INTEGRATED REPORT 2013

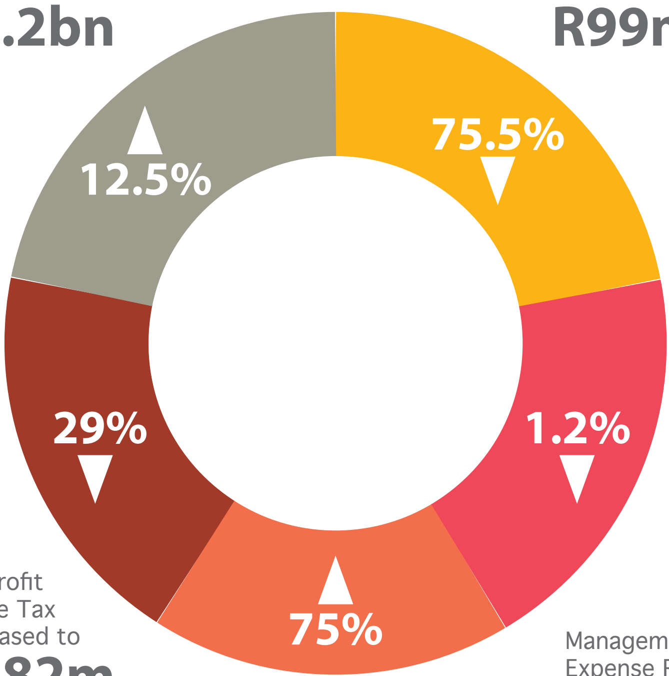
sasria

covering the extraordinary

KEY FACTS AND HIGHLIGHTS

Gross Written Premium increased to
R1.2bn

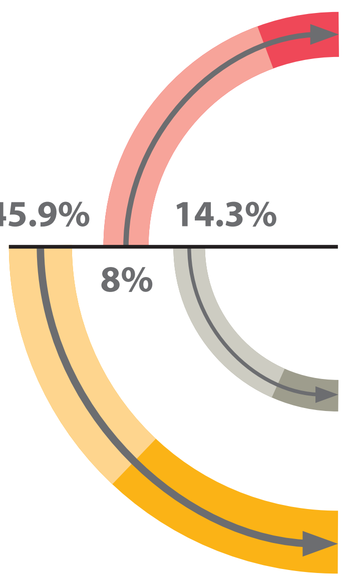
Underwriting Results decreased to
R99m



Net Profit Before Tax decreased to
R482m

Investment Income increased to
R406m

Management Expense Ratio decreased to
27.3%



Return on Investments increased to
9.4%

Return on Equity decreased to
9%

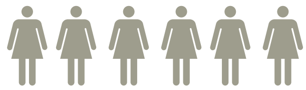
Combined Loss Ratio increased to
88.1%

Claims Frequency increased by
91%

Claims Severity increased by
135%

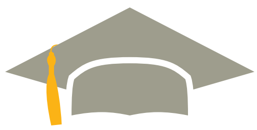
STAFF

53
Total staff

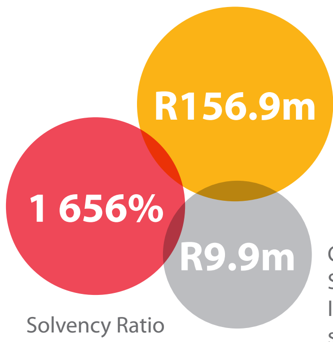


57%
Female staff

87%
African staff



68%
Professional staff



Dividend Paid

Solvency Ratio

Corporate Social Investment spend

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Foreword by the Minister of Finance

PJ Gordhan
Minister of Finance

Sasria was created in 1979 as a response to the political, social and economic upheaval following the Soweto riots. At a time when the short-term insurance industry was reluctant to provide cover for politically-motivated acts of destruction, Sasria provided the necessary assurance to industry, business and civil society.

South Africa has come a long way since 1976, as has Sasria – from a Section 21 company to one of South Africa's top state-owned companies, which continues to provide assurance on a mandate extended in 1998 to include non-political perils such as strikes and labour disturbances.

As a self-funding body, Sasria continues to deliver encouraging results, including over this past financial year. While the significant rise in claims creates operational and resource challenges over the short and medium term, Sasria was able to pay out those claims, allowing both individuals and businesses to resume operations as quickly as possible without over-burdening the short-term insurance industry. In addition, Sasria outperformed the industry average for growth in gross written premium and achieved excellent investment income growth with a positive return on investment of 9.4% against an average CPI figure of 5.9%. Sasria has indeed proved itself to be a well-managed company on sound financial footing, fully abreast of industry developments and true to its lean business model, which has allowed it to remain cost effective and competitive in its pricing.

To successfully deliver on its mandate, Sasria has had to be prudent and innovative in its approach. The nature of Sasria's claims has changed over the years and Sasria must continue to innovate in order to fulfil its mandate in an environment characterised by labour and social unrest as opposed to political turmoil. Indeed, the change in Sasria's mandate in 1998 was an important one as it reflected the changes in South Africa's political, social and economic landscape and prepared the way for the role that Sasria currently plays both as a key component of the short-term insurance industry and of Government's strategy to expand and accelerate economic growth and development in South Africa. Through its dividend to its shareholder, Saria generates vital funds for the Treasury.

As a state-owned company, it is imperative that Sasria adhere to the highest standards of corporate governance, transparency and integrity, as well as accountability. In this regard, I am pleased to note that Sasria leads by example and is compliant with new and forthcoming legislative and regulatory requirements. This will go a long way towards ensuring clean governance and sustainability for the future.

Finally, I wish to acknowledge the hard work and dedication of all those who make Sasria the success it is – both the core team of Sasria employees and management as well as the wider Sasria community that enables Sasria to fulfil its mandate year after year to the benefit of all South Africans.

PJ Gordhan
Minister of Finance
August 2013

Scope, Boundary and Assurance

Sasria SOC Limited (Sasria) second integrated report reviews the financial year that ended 31 March 2013. This report covers all social, economic and governance aspects that are material to the long-term sustainability of the company.

Sasria believes a matter is material, for the purpose of the integrated report, if it is of such relevance and importance that it could substantively influence the assessments of stakeholders with regard to the organisation's ability to create value over the short, medium and long term, also whether the matter substantively affects, or has the potential to substantively affect, the organisation's strategy, its business model, or use of capital.

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.

The report is informed by the following legislation and standards:

- Short-Term Insurance Act 53 of 1998
- Public Finance Management Act 1 of 1999 (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 as amended
- International Integrated Reporting Council (IIRC) standard
- Integrated Reporting Framework
- International Accounting Standards requirements

The following guiding principles were used to develop the content and prepare the presentation thereof:

- strategic focus and future orientation
- connectivity of information
- Stakeholder responsiveness
- materiality and conciseness
- reliability
- comparability and consistency

All information was collected and prepared on the same basis as the previous report in terms of the measurement methods and the time frames used. The information covers all material issues relating to business strategy, risks and areas of critical importance to our stakeholders. The structure of the report has changed to provide the users of the report with more relevant information in an enhanced format. Matters dealing with strategy and sustainability have been addressed throughout the report and not separately reported on as in 2012.

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 Board Audit Committee. As this is the second comprehensive integrated report for the company, and recognising that establishing an appropriate and robust integrated reporting process is a two to three year journey, the Board has decided not to obtain external assurance on the selected non-financial indicators provided in this report. Going forward, independent assurance will be sought on non-financial indicators.

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 fact, 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" and "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.

Vision, Mission and Values

Our Vision

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

Our 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.

Our 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 we 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.

Company Profile

Our History

Sasria was formed in 1979 as a direct result of the South African short-term insurance industry's reluctance to provide insurance cover for political risks.

This reluctance opened a gap in the short-term insurance market, which prompted the South African government to approach the South African Insurance Association (SAIA) 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 (SASRIA), 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.

Our Mandate

Sasria is a short-term insurance company wholly owned by the state (Schedule 3B Public Entity) 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.

As per the mandate, Sasria's objectives are as follows:

1) To provide special perils cover for damage caused by those perils listed in the Reinsurance of Damage and Losses Act 56 of 1989 and any other perils, which may be deemed necessary or viable by the Sasria management and board of directors; and
2) In addition, it is Sasria's purpose to research and investigate coverage for any special peril that can be considered to be of national interest.

The mandate allows Sasria to provide cover for the following special perils 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.

Our Strategy

Sasria's 2009–2014 strategy 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 1. The first layer is the five-year strategic plan for 2009–2014 and the second layer is the annual strategic plan for the year ending 31 March 2013. Sasria measures itself against the targets set in both the five-year and the annual plan on an on-going basis.

Figure 1: Sasria's strategy layers

Sasria is on track to achieve the key strategic objectives set out in its current five-year strategic plan. Sasria is also in the process of developing its new five-year strategic plan for 2015–2019. The strategic framework has been approved by the Board and the final strategic document will be submitted to the Shareholder during the current financial year for final approval.

Our Business Model

The company is self-funding and generates income from premiums which is used to pay all claims and expenses. The company is also responsible for providing adequate capital for major catastrophic losses.

Sasria cover is available through a network of authorised Non-mandated Intermediaries (NMI) or underlying insurers; Sasria does not do direct business with customers (Figure 2). The NMI 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.

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 34 years can be attributed to its business model.

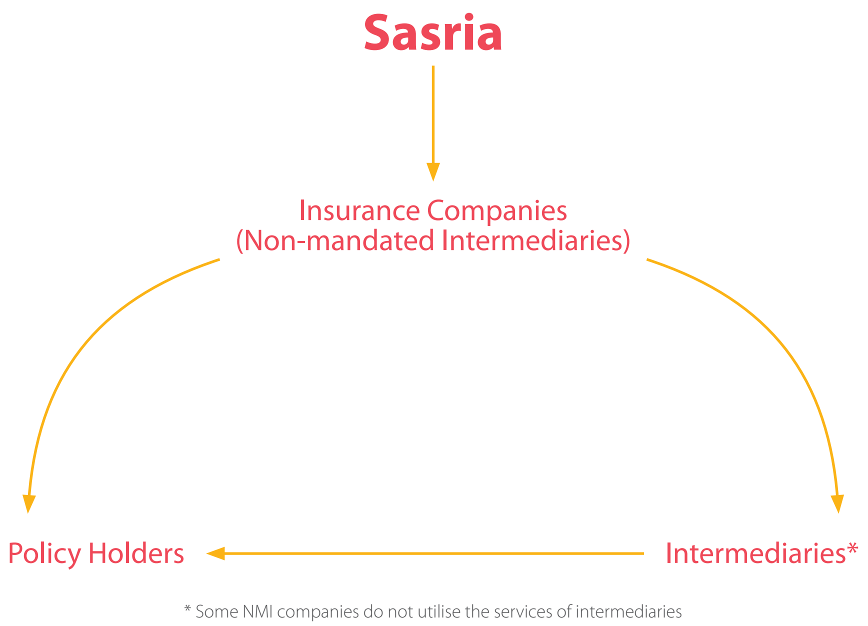


Figure 2: Sasria's business model

Our Products and Customers

Sasria's core business is the provision of short-term insurance for riots, strikes, terrorism, civil commotion and public disorder to corporate/commercial and individual policy holders. The cover is offered in the following classes of insurance business: property, engineering, business interruption, motor, transportation and guarantee.

Sasria offers R500 million cover on all classes of business at set rates. Additional cover of R1 billion is available on request: this cover is geared towards Sasria's corporate customers and has a different rate structure.

In the spirit of the Financial Sector Charter (FSC), we also offer a Mzansi product that is targeted at private individuals within the Living Standard Measures (LSM[1]) 1-5 category. This cover has reduced rates and simplified terms and conditions.

Our customers are in all sectors of the economy and these include listed companies, public companies, small SME's, state-owned companies, municipalities and private individuals.

Our biggest contributors in terms of gross written premiums are the corporate and commercial customers who contribute approximately 70% of our premium income.

[1] LSM as defined by the South African Advertising Research Foundation.

Our Business Structure

The company was restructured last year and the number of operating divisions was increased from four to five (Figure 3). The new division (Internal Audit and Risk Management) was added to provide the necessary focus on control functions and to strengthen our governance. This was in response to the requirements emanating from the SAM[2] implementation.

Insurance Operations	Stakeholder Management	Finance	Business Support and Human Capital	Internal Audit and Risk Management
Underwriting	Customer Relations Management	Finance	Company Secretarial	Internal Audit
Claims	Marketing and Communication	Investment	Legal and Compliance	Risk Management
Actuarial Services	Corporate Social Investment	Information Technology	Human Capital	
		Projects and Strategy Development		

Figure 3: Sasria's business structure

Our Environmental Impact

Sasria recently moved into its new offices at 36 Fricker Road, Illovo. As part of the interior fit-out project, Sasria installed energy efficient occupancy-sensing light systems and timer-controlled air conditioning and fresh air systems. This had a significant cost saving for the company and contributed to minimising the company's carbon footprint.

Sasria also virtualised most of its data centre servers to run on seven physical servers while maintaining high availability and redundancy for all its internal applications as well as client-facing systems like the Customer Web Portal (CWP). Claims administration is managed from a completely paperless Insurance Management System (IMS), fully integrated with the CWP. Another future of the CWP system is the issuing of electronic coupons to the customer, thereby removing the wasteful and expensive practice of printing, storing and distributing printed hard copy coupons.

Redundant IT equipment is re-used or donated where possible or disposed of in an environmentally responsible way.

[2] 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 primary purpose of the regime is the protection of policyholders and beneficiaries.

Our Five-year Financial Review

	2013	2012	2011	2010	2009
	R'000	R'000	R'000	R'000	R'000
Financial performance					
Gross written insurance premium	1,223,530	1,087,133	1,010,915	785,548	661,288
Insurance premium ceded to reinsurers	(362,476)	(309,881)	(407,646)	(330,990)	(271,247)
Net written insurance premium	861,054	777,252	603,269	454,558	390,041
Change in unearned premium	(30,527)	(28,615)	(1,860)	(25,053)	(13,985)
Net insurance premium earned	830,527	748,637	601,409	429,505	376,056
Net insurance claims	(507,433)	(206,854)	(167,151)	(4,613)	(39,382)
Net commission earned / (paid)	2,694	73,241	85,039	101,061	64,821
Expenses for administration and marketing (excluding investment management fees)	(226,724)	(210,253)	(196,154)	(165,369)	(123,341)
Net underwriting result	99,064	404,771	323,143	360,585	278,154
Investment income	406,615	299,277	296,789	377,103	222,318
Investment management fees	(16,889)	(19,133)	(17,190)	(13,422)	(8,627)
Other income	12,394	1,770	4,262	2,251	1,752
Share of profit / (loss) of associate	(18,752)	(6,872)	9,200	(27,200)	(10,597)
Income tax	(124,808)	(156,814)	(194,018)	(188,319)	(130,781)
Profit / (loss) for the year	357,624	522,999	422,186	510,998	352,219
Dividends paid	(156,900)	(126,656)	(153,299)	0	0

	2013	2012	2011	2010	2009
	R'000	R'000	R'000	R'000	R'000
Financial position					
Property, plant and equipment	4,304	4,239	37,810	38,543	35,917
Intangible assets	34,172	25,441	41,351	42,003	34,635
Investment in associate	48,099	68,670	122,520	113,320	140,520
Financial assets					
– at fair value through profit or loss	3,385,836	2,993,897	2,540,512	2,179,845	921,141
– loans and receivables	76,866	171,458	182,614	41,249	48,566
Insurance receivables	104,060	120,710	121,808	133,808	108,904
Reinsurance contracts	194,350	103,767	132,261	90,469	105,246
Current tax receivable	1,715	9,869	0	0	0
Cash and cash equivalents	1,251,963	957,532	936,507	1,052,756	1,792,085
Non-current assets held for sale	0	31,802	0	0	0
Total assets	5,101,365	4,487,385	4,115,383	3,691,993	3,187,014
Share capital	0	0	0	0	0
Non distributable regulatory reserves	245,142	221,132	73,019	63,912	48,818
Retained earnings	3,822,932	3,646,218	3,397,988	3,138,208	2,642,304
Deferred income	13,127	10,320	27,537	22,942	18,808
Deferred income tax	6,232	47,203	49,176	39,135	2,779
Employee benefit liability	1,053	9,001	6,730	0	0
Insurance contracts	901,470	468,532	401,420	292,143	338,654
Current tax liability	0	0	22,477	17,613	33,423
Trade and other payables	111,409	84,979	137,036	118,040	102,228
Total equity and liabilities	5,101,365	4,487,385	4,115,383	3,691,993	3,187,014

	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Cash flow statement					
Cash flows from operating activities					
Cash generated from operations	553,962	449,948	332,487	319,704	277,552
Dividends received	25,605	25,129	29,471	7,057	18,815
Interest received	228,566	205,005	203,920	181,459	218,275
Realised gains on investments	404,936	35,831	0	0	0
Income tax paid	(157,625)	(191,133)	(172,112)	(167,291)	(147,879)
Net cash from operating activities	1,055,444	524,780	393,766	340,929	366,763
Cash flows from investing activities					
Purchase of property, plant and equipment	(1,566)	(1,481)	(2,395)	(5,203)	(6,417)
Proceeds on disposal of property, plant and equipment	42,152	45	104	129	0
Purchases relating to intangible assets	(2,088)	(2,566)	(59)	(1,543)	(697)
Purchase of investments	(642,611)	(420,075)	(304,366)	(1,123,641)	(351,087)
Net cash flows on sale of investment in associate	0	46,978	0	0	0
Net cash used in investing activities	(604,113)	(377,099)	(306,716)	(1,130,258)	(358,201)
Cash flows from financing activities					
Dividend paid	(156,900)	(126,656)	(153,299)	0	0
Net cash used in financing activities	(156,900)	(126,656)	(153,299)	0	0
Net increase in cash and cash equivalents	294,431	21,025	(66,249)	(789,329)	8,562
Cash and cash equivalents at beginning of year	957,532	936,507	1,002,756	1,792,085	1,783,523
Cash and cash equivalents at end of year	1,251,963	957,532	936,507	1,002,756	1,792,085

Key ratios	2013 %	2012 %	2011 %	2010 %	2009 %
Insurance activities					
Net claims paid and provided *	61.1	27.6	27.8	1.1	10.5
Cost of acquisition *	27.0	18.3	18.5	15.0	15.6
Net commission paid / (earned) *	(0.3)	(9.8)	(14.1)	(23.5)	(17.2)
Management expenses *	27.3	28.1	32.6	38.5	32.8
Combined ratio *	88.1	45.9	46.3	16.0	26.0
Underwriting result *	11.9	54.1	53.7	84.0	74.0
Earned premium *	100.0	100.0	100.0	100.0	100.0

* Activities expressed as a % of net earned premium

	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Investment activities					
Interest income	228,566	205,005	200,412	213,048	263,866
Dividend income	23,786	25,129	29,471	7,057	18,915
Realised gains / (losses)	404,936	35,831	46,410	17,773	7,201
Unrealised gains / (losses)	(250,673)	33,312	20,496	139,225	(67,664)
Investment income	406,615	299,277	296,789	377,103	222,318

	2013 %	2012 %	2011 %	2010 %	2009 %
Return and productivity					
ROaE** (including unrealised gains / (losses) (Net income / shareholder equity)	9.0	14.3	12.7	17.3	14.0

** Return on average equity

	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Gross premium per employee	23,085	25,884	24,069	19,160	18,894

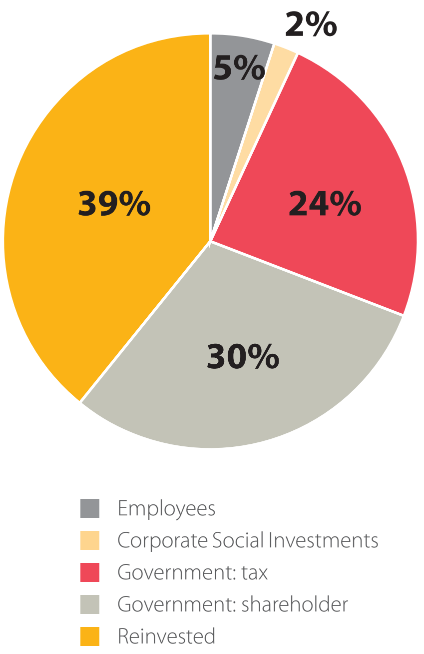
	2013 %	2012 %	2011 %	2010 %	2009 %
Regulatory solvency position					
Capital required as % of premium	29	28	15	15	15
Capital available as % of premium	473	500	560	683	704
Available as % of required	1,656	1,757	3,732	4,552	4,693
Other Statistics					
Number of employees	53	46	42	41	35
Employee composition (% African)	87	89	90	90	89
Employee composition (% professionals)	68	79	57	54	74

	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Corporate Social Investment allocation	9,905	9,761	9,996	10,217	3,640

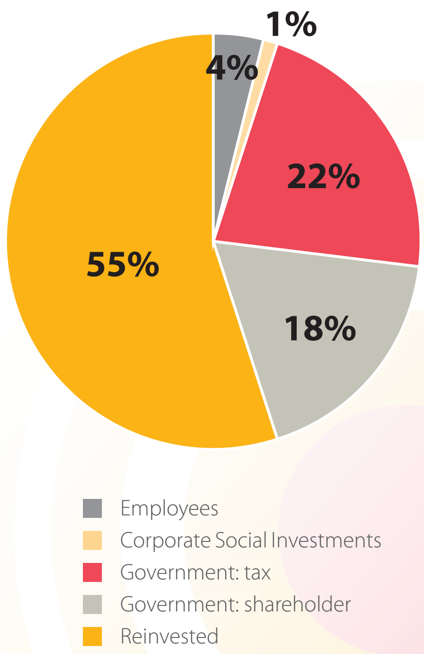
Value Added Statement

	2013 R'000	2012 R'000
Value added		
Gross written insurance premium	1,223,530	1,087,133
Claims paid and cost of other services	1,072,966	637,043
	150,564	450,090
Investment income net of fees	372,429	274,885
	522,993	724,975
Value distributed		
Employee remuneration and benefits	27,690	31,626
Corporate Social Investment	9,905	9,761
Government: direct taxation of income	124,807	156,814
Government: shareholder	156,900	126,656
	319,302	324,857
Retained for reinvesting and future support of the business		
- Depreciation, amortisation and maintenance	2,966	3,775
- Retained income before transfer to reserves	200,725	396,343
	203,691	400,118
	522,993	724,975

Value distributed 2013



Value distributed 2012



Performance Against Key Performance Indicators for 2012-2013

The results of our performance against our annual strategic plan targets for the year ending 31 March 2013 are satisfactory (Table 1).

