2010
ANNUAL REPORT

sasria
covering the extraordinary

Poised and ready for the extraordinary

The growth of Sasria as a business over the past 30 years can be compared to a pebble that is dropped into a still pool, creating exponentially expanding ripples that can only be stopped by the limits imposed by the banks of that pool.

Sasria is poised and ready to continue on its journey to achieve the business long term objectives of expansion into Africa in addition to achieving thought leadership status within the special risk insurance sector across the continent.

Sasria humbly recognises the extraordinary efforts of its key asset... our people. We would also like to extend our sincere gratitude to our key stakeholders and business partners, we value your support and look forward to many more years of successful business together.

Finally we would like to praise this great nation for hosting an amazing 2010 FIFA World Cup and say to its people, continue to be extraordinary...

sasria

covering the extraordinary

Directors and administration

SASRIA LIMITED Registration number 1979/00287/06

DIRECTORS

M.C. Ramaphosa (Chairperson)	
N.V. Beyers (Deputy Chairperson)	Retirement by rotation 26 August 2009
*P. Mabasa (Managing)	Suspended on 27 April 2010
*G. Matthee (Finance)	Suspended on 27 April 2010
C.D. Da Silva	
J.R.K. Du Preez (Deputy Chairperson)	
A.F. Julies	Retirement by rotation 26 August 2009
M. Lehutso-Phooko	
M.M.T. Ramano	Retirement by rotation 26 August 2009
M.A. Samie	
C.H. Du Toit	Appointment 26 August 2009
B.J. Njenje	Appointment 26 August 2009

* Executive directors

ADMINISTRATION

Registered office:
47 Wierda Road West
Wierda Valley
Sandton
2196

Postal address:
PO Box 7380
Johannesburg
2000

AUDIT AND RISK COMMITTEE

M.A. Samie (Chairperson)	
J.R.K. Du Preez	
A.F. Julies	Retirement by rotation 26 August 2009
M. Lehutso-Phooko	
M.M.T. Ramano	Retirement by rotation 26 August 2009
C.H. Du Toit	Appointment 26 August 2009

REMUNERATION AND NOMINATION COMMITTEE

C.D. Da Silva (Chairperson)
M. Lehutso-Phooko
M.C. Ramaphosa

INVESTMENT COMMITTEE

M.M.T. Ramano (Chairperson)	Retirement by rotation 26 August 2009
J.R.K. Du Preez	
A.F. Julies	Retirement by rotation 26 August 2009
M.C. Ramaphosa	
C.H. Du Toit	Appointment 26 August 2009
M. Lehutso-Phooko (Chairperson)	

TECHNICAL COMMITTEE

C.D. Da Silva (Chairperson)
M.A. Samie
J.R.K. Du Preez

COMPANY SECRETARY

M.M. Sallie

AUDITOR

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill
2157

BANKERS

Nedbank
81 Main Street
Johannesburg
2001

VISION:

To make Sasria Limited a leading African insurer covering extraordinary risks.

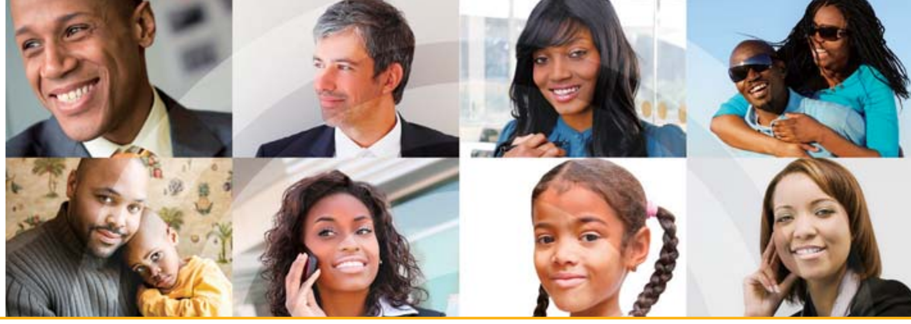
MISSION:

The vision will be achieved by:

- Providing quality customer service
- Developing the skills of our employees
- Maintaining the current and establishing new strategic partnerships
- Providing innovative and relevant products
- Optimising shareholder value

sasria

covering the extraordinary



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Chairperson's report

For the year ended 31 March 2010

Matamela Cyril Ramaphosa
Independent Non-Executive Chairperson

On behalf of the Board of Directors, it gives me great pleasure to report that, despite very challenging trading conditions, Sasria Limited has ended the 2010 financial year with the kind of positive financial results that stakeholders have come to expect.

Profit before tax increased by 44.8% for the year ending 31 March 2010, a result which was largely driven by increases in net insurance premiums and investment income.

Sasria therefore remains not only the leading special risks insurer on the African continent, but a company that consistently delivers positive financial results.

Market overview

The past financial year, like the previous one, was marked by the impact of the global financial crisis, the resulting recession, and the knock-on effect this has had on such key indicators as GDP, exports and unemployment. While the first signs of a recovery have now started to make themselves felt, the return to normality is likely to be a slow process, and one which will inevitably be affected by such international events as the debt crisis in Greece and the on-going credit crunch in the European Union.

In the wake of the recession, mature economies now face a multi-year downshift in growth, which will see key emerging economies taking up a more important place in the international arena. And this clear shift in economic influence away from advanced economies towards developing economies, despite the former's overall contribution to global GDP, should not be underestimated. Larger advanced economies, especially those still dealing with the aftermath of the below-prime crisis or with debt overhangs, are likely to experience subdued economic activity in both 2010 and 2011.

South Africa, having weathered the first economic downturn in eight years, as well as the resulting loss of 10% of the jobs in the formal sector, finds itself at the start of a new chapter, one which has been symbolically marked by the unmitigated success of the 2010 FIFA World Cup.

Nevertheless, while access to credit is likely to improve and while household spending is likely to begin increasing slowly; the unemployment picture is unlikely to improve dramatically. This will have a direct impact on wage stability and growth and, together with on-going concerns over service delivery, will continue to pose a significant risk in the immediate future. Banks anticipate that this scenario will be further exacerbated by such issues as electricity pricing, fluctuations in the value of the rand, and global oil prices.

At a business level, the recovery is unfortunately being characterised by high levels of impairments, especially in the SME sector, and this should make us alert to the fact that the initial stages of the upswing may be too unsteady to safeguard against further ripple effects. This scenario will, however, be offset by larger companies engaging in mergers and acquisitions, as well as by an increase in government expenditure, particularly on infrastructure.

Output is therefore expected to recover by 2.6% this year, following a contraction of 1.8% in 2008 and modest growth in 2009, and the country is likely to begin returning to trend-line GDP.

Special risks are nevertheless likely to continue to be top-of-mind for businesses and individuals alike, and Sasria's business is therefore likely to remain steady.

Board of directors and executive committee

During the year under review Mr. Higgo du Toit and Ms. Bulelwa Njenje were appointed to the Sasria Board as non-executive directors. I take this opportunity to welcome them to the Board.

The following non-executive directors retired by rotation during the year under review:

- Mr. Nick Beyers, who served on the Sasria Board for more than 11 years. Mr. Beyers served on the Technical Commitee.
- Mr. Anthony Julies, who served on the Sasria Board for more than 3 years. Mr. Julies served on the Audit and Risk Committee and the Investment Committee.
- Ms. Tryphosa Ramano,who served on the Sasria Board for more than 9 years. Ms. Ramano served as the Chair of the Investment Committee and as a member of the Audit and Risk Committee.

I thank them for their dedication and contribution to the Sasria Board and wish them well on their new endeavours.

Ms. Karen Pepler was appointed as the Acting Managing Executive on the 28th of April 2010 after the suspension of the Managing Director Ms. Phyllis Mabasa following the allegations of impropriety over the unauthorised payment of bonuses to herself and other staff members. The Financial Director, Mr. Gerhardt Matthee was also suspended at the same time.

Shareholder

The Republic of South Africa remains the shareholder in Sasria Limited, and is represented by the Minister of Finance, Mr. Pravin Gordhan. The company continues to have the same solid working relationship with Mr. Gordhan as it had with the previous Finance Minister, Mr. Trevor Manuel.

Strategy

As a government-backed insurer, it is Sasria's responsibility to support the insurance industry by providing cover for special risks such as riots, strikes, political unrest, terrorist attacks, civil commotion, public disorder and labour disturbances.

The company's five-year strategy is therefore to position itself as a special risks insurer that complements government initiatives, and so enhances our chance of success. It is also Sasria's intention to become a more recognised brand in the insurance industry, and to emphasise the important role it has to play in securing the country's socio-economic stability and prosperity.

Furthermore within the next four years the company will build a solid foundation and envisage entering into new chosen markets within other countries in the continent of Africa. This is in line with the vision of the company in growing its reputation as the leading special risk insurer in the continent.

Transformation

Meaningful transformation remains a challenge in South Africa, especially in the financial services sector. Sasria has, however, taken the lead in this regard, with all levels of the company reflecting the country's demographics, and with both the board and executive management showing an equal split in gender. Training, skills transfer and mentorship support this effort, and are designed to ensure that Sasria will continue to represent all of the country's people in both its structure and functioning. Sasria was recognised by winning the Metropolitan Oliver Empowerment award in the category of state owned agencies.

Corporate governance

Sasria Limited is fundamentally committed to good corporate governance, and to operating at the highest level of integrity. The structure of the board reflects this, and several sub-committees are in place to provide appropriate checks and balances. These include an Audit and Risk Committee, a Remuneration and Nomination Committee, an Investment Committee and a Technical Committee, all of which are in place to ensure best practice governance throughout the company. Sasria also adheres to the governance requirements set out in the King reports and the Public Finance Management Act.

Appreciation

Sasria's continued success is made possible by the dedication of its management and staff, and I would like to extend my appreciation to everyone in the Sasria family for making the company the dynamic, well-managed organisation that it is.

I would also like to extend a personal note of thanks to all of the non-executive directors for their invaluable commitment, support, contribution, guidance and encouragement throughout the past year.

A special word of thanks is further due to the agents and brokers who continue to market and sell our products. Their support has been pivotal to our success, and has enabled us to continue to thrive in these difficult economic times.

Finally, I would like to thank our shareholder, the government of the Republic of South Africa, for its support and commitment over the past 31 years.

I am confident that Sasria will continue to prosper in the year ahead, and that it will continue to make an important contribution to our country's stability, growth and development. Sasria is poised to take its learning's to support the development of the continent of Africa.

Cyril Ramaphosa

M.C. Ramaphosa
Chairperson

Bulelwa Jeanie Njenje (51)
Independent Non-Executive Director
Diploma in General Nursing; Diploma in Midwifery
Diploma in Family Planning; Diploma in Health Education
Masters in Education for Primary Health Care (Manchester University)
Diploma in Human Resource Management (UNISA)
Year appointed to the Board: 2009

Caroline Dey Da Silva (45)
Independent Non-Executive Director
BA (University of Natal)
Post Graduate Diploma in Management
Practice (University of Cape Town)
Year appointed to the Board: 2002

Matamela Cyril Ramaphosa (57)
Independent Non-Executive Chairperson
BProc (UNISA)
Year appointed to the Board: 1998

Mohamed Adam Samie (58)
Independent Non-Executive Director
FCII (UK)
FIISA
ASRM (University of Cape Town)
PGMD
Year appointed to the Board: 2002

Moleboheng Pauline Lehutso-Phooko (48)
Independent Non-Executive Director
BA (National University of Lesotho)
MA (University of Ghana)
Year appointed to the Board: 2006

Juliette Rachel Kathleen Du Preez (57)
Independent Non-Executive Director
CAIB (SA) Bankers Diploma
BCom (UNISA)
PMD (Harvard)
PED (IMD-Switzerland)
Year appointed to the Board: 2006

Charl Higgo Du Toit (59)
Independent Non-Executive Director
BCom (Economics) (University of Pretoria)
BCom (Hons) (Economics) (University of Pretoria)
BProc (UNISA)
Year appointed to the Board: 2009

Managing executive's report

For the year ended 31 March 2010

Karen Pepler
Acting Managing Executive

Since its establishment 31 years ago, Sasria has been at the forefront of social and economic change in South Africa, insuring organisations, businesses and individuals alike against the special risks that characterise not only a country in transition, but a country that has become part of the global community. As a result, Sasria's activities focus not only on strikes and labour-related unrest, but also on civil unrest and the possibility of terrorist attacks, especially during such high-profile events as the 2010 FIFA World Cup.

This report has been prepared from information included in the annual financial statements and information provided by members of the executive management team of Sasria Limited. Within this context, I am privileged to be able to present the Sasria Limited Annual Report for the year ending 31 March 2010.

Financial and operational results

Basis of reporting

The financial statements for the year ended 31 March 2010 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 2010.

There have been no changes to the accounting policies during the period. The financial statements provide comprehensive information regarding the assets, liabilities, income and expenditure of the company. In addition, detailed background is provided regarding the recognition and measurement of insurance contracts as well as insurance and financial risks.

Financial overview

The company has achieved a 44.8% increase on the profit before tax. The increase in the net results was largely driven by increases in the net insurance premiums and investment income. Refer below for a summary of key figures and ratio's.

Details	2010 R'000	2010 % change	2009 R'000	2009 % change	2008 R'000
Statements of comprehensive income					
Net insurance premium	454,558	16.5	390,041	14.2	341,396
Investment income	377,103	69.6	222,318	26.0	176,490
Underwriting results	347,164	24.8	278,154	29.8	214,380
Profit before tax	699,317	44.8	483,000	19.4	404,519
Statement of financial position					
Total assets	3,691,993	15.8	3,187,014	13.1	2,817,885
Total equity	3,202,120	19.0	2,691,122	15.1	2,338,903
Total liabilities	489,873	1.2	495,892	3.5	478,982
Key ratios (%)					
Management expense ratio	15.6	44.4	10.8	42.1	7.6
Operating ratio	51.7	(2.8)	53.2	(18.7)	65.4

Insurance operations

The global financial crisis and the resulting economic downturn have placed significant pressure on consumers; pressure which has been exacerbated by interest rate hikes, increases in electricity tariffs, high levels of inflation on food, and the steadily-increasing cost of fuel. Sasria has nevertheless been able to perform in line with projections for yet another year.

The company is continuously striving to improve its service delivery to its stakeholders, and I am pleased to be able to report that our claims turnaround time has improved by 60% during the current financial year. There is still a lot of work to be done and this will remain a key focus area in the year ahead.

Industry training for agent companies and brokers continues to be a cornerstone of stakeholder relationship management and an effective means of ensuring that the Sasria cover and product is effectively diffused into the market. This venture has yielded great benefits for us and Sasria will continue to enhance its product awareness in order to reach all areas where training needs are required.

Underwriting results

The underwriting results have fluctuated over the past 3 years mainly due to the volatility of the claims. During the current year the underwriting profit increased by 24.8 % compared to the previous year.

Below is a summary of the company's insurance activities spread over various classes of business:

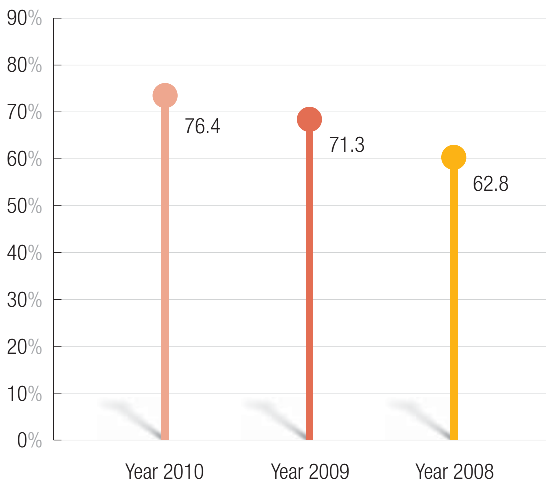
Class of business	Gross premium income 2010 year R	2010 % change	Gross premium income 2009 year R	2009 % change	Gross premium income 2008 year R
Contract works	23,953,116	(6%)	25,508,492	40%	18,217,251
Fire	598,617,313	21%	496,686,839	21%	409,524,765
Goods in transit	7,693,700	45%	5,310,827	18%	4,482,098
Home loan guarantee	100,275	6%	94,727	(65%)	267,381
Money	3,256,588	47%	2,218,172	15%	1,924,784
Motor	151,927,008	16%	131,468,943	8%	121,580,811
Total	**785,548,000**	**19%**	**661,288,000**	**19%**	**555,997,090**

During the past twelve months we have recorded premium contraction of 6% in Contract Works business and this illustrates the challenges facing the construction industry. During the same period we have seen healthy premium growth in Fire classes and this was driven by increases in property values.

