37	A
Lancashire Insurance	17,86	A-
Swiss Re of Africa	9,06	AA-
Munich Re of Africa	6,71	AA-
SCOR Africa	6,16	A

As at 31 March 2011	% of total cover provided	Standard & Poor's rating
Hannover Re of Africa	19,37	AA-
Lancashire Insurance	17,86	A-
Swiss Re of Africa	9,06	A+
Munich Re of Africa	6,71	A
SCOR Africa	6,16	A-

*The company does not have any foreign currency risk exposure as the reinsurance contracts are denominated in rands.

Claims management

The outstanding claims are monitored on a monthly basis by management. All individual claims with an estimate exceeding R1,000,000 are individually reviewed by executive management. The claims department monitors most of the media on a daily basis to consider all events likely to result in claims against the company. The outstanding claims provision is monitored on a monthly basis by management. No provision for an outstanding claim estimate is reversed until the company is reasonably assured that no litigation will occur. The outstanding claims provision is annually tested for adequacy as part of the liability adequacy test noted in note 2.9 above. The process regarding the claims development is discussed in note 10.

4. Management of financial risk

The company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets will not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market price risk, credit risk and liquidity risk. These risks arise from investments whose values fluctuate with interest rates and in equities, all of which are exposed to general and specific market price movements.

For the discussions below, the following financial instruments and insurance balances are disclosed in classes based on their similar characteristics:

	2012 R'000	2011 R'000
Financial and insurance assets		
Quoted equity securities	876,392	789,291
Unlisted and unquoted equity securities	28,420	25,038
Total equity securities	904,812	814,329
Property development fund (unlisted)	169,940	163,873
Money market fund (>3 months)	582,170	473,361
Government and semi-government bonds	79,581	148,700
Other bills and bonds (fixed rate)	1,257,394	940,249
Total financial assets at fair value through income	2,993,897	2,540,512
Insurance receivables	120,710	121,808
Other loans and receivables	149,981	182,614
Total loans and receivables including insurance receivables	270,691	304,422
Reinsurance assets	103,767	132,261
Cash and cash equivalents	957,532	936,507
Total financial and insurance assets	4,325,887	3,913,702
Financial and insurance liabilities		
Deferred revenue	21,387	27,537
Insurance contracts	468,532	401,420
Trade and other payables	73,912	137,036
Provisions	9,001	6,730
Total financial and insurance liabilities	572,832	572,723

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cashflows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates.

Market risk arises due to fluctuations in both the value of financial liabilities and the value of investments held. The management of the company is tasked with the responsibility of managing key market risks to which the company is exposed. Sasria's strategy on the management of investment risk is driven by the investment objective which is one of being a conservative, low risk investment which has different liquidity requirements. The investments market positions are monitored daily by the investment managers and reviewed monthly by the Financial Director and quarterly by the investment committee. For each of the major components of market risk, described in more detail below, the company's board has put in place policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

Price risk

The company's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively monitored and managed by the Investments Committee.

Interest rate risk

The company does not have any borrowings. The company is exposed to interest rate risk on its investments due to the fixed rate instruments such as other bills and bonds which exposes the company to the fair value risk and other interest bearing securities like the cash on fixed deposits, call accounts and other money market instruments which exposes the company to cashflow interest rate risk. The risk is furthermore limited by regular trading of the portfolio, providing diversification in terms of yield profiles and an asset and liability matching strategy.

A hypothetical 1% decline or increase in the interest rate relating to interest bearing securities excluding other bills and bonds would result in an increase in profit before tax of R28.47m (2011: R19.99m) or a decrease in profit before tax of R28.47m (2011: R19.99m) respectively.

A hypothetical 1% (2011: 1%) was used during the current financial year taking into consideration the possibility of reducing repo rate by 0.5% to 1% in the new financial year. The full impact of decrease or increase in instruments' individual prices would affect the company's profit or loss since these investments are in the company's capital portfolio.

A 1% increase in interest rates would expose the company to the risk of losing value in other bills and bonds by R14.11m (2011: R5.89m) while the decrease would expose the company to the risk of gaining value by R14.11m (2011: R5.89m).

The loans and receivables and trade and payables are not sensitive to interest rate fluctuations as they are expected to be settled within 0 to 3 months when they fall due.

Exposure to interest rate risk is monitored and managed by the Investments Committee.

Equity price risk

Investments in listed equities, which are carried on the balance sheet at fair value, have exposure to price risk, being a potential loss of market value resulting from adverse change in prices. Investments in marketable securities are valued at fair value and are therefore susceptible to market fluctuations. All of the company's investments are managed through five outsourced reputable investment managers. Each of these managers is given a mandate to ensure that market risk is mitigated through diversification and investing in reputable companies and institutions.

Investment decisions are made by the Board's Investment Committee, which has ultimate responsibility for determining the investment portfolio's risk profile and the related investment decisions.

At 31 March 2012, the company had quoted ordinary share investments which have been disclosed at their fair values. A hypothetical 10% decline or increase in quoted investments would result in a decrease/increase in profit before tax by R87.6m (2011: 10% R78.9m). A hypothetical 10% was used during the current financial year due to the expected movements in the equity market; the improvement is expected to continue into the new financial year. The full impact of decrease or increase in instruments' individual prices would affect the company's profit or loss since these investments are in the company's capital portfolio. The table below clearly illustrates the impact of the assumptions used above.