Table 1: Strategic objectives: Performance against targets for the year ending 31 March 2013

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	ACTUAL PERFORMANCE	NOTES
Optimisation of shareholder value – Increase of net income: Increase in premium.	Achieve Gross Written Premium (GWP) income growth of ≥ 12.5% (budget: R1,256,045,270) for the year ending 31 March 2013.	KPI not achieved. Actual GWP: R1,223,530,000 (12.5% growth) at the end of March 2013.	Variance: R32.5 million, 2.6% below budget.
Optimisation of shareholder value – Increase of net income: Increase in investment income.	Achieve a minimum growth of ≥ CPI + 1% on investments by 31 March 2013.	KPI achieved & exceeded. Investment income earned: R406,615,000 (CPI + 4.5%).	Variance: R130.1 million, 47.1% ahead of budget.
Establishment of a broader customer base: Enhancement of current products.	Launch the enhancement of the full Business Interruption (BI) cover to the Sasria commercial customers: Develop, implement and market full BI cover (within the R500m coupon) to the Sasria commercial customers by Sept 2012 and achieve premium income of at least R5,000,000 on this product by 31 March 2013.	KPI achieved. Full BI Cover was successfully launched to commercial customer and the R5,000,000 premium income achieved on the Full BI cover premium (included in the GWP actual figures).	The Full BI Cover was successfully launched to commercial customers via: • Broker road shows held in major cities and outskirt areas; • Publications in various industry magazine and specific sector publications; • Engagement with various agricultural brokers; and • Presentations conducted to SMEs.
Integration and alignment of processes: Ensuring good corporate governance.	Solvency and Assessment (SAM) Project: Development of the project plan derived from the SAM gap analysis and tracking of the progress of the implementation against the project plan. Development of a Capital Projection Tool and Simplified Standard Formula Model (SSFM) (to determine the FSB capital requirements) to be completed by 31 March 2013.	KPI achieved. A detailed project plan was derived; and used to manage the project. By March 2013, the majority of workstreams had commenced and Sasria is on track with the SAM Pillar I project plan. Sasria is approximately 80% compliant with SAM Pillar I requirements. The majority of the work still required relates to development of the Economic Balance Sheet in line with SAM requirements. In particular, projects are currently in progress to ensure SAM compliance from a technical provisions point of view. Sasria is close to being fully compliant at this stage with regards to capital modelling.	The Economic Capital Model will be updated as the SAM regime becomes imbedded and requirements change. Further development on the SSFM is dependent on the FSB's release of additional technical specifications expected for SA QIS3 in late 2013. Once SA QIS3 is released, work will need to be done to streamline the process for determining the regulatory capital requirements.

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	ACTUAL PERFORMANCE	NOTES
Integration and alignment of processes: Ensuring good corporate governance.	Achieve compliance (to FSB requirements) for risk management as required by SAM Pillar II by 31 March 2013 by developing a project plan derived from the SAM gap analysis to be submitted for review to the Executive Committee by 01 April 2012; and by tracking the implementation progress by providing quarterly updates on the project to the Executive Committee.	KPI achieved. A high-level project plan and gap analysis was submitted for review to the Risk Committee and the Board. Progress was monitored and quarterly reported on to the Risk Committee and the Board. The SAM Pillar II project is on track to meet the deadlines of the FSB. To date, Sasria has developed and adopted 19 policies, strategies and frameworks.	The next phase (Phase 2) of the project will revolve around the consolidation, implementation and institutionalising of the Risk Management policies and culture. Work planning on Sasria's Own Risk and Solvency Assessment (ORSA) phase of the SAM project will commence in the latter part of 2013.
Establishment of a broader customer base: Maximisation of Sasria brand and product awareness.	Improved knowledge of Sasria products by conducting 37 industry training sessions to agents and brokers by 31 March 2013.	KPI achieved. 74 product training and awareness sessions were conducted to our primary stakeholders and other stakeholders and Sasria has seen the benefit through increased premium and brand awareness.	The following industry interactions took place during the year: • 22 Industry training sessions completed; • 38 Product training sessions completed; • 6 Insurance boot camps attended and product awareness sessions conducted; • 2 Guest lectures conducted; • 2 SALGA presentations conducted; • 3 IRMSA presentations conducted; • 1 NSBC presentation conducted.
Customer centricity: Provide superior customer service to external stakeholders.	Reduce the internal claim turnaround time – 70% of claims to be settled within 30 days from the date of submission (by 31 March 2013).	KPI not achieved. There has been improvement in claims turnaround time but the target was not achieved; 65% of claims were settled within 30 days.	2,232 claims were received for the period ending 31 March 2013 compared to 1,174 for the same period last year. This was a 91% increase in claims frequency. Despite this increase, the efficiency ratio has improved. Resources have been increased to deal with the new trend of an increase in claims frequency.
Investment in human capital development: Develop a sustainable employment brand.	Development of a Talent Management Strategy by 30 June 2012 and quarterly reporting on the tracking of the implementation of the Talent Management Strategy.	KPI achieved. Talent Management Strategy completed and approved by the Board Remuneration Committee.	The implementation of the strategy was started – potential talent was identified using competency-based assessments plotted in a talent matrix.

Key Performance Indicators for 2013-2014

The strategic direction Sasria has chosen for the next year largely 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 2014

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	PERFORMANCE TARGET
Optimisation of shareholder value – Increase in net income: Increase in premium.	Gross written premium (GWP) income growth of ≥ 7%.	Achieving GWP income of at least R1,226,230,320 income for the year ending 31 March 2014.
Optimisation of shareholder value – Increase in net income.	Net underwriting profit as a percentage of gross written premiums of ≥ 21.3%.	Achieving net underwriting profit of R260,632,890 for the year ending 31 March 2014.
Integration and alignment of processes: Ensuring good corporate governance.	SAM Pillar I Project: 1. Implementation of an economic capital model (ECM) tool by 31 March 2014. 2. Implementation of the Simplified Standard Formula (SSF) capital model by 31 March 2014.	1. Implementation of an ECM tool by 31 March 2014. 2. Implementation of the SSF capital model by 31 March 2014.
Integration and alignment of processes: Ensuring good corporate governance.	SAM Readiness Project (Pillar II - Risk Management): Tracking of implementation progress against the project plan by 31 March 2014.	Tracking of implementation against the project plan by 31 March 2014.
Customer centricity: Provide superior customer service to external stakeholders.	Treating Customers Fairly (TCF[3]) project: 1. Derive project plan, submitted to and approved by the Executive Committee by 30 April 2013. 2. Tracking of implementation progress by providing quarterly updates on the project to the Executive Committee and the Board by 31 December 2014.	1. Derive project plan, submitted to and approved by the Executive Committee by 30 April 2013. 2. Tracking of implementation progress by providing quarterly updates on the project to the Executive Committee and the Board by 31 December 2014.
Customer centricity: Provide superior customer service to external stakeholders.	Reduce internal claim turnaround time – 80% of all fast-track claims to be settled within 30 days from date of submission (by 31 March 2014).	Reduce internal claim turnaround time – 80% of all fast-track claims to be settled within 30 days from date of submission (by 31 March 2014).
Investment in human capital development: Develop a sustainable employment brand.	1. Talent Management Strategy[4] fully implemented by 31 March 2014. 2. Tracking of implementation progress by providing quarterly updates on the project to the Executive Committee by 31 March 2014.	1. Talent Management Strategy fully implemented by 31 March 2014. 2. Tracking of implementation progress by providing quarterly updates on the project to the Executive Committee by 31 March 2014.
Integration and alignment of processes: Ensuring good corporate governance.	Achieve a Level 1 FSC BEE rating by 31 March 2014.	Achieve a Level 1 FSC BEE rating by 31 March 2014.

[3] The FSB is implementing a programme to regulate the market conduct of financial services firms, entitled Treating Customers Fairly (TCF). The TCF approach seeks to ensure that fair treatment of customers is embedded within the culture of financial firms. TCF will use a combination of market conduct principles and explicit rules to drive the delivery of clear and measurable fairness outcomes, and will enforce the delivery of these outcomes by imposing a range of visible and credible deterrents to unfair treatment.

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

Our Strategic Risks

Table 3 summarises our strategic risks per strategic objective/key performance indicators that have a potential of derailing our objectives as well as our response plan for the financial year ending 31 March 2014.

Table 3: Strategic risks per strategic objective/key performance indicator for the year ending 31 March 2014

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	STRATEGIC RISK	MITIGATION STRATEGIES
Optimisation of shareholder value: Increase in net income.	Gross Written Premium (GWP) income growth of ≥7%.	Lack of support by non-mandated intermediaries due to Binder regulatory requirements. Incompleteness of Sasria revenue as a result of non-mandated intermediaries not charging client correct premium or passing full premium to Sasria. Inability to retain customers and attract new customers. Lack of Sasria product knowledge by the customers.	Engagement with FSB to seek dispensation or relaxation to certain Binder requirements. Increased internal audit and regular training to non-mandated intermediaries. Premium analysis, management and monitoring. Implementation of a customer retention strategy to retain existing clients and product awareness campaign by our CRM team to corporate and commercial customers in order to attract new customers. Continuously enhance our products and develop relevant products. Increased product training and technical visits to non-mandated intermediaries and brokers to improve product knowledge in the distribution channels.
Optimisation of shareholder value: Increase in net income.	Net underwriting profit as a percentage of Gross Written Premiums of ≥21.3%.	Increase in insurance risk as a result of prolonged strikes and service delivery protest. Increase in claims severity due to catastrophic events.	Adequate capital in excess of FSB requirements for attritional claims. Develop pricing model to accurately price our risk as a result of new claims trends. Reinsurance program is in place for catastrophic events.

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	STRATEGIC RISK	MITIGATION STRATEGIES
Integration and alignment of processes: Ensuring good corporate governance.	SAM Pillar I and Pillar II Project: Implementation of ECM & SSF models and tracking of progress of implementation against the project plan by 31 March 2014.	Failure to implement SAM Project as per FSB timelines and standards. Loss of key and specialised staff in the company.	SAM project plan and implementation plans are in place to ensure deliverables are on time and of acceptable quality. Quarterly monitoring of SAM project progress by Board committees. Implement talent management programme aimed at attracting, retaining and developing people in line with our strategy.
Customer centricity: Provide superior customer service to external stakeholders.	Treating Customer Fairly (TCF) Project: Developing, implementing and tracking of the progress of the implementation by 31 March 2014.	Failure to implement TCF as per FSB timelines. Loss of key and specialised staff in the company.	Monthly monitoring of TCF project plan to ensure that TCF is implemented within the timelines. Implement talent management programme aimed at attracting, retaining and developing people in line with our strategy.
Customer centricity: Provide superior customer service to external stakeholders.	Reduce the internal claim turnaround time – 80% of all fast track claims to be settled within 30 days from the date of submission (by 31 March 2014).	Noncompliance of claims staff with Claims Manual and procedure. Increase in insurance risk as a result of prolonged strikes and service delivery protest. Loss of key and specialised skills in the company.	Regular claims audits performed by an independent person and reporting direct to Exco. Daily monitoring of claims-related events and monthly review of files to ensure that abnormalities are detected and addressed and adequate resources are made available. Ongoing regular training and up-skilling of staff is in place This is supplemented by the Talent Management Strategy.
Investment in human capital development: Develop a sustainable employment brand.	Implementation of Talent Management Strategy by 31 March 2014.	Failure to implement the Talent Management Strategy as per timelines.	Monthly monitoring and internal audits to ensure compliance to implementation plan.
Integration and alignment of processes: Ensuring good corporate governance.	Achieve a level 1 FSC BEE rating by 31 March 2014.	Non-adherence to procurement policy by staff.	A procurement policy is in place and internal audits are conducted to monitor and detect noncompliance.

Our 2020 Strategic Vision

In 2013-2014, Sasria will finalise the strategic plan for the next five years for approval by its Shareholder. Sasria's vision for the next five years is to continue to be a sustainable, well-managed, state-owned company. It has the following aspirations that will contribute to the Government's National Development Plan (NDP):

- To continue to be a self-sufficient and commercially viable company, with a double-digit annual ROE;
- To deliver on its mandate as a special risk insurer;
- To be a centre of operational excellence and innovation in the special risks insurance market;
- To offer socially-relevant, new and diversified products through appropriate channels, to all citizens of South Africa including marginalised communities;
- To be a highly-automated and technologically-driven company;
- To contribute to building capacity in the financial sector through its Human Capital as well as Corporate Social Investment activities. To be the industry employer of choice through a sustainable employment culture;
- To be selectively African in scope with an enhanced mandate, rather than limited to South Africa;
- To be relevant and responsive to both the industry and the customer; and
- To be a visible, trusted and high-profile brand, nationally and regionally, that develops long-term relationships with its customers.

Board of Directors

MA Samie (61)

Independent Non-executive Director: Chairperson

Qualifications:

Bachelor of Commerce (University of South Africa) 1986
AIRMSA (University of Cape Town) 2004
Management Development Programme (University of Cape Town) 1991
Master of Business Administration (University of Cape Town) 1992
Fellow of the Chartered Insurance Institute 1978
Fellow of the Insurance Institute of South Africa 1982

Other Directorships:

- Lion of Africa Insurance Company Limited
- South African Insurance Association
- Timesquare Investments (Pty) Ltd

CM Masondo (45)

Executive Director: Managing Director

Qualifications:

Bachelor of Commerce (Economics) (University of Durban Westville) 1991
Fellow of the Insurance Institute of South Africa 1998

Other Directorships:

- Trustee: Aloecap Trust
- Chairperson: South African Actuaries Development Programme

CH Du Toit (62)

Non-executive Director

Qualifications:

Bachelor of Commerce (Economics) (University of Pretoria) 1973
Bachelor of Commerce (Honours) (Economics) (University of Pretoria) 1975

Other Directorships:

- Export Credit Insurance Corporation of South Africa

R Mothapo (31)

Independent Non-executive Director

Qualifications:

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

Other Directorships:

- Export Credit Insurance Corporation
- Land Bank Insurance Company
- Matlotlo Group (Pty) Ltd
- Moruba Consultants and Actuaries

BJ Njenje (54)

Independent Non-executive Director

Qualifications:

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
Master of Education for Primary Health Care
(Manchester University) 1989
Diploma in Human Resource Management (University of South Africa) 1996

Other Directorships:

- Continental Tyres SA
- Kwik-Fit
- Village Main Reef
- Vulisango Holdings

MO Ndlovu (61)

Independent Non-executive Director

Qualifications:

Bachelor of Arts Social Sciences (University of the North) 1977
Management Program (Lincoln University) 1992
Study of Leadership, Authority & Organisation (Tavistock Institute of Human Relations) 1987

Other Directorships:

- Galvan CC
- Kagiso Solutions (Pty) Ltd
- Rite Future Careers CC
- Simmer and Jack Mines Ltd
- Vulisango Holdings
- Regatta Trade
- Zibula Exploration

Board of Directors (continued)

K Pepler (34)

Executive Director: Financial Director

Qualifications:
Bachelor of Commerce (Accounting) (University of Johannesburg) 2002
Bachelor of Accounting Sciences (Honours) (University of South Africa) 2005
Chartered Accountant (SA) (SAICA) 2010

Other Directorships:
- Trustee: Aloecap Trust

SH Schoeman (49)

Independent Non-executive Director

Qualifications:
Bachelor of Commerce (University of Pretoria) 1983
Higher Education Diploma (University of Pretoria) 1984
Master of Business Administration (University of Pretoria) 1989

Other Directorships:
- Alexander Forbes Insurance Company Limited
- Alexander Forbes Risk and Insurance Services (Pty) Ltd
- Alexander Forbes Insurance Company Namibia Ltd
- Euroguard Insurance Company PCC Limited (Gibraltar)
- Guardrisk Allied Products and Services (Pty) Ltd
- Guardrisk Holdings Limited
- Guardrisk Insurance Company Limited
- Guardrisk Life Limited
- Guardrisk Insurance Management Limited (Mauritius)
- Guardrisk International Limited (PCC) (Mauritius)
- South African Insurance Association

Executive Committee

CM Masondo (45)

Executive Director: Managing Director

Qualifications:
Bachelor of Commerce (Economics) (University of Durban Westville) 1991
Fellow of the Insurance Institute of South Africa 1998

K Pepler (34)

Executive Director: Financial Director

Qualifications:
Bachelor of Commerce (Accounting) (University of Johannesburg) 2002
Bachelor of Accounting Sciences (Honours) (University of South Africa) 2005
Chartered Accountant (SA) (SAICA) 2010

KTW Fick (40)

Executive Manager Insurance Operations

Qualifications:
Associate of the Insurance Institute of South Africa 2009
Higher Certificate in Insurance (HCiI) 2006
Management Development Programme (The Graduate Institute for Management and Technology) 2005
Intermediate Certificate in Business Studies (ICiBS) 2004

Executive Committee (continued)

NG Mazibuko (40)

Executive Manager Business Support

Qualifications:

B.Juris (Nelson Mandela Metropolitan University) 1997
LL.B (Nelson Mandela Metropolitan University) 1999
Senior Management Development Programme (University of Stellenbosch) 2008

TC Ntshiqa (35)

Executive Manager Stakeholder Management

Qualifications:

B.Juris (University of South Africa) 1998
Management Development Programme (Gordon Institute of Business Science) 2006
Higher Certificate in Insurance (University of South Africa) 2007

Chairperson's Report

MA Samie
Board Chairperson

It gives me much pleasure to present our report for the 2012-2013 financial year to all our stakeholders. The year was certainly a testing one for all of us in the company. I am pleased to report that despite its challenges, we managed to overcome and can look back on a year where we proved our ability to manage and even extend our relevance as a unique business partner to the insuring public and broader society.

2012 was a challenging year

South Africa continues to feel the impact of the political and economic uncertainty in many parts of the world especially with our key trading partners in Europe and America. Domestically, this impact has manifested itself mainly in the socioeconomic sphere as weaker demand for our exports has resulted in severe pressure on local industry to continue to develop new jobs and enhance employment opportunities.

The challenges of poverty and inequality, and ever higher unemployment levels, especially among our youth, are clearly visible in our country and this is reflected in the increased social unrest and labour strikes. Indeed, the social fabric of our society is coming under extreme pressure to remain cohesive and civil society will need even more support to keep communities functioning and productive.

The insurance industry had a tough fourth quarter

The short-term insurance industry has not been immune to the difficulties facing our economy with lacklustre growth in domestic gross premiums. On top of slow growth, the industry also suffered a number of major losses, especially in the fourth quarter of 2012 as a result of inclement weather and industrial fires. This trend has continued into the first quarter of 2013.

Sasria's favourable premium growth and investment environment helped to offset a dramatic deterioration in our loss ratio following the already significant rises in both 2010 and 2011. Profit before tax, however, was inevitably down on last year, showing a decrease of 29%.

The path to economic recovery is not straightforward

Given its close links with the troubled economies of Europe and the United States, recovery in South Africa is inevitably dependant on the economic conditions of its trading partners. Although there are signs of recovery here and there, by and large the global outlook remains uncertain; the Eurozone crisis shows little sign of sustainable resolution and even the Chinese economy experienced a significant slowdown in 2012 going into 2013.

Although South Africa weathered the global financial meltdown relatively well, the recovery has not been as strong as is needed to reduce unemployment, poverty and inequality. The consumer sector has shown some resilience but the supply side has lagged, causing widespread concern that South Africa's recovery is not sufficiently broad-based. A key risk stems from industrial unrest, especially in the mining sector. Although no longer a growing sector, mining still accounted for 6% of the country's GDP and generated 60% of South Africa's export revenue. The sector has inevitably been affected by depressed global economic growth, resulting in a substantial decline in commodity prices and in the demand for minerals.

Marikana will have a lasting impact. The concerted efforts to improve and manage labour relations may not be sufficient to prevent a recurrence of the violence and tragedy experienced at what has come to be known as the Marikana Tragedy. There is little doubt that rising industrial unrest over recent months in many sectors, including the agricultural sector, highlights the desperation and frustration of workers who have seen little improvement in their social living conditions two decades after the end of apartheid.

The next few months will see a number of multiyear wage agreements coming to an end. The competition among unions for members in some sectors has created an unstable and even hostile environment for wage negotiations with the State and other owners of capital. The impact of the forthcoming wage negotiations on the economy is unclear. Many would argue that in a country with an unemployment rate of over 25% and climbing (in the third quarter of 2012, 15 000 jobs were shed in the mining sector alone), the additional inflationary pressure brought by rising wages compounded by the falling rand, is the last thing the South African economy needs right now.

Perhaps unsurprisingly in this environment, both the World Bank and number of economists have recently downgraded South Africa's economic growth forecasts. The World Bank is now predicting growth of 2.5% in 2013 and 3.2% in 2014, down from estimates last July of 3.2% in 2013 and 3.5% in 2014, citing both domestic and external risks, particularly the potential for worsening labour market unrest.

Regrettably, recent financial figures appear to support such uninspiring projections. By the end of May 2013, the rand had lost 16% against the US dollar and first quarter growth came in at a disappointing 0.9%. The way forward is indeed not straightforward. Despite this gloomy picture, at Sasria we are confident that South Africa will manage these challenges and address the socioeconomic issues facing our country.

We are managing the changing claims trend

In these difficult and uncertain times, Sasria's importance seems clearer than ever. The uncertainties in the socioeconomic environment mean that "special risks" as defined in Sasria's terms of reference, have become a permanent part of the risk management and transfer environment as our society tackles the challenges of industrial action, workplace disruption, social unrest and service delivery protests.

Nowhere is this more clearly seen than in the changing nature of Sasria claims. For the past few years, 95% of all our claims stem from social unrest related to service delivery and labour strikes. We do not foresee this changing in the near future. Over the last 12 months alone, we have seen an increase of 91% in Sasria's claims frequency, driven primarily by labour strikes.