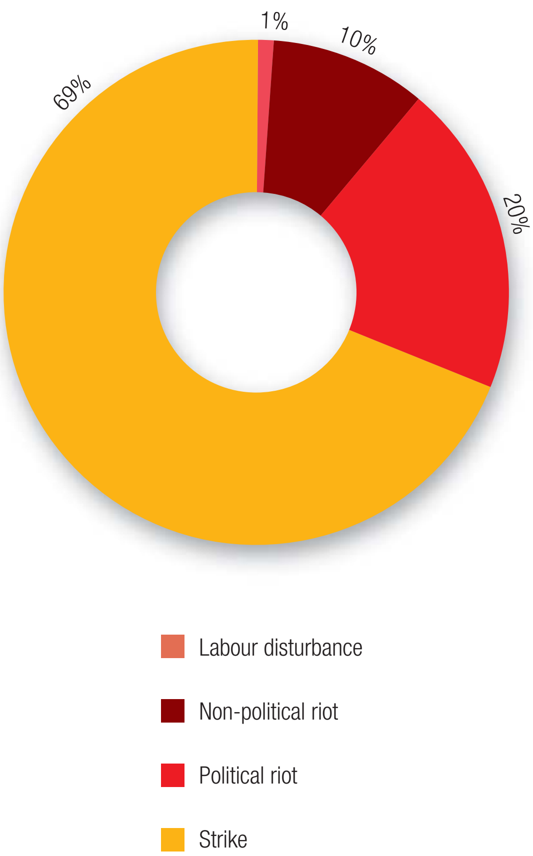
Product enhancements to our existing product were implemented in October 2009. The purpose of these enhancements is to improve and also align our products to the industry standard.

Sasria Wrap, which is our new product, was launched on the 1st January 2010. The product offers an additional limit of R1 billion and full business interruption cover up to R250 million. The product is aimed at corporate clients looking for higher limits and full business interruption cover.

To the right is an analysis of the underwriting results as a percentage of net premiums over the past 3 years.



Underwriting result as a % of net premiums



Claims activity

Sasria has noted an increase in claims resulting from strikes (69%) and political riots (20%). This is a new trend as historically most claims in ours books were as a result of non-political riots. This new trend is set to continue as a notable number of strikes and political riots are being reported in the media.

In the past three years there has been a notable increase in claims arising from the Construction risk, Busses and Fire domestic classes of business. This trend is also changing as the strike and political riot claims impact mainly on the Fire commercial book and Goods vehicles classes of business.

To the left find a graphical representation of claims incurred for the year, per class of peril.*

* A riot is defined as a violent disturbance of the public peace by three or more persons assembled for a common purpose. Sasria provides cover for political and non-political riots. A riot is political if it is calculated or directed to influence any state or government, or any provincial, local or tribal authority with force, or by means of fear, or violence. A strike is defined as a period of time when an organized group of employees of a company stop working because of a disagreement over pay or working conditions.

Investment income

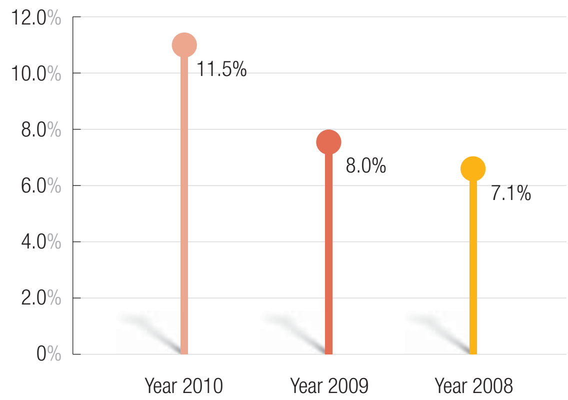
Despite the difficult trading environment, Sasria's investments have performed well over the past twelve months, and we are pleased to be able to post a 69.6% growth in investment income. The bulk of the company's investments are in money market instruments, and these are kept fairly liquid in order to accommodate operational needs.

Further, in line with a decision taken at the end of the 2009 financial year, Sasria invests 20.6% of its assets through black economic empowerment investment managers.

Investment income consists of interest, dividends and realised and unrealised investment gains and losses, with the various contributions of each shown below.

Details	2010 R'000	2010 % change	2009 R'000	2009 % change	2008 R'000
Interest income	213,048	(19.3)%	263,866	34.9%	195,559
Dividend income	7,057	(62.7)%	18,915	130.1%	8,219
Unrealised net fair value gain / (loss)	139,225	305.8%	(67,664)	(9.8)%	(61,623)
Realised net fair value gains	17,773	146.8%	7,201	(79.0)%	34,335
Total	**377,103**	**69.6%**	**222,318**	**26.0%**	**176,490**

To the right find a graphical representation of the average return on the investments including cash and cash equivalents. This excludes the investment in associate.



Average return %

Capital position

As at 31 March 2010 the company's solvency margin (the ratio of net assets to net premiums) of 704% (2009: 690%) was adequate to comply with all requirements. The capital requirements of the company are continuously monitored to ensure that it is appropriate.

The requirements of the Financial Services Board as it relates to capital required will be complied with, and all developments as far as Solvency Assessment and Management ("SAM") are being monitored although implementation is only likely to finalised after 2011.

Performance against predetermined objectives

The government of the Republic of South Africa is Sasria's sole shareholder. The shareholder representative is the Minister of Finance.

Each year, Sasria, in consultation with the Minister of Finance, agrees on its performance objectives, measures and indicators in line with performance against the shareholder compact as set in page 38 to 41 of the annual report, in which the actual performance of the company for the year ended 31 March 2010 is compared with target key performance indicators (predetermined objectives).

In terms of section 13(1)(b) of the Public Audit Act of South Africa, a phasing-in approach was adopted by the external auditors in reporting on predetermined objectives. This approach for 2010 constituted a review of policies, processes, systems and procedures for the management of and reporting on performance against predetermined objectives as part of the audit process. This was done in accordance with General Notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009.

Their findings are included in the auditor's report. This is the first review conducted and Sasria welcomes this health check and is committed to address any items of non-compliance in the 2010/2011 year.

Risk management

During the past year, Sasria has, with the assistance of external consultants and the board's Audit and Risk Committee, revised the company's risk management strategy, policies and procedures. A risk assessment workshop was convened at the start of the financial year, and a careful analysis of the evolving risks the company faces was conducted. Existing and newly-defined risks are continuously monitored by the Audit and Risk Committee, which reports back to the board on a quarterly basis.

Similarly, our reinsurance programme is constantly monitored to ensure that it is appropriate and that the correct level of risk is transferred. In this regard, one of the most significant risks is that of our reinsurers defaulting, and they are therefore regularly monitored to mitigate against this risk.

Sasria upholds the principles of enterprise risk management in every aspect of its business, and risk management is therefore a standing item on all management and board meeting agendas.

Agent companies

Sasria continues to uphold an excellent working relationship with its agent companies, and systems and procedural changes made with these partners over the past two years are constantly being monitored to ensure a seamless changeover process.

Forums established to discuss Sasria-related matters with both agent companies and broker associations continue to be a valuable means of communication between the company and these parties and an excellent means of identifying risks and market trends ahead of the curve.

Industry training for agent companies and brokers also continues to be a cornerstone of these relationships, and an effective means of ensuring that Sasria cover is not only sold into the market effectively, but is also monitored and updated on a regular basis. The company's internal auditors are closely involved in both industry training and in ensuring compliance with Sasria's underwriting procedures.

Executive management

Sasria's executive management is monitored on an on-going basis to ensure optimal structure and performance. During the financial year under review Messrs Collin Macheke and Cedric Masondo were appointed as Executive Managers of Business Development and Underwriting respectively.

Process optimisation

The optimisation of processes is an on-going focus for Sasria. The business process re-engineering project was launched during the year and a high level process documentation phase was completed. The project is ongoing.

Information technology

Customer Web Portal (CWP)

The CWP is the new Sasria initiative which is aimed at improving communication and services offered by the organisation to its stakeholders.

During the year under review we developed, tested and piloted the CWP.

The following functionality will be made available on CWP:

- Coupons administration;
- Sasria rates calculation;
- Premium reconciliation;
- Claims administration;
- Claims tracking (status);
- Technical queries administration (claims, underwriting and general);
- Online forum (question and answers);
- Group schemes administration; and
- Secure authentication (each agent company will have a separate portal site with secure login authentication from which they will interact with Sasria).

There are currently 5 agent companies working live on CWP. They have submitted claims, coupon requests and group scheme updates. The feedback we have received from them has been very positive. We are monitoring all new submissions on the CWP, and we are working closely with the relevant departments to ensure that any errors encountered on the CWP are dealt with promptly.

Data acquisition project

Sasria launched the data acquisition project in 2003/2004. The purpose of the project is to assist Sasria in gaining a better understanding of its risk exposure and accumulation within the industry. The project is currently ongoing.

Ulwazi intranet

We have developed and launched an intranet site during the financial year. This portal which serves as a repository of information will improve information sharing and enhance Sasria as a knowledge institution and a thought leader on the perils that we cover.

The future

New Business Opportunities

Disaster Relief Product
The risk of disaster arising from natural causes such as flood, drought and veld fires is an increasingly important area of risk, and one that Sasria has been investigating during the past year. The major problem facing Municipalities and Provincial departments is finding insurance for major infrastructure such as roads and bridges and secondly providing disaster relief for informal settlements as soon as possible. These risks are particularly pertinent to all levels of government, and Sasria is working with local, provincial and national government to develop appropriate solutions to address risks of this nature. In this way, the company supports government in fulfilling its responsibility to safeguard the welfare of its people.

Expansion into Africa
Sasria has pioneered special risk insurance in Africa, and is the continent's leading provider of this kind of insurance. In line with government's commitment to NEPAD, it is the company's intention to take its operating model into other African countries, beginning with the SADC countries on our borders, as well as to spearhead cooperation between African nations in the area of special risk insurance.

Further, while the intention is to focus on special risks, we also believe we can have an important role to play in the reinsurance arena, and in providing other African countries with this kind of service. This focus will strengthen Africa's participation in the global reinsurance market, and will enable Sasria as a company to diversify its own risks.

Product Enhancements and Business Developments

Sasria will continue to enhance our existing products and develop new products whilst remaining within its mandate.

Regulatory solvency and capital requirements

The Financial Services Board (FSB) is in the process of developing a new solvency regime for the South African long-term and short-term insurance industries to be in line with international standards. This will be done under the new Solvency Assessment and Management (SAM) banner.

Earlier work on a revised capital regime for the short-term insurance industry, under the Financial Condition Reporting (FCR) banner, will now be superseded by, and incorporated into, the SAM project.

The basis of the SAM regime will be the principles of the Solvency II Directive, adopted by the European Parliament, but adapted to South African specific circumstances where necessary.

The proposed implementation date for the standardised approach for short-term insurers is January 2014, given the considerable work that has already been undertaken in this area through the FCR project. The target date for implementation of the internal model approach for short-term insurers is also January 2014.

Certain interim requirements will be introduced by 2012 to address particular concerns related to governance, internal controls and risk management as well as matters specific to technical provisioning and capital requirements.

The aim is to increase shareholder wealth by assisting management to make informed strategic business decisions.

New legislation

There were developments on the legislative front that will have an impact on Sasria. In summary they are:

Insurance Laws Amendment Act, 2008 (Act No. 27 of 2008)
The Insurance Laws Amendment Act (ILAA) was promulgated at the end of 2008 to amend certain definitions of the Short-term Insurance Act, among others. The ILAA came into effect on 17 December 2008, with the exception of provisions relating to the definition of "accident and health policies" and section 48 intermediaries. Government, in consultation with stakeholders, is in the process of drafting regulations relating to "accident and health policies" and binder agreements, which will provide more detail and clarity on what is or is not permissible. It is envisaged that the regulations will be finalised during 2010, although their effective date might be deferred to a later date, given their foreseen impact on the industry.

Companies Act, 2008 (Act No. 71 of 2008)
The Companies Act (promulgated 9 April 2009) provides for the creation of various bodies that will each regulate various aspects of the Act. The Act further provides for more transparency, disclosure and accountability. Liquidity requirements are also provided for in the Act, and the common law duties of directors are codified therein. The Act, among other things, regulates the composition of audit committees, fundamental transactions, affords greater protection to shareholders and provides for business rescue in certain circumstances. It is anticipated that the Act will come into effect later in 2010.

Consumer Protection Act, 2008 (Act No. 68 of 2008)
The Consumer Protection Act was enacted in April 2009, and will come into effect in October 2010. The Act aims to rid the market of unethical trading practices, unsafe products, unfair discriminatory marketing, and to protect consumers' rights to privacy and information about products or services being offered. The Act specifically provides for strict liability on producers, importers, distributors and retailers of all products, among other things, which will impact Sasria.

A word of thanks

Sasria's success is the result of concerted and cooperative effort, and I would therefore like to take this opportunity to thank the Honourable Minister of Finance, Mr Pravin Gordhan, and our colleagues at the National Treasury for their invaluable support and input over the past year. I would also like to thank the members of the Sasria board for their dedication, commitment and guidance.

Of course, Sasria's staff remains the rock on which the company is built, and I would therefore like to thank them not only for their hard work, but for their commitment to implementing the kind of continuous improvement which makes the company the success that it is.

Our dedicated managers also deserve my grateful thanks for their exceptional effort and leadership.

Finally, I would like to extend my thanks to our agent companies and brokers, whose role in Sasria's continued success is both recognised and valued. The entire company sincerely appreciates the role they have to play in taking our products to the insured public.

Conclusion

Sasria is a well-managed and sustainable company that continues to fulfil a significant role in South African social and economic life. It is geared to deal with all of the challenges presented by the special risks environment, be they local or international, and it will continue to service the South African people wholeheartedly while also expanding its model into Africa.

Pepler

Karen Pepler
Acting Managing Executive

Karen Pepler
Acting Managing Executive
CA (SA)
Appointed: April 2010

Nomsa Wabanie
Executive Corporate Services
BJuris, LLB (Nelson Mandela Metropolitan University)
SMDP (University of Stellenbosch)
Appointed: 2006

Collin Macheke
Executive Business Development
BCom (Marketing & Finance) (University of Natal)
Honours Investment Management (RAU)
Diploma Commercial Administration (CATS – Germany)
Appointed: 2009

Thokozile Mahlangu
Executive Manager Business Operations
BJuris (UNISA)
HCil (UNISA)
MDP (GIBS)
Appointed: 2008

Cedric Masondo
Executive Underwriting
BCom (Economics & Business Economics)
(University of Durban-Westville)
FIISA
Appointed: 2009

Sustainability report

Sasria is committed to sustainability as defined in the King report. This sustainability report details our commitment to sustainability and provides the highlights of activities undertaken by the organisation for 2009/2010 financial year.

Our Definition of Sustainability

At Sasria sustainability means addressing the following issues:

- Promoting sound corporate governance practices and ethical responsibility;
- Creating a culture of development in which opportunities for growth and development of our people are enhanced;
- Managing our risks effectively;
- Recognising that our organisation does not exist in isolation but is part of the communities and thus being a responsible and caring citizen is at the heart of our operations;
- Promoting opportunities for social and economic development as well as transformation in the communities in which we operate;
- Promoting the fast tracking of equity by inclusion of blacks and women at all levels of our organisation; and
- Supporting the transformation of our communities through preferential procurement practices whilst not sacrificing quality.

Sasria Sustainability Approach

The broad based nature of our business engenders upon us a commitment to put sustainability issues at the forefront. The nature of our business in itself means that we assist our clients to be sustainable in the event of occurrence of one or more of the risks that we cover.

We are committed to contributing to the sustainability of the many stakeholders within our sphere of operation. We recognise as an organisation that our success is deeply embedded in the success of the overall economy and the people of South Africa.

Our sustainability approach includes the entrenchment of a culture of responsibility in our management and staff for the responsible management of all the challenges affecting our communities such as social, economic and environmental aspects.

