RENASA

INSURANCE COMPANY LIMITED

Annual Report 2012

GROWTH RESTORED

Three South African Trees I
2012

RENASA'S ART

Renasa believes that economic insurance flows from insured clients practising good risk management to preserve their insured assets and insuring for catastrophe, rather than their own mismanagement or misbehaviour.
Preservation of our environment, whether our immediate surroundings or our wonderful country, is central to this philosophy.
Every year, in celebration of this theme, well recognised South African artist, Bruce Backhouse, interprets for Renasa, in his words, '... a different aspect of the rich fabric of our South African legacy, the sculpture of our surroundings'.

RENASA
INSURANCE COMPANY LIMITED

Annual Report 2012

GROWTH RESTORED

RENASA INSURANCE COMPANY LIMITED (“RENASA”) ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

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HIGHLIGHTS - GROWTH RESTORED

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- OFFICES OPENED IN KIMBERLEY, KLERKSDORP & PORT SHEPSTONE
- RATING, CLAIMS AND DATA EXTRACTION DIRECTLY FROM 95% OF INTERMEDIARIES
- ACTUARIAL STRUCTURES DEVELOP IMPROVED RISK SELECTION
- FURTHER REDUCTION ACHIEVED IN CLAIMS COSTS
- UNDERWRITING PERFORMANCE IMPROVED
- OVERHEADS INCREASED 39% FOLLOWING INFRASTRUCTURE DEVELOPMENT
- PROFIT BEFORE TAXATION OF R 6,6 MILLION (2011: R 6,9 MILLION)
- A- RATING REAFFIRMED
- NATIONAL TELEVISION CAMPAIGN RAISED PUBLIC BRAND RECOGNITION
- TREATIES RENEWED FAVOURABLY FOR ROLLING THREE YEAR TERM
- STATUTORY SOLVENCY MARGIN 63,4% (2011: 63,2%)
- CASH COVERAGE RATIO IMPROVED TO 15,7 MONTHS (2011: 13,3 MONTHS)

RENASA'S FOOTPRINT

ALIGNMENT STRATEGY

Motivated by a common purpose

Aligned relationships are those where all links in the insurance distribution chain, that is reinsurers, insurers, distributors and insured customers are motivated by a common purpose.

Renasa has long held that the achievement of sustainable value requires sound relationships with its reinsurers, administration and broking distributors and its insured customers. Renasa believes that maintaining those relationships requires economic insurance products backed by personal service levels and direct access to decision-makers within Renasa.

Renasa's philosophy is that economic insurance premiums and improved profits flow from:

- the selection of clients who insure for catastrophe protection and avoid frivolous claims;
- sound risk management by insured clients;
- the actuarial selection of risks; and
- the achievement of economic claims costs.

The insured customers sought gravitate to distributors of excellence. It is these distributors with whom we seek aligned relationships.

RENASA'S LONG TERM PERFORMANCE

LEGEND

Gross Premiums

Management Expenses

Commission

Claims Incurred

TURNAROUND
2005 AND 2006 FINANCIAL YEARS

1 Shareholding consolidated under new control
2 Head office relocated to Johannesburg
3 Executive management restructured
4 Experienced risk executives engaged
5 Commutation of run-off business
6 Stricter underwriting controls: 60% of top line cancelled
7 Stricter claims control initiated
8 Intense marketing campaign: growth commences
9 UMA's expanded
10 Capital introduced: solvency margin 43%
11 Reinsurance treaties oversubscribed

INFRASTRUCTURE DEVELOPED
2007 AND 2008 FINANCIAL YEARS

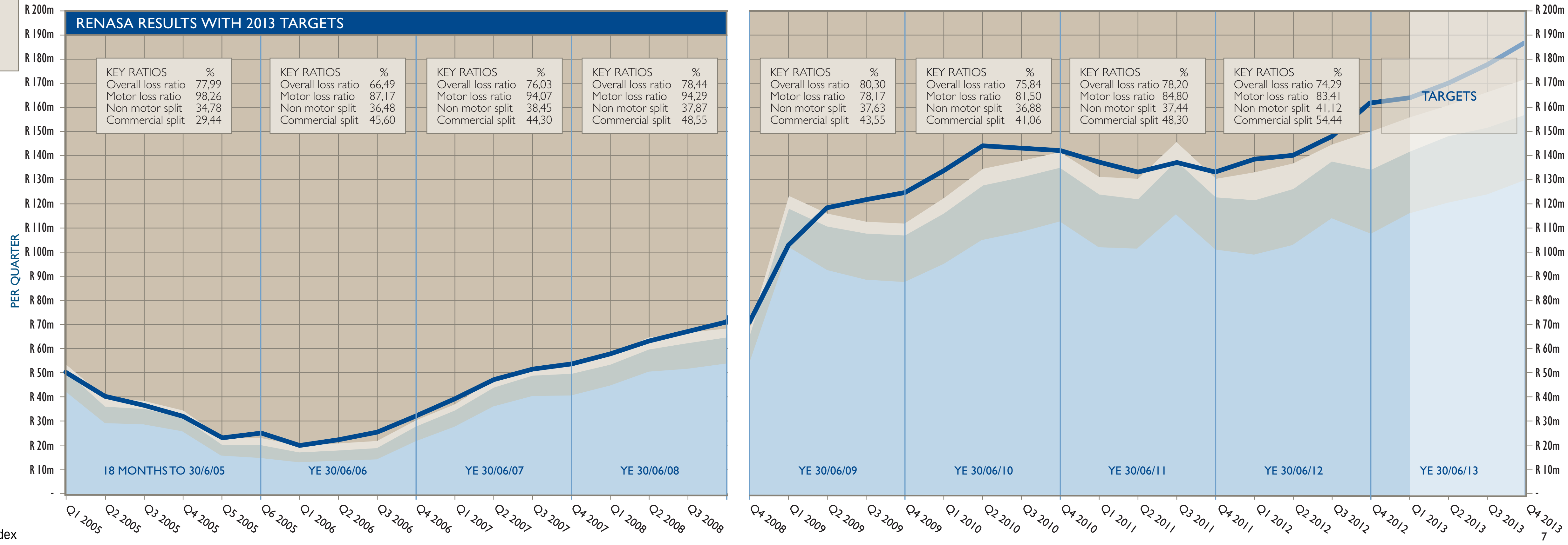
1 Board expanded
2 Intensified marketing: top line more than doubles
3 Intensive corrective action corrects effects of high growth
4 IT infrastructure: rating, admin and claims workflow systems
5 Procurement initiatives control costs
6 First profits generated
7 Three year treaties introduced
8 Capital introduced: solvency margin 51%
9 BBB+ rating
10 Full administration services offered to brokers
11 RITE social responsibility programme reaches 25 000 learners

GROWTH PHASE
2009 AND 2010 FINANCIAL YEARS

1 Intensive marketing: top line more than doubles
2 Underwriting profits increase
3 Three large losses including R 45 million fire claim
4 Intensive IT development: scientific rating and claims control
5 Intensive IT development: 3rd party systems integration + FAIRFIGHT
6 FAIRFIGHT puts intermediaries on equal footing with direct insurers
7 Salvage, assessing and audit initiatives improve claims control
8 Three year treaties renewed
9 Solvency margin 57%
10 A- rating
11 RITE social responsibility programme reaches 55 000 learners

GROWTH RESTORED
2011 AND 2012 FINANCIAL YEAR

1 Loss to a takeover contracts written premium by 3%
2 Marketing team doubled under leadership of Nick Beyers
3 Seven new sales offices opened – national footprint
4 New market reach and A- upgrade sponsors 24,5% growth
5 Annualised premium tops R 662,5 million by June 2012
6 Motor actuary and rating structure improve selection/margin
7 Integrated to all major independent policy/claims systems
8 Procurement process developments drive down claim costs
9 Improved technical performance
10 Rolling Three Year Reinsurance Treaty favourably renewed
11 Solvency Margin to 63,4%; claims cash coverage ratio 16 months



LONG TERM PERFORMANCE

Renasa is positioned to capitalise on expansion

CHAIRMAN'S STATEMENT

During the 2012 financial year, market conditions in Renasa's segment remained highly competitive with larger carriers still targeting market share at almost any price. In this environment, it was Renasa's task to restore the growth trend of the 2009 and 2010 financial years following the interruption in 2011 when premiums contracted.

By expanding its market reach from three to ten operations during 2011 and 2012, Renasa developed a national footprint aimed at resuming premium growth. The first results of this effort are evident in the annualised 2012 year end Gross premium growth of 24,5% (2011: contraction of 5%).

Renasa continued to target commercial classes for the greater margin, commercial business contributing 54,4% (2011: 48,3%) of gross premiums for the year with specialist classes now accounting for 17,5% (2011: 9,7%) of total annualised year end Gross premiums.

Together with the commercial emphasis, continued development of Renasa's underwriting infrastructure yielded improved loss ratios for 2012. Overhead growth generated by the investment in distribution and underwriting operations, however, exceeded the benefits which resulted in a slight fall in Profit before taxation to R 6,6 million (2011: R 6,9 million).

The expansion of Renasa's market reach and underwriting infrastructure positions Renasa as the only insurer with rating, claims and data extraction systems integrated to most policy administration systems used by independent intermediaries. Because these intermediaries distribute roughly one quarter of all insurance products sold in South Africa, Renasa recognises significant opportunity in this market segment. With capacity to spare, Renasa is positioned to capitalise on this opportunity and allow the benefits of scale to improve margins. The financial strength of Renasa with a secure statutory solvency margin of 63,4% (2011: 63,2%) enables Renasa to grow its business significantly in the knowledge that it will continue to be able to meet its commitments.

During the year, Renasa's executive was again complemented with the appointment of Nick Beyers (former CEO of Zurich Insurance Company) and Brian Martin (former Ombudsman for Short-term Insurance) to the board as executive directors. Welcome to you both. I hope that you enjoy your association. Your contribution will be valued.

Finally, it is with pride that I mention the reaffirmation of Renasa's A- rating. It has been responsible for elevating Renasa's access to the leading markets in its sector and is a mark of the tremendous progress which has been made by Renasa from very humble beginnings indeed.

Strategic advantages in place for 2013

Now that the cornerstones of Renasa's development have been laid in the distribution and underwriting infrastructure which has been created, Renasa has reached the point in its advance where scale begins to contribute disproportionally to margin. This, together with Renasa's strategic advantage in the independent intermediated market, present Renasa with an opportunity to improve performance during the 2013 year.

My fellow board members and Renasa's executive to whom I extend my sincere appreciation for their stoic and gallant role during 2012 and the years before are fully committed to meet the challenges outlined above. My thanks also go to Renasa's deserving staff and its reinsurance partners and intermediaries without whose support little would have been achieved.

DON ERIKSSON

Chairman

R.I.T.E.

RENASA INSURANCE TRAINING AND EDUCATION

The groundwork for future learning

RITE, for Renasa Insurance Training and Education (a non-profit company of Renasa's social responsibility programme), is an initiative which aims to uplift society, particularly in underprivileged communities, by contributing to the "Foundation Phase" of education where the groundwork for future learning is set.