As a state-owned company, Sasria has a specific strategic mandate. In fulfilling this mandate, we remain at the forefront of keeping South Africa in business. For example, in the Western Cape during the agricultural unrest, we extended our coverage to the sector even though this increased our claims. However, we have prepared well and Sasria is financially stable. Even given the large increase in claims incidents, we are both ready and capable to continue delivering on our mandate.

Adding value is a priority

As we move towards the end of our five-year strategic plan and begin formulating our strategy for the next period, we are committed to enhancing our expertise as a specialist risk insurer with renewed vigour. We continue to look for new and innovative ways to add value to the industry, our customers and our shareholder. We aim to develop the Sasria customer statement from a mere "line item" to visible, trusted and high-profile brand, both nationally and regionally, that develops long-term relationships with its stakeholders. We continue to nurture our successful business model to remain cost-effective and to provide support to government's national development plan to reverse pernicious cycles related to poverty and unemployment.

Sasria invests in people and the wider community through development projects in underdeveloped, rural communities and in education projects to develop much needed scarce skills. We are especially proud of our investment in youth and education. In 2012, Sasria joined the Adopt-a-School Foundation, adopting the Lodirile Secondary School in Mogale City; a 95% pass rate has since been achieved. In 2010, Vumazonke Primary School suffered severe damage when a storm destroyed a large part of its infrastructure. Sasria repaired the damage, thereby allowing the learners to start 2013 with new classrooms. In furtherance of our commitment to social development projects, the Board has agreed to increase Sasria's Corporate Social Investment budget from 2% to 4% of profit after tax.

We welcome the increased focus on governance-related measures in our industry and we remain committed, as one of South Africa's premier state-owned companies, to being fully accountable and transparent to our stakeholders.

We are ready

We know the road ahead will not be easy but we believe we understand our market and what we need to do to continue to earn the privilege of being South Africa and Africa's premier specialist risk insurer. We believe it is time to look at underinsured areas in the South Africa market and to review the possibility of an enhanced mandate that will allow us to look at a broader definition of special risks to fulfil our vision of making Sasria SOC Ltd the leading African insurer covering extraordinary risks.

A word of thanks

I would like to thank our partners, our agent companies and our brokers, through whom Sasria distributes its products and services to our end customers. Together we will continue to find ways to increase the quality of service to our customers and suppliers. Thank you also to the Honourable Minister of Finance, Mr Pravin Gordhan, and his team at the National Treasury for their continued support and guidance.

I thank all the members of the Sasria Board who worked assiduously to support our endeavours. I value your support and contribution to our deliberations. To the outgoing Board members, Mrs JRK Du Preez, our former Deputy Chairperson, and Mrs AL Mhlanga, I would like to thank you for your valuable contributions. I also extend a warm welcome to Mrs MO Ndlovu, who joined the Board this year.

To the Executive Committee, under the guidance of Managing Director Mr Cedric Masondo, and the team at Sasria, I thank you all sincerely for your commitment and drive to excel. It is you who make it possible for us to deliver to our stakeholders.

MA Samie
Board Chairperson
06 August 2013

Managing Director's Report

CM Masondo
Managing Director

Despite difficult market and economic conditions, the South African short-term insurance industry remained generally resilient, tracking global trends with three solid quarters set against a catastrophic last quarter – despite very different contexts. However, for most insurers, Sasria included, increased claims were balanced by outstanding investment results on the back of strength in the domestic equity and bond markets.

The increase in claims frequency, especially in the fourth quarter of 2012, resulted in the increase in our combined loss ratio from 45.9% to 88.1%. Unfortunately, we are seeing increased labour strikes being followed by damage to property, and currently 80% of our claims are as a result of labour strikes. This reflects a new trend in our claims environment and it is our belief that this trend will continue in the current period and if predictions by many observers of increased labour strikes prove correct, we expect another tough year.

The myriad of required regulatory and reporting changes continues to put pressure on an industry already constrained by skills shortages and the need for cost containment. Furthermore our changing claims environment underlines the need for us to develop robust strategic plans and risk management processes to put us in a strong position from which to continue delivering on our mandate and adding value for our shareholder and our broader stakeholder community.

We are entering the end-game phase of our five-year 2009–2014 strategic plan and have already begun identifying where we can build on our successes and what we still need to put in place to fulfil our mandate and vision successfully into the future. However, to look forward we need also to look back and reflect on what we have already achieved against our core objectives of creating shareholder value, broadening our customer base and creating a customer-centric culture, ensuring good corporate governance, integrating and aligning business processes and developing human capital.

An overview of our performance against our five-year strategic targets is outlined below. We believe it clearly documents our journey to becoming the active and professional insurance company we are today.

We continue to focus on optimising shareholder value

Sasria achieved satisfactory income-generation figures this year which was above the industry average growth. In doing so, we met our five-year target. This was combined with excellent investment income growth on the back of buoyant domestic markets resulting in a healthy average return on investment figure of 9.4% against an average CPI figure of 5.9%.

Our active management of costs continues to assist our bottom line, with our operating expense ratio now running at 27.3% (2012: 28.1%), although we are still aiming to improve on this figure.

Our capital reserves are also on target to fulfil the FSB's new Solvency Assessment and Management requirements, providing assurance to our stakeholders of Sasria's well-governed and sustainable approach to business. This year we are proud that Sasria was able to pay an increased dividend to its shareholder of R156.9 million.

Broadening our customer base remains a priority

Over the past 12 months, Sasria has continued with a wide range of product enhancements, including extending our Business Interruption cover to include Net Profit cover, as requested by our customers. The enhancements and new products are the result of our aim to remain relevant and responsive to both the industry and the customer. Furthermore the excellent growth in our product portfolio highlights the importance of research and innovation and an understanding of the needs of all our stakeholders. Although customer relationship management (CRM) was not initially a strategic objective, we undertook to develop a CRM framework in the 2011–2012 financial year as a strategy for growth. This year saw its implementation get fully under way.

While the Board closed our initial Africa expansion strategy in previous years as it was not within our mandate, we believe it is again time to explore the option of seeking a revised mandate and review the possibility of a cautious expansion into Africa.

In order to maximise the Sasria brand, we continue to hold numerous product awareness sessions while constantly reviewing our marketing strategy to ensure it remains both customer and product specific. Over the past 12 months, we conducted 74 product training and awareness sessions to our agent companies, brokers and other stakeholders. We rely on our stakeholders, especially since our business model means we do not market directly to customers and we are constantly seeking more effective ways to manage our stakeholders to mutual benefit.

We have worked hard to integrate and align our business processes

Sasria has implemented a number of projects to formalise knowledge management since 2009, including developing an intranet to improve internal knowledge sharing and our Customer Web Portal, which we have now rolled out to our agent companies and which has greatly improved claim turnaround times. We have also implemented a new depository framework and document management process, in line with best practice. We have also worked hard to achieve greater operational efficiencies, which inevitably involved a certain amount of company restructuring. We set targets to reduce the claims turnaround time over the past couple of financial years and with the new staff and streamlined processes, we are very satisfied with the greatly reduced turnaround times. However, the increase in claims frequency by 91% in the last year has put more pressure on our resources, but we are confident that we will achieve our claims turnaround time target.

Investing in our human capital is a key strategy

The enormous increase in regulatory and reporting requirements has continued to pressurise the industry, due in part to the scarce skills in our country. We need our specialist people and we have invested heavily in our human capital. Training and development of our staff remains a key focus for the company. We also formulated our talent management strategy, which is in the process of being rolled out throughout the organisation, to help provide a solution to our current human capital needs and to prepare the company for the future in terms of human capital.

Good corporate governance reflects how we do business

Aligning Sasria with good Corporate Governance principles has been a journey as it has been for the rest of our industry. The changes in the legal and regulatory environment have been both extensive and close to overwhelming at times but we stand firmly behind the principles of openness, integrity and accountability. We are proud to be fully compliant with the New Companies Act, King III, the FAIS Act and new Binder Regulations. The FSB's Solvency Assessment and Management requirements are an on-going project and we are on track with requirements to date. Treating Customers Fairly (TCF) was added as a new project this year. However, we believe that the new requirements are more than just requirements to comply with, they are the way we now do business, and as testament to the effectiveness of our new controls, we are proud to have had clean audits for the past four years. In addition, our risk management function and independent internal audit functions are well established.

In the spirit of transparency and greater accountability, we are proud to present our second integrated report and we welcome feedback from all stakeholders in our partnership for sustainability and relevance.

We are ready for the future

We believe that this year will be as challenging as the past year, especially with the slowdown in the economy which might result in an increase in labour strikes and social unrest. The global economy will continue to challenge us and potentially compromise South Africa's efforts to provide growth and employment and a better quality of life for all.

In the current year, we are focusing on growth coming through new channels and product enhancement as we build on our improved brand awareness and customer relationship management. Internally, we are continuing to work on our strategic objective to improve our efficiency and business processes, supported by the implementation of our talent management strategy so that we can be ready to face future challenges. Good governance continues to be the cornerstone of our business as we develop and benefit from doing business in a transparent and sustainable way.

We also look forward to contributing to the goals of government's National Development Plan by continuing to focus our CSI projects on education, skills development and enterprise development, particularly in the light of the Board's recent decision to increase our contribution from 2% to 4% of profit after tax.

We are already looking forward to our next strategic plan to continue our quest to be the leading insurer of special risks in Africa. Our vision will be achieved by continuing to provide quality customer service and innovative and relevant products. We will continue to develop the skills and capacity of our employees, maintain our current strategic partnerships and establish new ones to make Sasria a truly sustainable and vibrant business with ever increasing shareholder value. We will be ready to play our part. Sasria is proud to be part of building a better future for South Africa.

A word of thanks

I would like to offer my sincerest thanks to all our customers, intermediaries, agent companies and other stakeholders. Sasria succeeds because of our partnership and can provide affordable cover for special risk on a non-refusable and non-cancellable basis and continue to do so in the future.

I would like to thank our Chairperson, Mr Adam Samie, for his support and leadership this past year. I am also deeply thankful to be supported by such a dedicated and expert Board, who work tirelessly to guide Sasria through these challenging times.

Thank you also to all the members of the Executive Management who, on a daily basis ensure that Sasria remains true to its mandate and an integral part of South Africa's insurance industry.

A particular thank you must go to the Sasria staff who have worked so hard to keep us abreast of the myriad of changes and challenges we have faced over the past year. Sasria's success is your success.

Lastly, I would like to thank my industry colleagues for their unswerving support and wisdom. I am very grateful to have such colleagues.

CM Masondo
Managing Director
06 August 2013

Finance Director's Report

Basis of Reporting

The financial statements for the year ending 31 March 2013 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 2013.

There were no significant changes to the accounting policies during the period other than the accounting treatment of amounts paid to agent companies and brokers. In the current year a distinction was made between commission paid and fees for performing binder functions. The fees paid for functions similar to binder functions was therefor reclassified in the prior year to ensure comparability between the current year and the prior year. 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

Sasria achieved positive underwriting results in a financial year characterised by a significant number of claims events, while also achieving 12.5% growth in gross written premium. Excellent investment results were achieved on the back of the outstanding performance of the South African equities and bond markets. However, Sasria's profit before tax decreased by 29% compared to last year, due to the decline in the underwriting results (Table 4).

Sasria's balance sheet remains strong, providing a solid base from which to achieve our strategic objectives. Cash generated from operations increased to R1,055.4 million (2012: R524 million) although the return on equity (ROE) was affected by the adverse underwriting conditions. Sasria achieved a 9% ROE (2012:14.3%). Tables 4 and 5 present a summary of key figures and ratios.

Table 4: Extracts from the statement of comprehensive income: comparison 2011–2013

Statement of comprehensive income	**2013**		**2012**		**2011**
	R'000	**% change**	**R'000**	**% change**	**R'000**
Gross insurance premium written	1,223,530	12.5	1,087,133	7.5	1,010,915
Insurance premiums ceded to reinsurers	(362,476)	17.0	(309,881)	(24.0)	(407,646)
Investment income	406,615	35.9	299,277	0.8	296,789
Net insurance claims	(507,433)	145.3	(206,854)	23.8	(167,151)
Share of profit /(loss)of associate	(18,752)	172.9	(6,872)	(174.7)	9,200
Profit before tax	482,432	(29.0)	679,813	10.3	616,204
Key ratios (Percentage)					
Management expense ratio	27,3	(2.8)	28,1	(13.9)	32,6
Operating ratio	98,0	55.5	63,0	(13.0)	72,5

Table 5: Extracts from the statement of financial position: comparison 2011–2013

Statement of financial position	**2013**		**2012**		**2011**
	R'000	**% change**	**R'000**	**% change**	**R'000**
Total assets	5,101,365	13.7	4,487,385	9.0	4,115,383
Total equity	4,068,074	5.2	3,867,350	11.4	3,471,007
Total liabilities	1,033,291	66.7	620,035	(3.8)	644,376

Economic Environment

Since the recession in 2008, economic growth in South African has been sluggish. On a year-on-year basis, GDP had expanded by only 0.9% as at the end of the first quarter of 2013, despite the continued low interest rate environment with a further 0.5% reduction in the repo rate over the year. These tough economic conditions, coupled with a marked weakening of the rand, have provided a challenging economic environment.

Underwriting Performance

Underwriting results decreased by 75.5% compared to the previous year, as depicted in Figure 4, but this figure has tended to fluctuate significantly over the past five years, mainly due to the volatility of claims.

Figure 4: Underwriting results (2009–2013)

Table 6 details Sasria's insurance activities expressed as a percentage of net earned premium. During 2013, more than 61% of net premiums earned were applied to claims, which is an increase of 121.1% if compared to 2012. This was due to an increase in the frequency and severity of claims. The cost of acquisition increased notably due the increased cost of net commission paid. This was due to an increase of 1% in commission paid to brokers. Management expenses were, however, maintained at an acceptable level. The insurance activities are unpacked in more detail below.

Table 6: Summary of insurance activities as a percentage of net premiums earned (2009 - 2013)

Key ratios	**2013**	**2012**	**2011**	**2010**	**2009**
	%	%	%	%	%
Insurance activities					
Net claims paid and provided *	61.1	27.6	27.8	1.1	10.5
Cost of acquisition *	27.0	18.3	18.5	15.0	15.6
Net commission paid / (earned) *	(0.3)	(9.8)	(14.1)	(23.5)	(17.2)
Management expenses *	27.3	28.1	32.6	38.5	32.8
Combined ratio *	88.1	45.9	46.3	16.0	26.0
Underwriting result *	11.9	54.1	53.7	84.0	74.0
Earned premium *	100.0	100.0	100.0	100.0	100.0

* Activities expressed as a % of net earned premium

Gross Written Premium

Sasria is satisfied with the premium growth of 12.5% achieved in a year characterised by soft market conditions (Figure 5).

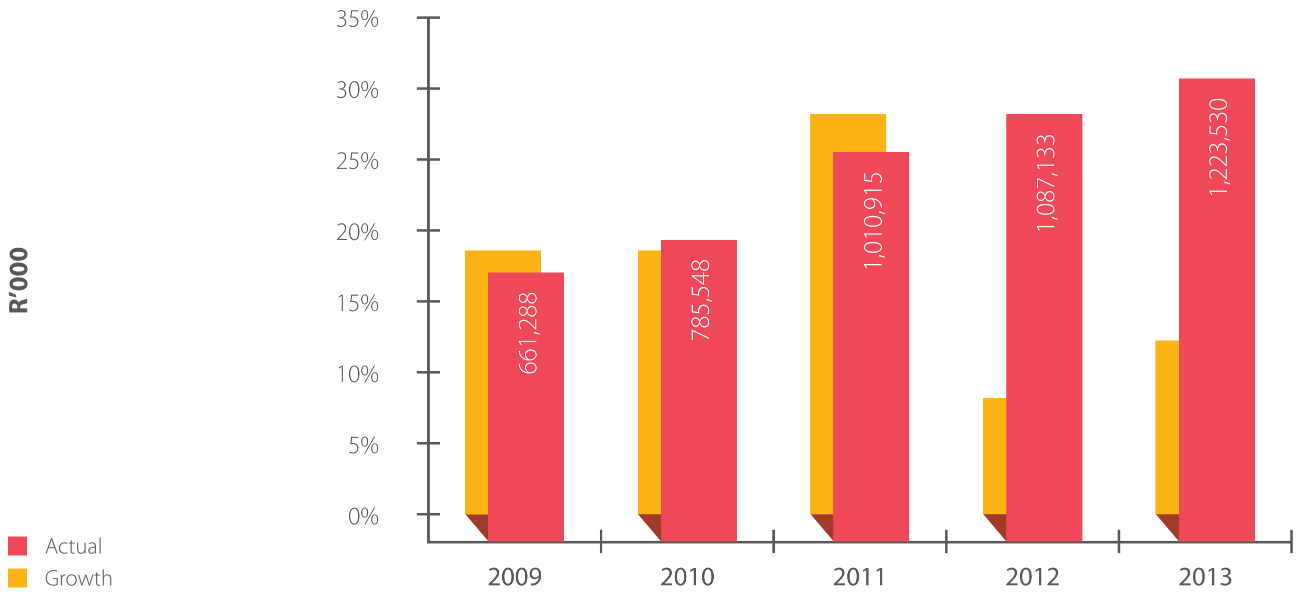


Figure 5: Percentage increase in gross written premium

Table 7 provides a summary of the company's insurance activities spread over various classes of business. All classes of business recorded good growth year-on-year.

Table 7: Summary of classes of Sasria insurance activities

Class of business	2013		2012		2011
	R'000	% change	R'000	% change	R'000
Contract Works	46,643	14.2	40,827	22.5	33,334
Fire	949,771	12.5	844,219	8.9	775,091
Goods in Transit	10,813	6.8	10,126	10.1	9,196
Home Loan Guarantee	3,586	347.0	802	(13.6)	929
Money	5,004	50.5	3,325	(38.4)	5,400
Motor	207,713	10.6	187,834	0.5	186,965
Total	**1,223,530**	**12.5**	**1,087,133**	**7.5**	**1,010,915**

Claims Activity

The loss ratio as at 31 March 2013 was 52.6% (2012: 21.3%), as depicted in Figure 6. The loss ratio remained elevated for the third year in a row due to a significant increase in the claims frequency of 91% (2012: 1,174 claims vs. 2013: 2,233 claims) and an increase in claims severity of 135%. The main driver for this increase was the number and financial impact of labour strikes in South Africa over the past year, such as the mining, farm worker and various other strikes.

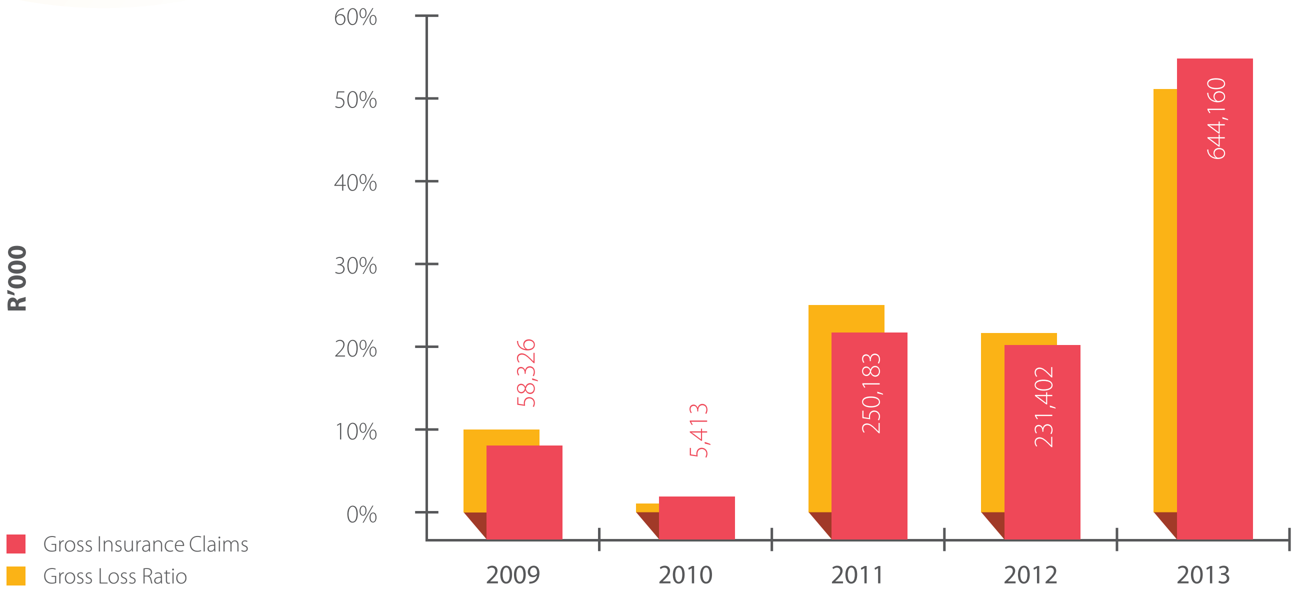


Figure 6: Loss ratios for 2009–2013

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 8.

The actual return achieved for the year ending 31 March 2013 was 9.4% (2012: 8.0%) compared to a year-on-year inflation figure of 5.9%. Listed equities have performed in line with the market except for a few active positions that were held in property and now in resource companies. Bond performance has also been strong, mostly as a result of international investors seeking yield in South Africa and the unexpected decrease in the repo rate during the period under review. Money market and cash investments performed in line with expectation.

Sasria's investment income compared favourably to the benchmarks set in the investment mandates as well as to the average return on investments in the insurance industry.