Sasria's internal marketing plan assists our employees to understand Sasria's contribution to sustainable development and to play a meaningful role in that regard. We have put measures in place to ensure continuous monitoring of our approach to sustainable development.

These include:

- Complying with all the relevant laws on sustainability issues and in the absence of legislation, setting baseline indicators based on best-practice;
- We conduct assessments of ourselves through broad stakeholder engagement programmes. During the year under review we performed a brand audit to assess how our brand is perceived, what its strengths and weaknesses are, and how well known and regarded it is;
- Educating and involving our staff on sustainability matters to increase their awareness of sustainable development;
- Increasing appreciation for the sustainable benefits of special risk insurer amongst customers, government, industry and the general public and broader participation in the economy and communities; and
- We conducted a climate survey to stake stock of our employees' perception of the progress on various initiatives including sustainability matters. This gives us a platform to formulate a base and to formulate action plans to improve on areas where gaps were identified.

Vision and mission

For the next four years, Sasria Limited's overall strategy is to take advantage of market opportunities while providing relevant solutions to government initiatives in South Africa and the African continent. In this regard, shareholder value will be optimised through effective use of our two key strategic drivers - our people and capital.

The Strategic Plan of Sasria Limited for the period 2009 to 2014 is built on the following vision: "To be the leading African insurer for extraordinary risks".

Our vision and mission are supported by the following principles:

- To provide quality customer service;
- To develop the skills and capacity of our employees;
- To maintain the current strategic partnerships, and establish new ones;
- To provide innovative and relevant products; and
- To optimise shareholder value.

Our core values

The following values, underpin Sasria Limited's pursuit of its stated vision and mission:

Professionalism

We will treat our stakeholders, being customers, employees and shareholder with respect and dedication while remaining accountable to them.

Integrity

We will conduct ourselves in a manner that is fair, transparent and ethical, and uphold high levels of equality and trust.

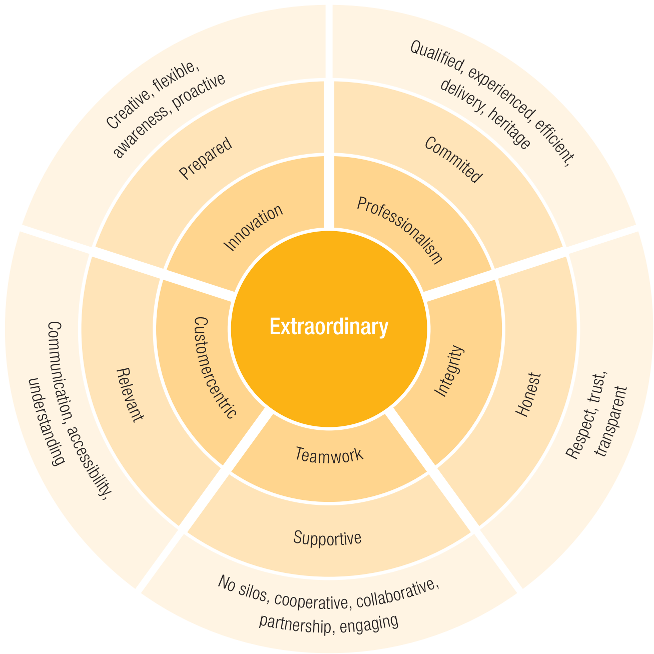
Teamwork

In the performance of our tasks we will be guided by the ideals of unity of purpose, cooperation and mutual respect.

Innovation

We will create opportunities for creativity and learning, and encourage same amongst our employees.

Our vision statement: "To be the leading African insurer for extraordinary risks" is underpinned by our commitment to sustainable development in the communities in which we operate.



Our commitment to sustainability is embedded in our brand. Our brand essence, the core of our brand is "Extraordinary", We cover the Extraordinary.

Our values include Customer Centric, Innovation, Professionalism, Integrity and Teamwork.

We are committed to be supportive and relevant to our stakeholders. The customer is at the centre of what we do and therefore we value our engagements with them to determine their needs, our innovative approach enables us to come up with new ways of covering the extraordinary. Integrity and honesty is central to what we do.

We express our values as follows:

- Teamwork means being supportive, engaging and partnership.
- Integrity means being honest and transparent.
- Professionalism is expressed as being committed and is at the centre of what we do.
- Innovation to us means being creative and allowing our people to explore new avenues.
- Customer Centric means being relevant and accessible to our customers.

As a special risk insurer, we provide protection to South African Government and its citizens in an ever changing political, economic and social landscape. As per our strategic plan we will extend that protection to other countries on the African continent.

Sasria is reinventing itself to address gaps in the insurance industry. We see it as our responsibility to offer stability and enable the country to emerge strong from the occurrence of the events we cover. This we believe is key to sustainability as it makes sure that in the event of the unexpected happening, the hard work and gains made by communities we serve, are not reversed.

The code of corporate practices and conduct, as published by the King Committee in its report on corporate governance, contains recommendations as to the best practice for the control and reporting functions of the board of directors.

The directors of Sasria are committed to the highest standards of corporate governance as embodied in the King Report on Corporate Governance and the Public Finance Management Act (PFMA), 1999, as amended. The Board is committed to ensuring that the principles of the code of corporate practices and conduct are practiced and adhered to in an ethical and transparent manner.

It is the opinion of the board of directors of Sasria that the company upholds the principles of King II and complies with the requirements of the PFMA and the Companies Act 61 of 1973, as amended.

The code of corporate practices and conduct, as published by the King Committee in its reports on corporate governance, contains recommendations as to the best practice for the control and reporting functions of the board of directors.

Status on King III compliance

The King Code of Governance Principles for South Africa 2009 ("King III"), which was published on 1 September 2009, took effect from 1 March 2010.

Sasria is assessing the principles of King III with a view to adopting those that have not yet been adopted within the company. Sasria's compliance with, and application of, King III will be fully reported on in the next annual report.

(a) Public Finance and Management Act, 1999, as amended ("PFMA")

The PFMA focuses on financial management with related outputs and responsibilities.

The directors comply with their fiduciary duties as set out in the PFMA. Responsibilities of the Board as accounting officer in terms of the PFMA and associated treasury regulations include taking appropriate action to ensure:

- Economic, efficient, effective and transparent systems of financial and risk management and internal control, are in place;
- A system is maintained for properly evaluating all major capital projects prior to a final decision on each project;
- The implementation of appropriate and effective measures to prevent unauthorised, irregular, fruitless and wasteful expenditure not complying with legislation;
- Revenue due to Sasria is collected;
- The economic and efficient management of available working capital;
- The definition of objectives and the allocation of resources in an economic, efficient, effective and transparent manner;
- An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;
- The management, including the safeguarding, of all assets and for the management of the revenue, expenditure and liabilities of the public entity;
- Compliance with any tax, levy, duty, pension and audit commitments as required by legislation;
- Effective and appropriate disciplinary steps against any employee of the public entity who contravenes or fails to comply with a provision of the Act, commits an act which undermines the financial management and internal control system of the public entity, or makes or permits an irregular expenditure or a fruitless and wasteful expenditure; and
- The submission by the public entity of all reports, returns, notices and other information to Parliament and to the relevant executive authority or treasury, as may be required by this Act.

i. Audit

In line with the PFMA and King Report requirements, internal audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. Internal audit has prepared and initiated a three year audit plan in consultation with the Audit Committee. This has been approved by the Board.

ii. Fraud prevention

In compliance with the PFMA, a fraud prevention plan is in place and has been approved by the Board. The intention of the plan is to minimise the risk and opportunity for fraud and irregularities.

iii. Shareholder compact

In terms of the treasury regulations issued in accordance with the PFMA, Sasria must, in consultation with its executive authority, conclude a shareholders compact documenting the mandated key performance measures and indicators to be attained by Sasria as agreed between the Board and the executive authority.

The 2010/2011 shareholders compact has been drafted and submitted to the executive authority and is currently under review.

(b) Board of directors

The company has a unitary board structure consisting of nine directors as follows. Their particulars are as set out in **Board of Directors** of this report.

Non-executive	
M.C. Ramaphosa (Chairperson)* #	
N.V. Beyers (Deputy Chairperson)*	Retirement by rotation 26 August 2009
C.D. Da Silva*	
J.R.K. Du Preez (Deputy Chairperson)*	
A.F. Julies*	Retirement by rotation 26 August 2009
M. Lehutso-Phooko*	
M.M.T. Ramano*	Retirement by rotation 26 August 2009
M.A. Samie*	
C.H. Du Toit	Appointed 26 August 2009
B.J. Njenje*	Appointed 26 August 2009
Executive	
P. Mabasa (Managing)	Suspended on 27 April 2010
G. Matthee (Finance)	Suspended on 27 April 2010

* Independent

Mr. Ramaphosa is serving a term in excess of nine years. As required by King III, Mr. Ramaphosa's independence and judgement has been assessed and is not considered to be affected or impaired by the length of service.

The directors are drawn from diverse backgrounds and bring a wide range of experience, insight and professional skills to the board. There are two executive directors and seven non-executive directors, of which six are classified as independent in terms of the Companies Act.

Role and function

The board provides leadership of the company and brings an independent judgment on all issues of strategy, performance, resources and standards of conduct, either directly or through its committees.

The board acknowledges its responsibility for overall corporate governance and the ultimate control of the company's business, as well as for ensuring that there is clear strategic direction and that appropriate management structures are in place.

The board is the accounting authority in terms of the PFMA. The board meets every quarter to review the operational performance of the company and to consider such topics as strategic issues, business plans, policies and the approval of major contracts and commitments.

The managing director oversees and manages the company's daily operations.

Independence

The executive element of the board is balanced by a strong independent group of non-executive directors so that no individual or small group of individuals can dominate the board's decision making. In addition, the board's independence from the daily executive management team is ensured by adhering to a number of key principles, including:

- The roles of non-executive chairman and managing director are separate;
- Seven of the nine directors are non-executive, with six of the seven non-executive directors being independent;
- The audit and risk committee consists of 3 independent non-executive directors and 1 non-executive director;

- The technical committee consists of 3 independent non-executive directors;
- The investment committee consists of 2 independent non-executive directors, 1 non-executive director and the non-executive chairman of the board;
- The remuneration and nomination Committee consists of 2 independent non-executive directors and the non-executive chairman of the board;
- Non-executive directors do not hold service contracts with the company and their remuneration is not tied to the group's financial performance; and
- All directors have access to the advice and services of the company secretary and are entitled, at the expense of Sasria to seek independent professional advice on the affairs of the group.

Board mandate

The board operates in terms of a mandate which sets out its roles and responsibilities.

The board of directors has a collective responsibility to provide effective corporate governance that involves a set of relationships between the management of the company, its board, its shareholder and other stakeholders.

The board is responsible for ensuring that a sound system of internal controls exists.

Key terms of reference as set out in the mandate are:

- Strategy formulation and direction
  - Form committees to support the board in the execution of its duties and develop the committees' responsibilities;
  - Develop and approve the company's strategic plan;
  - Review the company goals and strategies for achieving the company's objectives;
  - Exercise leadership, enterprise, integrity and judgment in directing the company so as to achieve continuing prosperity for the company;
  - Keep abreast of all legislations affecting the business and the compliance thereof;
  - Have an agreed procedure, where necessary, to take an independent expert advice for continuity of the company; and
  - Identify key areas and key performance indicators of the company in order for the company to generate economic profit, so as to enhance shareholder value in the long-term.

- Appointment of executive directors and senior executive management
  - Approve the appointment of the managing director, financial director and company secretary;
  - Assist the managing director in the appointment of senior executive management;
  - Ensure that a succession plan is developed and implemented for the managing director, financial director, company secretary and senior executive management;
  - Ensure that employment contracts for the managing director, financial director and all senior executive management are implemented, monitored and evaluated on an annual basis;
  - Ensure that there is a transparent process for the selection and appointment of executive management and directors in place;
  - Ensure that there is a director's and executive management orientation programme in place; and
  - Ensure that a director's rotation programme is in place.

- Development of key policies - human resources, risk and investment
  - Ensure good corporate governance and ethics;
  - Ensure that a compliance function exists within the company;
  - Ensure procedures and practices are in place that protect the company's assets and reputation;
  - Develop and approve a delegation of authority framework for the company;
  - Develop and approve the materiality framework for the company;
  - Ensure that the company has adequate systems of financial and operational internal control;
  - Determine and approve the risk appetite of the company;
  - Develop, approve and monitor the risk framework for the company;
  - Ensure that technology and systems used in the company are adequate to run the business well and for it to compete through the efficient use of its assets, processes and human resources;
  - Ensure that prudent and reasonable steps have been taken in regard to it governance; and
  - Develop and approve a human resources policy that would include disciplinary and grievance procedure.

- Approve and monitor compliance with corporate plan, financial plan and budgets
  - Approve and review the company's financial objectives, plans and expenditure;
  - Ensure that the company complies with all relevant laws, regulations and codes of best business practice;
  - Consider and recommend the approval of the company's annual financial statements, interim statements and notices to the shareholder;
  - Consider and recommend to the shareholder the company's annual borrowing plan (if any);
  - Consider and approve the integrated report annually; and
  - Monitor and review effectiveness of internal controls including policies.

- Reporting and liaison
  - Ensure that a shareholder's compact is entered into on an annual basis;
  - Ensure that all communication to the shareholder is regular and effective and that all reports required in terms of the public finance management act are submitted;
  - Recommend to the shareholder the appointment of external auditors on an annual basis;
  - Ensure accountability to stakeholders and legislative bodies; and
  - Develop reporting guideline to the board and its committees.

- Board performance and evaluation
  - The board shall perform an annual assessment of itself, chairman, committees of the board and individual director evaluation;
  - The board shall perform an assessment of the executive directors of the company;
  - The board shall ensure that an adequate succession plan is in place for the appointment and nomination of new directors; and
  - Consider whether its size, diversity and demographics make it effective and efficient.

Board evaluation

The performance of the board and its committees are evaluated annually against their respective mandates, and the results are collated by the company secretary. Feedback is provided to the remuneration and nomination committee and thereafter to the board, which feedback is also taken into account by the chairman in his meetings with the other non-executive directors, to ensure that any concerns about board processes or capabilities are addressed.

The evaluation process for the current year is in progress.

The profile of the board is evaluated by the company secretary to determine an overall view of the skills on the board. Feedback is provided to the remuneration and nomination committee in order that any possible gaps can be identified and a recommendation for rectification provided to the board.

Membership and attendance

During the year ended 31 March 2010 four board meetings were held and the attendance was as follows:

Director	04/06/2009	12/08/2009	25/11/2009	23/03/2010
M.C. Ramaphosa (Chairperson)	Present	Apology	Apology	Present
N.V. Beyers (Deputy chairperson)	Present	Present	Retired	Retired
*P. Mabasa	Present	Present	Present	Present
*G. Matthee	Present	Present	Present	Present
C.D. Da Silva	Present	Present	Apology	Present
J.R.K. Du Preez	Present	Present	Present	Apology
A.F. Julies	Present	Present	Retired	Retired
M. Lehutso-Phooko	Present	Present	Present	Present
M.M.T. Ramano	Apology	Present	Retired	Retired
M.A. Samie	Present	Present	Present	Present
B. Njenje	-	-	Present	Present
C.H. Du Toit	-	-	Present	Apology

* - Executive directors

Mr. N.V. Beyers, Mr. A.F. Julies and Ms. M.M.T. Ramano retired by rotation on 26th August 2009.
Mr. C.H. Du Toit and Ms. B.J. Njenje was appointed to the Sasria Limited Board on 26th August 2009.

Appointment and re-election of directors

Directors are appointed for a specific term by the Minister of Finance (in terms of the Conversion of Sasria Act) and re-appointment is not automatic. It is important to note that section 6 (2) (b) of the Conversion of Sasria Act, 134 of 1998 states that the Minister of Finance appoints the Board of Directors of the company.

The Memorandum and Articles of Association provide for a Director to be appointed for a period not exceeding 3 years and a further period not exceeding three years. King lll report recommends that at least one third of non-executive directors should retire by rotation at the company's AGM. The retiring board members may be re-elected, provided they are eligible.

The appointment of executive directors is approved directly by the board. There are currently two executive directors and members of the board have regular contact with the other senior executive management through participation in board meetings and other briefing sessions by senior executives.