With literacy still a national crisis, Renasa aims to make a difference in the quality of education in our country, especially in the Foundation Phase. Over the last 6 years approximately 65 000 learners have benefitted from the Alphaland literacy programme which has been donated by R.I.T.E. to under-privileged schools. We believe that donating a Reader Programme to the Grade 1 classes in these schools is the next step for R.I.T.E.

In the course of distributing the Alphaland programme, R.I.T.E. has met and trained in literary workshops 1500 teachers. During this process R.I.T.E. has learned of the many challenges these teachers face. The two most frequently voiced difficulties are large classes (over 50 children to a class) and a lack of teaching aids. Specifically, R.I.T.E has identified the shortage of "readers" as a principal challenge. To meet this need, R.I.T.E is currently developing a reading programme that consists of three levels starting with Grade 1 readers. During the development, the relevant academic authorities have been consulted to ensure delivery of an effective aid.

Reading is a critical skill in the life of every child no more so when beginning their schooling at age six. Readers are essential in teaching a quality literacy programme. Access to a quality foundation phase education is often taken by many of us for granted. It is the basis of education and R.I.T.E. is thrilled to help in some way to uplift those communities which are underprivileged by improving their access to such a foundation. R.I.T.E. believes that the betterment of education in South Africa is crucial to making it a better place for all and R.I.T.E. is determined to play its part.

R.I.T.E. has over 200 beneficiary schools which have already received the Alphaland programme and to which it would like to make donations of readers. R.I.T.E. aims to donate 100 000 readers and in January 2013, the roll-out of the first phase will begin. The cost of producing the readers is projected to be R500 000 which R.I.T.E. believes to be more than justified by the wonders the project will achieve in sponsoring a better education for disadvantaged communities.

The generous support of Renasa's partners

Renasa is sponsoring the compilation and distribution of the readers through R.I.T.E., which seeks to raise funds to meet the cost of illustration and printing. To date R.I.T.E has raised R150 000 for this purpose through donations from Renasa's business partners. Because Renasa is subsidising the project, all of the funds raised by donation are to be applied to production and printing costs.

Renasa deeply appreciates the generous donations of its business partners to this worthy cause. The donations have made this fantastic and worthwhile project possible. R.I.T.E.'s appreciation also goes to Aon Re, Africa Reinsurance Ltd, Insurance Outsourcing Managers - IOM, The Garrun Group, Munich Reinsurance, Swiss Reinsurance, Labuan Reinsurance, Botha & Sutherland Attorneys and the many others too numerous to mention who have in the past contributed generously.

CHIEF EXECUTIVE OFFICER'S REPORT

SALIENT FEATURES

Invested in growth

After a significant investment in developing Renasa's market reach from three outlets to ten during the 2011 and 2012 financial years, Renasa's gross premium growth trend was restored. However, the burden of a significantly extended infrastructure, both in terms of distribution and underwriting control, lead to a marginal contraction in bottom line earnings notwithstanding an improvement in underwriting performance before overheads. With the investment largely complete and its actuarial approach entrenched, the benefits of scale are expected to contribute in 2013 to improved performance particularly given Renasa's competitive advantage in the independent intermediated market afforded by its advances ahead of the market in the arena of systems integration.

After the 2009 and 2010 growth in Gross premiums of 80% and 20% respectively, the loss to a takeover of a significant book lead to the interruption of Renasa's growth trend and a 3% contraction in Gross premiums in 2011. To address this, Renasa invested heavily in its distribution infrastructure opening seven new outlets during 2011 and 2012 which, while adding growth to 2012 written Gross premiums of only 5,7% (2011: contraction of 3%), contributed to a growth in annualized 2012 year end Gross premiums of 24,5% (2011: contraction of 5%).

At the same time underwriting performance before overheads improved, but not quite sufficiently to offset overhead growth which followed the investment in both distribution and underwriting infrastructure with the result that Profit before taxation fell marginally to R 6,6 million (2011 R 6,9 million). Exhaustion of the tax loss caused Total comprehensive income to fall to R 3,7 million (2011: R 6,1 million).

Renasa continued to concentrate on the more profitable commercial classes which constituted 54,4% (2011: 48,3%) of gross premiums while specialist class premiums grew 56,0% (2011: 16,3%) to account for 17,5% (2011: 9,7%) of total annualised year end Gross premiums.

With infrastructure development all but complete, Renasa is positioned as the only insurer whose rating, claims and data extraction systems are integrated to all widely used policy and claims administration systems while having significant capacity available and little overhead growth associated with further controlled premium growth. This leaves Renasa well poised to exploit its competitive advantage in the market segment serviced by independent intermediaries which amounts to 25% of the national short-term market.

With the aim of higher volumes and to broaden public awareness of Renasa and its offering , Renasa targeted insured clients for the first time in its marketing strategy with the launch of a national television campaign featuring the now familiar characters of Archie and Roger in an animated series.

Poised to exploit competitive advantages

Renasa's Treaties were again renewed on favourable terms with capacity guaranteed for three years, the term of these treaties having been altered from a fixed period of three years to a rolling three year term so that the expiry of Renasa's treaties is never less than two years after each annual renewal date. Munich Re continues as the lead reinsurer and the cession remains unchanged. Renasa ended the year with a statutory solvency margin of 63,4% (2011: 63,2%) and a further improved claims coverage ratio of 15,7 months (2010: 13,3 months). Renasa's A- rating was reaffirmed by Global Credit Rating Co.

Changes to the executive structure during the year include the appointment of Nick Beyers (former CEO of Zurich Insurance Company) to the board together with Brian Martin (former Ombudsman for Short-term Insurance).

Renasa's focus remains the delivery of an unparalleled service to independent intermediaries, commercial lines through personalized service by experienced Service Managers who are mandated to provide quick underwriting decisions and claims authorisations, and personal lines through Renasa's FAIRFIGHT offering. FAIRFIGHT allows independent intermediaries to compete in the personal lines market on equal footing with direct insurers and without overbearing insurer control or change to their systems.

With Renasa's distribution and underwriting infrastructure complete, the prospects of improved loss ratios and little overhead associated with continued growth as the benefits of scale emerge, an improved performance is anticipated for 2013.

CEO'S REPORT

PREMIUM PERFORMANCE – GROWTH TREND RESTORED

After significant growth in gross premiums during 2009 of almost 80% followed by a further 20% during the 2010 year Renasa experienced a contraction of 3% for 2011 following the loss to a takeover of a significant book of business (equivalent to 17% of 2010 annualised year end gross premiums).

Benefits of expansion emerge

In response, Renasa quickly extended its market reach opening three new branches during 2011 followed by a further three during 2012. At the same time, Renasa's Executive Management was bolstered significantly and its marketing team more than doubled in size by the appointment of several seasoned marketers under the leadership of Nick Beyers, previously CEO of Zurich and before that SA Eagle.

During 2012, the benefits of this expansion began to emerge. While gross premiums grew 7,5% (2011: contraction of 3%) to R 585,9 million (2011: R 545,2 million), annualised year end gross premiums grew by 24,5% (2011: contraction of 5%) to R 662,5 million (2011: R 532,4 million) restoring the growth trend interrupted by the 2011 performance.

Furthermore, the recent trend in the composition of Renasa's business which has seen greater concentration in the more profitable commercial classes continued during 2012 with commercial classes contributing 54,4% of gross premiums for the year compared with 48,3% during 2011 and 41,1% in 2010. Again, while this trend is satisfactory, Renasa will continue to pursue both commercial and personal lines given its risk selection capabilities and their likely impact on the future profitability of the personal lines motor class.

Importantly, gross premiums from specialist classes grew 56,0% (2011: 16,3%) to R 75,9 million (2011: R 48,7 million) with annualised year end gross premiums from these classes amounting to R 116,1 million (2011: R 51,9 million) which represents 17,5% (2011: 9,7%) of total annualised year end gross premiums and constitutes specialist classes as an important component of Renasa's offering.

RENASA'S UNIQUE SYSTEMS INFRASTRUCTURE – AN ESSENTIAL TOOL TO CONTROL MOTOR CLASSES IN THE INTERMEDIATED MARKET

A disciplined, scientific approach

To compete proficiently in motor classes which are burdened by an environment of escalating repair costs (exacerbated by modular vehicle design which raises economies of manufacture but also raises the proportion of more costly part replacement at repair time) requires a disciplined and scientifically based strategy. While the need for such a solution in the independent intermediated market (that is the segment of the market where policies and claims are administered on systems not owned by and outside of the direct control of insurers ("independent systems")) is no less pressing, until now it has eluded this market segment which currently represents more than twenty-five per cent of the national insurance market.

To this end the industry is pursuing initiatives to integrate into insurer systems the data captured in such independent systems. Integration is essential to data integrity and a standard of underwriting equivalent to that employed on insurer systems. While these initiatives continue, Renasa has all but completed the task and many of the challenges which followed upon integration. These tasks will only be revealed to Renasa's competitors once they too have achieved integration. Renasa's solution comprises a suite of web-based systems which provide intermediaries with underwriting and claims control tools equivalent to those used by direct insurers while allowing intermediaries to maintain their administrative independence by continuing to operate on their independent systems.

Renasa's systems comprise:

- a web-based rating engine which ensures actuarially determined rates at risk item level;
- a web-based claims work flow control system which limits claims costs by controlling each aspect of the settlement process of claims intimated in independent systems; and
- an "extract, transform and load" (ETL) system which feeds into Renasa's data warehouse;

all of which are integrated to all major independent policy and claims administration systems used by independent intermediaries.

RENASA'S SERVICE OFFERING – WIDE PRODUCT RANGE AND PERSONAL SERVICE BY AUTHORISED INTERMEDIARY SERVICE MANAGERS BACKED BY LEADING EDGE TECHNOLOGY.

Renasa – the broker's best friend

Commercial lines are serviced by Renasa's team of experienced Service Managers who are authorized to place Renasa on cover for most risks and to authorise most claims without reference. Service Managers visit intermediaries regularly or when required and, where business with Renasa is extensive, are based permanently in the intermediary's offices. This ensures an unparalleled, speedy and personal service to intermediaries by an experienced staff. The team which provides this service has been widely expanded during 2011 and 2012 under the leadership of Nick Beyers. All appreciate thoroughly the needs of the intermediated market and are accomplished at service delivery.

FAIRFIGHT – RENASA'S UNIQUE IT CAPABILITY AND THE DRIVE FOR GROWTH

The integration of Renasa's systems with all major independent policy and claims administration systems provides intermediaries with scientific risk selection and systemised claims cost control while administering policies using their chosen system independent of insurer control. Renasa's tools equate to those of direct insurers but preserve intermediary independence and require no change to intermediary systems or operations.

Renasa's systems improve efficiencies in handling personal lines business and particularly the motor class, which positions independent intermediaries to defend the direct insurer onslaught.

Renasa's systems offering is named FAIRFIGHT because it makes the FIGHT by independent intermediaries to defend their books against direct insurers FAIR for the first time.