Table 8: Investment income comparison: 2011–2013

Class of investment income	2013		2012		2011
	R'000	% change	R'000	% change	R'000
Interest income	228,566	11.5	205,005	7.5	200,412
Dividend income	23,786	(5.3)	25,129	(24.0)	29,471
Realised net fair value gain / (loss)	404,936	1,030.1	35,831	0.8	46,410
Unrealised net fair value gain / (loss)	(250,673)	(852.5)	33,312	23.8	20,496
Total	**406,615**	**35.9**	**299,277**	**0.8**	**296,789**

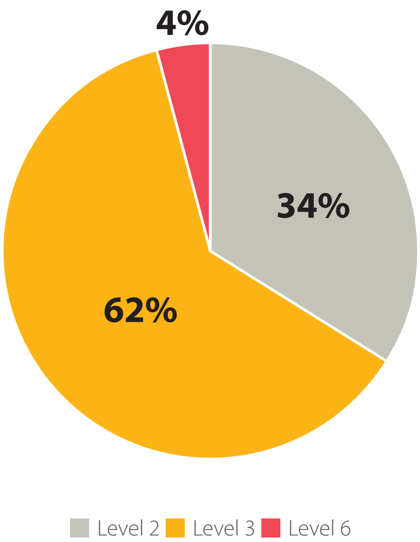
The majority of Sasria's investments are in short-term instruments (Table 9) in order to accommodate operational needs due to the nature of its business.

The composition of Sasria's total investments changed during the year following a review of Sasria's investment policy and target investment allocation. The review was to ensure that the asset allocation is being managed and monitored from an asset/liability matching perspective, which in turn ensures sufficient funds are available to meet Sasria's insurance liabilities and that the shareholders' fund is not unduly exposed to investment risk.

Table 9: Composition of Sasria's total investments as at 31 March

Asset class consumption	2013		2012		2011
	R'000	%	R'000	%	R'000
Equity securities					
- Listed and quoted	836,756	17.9	876,392	21.8	789,291
- Unlisted and unquoted	6,300	0.1	28,420	0.7	25,038
Property development fund					
- Unlisted and unquoted	-	0.0	169,940	4.2	163,873
Bond infrastructure fund					
- Unlisted and unquoted	177,997	3.8	-	0.0	-
Money market fund (> 3 months)	761,568	16.3	582,170	14.5	473,361
Debt securities – fixed interest rate					
Quoted in an active market					
- Government and semi-government bonds	330,981	7.1	79,581	2.0	148,700
- Other bills and bonds	1,272,234	27.2	1,257,394	31.3	940,249
Cash and cash equivalents	1,251,963	26.7	957,532	23.8	936,507
Associate company	48,099	1.0	67,504	1.7	122,520
Total	**4,685,898**	**100.0**	**4,018,933**	**100.0**	**3,599,539**

The majority of Sasria's investments are outsourced to independent external investment managers under predetermined mandates as per Sasria's investment policy. The overall performance against and adherence to mandates by investment managers is monitored and tracked by an internal manager and an independent investment consultant who report to the Investment Committee. The mandate guidelines, comprising a combination of various benchmarks such as CPI, SWIX and SteFi, include performance objectives, market risk limitations including duration, asset allocation, credit and exposure limitations, the use of derivative instruments and compliance with relevant FSB regulations. As at 31 March 2013, external investment managers managed approximately R4,25 billion (89%) of the company's investments. Refer to Figure 7 for a summary of our funds invested in relation to the investment managers' BEE ratings.



* There are no Level 4 or 5 rated investment managers.

Figure 7: Summary of funds invested in relation to investment manager BEE ratings

Cash Flow

The company's operating activities generated R1,055 million in cash for the year (2012: R524.7 million), with the significant increase due to realised gains on investments.

Regulatory Solvency and Capital Requirements

Over the past couple of years, the FSB has been developing a new risk-based solvency regime for the South African long- and short-term insurance industries, Solvency Assessment and Management (SAM), to bring them in line with international standards. 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 development of 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.

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 at the beginning of 2014. We have assessed our readiness to comply with these requirements and we 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 January 2016.

The FSB has adjusted the SAM timelines in response to stakeholder input and to ensure a rigorous approach to the implementation of the SAM framework. In order to facilitate a smooth transition to the new regime, the SAM parallel run will now be extended and will consist of two phases:

- A "light" phase whereby reporting will be largely based on the quantitative impact study templates, with simplified specifications in some areas. This part of the parallel run will be conducted during the second half of 2014.
- A "comprehensive" phase consisting of the completion of the full set of quantitative reporting templates along with a mock-ORSA exercise, to be conducted throughout 2015.

SAM Progress

Sasria set itself ambitious SAM-related targets for the financial year ending 31 March 2013 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 in 2011 to identify gaps and areas of improvement, particularly with regard to risk management. The results of this gap analysis have formed the foundation for the Sasria SAM Readiness Project (Phase I was completed as at 31 March 2013).

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

- Sasria is fully compliant with SAM Pillar I Interim Measures requirements;
- Sasria successfully completed the second voluntary South African Quantitative Impact Study (QIS2);
- Sasria has a simplified standard formula capital requirements tool, which has been updated to incorporate the SA QIS2 requirements. Internal resources are being trained to update this tool and provide management with reporting dashboards to summarise the results. This model will be updated with the upcoming SA QIS3 requirements; and
- Sasria has developed an economic capital model calculation to aid proactive risk management and the move towards informed risk-based capital management under SAM. Similarly to the simplified standard formula, internal resources are being trained to update this model and provide finding to management.

In addition, Sasria has successfully implemented many of the SAM Pillar II requirements into its business. Phase I of this two-year project has been completed and a revised project plan has been developed to complete the remaining deliverables. A strong emphasis has been placed on using Sasria resources for this implementation.

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 therefore decided to maintain an appropriate level of capital with the balance of the required capacity comprising reinsurance.

In 2012, the previous 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 2013 on the Interim Measures basis and the results are shown below. The results on the previous regulatory requirement basis are shown for previous years.

REGULATORY SOLVENCY POSITION*	2013	2012	2011
Capital required as % of premium	29%	28%	15%
Capital available as % of premium	473%	500%	560%
Available as % of required	1,656%	1,757%	3,732%

* The decrease in the solvency position year-on-year is due to the increase in claims over the last three years as well as the change in the method of calculating the regulatory capital requirement.

The company remains in a healthy solvency position on the Interim Measures basis, as was the case in previous years. However, the previous regulatory minimum capital requirement was not the most appropriate estimate of the risk capital required for Sasria's unique business. Sasria has aligned itself with a more accurate calculation of capital through the development of an economic capital model.

In the year under review, the FSB also undertook the SA QIS2 industry field study of the draft minimum capital requirements proposed for introduction under SAM in 2016. This field study will be followed by a SA QIS3 in 2014. The results of Sasria's participation in the SA QIS2 exercise are shown below:

REGULATORY SOLVENCY POSITION BASED ON SA QIS2	2013
Capital required as % of premium	153%
Capital available as % of premium	450%
Available as % of required	295%

The draft requirements under the SA QIS exercises provide a more realistic value of the risk capital required by Sasria because they allow more accurately for the risk of catastrophic claim events. The company would be in a solvent position under the proposed SA QIS2 requirements, with a solvency margin of 295%. 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 the compulsory SA QIS3 in 2014.

Dividend

In this financial year, Sasria paid a dividend of R156.9 million (2012: R126.6 million) to its shareholder. Dividend payments are made within the context of the company's capital management policy and is in line with its dividend policy.

Risk Management

Sasria is exposed to several financial and other risks namely market risk, credit risk, insurance risk, liquidity risk, operational risk, legal risk 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

The South African economy is expected to post slow growth over the short term; the Reserve Bank's latest forecast is that GDP will expand by 2.4% in 2013. From an earnings perspective, Sasria is focusing on premium growth and should be able to grow its premium income in excess of the growth of nominal GDP, being approximately 8.3% per annum, although the on-going labour strikes and public protests are expected to have a negative impact on Sasria's underwriting results.

At the first Monetary Policy Committee meeting for 2013, the South African Reserve Bank (SARB) kept the repo rate unchanged at 5.0%. The decision was in line with the expectations of both analysts and financial markets. The unchanged verdict can be explained by the fact that downside risks to the GDP growth outlook were countered by heightened concerns about inflation prospects. Indeed, the SARB's revised forecast is for consumer inflation to average 5.8% in 2013.

The reduction in growth prospects has however increased the possibility of the Reserve Bank reducing lending rates again this year, which would have a negative impact on Sasria's investment returns because its investments are largely in short-term money market instruments and bonds.

KPepler

K Pepler
Finance Director
06 August 2013

Business Overview

Our main strategic focus for 2012-2013 was to grow our business, and enhance our products so that we can both retain our existing customers and reach new customers. Secondly, we aimed to reduce our claims turnaround time through improving our operational efficiencies and improving our staff skills.

Highlights

Despite the slow growth at the beginning of the year, Sasria's premium income for the year ending 31 March 2013 was R1.2 billion and this represents a 12.5% increase compared to the same period last year. This is in line with the average premium growth of 10% we have achieved since 2006. Our growth can be attributed to our aggressive marketing and sales campaigns and our CRM strategy during the third and fourth quarter. These initiatives were directed at identified sectors such as transportation, engineering, agriculture and mining with the aim of raising awareness of our cover and its relevance following the strikes in these sectors.

All classes of business, with the exception of the Mzansi product recorded acceptable premium growth. The Mzansi product recorded a 20% decline in premium income during this period and this demonstrates the impact of retrenchments and high unemployment levels especially among the LSM 1-5 group. Our underwriting margins are increasingly coming under pressure due to an increase in labour strike claims. The Fire, Motor, Goods in Transit and Contract Works classes of business are most affected by these claims (Table 10).

Table 10: Claims loss ratio per class of business for the past five years

	2013	2012	2011	2010	2009
Class of Business	**Loss Ratio**				
Mzansi	-	-	-	-	-
Contract Works	69.7%	143.3%	43.7%	-59.2%	57.58%
Fire	53.9%	15.8%	32.1%	2.8%	3.91%
Goods in Transit	55.7%	4.1%	1.8%	3.0%	0.05%
Home Loan Guarantee	-	-	-	-	-
Money	0.8%	2.9%	-	1.6%	-6.25%
Motor	57.1%	22.4%	11.0%	10.1%	12.2%
Business Interruption	6.5%	6.8%	1.6%	-0.1%	-3.32%
Sasria Wrap	-	-	-	-	-
Total*	**45.5%**	**19.6%**	**22.6%**	**1.9%**	**6.3%**

* Excluding provision for IBNR (Loss ratio including IBNR is 52.6%)

During the year, our underwriting team made enhancements to the Business Interruption cover to ensure that our product range remains relevant and continues to meet the insurance needs of our customers. This enhancement led to the launch of Net Profit cover in the second quarter of 2012, which is aimed at small to medium sized commercial traders.

Despite the catastrophic claims experienced by global reinsurers all over the world in 2011, Sasria did not experience a major increase in its reinsurance programmes. We continued to buy both proportional and non-proportional reinsurance cover last year.

Following consultation with the Financial Intermediary Association (FIA) to review the intermediary (broker) fee and in recognition of the intensity of brokers' work in the marketing and selling of Sasria cover, the intermediary (broker) fee was increased from 7.5% to 10% in April 2012.

In order to better understand industry needs, to improve customer service and to ensure effective understanding of the Sasria cover, we have recruited an additional Customer Relations Manager, who joined us in May 2013.

Challenges

The severity of the claims in the third quarter that originated from the labour strikes was not anticipated. Sasria observed a significant increase in claims frequency and severity, increasing by 91% and 135% respectively – the total claim cost for 3 major events last year included the mining strikes at R53 million, the truck drivers' strike at R65 million and the Western Cape farmers strike at R160 million.

The claims incurred for the past five years depict a change in the environment giving rise to Sasria claims. Political riots and non-political riots are no longer the main drivers of the claims frequency and severity. However, labour strike related claims have been increasing year-on-year (Figure 8). In 2008–2009, labour strike related claims only accounted for R36 million but in the year ending 31 March 2013 accounted for R412 million.

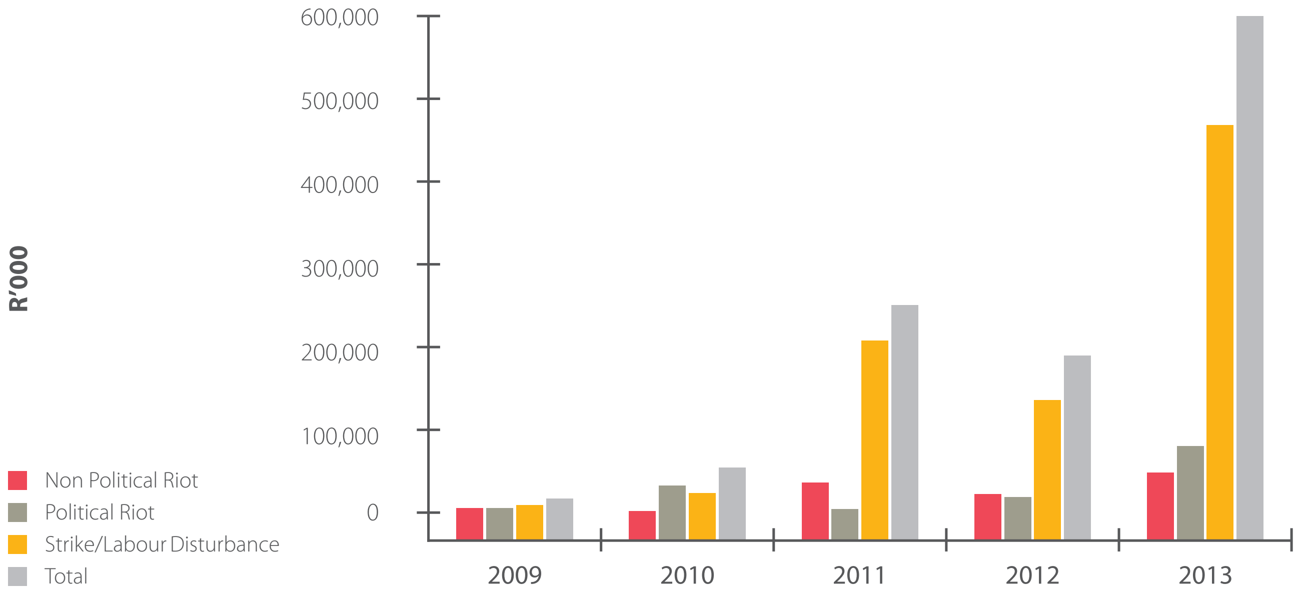


Figure 8: Claims incurred by Sasria perils for the past five years

Although the number of claims increased by 91%, we have managed to increase our efficiency rate by 48% with the same number of staff. We also established the Express Claims team that deals with small claims and we are seeing the benefits of the Customer Web Portal (CWP) system in managing the claims.

Looking Ahead

In preparation for SAM, we are creating an actuarial service department within the Insurance Operations division that will be responsible for all actuarial services such as pricing, liability valuation, SA QIS returns and capital adequacy exercises for our reinsurance programme preparations. We will also be increasing capacity in our Underwriting area to make sure that we improve our product development innovation.

Our main goal for 2013–2014 is to continue growing this business, which will be achieved through a number of initiatives such as:

- Implementing product enhancements to our existing products and classes of business;
- Modifying all our personal lines wordings to comply with FSB Treating Customer Fairly (TCF) regulations;
- Reviewing our current limits;
- Increasing intermediary commission;
- Increasing our product awareness campaigns especially in sectors affected by labour strikes;
- Enhancing the Mzansi product to comply with the new Financial Sector Charter (FSC) requirements; and
- Establishing new markets, especially uninsured markets such as township SMEs.

Stakeholder Engagement

Due to Sasria's business model, partnership and continuous engagement with all stakeholders is critical for our success and sustainability. The stakeholder engagement function was formally established in 2010 and our stakeholder management division is the custodian of this function.

Our key stakeholders were identified, analysed and categorised through workshops in the Business Process Re-engineering (BPR) project in 2011. This resulted in eight stakeholders segments being identified and categorised into three categories (Figure 9). This process is conducted every two years to ensure relevance to the organisation. An annual assessment on material issues have been performed.

Figure 9: Sasria's stakeholder categories

We appreciate that stakeholder engagement is not a one-way communication but rather a partnership that we rely on. We continuously engage with our stakeholders in a manner that is personal, open and honest.

Sasria uses various channels to communicate with its stakeholders, including industry bodies, newsletters, Sasria's website, circulars, communiqués and individual engagements with each stakeholder.

Highlights

As part of our strategy to improve stakeholder engagement, we have created a team of Customer Relations Managers, whose primary focus is to provide technical support, product training, guidance and advice to our distribution channel. Through this team, we continually engage with the industry on how to better service them through products and services. We follow a customer-centric approach by customising our services to our distribution channel based on their product offering and specific needs. We believe that this enables us to keep improving our position in the industry.

In order to take Sasria's products closer to the end customer, Sasria embarked on a campaign to educate its end customers on the product offering through presentations to various associations. During this campaign, the end customers' concerns and expectations were established and addressed.

The effectiveness of Sasria's stakeholder engagements is measured every two years through a brand and customer survey. This survey was conducted during the year and it revealed that the Sasria brand is an overarching brand that is relevant to its customer needs and worth promoting. It is also seen as a brand responding to a key need in the marketplace, further suggesting that it is well positioned to meet customer needs. Finally, it is a brand carrying within its equity weight other psychological benefits beyond product/service and logo benefits. In order to improve Sasria's reputation, the survey showed that we need to understand the requirements of the product distribution channel, improve customer service and complaints management procedures and improve communication with all stakeholders.

In addition, a need was identified to improve employee wellness, as employees are a key asset to the organisation, and to focus on skills development. Following this, our employee wellness programme was enhanced during the year to address employee concerns.

Sasria's corporate communication plan has been reviewed to address the gaps in communication identified in this survey. The purpose of the revised communication plan is to effectively communicate and engage with all stakeholders and to ensure their understanding of the Sasria product.

Table 11 provides an overview of stakeholder engagements over the year with our key stakeholder groups. Different platforms and methods of communication were used to reach, respond and listen to our stakeholders.

Table 11: Overview of Sasria's stakeholders

STAKEHOLDER	ENGAGEMENT	KEY STAKEHOLDER CONCERNS	OUR RESPONSE
Non-mandated insurance companies/short-term insurance companies	• Agent visits • Quarterly meetings • Customer service survey	• Product awareness • Continuous technical support to the industry • Customer service • Audit discussions • Gaps in the agricultural cover	• Agent-specific product training • Improved agent visits by CRM's to concentrate on technical support and customer satisfaction • Addressing audit findings • Proposed product enhancements under investigation
Intermediaries/brokers	• Broker visits • Quarterly meetings • Customer service survey	• Intermediary fee • Communication • Product awareness • Gaps in the Sasria product • Customer service	• Intermediary fee increased during the year • Quarterly newsletter • Broker-specific product training provided • Proposed product enhancements under investigation • FIA road shows presentations
Customers	• Presentations	• Product awareness	• Product awareness road shows
Employees	• Monthly divisional meetings • Quarterly staff meetings • Annual (year-end) meeting • Workshops and correspondences	• People management, talent management, skills development, operational, and technical	• Responsive to employees needs
Regulator	• Annual statutory return • Quarterly statutory returns • Meetings	• Binder regulations implications	• Regulator considering the Binder regulations implications on the business model
Key industry bodies	• Association meetings • Forums and working groups • Presentations • Sponsorships	• Product awareness • Regional presence	• Product awareness road shows • Regional presence established in all provinces including outlying areas
Suppliers	• Annual due diligence • Ad-hoc performance reviews	• No material issues identified	• Not applicable
Media	• Telephonic interviews • Brand and product awareness through articles	• Marketing, communication, industry related matters, strategic and operational	• Continuous brand and product awareness, as well as organisational profiling

Challenges

The strikes in 2012 made it clear that South African society does not have a clear understanding of the cover we provide and the role we fulfil in the industry. For example, most farmers were unaware of our products and had no knowledge of how to buy them.

The lack of product knowledge and brand awareness about Sasria, especially among Black SMEs, is also a major concern. Most of these business owners are directly affected by service delivery protests and rioters often damage their shops. Without Sasria cover, it is a major problem for them to restart their businesses. Lack of financial literacy, especially insurance knowledge, is therefore a significant concern.

Staff movement and turnover among our agent companies and brokers remains another challenge as people who understand our product often leave or move to another area, causing a knowledge gap.

Looking Ahead

Our main focus this year is to increase our gross written premium and this will be achieved by making sure that we retain and attract new clients. We also want to establish new sectors and new distribution channels.

To achieve the above goals and strengthen our stakeholder engagement, the following initiatives will be undertaken in addition to what we are currently doing:

- To establish a stakeholder engagement framework;
- To conduct a stakeholder analysis to better understand our end user customers;
- To formalise the governance structure and the reporting requirement to the newly formed Social & Ethics Committee;
- To increase our focus on stakeholder engagement to uninsured areas such as Black SMEs to increase our footprint; and
- To take the Sasria brand and product closer to the customers through different media channels.

Our People

A major risk facing financial companies is the lack of skills in our industry. At Sasria we understand that the challenge of developing skills cannot be left to the Government alone and that it is our responsibility as a good corporate citizen to contribute to the development of skills in our country.

The role of the Human Capital department is to provide support to the organisation by implementing effective human capital management solutions that support business objectives and create the desired corporate culture essential to attracting, motivating and retaining talented employees.

The implementation of our Human Capital strategy is achieved by focussing on the following areas: Workforce Planning, Corporate Wellness, Learning and Development and Employee Relations (Figure 10).

Figure 10: Investing in our people

Workforce Planning

We conducted a number of key projects last year to position the company for future strategic requirements and to ensure it remains sustainable for the future. The projects included a skills gap analysis, job profiling, job evaluation and development of the talent management strategy. The annual salary benchmarks were also conducted to ensure the business attracts and retains the right skills. In the last four years, the number of professionals has increased from 54% to 68%, which is line with our five year strategic objective of developing human capital and contributing to skills development in our country.

Our growth in business has necessitated an increase in our workforce of 15%. We were able to achieve this without increasing our expense ratio. During the year under review there were no resignations, dismissals or retirements (Table 12).

Table 12: Staff levels and turnover for the past three years

SASRIA STAFF	31 MAR 2013	31 MAR 2012	31 MAR 2011
Employees at start period	46	42	42
Recruitment	7	8	8
Resignations, deaths, retirements, dismissals and contracts	0	4	8
Total employees at end of period	53	46	42

Learning and Development

Learning and development of people remains the key driver for us to achieve our strategic objective. The key focus is to ensure the company has the right skills in the right jobs to execute the business strategy. This also led to the skills gap analysis we conducted which identified a lack of technical skills and behavioural skills. A number of initiatives were introduced to address identified shortcomings. Through these initiatives we built a team-based culture and improved teamwork capabilities. We also completed managers' and non-managers' leadership effectiveness assessments for soft skills development through feedback coaching. We also implemented a customised leadership development programme to actively build and integrate the Executive team to ensure effective management and functioning of the organisation. Technical skills are continuing to be addressed to ensure the business has the right skills to sustain the business.