Induction of new directors

A comprehensive induction programme has been developed and is in place for new directors to ensure they are adequately briefed and have the required knowledge of the company's structure, operations, policies and industry related issues, to enable them to fulfil their duties and responsibilities. The induction also includes an opportunity for the directors to meet with key executive management of the various business units. The company secretary is responsible for the administration of the induction programme.

In addition, one-on-one meetings are scheduled with management in key positions to provide briefings regarding complex industry-specific issues. Directors are also invited to information sessions which are held periodically to assist in keeping the directors abreast of economic and industry trends.

Company secretarial function

The company secretary is required to provide the directors of the company, collectively and individually, with guidance on their duties, responsibilities and powers. He is also required to ensure that all directors are aware of legislation relevant to, or affecting, the company and to report at any meetings of the shareholders of the company or of the company's directors any failure to comply with such legislation.

The company secretary is required to ensure that minutes of all shareholders' meetings, directors' meetings and the meetings of any committees of the board are properly recorded and that all required returns are lodged in accordance with the requirements of the Companies Act. The induction of new directors is also responsibilities of the company secretary.

Board committees

The board has established 4 committees which meet regularly and function in accordance with the terms of reference set by the board. Whilst committees perform delegated responsibilities on behalf of the board, the ultimate accountability remains with the board. The board committees are:

- Remuneration and nomination committee;
- Audit and risk committee;
- Investment committee; and
- Technical committee.

Details of these committees follow.

Remuneration and nomination committee

This report of the Sasria remuneration and nomination committee (Remco) is intended to provide stakeholders with a good understanding of the company's remuneration philosophy and practices.

The board is ultimately responsible for the remuneration policy. To assist the board in fulfilling its responsibilities it has appointed and mandated Remco.

The company's remuneration and nomination committee is composed of three non-executive directors who report to the board. The managing director attends meetings by invitation but does not participate in discussions and decisions regarding her remuneration and benefits.

The committee is chaired by Ms. C.D. Da Silva. The committee has met once during the year as follows:

Name of member	21/10/2009
C.D. Da Silva (Chairperson)	Present
M. P. Lehutso- Phooko	Present
M.C. Ramaphosa	Present

The remuneration and nomination committee's primary objectives are to:

- Serve as an independent and objective party to monitor and strengthen the objectivity and credibility of Sasria Limited's reporting process and HR functions;
- Review and appraise the efforts of Sasria Limited's internal HR's function and administration;
- Determine, agree and oversee the development of the company's general policy on executive and senior management remuneration;
- Determine specific remuneration packages for executive directors / managers of the company, including but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, pensions and other benefits;
- Determine any criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities;
- Ensure the establishment of a formal process for the appointment of directors;
- Oversee the development of a formal induction programme for new directors;
- Ensure that inexperienced directors are developed through a mentorship programme;
- Oversee the development and implementation of continuing professional development programmes for directors;
- Ensure that directors receive regular briefings on changes in risks, laws and the environment in which the Company operates;
- Make recommendations to the board on the appointment of new executive and non-executive directors;
- Review the board structure, size and composition and make recommendations to the board with regards to any adjustments that are deemed necessary; and

- Will liaise with the Board in relation to the preparation of the relevant reports to the shareholder as required.

The remuneration and nomination committee must assume the following fundamental responsibilities:

- The establishment of a charter to guide it as well as its modus operandi, which will spell out the rules that govern the relationship to the remuneration and nomination committee and the board;
- Assessing the company processes relating to human resources;
- Fostering and improving open communication and contact among relevant stakeholders in Sasria Limited;
- Perform any other function as requested by the board of directors; and
- The remuneration and nomination committee must report and make recommendations to the board of directors.

The committee uses external market surveys and benchmarks to determine the remuneration of the executive directors and executive senior management. The company's remuneration philosophy guides the structuring of remuneration packages that provide long term and short-term incentives according to the achievement of business objectives and delivery of shareholder value.

Remuneration matters

Remco monitors the development and implementation of the company's remuneration philosophy. The total remuneration packages of executives are designed in such a way that a substantial portion is related to performance. As such, the eligibility of executives for annual bonuses is linked to appropriate company targets.

The financial statements included in the annual report reflect the total earnings and other benefits of executive and non-executive directors in accordance with the Companies Act of 1973.

Remuneration philosophy and structure

Sasria is striving to be a leading African Insurer covering extraordinary risks. Sasria recognises that it in order to achieve its vision it is imperative that it attracts and retains appropriate skilled people.

Sasria is an equal opportunity employer and is committed to its principles of ensuring that remuneration of staff members are handled on a fair and equitable basis. It recognises the need to establish a performance based culture within the Company, which reward excellent performance and recognise the rights, potential and capabilities of all employees.

Sasria endorses a policy to manage remuneration in an open and transparent manner and will ensure that all remuneration decisions are justifiable and with due regard to the relevant provisions of Employee Related Labour Legislation and Organisational policies, strategy and objectives.

The remuneration philosophy is to ensure remuneration and reward within Sasria:

- Will be managed within an integrated remuneration framework;
- Are in line with Sasria's broad corporate goals and measures;
- Encourage behaviour, which supports Sasria's shared goals;
- Promote supportive habits (values) of advancement, personal accountability, innovation and value adding;
- Ensure that the total remuneration Cost to Company is managed on a cost-effective and equitable basis;
- Support pay for performance principles and the establishment of a performance based culture;
- Reward outstanding performance of individuals and teams;
- Support the vision of Sasria as well as continuous improvement;
- Support and encourage training and development of staff as well as the talent management programme; and
- Support equitable fair and consistent remuneration principles.

The remuneration process is designed to:

- Align individual and team performance to the achievement of the company's vision and business objectives; and
- Attract and retain the people needed to achieve this.

There is a responsibility to balance employees' desires to be well remunerated with shareholders' expectations of efficient cost management.

Begin with the vision

The development of the remuneration policy and structure commences with Sasria's corporate vision and the adopted strategy.

Establish the annual budget

To meet the strategy, the executive team prepares an annual budget and submits this to the board for approval.

Establish expectations for teams and individuals

Measurable objectives for teams and individuals are set. These vary depending on the nature of the work performed and individuals' level in the company, but generally will include some combination of deliverables for achieving:

- Financial goals;
- Key success factors; and
- The transformation of the company in line with the company's vision.

Targets may be quantitative or qualitative.

Alignment, measurement, support and reward

Staff is kept focused and motivated through:

- Continual communication of the company's vision aligning employee responsibilities with the overall strategy;
- Regular performance management reviews;
- The highest possible calibre of leadership at all levels, from executive directors to team leaders; and
- A combination of competitive salaries and short-term incentives.

Short-term incentives, which are delivery specific, are viewed as strong drivers of competitiveness and performance. A significant portion of senior management's reward is therefore variable, being determined by key performance indicators achieved and personal contribution.

Overview of the executive remuneration structure

The components of the remuneration paid to executive directors and members of executive committee are summarised in the adjacent table. A detailed description of each component follows in the next section.

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

- The guaranteed component is based on market relatedness in conjunction with the individual's performance, competence and potential; and
- 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. Remco reviews fees and makes recommendations to the board for consideration. The board then recommends these fees to shareholders 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.

Element	Purpose	Performance period and measures	Operation and 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 pre-determined performance hurdles of business and personal targets

Audit and risk committee

The Sasria audit and risk committee is composed of four non-executive directors who report to the board. The committee is responsible for ensuring that management creates and maintains an environment of effective corporate control and for the optimal functioning of the financial and operational control systems implemented.

The role of the audit and risk committee is to review the company's financial position and make recommendations to the board on all financial matters including assessing the integrity and effectiveness of accounting, financial, compliance and other control systems. The committee has four members and is chaired by Mr. M. A. Samie. During the year, four meetings were held as follows:

Name of member	19/05/2009	22/08/2009	10/11/2009	08/03/2010
M.A. Samie (Chairperson)	Present	Present	Present	Present
J.R.K. Du Preez	Present	Present	Present	Present
A.F. Julies	Present	Present	Retired	Retired
M. Lehutso-Phooko	Present	Present	Apology	Apology
M.M.T. Ramano	Present	Present	Retired	Retired
C.H. Du Toit				Present

The committee also ensures effective communication between the internal auditors, external auditors and the board of directors. Its terms of reference include the following:

- Review the annual audit plan with the auditors, in particular the proposed audit scope and approach and the audit fee;
- Assess the work done to ensure the independence of the external auditors is retained;
- Meet with external auditors to discuss their audit findings;
- Consider internal audit reports;
- Evaluate the role, independence and effectiveness of the internal audit function in the overall context of the company's risk management system;
- Review the accounting policies adopted by the company and any proposed changes in accounting policies and practices;
- Consider the adequacy of disclosures and the reasons for fluctuations in ratios reported in published documentation;
- Review the effectiveness of financial management and the quality of internal accounting control systems and reports produced by financial management;
- Review the company's compliance plan, with specific reference to the procedures for identifying regulatory risks and controlling their impact, as well as ensuring that the policy complies with relevant regulatory and legal requirements;

- Monitor ethical conduct of executives and other senior officials; and
- Review and make recommendations on any potential conflicts of interest.

The audit and risk committee has complied with its terms of reference in the year under review.

The board has 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 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.

Meetings are held quarterly with the managing director, financial management, the external auditors and the internal auditors. The external and internal auditors have unrestricted access to the audit and risk committee.

Investment committee

The investment committee is composed of four non-executive directors who report to the board. The committee is responsible for ensuring that the nominated portfolio managers perform adequately and continue to produce good returns on the investments under their control for the company. The committee meets on a bi-annual basis to review and evaluate the returns achieved on the portfolios and approve future strategies. The committee is chaired by Mrs. M.P. Lehutso-Phooko and there was one meeting held during the year.

Name of member	19/03/2010
M.P. Lehutso-Phooko (Chairperson)	Present
J. R. K. Du Preez	Present
C.H. Du Toit	Present
M. C. Ramaphosa	Apology

Technical committee

The technical 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 regards to insurance risks. The committee meets at least once per year to consider technical issues raised, including the review of new products, the capital adequacy of the company and to consider complex claims. The committee is chaired by Mrs. C. Da Silva and there were two meetings held during the year.

Name of member	01/07/2009	29/03/2010
C.D. Da Silva (Chairperson)	Present	Present
M.A. Samie	Apology	Present
J. R. K. Du Preez	Present	Present

Other committees

Although it is not a board committee, the executive committee is mandated by the board, through the company's Delegation of Authority document, to deal with the day-to-day running of the affairs of the company. The managing director chairs the committee, which comprises the executive management of all the business units of the company. It meets and deals with all matters relating to:

- Implementation of agreed strategy;
- Monitoring of performance; and
- Consideration of the company's policies.

The board reviews annually the levels of delegated authority to this committee.

Risk management and internal control

Enterprise risk management process

While the board is responsible for the overall governance of risk, it is assisted by the audit and risk committee in discharging this responsibility. The audit and risk committee's responsibilities are set out in the risk committee charter. Executive management is accountable to the board in ensuring that suitable risk management and internal control processes are embedded and integrated into the strategic and operational management of the business.

The objective of Sasria's risk management is to minimise its business risk by safeguarding its assets and income earning capacity. The risk management philosophy is founded on the identification of risk and the introduction of the necessary control measures, in order to reduce the impact of the identified risks to the lowest level possible, and the procurement of insurance for those events that are severe in nature, although infrequent in occurrence, and which are usually beyond the control of management.

- Infrastructure;
- Processes;
- Integration; and
- Culture.

The dynamic and ever-changing nature of risks forces us to consider internal and external risks on an ongoing basis. Emerging risks are carefully considered and their impact to the organisation analysed.

The company is aligned with principles of King II and is well positioned to meet the principles outlined in King III and ISO 31000:2009.

Sasria implemented the Cura risk management system in the current year to improve the efficiency of its risk management process and assist in improved aggregation, reporting and monitoring of risks. Risk management training was conducted to all staff and will be provided on an ongoing basis. The strategic risk management process was independently reviewed in March 2010 and the findings were reported to the audit and risk committee after year end.

The company will continue to develop and improve its risk management process to ensure it remains resilient, poised to achieve good results and create value for all its stakeholders.

Business continuity

A key operational risk is the potential impact of a major disaster. The company has responded to this threat by developing a business continuity plan to ensure that people are prepared, crisis infrastructure is tested and meaningful recovery plans are in place.

In the current year executive and senior management successfully tested Sasria's emergency response and disaster recovery plans by utilising simulation exercises.

This plan is reviewed on an annual basis to ensure that it remains relevant.

Internal control systems

The company maintains accounting and administrative controls commensurate with the status of operations and having due regard to the costs versus the benefits of having a comprehensive system of accounting and administrative controls. Employees are required to act with integrity in all transactions. The internal auditors independently appraise the company's internal controls and report their findings to the audit committee.

Internal audit

The internal audit function is performed by Sasria's in-house internal audit department. The audit and risk committee provides terms of reference for the internal audit investigations.

Ethics performance

Sasria is committed to a policy of openness, integrity and accountability in the conduct of its business. This commitment is based on the belief that business should be conducted honestly, fairly and legally. Our reputation is one of our most important assets. Maintaining the trust and confidence of all those with whom we deal with is accordingly one of our most vital responsibilities. We recognize our obligations to all our stakeholders.

The board and management of Sasria believe that ethical standards are achieved not just through the publication and dissemination of the Code of Ethics (Code), but through open and on-going discussion about ethical issues related to the business and activities of the organization with all stakeholders.

Sasria is in the process of reviewing its current Code in order to align it to the guidelines contained in the King report and the revised South African Insurance Association (SAIA) Code of Conduct and Ethics. In developing the new Code, an aspiration and regulatory approach were utilized with a greater inclination towards the regulatory approach. The aspiration approach outlines what the organization aspires to or the ideals that it hopes to live up to, whereas the regulatory approach outlines principles which the organization is expected to adhere to. The Code will set the overall principles and guidelines for practice to be adopted throughout the organization; it will also serves as a constant reminder that we will conduct our business in line with our set core values.

To ensure an effective process of developing, implementing and managing the Code of Ethics, Sasria will appoint an Ethics Officer with the authority, responsibilities and resources required to achieve the company's ethics goals. Systems and procedures will be put in place to assess our ethics performance; this will be done through compliance monitoring, periodic auditing of ethical standards.

Sasria has a whistleblower policy which purports to promote a channel for Sasria's employees, the public and all stakeholders to report practices that are in conflict with Sasria's Code of Ethics. Furthermore the policy protects whistleblower in accordance with the provisions of the Protected Disclosures Act, No 26 of 2000.

Employment equity

The company is committed to providing equal opportunities for all employees regardless of their ethnic origin or gender. In compliance with the Employment Equity Act, an employment equity plan and strategy is in place to ensure that employee profiles will be more representative of the demographics of the environment in which the company operates. The employment equity plan and related strategies and policies, are reviewed by the remuneration and nomination committee and the board of directors. Sasria continues to comply with the respective King reports.

Sustainable business management

To Sasria, responsible sustainable business development, ultimately translate into business growth in terms of growing our product base, increasing market penetration of existing products, customer retention, enhancing existing products, delivering products through new channels and entering into new markets.

During the period under review we have laid a solid foundation to progressive sustainable business management. In that regard we continue to engage with the insurance sector and will be collectively piloting a micro insurance product with the sector. Our engagement with the industry is to collectively find gaps within the insurance sector that Sasria can address.

We have drafted a business plan for expansion into other countries within the continent of Africa. To support our Africa expansion plan we have conducted feasibility studies into three countries.

We continue to strengthen our cooperation with our Namibia counterpart Nasria. Sasria has a reciprocal agreement with Nasria for both organisations' insured's.

Strategic pillars

Sasria's Strategy for the next few years is focused on ensuring that Sasria is sustainable beyond the current operational environment. The following strategic pillars apply:

- Optimising shareholder value by providing relevant products and covers;
- Maximising brand and product awareness;
- Optimising customer value through alignment of processes; and
- Developing human capital and focusing on knowledge retention.

The focus within the current financial year is to put the foundations in place. This includes putting the required infrastructure in place thus ensuring that systems are able to cope with the requirements of the new initiatives. We have developed and launched an intranet site to cope with the increased volume of shared data. The portal will also enhance our ability for improved customer relationship management.