	At 31 March 2012	At 31 March 2011
Quoted investments		
Effect on Profit before tax at 10% (fluctuation)	R87.6m	R78.9m
Effect on Profit before tax at 15% (fluctuation)	R131.4m	R118.3m

Foreign currency risk

The company is not significantly exposed to any foreign currency risk on its financial instruments or insurance contracts as it does not have any transactions that are denominated in a currency other than the Rand.

Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The key areas which give rise to credit risk exposure for the company are:

- reinsurers' share of insurance liabilities that have not yet been paid;
- reinsurers' share of claims already paid;
- amounts due from insurance contract holders;
- premiums and other amounts due from agent insurance companies; and
- amounts invested with investment managers.

The company structures the levels of credit risk it accepts by placing limits on its exposure to a single agent company or reinsurer. The company only conducts its business with reputable reinsurers rated above a certain level as shown in the ratings table above. The credit risk exposure to agent companies is managed by only conducting business with approved agents. Some of the credit risk is also mitigated through diversification geographically and across industry segments. Such risks are subject to an annual review.

Reinsurance is used to manage insurance risk. This does not, however, discharge the company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis, along with their external ratings as indicated above.

The company does not have collateral, credit enhancements or renegotiated financial assets. There is no exposure to instruments that have been affected by credit crunch therefore no adjustments have been made in the valuation of financial instruments.

At 31 March 2012 **Financial Assets**	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
Government bonds	33,209	46,372	-	-	-	79,581
Other bills and bonds	420,474	605,542	215,772	15,606	-	1,257,394
Money market fund	32,535	428,392	51,488	60,229	9,526	582,170
Property development fund	-	-	-	-	169,940	169,940
Insurance receivables	-	-	-	-	120,710	120,710
Loans and receivables	-	100,000	-	-	49,981	149,981
Reinsurance contracts	-	-	-	-	103,767	103,767
Cash and cash equivalents	59,554	773,566	50,120	28,648	45,644	957,532
	545,772	1,953,872	317,380	104,483	499,568	3,421,075

At 31 March 2011 **Financial Assets**	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
Government bonds	40,286	23,664	84,750	-	-	148,700
Other bills and bonds	148,626	613,179	164,644	13,800	-	940,249
Money market fund	103,119	194,868	136,948	32,191	6,235	473,361
Property development fund	-	-	-	-	163,873	163,873
Insurance receivables	-	-	-	-	121,808	121,808
Loans and receivables	1,330	100,000	50,000	-	31,284	182,614
Reinsurance contracts	-	-	-	-	132,261	132,261
Cash and cash equivalents	273,779	421,495	171,514	33,295	36,424	936,507
	567,140	1,353,206	607,856	79,286	491,885	3,099,373

The assets analysed above are based on external credit ratings obtained from various reputable external rating agencies. The ratings used above are based on the Standard and Poor corporate rating. The rating scales are based on long-term investment horizons under the following broad investment grade definitions:

- AAA – Highest quality with minimal credit risk.
- AA – Very good quality and is subject to very low credit risk.
- A – Good quality with a low credit risk although certain conditions can affect the asset adversely than those rated AAA and AA.
- BBB – Medium quality with moderate credit risk.
- Not rated

The company has an investment committee that reviews the credit risk on all the financial instruments and measurers are put in place to minimise the credit risk. In terms of the contracts with the investment management companies, no investments are to be made rated below BBB. The risk on our investments is further minimised through limiting the dependency of the company on any one investment manager and through requiring depth and breadth of resources and financial stability in respect of any investment manager appointed by the company.

The insurance receivables that are due from policy holders amounting to R120.7 million (2011: R121.8 million) are not rated.

Liquidity risk

The company is exposed to daily calls on its available cash resources mainly from claims arising from short-term insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Board's investment committee sets limits on the minimum proportion of maturing funds available to meet such calls.

The majority of the company's investments are maintained in short-term liquid investments that can be converted into cash at short notice with insignificant risk of changes in value and would be available to match liabilities which are short-term in nature.

For the purposes of the maturity analysis below, financial instruments are presented on an undiscounted, contractual and worse case basis while insurance assets and liabilities are presented based on expected cash flows.

The following maturity analysis provides details on the expected settlement of the financial liabilities recognised at reporting date:

As at 31 March 2012	Within 0 to 3 months	3 months to 1 year	1 to 2 years	Other	Total
Deferred income	2,674	8,020	10,693	-	21,387
Insurance contracts	468,532	-	-	-	468,532
Trade and other payables	73,912	-	-	-	73,912
Provisions	-	9,001	-	-	9,001
Total	545,118	17,021	10,693	-	572,832

As at 31 March 2011	Within 0 to 3 months	3 months to 1 year	1 to 2 years	Other	Total
Deferred income	1,779	11,406	14,352	-	27,537
Insurance contracts	401,420	-	-	-	401,420
Trade and other payables	137,036	-	-	-	137,036
Provisions	-	6,730	-	-	6,730
Total	540,235	18,136	14,352	-	572,723

*The unearned premiums and the deferred revenue are being realised on a straight-line basis over the period of 2 years.