Corporate Wellness

In line with the business strategy, ongoing health and wellness support was provided to our employees through our Comprehensive Wellness Programme and Employee Assistance Programme. The Corporate Wellness Programme encourages employees to develop healthier lifestyle choices, to cut health risk factors, promote better central well-being, and to maintain a productive and active work force.

Employee Relations

To ensure that we sustain a conducive working environment, management provides quarterly updates on the achievement of the strategic objectives to employees to promote a better understanding of management's goals and policies. Training was provided to all employees to promote informed and sound employee relations practices in the workplace. Employees were advised about applicable regulations, the need for discipline and requirements for successful discipline, the need for correction versus the need for punitive action, dealing with poor performance, incapacity and acts of minor misconduct and employee behaviour modification.

Employment Equity

Sasria supports the principles of the Employment Equity Act and has a plan and a Transformation Strategy in place which details our employment equity targets. The plan also has specific action plans to address areas for improvement. All employees are afforded the same opportunities in line with the Learning and Development Policy to ensure sustainability in creating long-term value in the organisation.

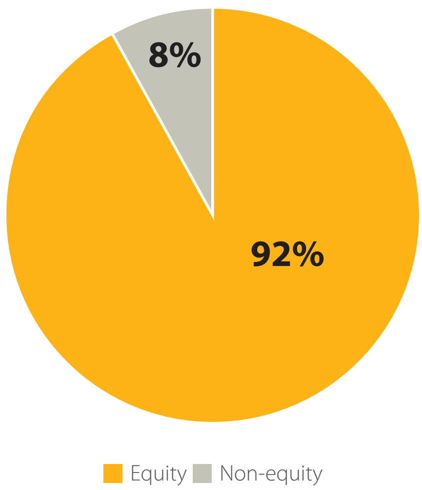


Figure 11a: Staff demographics

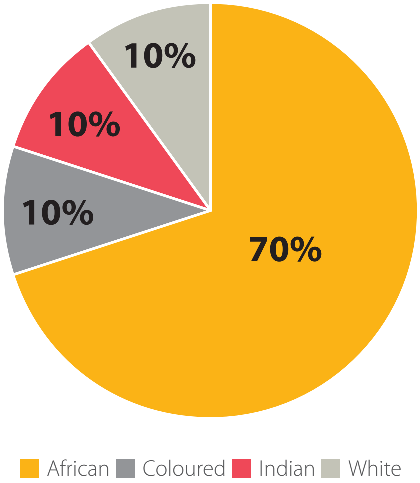


Figure 11b: Females

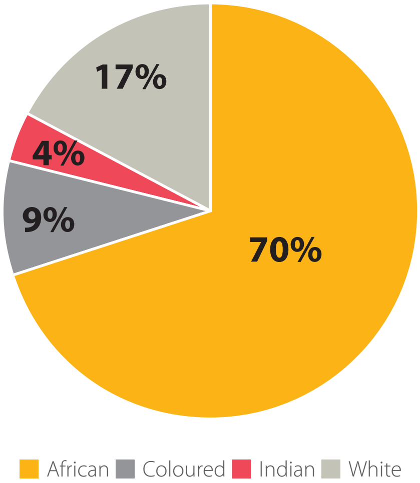


Figure 11c: Males

Figure 11a shows the 92% equity demographic in the company (African, Coloured and Indian staff). Figure 11b indicates the spread of females across the racial groups, with 70% being African and 10% across Coloured, Indian and White groups. Figure 11c shows the breakdown of males in terms of racial groups – African 70%, Coloured 9%, Indian 4% and White 17%.

Female staff comprises 57% of total staff, with males at 43%. Sasria is making an effort to improve on the female numbers at the management and professional levels.

Challenges

A significant challenge facing Sasria is the scarcity of certain skills such as underwriting and actuarial skills. The process of getting the right skills at the right level has made it difficult to fill some of our positions.

The skills gap analysis process highlighted the shortcomings in our learning and development programme. The focus for most of our employees was on acquiring academic qualifications while neglecting technical and behavioural skills.

Retaining top skills in the company is always a challenge not only for Sasria, but also for the entire financial sector. It is especially difficult for a small company like ours where upward career movement is limited.

Looking Ahead

Sasria needs to ensure that the rights skills are available for the business and prepare itself for the future. The Talent Management programme has been approved by the Board and it will be fully implemented during the year with the aim of retaining and attracting critical skills in the company.

To contribute to capacity building in the financial sector, we will be starting a Graduate Intern placement programme. These graduates will be placed with our business partners and be trained for 2 years with their cost including their training cost and salaries being paid by Sasria.

Despite meeting our overall Employment Equity targets, we are still lagging behind in the number of females in the middle management and professional levels. Our goal is to increase this number though recruitment and development of staff within Sasria. Sasria will continue its Wellness Programme to sustain employee wellness to ensure that our strategic objectives are continuously achieved through a productive workforce.

Corporate Social Investment

Sasria's Corporate Social Investment (CSI) is focused on the youth and education. Sasria has been contributing 2% of its after-tax profit to socially responsible projects since 2010. Sasria believes it needs to play a pivotal role in contributing to the National Development Plan (NDP) and to this end we have increased our CSI contribution to 4% of after-tax profit over the next three years with R11 million allocated to the 2013–2014 financial year.

In terms of the Broad-based Black Economic Empowerment Act of 2004, the Government aims to promote the achievement of the constitutional right to equality, increase broad-based and effective participation of black people in the economy, promote a higher growth rate and increase employment and more equitable income distribution. Sasria intends to contribute to these objectives through capacity building by developing skills and enterprise development. The focus is to develop the skills required in the insurance industry as well as scarce skills, while focusing on enterprise development in areas within the insurance industry where transformation is still required. These initiatives will mitigate the shortage of skills facing the insurance industry as well as socioeconomic challenges facing society as a whole.

Highlights

Mathematics and Science Knowledge in Gauteng

In 2011 Sasria assisted the Gauteng Department of Education (GDE) through SCI-BONO in providing maths and science training in the Sedibeng District, one of the poorest performing districts in Gauteng. The intervention continued in 2012 and Sasria provided exam preparation for a week to Grade 12 learners with a key focus on mathematics, science and accounting. The district achieved an overall pass rate of 70% and is now the top district in their cluster.

School Infrastructure Programme

Sasria believes that education is only meaningful with the correct resources. To this end Sasria continued its investment in the infrastructure of schools. Sasria partnered with the GDE and renovated Dan Pharasi Primary School in Daveyton. The project was completed in time to celebrate Mandela Day on 17 July 2012. A further infrastructure investment was embarked on, in partnership with the Mpumalanga Department of Education, by repairing Vumazonke Primary School after it was damaged during a storm in 2010.

Adopt a School Foundation Programme

Sasria partnered with the Foundation in 2012 to adopt Lodirile Secondary School based in Mogale City. In 2012, the school was provided with mobile science labs as well as training for mathematics, science and accounting teachers. Furthermore, a careers day was hosted at the school at which learners were exposed to various careers. These interventions assisted the school achieve a 95% pass rate in 2012.

University of Johannesburg Science Centre – Soweto Centre

In 2009 Sasria partnered with the University of Johannesburg (UJ) on a three-year contract, to establish a maths and science centre in Soweto. UJ was already running with the centre in Soweto on a small scale and providing only mathematics classes. The scale increased after the partnership was established with Sasria in 2009, whereby UJ added physical science, life science and English classes. The programme focused on Grade 10 to 12 students and in 2010 started with 1,063 learners attending mathematics, English and science classes. At the end of 2012, the programme had 1,483 learners. The learners originate from 67 different high schools in Soweto and surrounding areas.

South African Actuaries Development Program (SAADP)

From 2003 to date, Sasria has focused on the development of actuarial skills within previously disadvantaged communities through establishment of the SAADP. Over the period, the SAADP has produced 109 graduates, 11 of whom have qualified as actuaries since its formation in 2003. Most of these young people are now making valuable contributions to the economy while employed by various financial institutions.

Bursary Scheme

Sasria was approached by the Ministry of Higher Education and Training in 2009 to sponsor 10 bursaries to students funded under the National Student Financial Aid Scheme (NSFAS), aimed at alleviating the Government fund to reach more students requiring free education. Ten B.Com Accounting students were funded at various universities during the period under review and all of them have successfully completed their studies and are working in the financial sector. Some are now working under our newly created Graduate Intern placement programme which is a talent development partnership between us and our business partners.

Looking Ahead

Sasria has a long history of contributing to the development of youth through education. We will continue with all our initiatives and the increased CSI budget from 2% to 4%. The following new initiatives will be rolled out during the year:

- To contribute to enterprise development by identifying and funding programmes that can contribute to creating employment;
- To enhance the Skills Intervention Programme aimed at people wanting to pursue an insurance career; and
- To roll out the school intervention programmes to provinces outside Gauteng.

Governance and Compliance

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). This commitment to good governance is formalised in the company's charters, policies and procedures. Through this process, the shareholder and other stakeholders derive assurance that the company is ethically managed according to prudently determined risk parameters in compliance with best corporate practices. Monitoring Sasria's adherence to King III 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 Sasria's integrated performance and addresses all material matters.

Level of King III Application

Sasria has continued to improve its level of application of the King III governance principles and recommendations during the period under review. This is evidenced by achievement of full application of King III principles, save for the area of independent assurance of the sustainability report, which Sasria aims to achieve full application for by 2014 (Table 13). The area of equitable treatment of shareholders is not applicable to Sasria as Sasria has only one shareholder, the Government of South Africa, represented by the Minister of Finance. Sasria however ensures formal shareholder engagements on quarterly and annual basis. In addition to formal engagements, Sasria ensures and responds to ad hoc engagements with its shareholder.

Table 13: Details of Sasria's adherence to the King III principles

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP	
Effective leadership based on an ethical foundation	✔
Responsible corporate citizen	✔
Effective management of company's ethics	✔
BOARD AND DIRECTORS	
The Board is the custodian of corporate governance	✔
Strategy, risk, performance and sustainability are inseparable	✔
The Board should consider business rescue proceedings when appropriate	✔
Directors act in the best interests of the company	✔
The Chairperson of the Board is an independent non-executive director	✔
Framework for the delegation of authority has been established	✔
The Board comprises a balance of power, with a majority of non-executive directors who are independent	✔
Directors are appointed through a formal process	✔
Formal induction and on-going training of directors is conducted	✔
The Board is assisted by a competent, suitably qualified and experienced Company Secretary	✔
Regular performance evaluations of the Board, its committees and the individual directors	✔
Appointment of well-structured committees and oversight of key functions	✔
A governance framework is agreed between the company and its subsidiaries	★
Directors are fairly and responsibly remunerated	✔
Remuneration of directors is disclosed in the integrated report	✔
The company's remuneration policy is approved by its shareholders	✔
INTERNAL AUDIT	
Effective, risk-based internal audit	✔
Written assessment of the effectiveness of the company's system of internal controls and risk management	✔
Internal audit is strategically positioned to achieve its objectives	✔
AUDIT COMMITTEE	
Effective and independent	✔
Suitably skilled and experienced independent non-executive directors	✔

Chaired by an independent non-executive director	✔
Oversees integrated reporting	✔
A combined assurance model is applied	✔
Satisfies itself of the expertise, resources and experience of the company's finance function	✔
Oversees the external audit process	✔
Reports to the Board and shareholders on how it has discharged its duties	✔
COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS	
The Board ensures the company complies with relevant laws	✔
The Board and its directors have a working understanding of the relevance and implications of non-compliance	✔
Compliance risk forms an integral part of the company's risk management process	✔
The Board has delegated to management the implementation of an effective compliance framework and process	✔
GOVERNING STAKEHOLDER RELATIONSHIPS	
Appreciation that stakeholders' perceptions affect a company's reputation	✔
Management actively deals with stakeholder relationships	✔
There is an appropriate balance between its various stakeholder groupings	✔
Equitable treatment of shareholders	★
Transparent and effective communication to stakeholders	✔
Disputes are resolved effectively and timeously	✔
THE GOVERNANCE OF INFORMATION TECHNOLOGY	
The Board is responsible for information technology (IT) governance	✔
IT is aligned with the performance and sustainability objectives of the company	✔
Management is responsible for the implementation of an IT governance framework	✔
The Board monitors and evaluates significant IT investments and expenditure	✔
IT is an integral part of the company's risk management	✔
Information assets are managed effectively	✔
The Audit Committee assists the Board in carrying out of IT responsibilities	✔
THE GOVERNANCE OF RISK	
The Board is responsible for the governance of risk and setting levels of risk tolerance	✔
The Board determines the levels of risk tolerance	✔
The Audit and Risk Committees assist the Board in carrying out its risk responsibilities	✔
The Board delegates the risk management plan to management	✔
The Board ensures that risk assessments and monitoring are performed on a continual basis	✔
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✔
Management implements appropriate risk responses	✔
The Board receives assurance on the effectiveness of the risk management process	✔
INTEGRATED REPORTING AND DISCLOSURE	
Board Ensures the integrity of the company's integrated report	✔
Sustainability reporting and disclosure is integrated with the company's financial reporting	✔
Sustainability reporting and disclosure is independently assured	✘

✔ Applied ✘ In progress ★ Not applicable

Governance Structure

Board and Committees

Sasria's Board is appointed by the Shareholder. The Board consists of eight non-executive directors and two executive directors (Table 14). The Board has established five Board committees as depicted in Figure 12.

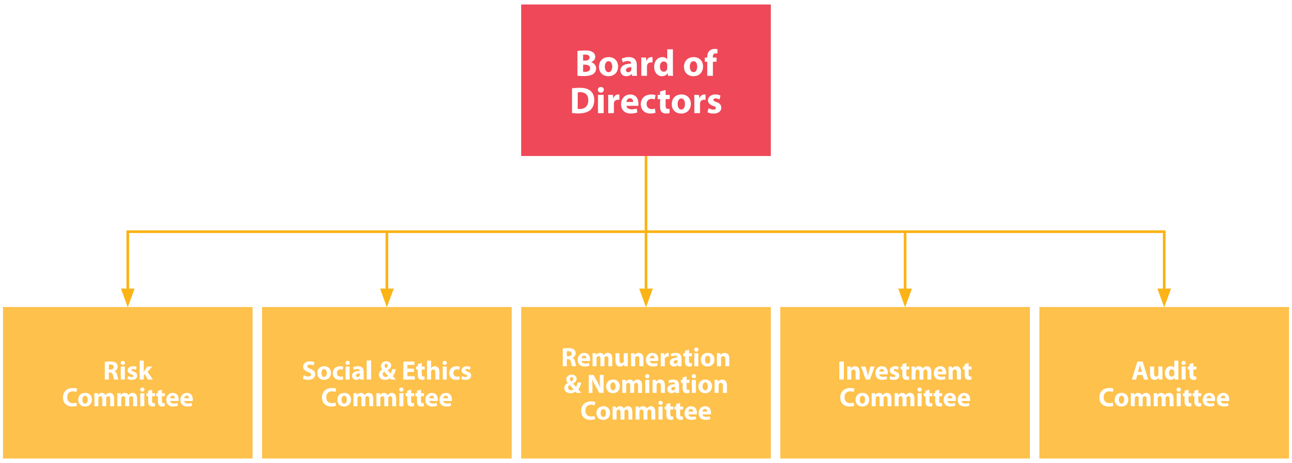


Figure 12: Board Committees

Table 14: Composition of the Sasria Board of the 2013 financial year

BOARD MEMBERS	YEAR APPOINTED	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT NON-EXECUTIVE	RACE WHITE (W) BLACK (B)	GENDER MALE (M) FEMALE (F)
MA Samie (Chairperson)	2002			*	B	M
JRK Du Preez (Deputy Chairperson)	2006			*	B	F
CM Masondo (Managing Director)	2011	*			B	M
CH Du Toit	2009		*		W	M
R Mothapo	2011			*	B	M
AL Mhlanga	2011			*	B	F
BJ Njenje	2009			*	B	F
MO Ndlovu	2012			*	B	F
K Pepler (Finance Director)	2011	*			W	F
SH Schoeman	2011			*	W	M

- Ms JRK Du Preez retired from the Board in August 2012
- Ms AL Mhlanga retired from the Board in February 2013
- Mr CH Du Toit and Ms BJ Njenje were re-appointed to the Board in December 2012
- Mrs MO Ndlovu was appointed to the Board in December 2012

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 ethically led 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 – appointed by the Shareholder – come 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 forming part of 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 three-year intervals and the holding of an annual strategic plan review session in addition to the Board annual meeting plan.

Membership and Attendance

Four Board meetings were held during the year ending 31 March 2013, and the attendance was as shown in Table 15. The executive management attends Board meetings by invitation.

Table 15: Board attendance 2012–2013

DIRECTOR	03 JUL 2012	02 AUG 2012	27 NOV 2011	19 FEB 2013
MA Samie (Chairperson)	Present	Present	Present	Present
JRK Du Preez	Present	Present	N/A	N/A
CM Masondo (Executive – Managing Director)	Present	Present	Present	Present
CH Du Toit	Present	Present	N/A	Present
AL Mhlanga	Present	Present	Present	N/A
R Mothapo	Present	Present	Present	Present
MO Ndlovu	N/A	N/A	N/A	Present
BJ Njenje	Present	Present	N/A	Present
K Pepler (Executive – Finance Director)	Present	Present	Present	Present
SH Schoeman	Present	Present	Present	Present

Induction of New Directors

New directors were inducted in line with the company's induction policy and programme. This means that 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 and the Social and Ethics 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.

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 reward and recognition practices 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 Resource 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 Ms JRK Du Preez and is presently chaired by Mrs MO Ndlovu. The committee met twice during the year as outlined in Table 16.

Table 16: Remuneration and Nomination Committee meetings in 2012–2013

MEMBER	01 AUG 2012	12 MAR 2013
JRK Du Preez (Chairperson)	Present	N/A
MO Ndlovu (Chairperson)	N/A	Present
BJ Njenje	Present	Present
MA Samie	N/A	Present

- Ms JRK Du Preez retired on 25 August 2012
- Ms MO Ndlovu appointed by the Board on 19 February 2013 as Chairperson of Remco
- Ms BJ Njenje reappointed to the Board and confirmed on 19 February 2013 as a member of Remco
- Mr Samie was confirmed on 19 February 2013 as member of Remco

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 and 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, three year audit plan in consultation with the Audit Committee. This has been approved by the Board.

The committee was chaired by Ms AL Mhlanga until her resignation from the Board in February 2013, and Mr SH Schoeman took over as Interim Chairperson from 19 February 2013. Other members of the Audit Committee are Mr R Mothapo and Mr CH Du Toit.

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.

The committee held three meetings as outlined in Table 17.

Table 17: Audit Committee meetings 2012–2013

MEMBER	03 JUL 2012	02 AUG 2012	14 NOV 2012
AL Mhlanga (Chairperson)	Present	Present	Present
JRK Du Preez	Present	Present	N/A
CH Du Toit	Present	Present	N/A
SH Schoeman (Chairperson)	Present	Present	Present

- Ms AL Mhlanga resigned as a director with effect from 01 February 2013
- Ms JRK Du Preez retired on 25 August 2012
- Mr CH Du Toit re-appointed to the Board and confirmed as the member of Audit Committee
- Mr SH Schoeman appointed by the Board on 19 February 2013 as Interim Chairperson

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 reviews 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 company's investment philosophy.

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

The Investment committee was chaired by Ms JRK Du Preez and held one meeting for the year (Table 18).

Table 18: Investment Committee meeting 2012–2013

MEMBER	30 MAY 2012
JRK Du Preez (Chairperson)	Present
CH Du Toit	Present
MA Samie	Present

- Ms JRK Du Preez retired from the board on 25 August 2012
- Mr CH Du Toit was re-appointed to the Board and confirmed as the member of the Investment Committee

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 also considers technical issues raised, including the review of new products, the capital adequacy of the company and to consider complex claims. The committee is chaired by Mr SH Schoeman and held two meetings during the year as outlined in Table 19.

Table 19: Risk Committee meetings 2012–2013

MEMBER	02 JUL 2012	14 NOV 2012
SH Schoeman (Chairperson)	Present	Present
MA Samie	Present	Present
R Mothapo	Present	Present

Social and Ethics Committee

The Social and Ethics Committee has been established in line with the requirements of the Companies Act 2008. It is responsible for oversight of, and reporting to, the Board on matters relating to social and economic development, good corporate citizenship, environment, health and public safety, including the impact of the company's activities and of its products or services, consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws, labour and employment matters. The committee has to report, through one of its members, to the Sasria shareholder annual general meeting on matters within its mandate.

The Committee is chaired by Ms Njenje and held two meetings during the year as indicated in Table 20.

Table 20: Social and Ethics Committee meetings 2012–2013

MEMBER	01 AUG 2012	12 MAR 2013
BJ Njenje (Chairperson)	Present	Present
JRK Du Preez	Present	N/A
MO Ndlovu	N/A	Present

- Ms JRK Du Preez retired from the Board on 25 August 2012
- Ms MO Ndlovu was appointed as a director on 01 December 2012 and appointed by the Board on 19 February 2013 as a member to the Social & Ethics Committee
- Ms BJ Njenje re-appointed to the Board and confirmed as the Social & Ethics Committee member and Chairperson

In addition to the Board committees, there are two Management Committees, the Executive Committee and the Operations Committee.

Executive Committee

The Executive Committee (Exco) is responsible for considering and recommending strategic matters and policies for Board approval. The committee comprises the two Executive Directors and three Executive Managers and is chaired by the Managing Director. The committee meets four times a year. In addition, the committee holds informal monthly meetings of the members in between the scheduled formal meetings.

Operations Committee

The Operations Committee is responsible for considering and recommending operational matters for Exco approval, or onward recommendation to the Board, as the case may be. The committee is chaired by one of the Executive Managers and comprises Managers and Senior Managers of the company. The committee meets bi-monthly.