Achieving the objectives

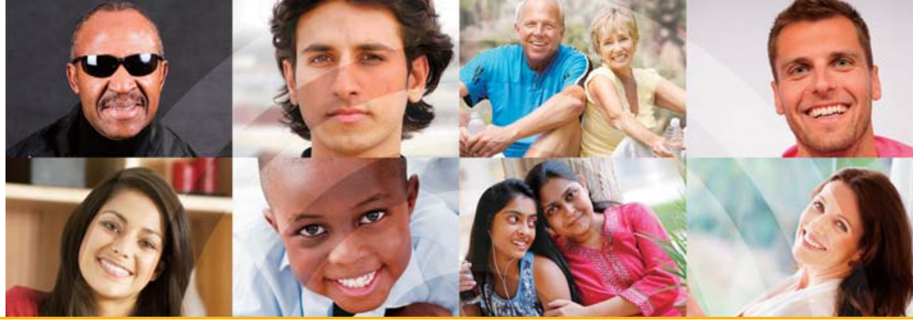
The strategic direction we have chosen for the next year revolves around consolidating the company's current position of leadership while exploring new territory. When considering these options, Sasria has determined a strategy based on the following four main objectives and several value-based initiatives as listed below:

- Establishment of a Broader Customer Base;
- Integration and Alignment of Processes;
- Investment in Human Capital Development; and
- Developing a Customer Centric Culture.

Stakeholder engagement

We engage with a wide range of stakeholders with varying interests. Our stakeholders are defined as individuals or groups with common interests, who may be affected by or have impact on our business objectives.

With the current emphasis on growth, which will substantially expand the geographic spread of our operations, Sasria does not yet have a standard stakeholder engagement policy. To date, key sustainability



issues of our business as identified through stakeholder engagement, are summarised below:

- Relevancy to our stakeholders;
- Claims process optimisation;
- Client service; and
- Low brand awareness.

Sasria will therefore continue to identify ways to improve and promote effective stakeholder communication.

Our stakeholder management plan seeks to build strong, long-term, relationship oriented approach with all our key stakeholders. Our stakeholders comprises of the following:

- Government;
- Agent companies - Short-term insurance companies, Brokers, Reinsurers;
- Loss adjusters/ assessors;
- Employees;
- Suppliers;
- Customers community groups;
- Media;
- Business partners including various business associations; and
- Agent companies and brokers.

Our business works through a network of intermediaries who distribute our products. In order to improve the agents' knowledge of our business, we undertake regular training across the country. This has resulted in better knowledge of our business especially our underwriting and claims handling guidelines.

The financial year under review marked Sasria celebrating 30 years of existence. A 30th Anniversary event was held on 15 September 2010 at Constitution Hill. This was a flagship event where key stakeholders mentioned above joined Sasria board and management in celebrating this milestone. The event received wide spread publicity in trade and mainstream media and therefore served as a platform to issue thought leadership articles to various trade publications.

In addition regular meetings were held with journalists and representatives of short-term insurers. The following events were hosted as a platform of stakeholder engagement:

- The 30th Anniversary Gala dinner;
- Sasria Africa Engagement Workshop;
- Sasria IIG Golf Day; and
- Sasria Celebration of Fifa World Cup South Africa.

Corporate Social Investment (CSI)

Investing in the development of skills, knowledge and competencies among underprivileged South Africans has become our key corporate social investment priority. In the same vein, we have doubled our spending on Corporate and Social Investment (CSI) projects to two percent of after-tax profits annually.

Among our key strategic CSI projects is the South African Actuaries Development Programme (SAADP). We established the SAADP programme with the primary aim of unearthing and harnessing mathematical and analytical skills amongst black students in order to expose and help them to capitalise on career opportunities in the field of Actuarial Science. The programme is geared towards creating greater awareness, understanding and appreciation of Actuarial Science as a field of study. Senior SAADP students act as mentors and provide academic and social support to junior students. The Student Mentorship Programme seeks to establish a cohesive SAADP student group which encourages members to be mutually supportive of each other.

SAADP was established more than seven years and has produced 39 graduates so far, including two fully qualified actuaries. To date an amount of R23 million has been utilised for the development of black actuaries. This year alone Sasria has donated R3.8 million to the SAADP. We have contributed not only financially but also in terms of executive time who sit on various committees of this initiative to ensure its success.

Nokwanda Mkhize, executive director for the SAADP says, "As the founding sponsor of the SAADP, Sasria is committed to ensuring that the future of young black South Africans is secured by providing the youth access to tertiary education. Without their initial investment and continued support, we would never have existed."

Future CSI projects

Sasria is in the process of establishing a maths and science institute in association with the University of Johannesburg. The institute is aimed at developing teachers to raise the standards of teaching maths and science particularly within the black community. The second focus area is the provision of extra curriculum tuition to students within. The project would then aim to increase the number and the quality of students who pass mathematics and science at matric level and therefore facilitate better education within the maths and science field. The ultimate goal is to establish math and science institutions across the country.

An opportunity has been identified for Sasria to play a more meaningful role in the community by streamlining its CSI program and operating with chosen partners. Sasria is in the process of establishing a CSI Foundation that will focus on education, socioeconomic development (by supporting a variety of skills development and enterprise development projects), and community development.

By doing this, we will be one of the main contributors in the development of the country from the ground level up. Our strategic goals have been redesigned to ensure that we move beyond pure philanthropic donations to deliver quality assistance to those who need it most.

We will also host a Sasria Chairman's Charity Golf day with a view to raising funds for charity. In addition we participate in various carefully chosen established charity causes. We continue to be a regular donor to certain charities that focus on:

- The addressing the situation of children orphaned by HIV/AIDS;
- Golf development with a particular focus on historically disadvantaged candidates; and
- Addressing the situation of education in underprivileged communities.

Report of the Audit and Risk Committee

We are pleased to present our report for the year ended 31 March 2010.

Audit and Risk Committee members and attendance at meetings

The Audit and Risk Committee consists of the members listed hereunder and meets at least twice per annum as per its approved terms of reference. During the year, four meetings were held.

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 51 of the Public Finance and Management Act, 1999 and Treasury Regulation 27.1.7. and 27.1.10 The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Risk management

The Audit and Risk Committee has embarked on a process of implementing revised risk management strategies. To date we revised the terms of reference and produced a new policy framework. These important drivers of our risk mitigation process have been endorsed by our board.

The effectiveness of internal control

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

The quality of monthly and quarterly reports submitted in terms of the Act

The Audit and Risk Committee is satisfied with the content and quality of the reports prepared by Management.

Evaluation of financial statements

The Audit and Risk Committee has reviewed and discussed the audited annual financial statements to be included in the annual report with the external auditor and the acting managing executive.

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

M.A. Samie
Chairperson of the Audit and Risk Committee
10 August 2010

Directors' responsibility and approval of annual financial statements

It is the directors' responsibility to ensure that the financial statements fairly present the state of affairs of the company. 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 Short-term Insurance Act 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 the company will not be a going concern in the foreseeable future based on forecasts and available cash resources.

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 which 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 which in all reasonable circumstances is above reproach.

Our Audit Committee was reconstituted and is now responsible for both audit and risk management. The terms of reference have been expanded and have been agreed to by the board. With the importance that Sasria attaches to enterprise risk management, this change is most welcome.

The company annual financial statements which are set out on pages 38 to 91 were, in accordance with their responsibilities, approved by the directors and are signed on their behalf by:

M.C. Ramaphosa
Chairperson
10 August 2010

Company secretary certificate

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 March 2010, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

M.M. Sallie
Company secretary
10 August 2010

Strategic objectives: Performance against targets

1 April 2009 to 31 March 2010

Optimisation of the shareholder value

#	Strategic Objective	Action Plan	Actual Performance
1	Increase in premiums income	To revise the Sasria premiums such that they are in line with industry trends	The new rate structure was implemented on 01 September 2009 with an average rate increase of 20%
2	Increase in investment income	To increase the investment income by 15%	An increase of 65% was achieved in the current year
3	Managing expenses	To ensure that the total expenditure does not exceed the budget	The expenses were recorded at 7% below the budget

Establishment of a broader customer

#	Strategic Objective	Action Plan	Actual Performance
1	Enhancing current products	Planned product enhancements: • Motor Policy	The Sasria Motor Policy cover has been enhanced to retail value basis in order to align it to the underlying policies. This Policy was further reviewed to include Third Party Vehicle Liability cover for uninsured third party vehicles damaged by an insured vehicle whilst avoiding a risk covered by Sasria.
		• Business Interruptions Policy and Loss Limit	The Sasria cover has been enhanced by increasing the Loss Limit from R500m to R1.5bn including full Business Interruption cover up to R250m from ground up with effect from 1st January 2010. We have managed to secure a separate reinsurance arrangement with our reinsurers and this extra limit has not affected our current reinsurance arrangement as it has been done on a facultative basis.
		• Review of the One Insured Policy	The One Insured definition was reviewed in order to cater for limits per subsidiary effective 1 October 2009.

Establishment of a broader customer (continued)

#	Strategic Objective	Action Plan	Actual Performance
2	Introduction of new products	• Business Interruptions Policy and Loss Limit	The Sasria cover has been enhanced by increasing the Loss Limit from R500m to R1.5bn including full Business Interruption cover up to R250m from ground up with effect from 1st January 2010. We have managed to secure a separate reinsurance arrangement with our reinsurers and this extra limit has not affected our current reinsurance arrangement as it has been done on a facultative basis.
		• Travel Insurance	After research, the decision was taken not to pursue this initiative because of the low potential income.
		• Disaster Relief	The disaster relief product is at a research stage.
		• Events Specific Cover	This product was aimed at the 2010 World cup event, after thorough research we realized that the product was already available in the market and we did not have enough time to develop and market the product.
3	Exploring new markets	To explore business outside South Africa in line with the invitation and findings of the OESAI.	In terms of section 54(2) of the Public Finance Management Act, Sasria Limited has requested permission from the Minister of Finance; the approval is still waited on.
4	Maximisation of Sasria Brand and Product Awareness	Development and implementation of the marketing and public relations plan.	A marketing and communication strategy was developed and implemented during the current year. A brand audit was performed and recommendations from the audit will be addressed in the new financial year.
		Increase product awareness	Stakeholder training and education across the country has been embarked on and is ongoing.

Strategic objectives: Performance against targets (continued)

1 April 2009 to 31 March 2010 (continued)

Integration and alignment of processes

#	Strategic Objective	Action Plan	Actual Performance
1	Ensuring good Corporate Governance	Corporate Social Investment	**UJ Sasria Science Centre** • The UJ Sasria project focusing on the Mathematics and Science education was launched in May 2010. **Bursaries** • Busaries to the value of R65,000 were awarded to students in the current year. **South African Actuaries Development Programme** • An amount of R2m has been paid to SAADP for the student registrations for 2010.
		Risk Management	A risk management framework was developed and implemented. There is periodic review of the risks identified and the action plans.
		Compliance	A compliance monitoring department was established to monitor compliance with the legislative and regulatory requirements on a regular basis.
2	Knowledge management	Development of a Customer Web Portal.	**Agent portal** • CWP was developed, tested and piloted; there are currently 5 agents using the portal.
		Development of intranet knowledge base and improvements to the Sasria website.	**Intranet and Sasria website** • Both projects were completed. The intranet site's formal launch was in the new financial year. The Sasria website will be updated on an ongoing basis.
		Optimise the current processes with the view of improving customer centricity	**Process optimization** • High level process documentation was done; the process re-engineering is underway.

Investment in human capital

#	Strategic Objective	Action Plan	Actual Performance
1	Sustainable Employment Brand	To develop and implement strategies that effectively address the following HR issues: - human capital development - talent management - leadership development - performance management - skills retention	**Training & Development** • Performance Development Plans have been implemented. • Skills analysis and job profiling has been done. **Talent management** • Development and Implementation of succession planning is underway **Leadership development** • Programs have been put in place to improve leadership skills within the organisation. **Performance management system** • The system was successfully implemented in the current year. **Employee motivation program** • Employee Value Proposition (EVP) program is being established with all members of staff. This will be linked to the Sasria employment brand.

Independent auditor's report to Parliament

Report on the financial statements

Introduction

We have audited the annual financial statements of the Sasria Limited, which comprise the statement of financial position as at 31 March 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the director's report, as set out on pages 45 to 91.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act of South Africa and Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 the Sasria Limited as at 31 March 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act of South Africa and Companies Act of South Africa.

Report on other legal and regulatory requirements

Report in accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Professions Act

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified certain unlawful acts or omissions committed by persons responsible for the management of Sasria Limited which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described on page 48 of the directors' report.

Report in terms of the Public Audit Act of South Africa and General notice 1570 of 2009

In terms of the Public Audit Act of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 we include below our findings on the report on predetermined objectives, compliance with the Public Finance Management Act and Companies Act of South Africa.

Findings

Predetermined objectives

Non-compliance with regulatory requirements

Inadequate quarterly reporting on performance information
The quarterly reports of Sasria Limited did not track progress against outputs, indicators and targets as per the approved annual performance plan and therefore did not facilitate effective performance monitoring and evaluation, as required by Treasury Regulation 29.3.1.

Inadequate content of corporate plan
The corporate plan of Sasria Limited did not include the strategic objectives and outcomes identified and agreed on by the executive authority in the shareholder's compact as well as the key performance measures and indicators for assessing the entity's performance in delivering the desired outcomes and objectives, as required by Treasury Regulation 29.1.1(a) and (c).

Lack of reporting on all predetermined objectives in the annual report
Sasria Limited has not reported on all the predetermined objectives, as required by section 55(2)(a) of the PFMA Treasury Regulation 28.2.2.

Presentation of reported performance information

Inadequate presentation of reported information
The reported performance information to be included in the annual report is not presented in a simple, accessible format, relevant and useful to the intended user, and/or in accordance with the requirements of Treasury Regulation 28.2 and the relevant guidance applicable to reporting for the financial year-end.

Usefulness of information

Planned and reported performance targets not specific, measurable or time bound
For the selected objectives, none of the planned and reported targets were specific, measureable and time bound.

Internal control

We considered internal control relevant to our audit of the financial statements and the report on predetermined objectives and compliance with the Public Finance Management Act of South Africa and Companies Act of South Africa, but not for the purposes of expressing an opinion on the effectiveness of internal control.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc
Director: G Mtetwa
Registered Auditor
Johannesburg
31 August 2010

Directors' report

To the shareholder,
The directors present their report for the year ended 31 March 2010.

Nature of business

The company's main object is the granting of insurance cover against loss or damage caused by an insured peril as defined in terms of the Reinsurance of Damage and Losses Act No. 56 of 1989 (as amended).

Investments

Sasria investments continued to be managed by outsourced investment managers. The number of investment managers increased during the year with the appointment of three new investment managers. The targeted investment allocation related to the social responsibility policy remained unchanged at 10%. At balance sheet date the total investments in line with this policy equalled 8.6% of the total assets. Given the risk profile of Sasria, the majority of the investments are in liquid instruments.

Procurement process

Our procurement process is guided by our employment equity policy and is in-line with provisions of the Financial Sector Charter. The company's Transformation committee is actively involved in the tender process undertaken to either appoint the service providers or to reappoint the current service providers.

Special resolutions

No special resolutions were taken during the course of the 12 month period being reported on.

Dividend

No dividends were declared or paid during the period.

Directors' report (continued)

Significant claims activities

The 2009/2010 year saw an increase in the number of strikes taking place during the country. A strike that caused notable losses in terms of the number of claims received was the truck drivers strike. Municipal workers strikes have taken place across the country but no significant losses were reported.

Non-political riot claims accounted for 83% of the claims paid in 2008/2009 while in 2009/2010 this figure reduced to 66% showing a 17% reduction; claim payments of strike related claims increased from 9.5% to 30%.

The breakdown of all claims paid during the year under review and for the comparative year was as follows:

	As at 31 March 2010	As at 31 March 2009
Political riot	3,01%	5,69%
Non-political riot	66,00%	80,47%
Labour disturbance	0.99%	4,26%
Strike	30,00%	9,57%
	100,00%	100,00%

Post year-end developments

There have been significant claims reported after year-end. These claims relate mostly to the ongoing labour strikes. Claims incurred normally take at least two months before they are reported to Sasria, and therefore not known to what extent damages has been caused by these events. Sasria does cater for claims that are reported late through its IBNR.