The following maturity analysis provides details on the expected maturities of the financial assets held at reporting date:

As at 31 March 2012	Within 0 to 3 months	3 months to 1 year	1 to 2 years	3 to 5 years	Total
Investments in associates	-	-	-	68,670	68,670
Financial assets at fair value through profit or loss	1,513,544	814,829	247,996	417,528	2,993,897
Loans and receivables	49,981	100,000	-	-	149,981
Insurance receivables	120,710	-	-	-	120,710
Reinsurance assets	103,767	-	-	-	103,767
Cash and cash equivalents	957,532	-	-	-	957,532
Total	2,745,534	914,829	247,996	486,198	4,394,557

As at 31 March 2011	Within 0 to 3 months	3 months to 1 year	1 to 2 years	3 to 5 years	Total
Investments in associates	-	-	-	122,520	122,520
Financial assets at fair value through profit or loss	1,068,766	1,346,026	74,266	51,454	2,540,512
Loans and receivables	32,614	150,000	-	-	182,614
Insurance receivables	121,808	-	-	-	121,808
Reinsurance assets	132,261	-	-	-	132,261
Cash and cash equivalents	936,507	-	-	-	936,507
Total	2,291,956	1,496,026	74,266	173,974	4,036,222

Operational risk

Operational risk arises as a result of inadequately controlled internal processes or systems. These risks are mitigated through a comprehensive system of internal controls, comprising policies and standards, procedures, systems and information to assist in achieving established objectives and goals. The company's management has the responsibility for the effective identification, management, monitoring and reporting of operational risks.

Capital management

The company's capital management philosophy is to maximise the return on the shareholders capital within an appropriate risk framework. We will continue to monitor our solvency levels and required solvency range in light of industry changes and regulatory requirements. Sasria is committed to efficient capital management and a decision was taken by the Board to maintain an appropriate level capital with the balance of the required capacity being made up of reinsurance.

During the year, the existing regulatory minimum reserve and capital requirements were replaced by the SAM (Solvency Assessment and Management) Interim Measures requirements as prescribed by the Financial Service Board. As part of this change, the requirement to hold a contingency reserve has been removed.

The company has calculated its solvency position for 2012 on the new Interim Measures basis and the results are shown in the table below. The results on the previous regulatory requirement basis are shown for previous years.

Regulatory solvency position	2012	2011	2010
Capital required as % of premium	28	15	15
Capital available as % of premium	500	560	683
Available as % of Required	1,757	3,732	4,552

The company remains in a healthy solvency position on the Interim Measures basis, as was the case in previous years. However, as in previous years, the regulatory minimum capital requirement continues to underestimate the risk capital required for Sasria's unique business. Hence, Sasria has commenced an investigation into a more accurate calculation of capital through the development of an economic capital model.

During 2012 the FSB also undertook an industry field study of the draft minimum capital requirements proposed for introduction under SAM in 2015. This field study was called SAM QIS1 (Quantitative Impact Study 1) and will be followed by a SAM QIS2 in 2013. Sasria partook in the SAM QIS1 exercise and the results are shown below:

SAM QIS1 proposed solvency position	2012
Capital required as % of premium	284
Capital available as % of premium	445
Available as % of Required	156

The draft requirements under SAM QIS1 provide a more realistic value of the risk capital required by Sasria, as they allow more accurately for the risk of catastrophic claims events. The company would be in a solvent position under the Proposed SAM QIS1 requirements, with a solvency margin of 156%. This is calculated as the available own funds divided by the minimum capital required.

The company will continue to monitor the development of SAM and will partake in SAM QIS2 in 2013.

Fair value hierarchy

This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value at 31 March 2012.

31 March 2012	Level 1	Level 2	Level 3	Total
Asset				
Investment in associate	-	-	68,670	68,670
Financial assets designated at fair value through profit and loss:				
- Equity securities - listed	876,392	-	-	876,392
- Equity securities - unlisted	-	22,120	6,300	28,420
- Debt securities	16,864	1,320,111	-	1,336,975
- Money market fund	-	582,170	-	582,170
- Property development fund	-	-	169,940	169,940
Total financial assets designated at fair value through profit and loss	893,256	1,924,401	176,240	2,993,897

31 March 2011	Level 1	Level 2	Level 3	Total
Asset				
Investment in associate	-	-	122,520	122,520
Financial assets designated at fair value through profit and loss:				
- Equity securities - listed	789,291	-	-	789,291
- Equity securities - unlisted	-	18,738	6,300	25,038
- Debt securities	639,917	449,032	-	1,088,949
- Money market fund	341,274	132,087	-	473,361
- Property development fund	-	-	163,873	163,873
Total financial assets designated at fair value through profit and loss	1,770,482	599,857	170,173	2,540,512

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate bonds and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The level 3 equity amount consists of a single private equity position. The main inputs into the Fund's valuation model for these investments include earnings multiples (based on the historical earnings of the issuer over the past decade) and discounted cash flows. The Company also considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary. The Company also considers other liquidity, credit and market risk factors. It adjusts the model as deemed necessary. Discounted cash flows are calculated using the average rate of inflation during the financial year.

The following table presents the movements in level 3 instruments for the year ended 31 March 2012 by class of financial instrument.

	Investment in associate	Equity instruments	Property development fund	Total
Asset				
Opening balance	122,520	25,038	163,873	311,431
Purchases	-	3,382	-	3,382
Disposals	(46,978)	-	-	(46,978)
Gains and losses recognised in income	(6,872)	-	6,067	(805)
Closing balance	68,670	28,420	169,940	267,030
Total gains and losses for the year included in the statement of comprehensive income for assets held at the end of the year	(6,872)	-	6,067	(805)

The following table shows the sensitivity of Level 3 measurements to reasonably possible favourable and unfavourable changes in the assumptions used to determine the fair value of the financial assets.