Compliance with Laws

The Board has continued to implement its three year compliance framework during the year under review, which is monitored throughout the year. All core and high-risk laws applicable to Sasria 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 once again 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.

With Compliance forming an integral part of the risk management process, the Board is satisfied 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
- any further action required.

These risks were regularly reported on to the Board and its committees, in particular the Risk and Audit Committee.

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

Promotion of Access to Information

Sasria has its Access to Information Manual on its website in four official languages (English, Sesotho, IsiZulu and Afrikaans). Despite this, during the period under review, the company received no requests for information in terms of the Promotion of Access to Information Act, 2000.

Disclosure in terms of section 55(2)(b) of the PFMA

There were no:

- Material losses suffered through criminal conduct or 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; and
- Losses either recovered or written off.

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

New Legislation

Constant changes in the regulatory environment continue to have an impact on the company. The implementation of regulatory requirements affects resources, and results in increased operational and capital expenditure requirements.

Despite the above, 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 21.

Table 21: Regulatory developments in 2013

REGULATORY DEVELOPMENTS IN 2013		SASRIA'S RESPONSE
Companies Act 71 of 2008	Compliance with some aspects of the new Companies Act was due to come into effect during the year under review.	**Revision of Memorandum Of Incorporation (MOI)** The Minister of Finance (Shareholder) approved the MOI on 26 April 2013. The approved MOI was filed with CIPC on 30 April 2013. While Sasria does have proof of submission of the updated MOI, CIPC has advised that confirmation of the acceptance of the MOI can take up to three months from date of filing. **Eligibility of Directors** To enhance the annual checking and assessment of fit and proper requirements of directors, the Board adopted a Fit and Proper Requirements Policy on 19 February 2013. These requirements have also been included in the updated MOI. **Declaration of Dividend** Declaration forms part of the agenda for the Board meeting of November each year when the Board takes the decision on the declaration of the dividend. **Notice periods for shareholders meetings** Included in revised MOI. **Social and Ethics Committee** In place. **Audit committee** In place. **Disclosure of conflicts of interests** Implemented. Annual declaration and in all meetings. Standing agenda item for all meetings. **Protection of whistle blowers** Fraud Prevention & Whistle Blowing Policy in place and implemented. Whistle blowing mechanism in place. **Directors' indemnity insurance** In place. Extends to prescribed officers and committee members. **Directors' fees to be approved at shareholders meeting** Revision of Board fees approved by shareholder at AGM held on 27 November 2012. **Round robin resolutions** All directors to have received notice of the matter to be decided. Included in revised MOI and implemented during the period under review.

REGULATORY DEVELOPMENTS IN 2013		SASRIA'S RESPONSE
Insurance Regulation and Legislation changes	**1. Outsource Directive 159Ai.** Published by the FSB on 12 April 2012. Outsourcing Directive 159Ai (In compliance with section 9(3)(b)(i) read with section 12(1)(c) of LTIA and STIA respectively)	**1.1 Outsourcing Policy** Outsourcing Policy developed and approved by the Board on 19 February 2013. Currently being implemented. **1.2 Alignment of Outsource Arrangements with Directive** • All new outsource arrangements in line with Directive and notifications submitted to the FSB as required. • All existing outsource arrangements aligned with the directive by 1 March 2013 as required.
	2. Binder Regulations Amendments to section 48, introduction of 48A of the Short-term Insurance Act, Act No 53 of 1998 (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. 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.	**Binder Agreements** • New Binder Agreements developed in line with the binder regulations and provided to Sasria service providers for signature. • Management further commenced with a process to get all binder agreements with agent companies signed. • Sasria sought total exemption from the FSB regarding the binder requirements or a dispensation on certain requirements of the binder regulations. • The company awaits the updates from the FSB in this regard.
	3. Insurance Laws Amendment Bill, 2013. The National Treasury has published the Insurance Laws Amendment Bill, 2013. This Bill was approved by Cabinet on 29 May 2013 and tabled in Parliament on 21 June 2013. The Bill proposes amendments to both Long-term Insurance Act No. 52 of 1998 (LTIA) and the Short-term Insurance Act No. 53 of 1998 (STIA). It primarily addresses interim measures relating to	While Sasria already has governance structures and/or measures in place, the organisation will review all its governance documents and structures to ensure alignment with the requirements of the Bill when it is promulgated.

	governance, risk management and internal controls of insurers and insurance groups pending the finalisation of the broader review of insurance laws and the Solvency Assessment and Management regime. There is also a strong component of Treating Customers Fairly throughout the Bill. The intention is for the Bill to be operational with effect from the first quarter of 2014. That is, before the January 2016 implementation date of SAM.	
	4. Micro-insurance legislation. The Micro-Insurance White Paper provides that insurers will, in future, have an option of either selling micro-insurance products using their current licences, albeit with limitations, or ring-fencing their micro-insurance business under a micro-insurance licence. The capital and some governance requirements for micro-insurers will be relaxed.	Sasria is awaiting the publication of the draft legislation; implementation is likely to follow in 2013–2014.
	5. 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 Executive Manager: Stakeholder Management, has been formed and is currently working towards ensuring compliance by the due date of 1 January 2014.
Financial Sector Codes	Gazetted by the Financial Sector Charter Council on 26 November 2012.	As a state-owned company Sasria has voluntarily opted to comply with the BBBEE rating requirements of government. This will set a good example of adopting good governance practices in the financial services sector. In this regard, Sasria set itself a target of achieving a Level 1 FSC BEE rating. During the course of 2012–2013 Sasria commenced the journey towards a FSC BEE rating by conducting a mock B-BBEE verification with an independent service provider to test how Sasria would fare were it to be formally verified by a verification agency. The result was favourable as Sasria was rated a Level 2 (AAA). Sasria is aiming at preparing itself for FSC accreditation and is ensuring that all its actions during 2013–2014 are aligned with this target.

Overview of the Executive Remuneration Structure

The components of the remuneration paid to Executive Directors and the Executive Committee are summarised in Table 22. A detailed description of each component follows in the next section.

Table 22: Components of the remuneration paid to Executive Directors and the Executive Committee

ELEMENT	PURPOSE	PERFORMANCE PERIOD & MEASURES	OPERATION & DELIVERY
Basic salary (guaranteed)	Core element that reflects market value of role and individual performance	Reviewed annually based on performance against contracted output and market surveys	Benchmarked and positioned on average on the 50th percentile
Benefits (guaranteed)	Retirement and lifestyle benefits which assist employees in carrying out their duties	Reviewed annually	Included in comparator benchmarking
Annual bonus (short-term variable)	Create a high performance culture through a cash bonus in relation to performance against predetermined outputs	Annually	Based on different levels and predetermined performance hurdles of business and personal targets

The quantum of the different components of the package is determined as follows and detailed information on remuneration paid is included in the annual financial statement:

- The guaranteed component is based on market relatedness in conjunction 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.

The above arrangements will be modified in the following year should significant changes in operating conditions or governance framework occur.

Remuneration for Non-executive Directors

Non-executive directors' fees are reviewed annually and industry benchmarked to ensure that the fees remain competitive. The Remuneration and Nomination Committee 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.

The Remuneration and Nomination Committee is satisfied it had fulfilled its responsibilities in accordance with its terms of reference for the period under review.

Assurance

Internal Audit

The Board has ensured 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.

The internal audit function reports functionally to the Audit Committee and provides reports at meetings of the Audit Committee. The internal audit function, among others, evaluates the company's governance processes and objectively assesses and reports on the effectiveness of risk management and the internal control environment.

The Internal Audit Manager reports at each Audit Committee meeting and has a direct reporting line to the Chairperson of the Audit Committee. The internal audit function operates independently of Executive Management but has an administrative reporting line to the Managing Director.

The Internal Audit Manager is responsible for co-ordinating internal audit efforts to ensure appropriate coverage, while maximising efficiency.

Internal audit conducts a robust risk-based planning process that incorporates various criteria to prioritise and classify the business units and functions in the company. Business units classified as high risk were included in the audit universe. Depending on the risk classification, all other material business units will be included in the audit universe on a two- or three-year cycle.

Business functions, which include the governance and risk management functions, were prioritised and included in the audit universe, based on the following factors:

- the top residual risks of the company
- whether the function can result in a material misstatement of financial information, and
- the current skill set of the Internal Audit team.

Outsourced processes were included in the planning process and included in the audit universe, where appropriate.

The annual audit plan is reviewed regularly to ensure it remains relevant and responsive to changes in the operating environment. The Audit Committee approves the internal audit plan.

Internal Audit systematically analysed and evaluated the significant risks and associated controls in the audit universe and, in terms of their agreed scope, they have not identified any material breakdown in internal control. Significant control weaknesses are reported, in terms of an escalation protocol, to all levels of management, including executive management. The Audit Committee receives a report on significant issues and actions taken by management on a quarterly basis.

Internal Audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of combined assurance. Internal audit, in conjunction with ERM, facilitated the implementation of a combined assurance and internal control framework for the company.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness, to meet the increasingly demanding corporate governance and regulatory environment, including the requirements of King III and the FSB's Solvency Assessment and Management project.

The Internal Audit team is compromised of well-qualified, experienced employees to ensure that the function has the competence to match Sasria's diverse requirements. The company further enhanced the capacity of the internal audit function by engaging a co-sourced internal audit partner with a view to provide internal audit services to Sasria in areas it does not possess the required skills to fulfil the requirements posed to it and transfer the required skills to the Internal Audit team.

External Audit

The external auditors, PricewaterhouseCoopers Inc., are engaged to provide stakeholders with an independent opinion on whether the annual financial statements fairly present, in all material respects, the financial position of the company. To ensure that there is no duplication of effort, regular liaison takes place with Internal Audit to understand the scope of their work and the results of their audits.

The external and internal auditors attend committee meetings and have unrestricted access to the Audit Committee and its chairperson at all times, ensuring that their independence is in no way impaired. Both the external and internal auditors have the opportunity of addressing the Audit Committee at each of the meetings without management being present.

A combined assurance plan was developed and approved by the Board in November 2012.

Risk Management

Effective risk management is important for the achievement of our strategic goals and management takes this responsibility seriously. Significant milestones have been achieved in this area in the past year as well as those changes that come with the development of the new, risk-based solvency regime. The Board has established and implemented an effective Risk Management framework in an effort to manage our exposures efficiently, effectively and economically. The Board realises and acknowledges that it is accountable for the system of risk management for the company; it is accountable for the establishment of appropriate risk policies. It ensures that risk management systems are regularly reviewed for effectiveness. The risk committee assists the Board executing this responsibility. The Executive Management also remains accountable to the Board for ensuring that appropriate risk management processes are imbedded in and integrated into strategic and operational management of the company.

Highlights

In preparation for the adoption of SAM, a number of initiatives were conducted and concluded during the year under review, including the following:

- All Board Committee Charters were reviewed;
- Numerous policies were developed and adopted in preparation for the SAM Pillar II compliance;
- Several processes were drafted and implemented;
- Risk Management governance structures and risk management processes were enhanced to comply with the requirements of SAM Pillar II;
- Risk Champions per division were appointed to further promote the risk culture;
- A separate and independent risk management function was created and a Risk Manager was appointed who reports to the Chairperson of the Risk Committee;
- Sasria participated in the FSB SAM Pillar II readiness programme;
- A number of workshops were conducted to improve the risk culture in the company.

Looking Ahead

Continued focus will be placed on improving the risk culture throughout the company. The number of workshops aimed at all employees and focusing on risk management and compliance will be increased during the year.

Policies and processes that have been developed will be fully implemented during the year. The focus will also be placed on fully implementing all the outstanding SAM Pillar II work streams including the development and implementation of Own Risk and Solvency Assessment (ORSA). This also includes fully embedding the risk appetite throughout the organisation.

With the deterioration of insurance risk caused by increase in claims frequency and severity, more emphasis will be placed on monitoring capital management, risk appetite measures and liquidity.

Risk Management Governance Structure

A dedicated risk management function has been established as a second line of defence to effectively facilitate risk management within the company, to improve the risk culture within the organisation and to monitor that risks are within the company's risk appetite. The Risk Management Function promotes risk awareness and has the capacity to monitor and oversee the management of key risks facing the corporation. The company is in the process of acquiring the services of a Chief Risk Officer (CRO) and an Actuary in an effort to strengthen the governance structure as shown Figure 13.

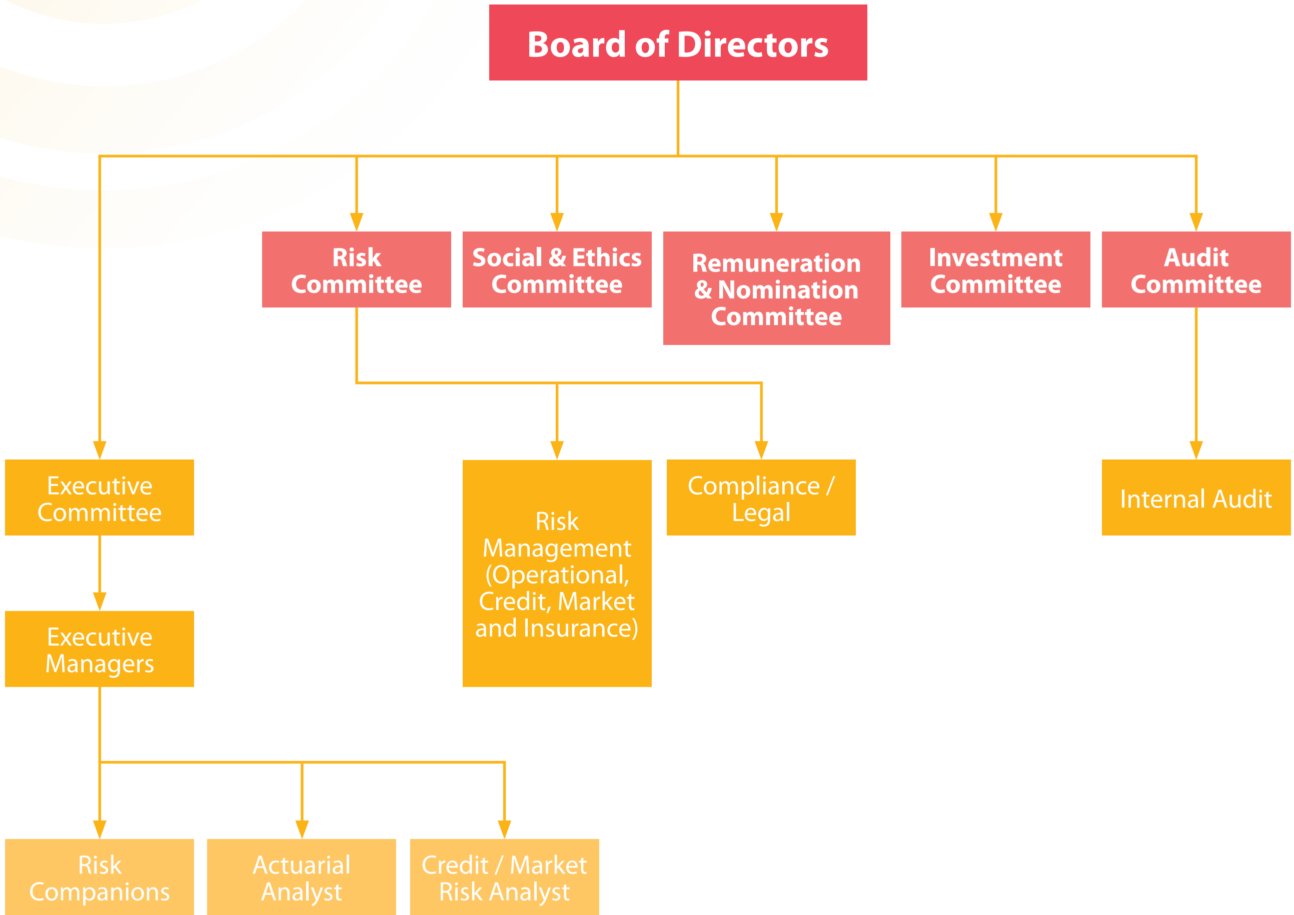


Figure 13: Sasria's Governance and Risk Management Structure

Risk Management Process

In ensuring that our risk universe is as complete as possible, the risk management value chain as illustrated below, is used across all divisions within Sasria (Figure 14).

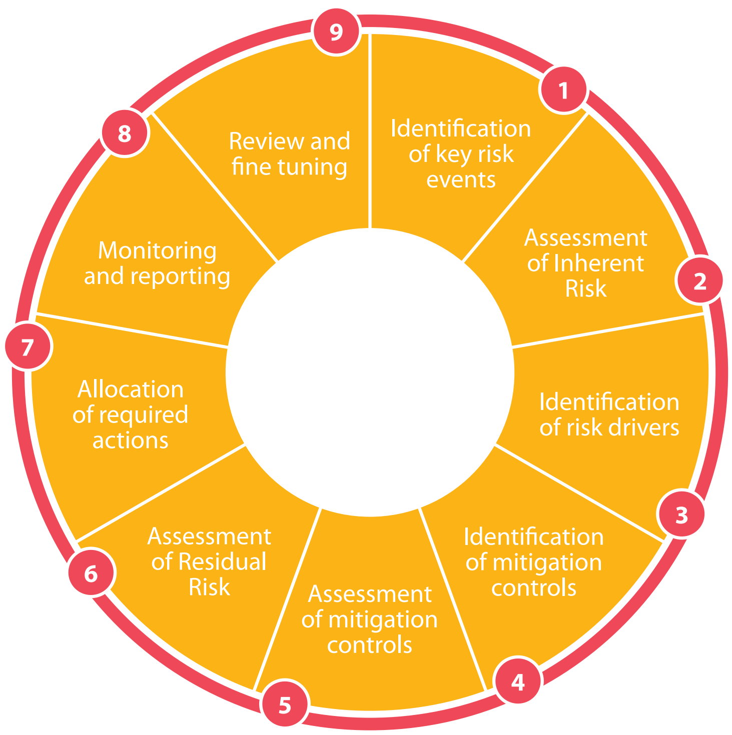


Figure 14: Sasria's Risk Management Value Chain

Identification

Risk workshops are facilitated by the risk function annually for the identification of risks, risk drivers and the taxonomy. The sources of risks are obtained from strategic objectives, process flows, policies and processes, previous internal and external audit reports, previous risk registers and regulatory reports. The divisional risk workshops are attended by all the staff within the division including the Executive Manager.

Assessment

Once the risks are identified, they are assessed in accordance with our Risk Assessment matrix which articulates the likelihood and severity impact. The impact assessment defines impact into four categories i.e. financial, reputational, stakeholder and customer.

Mitigation

Controls for each of the risks are identified through workshops. Actions to improve risks are also identified to further strengthen the controls and reduce residual risk. The controls are also assessed for adequacy and effectiveness.

Monitoring

The results of the workshops are combined into a Risk and Control Self-Assessment (RCSA) and this is reported to the Executive Committee. The risks are monitored monthly by the risk function with the risk champions in different divisions and on quarterly basis by the CRO and the Executive Managers for each division.

Reporting

Risk functions report the risk activities to the Risk Committee on a quarterly basis.

Our Internal Audit department annually performs risk-based audits throughout the organisation and gives assurance on the overall effectiveness of controls.

Risk Strategy

Sasria's Board of Directors and Management are aware of the implications that strategic decisions have on the risk and overall capital needs of Sasria, and encourages careful consideration of whether such strategic decisions are desirable and affordable. The risk strategy enables Sasria to take on those risks it is confident it understands, can effectively monitor and manage and that are capital efficient. Sasria aims to optimise the trade-off between the risks associated with underwriting non-life risk. The risk strategy defines Sasria's risk preferences and introduces the need for identification, measurement, management, monitoring and reporting of risks.

Sasria's risk strategy delivers significant benefits in increasing the understanding of the businesses' risk profile, implementing appropriate controls, determination of risk exposure, setting aside appropriate capital and generating shareholder value. It will also increase transparency to external stakeholders and ensure the regulatory requirements under SAM are met.

Risk Appetite

Sasria defines risk appetite as the following:

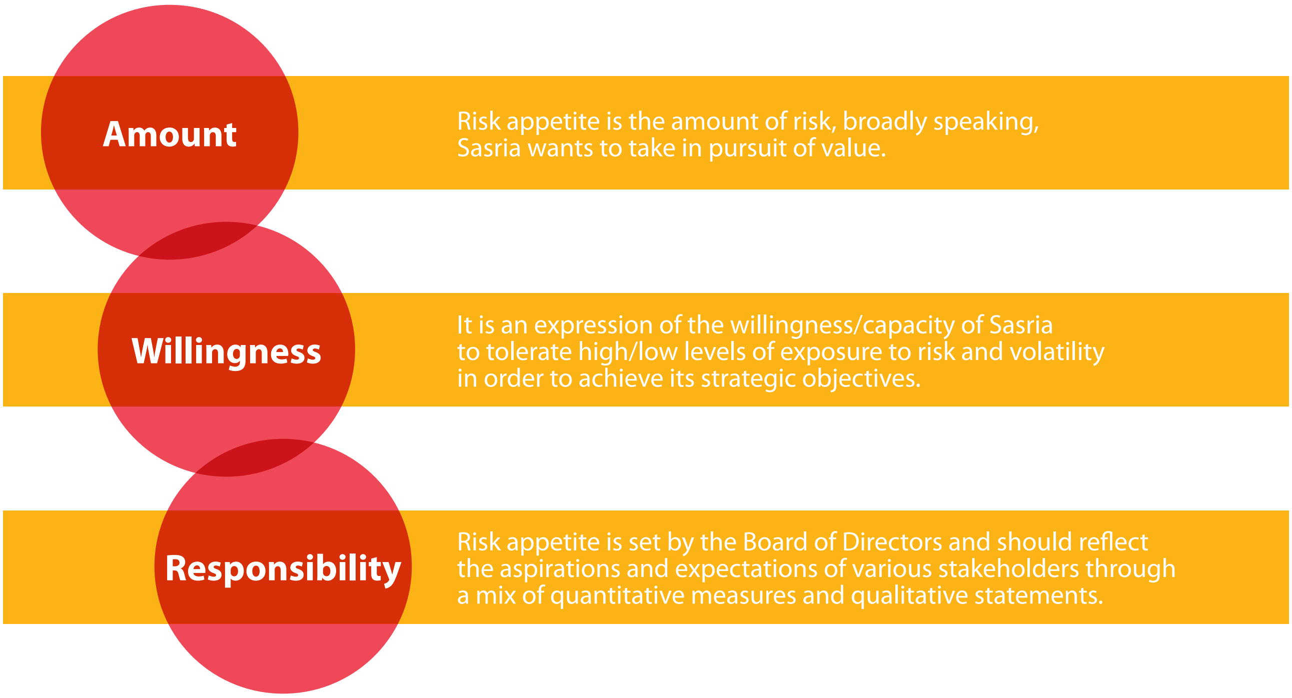


Figure 15: Sasria's Risk Appetite definition

Risk appetite therefore defines the amount of risk that Sasria is willing to accept in pursuit of shareholder value and the attainment of strategic objectives (Figure 15). It provides a mechanism by which the Board of Directors can set the boundaries within which the business should operate. It articulates the amount of risk the Board is willing to accept, regardless of the return available.