Going concern

The directors test the going concern basis at year end and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Executive management

Ms. K. Pepler (Acting Managing Executive)
Ms. N. Wabanie (Corporate Services)
Ms. T. Mahlangu (Business Operations)
Mr. C. Macheke (Business Development)
Mr. C. Masondo (Underwriting)

Company secretary

Mr. M.M. Sallie

Registered office

PO Box 7380
Johannesburg
2000

Business address

47 Wierda Road West
Wierda Valley
Sandton

International Financial Reporting Standards

International Financial Reporting Standards have been applied in preparing the financial statements for the year ended 31 March 2010 and the comparative information presented in these financial statements for the year ended 31 March 2009.

Compliance with the Public Finance Management Act, 1999, as amended

The directors are of the opinion that Sasria Limited complies in all material respects with the provisions of the Public Finance Management Act, 1999, as amended. A materiality framework is in place to report on material losses caused by criminal conduct, and irregular, fruitless and wasteful expenditure as required by the Act.

Reportable Irregularity

On 23 June 2010, the Company's external auditors, PricewaterhouseCoopers, reported an alleged reportable irregularity in terms of Section 45(1) of the Auditing Profession Act to the Independent Regulatory Board for Auditors.

The alleged irregularity relates to the payment of bonuses in excess of amounts approved by the Board of Directors', resulting in alleged irregular expenditure as contemplated by the Public Finance Management Act, Act 1 of 1999, (as amended) and fruitless and wasteful expenditure in the amount of R1.34 million.

The Board of Directors is confident that appropriate corrective action has been taken and that the alleged irregularity is no longer taking place. The corrective action taken includes the institution of a disciplinary process against the Managing Director and Financial Director of Sasria Limited. In addition, the Board is satisfied that all reasonable steps have been taken to prevent loss to the Company.

Sasria remains committed to complying with the highest standards of corporate ethics and good governance.

Statement of financial position

as at 31 March 2010

	Note	As at 31 March 2010 R'000	As at 31 March 2009 R'000
Assets			
Property, plant and equipment	6	38 543	35,917
Intangible assets including intangible insurance assets	7	42,003	34,635
Investment in associate	8	113,320	140,520
Financial assets			
– at fair value through profit or loss	9	2,179,845	921,141
– loans and receivables	9	41,249	48,566
Insurance receivables	10	133,808	108,904
Reinsurance contracts	11	90,469	105,246
Cash and cash equivalents	12	1,052,756	1,792,085
Total assets		3,691,993	3,187,014
Equity			
Share capital	13	-	-
Statutory contingency reserve		63,912	48,818
Retained earnings		3,138,208	2,642,304
Total equity		3,202,120	2,691,122
Liabilities			
Deferred revenue	15	22,942	18,808
Deferred income tax	16	39,135	2,779
Insurance contracts	11	292,143	338,654
Current tax liability		17,613	33,423
Trade and other payables	14	118,040	102,228
Total liabilities		489,873	495,892
Total equity and liabilities		3,691,993	3,187,014

The notes on pages 52 - 91 are an integral part of these financial statements

Statement of comprehensive income

for the year ended 31 March 2010

	Note	As at 31 March 2010 R'000	As at 31 March 2009 R'000
Gross insurance premium written	17	785,548	661,288
Insurance premiums ceded to reinsurers	17	(330,990)	(271,247)
Net insurance premium revenue		**454,558**	**390,041**
Change in gross unearned premium provision		(35,790)	(19,978)
Change in reinsurers' share of unearned premium provision		10,737	5,993
Net insurance premiums earned	**17**	**429,505**	**376,056**
Commission earned from reinsurers		152,518	109,441
Investment income	18	377,103	222,318
Other income		2,251	1,752
Net income		**961,377**	**709,567**
Gross insurance claims and loss adjustment expenses	19	(5,413)	(58,326)
Claims and loss adjustment expenses recovered from reinsurers	19	800	18,944
Net insurance claims		**(4,613)**	**(39,382)**
Expenses for the acquisition of insurance contracts	20	(149,650)	(127,282)
Expenses for administration and marketing	21	(80,597)	(49,307)
Total expenses		**(230,247)**	**(176,589)**
Results of operating activities		726,517	493,597
Share of profit /(loss) of associate	8	(27,200)	(10,597)
Profit before tax		699,317	483,000
Income tax expense	23	(188,319)	(130,781)
Total comprehensive income attributable to ordinary shareholder		**510,998**	**352,219**

The notes on pages 52 - 91 are an integral part of these financial statements

Statement of changes in equity

for the year ended 31 March 2010

	Share capital R'000	Statutory contingency reserve R'000	Retained earnings R'000	Total R'000
As at March 2008	-	38,676	2,300,227	2,338,903
Comprehensive income for the year	-	-	352,219	352,219
Transfer to contingency reserve	-	10,142	(10,142)	-
As at March 2009	-	48,818	2,642,304	2,691,122
Comprehensive income for the year	-	-	510,998	510,998
Transfer to contingency reserve	-	15,094	(15,094)	-
As at March 2010	-	63,912	3,138,208	3,202,120

The notes on pages 52 - 91 are an integral part of these financial statements

Statement of cash flows

for the year ended 31 March 2010

	Note	As at 31 March 2010 R'000	As at 31 March 2009 R'000
Cash generated from operations	26	319,704	277,552
Dividends received	18	7,057	18,815
Interest received		181,459	218,275
Income tax paid		(167,291)	(147,879)
Net cash from operating activities		**340,929**	**366,763**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(5,203)	(6,417)
Proceeds on disposal of property, plant and equipment		129	-
Purchases relating to intangible assets	7	(1,543)	(697)
Purchase of investments		(1,073,641)	(351,087)
Net cash used in investing activities		**(1,080,258)**	**(358,201)**
Net (decrease) / increase in cash and cash equivalents		(739,329)	8,562
Cash and cash equivalents at beginning of year		1,792,085	1,783,523
Cash and cash equivalents at end of year	**12**	**1,052,756**	**1,792,085**

The notes on pages 52 - 91 are an integral part of these financial statements

Notes to the annual financial statements

1. General information

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

(i) 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;

(ii) 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

(iii) 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 41 people.

Sasria is a limited liability 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 2010.

The principal accounting policies applied in the preparation of these financial statements are set out below.

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 2010.

The following is a summary of the more important changes.

(a) International Financial Reporting Standards, amendments to standards and new interpretations adopted during 2010:

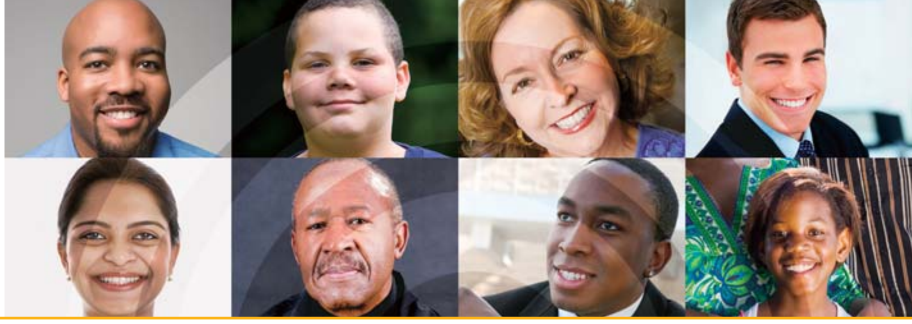
IAS 23 Borrowing Costs – Revised (effective 1 January 2010). The revised statement removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

IFRS 7 –Financial Instruments Disclosures' (amendment), requires enhanced disclosures about fair value measurement and liquidity risk. The Company adopted the amendment to IFRS 7 with effect from 1 January 2009. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).

IAS 1 Presentation of Financial Statements – Revised (effective 1 January 2009). Information in financial statements is to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. These changes have been adopted.

IFRIC 13 Customer Loyalty Programmes (effective 1 July 2009). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example loyalty points or free products), the arrangement is a multi-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is relevant to the Company because the Company earns 'American Express' points on credit card purchases. It is not expected to have a material effect on the Company's financial statements.



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

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

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

Standard / Interpretations	Content	Applicable for financial years beginning on/after
IAS 20	Accounting for government grants and disclosure of government assistance	1 January 2009
IAS 29	Financial reporting in hyperinflationary economies	1 January 2009
IAS 31	Investments in joint ventures (and consequential amendments to IAS 32 and IFRS 7)	1 January 2009
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on consolidation	1 January 2009
IAS 38	Intangible assets	1 January 2009
IAS 41	Agriculture	1 January 2009
IFRIC 15	Agreements for the construction of real estate	1 January 2009

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

Standard / Interpretations	Content	Applicable for financial years beginning on/after
IAS 24	Related party disclosures (amendment)	1 January 2011
IAS 27	Consolidated and separate financial statements (revised)	1 July 2009
IAS 38	Intangible assets (amendment)	1 July 2009
IAS 32	Classification of rights issues	1 February 2010
IAS 39	Financial instruments: Recognition and measurement – eligible hedged items	1 July 2009
IFRS 3	Business combinations (revised)	1 July 2009
IFRS 5	Measurement of non-current assets (or disposal groups) classified as held for sale (amendment)	1 July 2009
IFRS 9	Financial instruments	1 January 2013
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009

IAS 24 (amendment), 'Related party disclosures'. The amendment relaxes the disclosures of transactions between government- related entities and clarifies related-party definition. The amendment is not expected to have a significant impact on the Company's financial statements.

IAS 27 (revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with minority interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) is not applicable to the Company.

IAS 32 (amendment), 'Classification of rights issues'. The amended standard allows rights issues to be classified as equity when the price is denominated in a currency other than the entity's functional currency. The amendment is effective for annual periods beginning on or after 1 February 2010 and should be applied retrospectively. The amendment is not expected to have an impact on the Company's financial statements.

IAS 38 (amendment) 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. This amendment is not applicable to the Company.

IAS 39 (amendment), 'Financial instruments: Recognition and measurement – Eligible hedged items'. The amendment was issued in July 2008. It provides guidance in two situations: on the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. It is not expected to have l impact on the Company's financial statements.

IFRS 3 (revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. This revised standard is not applicable to the Company.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5, 'Non-current assets held for sale and discontinued operations', specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly IAS 1 paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty). The Company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

IFRS 9, 'Financial instruments'. IFRS 9 addresses classification and measurement of financial assets and is available for early adoption immediately. IFRS 9 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. IFRS 9 represents the first milestone in the IASB's planned replacement of IAS 39. IFRS 9 is expected to have a significant impact on the Company's financial statements.

IFRIC 17, 'Distribution of non-cash assets to owners'. The interpretation is part of the IASB's annual improvements project published in April 2009. It provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. It is not expected to have an impact on the Company's financial statements.

IFRIC 18, 'Transfers of assets from customers', was issued in January 2009. It clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services. The Company is not impacted by applying IFRIC 18.

2.2. Property, plant and equipment

Property, plant and equipment are reflected at cost less accumulated depreciation and impairment charges.

Depreciation is provided on a straight-line basis to allocate their cost to their residual values over their estimated useful lives. Computer equipment and computer software are depreciated over three years, motor vehicles and office equipment over five years and furniture over ten years. Building is depreciated over 20 years.

Land is not depreciated.

Property and equipment are tested for impairment at each balance sheet date and if there is any objective evidence that the asset is impaired , the asset is written down to the recoverable amount.

The residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.
Gains and losses on disposals, which are included in operating profit, are determined by comparing the proceeds with the carrying amounts.

2.3 Intangible assets

(a) Computer software
Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. Computer software licence costs are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of three years. All other costs associated with maintaining computer software programmes are recognised as expenses when incurred.

(b) Deferred acquisition costs
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. The company assesses the asset for impairment annually and if there is objective evidence that the asset is impaired, the carrying amount is reduced to a recoverable amount and an impairment loss is recognised in the income statement. Similarly, any reinsurance commissions received are deferred and recognised as income over the term of the reinsurance contract.

2.4. Financial Assets

2.4.1 Classification

The company classifies its investments 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 at fair value through profit and 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 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 short-term deposits and to evaluate them with reference to their fair values.

(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.

2.4.2 Recognition and derecognition

Purchases of investments are recognised on the trade date, which is the date of commitment to purchase the asset. Investments are derecognised when contractual rights to receive cash flows from the assets expire, or where the assets, together with substantially all the risks and rewards of ownership, have been transferred.

2.4.3 Measurement

Financial assets at fair value through profit or loss

Investments are initially measured at the fair value. Transaction costs are expensed in the income statement.

After initial recognition, the company measures the investments as at fair value through profit and loss with changes in the fair values recognised directly in the income statement as gains and losses.

The fair value of quoted investments is their quoted bid prices at the balance sheet date.

For unquoted investments, the company establishes fair values using valuation techniques. These include the use of arms length market transactions, references to another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Loans and receivables

Loans and receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.4.4 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.

2.5 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 income statement.

(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:

(i) significant financial difficulty of the issuer or debtor;
(ii) a breach of contract, such as a default or delinquency in payments;
(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
(iv) the disappearance of an active market for the financial asset because of financial difficulties;
(v) 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 or 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.

2.6 Cash and cash equivalents

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

2.7 Share capital

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

2.8 Recognition and measurement of insurance contracts

The insurance contracts that the company underwrites are classified and described in note 1. The company defines an insurance contract as a contract that transfers significant insurance risk from the insured to the company and effectively entitles the insured to the benefits associated with the contract.

Premiums

Written premiums 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. 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. The unearned premium liability represents the proportion of premiums written in the current year which relate to risks that have not expired by the end of the financial 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.

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

Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Outstanding

claims includes a provision for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the company by that date.

The provision for outstanding claims comprises of the company's estimate of the undiscounted ultimate cost of settling all claims incurred but unpaid at the balance sheet date and related internal and external claims handling expenses. In addition a liability is held for claims incurred but not reported (IBNR) at the balance sheet date. Related anticipated reinsurance recoveries are disclosed separately as assets.

The IBNR calculation is based on statistical analysis of historic experience over a 5 year period taking into account any unusual claims activity in the current year. Based on the results of this analysis, the liability is calculated by using an appropriate percentage of net written premiums.

The directors believe that that the gross provisions for claims and the related reinsurance recoveries represent the best estimate based on currently available information. The ultimate liability may vary depending on the subsequent information pertaining to events up to the balance sheet date, resulting in some adjustment to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately. The methods used to estimate these provisions are reviewed annually.

Liabilities and related assets under liability adequacy test

At each balance sheet date, liability adequacy tests are required to ensure the adequacy of the insurance contract liabilities. Provision is made for unexpired risks where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs.

The provision for unexpired risks is calculated separately by reference to classes of business that are managed together, after taking into account the relevant investment returns.

Reinsurance

The company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential. 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 profit or loss.

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. Claims that are recoverable under such contracts are recognised in the same year as the related claims.

Contractual benefits which the company is entitled to under its reinsurance contracts are recognised as reinsurance assets. These assets consist of short-term balances due from the reinsurers as well as longer-term receivables that may be 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 arise primarily from premiums payable for reinsurance contracts and are recognised as expenses when due.

Insurance receivables

Insurance receivables are recognised when the insurance premiums are due from the policyholders.

These receivables are reviewed for impairment on an annual basis and if there is objective evidence that the receivables are impaired they are written down to the recoverable amount.

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.

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 the measurement of 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 income tax charge for the year comprises of the respective charges for current and deferred income taxes. The combined charge is recognised in the income statement.

Current income tax

Current income tax is computed as the expected tax payable on the company's taxable income for the year, using tax rates that are enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

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. No deferred tax is recognised on initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using applicable tax laws and rates that have been enacted or are substantively enacted as at the balance sheet date, which 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.10 Employee benefits

(a) Pension obligations

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

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

(b) 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.

2.11 Provisions

Provisions are recognised when the company has a present legal or constructive obligation 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.