	As at 31 March 2012	As at 31 March 2011
Level 3 investments		
Effect on Profit before tax at 10% (fluctuation)	R26.7m	R29.3m
Effect on Profit before tax at 15% (fluctuation)	R40.1m	R43.9m

The level 3 investments are valued by determining Sasria's portion of the underlying investment that is held through the property development fund, unlisted equity instruments and the investment in associate. The investments are fair valued using the discounted cashflow technique, refer to Note 3 for detail.

5. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer equipment	3,349	(2,733)	616	4,828	(4,190)	638
Furniture and fittings	2,873	(661)	2,212	4,987	(1,403)	3,584
Land	-	-	-	10,000	-	10,000
Buildings	6,514	(6,514)	-	26,815	(4,320)	22,495
Motor vehicles	206	(58)	148	206	(17)	189
Office equipment	2,848	(1,585)	1,263	1,604	(700)	904
Total	15,790	(11,551)	4,239	48,440	(10,630)	37,810

Reconciliation of property, plant and equipment - 2012

	Opening net book amount	Additions	Disposals	Reclassified as held for sale	Reclassified*	Depreciation charge	Impairment loss	Depreciation adjustment due to reclassification*	Total
Computer equipment	638	597	-	-	(1,051)	(516)	(7)	955	616
Furniture and fittings	3,584	691	(123)	-	(2,071)	(491)	(111)	733	2,212
Motor vehicles	189	-	-	-	-	(41)	-	-	148
Office equipment	904	6	(6)	-	1,270	(314)	-	(597)	1,263
Land	10,000	-	-	(10,000)	-	-	-	-	-
Buildings	22,495	187	-	(21,802)	1,314	(1,659)	-	(535)	-
	37,810	1,481	(129)	(31,802)	(538)	(3,021)	(118)	556	4,239

* Management scrutinized the fixed asset register during the year. As a result of this exercise the costs and accumulated depreciation some assets were reclassified between the different classes of property plant and equipment and intangible assets.

Reconciliation of property, plant and equipment - 2011

	Opening net book amount	Additions	Disposals	Depreciation charge	Total
Computer equipment	1,220	271	-	(853)	638
Furniture and fittings	3,572	463	(1)	(450)	3,584
Motor vehicles	26	206	(5)	(38)	189
Office equipment	1,032	153	-	(281)	904
Land	10,000	-	-	-	10,000
Buildings	22,693	1,302	-	(1,500)	22,495
	38,543	2,395	(6)	(3,122)	37,810

Depreciation expense of R2.4 million (2011: R3.12 million) has been included in other operating expenses.

The property is situated in Wierda Valley, 47 Wierda Road West, Sandton. A portion of the property was rented out and rental income of R1.61 million was earned during the year which is included in other income.

The company's land and buildings were valued during July 2011 by independent valuers. The valuation was made on recent market transactions at arms length terms. The land and buildings were valued at R31.8 million.

6. Intangible assets including intangible insurance asset

	2012			2011		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Deferred acquisition cost	45,522	(1,397)	44,125	42,690	(1,397)	41,293
Software	14,255	(11,462)	2,793	11,154	(11,096)	58
Total	59,777	(12,859)	46,918	53,844	(12,493)	41,351

Reconciliation of intangible assets including intangible insurance asset - 2012

	Opening net book amount	Additions	Reclassified*	Amortisation charge	Amortisation adjustment due to reclassification *	Total
Deferred acquisition cost	41,293	2,832	-	-	-	44,125
Software	58	2,566	538	(753)	384	2,793
	41,351	5,398	538	(753)	384	46,918

* Management scrutinized the fixed asset register during the year. As a result of this exercise the costs and accumulated depreciation some assets were reclassified between the different classes of property plant and equipment and intangible assets.

Reconciliation of intangible assets including intangible insurance asset - 2011

	Opening net book amount	Additions	Amortisation charge	Total
Deferred acquisition cost	39,676	1,617	-	41,293
Software	2,327	59	(2,328)	58
	42,003	1,676	(2,328)	41,351

7. Investments in associates

	Carrying amount 2012 R'000	Carrying amount 2011 R'000
Cost of investment in Aloecap at beginning of the year (private equity investment trust)	128,617	128,617
41% (2011: 40%) share of cumulative equity accounted earnings at the beginning of the year	(6,097)	(15,297)
Carrying amount of investments in Aloecap at beginning of the year	122,520	113,320
Profit realised on sale of investment	(46,978)	-
(Loss) income from equity accounted investments	(6,872)	9,200
Cumulative carrying value at end of year	68,670	122,520
Fair value per directors	68,670	122,520

Summarised financial information of the associate, which is unlisted, was as follows:

Total assets	159,499	306,300
Total liabilities	235	2,122
Trust capital	159,264	304,178
Unrealised (loss) / gain	(21,300)	23,000
% Interest held	41%	40%

The investment in an associate represents a 41% interest in a private equity investment trust. The investment is accounted for by equity accounting for Sasria's 41% portion of the trust, which holds private equity unlisted investments, which are managed on a fair value basis. These investments are fair valued using discounted cash flow techniques. The trust holds no other investments other than the private equity investments and cash. The effect of equity accounting for the fair valued investments is the same as if the investments had been directly accounted for at fair value through profit and loss.