SPECIALIST CLASSES AND UNDERWRITING MANAGEMENT AGENTS

Currently, eight specialist classes are underwritten by Renasa either through Underwriting Management Agents ("UMA's") who distribute exclusively for Renasa or through dedicated divisions of Renasa. Classes which fall into this category are engineering risks, minibus taxis, heavy commercial vehicles, off-road vehicles, marine risks, pet health insurance, goods in transit risks, performance guarantees and agreed value motor policies. It is Renasa's strategy to continue to grow its portfolio of specialist underwriters to which end Renasa offers underwriters comprehensive support in the establishment and management of their businesses. Most of Renasa's UMA's have been established as greenfields operations.

Together, these services provide independent intermediaries with a personalised and swift commercial lines service delivered by experienced professionals, an advanced solution to motor class performance and a broad range of specialist covers.

Board expanded

EXECUTIVE STRUCTURE

During 2011 Renasa's senior executive was restructured with the appointment, among others, of Nick Beyers, previously of Zurich Insurance Company and SA Eagle, as an Executive Director of Renasa to lead business development and Herman Scheepers, previously Chief Actuary at Alexander Forbes Insurance Company, as General Manager of Risk and Technology. The benefits of Nick's appointment are already evident in Renasa's restored growth trend and Herman is expected to contribute significantly to Renasa's operating margin by improving risk selection.

During 2012 the restructure was completed with the appointment of Brian Martin, the previous Ombudsman for Short-Term Insurance as an Executive Director responsible for the Legal and Compliance Portfolio and the appointment of both Nick Beyers and Brian Martin to the Board.

MARKETING AND BRAND DEVELOPMENT

Renasa's marketing campaign continued to feature Archie Broker and his faithful dog Roger to deliver the message that Renasa is "your best friend in insurance". This message, Renasa's FAIRFIGHT campaign and Renasa's service offering were all frequently publicized in the traditional medium of the three industry journals and now for the first time in an animated national television campaign designed to raise public awareness of the Renasa brand. Web-based advertising, quirky billboards and mobile media complete the lineup.

ALIGNMENT STRATEGY

Sustained relationships in both Renasa's supply and distribution channels remain the core of Renasa's strategy. The preservation of these relationships entails that all parties benefit fairly which requires that their strategies be aligned. Renasa's unique multiple year reinsurance treaties which commit capacity for the medium term is an example of such a relationship.

FINANCIAL REVIEW

The capacity to deliver growth

During 2012 Gross premiums grew by 7,5% (2011: contraction of 3%) to R 585,9 million (2011: R 545,2 million), however, by year end, annualised Gross premiums had grown by 24,5% (2011: contraction of 5%) to R 662,5 million (2011: R 532,4 million) restoring the growth trend interrupted by the 2011 performance.

The gross claims ratio also improved to 74,3% (2011: 78,2%), however, taking into account the claims adjustment in the prior year which related to claims with dates of loss in the 2010 year, the gross claims ratio improved to 75,4% (2011: 76,0%). The higher than expected claims ratio can be attributed to the new business taken on at level terms in an intensely competitive market.

Net commission received as a percentage of gross premiums rose to just short of 2010 levels at 4,1% (2011: 3,9%) again impacted by a 2011 adjustment in respect of 2010 losses. Administration fee income also grew marginally. As a result of the massive expansion over the past two years related directly to the generation of higher premium levels and improved underwriting performance through a national footprint and actuarial pricing developments, Net operating expenses rose by 38,8% (2011: 17,0%). The result was a contraction in Underwriting profit from R 3,4 million to R 2,7 million. This having been said, Renasa's infrastructure has now achieved the required scale to deliver the targeted growth with sufficient capacity to permit only minimal commensurate increases in net operating expenses.

On the back of increased cash holdings, interest income again grew, however, at a slightly more modest 12,5% (2011: 14,6%) so that Profit before taxation fell only marginally to R 6,6 million (2011: R 6,9 million).

With no estimated loss for tax purposes remaining to shield taxation, a full tax charge was incurred to yield Total comprehensive income for the year of R 3,7 million (2011: R 6,1 million) and a Return on average Equity of 7,9% (2011: 13,6%).

REINSURANCE AND FINANCING

Widening market appeal and competitiveness

While it is Renasa's practice to adjust rates annually based on performance and market conditions, Renasa has for many years secured reinsurance capacity from its leading reinsurers in treaties which, uniquely in South Africa, have a duration of three years. At the 2012 renewal, the term of these treaties was altered from a fixed period of three years to a rolling three year term so that the expiry of Renasa's treaties is never less than two years after each annual renewal date. Renasa's reinsurance capacity is, therefore, now secured subject to a minimum notice period of two years. As in the past, this represents an endorsement of reinsurers' view of Renasa and commits to Renasa the capital required to fund its future growth.

During the 2012 year reinsurers' returns benefited from an increase in both margin and volume. For the 2013 treaty year, the cession remains 88,0% on most of the risks.

Renasa's treaties are led by Munich Re with supporting lines from Africa Re, Swiss Re, Santam Re and Hanover Re all of which are "A" rated.

Net Written Premium for the year grew by 16,5% (2011: 0,7%) to R 76,0 million (2011: R 65,2 million). Renasa ended the 2012 year with a statutory solvency margin of 63,4% (2011: 63,2% calculated of the basis used in 2012 and 60,1% calculated on the previous basis – 70,1% on the international basis). With the regulatory removal of contingency reserves, the international basis of solvency determination corresponds and is no longer reported. The claims coverage ratio continued its upward trend increasing to 15,7 months (2011: 13,3 months). All ratios compare favourably with industry averages.

The "A-" rating accorded by Global Credit Rating Company was reaffirmed confirming the strength of Renasa's paper and serving to widen its market appeal and competitiveness.

PROSPECTS

The combination of a significantly enlarged footprint with many more access points to the market, the competitive advantage afforded by Renasa's system integration with all major policy and claims administration systems ahead of the market and Renasa's strengthened management structure, in particular its actuarial component, have positioned Renasa well to exploit the growth opportunity in the independent intermediary market which stands to benefit significantly from scientific underwriting and a personalized service in defending against the direct insurer onslaught. The 20% growth in annualised gross premiums at June 2012 is the first evidence of this opportunity.

The quality of Renasa's paper following its rating upgrade has also afforded Renasa access to more lucrative "high street" broker business from which it was previously excluded.

Furthermore, the progress made in systemised risk selection and claims cost control is expected to bolster Renasa's margin so that, all told, an improved performance is expected in 2013.

APPRECIATION

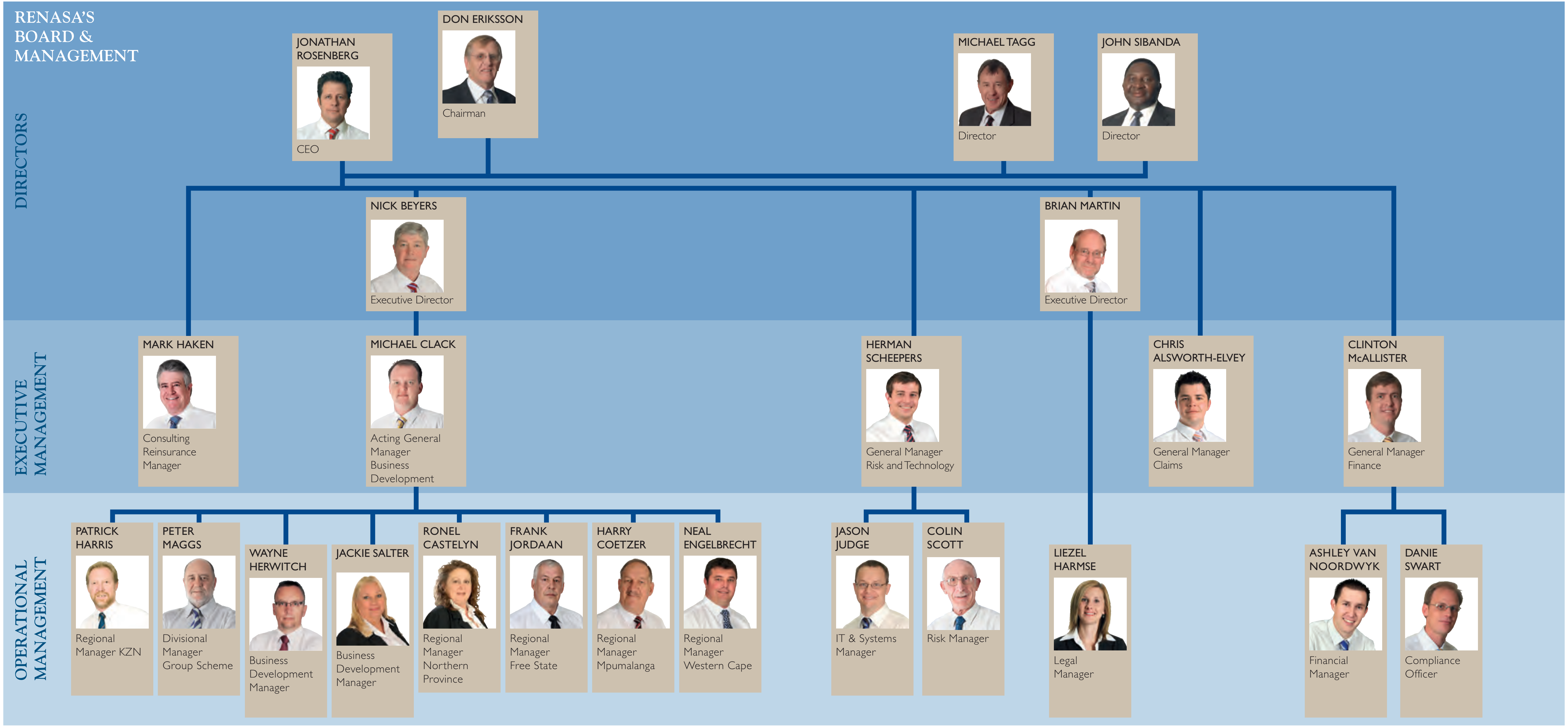
The past year has been particularly challenging given the pressures on reinsurance supplies following several significant catastrophes internationally and subdued economic performance with its attendant increase in competition. As a company, however, I think that we can be grateful for the development of our market reach and infrastructure which has been achieved while improving underwriting performance and maintaining profitability. For this, I thank our executives who have stood firm, our staff for their continued commitment and our board for its guidance. The contribution of our business partners to Renasa's progress can also not be overemphasized nor my appreciation to our reinsurers and intermediaries alike for their contribution.