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

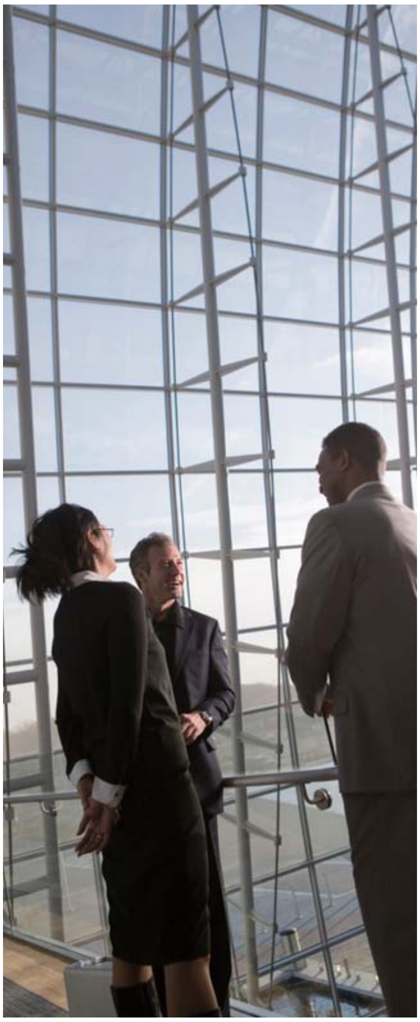
2.12 Revenue recognition

The accounting policy relating to the recognition of revenue from insurance contracts is disclosed as part of note 2.8 above which describes the recognition and measurement of insurance contracts in detail.

Investment income

Investment income comprises of net fair value gains or losses on financial assets held at fair value through profit and loss, as well as dividends and interest on cash and cash equivalents and fixed interest securities. Interest income for all financial instruments measured at fair value through profit or loss and dividends are recognised within investment income in the income statement. Refer to note 18.

Dividends are recognised as income on the last day to register in respect of listed equities 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. Interest on investments is accounted for on the accrual basis using the effective interest method. Realised and unrealised gains and losses on financial assets held at fair value through profit and loss are recognised through income.



2.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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 Investment in associate

An associate is an entity, including a trust, in which an investment is held and over whose financial and operating policies the company is able to exercise significant influence. Investments in private equity trusts in which the company has between 20 and 50% are deemed to be associates.

Interests in associates are accounted for using the equity method of accounting. Equity accounting involves recognising the investment initially at cost. Subsequently the company's share of the associate's profit or loss, including fair value movements accounted for by the associate are recognised in the income statement. The share of movements in other reserves of the associate are accounted for through equity. The carrying amounts of investments in associates are reviewed for impairment on an annual basis.

2.17 Statutory contingency reserve

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

It is disclosed as an appropriation of retained earnings, and is part of the company's equity. This amount cannot be distributed to shareholders.

3. 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 4 and 5 – Management of Insurance and Financial risks for further detail on the estimation of the claims liability.

Valuation of unlisted investments

The unlisted investments which are held indirectly through the associate (private equity trust), other unlisted equity instruments and the property development fund (Futuregrowth) are valued by the private equity investment manager on a discounted cashflow valuation method. This valuation is independently reviewed by an accounting firm. The valuations are also reviewed by management for reasonableness. The use of discounted cash flow analyses involves the estimation of future cash flows based on the best estimates of provided by trust for each underlying investment and a discount rate which is market related at the balance sheet date. Subsequent changes to these estimates would result to changes to fair values. Sasria accounts for its share of the fair value movements as described in 2.16 above.

4. Management of insurance risk

4.1 Exposure to insurance risk

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

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

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

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

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

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

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

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

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

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

4.2 Limiting exposure to insurance risk

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

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

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

4.2.1 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	2009 / 2010	2008 / 2009
	%	%
Engineering	3.01	3.88
Fire	76.51	75.00
Transportation	0.97	0.80
Motor	19.09	19.85
Guarantee	0.42	0.47
Total for all categories	**100.00**	**100.00**

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

Split by type of policyholder	2009 / 2010	2008 / 2009
	%	%
Personal policies	28.34	30.71
Commercial policies	71.66	69.29
Total personal and commercial policies	**100.00**	**100.00**

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

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

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

Split by type of policy	2009 / 2010	2008 / 2009
	%	%
Annual policies	58.60	53.07
Monthly policies	41.40	46.93
Total annual and monthly policies	**100.00**	**100.00**

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

4.2.2 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 an actuarial exercise conducted during 2009 specifically to determine the company's maximum possible loss.

4.3 Concentration of insurance risks

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

4.4 Credit risk on reinsurance contracts

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

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

- Independent credit ratings of all existing and prospective reinsurers are monitored prior to entering into reinsurance transactions.

The table below shows the credit ratings of the company's five largest reinsurers on the quota share programme

As at 31 March 2010

Reinsurer	% of total cover provided	Standard & Poor's rating
Hannover Re of Africa	23.63%	A
Lancashire Insurance	12.59%	A
Swiss Re of Africa	10.99%	A+
Munich Re of Africa	4.83%	A
SCOR Global P & C (France)	4.07%	A

As at 31 March 2009

Reinsurer	% of total cover provided	Standard & Poor's rating
Munich Re of Africa	33.30%	A
Swiss Re of Africa	10.00%	A
Everest	6.67%	AA-
Odyssey Re (France)	8.33%	A-
SCOR Global P & C (France)	6.67%	A-

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

4.5 Claims management

The outstanding claims are monitored on a monthly basis by management. All individual claims with an estimate exceeding R250,000 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 above. The process regarding the claims development is discussed in note 11.

5. 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:

Financial and insurance assets	2010 R'000	2009 R'000
Quoted equity securities	700,602	369,838
Unlisted and unquoted equity securities	31,449	17,929
Total equity securities	**732,051**	**387,767**
Property development fund (unlisted)	149,591	139,795
Money market fund (>3 months)	498,642	-
Government and semi-government bonds	53,669	-
Other bills and bonds (Fixed rate)	745,892	393,579
Total financial assets at fair value through income	**2,179,845**	**921,141**
Insurance receivables	133,808	108,904
Other loans and receivables	41,249	48,566
Total loans and receivables including insurance receivables	**175,057**	**157,470**
Reinsurance assets	90,469	105,246
Cash and cash equivalents	1,052,756	1,792,085
Net insurance claims	**3,498,127**	**2,975,942**

Financial and insurance liabilities	2010 R'000	2009 R'000
Deferred revenue	22,942	18,808
Insurance contracts	292,143	338,654
Trade and other payables	118,040	102,877
Total financial and insurance liabilities	**433,125**	**460,339**

5.1 Market risk

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

Market risk arises due to fluctuations in both the value of financial liabilities and the value of investments held. The management of the company is tasked with the responsibility of managing key market risks to which the company is exposed. Sasria's strategy on the management of investment risk is driven by the investment objective which is one of being a conservative, low risk investment which has different liquidity requirements. The investments market positions are monitored daily by the investment managers and reviewed monthly by the 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

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

5.1.1 Interest rate risk

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

A hypothetical 1% decline or increase in the interest rate relating to interest bearing securities excluding other bills and bonds would result in an increase in profit before tax of R10.53m (2009: R35.84m) or a decrease in profit before tax of R10.53m (2009: R35.84m) respectively.

A hypothetical 1% (2009: 2%) 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 R7.46m (2009:R7.76m) while the decrease would expose the company to the risk of gaining value by R7.46m (2009:R7.76m).

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.

5.1.2 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 2010, 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 R70.1m (2009: 10% R38.8m). 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 March 2010	At March 2009
Quoted investments		
Effect on Profit before tax at 10% (fluctuation)	R70.1m	R38.8m
Effect on Profit before tax at 15% (fluctuation)	R105.1m	R58.2m

5.1.3 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.

5.2 Credit risk

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

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

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

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

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

Analysis of credit quality of the company's financial assets

At 31 March 2010 Financial Assets	AAA R'000	AA R'000	A R'000	BBB R'000	Not rated R'000	Total R'000
Government bonds	53,669	-	-	-	-	53,669
Other bills and bonds	62,920	427,701	164,434	45,889	44,948	745,892
Money market fund	-	357,501	87,256	8,055	45,830	498,642
Property development fund	-	-	-	-	149,591	149,591
Insurance receivables	-	-	-	-	133,808	133,808
Loans and receivables	-	-	-	-	41,249	41,249
Reinsurance contracts	-	-	-	-	90,469	90,469
Cash and cash equivalents	47,249	783,258	171,949	9,061	41,239	1,052,756
	163,838	1,568,460	423,639	63,005	547,134	2,766,076

At 31 March 2009 Financial Assets	AAA R'000	AA R'000	A R'000	BBB R'000	Not rated R'000	Total R'000
Other bills and bonds	116,639	138,096	35,739	44,225	58,880	393,579
Insurance receivables	-	-	-	-	108,904	108,904
Loans and receivables	-	-	-	-	48,566	48,566
Reinsurance contracts	-	105,246	-	-	-	105,246
Cash and cash equivalents	110,221	1,088,015	337,472	-	256,377	1,792,085
	226,860	1,331,357	373,211	44,225	472,727	2,448,380

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

AAA Highest quality with minimal credit risk.
AA Very good quality and is subject to very low credit risk.
A Good quality with a low credit risk although certain conditions can affect the asset adversely than those rated AAA and AA.
BBB Medium quality with moderate credit risk.

Not rated

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

The insurance receivables that are due from policy holders amounting to R133.8 million (2009: R112 million) are not rated.

5.3 Liquidity risk

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

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

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

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

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

As at March 2010

	Within 0 to 3 months R'000	**3 months to 1 year R'000**	**1 to 2 years R'000**	**Total R'000**
Deferred revenue	1,422	10,049	11,471	22,942
Insurance contracts	292,143	-	-	292,143
Trade and other payables	118,040	-	-	118,040
Total	411,605	10,049	11,471	433,125

As at March 2009

	Within 0 to 3 months R'000	**3 months to 1 year R'000**	**1 to 2 years R'000**	**Total R'000**
Deferred revenue	1,166	8,238	9,404	18,808
Insurance contracts	338,654	-	-	338,654
Trade and other payables	102,228	-	-	102,228
Total	442,048	8,238	9,404	459,690

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

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

As at March 2010

	Within 0 to 3 months R'000	3 months to 1 year R'000	1 to 2 years R'000	Total R'000
Held in associate	-	113,320	-	113,320
Financial assets at fair value through profit or loss	-	2,179,845	-	2,179,845
Loans and receivables	41,249	-	-	41,249
Insurance receivables	133,808	-	-	133,808
Reinsurance assets	90,469	-	-	90,469
Cash and cash equivalents	1,052,756	-	-	1,052,756
Total	1,318,282	2,293,165	-	3,611,447

As at March 2009

	Within 0 to 3 months R'000	3 months to 1 year R'000	1 to 2 years R'000	Total R'000
Held in associate	-	140,520	-	140,520
Financial assets at fair value through profit or loss	-	921,141	-	921,141
Loans and receivables	48,566	-	-	48,566
Insurance receivables	108,904	-	-	108,904
Reinsurance assets	105,246	-	-	105,246
Cash and cash equivalents	1,792,085	-	-	1,792,085
Total	2,054,801	1,061,661	-	3,116,462

5.4 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.

5.5 Capital management

The amount of capital the company holds is an important measure used internally and by the market to assess the financial strength of the company and its ability to:

- Fund working capital and strategic requirements; and
- Protect policyholders by ensuring adequate assets are available to meet its obligations

The company defines its capital as share capital, statutory reserves and retained income.

Ordinary share capital in the business is 100 cents (2009: 100 cents).

A reserve in equity is made for the full amount of the contingency reserve as required by the provision of the Short-term Insurance Act of 1998. The reserve is calculated at 10% of net premiums written for short-term insurance policies. Transfers to and from this reserve are treated as appropriations of retained earnings.

In addition to the contingency reserve, there is a solvency margin requirement in terms of the Short-Term Insurance Act which is determined at 15% of net written premium as defined in the Act. Sasria's solvency margin has historically been above the statutory minimum of 15%. The statutory solvency margin is based on the company's capital, excluding intangible assets, prepaid expenses and non-approved reinsurance assets and liabilities.

An independent actuarial review is done on a 3 yearly basis; the last review was performed during July 2008 by Deloitte & Touche to advise on the capital requirements of Sasria Limited. The results of the review suggested that the appropriate level of capacity required amounted to R10 billion.

A decision was taken to maintain an appropriate level capital with the balance of the required capacity being made up of reinsurance.

The company's statutory solvency margin of 704% (2009: 690%) represents shareholders funds expressed as a percentage of net insurance premium revenue.

5.6 Fair value hierarchy

The company adopted the amendments to IFRS 7, effective 1 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value at 31 March 2010.

Asset	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Investment in associate	-	-	113,320	113,320
Total investment in associate	-	-	113,320	113,320
Financial assets designated at fair value through profit and loss:				
- Equity securities - listed	700,602	-	-	700,602
- Equity securities - unlisted	-	22,406	9,043	31,449
- Debt securities	53,669	745,892	-	799,561
- Money market fund	-	498,641	-	498,642
- Property development fund	-	-	149,591	149,591
Total financial assets designated at fair value through profit and loss	700,602	1,319,609	158,634	2,179,845

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

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

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

The following table presents the movements in level 3 instruments for the year ended 31 March 2010 by class of financial instrument.

Asset	Investment in associate R'000	Equity instruments R'000	Property development fund R'000	Total R'000
Opening balance	140,520	2,571	139,795	282,886
Purchases	-	6,300	-	6,300
Disposals	-	-	-	-
Gains and losses recognised in income	(27,200)	172	9,796	(17,232)
Closing balance	113,320	9,043	149,591	271,954
Total gains and losses for the year included in the statement of comprehensive income for assets held at the end of the year	**(27,200)**	**172**	**9,796**	**(17,232)**

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 March 2010
Level 3 investments	
Effect on Profit before tax at 10% (fluctuation)	R27.2m
Effect on Profit before tax at 15% (fluctuation)	R40.8m

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

6. Property, plant and equipment

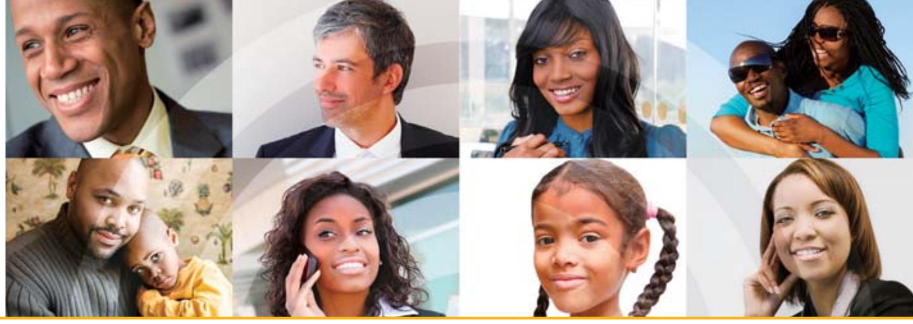
	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Office equipment R'000	*Land and buildings R'000	Total R'000
At 31 March 2009						
Opening net book amount	244	154	86	45	30,737	31,266
Additions	1,511	2,578	-	535	1,793	6,417
Disposals	-	-	-	-	-	-
Depreciation charge	(226)	(206)	(31)	(96)	(1,207)	(1,766**)
Closing net book amount	1,529	2,526	55	484	31,323	35,917
At 31 March 2009						
Cost	4,406	3,237	152	702	32,793	41,290
Accumulated depreciation	(2,877)	(711)	(97)	(218)	(1,470)	(5,373)
Net book amount	1,529	2,526	55	484	31,323	35,917
At 31 March 2010						
Opening net book amount	1,529	2,526	55	484	31,323	35,917
Additions	323	1,411	-	748	2,721	5,203
Disposals	-	(115)	-	-	-	(115)
Depreciation charge	(632)	(250)	(29)	(200)	(1,351)	(2,462**)
Closing net book amount	1,220	3,572	26	1,032	32,693	38,543
At 31 March 2010						
Cost	4,729	4,533	152	1,450	35,514	46,378
Accumulated depreciation	(3,509)	(961)	(126)	(418)	(2,821)	(7,835)
Net book amount	1,220	3,572	26	1,032	32,693	38,543

** Depreciation expense of R 2 462 000 (2009: R1 766 000) has been included in other operating expenses.

* The property is situated in Wierda Valley, 47 Wierda Road West, Sandton. A portion of the property was rented out and rental income of R 1.2 million was earned during the year which is included in other income.