Investment at fair value through profit or loss	68,670	122,520
Income statement		
Share of associates income	(6,872)	9,200

8. Financial assets

The company's financial assets are summarised below by measurement category in the table below.

	2012 R'000	2011 R'000
Fair value through profit or loss	2,993,897	2,540,512
Loans and receivables	149,981	182,614
Total Financial assets	3,143,878	2,723,126

The assets classified as held at fair value through profit or loss are detailed in the tables below.

	2012	2011
At fair value through profit or loss - designated		
Equity securities		
Listed and quoted	876,392	789,291
Unlisted and unquoted	28,420	25,038
	904,812	814,329
Property development fund		
Unlisted and unquoted	169,940	163,873
Money market fund		
Money market fund	582,170	473,361
Quoted in an active market		
Debt securities – fixed interest rate:		
Other bills and bonds	1,257,394	940,249
Government and semi-government bonds	79,581	148,700
	1,336,975	1,088,949
Total financial assets at fair value through profit or loss	2,993,897	2,540,512

All the above assets have been designated by the company as held at fair value through profit or loss and are classified as current assets.

	2012	2011
Loans and receivables		
Other loans and receivables	149,981	182,614

The above balances are receivable within twelve months. Fair values therefore largely approximate carrying values. Interest accrued of R29,3 million (2011: R28.0 million) is included.

	2012 R'000	2011 R'000
Non-current assets		
At fair value through profit or loss - designated	904,812	814,329
At fair value through profit or loss - held for trading	169,940	163,873
Available-for-sale	582,170	473,361
Held to maturity	1,336,975	1,088,949
Loans and receivables	149,981	182,614
	3,143,878	2,723,126
Movement in financial assets at fair value through profit and loss		
Balance at beginning of the year	2,540,512	2,179,845
Transfer from cash and cash equivalents	220,592	103,079
Interest received	157,654	178,401
Dividends received	25,129	29,471
Realised net fair value gains	35,831	46,410
Unrealised net fair value gains	33,312	20,496
Investment administration expense	(19,133)	(17,190)
	2,993,897	2,540,512

9. Insurance receivables

Profit commission	37,567	32,576
Outstanding premiums	83,143	89,232
Total insurance receivables	120,710	121,808

	2012		2011	
	Gross	At 31 March Impairment	Gross	At 31 March Impairment
The trade receivables due from agents at reporting date was:				
Not past due	79,849	-	83,379	-
Past due	3,294	-	5,853	-
	83,143	-	89,232	-

The above balances are receivable within 12 months. Fair value therefore approximates carrying value. The outstanding premiums have been received after year end therefore the company does not deem it necessary to provide for impairment.

10. Insurance liabilities and reinsurance assets

Gross	2012 R'000	2011 R'000
Outstanding claims	159,941	132,665
Claims incurred but not reported	87,437	62,290
Outstanding claims, including claims incurred but not reported	247,378	194,955
Unearned premiums	221,154	206,465
Total insurance liabilities, gross	468,532	401,420

Recoverable from reinsurers		
Outstanding claims	33,757	39,794
Claims incurred but not reported	18,373	26,903
Outstanding claims, including claims incurred but not reported	52,130	66,697
Unearned premiums	51,637	65,564
Total reinsurers' share of insurance liabilities	103,767	132,261

Net insurance liabilities		
Outstanding claims	126,184	92,871
Claims incurred but not reported	69,064	35,387
Outstanding claims, including claims incurred but not reported	195,248	128,258
Unearned premiums	169,517	140,901
Total insurance liabilities (net)	364,765	269,159

The gross insurance claims and loss adjustment expense reported and the liability for claims incurred but not yet reported are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at the end of March 2012 and March 2011 are not material.

Movements in insurance liabilities and reinsurance assets

The movements for the year are summarised below:

a) Outstanding claims, including claims incurred but not reported

	Gross	Reinsurance	Net
At 31 March 2011			
Balance at beginning of the year	93,512	30,880	62,632
Less: claims paid relating to the prior years	(44,630)	(13,389)	(31,241)
Claims paid, relating to the current year	(104,110)	(31,233)	(72,877)
Claims incurred during the year	211,609	63,483	148,126
Claims incurred but not reported	62,290	26,903	35,387
Change in prior year estimate	(23,716)	(9,947)	(13,769)
Balance at end of the year	194,955	66,697	128,258
At 31 March 2012			
Balance at beginning of the year	194,955	66,697	128,258
Less: claims paid relating to the prior years	(104,191)	(31,257)	(72,934)
Claims paid, relating to current year	(74,788)	(14,958)	(59,830)
Claims incurred during the year	204,140	40,828	163,312
Claims incurred but not reported	25,147	(8,530)	33,677
Change in prior year estimate	2,115	(650)	2,765
Balance at end of the year	247,378	52,130	195,248

b) Provision for unearned premiums

At 31 March 2011			
Balance at beginning of the year	198,631	59,589	139,042
Premiums written during the year	1,010,915	403,320	607,595
Less: Premiums earned during the year	(1,003,081)	(397,345)	(605,736)
Balance at end of the year	206,465	65,564	140,901
At 31 March 2012			
Balance at beginning of the year	206,465	65,564	140,901
Premiums written during the year	1,087,133	309,880	777,253
Less: Premiums earned during the year	(1,072,444)	(323,807)	(748,637)
Balance at end of the year	221,154	51,637	169,517

These provisions represent the liability for short term insurance contracts for which the company's obligations are not expired at year-end.