JONATHAN ROSENBERG
Chief Executive Officer

RENASA'S ART

Berg, bush and beach
2006

Three aspects of South Africa
2007


RENASA'S
BOARD &
MANAGEMENT
DIRECTORS
JONATHAN ROSENBERG
CEO
DON ERIKSSON
Chairman
MICHAEL TAGG
Director
JOHN SIBANDA
Director
NICK BEYERS
Executive Director
BRIAN MARTIN
Executive Director
EXECUTIVE MANAGEMENT
MARK HAKEN
Consulting Reinsurance Manager
MICHAEL CLACK
Acting General Manager Business Development
HERMAN SCHEEPERS
General Manager Risk and Technology
CHRIS ALSWORTH-ELVEY
General Manager Claims
CLINTON McALLISTER
General Manager Finance
OPERATIONAL MANAGEMENT
PATRICK HARRIS
Regional Manager KZN
PETER MAGGS
Divisional Manager Group Scheme
WAYNE HERWITCH
Business Development Manager
JACKIE SALTER
Business Development Manager
RONEL CASTELYN
Regional Manager Northern Province
FRANK JORDAAN
Regional Manager Free State
HARRY COETZER
Regional Manager Mpumalanga
NEAL ENGELBRECHT
Regional Manager Western Cape
JASON JUDGE
IT & Systems Manager
COLIN SCOTT
Risk Manager
LIEZEL HARMSE
Legal Manager
ASHLEY VAN NOORDWYK
Financial Manager
DANIE SWART
Compliance Officer

RENASA'S DIRECTORS

DON ERIKSSON

C.A. (S.A.)

Chairman, Independent Non-Executive Director, Chairman Audit Committee, Chairman Remuneration Committee

Don Eriksson held several senior positions with Price Waterhouse Coopers until 1990 when he joined Commercial Union. He is currently the Chairperson of General Accident Insurance Company and a non-executive director of a number of other companies. He has also held several appointments with the Institute of Directors.

JONATHAN ROSENBERG

B.Acc, M.Comm, C.A. (S.A.)

CEO

In 1980 Jonathan became a broking member of the JSE where he remained a member for most of the 1980's gaining extensive investment and corporate finance experience. From the late 1980's until he joined Renasa in 2003, he gained varied experience in investment and fund management and as the Financial Director of a listed company.

NICK BEYERS

ACII A.M.P (Harvard)

Executive Director

Nick began his career with Royal Insurance Company (now M & F) in 1969. From 1971 Nick had a distinguished career with SA Eagle rising from claims superintendant to CEO in 1998 which post he held until he retired in 2009. Nick has a wealth of experience, is well known throughout the industry and above all is liked and trusted.

BRIAN MARTIN

BA LLB (Wits)

Executive Director

After serving articles with Deneys Reitz Brian was admitted as an attorney and for 27 years practiced law at various firms specialising in insurance law. While a director of Savage Jooste and Adams, he was elected to be the Ombudsman for Short-term Insurance which he served as for 5 years before joining Renasa in 2011.

MICHAEL TAGG

B.Sc (Hons)

Independent Non-Executive Director, Member Audit Committee, Member Remuneration Committee

After holding a senior position in the Gold Division of Gold Fields of South Africa since 1988, Michael became the Chairman of a number of listed gold mines and other companies within the Group. He also served on the board of Commercial Union.

JOHN LINDA SIBANDA

F.I.I.S.A., F.C.I.B.M., F.C.I.S.

Independent Non-executive Director, Member Audit Committee, Member Remuneration Committee

Having commenced his insurance career with Liberty Life in 1974, John joined Commercial Union in 1980. John remained there until 2000 when he was a member of the executive management. Since 2001 John has been a risk management consultant. John has earned several international scholarships.

RENASA'S EXECUTIVE MANAGEMENT

MARK HAKEN

F.C.I.I., F.I.I.S.A.

Consulting Reinsurance Manager

Mark Haken has been involved in the insurance industry for over 30 years in which time he has held several senior and board positions. His last corporate position was CEO of Aon's sub-Saharan business where he sat on 13 boards including chairing both the Aon Risk Services South Africa and Aon Re boards. Mark has also been intimately involved with industry bodies serving inter alia on the boards of the SAIA and IISA, has been an examiner for the IISA and was chairman of The South African Pool for the Insurance of Nuclear Risks.

MICHAEL CLACK

Acting General Manager Business Development

After commencing his insurance career with a Lloyds underwriter, from 1992 Michael gained wide experience with several underwriters. In 2003 he joined an administrator as an accounts manager. Since 2006, when he joined Renasa, Michael has risen through the ranks to become the leading operations manager at Renasa and is well qualified for his current position.

HERMAN SCHEEPERS

B.Comm Insurance, B.Comm (Hons) Actuarial Science and Mathematical Statistics

General Manager Risk and Technology

Herman began his short-term insurance career in 2003 with Alexander Forbes Insurance Company where he became the Executive Manager of Underwriting in 2006 and a board member in 2008. He joined Renasa in 2011 bringing extensive expertise in risk rating, re-insurance treaty management and insurance systems.

CHRIS ALSWORTH-ELVEY

BA, LLB

General Manager Claims and Legal

Before joining Renasa in 2006, Chris practised as an attorney for 3 years at Weavind & Weavind Incorporated specialising in insurance law. This exposure culminated in him joining the Firstrand Group in the employ of Outsurance. Chris' main focus at Renasa is to implement both procedures and systems which are aimed at reducing claims costs and effectively managing suppliers.

CLINTON McALLISTER

B.Compt.

General Manager Finance, Company Secretary and Public Officer

Clinton has experience in both accounting and general management. Since joining Renasa in 2002, Clinton has participated at all levels of Renasa's management including the board and its sub-committees. Clinton has valuable experience in dealing with regulators, reinsurance brokers and other Renasa partners.

RENASA'S OPERATIONAL MANAGEMENT

PETER MAGGS
CIM (Henley University)
Divisional Manager Group Scheme

Peter has been in the industry for more than 30 years and is widely known within the market. He has worked for Mutual and Federal, NEG and SA Eagle and has managed his own underwriting company. He brings a wealth of experience to Renasa in all aspects of the business.

PATRICK HARRIS
B.Comm, DII
Regional Manager KZN

Patrick has extensive short term insurance experience, first with East Africa Maritime and Truck and General Underwriting Agency. Before joining Renasa, Patrick was National Claims Manager at BoE Insurance Company where he was awarded the Candidate of the Year for his results in the Higher Certificate in Insurance Studies.

WAYNE HERWITCH
ISIBS
Business Development Manager

Wayne joined Renasa during 2012 after a 22 year career in short-term insurance 17 years of which were spent marketing commercial lines to intermediaries. During his career Wayne has held varied positions in addition to commercial marketing including personal lines sales and the marketing of specialist classes. Wayne has been employed by Mutual and Federal, Standard and General and Lion of Africa among others.

JACQUELINE (JACKIE) SALTER
AIISA, CIM (Henley University)
Business Development Manager

Since emigrating from Zimbabwe, Jackie has worked for more than 35 years in the short-term insurance industry. She has extensive knowledge in both commercial and personal lines, having worked for brokers and insurance companies during her career. She joined Renasa in May 2011 after more than 22 years at Zurich.

RONEL CASTELYN
HCII
Regional Manager Northern Province

Ronel joined Renasa in 2011 after a 32 year career in short-term insurance during which she held various positions in underwriting, claims and marketing for Sentraboer, Santam IGI and SA Eagle/Zurich. She has extensive experience and in-depth knowledge of underwriting, risk management, surveys and claims.

RENASA'S OPERATIONAL MANAGEMENT
(continued)

FRANK JORDAAN
Regional Manager Free State

Frank started his career in the industry in 1975 at Santam. In 1982 he joined SA Eagle as claims manager East Rand. In 2003 he became Area Sales Manager Free State and Northern Cape where he managed all classes of business underwritten by Zurich. After 28 years with Zurich, in 2010, Frank joined the Renasa team where he remains committed to high service levels and strong relationships.

HARRY COETZER
Regional Manager Mpumalanga

Harry started his insurance career with Sentrakas as a motor underwriter in 1964. In May 1988 he joined S A Eagle in Nelspruit as Claims Manager after which he held various positions with Zurich until 2010 when he was Zurich's Nelspruit Branch manager. Harry joined Renasa as Regional Manager Mpumalanga in December 2010.

NEAL ENGELBRECHT
Regional Manager Western Cape

Neal entered the insurance industry in 1997 and has held various positions at major insurers in South Africa and Namibia. Whilst working as a broker, he served as a Business Development Manager on commercial accounts in the Western Cape region and as Branch Manager in Cape Town, gaining valuable knowledge of the underwriting and placement of national and global accounts. Neal joined Renasa in 2011.

JASON JUDGE
B.Sc (Hons)
Manager IT and Systems

Jason started his career as an IT consultant with Arthur Andersen and then for JP Morgan Investment Bank. He joined Renasa in 2009 and now manages Renasa's technology department.

RENASA'S OPERATIONAL MANAGEMENT
(continued)

COLIN SCOTT
F.I.I.S.A.
Risk Manager
Colin began his insurance career with Royal Insurance Company (now M&F) and remained there for 32 years until his retirement. After assisting SA Eagle and a term with administrators/UMAs Colin joined Renasa in 2006 and has had responsibility for its risk desk since 2007. Colin is highly skilled in the underwriting and acceptance of commercial risks.

LIEZEL HARMSE
LLB
Legal Manager
On completion of her law degree and articles in 2008 Liezel was employed by Regent Insurance Company as a legal advisor until she joined Renasa in 2009. Since then she has acted as Claims Legal Manager and more recently as a general Legal Manager.

ASHLEY VAN NOORDWYK
B.Comm. (Accounting Science) B.Compt. (Hons) CA(SA)
Financial Manager
Before joining Renasa in 2011, Ashley earned valuable financial experience as an audit manager at Mazars with 3 years auditing experience.

DANIE SWART
B.Comm
Compliance Officer
Danie was appointed Compliance Officer at Renasa during 2003 and later assumed responsibility for its internal audit function. Through his financial services experience Danie is well versed with compliance procedures and Renasa's regulatory environment. He is a member od the South African Insurance Association Legal and Compliance Committee and the Compliance Institute of South Africa.

RENASA'S ART

32 South Africans
2008

Three large herds
2009

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

CONTENTS

CORPORATE GOVERNANCE

for the year ended 30 June 2012

CORPORATE GOVERNANCE

APPLICATION OF GOVERNANCE

As a public company, Renasa Insurance Company Limited ("the Company" or "Renasa") subscribes to the principles established in the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance in South Africa ("the King Report"). Renasa is committed to provide its stake-holders with the assurance that it is being managed ethically and in compliance with best practices.

GOVERNANCE STRUCTURES

The Board of Directors

Constitution and Responsibilities of the Board

The board of directors, which is chaired by an independent non-executive director, comprises three independent non-executive directors and three directors who perform executive functions. The directors are all of a calibre and possess the experience and skills required to effectively direct the management of a short-term insurer such as Renasa. The board is well equipped to review and assess the strategy and performance of the Company and the various non-financial issues associated with its good governance.

The board comprises individuals of varied skills, experience and background who are together equipped to perform their function in the judicious manner preferred by the Company. The names and credentials of the directors appear on page 24.

The function of the board is to:

- give strategic direction to the Company;
- maintain effective control over the Company;
- monitor management;
- implement board plans and strategies;

- ensure that the Company complies with all relevant laws, regulations and codes of business practice;
- consider non-financial aspects of the Company's business;
- identify key risk areas; and
- determine the Company's investment strategy.

The board records the basis upon which it concludes that the Company will continue as a going concern for the ensuing financial year.

Board Meetings

The board meets at least quarterly and on any other occasion that circumstances dictate.