7. Intangible assets including intangible insurance asset

	Deferred acquisition cost R'000	Software development R'000	Total R'000
At 31 March 2009			
Opening net book amount	28,621	4,492	33,113
Additions	-	697	697
Movement in income statement (refer note 20)	3,893	-	3,893
Disposal	-	-	-
Amortisation charge	-	(3,068)	(3,068)
Closing net book amount	32,514	2,121	34,635
At 31 March 2009			
Cost	33,911	9,552	43,463
Accumulated amortisation and impairment	(1,397)	(7,431)	(8,828)
Net book amount	32,514	2,121	34,635
At 31 March 2010			
Opening net book amount	32,514	2,121	34,635
Additions	-	1,543	1,543
Movement in income statement (refer note 20)	7,162	-	7,162
Amortisation charge	-	(1,337)	(1,337)
Closing net book amount	39,676	2,327	42,003
At 31 March 2010			
Cost	41,073	11,095	52,168
Accumulated amortisation and impairment	(1,397)	(8,768)	(10,165)
Net book amount	39,676	2,327	42,003



8. Investment in associate

	At 31 March 2010 R'000	At 31 March 2009 R'000
Cost of investment in Aloecap at beginning of the year (private equity investment trust)	128,617	50,300
40% (2009: 20%) share of cumulative equity accounted earnings at the beginning of the year	11,903	22,500
Subtotal	140,520	72,800
Add: Purchase of 20% additional investment	-	78,317
Subtotal	140,520	151,117
Share of equity accounted loss in current year	(27,200)	(10,597)
Cumulative fair value at end of year	113,320	140,520
Fair value per directors	113,320	140,520

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

	At 31 March 2010 R'000	At 31 March 2009 R'000
Net assets	283,300	351,300
Unrealised gain / (loss)	(58,000)	(23,120)
Income	-	2,252
Expenses	-	950
% Interest held	40%	40%

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

	At 31 March 2010 R'000	At 31 March 2009 R'000
Investment at fair value through profit or loss		
Investment in associate	113,320	140,520
Income statement		
Investment income	(27,200)	(10,597)
Share of loss of associate	(27,200)	(10,597)

9. Financial assets

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

	At 31 March 2010 R'000	At 31 March 2009 R'000
Fair value through profit or loss	2,179,845	921,141
Loans and receivables	41,249	48,566
Total financial assets	2,221,094	969,707

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

Financial assets held at fair value through profit or loss

Equity securities		
- Listed and quoted	700,602	369,838
- Unlisted and unquoted	31,449	17,929
Property development fund		
- Unlisted and unquoted	149,591	139,795
Money market fund	498,642	-
Quoted in an active market		
Debt securities – fixed interest rate:		
- Government and semi-government bonds	53,669	-
- Other bills and bonds	745,892	393,579
Total financial assets at fair value through profit or loss	2,179,845	921,141

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

Loans and receivables

- Loans and receivable	41,249	48,566
Total loans and receivables	41,249	48,566

The above balances are receivable within twelve months. Fair values therefore largely approximate carrying values. Interest accrued of R31.6 million (2009: R45.6 million) is included.

10. Insurance receivables

	At 31 March 2010 R'000	At 31 March 2009 R'000
Profit commission	56,429	42,753
Outstanding premiums	77,379	66,151
Total insurance receivables	133,808	108,904

	Gross	At 31 March 2010 Impairment	Gross	At 31 March 2009 Impairment
The trade receivables due from agents at reporting date was:				
Not past due	72,221	-	54,703	-
Past due	5,158	-	11,448	-
	77,379	-	66,151	-

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.

11. Insurance liabilities and reinsurance assets

	At 31 March 2010 R'000	At 31 March 2009 R'000
Gross		
Outstanding claims	69,792	142,749
Claims incurred but not reported	23,720	33,064
Outstanding claims, including claims incurred but not reported	93,512	175,813
Unearned premiums	198,631	162,841
Total insurance liabilities, gross	292,143	338,654
Recoverable from reinsurers		
Outstanding claims	20,932	42,832
Claims incurred but not reported	9,948	13,562
Outstanding claims, including claims incurred but not reported	30,880	56,394
Unearned premiums	59,589	48,852
Total reinsurers' share of insurance liabilities	90,469	105,246
Net		
Outstanding claims	48,860	99,918
Claims incurred but not reported	13,772	19,502
Outstanding claims, including claims incurred but not reported	62,632	119,419
Unearned premiums	139,042	113,989
Total insurance liabilities, net	201,674	233,408

The gross claims reported loss adjustment expense 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 2010 and March 2009 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 R'000	Reinsurance R'000	Net R'000
At 31 March 2009			
Balance at beginning of the year	178,938	55,891	123,047
Less: claims paid relating to the prior years	(11,074)	(3,322)	(7,752)
Change in prior year estimate	(67,100)	(22,333)	(44,767)
Claims incurred during the year	41,985	12,595	29,390
Claims incurred but not reported	33,064	13,562	19,502
Balance at end of the year	175,813	56,393	119,420
At 31 March 2010			
Balance at beginning of the year	175,813	56,393	119,420
Less: claims paid relating to the prior years	(67,723)	(20,317)	(47,406)
Change in prior year estimate	(107,213)	(35,819)	(71,394)
Claims incurred during the year	68,915	20,675	48,240
Claims incurred but not reported	23,720	9,948	13,772
Balance at end of the year	93,512	30,880	62,632

b) Provision for unearned premiums

	Gross R'000	Reinsurance R'000	Net R'000
At 31 March 2009			
Balance at beginning of the year	142,863	42,859	100,004
Premiums written during the year	661,288	198,386	462,902
Less: Premiums earned during the year	641,311	178,686	462,625
Balance at end of the year	162,840	62,559	100,281
At 31 March 2010			
Balance at beginning of the year	162,840	62,559	100,281
Premiums written during the year	785,548	212,313	573,235
Less: Premiums earned during the year	(749,757)	(215,283)	(534,474)
Balance at end of the year	198,631	59,589	139,042

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

(a) 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.

11.1 Claim provisions

The company's outstanding claims provisions include notified claims as well as incurred but not yet reported claims. Due to the short-tail nature of the business, it is not considered necessary to discount any of the claims provisions.

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 if 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.

11.2 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.

11.3 Changes in assumptions and sensitivity analysis

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

As part of the process of estimating the provision for outstanding claims, the company prepares a sensitivity analysis. The analysis provides an indication of the adequacy of the company's claims estimation process. During the current financial period an analysis was done to determine the sensitivity of profit assuming an additional 25% in outstanding claims including IBNR. The gross impact on profit before tax would be a reduction of R23.38m (2009: R43.95m).
The net impact after reinsurance on profit before tax would be R15.66m (2009: R29.87m).

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% (2009: 8%) on insured values, the increased cost of claims would be to impact the profit before tax with a reduction of R5.6m (2009: R4.9m).

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 utilisation of IBNR decreased in 2009, due mainly to the reversal of claim estimates in the current year. 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 decreased from R19.5 million in 2009 to R13.8 million in 2010.

IBNR – gross claims

Reporting year	31 March 2006 R'000	31 March 2007 R'000	31 March 2008 R'000	31 March 2009 R'000	31 March 2010 R'000
At 31 March 2009					
Claims reported after year-end:					
- One year after year-end	9,920	22,315	22,744	21,862	19,956
- Two years after year-end	8	39	-	-	-
- Greater than three years after year-end	-	-	-	-	-
- Total	9,920	22,354	22,744	21,862	19,956
IBNR provision	21,808	7,917	16,679	33,064	23,873
Utilisation of IBNR	45.49%	281.86%	136.35%	66.12%	83.59%

IBNR – net claims

Reporting year	31 March 2006 R'000	31 March 2007 R'000	31 March 2008 R'000	31 March 2009 R'000	31 March 2010 R'000
At 31 March 2009					
Claims reported after year-end:					
- One year after year-end	5,952	13,389	15,920	15,303	13,969
- Two years after year-end	-	23	-	-	-
- Greater than three years after year-end	-	-	-	-	-
- Total	5,952	13,412	15,920	15,303	13,969
IBNR provision	13,085	4,750	9,466	19,502	13,772
Utilisation of IBNR	45.49%	282.36%	168.00%	78.47%	101.43%

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

12. Cash and cash equivalents

	At 31 March 2010 R'000	At 31 March 2009 R'000
Cash and cash equivalents comprise of		
Short term deposits and cash on call	821,546	1,581,076
Fixed deposits	33,920	255,483
Call account	205,985	147,175
Money market	581,649	1,178,418
Bank and cash balances	231,210	211,009
	1,052,756	1,792,085

The effective interest rate on short-term bank deposits with maturities of less than three months ranges between 5.80% and 9.00% (2009: 6.00% and 8.00%). The effective interest rate on current accounts at the balance sheet date averaged between 5.60% and 8.00% (2009: 10.25% and 8.75%).

13. Share capital

Authorised		
1 ordinary share of 100 cents	-	-
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.

14. Trade and other payables

Trade payables and accrued expenses	40,960	68,496
Amounts due to reinsurers	77,080	33,732
Total	118,040	102,228

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

15. Deferred revenue

Balance at beginning of year	18,808	16,500
Movement in income statement	4,134	2,308
Balance at end of year	22,942	18,808

16. Deferred income 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:

	At 31 March 2010 R'000	At 31 March 2009 R'000
At beginning of year	2,779	26,317
Income statement charge/(credit)	36,356	(23,537)
At end of year	39,135	2,779

The movement in deferred tax assets / (liabilities) during the year is as follows:

	Balance 1 April 2008	(Charged)/ credited to the income statement	Balance 31 March 2009	(Charged)/ credited to the income statement	Balance 31 March 2010
Provisions	(353)	(97)	(450)	2,127	1,677
Operating leases	47	(53)	(6)	6	-
DAC and other intangible assets	(916)	1,593	677	511	1,188
Unrealised appreciation of investments	(25,095)	22,095	(3,000)	(39,000)	(42,000)
Total	(26,317)	23,538	(2,779)	(36,356)	(39,135)

	Year ended 31 March 2010 R'000	Year ended 31 March 2009 R'000
Deferred tax assets	2,865	677
Deferred tax liabilities	(42,000)	(3,456)
Net deferred tax balance	(39,135)	(2,779)

17. Net insurance premium revenue

	Year ended 31 March 2010 R'000	Year ended 31 March 2009 R'000
Insurance contracts		
- Premium written	785,548	661,288
- Change in unearned premium provision	(35,790)	(19,978)
Premium revenue arising from insurance contracts	749,758	641,310
Reinsurance contract		
- Premium ceded	330,990	271,247
- Change in unearned premium provision	(10,737)	(5,993)
Premium revenue ceded to reinsurers	320,253	265,254
Net insurance premium revenue	429,505	376,056

An excess of loss reinsurance cover was purchased for 2010 at a cost of R 94,406,494 (2009: R 72,860,725). There were no events in either 2010 or 2009 that prompted losses of sufficient size to trigger a recovery from these contracts.

18. Investment income

Investment income on cash and cash equivalents:		
- interest income	213,048	263,866
Investment income on financial assets held at fair value through income:		
- dividend income	7,057	18,915
- unrealised net fair value gain / (loss)	139,225	(67,664)
- realised net fair value gains	17,773	7,201
	377,103	222,318

19. Insurance claims and loss adjustment expenses

Investment income on cash and cash equivalents:

Gross		
Claims paid	(87,714)	(61,472)
Movement in outstanding claims and IBNR	82,301	3,146
	(5,413)	(58,326)
Reinsurers share		
Claims paid	26,314	18,442
Movement in outstanding claims and IBNR	(25,514)	502
	800	18,944

20. Expenses for the acquisition of insurance contracts

	Year ended 31 March 2010 R'000	Year ended 31 March 2009 R'000
Gross commission paid	(156,812)	(131,175)
Movement in deferred acquisition cost	7,162	3,893
	(149,650)	(127,282)

21. Profit before tax

Profit before tax includes:		
Amortisation of software development cost	1,337	3,068
Advertising expenses	6,203	1,124
Auditors remuneration	957	723
Audit fees - Statutory audit	760	618
Prior year under provision	197	105
Depreciation	2,462	1,766
Directors fees	1,255	1,350
Investment administration expenses	13,422	8,627
Salaries	28,819	18,722
Social responsibility allocation	10,217	3,640

Sasria Limited embraced the opportunity presented by the 2010 FIFA World Cup in maximizing our brand awareness by purchasing Sasria branded t-shirts to the value of R101 200. A number of 45 t-shirts were given to staff and the remainder to stakeholders.

22. Employee benefit expense

Wages and salaries	13,084	8,408
Bonuses	11,306	7,036
Car allowance	875	776
Pension costs – defined contribution plans	2,734	1,833
Medical aid costs	820	669
	28,819	18,722
Number of employees	41	35

23. Income tax expense

	Year ended 31 March 2010 R'000	Year ended 31 March 2009 R'000
Current taxation		
- Current year normal tax	159,476	154,318
- Prior year adjustment	(7,513)	-
	151,963	154,318
Deferred tax	36,356	(23,537)
	188,319	130,781
Reconciliation of taxation:		
Profit before tax	699,317	483,000
Tax calculated at South African normal taxation rate of 28%	195,809	135,240
Effects of:		
Income not subject to tax :		
- Dividend income	(1,943)	(5,296)
- Other expenses not allowable for tax purposes	1,006	578
- Vat adjustment	960	259
- Prior year adjustment	(7,513)	-
- Tax charge for the period	188,319	130,781
- Effective rate	26,93%	27,07%

24. Related-party transactions and balances

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 2010.

Sasria Limited owns 40% of the Aloecap investment trust and Mr. Gerhardt Matthee (Financial director of Sasria Limited) is the member of the board of trustees; while Aloecap is one of our investment managers.

Ms. Phyllis Mabasa (Managing director of Sasria Limited) and Mr. Gerhardt Matthee are directors of South African Actuaries Development Programme (SAADP) which is part of our social responsibility programme.

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 before secondary tax on companies

No dividends have been paid to the shareholder in the last 4 years.

	Year ended 31 March 2010 R'000	Year ended 31 March 2009 R'000
Purchase of goods and services		
Shareholder, including government departments	991	590

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.

Salaries and other short-term employee benefits	10,988	5,537

There were no existing/outstanding loans.

Year-end balances arising from transactions

There was no year-end balance receivable from related parties

Payables to related parties		
Shareholder, including government departments	164	23,595
Indirect transactions – balance sheet assets at fair value		
Government bonds		
Opening balance	-	13,825
Movement during the year*	53,669	(13,825)
Closing balance	53,669	-

*The movement includes additions, disposals and interest received.

25. Directors emoluments

	Salary/fees R'000	Bonus and retention R'000	Contributions R'000	Car allowance R'000	Total R'000
Non-executive directors					
N.V. Beyers	109	-	-	-	109
C.D. Da Silva	132	-	-	-	132
J.R.K. Du Preez	144	-	-	-	144
A.F. Julies**	96	-	-	-	96
M. Lehutso-Phooko	134	-	-	-	134
B.J. Njenje	24	-	-	-	24
M.C. Ramaphosa	304	-	-	-	304
M.M.T. Ramano	105	-	-	-	105
M.A. Samie	183	-	-	-	183
C.H. Du Toit **	24	-	-	-	24
	1,255	-	-	-	1,255
Executive directors					
P. Mabasa	1,431	2,062	153	64	3,710
G. Matthee	958	1,442	200	66	2,666
	2,389	3,504	353	130	6,376
Executive managers					
C.P. Macheke	696	367	96	63	1,222
T.C. Mahlangu	537	597	79	65	1,278
C.M. Masondo	649	97	79	57	882
N.G. Wabanie	595	801	96	36	1,528
	2,477	1,862	350	221	4,910

** Fees paid to National Treasury.

26. Cash generated from operations

	Year ended 31 March 2010 R'000	Year ended 31 March 2009 R'000
Profit before tax	699,318	483,000
Adjustment for:		
Investment income	(377,103)	(222,318)
Other income	-	(1,752)
Share of loss of associate	27,200	10,597
Depreciation	2,462	1,766
Amortisation of intangible	1,337	3,068
(Decrease)/Increase in net technical provisions	(31,734)	10,357
Operating profit before working capital changes	321,480	284,718
Increase in outstanding premiums	(11,228)	(9,010)
Increase in receivables and prepayments	(6,359)	(13,006)
(Decrease)/Increase in payables	(27,537)	35,069
Increase/(Decrease) in amount due to reinsurers	43,348	(20,219)
	319,704	277,552

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.

27. Capital commitments

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

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ANNUAL REPORT

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