Short-term insurance contracts – assumptions, change in assumptions and sensitivity.

(c) Process used to decide on assumptions

Underwriting insurance risks incorporate unpredictability and the company recognises that it is impossible to predict future claims payable under existing insurance contracts with absolute certainty. To this end, the company has over time, developed a methodology that is aimed at establishing insurance provisions that have a reasonable likelihood of being adequate to settle all its insurance obligations.

10.1) Claim provisions

The company's outstanding claims provisions include notified claims as well as incurred but not yet reported claims.

Notified claims

Each notified claim is assessed on a separate, case by case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The company employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment. The provision for each notified claim includes an estimate of the associated claims handling costs but excludes Value Added Tax.

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Case estimates are therefore reviewed and updated as new information becomes available.

Claims incurred but not yet reported (IBNR)

The company's IBNR is calculated as a percentage of premiums written. The company's claims experience is analysed to determine an appropriate IBNR percentage.

The provision for the notified claims and IBNR are initially estimated at a gross level. A separate calculation is then carried out to determine the estimated reinsurance recoveries. The calculation of the reinsurance recoveries considers the type of the risk underwritten, which year the gross claim occurred and therefore under which reinsurance programme the recovery will be made, the size of the claim and whether or not the claim was an isolated incident or forms part of a catastrophe reinsurance claim A liability adequacy test was performed where the net insurance premiums were compared to the claims incurred and no additional reserves are required.

10.2) Assumptions

The assumptions that have the greatest effect on the measurement of insurance contract provisions relate to the percentage used to estimate IBNR. The percentage is applied to premiums written. The larger the IBNR percentage applied the longer the expected period between the date of loss and the claims being reported and/or the severity of the estimated claims.

10.3) Changes in assumptions and sensitivity analysis

The reasonableness of the estimation process is tested by management and reviewed on an annual basis. The source data used in the estimation process is the past 5 years of claims experience. The company believes that the liability for claims carried at period-end is adequate.

As part of the process of estimating the provision for outstanding claims, the company prepares a sensitivity analysis. The analysis provides an indication of the adequacy of the company's claims estimation process. During the current financial period an analysis was done to determine the sensitivity of profit assuming an additional 25% in outstanding claims including IBNR. The gross impact on profit before tax would be a reduction of R73.18m (2011: R48.74m). The net impact after reinsurance on profit before tax would be R58.70m (2011: R32.06m).

Due to there being no specific claims trends, an assumption of 25% was used.

Another analysis was done to determine the impact of inflation and the slowdown in property prices. Assuming inflation of 6% (2011: 6%) on insured values, the increased cost of claims would be to impact the profit before tax with a reduction of R17.6m (2011: R11.7m).

Lastly, when the IBNR was calculated the input sensitivity to the loss ratio was tested. Increasing (decreasing) the loss ratio by 10% increased (decreased) the IBNR by 6.7% (6.7%).

The development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the company's estimate of the movement of claims outstanding for each loss year has changed at successive year ends. The bottom half of the table reflects the net movement in outstanding claims. A breakdown of the utilisation of the respective IBNR provisions is provided. . The IBNR is based on the best estimate assumption by using the claims and assuming that the past experiences reflect the future. The IBNR has increased from R35.3 million in 2011 to R69.1 million in 2012.

IBNR – gross claims

Reporting year	30 March 2008	30 March 2009	31 March 2010	31 March 2011	31 March 2012
31 March 2012					
Claims reported after year-end:	22,869	31,191	23,901	63,187	2,739
IBNR provision	16,679	33,064	23,873	62,290	87,437
Utilisation of IBNR	137.11%	94.34%	100.18%	101.44%	3.13%

IBNR – net claims

31 March 2012					
Claims reported after year-end:	16,008	22,337	16,731	44,231	2,191
IBNR provision	9,466	19,502	13,772	35,387	69,064
Utilisation of IBNR	169.11%	114.54%	121.47%	124.99%	3.17%

The company continues to benefit from reinsurance programmes that were purchased in prior years and included proportional cover supplemented by excess of loss reinsurance cover. The reinsurers' share of claims liabilities is estimated at the gross amount of all the claims incurred and IBNR and the amount is tested for impairment annually and if there is objective evidence of impairment the amount is written down to the recoverable amount.

11. Cash and cash equivalents

Cash and cash equivalents comprise of:

	2012 R'000	2011 R'000
Fixed deposits	50,381	89,400
Call account	286,319	232,770
Money market instruments with maturities of less than 3 months	276,908	481,789
Short term deposits and cash on call	613,608	803,959
Bank and cash balances	343,924	132,548
	957,532	936,507

The effective interest rate on short-term bank deposits with maturities of less than three months ranges between 3.50% and 6.50% (2011: 3.80% and 7.00%). The effective interest rate on current accounts at the balance sheet date averaged between 3.50% and 6.00% (2011: 3.60% and 6.00%).