Committees of the board meet at least on a semi-annual basis and, likewise, whenever else circumstances dictate. Directors and committee members alike are comprehensively briefed in advance of such meetings permitting them to consider and pass judgement on all relevant matters in a professional and responsible manner. Meetings follow a formal agenda ensuring all necessary matters are fully addressed.

The performance of executive directors is monitored and assessed by the Remuneration Committee.

The Company's General Manager of Finance is the appointed secretary and fulfills the necessary statutory duties.

Board Committees

The Audit, Risk and Compliance Committee

Renasa's Audit, Risk and Compliance Committee is mandated by a charter issued by the board. The committee comprises three independent non-executive directors. The external auditors and head of internal audit have direct access to the committee. The committee meets at least semi-annually:

- to review the adequacy of financial records;

- to review the appropriateness of accounting records;
- to review the adequacy of the internal control procedures; and
- to confirm that the going concern premise is appropriate.

The Remuneration Committee

The Remuneration Committee is subject to the direction and control of the board. The committee comprises three non-executive directors. The purpose of the committee is to ensure that the Company's executive directors and senior management are fairly rewarded for their individual contribution to the Company's performance. The committee also addresses matters of policy relating to terms of employment thereby ensuring that the Company is able to suitably motivate and retain the executives required to manage the Company.

Executive Committee

The Executive Committee comprises the Chief Executive Officer and the Company's General Managers of Finance, Risk and Technology, Claims, Legal and Compliance and Business Development. Its purpose is to discharge the obligations of the board on a daily basis. The Executive Committee meets at least three times each week. Each meeting is focused on a specific division of the Company. The Executive Committee is responsible for the following functions:

Finance, Reporting and Compliance

These functions include the technical reporting of underwriting results, financial, taxation, regulatory compliance and secretarial administration of the Company as well as responsibility for internal control;

Treasury and Investment

These functions include the management of cash flows, the assessment of investment opportunities and the placing of funds available for investment in accordance with the mandates stipulated by the board and the Short-Term Insurance Act, 1998;

Underwriting and Reinsurance

These functions include:

- management of the rating of all risks; and
- the placing and administration of reinsurance treaties and the placing of facultative reinsurance;

Information Systems

This function entails the development and operation of the Company's information and management systems including the Company's IT infrastructure;

Claims Management and Procurement

This function includes:

- management of claims settlements; and
- management of all procurement functions engaged in the settlement of claims;

Legal and Compliance

This function includes:

- monitoring of the Company's compliance with all relevant statutes and codes;
- conclusion of all contracts entered into by the Company; and
- management of all contested claims and third party recoveries;

Business Development

This function entails the marketing of the Company, the determination and securing of premium income targets and the management of all delegations of authority;

Human Resources

This function entails the determination and management of the Company's executive structure and the establishment and implementation of employment policies.

RISK MANAGEMENT AND INTERNAL CONTROL

The responsibility for the total risk management process rests with the board as does the obligation to assess the effectiveness of the process. The implementation, monitoring and integration of the process into the Company's daily activities are management's responsibility.

An effective process for the identification, evaluation and management of risk has been implemented by the Company. The process is ongoing and is consistently reviewed for its effectiveness in identifying unacceptable exposures and initiating actions to limit exposure to acceptable levels.

The Company's structure requires that operating divisions report to the General Manager Business Development in respect of all matters including Underwriting while matters concerning Claims Settlement fall to the responsibility of the General Manager Claims. Motor rating falls under the responsibility of the General Manager Risk and Technology as does the risk department. The Internal Audit resource, which conducts monthly assessments of exposure in addition to other regular functions, is managed by the General Manager: Finance but has direct access to the Chief Executive Officer and the Audit, Risk and Compliance Committee. All General Managers report directly to the Chief Executive Officer.

This reporting structure is integral to the Company's risk management procedures and key to the identification of internal control lapses and risk exposures in due time through ongoing monthly review by General Managers of the following:

- regular reports by functional business unit of key information including premium levels and loss ratios;
- the Company's risk exposures by class of business and location to ensure adequacy of reinsurance catastrophe cover;
- interest rate and foreign exchange exposure;

- the Company's data warehouse to ensure that no risks are on cover which exceed the mandates delegated to the relevant outsource partners
- systemised data reviews to prevent outsource partners to whom policy issuing authority has been granted from inadvertently exceeding those authorities; and
- each division's performance based on detailed management accounts and comprehensive supporting technical accounts which record, by book of business, the underwriting performance of the relevant division.

These procedures have brought to light no significant internal control lapses.

The division of responsibility described above allows performance measurement, financial control and risk management associated with underlying operations to be assessed and exercised in an independent manner.

Due diligence investigations in respect of all book transfers to the Company are performed. All delegations of authority in respect of significant books of business are subject to term agreements. All other arrangements are subject to agency agreements. Authority limits are included in all delegations of authority to limit the Company's exposures to the appropriate levels. Shortcomings which are discovered during due diligence investigations are addressed by appropriate corrective action.

The risk assessment structures employed by the Company seek to apply uniform standards and efficient forms of communication so that reporting accuracy, early identification of shortcomings and containment of exposures can be achieved.

The Executive Committee reviews risk management and internal control outcomes on a frequent and ongoing basis taking expedient action to limit exposures when appropriate.

The Company's risk assessment procedures address human resource risk, operational risks, compliance risks, business continuity risks, technology risks and market risks.

Weaknesses and failings are addressed at board meetings and Audit, Risk and Compliance Committee meetings.

INTERNAL AUDIT

Internal audit procedures are performed as part of the Company's reporting system described above. The focus of internal audit is on key exposures and the performance of the Company's distributors, i.e. intermediaries, and review procedures follow standard programs. The Company's internal auditor reports to the General Manager Finance but has direct access to the Chief Executive Officer and the Audit Committee.

SUSTAINABILITY REPORTING

Social Responsibilities

Renasa's social responsibility commitment has two objectives:

- the promotion within Renasa of the "family" concept in terms of which the Company strives to ensure the general welfare of all employed at Renasa; and
- the promotion externally of selected and deserving projects in which the aim of empowering previously disadvantaged groups with knowledge transfer is the key objective.

In terms of Renasa's external social responsibility, attention is drawn to the Renasa Insurance Training and Education (RITE) initiative described more fully on page 10 of this Annual Report in terms of which Renasa has sponsored the distribution of free education material designed to assist schools in underprivi-leged communities to raise the level of literacy. Having reached approximately 65 000 learners to date, Renasa's objective is to provide further teaching aids to the beneficiary schools over the forthcoming year.

Transformation Responsibilities

Renasa acknowledges the importance of its employees and their loyalty and effectiveness to the Company's ultimate success. Renasa also recognises the limitations which have prevented previously disadvantaged groups from realising their full potential. The appointment and promotion of suitably qualified members of these groups is, accordingly, a commitment of the Company.

Employee participation through improved communication and direct access by all employees to the Chief Executive Officer, particularly in matters of common concern, is addressed in an active policy which also encourages self-development, the promotion of equal opportunity and the elimination of discrimination. Recommendations by Renasa's employees which are for the good of the Company and its stakeholders are encouraged. Renasa further strives to raise discrimination awareness and makes available, as required, The Employment Equity Act (Act 75 of 1997) and summaries thereof as well as its manual of employment policies, practices and procedures to ensure that there are no barriers to employment equity.

The relevant Employment Equity returns are completed and furnished to the Department of Labour to ensure that Renasa's Employment Equity objectives are met.

The Company continues to encourage designated groups. As at 30 June 2012 64% (2011 : 60%) of the total staff complement were from historically designated groups.

Self development and the promotion of equal opportunity are advanced by Renasa in formal training programmes.

Code of Ethics

Renasa's philosophy of striving for and maintaining the highest standards dictates that all its employees must adhere to the highest ethical standards and behave in an honest way and with high integrity in all their dealings both within and without the Company.

ACCOUNTING AND AUDIT

External auditors are responsible for reporting on whether the financial statements are fairly presented and in conformity with International Financial

CORPORATE GOVERNANCE
for the year ended 30 June 2012 (continued)

Reporting Standards. The external auditors offer reasonable, but not absolute, assurance on the fair presentation of financial disclosure.

Consultation occurs between the external auditors and the Audit, Risk and Compliance Committee regarding the efficiency of the audit process.

Responsibility for the adequacy of the accounting records, the effectiveness of risk management and the Company's internal control structures, the appropriateness of accounting policies and the consistency of estimates rests with the board. The preparation of the annual financial statements, adherence to applicable accounting standards and the presentation of information that fairly presents the state of affairs and the results of the Company are also the board's responsibility.

RELATIONS WITH SHARE OWNERS

The board acknowledges its responsibility to communicate a balanced and understandable assessment of the Company's position to its stakeholders covering both financial and non-financial information and addressing material matters of significant interest and concern.

IMPLEMENTATION OF GOVERNANCE CODES

The board, its committees, individual directors, officers and senior management of the Company acknowledge their responsibility to ensure that the principles set out in the King Code are observed.

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS *for the year ended 30 June 2012*

RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The financial statements presented on pages 50 to 82 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and include amounts based on judgments and estimates made by management. The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Company will not be a going concern in the foreseeable future based on forecasts and available cash resources.

INTERNAL CONTROLS AND RISK MANAGEMENT

The directors are responsible for the systems of internal control. These are designed to provide reasonable, although not absolute, assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

CORPORATE GOVERNANCE

The directors endorse the Code of Corporate Practices and Conduct as set out in the King III Report issued during September 2009. By supporting the code, the directors recognise the need to conduct the affairs of the Company with integrity and accountability.

BOARD OF DIRECTORS

Names of the executive and non executive directors are shown on page 47 of

FINANCIAL STATEMENTS

this report. The board of directors meets at least on a quarterly basis to monitor the Company's performance as well as to set strategy and policy for the Company.

AUDIT COMMITTEE

The primary function of the Audit Committee is to assist the board of directors in overseeing that the Company's management maintain adequate systems of internal control and the integrity of the Company's financial statements and processes to ensure compliance by the Company with all applicable legal and regulatory requirements and Company policy. In addition, the Audit Committee shall maintain an effective, open avenue of communication between the independent auditors, senior management and the board of directors.

The members of the Committee are:

DG Eriksson (*Chairman*)
JL Sibanda
MJ Tagg

REMUNERATION COMMITTEE

The Company has a remuneration committee that regularly reviews and determines the remuneration packages of senior management. The committee also reviews the broad terms and conditions of service of all staff to ensure that these are fair and competitive. The members of the committee are:

DG Eriksson (*Chairman*)
JL Sibanda
MJ Tagg

EMPLOYMENT EQUITY

The Company has adopted a policy of employment equity based on the principles contained in current labour legislation.

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS *for the year ended 30 June 2012* (continued)

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements appearing on pages 50 to 82 were approved by the board of directors on 25 September 2012 and are signed on its behalf by:

DG Eriksson
Chairman

JB Rosenberg
Chief Executive Officer

CERTIFICATION BY COMPANY SECRETARY

In terms of S88(e) of the Companies Act of South Africa, I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies for the year ended 30 June 2012 all such returns as are required by the Companies Act.