Risk appetite begins with the strategic direction given by the Board. For example, it helps to understand what balance of risk and reward Sasria will accept when growing the insurance book. For financial risks, risk appetite may be expressed as a limit, for example, Sasria does not wish to take on more than a specified amount of market risk. This limit is used by the business to manage how investments are made. For operational risks, risk appetite may explain what Sasria will and will not tolerate. For example, Sasria has no appetite for failing to comply with laws and regulations.

The Board has identified the following risk appetite measures throughout Sasria. These measures are to be implemented, measured and monitored.

The three key measures of risk appetite are shown in Figure 16.

Figure 16: Sasria's Risk Appetite measures

Capital at Risk

The requirement to hold sufficient financial resources to meet fair and equitable policyholder expectations and pay claims as they fall due.

Earnings at Risk

Sasria defines Earnings at Risk (EaR) as the reduction in EBITDA under a number of asset and liability stress conditions. The asset and liability stress conditions underlying the calculation of the EaR will reflect an internal economic view and is therefore consistent with the basis underlying the Capital at Risk assessment.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events that affect the operations of Sasria. This definition specifically excludes legal and regulatory risk, strategic risk and reputational risk.

Report of the Audit Committee

For the year ended 31 March 2013

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, which have been approved by the Board of Directors, and it 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 Ms Karen Pepler CA (SA), the Finance 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.

The annual financial statements for the year ending 31 March 2013 was prepared by Mr Richard Bradfield (CA) SA and reviewed by Ms Karen Pepler (CA) SA.

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
- 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 areas of responsibility and scope of the audit
- issues that arose from the audit and their resolution
- key accounting and audit judgements
- recommendations made by the external auditor and management's response.

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 Finance 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.

SH Schoeman
Audit Committee Chairperson
06 August 2013

Independent Auditor's Report to Parliament and the Directors of Sasria SOC Limited

Introduction

We have audited the financial statements of Sasria SOC Limited as set out on pages 72 to 128, which comprise the statement of financial position as at 31 March 2013, 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 accounting authority deems 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, the General Notice issued in terms thereof and International Standards on Auditing. Those 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 under the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 2013, and its financial performance and cash flows for the year then ended in accordance with the 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 2013, we have read the Chairperson's Report, Managing Director's Report, Finance Director's Report, Directors' Report, Report of the Audit Committee, and the Company Secretary's Certificate for the purpose of identifying whether there are 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 key performance indicators as set out on pages 14 to 15 of the integrated report.

The reported performance against key performance indicators 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 predetermined objectives concerning the usefulness and reliability of the information.

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 predetermined objectives 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
Register Auditor
Johannesburg
06 August 2013

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 company's viability 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 were 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 63.

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 72 to 128, were approved by the directors in accordance with their responsibilities and were signed on their behalf by:

MA Samie
Board Chairperson
06 August 2013

CM Masondo
Managing Director

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
06 August 2013

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 of 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 • plus outstanding claims at the end of the current accounting period, including IBNR.
Claims incurred but not reported (IBNR)	Claims resulting from events that have taken place, for 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. Combined loss ratio is loss ratio plus expense 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 that 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.
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 change 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	Mr M Mavuso +27 11 214 0864 (Telephone)
Legal and Compliance Officer	Mrs N Mazibuko +27 11 214 0818 (Telephone)
Bankers	Nedbank Limited 81 Main Street, Johannesburg, 2001
External Auditor	PricewaterhouseCoopers Inc. 2 Eglin Road, Sunninghill, 2157
Administration	
Registered office	36 Fricker Road, Illovo, 2196
Postal address	PO Box 653367, Benmore, 2010
Contact number	+27 11 214 0800 (Telephone) +27 11 447 8624 (Fax)
Website	www.sasria.co.za
E-mail addresses	info@sasria.co.za

FINANCIAL STATEMENTS 2013

sasria
covering the extraordinary

Statement of Financial Position

For the year ended 31 March 2013

Figures in Rand thousand	Note(s)	2013	2012
Assets			
Property, plant and equipment	5	4,304	4,239
Intangible assets including intangible insurance asset	6	34,172	25,441
Investment in associate	7	48,099	68,670
Financial assets			
- at fair value through profit and loss	8	3,385,836	2,993,897
- loans and receivables	8	76,866	171,458
Insurance receivables	9	104,060	120,710
Reinsurance contracts	10	194,350	103,767
Current tax receivable		1,715	9,869
Cash and cash equivalents	11	1,251,963	957,532
Non current assets held for sale	12	-	31,802
Total Assets		**5,101,365**	**4,487,385**
Equity			
Share capital	13	-	-
Non distributable regulatory reserves		245,142	221,132
Retained earnings		3,822,932	3,646,218
Total Equity		**4,068,074**	**3,867,350**
Liabilities			
Deferred income	16	13,127	10,320
Deferred tax	17	6,232	47,203
Employee benefit liability	15	1,053	9,001
Insurance contracts	10	901,470	468,532
Payables	14	111,409	84,979
Total Liabilities		**1,033,291**	**620,035**
Total Equity and Liabilities		**5,101,365**	**4,487,385**

Statement of Comprehensive Income

For the year ended 31 March 2013

Figures in Rand thousand	Note(s)	2013	2012
Gross insurance premium written	18	1,223,530	1,087,133
Insurance premiums ceded to reinsurers	18	(362,476)	(309,881)
Net insurance premium revenue		**861,054**	**777,252**
Change in gross unearned premium provision		(41,091)	(14,689)
Change in reinsurers' share of unearned premium provision		10,564	(13,926)
Net insurance premiums earned	18	**830,527**	**748,637**
Commission earned from reinsurers		112,645	146,140
Investment income	19	406,615	299,277
Other income		12,394	1,770
Net income		**1,362,181**	**1,195,824**
Gross insurance claims and loss adjustment expenses	20	(644,160)	(231,402)
Claims and loss adjustment expenses recovered from reinsurers	20	136,727	24,548
Net insurance claims		**(507,433)**	**(206,854)**
Expenses for the acquisition of insurance contracts	21	(109,951)	(72,899)
Expenses for administration and marketing	22	(243,613)	(229,386)
Total expenses		**(353,564)**	**(302,285)**
Expenses for administration and marketing		**501,184**	**686,685**
Share of loss of associate	7	(18,752)	(6,872)
Profit before tax		**482,432**	**679,813**
Income tax expense	24	(124,808)	(156,814)
Profit for the year		**357,624**	**522,999**
Total comprehensive income attributable to:			
Ordinary shareholder		357,624	522,999

Statement of Changes in Equity

For the year ended 31 March 2013

Figures in Rand thousand	Share capital	Statutory contingency reserve	Capital adequacy reserve	Non distributable regulatory reserves	Retained earnings	Total equity
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 adequacy 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 01 April 2012	**-**	**-**	**221,132**	**221,132**	**3,646,218**	**3,867,350**
Changes in equity						
Comprehensive income for the year	-	-	-	-	357,624	357,624
Transfer to capital adequacy reserve	-	-	24,010	24,010	(24,010)	-
Dividends	-	-	-	-	(156,900)	(156,900)
Total changes	-	-	24,010	24,010	176,714	200,724
Balance at 31 March 2013	**-**	**-**	**245,142**	**245,142**	**3,822,932**	**4,068,074**
	Note(s) 13					

Statement of Cash Flows

For the year ended 31 March 2013

Figures in Rand thousand	Note(s)	2013	2012
Cash flows from operating activities			
Cash generated from operations	27	553,962	449,948
Dividends received		25,605	25,129
Interest received		228,566	205,005
Realised gains on investments		404,936	35,831
Income tax paid	30	(157,625)	(191,133)
Net cash from operating activities		**1,055,444**	**524,780**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,566)	(1,481)
Proceeds on disposal of property, plant and equipment		-	45
Proceeds on disposal of non current assets held for sale		42,152	-
Purchases relating to intangible assets	6	(2,088)	(2,566)
Purchase of investments		(642,611)	(420,075)
Net cash flows on sale of investment in associate		-	46,978
Net cash used in investing activities		**(604,113)**	**(377,099)**
Cash flows from financing activities			
Dividends paid		(156,900)	(126,656)
Net increase in cash and cash equivalents		**294,431**	**21,025**
Cash and cash equivalents at beginning of year		957,532	936,507
Cash and cash equivalents at end of year	11	**1,251,963**	**957,532**

Accounting Policies and Critical Accounting Estimates and Judgements in Applying Accounting Policies

1. General information

Sasria SOC 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 53 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 2013. 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 other than the accounting treatment of amounts paid to agents and brokers. In the current year a distinction was made between commission paid and fees for performing binder functions. The fees paid for functions similar to binder functions was therefore reclassified in the prior year to ensure comparability between the current year and the prior year.

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 2013.

The following is a summary of the more important changes.

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

STANDARD / INTERPRETATIONS	CONTENT	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/ AFTER
Amendments to IFRS 1, 'first time adoption' on hyperinflation and fixed dates	The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.	1 July 2011
Amendment to IFRS 7 Financial Instruments: Disclosures – Transfer of financial assets	The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.	1 July 2011
Amendment to IAS 12, 'Income taxes' on deferred tax	Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence 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. As a result of the amendments, SIC 21, 'Income taxes recovery of revalued non depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.	1 January 2012

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

STANDARD / INTERPRETATIONS	CONTENT	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/ AFTER	IMPACT ON SASRIA
Amendment to IFRS 1, 'First-time adoption' on government loans	This amendment addresses how a first-time adopter would account for a government loan with a below market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008. The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances. The amendment clarifies that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transition or from an earlier date. The consequential amendment (as a result of the amendment to IAS 1 discussed below) clarifies that a first-time adopter should provide the supporting notes for all statements presented.	1 January 2013	Management is of the opinion that this amendment will not have a material impact on Sasria's annual financial statements.
Amendment to IFRS 7 Financial Instruments: Disclosures – Asset and Liability offsetting	The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.	1 January 2013	Management is of the opinion that this amendment will not have a material impact on Sasria's annual financial statements.
Amendments to IAS 1, 'Presentation of Financial Statements'	The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. 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 amendments do not address which items are presented in OCI. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.	1 January 2013	Management is of the opinion that this amendment will not have a material impact on Sasria's annual financial statements.
IFRS 9 – Financial Instruments (2009)	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.	1 January 2013	Management is of the opinion that this new standard will not have a material impact on Sasria's annual financial statements.

STANDARD / INTERPRETATIONS	CONTENT	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/ AFTER	IMPACT ON SASRIA
IAS 19, "Employee benefits"	The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.	1 January 2013	Management is of the opinion that this amendment will not have a material impact on Sasria's annual financial statements.
IFRS 9 – Financial Instruments (2010)	The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.	1 January 2013	Management is of the opinion that this new standard will not have a material impact on Sasria's annual financial statements.
Amendments to IFRS 9 – Financial Instruments (2011)	The IASB has published an amendment to IFRS 9, 'Financial instruments', that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.	1 January 2015	Management is of the opinion that this amendment will not have a material impact on Sasria's annual financial statements.
IFRS 10 – Consolidated financial statements	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. This new standard might impact the entities that a group consolidates as its subsidiaries.	1 January 2013	Management is of the opinion that this new standard will not have a material impact on Sasria's annual financial statements.
IFRS 11 – Joint arrangements	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. There are two types of joint arrangements: Joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.	1 January 2013	Management is of the opinion that this new standard will not have a material impact on Sasria's annual financial statements.

STANDARD / INTERPRETATIONS	CONTENT	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/ AFTER	IMPACT ON SASRIA
IFRS 12 – Disclosures of interests in other entities	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.	1 January 2013	Management is of the opinion that this new standard will not have a material impact on Sasria's annual financial statements.
IFRS 13 – Fair value measurement	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, which are largely aligned between IFRSs and US GAAP, 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 or US GAAP.	1 January 2013	Management is of the opinion that this new standard will not have a material impact on Sasria's annual financial statements.
IAS 27 (revised 2011) – Separate financial statements	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.	1 January 2013	Management is of the opinion that this revised standard will not have a material impact on Sasria's annual financial statements.
IAS 28 (revised 2011) – Associates and joint ventures	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	1 January 2013	Management is of the opinion that this revised standard will not have a material impact on Sasria's annual financial statements.
Amendments to IAS 32 – Financial Instruments: Presentation	The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.	1 January 2014	Management is of the opinion that this amendment will not have a material impact on Sasria's annual financial statements.

STANDARD / INTERPRETATIONS	CONTENT	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/ AFTER	IMPACT ON SASRIA
Amendment to the transition requirements in IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint Arrangements', and IFRS 12, 'Disclosure of interests in other entities'	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted for example, 1 January 2013 for a calendar year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.	1 January 2013	Management is of the opinion that this amendment will not have a material impact on Sasria's annual financial statements.
Amendment to IAS 16, 'Property, plant and equipment'	The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.	1 January 2013	Management is of the opinion that this amendment will not have a material impact on Sasria's annual financial statements.
Amendment to IAS 32, 'Financial instruments: Presentation'	The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.	1 January 2013	Management is of the opinion that this amendment will not have a material impact on Sasria's annual financial statements.
Amendment to IAS 34, 'Interim financial reporting'	The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.	1 January 2013	Management is of the opinion that this amendment will not have a material impact on Sasria's annual financial statements.
IFRIC 20 Stripping costs in the production phase of a surface mine	In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.	1 January 2013	Management is of the opinion that this interpretation will not have a material impact on Sasria's annual 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 is 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
Buildings	20 years
Motor vehicles	5 years
Office equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 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) is 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	3 – 5 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.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss held for trading.

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 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

2.8 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 five 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.

2.9 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 recognised 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 forward 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.

2.10 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, the 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

2.11 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.

2.12 Revenue recognition

The accounting policy relating to the recognition of revenue from insurance contracts is disclosed as part of note 1.7 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.

2.13 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.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments, are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

2.14 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.

2.15 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

2.16 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 equity investments which are held indirectly through the associate (private equity trust), are valued by the private equity investment manager on a discounted cash flow 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 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 in changes to fair values. Sasria accounts for its share of the fair value movements as described in 2.4 above.

Furthermore, the unlisted bond investments which are held through appointed asset managers, are valued based on market observable data and expert judgement. The unlisted bonds are independently audited by the external auditors of these asset manager. The valuations are also reviewed by management for reasonableness. The market observable data would be the interest rate at which a listed liquid government bond will trade at. To determine the spread at which the unlisted bond should be valued at requires the use of an expert. These spreads are internally reviewed by the credit committees of the respective asset managers. Subsequent changes to these valuations would result in changes to fair values. Sasria accounts for its share of the fair value movements as described in 2.4 above.

Notes to the Financial Statements

For the year ended 31 March 2013

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 that 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.

Notes to the Financial Statements

For the year ended 31 March 2013

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 individually underwrite all the coupons in excess of R500 million but not exceeding 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	**2012/2013** **%**	**2011/2012** **%**
Engineering	3,81	3,76
Property	77,62	77,96
Transportation	0,88	0,93
Motor	16,99	17,28
Guarantee	0,29	0,06
Miscellaneous	0,41	0,01
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) policies as follows:

Split by type of policyholder	**2012/2013** **%**	**2011/2012** **%**
Personal policies	27,88	28,50
Commercial policies	72,12	71,50
Total personal and commercial policies	**100,00**	**100,00**

Notes to the Financial Statements

For the year ended 31 March 2013

The company ensures that agent companies adhere to the set underwriting guidelines through biannual audits conducted at each agent company. In addition, the company's own internal audit department conducts 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 the period of a few months on monthly policies. The company monitors the incidence of claims per insured or sector and has the ability to impose deductibles where necessary.

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

Split by type of policy	**2012/2013**	**2011/2012**
	%	**%**
Annual policies	50,80	49,90
Monthly policies	49,20	50,10
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 predetermined 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 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.

Notes to the Financial Statements

For the year ended 31 March 2013

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 2013	% of total cover provided	Standard & Poor's rating
Lloyd' syndicates	24,97	A+
Lancashire Insurance	18,47	A-
Hannover Re of Africa	17,43	A-
SCOR Africa	8,24	A+
Munich Re of Africa	5,89	A-

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	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.

Notes to the Financial Statements

For the year ended 31 March 2013

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:

Figures in Rand thousand	2013	2012
Financial and insurance assets		
Quoted equity securities	836,756	876,392
Unlisted and unquoted equity securities	54,399	97,090
Total equity securities	**891,155**	**973,482**
Unquoted linked insurance policies	177,997	169,940
Money market fund (>3 months)	761,568	582,170
Government and semi government bonds	330,981	79,581
Other bills and bonds (fixed rate)	1,272,234	1,257,394
Total financial assets at fair value through profit & loss	**2,542,780**	**2,089,085**
Insurance receivables	104,060	120,710
Loans and receivables	76,866	171,458
Total loans and receivables including insurance receivables	**180,926**	**292,168**
Reinsurance assets	194,350	103,767
Cash and cash equivalents	1,251,963	957,532
Net insurance claims	**1,446,313**	**1,061,299**
Financial and insurance liabilities		
Deferred income	13,127	10,320
Insurance contracts	901,470	468,532
Payables	111,409	84,979
Employee benefit liability	1,053	9,001
Total financial and insurance liabilities	**1,027,059**	**572,832**

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For the year ended 31 March 2013

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows 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 cash flow 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 and the investment in the infrastructure development bond fund would result in an increase in profit before tax of R32.46m (2012: R28.47m) or a decrease in profit before tax of R32.46m (2012: R28.47m) respectively.

A hypothetical 1% (2012: 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 R13.00m (2012: R14.11m) while the decrease would expose the company to the risk of gaining value by R26.00m (2012: R14.11m).

A 1% increase in interest rates would expose the company to the risk of losing value in the infrastructure development bond fund by R9.56m while the decrease would expose the company to the risk of gaining value by R9.56m.

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:

Notes to the Financial Statements

For the year ended 31 March 2013

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 2013, 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 R83.7m (2012: R87.6m). 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 2013	At 31 March 2012
Quoted investments		
Effect on Profit before tax at 10% (fluctuation)	R83.7m	R87.6m
Effect on Profit before tax at 15% (fluctuation)	R125.6m	R131.4m

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 counter party 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.

Notes to the Financial Statements

For the year ended 31 March 2013

As at 31 March 2013

Financial Assets	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
Government bonds	284,138	24,835	22,008	-	-	330,981
Other bills and bonds	150,176	617,914	425,394	78,750	-	1,272,234
Money market fund	-	598,225	163,343	-	-	761,568
Infrastructure development bond fund	-	177,997	-	-	-	177,997
Insurance receivables	-	-	-	-	104,060	104,060
Loans and receivables	-	-	-	-	76,866	76,866
Reinsurance contracts	-	-	194,350	-	-	194,350
Cash and cash equivalents	235,798	845,851	169,434	-	880	1,251,963
	670,112	**2,264,822**	**974,529**	**78,750**	**181,806**	**4,170,019**

As 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	-	-	71,458	171,458
Reinsurance contracts	-	-	-	-	109,538	109,538
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**	**526,816**	**3,448,323**

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 rather 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 R104.1 million (2012: R120.7 million) are not rated.

Notes to the Financial Statements

For the year ended 31 March 2013

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 worst 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 2013	Within 0 to 3 months	3 months to 1 year	1 to 2 years	Other	Total
Deferred income	5,553	7,574	-	-	13,127
Insurance contracts	901,470	-	-	-	901,470
Trade and other payables	111,409	-	-	-	111,409
Provisions	-	1,053	-	-	1,053
Total	**1,018,432**	**8,627**	**-**	**-**	**1,027,059**

As at 31 March 2012	Within 0 to 3 months	3 months to 1 year	1 to 2 years	Other	Total
Deferred income	4,369	5,951	-	-	10,320
Insurance contracts	468,532	-	-	-	468,532
Trade and other payables	84,979	-	-	-	84,979
Provisions	-	9,001	-	-	9,001
Total	**557,880**	**14,952**	**-**	**-**	**572,832**

*The unearned premiums and the deferred revenue are being realised on a straight line basis over the period of 1 year.

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

As at 31 March 2013	Within 0 to 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Investments in associates	-	-	-	48,099	48,099
Financial assets at fair value through profit and loss	1,260,410	934,914	427,834	762,678	3,385,836
Loans and receivables	76,866	-	-	-	76,866
Insurance receivables	104,060	-	-	-	104,060
Reinsurance assets	194,350	-	-	-	194,350
Cash and cash equivalents	1,251,963	-	-	-	1,251,963
Total	**2,887,649**	**934,914**	**427,834**	**810,777**	**5,061,174**

As at 31 March 2012	Within 0 to 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Investments in associates	-	-	-	68,670	68,670
Financial assets at fair value through profit and loss	1,513,544	814,829	247,996	417,528	2,993,897
Loans and receivables	71,458	100,000	-	-	171,458
Insurance receivables	120,710	-	-	-	120,710
Reinsurance assets	103,767	-	-	-	103,767
Cash and cash equivalents	957,532	-	-	-	957,532
Total	**2,767,011**	**914,829**	**247,996**	**486,198**	**4,416,034**

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 of capital with the balance of the required capacity being made up of reinsurance.