12. Non-current assets held for sale

	2012	2011
Land	10,000	-
Buildings	21,802	-
	31,802	-

The Company intends to dispose of land and buildings in the next 12 months. The building located on the land is the Company's adminstrative head office. A search is underway for a buyer. No impairment loss was recognised on reclassification of the land as held for sale nor at 31 March 2012.

13. Share capital

Authorised	2012	2011
1 ordinary share of 100 cents	-	-

Issued	2012	2011
1 ordinary share of 100 cents	-	-

The issued share capital consists of one ordinary share with a par value of 100 cents, and is unchanged from the previous financial year. The share is fully paid for.

14. Payables

	2012 R'000	2011 R'000
Trade payables and accrued expenses	26,537	28,588
VAT	8,877	8,879
Amounts due to reinsurers	38,498	99,569
Total	73,912	137,036

All trade and other payables are current liabilities. Fair values therefore largely approximate carrying values.

15. Employee benefit liability

Reconciliation of provisions - 2012

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave pay	730	178	-	-	908
Bonus	6,000	8,093	(5,032)	(968)	8,093
	6,730	8,271	(5,032)	(968)	9,001

Reconciliation of provisions - 2011

	Opening balance	Additions	Reversed during the year	Total
Leave pay	980	-	(250)	730
Bonus	-	6,000	-	6,000
	980	6,000	(250)	6,730

The leave pay provision relates to vested leave pay which employees may become entitled to when they leave the employment of the company or utilise accrued leave.

The bonus provision consists of a performance bonus accrual based on the achievement, prior to year end, of predetermined financial and qualitative targets.

16. Deferred income

	2012 R'000	2011 R'000
Balance at beginning of year	27,537	22,942
Movement in income statement	(6,150)	4,595
	21,387	27,537

17. Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The gross movement on the deferred income tax account is as follows:

	2012	2011
At beginning of the year	(49,176)	(39,135)
Income statement charge / (credit)	1,973	(10,041)
	(47,203)	(49,176)

	Balance 1 April 2010	(Charged)/ credited to the income statement	Balance 31 March 2011	(Charged)/ credited to the income statement	Balance 31 March 2012
Provisions	1,677	2,734	4,411	667	5,078
DAC and other intangible assets	1,188	6,522	7,710	(1,722)	5,988
Unrealised appreciation of investments	(42,000)	(19,297)	(61,297)	3,028	(58,269)
Total	(39,135)	(10,041)	(49,176)	1,973	(47,203)

	2012	2011
Deferred tax assets	11,066	11,962
Deferred tax liabilities	(58,269)	(57,943)
Net deferred tax balance	(47,203)	(45,981)

18. Net insurance premium revenue

	2012 R'000	2011 R'000
Insurance contracts		
Premium written	1,087,133	1,010,915
Change in unearned premium provision	(14,689)	(7,834)
Premium revenue arising from insurance contracts	1,072,444	1,003,081
Reinsurance contract		
Premium ceded	(309,881)	(407,646)
Change in unearned premium provision	(13,926)	5,974
Premium revenue ceded to reinsurers	(323,807)	(401,672)
Net insurance premium revenue	748,637	601,409

Excess of loss reinsurance cover was purchased for at a cost of R 91,467,264 (2011: R 94,406,494). There were no events in either or that prompted losses of sufficient size to trigger a recovery from these contracts.

19. Investment income

	2012	2011
Investment income on cash and cash equivalents:		
Interest income	205,005	200,412
Investment income on financial assets held at fair value through income:		
Dividend income	25,129	29,471
Unrealised net fair value gains	33,312	20,496
Realised net fair value gains	35,831	46,410
	94,272	96,377
	299,277	296,789

20. Insurance claims and loss adjustment expenses

	2012 R'000	2011 R'000
Gross		
Claims paid	178,979	148,740
Movement in outstanding claims and IBNR	52,423	101,443
	231,402	250,183
Reinsurers share		
Claims paid	(39,114)	(47,210)
Movement in outstanding claims and IBNR	14,566	(35,822)
	(24,548)	(83,032)

21. Expenses for the acquisition of insurance contracts

	2012	2011
Gross commission paid	217,772	201,842
Movement in deferred acquisition cost	(8,981)	(1,617)
	208,791	200,225

22. Results of operating activities

Results of operating activities includes:

	2012	2011
Advertising expenses	3,711	6,149
Audit Fees - Statutory audit	1,090	903
Consulting	1,499	-
Auditors remuneration	2,589	903
Depreciation on property, plant and equipment	2,465	2,462
Investment administration expenses	19,133	17,190
Salaries	31,626	31,642
Social responsibility allocation	9,761	9,996
Loss on sale of property, plant and equipment	86	98
Consulting and professional fees	5,711	5,095
Impairment on property, plant and equipment	118	-
Amortisation on intangible assets	369	2,328

23. Employee benefit expense

	2012	2011
Wages and salaries	20,176	15,567
Bonuses - actual payment	(969)	6,740
Bonuses - provision raised	8,093	6,000
Medical aid	1,046	890
Leave pay provision charge	178	(250)
Post-employment benefits - Pension - Defined contribution plan	3,102	2,695
	31,626	31,642
Number of employees	42	42

At year end Sasria raised a provision for the payment of performance bonuses. The performance bonuses relates to the financial year ending 31 March 2012 as it is based on the performance of the individual staff members for the year ending 31 March 2012 as well as the financial results for the same period. These bonuses will only be paid in August 2012 as per the bonus policy.