CT McAllister
Company Secretary
25 September 2012

AUDIT COMMITTEE REPORT
for the year ended 30 June 2012

The committee is pleased to present its report for the financial year ended 30 June 2012 as recommended by the King III Report on Corporate Governance ("King III") and in line with the Companies Act ("the Act").

The committee's operation is guided by a formal detailed charter that is in line with the Act and is approved by the board as and when it is amended. The committee has discharged all its responsibilities as contained in the charter.

OBJECTIVE AND SCOPE

The overall objectives of the committee are:

- to assist the board in discharging its duties relating to the safeguarding of assets and the operation of adequate systems and controls;
- the control of reporting processes and the preparation of accurate reporting of the financial statements in compliance with the applicable legal requirements and accounting standards;
- to provide a forum for discussing the business risk and control issues and developing recommendations for consideration by the board;
- to oversee the activities of internal and external audit; and
- to perform duties that are attributed to it by the Act and King III.

The committee performed the following activities:

- it received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- it reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed;
- it made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of the audit findings;

- it considered the independence and objectivity of the external auditors and ensured that the scope for their additional services provided was not such that they could be seen to have impaired their independence;
- it reviewed and recommended for adoption by the board such financial information as is publicly disclosed in the annual report for the year ended 30 June 2012; and
- it considered the effectiveness of internal audit.

The audit committee is of the opinion that the objectives of the committee were met during the year under review.

Where weaknesses in specific controls had been identified, management undertook to implement appropriate corrective actions to mitigate the weaknesses identified.

MEMBERSHIP

During the course of the year, the membership of the committee comprised solely of independent non-executive directors.

They are:

DG Eriksson (Chairman)
JL Sibanda
MJ Tagg

EXTERNAL AUDIT

The committee has satisfied itself through enquiry that the auditor of Renasa Insurance Company Limited is independent as defined by the Act.

The committee, in consultation with executive management, agreed to an audit fee for the 2012 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 11 to the financial statements.

There is a formal procedure that governs the process whereby the external

auditor is considered for the provision of non-audit services and each engagement letter for such work is reviewed by the committee in advance.

Meetings were held with the auditor where management was not present, and no matters of concern were raised.

The committee has reviewed the performance of the external auditors and nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2013 financial year, and Mr Jan van Staden as the designated auditor. This will be his second year as auditor of the Company.

ANNUAL FINANCIAL STATEMENTS

The audit committee has evaluated the annual report for the year ended 30 June 2012 and considers that it complies, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The committee has therefore recommended the annual financial statements as set out on pages 50 to 82 for approval by the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

Chairman of the audit committee
25 September 2012

FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the year ended 30 June 2012

The directors present their report, which forms part of the financial statements of the Company, for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company is the underwriting of short-term insurance.

FINANCIAL RESULTS

The financial results of the Company are set out in the annual financial statements and accompanying notes. The Company recorded a net profit of R 3 666 376 (2011: R 6 051 885) for the period under review. The Company is expected to report a profit for the forthcoming financial year and is considered to be a going concern.

DIVIDENDS

Dividends in the sum of R 2 453 346 were declared or paid during the period (2011: R 3 736 981) made up as R 2 453 346 (2011: R 2 953 306) in respect of preference share dividends and R nil (2011: R 783 676) in respect of ordinary share dividends.

SHARE CAPITAL

The issued share capital remained unchanged during the period which is illustrated in the statement of changes in equity. An aggregate number of 5 shares were held by directors at year end.

EVENTS AFTER REPORTING PERIOD

Subsequent to the year end there has been no material fact or circumstance that will have a material adverse effect on the Company's financial position.

SOLVENCY

The solvency ratio as calculated in terms of the annual financial statements at year end is 61,8% (2011: 60,1%).

DIRECTORS' REPORT

for the year ended 30 June 2012 (continued)

DIRECTORS

During the year under review MJ Haken resigned as a director (30 September 2011) and NV Beyers and EB Martin were appointed to the board. At the date of this report the directors of the Company are as follows:

DG Eriksson (*Independent non-executive Chairman*)
JB Rosenberg (*Chief Executive Officer*)
NV Beyers (*Executive*) (appointed 30 September 2011)
EB Martin (Executive) (appointed 12 January 2012)
JL Sibanda (*Independent non-executive*)
MJ Tagg (*Independent non-executive*)

COMPANY SECRETARY

The secretary of the Company is CT McAllister.

REGISTERED OFFICE:

Renasa House
170 Oxford Road
Melrose
2196

POSTAL ADDRESS:

PO Box 412072
Craighall
2024

AUDITORS

Deloitte & Touche

HOLDING COMPANY

The Company is a wholly-owned subsidiary of Renasa Holdings Proprietary Limited, a company incorporated in the Republic of South Africa.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2012

REPORT TO THE MEMBERS OF RENASA INSURANCE COMPANY LIMITED

We have audited the financial statements of Renasa Insurance Company Limited set out on pages 50 to 82, which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual 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 whether the annual 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 judgment, 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 controls 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 the management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2012 (continued)

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 annual financial statements present fairly, in all material respects, the financial position of Renasa Insurance Company Limited, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 30 June 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per Jan van Staden
Partner
30 October 2012
Deloitte Place, 20 Woodlands Drive, Woodmead 2052.

Deloitte & Touche National Executive:
LL Bam *Chief Executive* AE Swiegers *Chief Operating Officer* GM Pinnock *Audit* DL Kennedy *Risk Advisory* NB Kader *Tax*
L Geeringh *Consulting & Clients & Industries* JK Mazzocco *Talent & Transformation* CR Beukman *Finance* M Jordan *Strategy*
S Gwala *Special Projects* TJ Brown *Chairman of the Board* MJ Comber *Deputy Chairman of the Board.*
A full list of partners and directors is available on request.
B-BBEE rating: *Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code. Member of Deloitte Touche Tohmatsu Limited*

STATEMENT OF FINANCIAL POSITION

at 30 June 2012

	NOTES	30 JUNE 2012	30 JUNE 2011
		R'000	R'000
ASSETS			
Non current assets		5 602	5 688
Fixed assets	2	4 490	4 551
Intangible assets	3	1 112	1 137
Investment in subsidiary	4	-	-
Technical assets			
Reinsurers' share of technical provisions		96 440	88 412
- Unearned premiums		15 205	11 414
- Outstanding claims		81 235	76 998
Current assets		142 128	120 696
Accounts receivable		33 636	26 086
Premiums receivable		38 245	32 788
Amounts owing from reinsurers	5	1 620	1 620
Investments at fair value	6	21	21
Deferred acquisition costs		2 988	2 330
Value added tax		2 502	1 213
Cash and cash equivalents		63 116	56 638
TOTAL ASSETS		244 170	214 796

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

at 30 June 2012 (continued)

	NOTES	30 JUNE 2012	30 JUNE 2011
		R'000	R'000
EQUITY AND LIABILITIES			
Capital and reserves		46 905	45 692
Share capital	7	6	6
Share premium	8	55 494	55 494
Contingency reserve	9.1	-	6 520
Accumulated loss		(8 595)	(16 328)
Technical provisions		113 373	100 350
Gross outstanding claims		90 832	82 863
IBNR provision	9.2	5 314	4 564
Gross provision for unearned premiums		17 227	12 923
Current liabilities		83 892	68 754
Accounts payable		14 383	11 751
Amount owing to reinsurers		69 004	56 152
Current tax payable		505	851
TOTAL EQUITY AND LIABILITIES		244 170	214 796

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	NOTES	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011
		R'000	R'000
Gross premiums		585 889	545 158
Reinsurance premiums		(509 931)	(479 959)
Net premiums		75 958	65 199
Change in provision for unearned premiums			
net of reinsurance		(513)	(320)
Change in gross provision		(4 304)	(2 754)
Reinsurers' share		3 791	2 434
Net earned premium		75 445	64 879
Net commission		23 796	21 324
Commission incurred		(90 239)	(82 593)
Commission recovered		114 035	103 917
Claims incurred net of reinsurance		(48 547)	(51 004)
Claims paid		(44 066)	(48 992)
- Gross amount		(423 335)	(403 452)
- Reinsurers' share		379 269	354 460
Change in provision for claims		(4 481)	(2 012)
- Gross amount		(8 719)	(20 575)
- Reinsurers' share		4 238	18 563
Administration fee income		12 329	11 685
Net operating expenses		(60 334)	(43 477)
Underwriting profit		2 689	3 407
Interest income		3 936	3 496
Profit before taxation	11	6 625	6 903
Taxation	12	(2 959)	(851)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3 666	6 052

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012 (continued)

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

	SHARE CAPITAL	SHARE PREMIUM	CONTIN-GENCY RESERVE	ACCUMULATED LOSS	TOTAL
	R'000	R'000	R'000	R'000	R'000
Balance at 1 July 2010	6	55 494	6 475	(18 598)	43 377
Total comprehensive income for the year	-	-	-	6 052	6 052
Dividends declared	-	-	-	(3 737)	(3 737)
Change in contingency reserve	-	-	45	(45)	-
Balance at 30 June 2011	6	55 494	6 520	(16 328)	45 692
Total comprehensive income for the year	-	-	-	3 666	3 666
Dividends declared	-	-	-	(2 453)	(2 453)
Change in contingency reserve	-	-	(6 520)	6 520	-
Balance at 30 June 2012	6	55 494	-	(8 595)	46 905
Notes	7	8	9.1		

STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011
	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting profit	2 689	3 407
Depreciation	2 517	1 586
Amortisation of intangible assets	25	7
Profit on sale of fixed asset	-	(24)
Change in provisions	168	33
Adjustment to provision for unearned premium	513	320
Operating profit before working capital changes	5 912	5 329
Working capital changes	4 844	12 172
Increase in outstanding claims and IBNR	4 482	2 012
(Increase) in accounts receivable	(10 241)	(6 123)
Increase / (decrease) in accounts payable	3 208	(563)
Increase in amounts due to reinsurers	12 852	14 549
(Increase) / decrease in premiums receivable	(5 457)	2 297
Cash generated by operating activities	10 756	17 501
Interest income	3 936	3 496
Taxation paid	(3 305)	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	11 387	20 997

STATEMENT OF CASH FLOWS

for the year ended 30 June 2012 (continued)

	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011
	R'000	R'000
CASH UTILISED IN INVESTING ACTIVITIES	(2 456)	(3 209)
Purchase of fixed assets	(2 456)	(3 250)
Proceeds from sale of fixed assets	-	41
CASH UTILISED IN FINANCING ACTIVITIES	(2 453)	(2 320)
Dividends distrubuted	(2 453)	(2 320)
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	6 478	15 468
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	56 638	41 170
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	63 116	56 638

FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The preparation of the annual financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

1.2 Statement of compliance

The annual financial statements are prepared in accordance with IFRS, its interpretations issued by the International Accounting Standards Board and the requirements of the Companies Act in South Africa.

1.3 Classification of contracts

Contracts under which the Company accepts significant insurance risk from the policyholders, by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event affects the policyholder or other beneficiary, are classified as insurance contracts. Insurance risk is, other than financial risk, transferred from the holder of the contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rate, credit rating or credit index or other variable.