In 2012, the previous 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.

Notes to the Financial Statements

For the year ended 31 March 2013

Sasria has calculated its solvency position for 2013 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	2013	2012	2011
Capital required as % of premium	29	28	15
Capital available as a % premium	473	500	560
	1,656	**1,757**	**3,732**

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 aligned itself to a more accurate calculation of capital through the development of an economic capital model.

During 2013 financial year the FSB also undertook an industry field study of the draft minimum capital requirements proposed for implementation under SAM in 2016. This field study was called SAM QIS2 (Quantitative Impact Study 2) and will be followed by a SAM QIS3 in 2014. Sasria participated in the SAM QIS2 exercise and the results are shown below:

SAM proposed solvency position	QIS 2	QIS 1
Capital required as a % of premium	153	283
Capital available as a % of premium	450	443
	295	**156**

The draft requirements under SAM QIS exercise 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 QIS2 requirements, with a solvency margin of 295%. 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 participate in the compulsory SAM QIS3 in 2014.

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.

Notes to the Financial Statements

For the year ended 31 March 2013

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 2013.

31 March 2013 Asset	Level 1	Level 2	Level 3	Total
Investment in associate	-	-	48,099	48,099
Financial assets designated at fair value through profit and loss:				
- Equity securities – listed	836,756	-	-	836,756
- Equity securities – unlisted	-	-	6,300	6,300
- Debt securities	261,801	1,341,414	-	1,603,215
- Money market fund	14,988	746,610	-	761,598
- Unquoted linked insurance policies	-	177,997	-	177,997
Total financial assets designated at fair value through profit and loss	**1,113,545**	**2,266,021**	**6,300**	**3,385,866**

31 March 2012 Asset	Level 1	Level 2	Level 3	Total
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
- Unquoted linked insurance policies	-	-	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**

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.

Notes to the Financial Statements

For the year ended 31 March 2013

The following table presents the movements in level 3 instruments for the year ended 31 March 2013 by class of financial instrument.

Asset	Investment in associate	Equity instruments	Property development fund	Total
Opening balance	68,670	28,420	169,940	267,030
Disposals	-	(22,120)	(177,552)	(199,672)
Gains and losses recognised in income	(18,752)	-	7,612	(11,140)
Dividends received	(1,819)	-	-	(1,819)
Closing balance	**48,099**	**6,300**	**-**	**54,399**
Total gains and losses for the year included in the statement of comprehensive income for assets held at the end of the year	**(18,752)**	**-**	**7,612**	**(11,140)**

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 2013	As at 31 March 2012
Level 3 investments		
Effect on Profit before tax at 10% (fluctuation)	R5.4m	R26.6m
Effect on Profit before tax at 15% (fluctuation)	R8.2m	R39.9m

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 cash flow technique, refer to Note 3 for detail.

5. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer equipment	3,745	(3,108)	637	3,349	(2,733)	616
Furniture and fittings	2,900	(945)	1,955	2,873	(661)	2,212
Buildings	-	-	-	6,514	(6,514)	-
Motor vehicles	206	(99)	107	206	(58)	148
Office equipment	1,857	(1,373)	484	2,848	(1,585)	1,263
Leasehold improvements	1,121	-	1,121	-	-	-
Total	**9,829**	**(5,525)**	**4,304**	**15,790**	**(11,551)**	**4,239**

Notes to the Financial Statements

For the year ended 31 March 2013

Reconciliation of property, plant and equipment – 2013

	Opening net book amount	Additions	Disposals	Depreciation charge	Total
Computer equipment	616	418	(12)	(385)	637
Furniture and fittings	2,212	27	-	(284)	1,955
Motor vehicles	148	-	-	(41)	107
Office equipment	1,263	-	(439)	(340)	484
Leasehold improvements	-	1,121	-	-	1,121
	4,239	**1,566**	**(451)**	**(1,050)**	**4,304**

Reconciliation of property, plant and equipment – 2012

	Opening net book amount	Additions	Disposals	Classified as held for sale	Other changes, move-ments	Depre-ciation charge	Impair-ment loss	Impair-ment reversal	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**

Depreciation expense of R1.05 million (2012: R2.4 million) has been included in other operating expenses.

The property that was situated in Wierda Valley, 47 Wierda Road West, Sandton was disposed of on 23 July 2012. A portion of the property was rented out and rental income of R1.45 million was earned during the year which is included in other income.

6. Intangible assets including intangible insurance asset

	2013			2012		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Deferred acquisition cost	31,809	(1,397)	30,412	24,045	(1,397)	22,648
Software	16,343	(12,583)	3,760	14,255	(11,462)	2,793
Total	**48,152**	**(13,980)**	**34,172**	**38,300**	**(12,859)**	**25,441**

Reconciliation of intangible assets including intangible insurance asset – 2013

	Opening net book amount	Additions	Amortisation charge	Total
Deferred acquisition cost	22,648	7,764	-	30,412
Software	2,793	2,088	(1,121)	3,760
	25,441	**9,852**	**(1,121)**	**34,172**

Reconciliation of intangible assets including intangible insurance asset – 2012

	Opening net book amount	Additions	Other changes, movements	Amortisation charge	Impairment reversal	Total
Deferred acquisition cost	19,816	2,832	-	-	-	22,648
Software	58	2,566	538	(753)	384	2,793
	19,874	**5,398**	**538**	**(753)**	**384**	**25,441**

7. Investment in associate

	Carrying amount 2013	Carrying amount 2012
Cost of investment in Aloecap at beginning of the year (private equity investment trust)	81,639	128,617
40% (2012: 41%) share of cumulative equity accounted earnings at the beginning of the year	(12,969)	(6,097)
Carrying amount of investments in Aloecap at beginning of the year	68,670	122,520
Dividends received	(1,819)	-
Profit realised on sale of investment	-	(46,978)
Loss from equity accounted investments	(18,752)	(6,872)
Cumulative carrying value at end of year	48,099	68,670
Fair value per directors	48,099	68,670

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

Total assets	121,373	159,499
Total liabilities	1,125	235
Trust capital	120,248	159,264
Unrealised loss for the period	36,250	21,300
% Interest held	40%	41%

The investment in an associate represents a 40% (2012: 41%) interest in a private equity investment trust. The investment is accounted for by equity accounting for Sasria's 40% (2012: 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.

Statement of financial position		
Investment at fair value through profit or loss	48,099	68,670
Statement of comprehensive income		
Share of associates loss	(18,752)	(6,872)

Notes to the Financial Statements

For the year ended 31 March 2013

8. Financial assets

Figures in Rand thousand	2013	2012
The company's financial assets are summarised below by measurement category in the table below:		
Fair value through profit or loss	3,385,836	2,993,897
Loans and receivables	76,866	171,458
Total Financial assets	**3,462,702**	**3,165,355**
The assets classified as held at fair value through profit or loss are detailed in the tables below.		
At fair value through profit or loss – designated		
Equity securities		
Listed and quoted	836,756	876,392
Unlisted and unquoted	6,300	28,420
	843,056	**904,812**
Unquoted linked insurance policies		
Property development fund	-	169,940
Infrastructure development bond fund	177,997	-
	177,997	**169,940**
Money market fund		
Money market fund	**761,568**	**582,170**
Debt securities		
Other bills and bonds	1,272,234	1,257,394
Government and semi government bonds	330,981	79,581
	1,603,215	**1,336,975**
Total financial assets at fair value through profit or loss	**3,385,836**	**2,993,897**

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

Figures in Rand thousand	2013	2012
Loans and receivables		
Other loans and receivables	76,866	171,458

The above balances are receivable within 12 months. Fair values therefore largely approximate carrying values. Interest accrued of R35.8 million (2012: R29.3 million) is included.

Movement in financial assets at fair value through profit and loss	2013	2012
Balance at beginning of the year	2,993,897	2,540,512
Transfer form cash and cash equivalents	67,450	220,592
Interest received	163,329	157,654
Dividends received	23,786	25,129
Realised net fair value gains	404,936	35,831
Unrealised net fair value gains	(250,673)	33,312
Investment administration expense	(16,889)	(19,133)
	3,385,836	**2,993,897**

9. Insurance receivables

	2013	2012
Profit commission	6,493	37,567
Outstanding premiums	97,567	83,143
Total insurance receivables	**104,060**	**120,710**

	At 31 March 2013		At 31 March 2012	
	Gross	Impairment	Gross	Impairment
The trade receivables due from agents at reporting date was:				
Not past due	95,619	-	79,849	-
Past due	1,948	-	3,294	-
	97,567	**-**	**83,143**	**-**

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

Figures in Rand thousand	2013	2012
Gross		
Outstanding claims	476,586	159,941
Claims incurred but not reported	162,640	87,437
Outstanding claims, including claims incurred but not reported	639,226	247,378
Unearned premiums	262,244	221,154
Total insurance liabilities, gross	**901,470**	**468,532**
Recoverable from reinsurers		
Outstanding claims	95,317	33,757
Claims incurred but not reported	36,832	18,373
Outstanding claims, including claims incurred but not reported	132,149	52,130
Unearned premiums	62,201	51,637
Total reinsurers' share of insurance liabilities	**194,350**	**103,767**
Net insurance liabilities		
Outstanding claims	381,269	126,184
Claims incurred but not reported	125,808	69,064
Outstanding claims, including claims incurred but not reported	507,077	195,248
Unearned premiums	200,043	169,517
Total insurance liabilities (net)	**707,120**	**364,765**

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 2013 and March 2012 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 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 the 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**
At 31 March 2013			
Balance at beginning of the year	247,378	52,130	195,248
Less: claims paid relating to the prior years	(151,184)	(36,482)	(114,702)
Claims paid, relating to current year	(101,128)	(20,226)	(80,902)
Claims incurred during the year	554,289	110,578	443,711
Claims incurred but not reported	75,203	18,459	56,744
Change in prior year estimate	14,668	7,690	6,978
Balance at end of the year	**639,226**	**132,149**	**507,077**

b) Provision for unearned premiums

	Gross	Reinsurance	Net
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**

	Gross	Reinsurance	Net
At 31 March 2013			
Balance at beginning of the year	221,154	51,637	169,517
Premiums written during the year	1,223,530	362,476	861,054
Less: premiums earned during the year	(1,182,440)	(351,912)	(830,528)
Balance at end of the year	**262,244**	**62,201**	**200,043**

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.

Notes to the Financial Statements

For the year ended 31 March 2013

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 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 R156.8m (2012: R73.2m). The net impact after reinsurance on profit before tax would be R126.8m (2012: R58.7m).

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% (2012: 6%) on insured values, the increased cost of claims would be to impact the profit before tax with a reduction of R30.4m (2012: R17.6m).

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 9.3% (9.3%).

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 R69.1 million in 2012 to R125.8 million in 2013.

IBNR – gross claims

Reporting year	30 March 2009	30 March 2010	31 March 2011	31 March 2012	31 March 2013
31 March 2013					
Claims reported after year end:	28,876	27,345	34,030	68,016	73,554
IBNR provision	33,064	23,873	62,290	87,437	162,640
Utilisation of IBNR	**87,33%**	**114,54%**	**54,63%**	**77,78%**	**45,22%**

IBNR – net claims

Reporting year	30 March 2009	30 March 2010	31 March 2011	31 March 2012	31 March 2013
31 March 2012					
Claims reported after year end:	20,213	19,142	23,821	54,413	58,843
IBNR provision	19,502	13,772	35,387	69,064	125,808
Utilisation of IBNR	**103,65%**	**138,00%**	**67,32%**	**78,79%**	**46,77%**

Notes to the Financial Statements

For the year ended 31 March 2013

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. If there is objective evidence of impairment the amount is written down to the recoverable amount.

11. Cash and cash equivalents

Figures in Rand thousand	2013	2012
Cash and cash equivalents comprise of:		
Fixed deposits	419,051	50,381
Call account	540,321	286,319
Money market instruments with maturities of less than 3 months	198,061	276,908
Short term deposits and cash on call	1,157,433	613,608
Bank and cash balances	94,530	343,924
	1,251,963	**957,532**

The effective interest rate on short term bank deposits with maturities of less than three months ranges between 4.25% and 6.00% (2012: 3.50% and 6.50%). The effective interest rate on current accounts at the balance sheet date averaged between 3.50% and 4.75% (2012: 3.50% and 6.00%).

12. Non current assets held for sale

Land	-	10,000
Buildings	-	21,802
	-	**31,802**

The company disposed of its land and buildings on 21 December 2012 for a net consideration of R42,2m. The profit on disposal amounted to R9,9m which is included in other income in profit and loss.

13. Share capital

Authorised		
1 ordinary share of 100 cents	-	-

Describe any changes in authorised share capital e.g. Conversion to net present value shares.

Issued		
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.

Notes to the Financial Statements

For the year ended 31 March 2013

14. Payables

Figures in Rand thousand	2013	2012
Trade payables and accrued expenses	73,211	37,604
VAT	15,578	8,877
Amounts due to reinsurers	22,620	38,498
Total	**111,409**	**84,979**

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

15. Employee benefit liability

Reconciliation of employee benefit liability – 2013

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave pay	908	145	-	-	1,053
Bonus	8,093	-	(7,606)	(487)	-
	9,001	**145**	**(7,606)**	**(487)**	**1,053**

Reconciliation of employee benefit liability – 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**

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.

Notes to the Financial Statements

For the year ended 31 March 2013

16. Deferred income

Figures in Rand thousand	2013	2012
Balance at beginning of year	10,320	27,537
Movement in income statement	2,807	(17,217)
	13,127	**10,320**

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:

	2013	2012
At beginning of the year	(47,203)	(49,176)
Income statement charge	40,971	1,973
	(6,232)	**(47,203)**

	Balance 1 April 2011	(Charged)/ credited to the income statement	Balance 31 March 2012	(Charged)/ credited to the income statement	Balance 31 March 2013
Provisions	4,411	667	5,078	(2,385)	2,693
DAC and other intangible assets	7,710	(1,722)	5,988	1,165	7,153
Unrealised appreciation of investments	(61,297)	3,028	(58,269)	42,191	(16,078)
Total	**(49,176)**	**1,973**	**(47,203)**	**40,971**	**(6,232)**

	2013	2012
Deferred tax assets	9,846	11,066
Deferred tax liabilities	(16,078)	(58,269)
Net deferred tax balance	**(6,232)**	**(47,203)**

Notes to the Financial Statements

For the year ended 31 March 2013

18. Net insurance premium revenue

Figures in Rand thousand	2013	2012
Insurance contracts		
Premium written	1,223,530	1,087,133
Change in unearned premium provision	(41,091)	(14,689)
Premium revenue arising from insurance contracts	1,182,439	1,072,444
Reinsurance contract		
Premium ceded	(362,476)	(309,881)
Change in unearned premium provision	10,564	(13,926)
Premium revenue ceded to reinsurers	(351,912)	(323,807)
Net insurance premium revenue	**830,527**	**748,637**

Excess of loss reinsurance cover was purchased for 2013 at a cost of R105,043,808 (2012: R91,467,264). There were no events in either 2013 or 2012 that prompted losses of sufficient size to trigger a recovery from these contracts.

19. Investment income

Investment income on cash and cash equivalents:		
Interest income	228,566	205,005
Investment income on financial assets held at fair value through income:		
Dividend income	23,786	25,129
Unrealised net fair value (losses)/gains	(250,673)	33,312
Realised net fair value gains	404,936	35,831
	178,049	**94,272**
	406,615	**299,277**

20. Insurance claims and loss adjustment expenses

Figures in Rand thousand	2013	2012
Gross		
Claims paid	252,312	178,979
Movement in outstanding claims and IBNR	391,848	52,423
	644,160	**231,402**
Reinsurers share		
Claims paid	(56,708)	(39,114)
Movement in outstanding claims and IBNR	(80,019)	14,566
	(136,727)	**(24,548)**

21. Expenses for the acquisition of insurance contracts

Gross commission paid	120,918	81,880
Movement in net deferred acquisition cost	(10,967)	(8,981)
	109,951	**72,899**

22. Expenses for administration and marketing

Expenses for administration and marketing includes:

Advertising expenses	5,322	3,711
Auditor remuneration – statutory audit	1,058	1,090
Auditor remuneration – consulting	931	1,499
Total auditor remuneration	1,989	2,589
Depreciation on property, plant and equipment	1,050	2,462
Investment administration expenses	16,889	19,133
Salaries	27,690	31,626
Social responsibility allocation	9,905	9,761
Profit on sale of property, plant and equipment	9,899	86
Consulting and professional fees	9,214	5,711
Policy administration fee	153,735	135,892
Operating lease expense	840	-
Impairment on property, plant and equipment	-	118
Amortisation on intangible assets	1,121	369

Notes to the Financial Statements

For the year ended 31 March 2013

23. Employee benefit expense

Figures in Rand thousand	2013	2012
Wages and salaries	21,382	20,176
Bonuses – actual payment	728	(969)
Bonuses – provision raised	-	8,093
Medical aid	1,416	1,046
Leave pay provision charge	145	178
Post employment benefits – Pension – Defined contribution plan	4,019	3,102
	27,690	**31,626**
Number of employees	53	46

24. Income tax expense

Major components of the tax expense

Current		
Current year normal tax	166,524	177,586
Prior year adjustment	(745)	(18,799)
	165,779	**158,787**
Deferred		
Deferred tax	(40,971)	(1,973)
	124,808	**156,814**

Reconciliation of the taxation		
Profit before tax	482,432	679,813
Tax at the applicable tax rate of 28% (2012: 28%)	135,081	172,537
Effects of: Income not subject to tax:		
Other income exempt for tax purposes	(45,329)	(7,036)
Other expenses not allowable for tax purposes	36,320	3,915
Capital gains tax	714	-
Prior year adjustment – income tax	(745)	(18,799)
Prior period over provision – deferred tax	(1,233)	(11,613)
Tax charge for the period	**124,808**	**139,004**
Effective rate	25,86%	23,17%

Notes to the Financial Statements

For the year ended 31 March 2013

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 2013.

Sasria Limited owns 40% (2012: 41%) 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 R153,899,700 was declared and paid during the year.

Purchase of goods and services

Shareholder, including government departments	2,542	9,583

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.

Notes to the Financial Statements

For the year ended 31 March 2013

Figures in Rand thousand	2013	2012
Year end balances arising from transactions		
Payables included in statement of financial position		
Shareholder, including government departments	-	108
Assets included in statement of financial position		
Bonds issued by government and semi government	330,981	79,581
Money market instruments issued by government and semi government	106,116	-
Cash held at government and semi government	167,419	204,548
Equity held in state owned companies	2,937	-
	607,453	**284,129**

26. Director's emoluments

Non executive

2013	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
JRK Du Preez	196	-	-	-	196
M Lehutso Phooko	31	-	-	-	31
MA Samie	431	-	-	-	431
CH Du Toit**	137	-	-	-	137
BJ Njenje	130	-	-	-	130
SH Schoeman	230	-	-	-	230
R Mothapo	153	-	-	-	153
AL Mhlanga	167	-	-	-	167
MO Ndlovu	43	-	-	-	43
	1,518	**-**	**-**	**-**	**1,518**

Notes to the Financial Statements

For the year ended 31 March 2013

2012	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
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 Mlanga	37	-	-	-	37
	1,648	**-**	**-**	**-**	**1,648**

** Fees paid to National Treasury.

Executive

2013	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
CM Masondo	1,409	934	120	76	2,539
K Pepler	1,226	565	99	-	1,890
	2,635	**1,499**	**219**	**76**	**4,429**

2012	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
CM Masondo	1,314	434	216	76	2,040
K Pepler	807	71	125	-	1,003
	2,121	**505**	**341**	**76**	**3,043**

Notes to the Financial Statements

For the year ended 31 March 2013

Executive managers

2013	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
TC Ntshiqa	851	545	120	67	1,583
NG Mazibuko	944	589	124	9	1,666
KTW Fick	681	330	132	50	1,193
	2,476	**1,464**	**376**	**126**	**4,442**

2012	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
CP Macheke	1,397	267	115	38	1,817
TC Ntshiqa	709	172	164	66	1,111
NG Mazibuko	842	578	186	-	1,606
	2,948	**1,017**	**465**	**104**	**4,534**

27. Cash generated from operations

Figures in Rand thousand	2013	2012
Profit before tax	482,432	679,813
Adjustments for:		
Investment income	(406,615)	(299,277)
Share of loss of associate	18,752	6,872
Depreciation	1,050	2,465
Amortisation of intangible assets	1,121	369
(Profit) / Loss on sale of assets	(9,899)	86
Impairment loss	-	118
Movements in provisions	(7,948)	2,271
Operating profit before working capital changes	78,893	392,717
Reinsurance assets	(90,583)	28,494
Deferred acquisition costs	(7,764)	(2,832)
Insurance receivables	16,650	1,098
Loans and receivables	94,592	11,156
Insurance liabilities	432,938	67,112
Deferred reinsurance acquisition revenue	2,807	(17,217)
Payables	26,429	(30,580)
	553,962	**449,948**

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

Figures in Rand thousand	2013	2012
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	3,489	-
- one year to five years	17,390	-
- later than five years	881	-
	21,760	**-**

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed also for an average of five years. No contingent rent is payable.

Notes to the Financial Statements

For the year ended 31 March 2013

29. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Figures in Rand thousand	2013	2012
Statement of Financial Position		
Intangible assets including intangible insurance asset	-	(21,477)
Loans and receivables	-	21,477
Deferred income	-	11,067
Payables	-	(11,067)
Profit and Loss		
Expenses for the acquisition of insurance contracts	-	(135,892)
Expenses for administration and marketing	-	135,892

The company disclosed the total fees paid to brokers and agents as commission in the prior year. In the current year a distinction was made between commission paid and fees for performing binder functions. The fees paid for functions similar to binder functions was therefore reclassified in the year prior to ensure comparability between the current year and the prior year.

The reclassification did not have an impact on retained earnings, and as a result a reconciliation of the opening retained earnings is not included.

30. Tax paid

Figures in Rand thousand	2013	2012
Balance at beginning of the year	9,869	(22,477)
Current tax for the year recognised in profit or loss	(165,779)	(158,787)
Balance at end of the year	(1,715)	(9,869)
	(157,625)	**(191,133)**

sasria

covering the extraordinary

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