24. Income tax expense

Major components of the tax expense

	2012	2011
Current		
Current year normal tax	177,586	157,541
Prior year adjustment	(18,799)	26,436
	158,787	183,977
Deferred		
Deferred tax	(1,973)	10,041
	156,814	194,018
Reconciliation of the taxation		
Profit before tax	679,813	616,204
Tax at the applicable tax rate of 28% (2011: 28%)	190,347	172,537
Effects of: Income not subject to tax:		
Dividend income	(7,036)	(8,252)
Other expenses not allowable for tax purposes	3,915	3,297
Prior year adjustment - income tax	(18,799)	26,436
Prior period over provision - deferred tax	(11,613)	-
Tax charge for the period	156,814	194,018
Effective rate	23.07%	31.49%

25. Related-party transactions and balances

Relationships

The company is 100% owned by its shareholder, the Government of the Republic of South Africa, represented by the National Treasury.

Sasria is a schedule 3b public entity in terms of the Public Finance Management Act, 1999, as amended. The related party disclosure is in terms of the requirements of IAS 24 Related Parties Disclosures and the specific guidance given by the South African Institute of Chartered Accountants.

The related parties of Sasria consist mainly of government departments, state-owned enterprises, and other public entities in the national sphere of government and key management personnel of Sasria or its shareholder and close family members of these related parties. The list of public entities in the national sphere of government was provided by National Treasury on their website www.treasury.gov.za. They also provided the names of subsidiaries of public entities.

The comparative information has been based on the list of public entities and their subsidiaries effective at 31 March 2012.

Sasria owns 41% (2011: 40%) of the Aloecap investment trust.

The following transactions were carried out with related parties:

Sales of goods and services

Sasria does not make any direct sales to related parties. All sales are made indirectly through the agent companies and passed on to Sasria in total through a bordereaux without disclosing the identities of the individual insureds. Sasria would only interact with individual insureds in the event of a claim being presented through the agent companies.

Goods and services are sold to related parties on an arm's length basis at market related prices.

Dividend payment

A dividend of R126,655,800 was declared and paid during the year.

	2012 R'000	2011 R'000
Purchase of goods and services		
Shareholder, including government departments	9,583	7,564

Goods and services are bought from related parties on an arm's length basis at market related prices.

Key management compensation

Key management is defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Year-end balances arising from transactions

There was no year-end balance receivable from related parties

	2012	2011
Payables to related parties		
Shareholder, including government departments	108	482

	2012	2011
Indirect transactions – balance sheet assets at fair value		
Opening balance	148,700	-
Government bonds - movement during the year*	(69,119)	148,700
Closing balance	79,581	148,700

*The movement includes additions, disposals and interest received.

26. Directors' emoluments

Non-executive

	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
2012					
MC Ramaphosa	395	-	-	-	395
CD Da Silva	98	-	-	-	98
JRK Du Preez	253	-	-	-	253
M Lehutso-Phooko	151	-	-	-	151
MA Samie	316	-	-	-	316
CH Du Toit**	190	-	-	-	190
BJ Njenje	145	-	-	-	145
SH Schoeman	55	-	-	-	55
R Mothapo	8	-	-	-	8
AL Mhlanga	37	-	-	-	37
	1,648	-	-	-	1,648
2011					
MC Ramaphosa	417	-	-	-	417
CD Da Silva	241	-	-	-	241
JRK Du Preez	221	-	-	-	221
M Lehutso-Phooko	223	-	-	-	223
MA Samie	229	-	-	-	229
CH Du Toit**	182	-	-	-	182
BJ Njenje	109	-	-	-	109
	1,622	-	-	-	1,622

** Fees paid to National Treasury.

Executive

	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
2012					
CM Masondo	1,314	434	216	76	2,040
K Pepler	807	71	125	-	1,003
	2,121	505	341	76	3,043
2011					
P Mabasa	770	-	75	37	882
G Matthee	440	-	84	33	557
	1,210	-	159	70	1,439

Executive managers

	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
2012					
CP Macheke	1,327	267	115	38	1,747
TC Ntshiqa	709	172	164	66	1,111
NG Wabanie	842	578	186	-	1,606
	2,878	1,017	465	104	4,464
2011					
CP Macheke	917	503	112	76	1,608
TC Ntshiqa	640	377	77	66	1,160
CM Masondo	947	556	82	76	1,661
NG Wabanie	676	530	97	36	1,339
	3,180	1,966	368	254	5,768

27. Cash generated from operations

	2012 R'000	2011 R'000
Profit before tax	679,813	616,204
Adjustments for:		
Investment income	(299,277)	(296,789)
Share of profit / (loss) of associate	6,872	(9,200)
Depreciation	2,465	3,122
Amortisation of intangible assets	369	2,328
Loss on sale of assets	86	-
Impairment reversals	118	-
Movements in provisions	2,271	5,750
Operating profit before working capital changes	392,717	321,415
Reinsurance assets	28,494	(41,792)
Deferred acquisition costs	(2,832)	(1,617)
Insurance receivables	1,098	12,000
Loans and other receivables	32,633	(91,365)
Insurance liabilities	67,112	109,277
Deferred reinsurance acquisition revenue	(6,150)	4,595
Trade and other payables	(63,124)	19,974
	449,948	332,487

The company classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of insurance benefits and claims.

28. Capital commitments

There was no capital commitment authorised at the balance sheet date.