1.1 ACCOUNTING POLICIES (continued)

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Reinsurance

Contracts entered into with reinsurers by the Company, under which the Company is compensated for losses on one or more contracts, and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

The benefits to which the Company is entitled under the reinsurance contracts held are recognised as reinsurance assets and consist of short-term balances due from reinsurers that are dependent on the expected claims and benefits. Reinsurance liabilities are primarily premiums payable and are recognised as an expense when due. Reinsurance assets are assessed for impairment on an annual basis, reducing the carrying amount of the reinsurance asset to its recoverable amount through the statement of comprehensive income.

1.4 Recognition and measurement of contracts

Premiums

Gross 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. Premiums are disclosed gross of commissions payable to intermediaries and exclude Value Added Tax. Premiums written include adjustments to premiums written in prior accounting periods and are accounted for over the indemnity period commencing in the financial year during which the related risk incepts. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received.

1.1 ACCOUNTING POLICIES (continued)

1.4 Recognition and measurement of contracts (continued)

Unearned premium provision

Unearned premiums represent the portion of the premiums written, less reinsurance, that relate to periods of risk extending beyond the financial year. Unearned premiums are calculated on the daily pro rata method.

Claims

Claims are accounted for in the financial year in which they are incurred. Provision is made for the estimated claims notified but not settled at the statement of financial position date, and the estimated claims incurred but not reported until after that date, net of reinsurance, using estimates with reference to the best information available. The estimates include provision for expenses and inflation and other contingencies arising in settlement of the claims and take cognisance of anticipated recoveries under reinsurance arrangements. Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

The directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them. The methods used, and the estimates made, are reviewed regularly.

Deferred acquisition costs

Deferred acquisition costs, which represent commissions and other related expenses, are deferred over the period in which the related premiums are earned.

Reinsurance

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed to be impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not

1.1 ACCOUNTING POLICIES (continued)

1.4 Recognition and measurement of contracts (continued)

recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The Company ceded reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Premiums ceded and benefits reimbursed are presented in the statement of comprehensive income and statement of financial position on a gross basis.

Liabilities and related assets under liability adequacy test

Insurance contracts are tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs and any related assets. Where a shortfall is identified, an additional provision is made and the Company recognises the deficiency in income for the year.

1.5 Fixed assets

The syndicated ownership unit is stated at cost. Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is applied on a straight line basis at rates that amortise the cost of the assets to their residual values, over their estimated useful lives. The write-off periods used are as follows:

Computer equipment	3 years
Computer software	3 years
Furniture, fittings and office equipment	5 years
Leasehold improvements	5 years
Machinery	15 years
Motor vehicles	5 years

The assets' residual values, useful lives and depreciation methods are

1.1 ACCOUNTING POLICIES (continued)

1.5 Fixed assets (continued)

reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses)' in the statement of comprehensive income.

1.6 Retirement benefits

Contributions to a defined contribution retirement benefit plan are charged against income as incurred.

1.7 Use of estimates

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ from these estimates. Estimates have been used on the following items:

- outstanding claims reserve and incurred but not reported (IBNR) provision;
- provision for doubtful debts; and
- residual values, depreciation period.

1.8 Contingencies and commitments

Transactions are classified as contingencies where the Company's obligations depend on uncertain future events.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012 (continued)

FINANCIAL STATEMENTS

1.1 ACCOUNTING POLICIES (continued)

1.9 Intangible assets

The intangible assets consist of long-term contracts with customers and aquisition-related intangible assets.

Intangible assets with finite useful lives (long-term contracts with customers) that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful life of the contracts with customers is 8 years. Intangible assets with indefinite useful lives (aquisition-related intangible assets) that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

1.10 IBNR provision

Under the Solvency Assessment and Management Interim Measures (effective: 1 January 2012) the Company is required to raise an IBNR provision. The IBNR provision is in respect of claims arising from events that occurred before the close of the accounting period but which had not been reported to the Company by that date. These percentages can only be reduced with the prior permission of the Registrar of Short-Term

1.1 ACCOUNTING POLICIES (continued)

1.10 IBNR provision (continued)

Insurance. The IBNR provision is calculated by applying predetermined factors to net earned premiums per line of insurance for the past six underwriting years. The company considers this provision to be adequate.

1.11 Investment income

Investment income comprises of interest earned on cash and call deposits held. Interest income is accounted for on an accrual basis.

1.12 Commissions

Commissions incurred in acquiring business are accounted for in the same financial year as the related premiums are recognised as income. To the extent that they are considered recoverable, commissions attributable to unearned premiums at year-end are deferred and carried forward to the following financial year.

1.13 Financial instruments

Measurement

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Loans and receivables

Loans and receivables originated by the Company are stated at cost less accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, money-

1.1 ACCOUNTING POLICIES (continued)

1.13 Financial instruments (continued)

market investments, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities are stated at amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus directly attributable costs.

Offset

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position where the Company has a legally enforceable right to set off the recognised amounts, and intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

1.14 Impairment of financial assets

A financial asset is impaired if the carrying amount is greater than the estimated recoverable amount. At each statement of financial position date, the impairment of financial assets is assessed on the basis of the present value of expected recoveries, using the original effective rate (fixed rate) or

1.1 ACCOUNTING POLICIES (continued)

1.14 Impairment of financial assets (continued)

the current effective rate (variable rate) to perform the discounting. After initially recognising an impairment loss, the Company reviews the assets for further impairment at subsequent financial reporting dates.

1.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

1.16 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held on call with banks, all of which are available for use by the Company unless otherwise stated.

1.17 Provision for claims

Provision for claims is made on a prudent basis for the estimated final cost of all claims that have not been settled at statement of financial position date.

1.18 Accounting standards adopted

Certain new standards, amendments and interpretations to existing standards that have been published, and that are mandatory to accounting periods beginning on or after 1 July 2012 or later periods, which have been adopted early by the Company, are as follows:

- IAS 27: Separate financial statements - revised disclosure requirements (January 2013);
- IAS 28: Investments in associates and joint ventures - defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (January 2013);

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012 (continued)

1.1 ACCOUNTING POLICIES (continued)

1.18 Accounting standards adopted (continued)

- IFRS 10: Consolidated financial statements - sets out the principles for the preparation of consolidated financial statements (January 2013); and
- IFRS 13: Fair value measurement - replaces guidance on fair value measurement in existing IFRS accounting literature with a single standard (January 2013).

1.19 Accounting standards not yet adopted

The following standards, amendments and interpretations to existing standards which have been published and are mandatory for the Company's accounting periods beginning on or after 1 July 2012, have not been adopted early:

- IFRS 9: Financial instruments – Classification and Measurement (January 2015);
- IAS 1: Presentation of Financial Statements - amendments in presenting items of other comprehensive income (July 2012);
- IAS 1: Presentation of Financial Statements – Amendments resulting from annual improvements to IFRS statements (January 2013); and
- IAS 24: Related party disclosure (January 2013).

1.20 Taxation

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment for tax payable for previous years.

Deferred tax is provided using the statement of financial position liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided

FINANCIAL STATEMENTS

1.1 ACCOUNTING POLICIES (continued)

1.20 Taxation (continued)

is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax is charged to the statement of comprehensive income except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.21 Operating leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss within other operating expenses on a straight-line basis over the period of the lease.

1.22 Related-party transactions

All related-party transactions are at arm's length and are in the ordinary course of business.

1.23 Investment in subsidiary

Investments in subsidiaries are accounted for at cost less provision for impairments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012 (continued)

2. FIXED ASSETS

	COMPUTER EQUIPMENT & SOFT-WARE	FURNITURE, FITTINGS & OFFICE EQUIPMENT	MACHINERY	LEASEHOLD IMPROVE-MENTS	MOTOR VEHICLES	SYNDICATED OWNERSHIP UNIT	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
30 June 2012							
Opening net book value	4 028	209	-	196	-	118	4 551
Additions	2 018	230	183	25	-	-	2 456
Depreciation	(2 350)	(110)	(2)	(55)	-	-	(2 517)
Closing net book value	3 696	329	181	166	-	118	4 490
AT 30 June 2012							
Cost	12 219	2 418	183	1 441	-	118	16 379
Accumulated depreciation	(8 523)	(2 089)	(2)	(1 275)	-	-	(11 889)
Net book value	3 696	329	181	166	-	118	4 490
30 JUNE 2011							
Opening net book value	2 339	241	-	176	30	118	2 904
Additions	3 018	118	-	114	-	-	3 250
Disposals	-	-	-	-	(17)	-	(17)
Depreciation	(1 329)	(150)	-	(94)	(13)	-	(1 586)
Closing net book value	4 028	209	-	196	-	118	4 551
AT 30 JUNE 2011							
Cost	10 201	2 188	-	1 416	-	118	13 923
Accumulated depreciation	(6 173)	(1 979)	-	(1 220)	-	-	(9 372)
Net book value	4 028	209	-	196	-	118	4 551

FINANCIAL STATEMENTS

3. INTANGIBLE ASSETS

	LONG-TERM CONTRACTS WITH CUSTOMERS	AQUISITION-RELATED INTANGIBLE ASSETS	TOTAL
	R'000	R'000	R'000
Balance at 1 July 2010	-	-	-
Additions through reallocation	200	944	1 144
Amortisation	(7)	-	(7)
Balance at 30 June 2011	193	944	1 137
Amortisation	(25)	-	(25)
Balance at 30 June 2012	168	944	1 112

4. INVESTMENT IN SUBSIDIARY

	30 JUNE 2012	30 JUNE 2011
	R	R
Unlisted equity, at a cost of R1 each	100	-

The Company owns 100% of the shares in Really Useful Investments No 181 Proprietary Limited which was established in the Republic of South Africa. Really Useful Investments No 181 Proprietary Limited holds a 47,3% equity stake in Ash Brook Investments 133 Proprietary Limited.

	30 JUNE 2012	30 JUNE 2011
	R'000	R'000

5. AMOUNTS OWING FROM REINSURERS

Originated loans and receivables	2 155	2 155
Impairment provision at beginning of year	(535)	(535)
Net balance	1 620	1 620

	30 JUNE 2012	30 JUNE 2011
	R'000	R'000

6. INVESTMENTS AT FAIR VALUE

Listed shares at beginning of year	21	53
Fair value adjustment	-	(32)
Listed shares at end of year	21	21

A register of investments is available for inspection at the registered office of the Company. The listed shares are measured at fair value determined at "Level 2" in terms of the Fair Value Hierarchy.

7. SHARE CAPITAL

Authorised		
5 000 000 ordinary par value shares of 1 cent each	50	50
50 000 Class A cumulative redeemable preference shares at 1 cent each	1	1
Issued Ordinary Shares		
Balance at the beginning of the period	5	5
Shares issued during the period at 1 cent each	-	-
Balance at the end of the period	5	5
Issued Preference Shares		
Opening balance	1	1
Shares issued during the period	-	-
Balance at the end of the period	1	1

The preference shares are cumulative preference shares redeemable at the option of the preference shareholder not earlier than 3 years after the first issue date. The shareholder has not redeemed preference shares in the current financial year ended 30 June 2012. Subject to the restrictions imposed by the Companies Act of South Africa, the unissued ordinary and preference shares are under the control of the directors, until the forthcoming annual general meeting. At the reporting date dividends in respect of preference shares in the sum of R 2 453 346 had been declared. The preference shareholders have indicated that they will not redeem the shares in the forthcoming financial year.

	30 JUNE 2012	30 JUNE 2011
	R'000	R'000

8. SHARE PREMIUM

Ordinary shares		
Balance at the beginning of the period	50 494	50 494
Shares issued during the period	-	-
Share premium at the end of the period	50 494	50 494
Preference shares		
Balance at the beginning of the period	5 000	5 000
Shares issued during the period	-	-
Share premium at the end of the period	5 000	5 000

9.1 CONTINGENCY RESERVE

At the beginning of the year	6 520	6 475
Change during the year	(6 520)	45
At the end of the year	-	6 520

The Solvency Assessment and Management Interim Measures removed the requirement to hold a contingency reserve with effect from 1 January 2012. Consequently, the full balance of this reserve was transferred to retained earnings through the statement of changes in equity.

9.2 INCURRED BUT NOT REPORTED PROVISION ("IBNR")

At the beginning of the year	4 564	4 532
Change during the year	750	32
At the end of the year	5 314	4 564

Management considers the IBNR provision level to be adequate. The IBNR provision exceeds the minimum required level under the Solvency Assessment and Management Interim Measures (effective: 1 January 2012).

	30 JUNE 2012	30 JUNE 2011
	R'000	R'000

10. FINANCIAL SOLVENCY MARGIN

Total shareholder's funds	46 905	39 172
Net premiums	75 958	65 199
FINANCIAL SOLVENCY MARGIN	61,8%	60,1%

The Company is subject to insurance solvency regulations, and it has complied with all these regulations. The Company financial solvency margin is calculated as the ratio of total shareholder's funds to net premium. The financial solvency margin differs marginally from the statutory solvency margin presented elsewhere in this report owing to differences in the principles which support the calculation of the financial and statutory solvency margins respectively.

	30 JUNE 2012 R'000	30 JUNE 2011 R'000

11. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the following items:

Auditor's remuneration	580	516
- Audit fees	580	516
Directors' and Prescribed Officers' emoluments	5 850	3 127
- Executive Director and Prescribed Officer	5 219	2 422
- Non-executive Director 1	271	255
- Non-executive Director 2	160	150
- Non-executive Director 3	160	150
- Non-executive Director 4	40	150
Operating lease charges	2 204	1 550
- Building	1 861	1 201
- Equipment	343	349
Depreciation	2 517	1 586
- Computer equipment and software	2 350	1 329
- Furniture, fittings and office equipment	110	150
- Machinery	2	-
- Leasehold improvements	55	94
- Motor vehicles	-	13
Amortisation of intangible assets	25	7
- Long-term contracts with customers	25	7
Staff costs	32 293	25 757
- Current year costs	32 293	25 757
Remuneration other than to employees	4 101	2 465
- Consultancy fees	2 478	2 148
- Legal fees	1 623	317

	30 JUNE 2012 R'000	30 JUNE 2011 R'000

12. TAXATION

South African normal taxation		
Current taxation charge	1 902	1 933
Deferred taxation - utilisation of prior year estimated loss	-	(1 082)
Secondary tax on companies	1 057	-
Profit before taxation	2 959	851
Taxation	6 625	6 903
Taxation applicable	1 902	851
Tax rate reconciliation		
Effective rate	28,71%	12,33%
Disallowable expenditure	(0,71%)	(0,13%)
Assessed loss utilised	0,00%	15,80%
Standard rate	28,00%	28,00%

13. LEASE COMMITMENTS

Due within 1 year:	643	326
- Building	463	110
- Equipment	180	216
Due after 1 year:	1 482	448
- Building	995	28
- Equipment	487	420
TOTAL DUE	2 125	774

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to financial risks. These risks are managed as part of the normal operations of the Company and the effectiveness of risk management is overseen by the board of directors. The more important financial risks to which the Company is exposed are described below:

Market risk

All Company investments are valued at market value and are therefore susceptible to market fluctuations. Investments are managed with the aim of maximising returns for shareholders while limiting the risk to acceptable levels. The Company is not exposed to significant market risk.

Interest rate risk

The Company is exposed to interest rate risk, where changes in market interest rates cause fluctuations in the value of financial instruments. This in essence forms part of the market risk detailed above.

	30 JUNE 2012	30 JUNE 2011
	R'000	R'000
If the interest rate increases / decreases by 1%, the increase / decrease in interest earned / profit would be:	599	489

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient assets or liquid resources to meet its liabilities. The Company's liabilities are backed by appropriate assets and it has sufficient liquid resources.

The amounts included in the maturity table are gross, undiscounted cash flows.

	LESS THAN 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 YEAR AND 5 YEARS	TOTAL
	R'000	R'000	R'000	R'000
AT 30 JUNE 2012				
Financial liabilities	50 032	33 355	-	83 387
Claims IBNR	1 860	2 657	797	5 314
Net outstanding claims	3 358	4 799	1 440	9 597
TOTAL	55 250	40 811	2 237	98 298
AT 30 JUNE 2011				
Financial liabilities	40 742	27 161	-	67 903
Claims IBNR	1 597	2 282	685	4 564
Net outstanding claims	2 053	2 932	880	5 865
TOTAL	44 392	32 375	1 565	78 332

Credit risk

The Company's financial instruments do not represent a significant concentration of credit risk because the Company deals with a variety of major banks and its accounts receivable is spread among a number of major reinsurance companies, customers and related parties. Exposure to outside financial institutions concerning deposits and similar transactions are monitored against approved limits. Receivables that are considered past due or impaired have been provided for and have been reflected net of impairment.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	30 JUNE 2012	30 JUNE 2011
	R'000	R'000
MAXIMUM EXPOSURE TO CREDIT RISK		
Premiums receivable	38 245	32 788
Accounts receivable	33 636	26 086
- Related party receivables	25 128	17 425
- Other receivables	8 508	8 661
Cash and cash equivalents	63 116	56 638
Reinsurers' share of outstanding claims	81 235	76 998
Amount owing from reinsurers	1 620	1 620
	217 852	194 130
CREDIT RISK ANALYSIS		
Receivables neither past due nor impaired	150 154	132 070
- Related party receivables	25 128	17 425
- Premiums receivable	38 245	32 788
- Reinsurers' share of outstanding claims	81 235	76 998
- Other receivables	5 546	4 859
Receivables past due but not impaired		
- Other receivables	1 320	3 802
Receivables past due and impaired	3 262	1 620
- Amount owing from reinsurers	2 155	2 155
- Other receivables	2 386	-
- Impairment raised	(1 279)	(535)
TOTAL	154 736	137 492

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012 (continued)

Capital risk

The Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders. The capital structure of the Company consists of share capital and is invested in cash and cash equivalents.

15. RELATED PARTY TRANSACTIONS

Relationships

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The transactions occur under terms and conditions that are no more favourable than those entered into with third parties in arms length transactions. Related party transactions for the period under review included directors' emoluments referred to in note 11, related party loans with interest and sales to and from the related parties as disclosed below.

	30 JUNE 2012	30 JUNE 2011
	R'000	R'000
RELATED PARTY BALANCES		
Amounts owing by related parties		
- Holding company	7 349	1 215
- Subsidiaries	4 636	-
- Group companies	13 105	16 174
- Key management	12	10
- Other	26	26
TOTAL	25 128	17 425

FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS (continued)

	30 JUNE 2012	30 JUNE 2011
	R'000	R'000
RELATED PARTY TRANSACTIONS		
Interest received from related parties		
- Holding company	-	-
- Subsidiaries	-	-
- Group companies	1 187	1 103
- Key management	-	6
- Other	-	25
TOTAL	1 187	1 134
(Sales to) / purchases from related parties		
- Holding company	-	-
- Subsidiaries	-	-
- Group companies	(190)	4 428
- Key management	-	-
- Other	-	-
TOTAL	(190)	4 428

16. CONSOLIDATED FINANCIAL STATEMENTS

The Company is exempted from presenting consolidated financial statements as it is a wholly-owned subsidiary of Renasa Holdings Proprietary Limited (incorporated in the Republic of South Africa) which prepares consolidated financial statements in compliance with International Financial Reporting Standards. None of the Company's debt or equity instruments are traded in a public market.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012 (continued)

17. COMPARATIVES

Certain comparative information has been enhanced to provide more meaningful disclosure:
- Note 14 - Financial instruments and risk management
- Note 15 - Related party transactions
- Note 18 - Insurance risk management.

18. INSURANCE RISK MANAGEMENT

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Company uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models and sensitivity analysis. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principle risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The underwriting strategy is reviewed quarterly, a claims assessment process is undertaken and market trends are evaluated. In addition, management reviews certain information monthly which includes premium income and loss ratios by class.

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The reinsurers are rated by external rating agencies and the Company reviews its reinsurance arrangements periodically. The Company obtains board approval in setting the minimum security criteria for acceptable reinsurance and the monitoring of the purchase of reinsurance against those criteria. The Company purchases adequate excess of loss reinsurance cover for

FINANCIAL STATEMENTS

18. INSURANCE RISK MANAGEMENT (continued)

protection against catastrophe losses.

Each notified claim is assessed on a separate case by case basis with due regard to the claim's circumstance, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

Outstanding claims and the IBNR ("incurred but not reported") provisions are estimated using generally accepted insurance practice. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each underwriting year based on observed development of earlier years and expected loss ratios. The Company believes that the estimate of total claims outstanding as at 30 June 2012 is adequate.

A 1% increase / (decrease) in the IBNR provisioning rate would lead to an increase / (decrease) in the IBNR reserve of R 754 450 (2011: R 648 790).

18. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2012	FIRE & ENGINEERING	MOTOR	GUARANTEE	MISCEL-LANEOUS	LIABILITY	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000
CLAIMS INCURRED NET OF REINSURANCE						
Outstanding claims and IBNR Opening	1 660	7 254	60	1 455	-	10 429
Claims incurred	(1 871)	33 011	64	17 343	-	48 547
Claims paid	2 729	(29 374)	(144)	(17 277)	-	(44 066)
Outstanding claims and IBNR Closing	2 518	10 891	(20)	1 521	-	14 910
PREMIUMS						
Gross premiums	137 704	346 768	6 177	95 240	-	585 889
UPR movement	(1 002)	(1 793)	(419)	(1 090)	-	(4 304)
Gross earned premiums	136 702	344 975	5 758	94 150	-	581 585
Premiums ceded to reinsurers	(123 186)	(295 376)	(5 218)	(82 360)	-	(506 140)
Net earned premiums	13 516	49 599	540	11 790	-	75 445
DEFERRED ACQUISITION COSTS						
Opening balance	1 437	346	379	168	-	2 330
Movement	217	72	108	261	-	658
Closing balance	1 654	418	487	429	-	2 988

18. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2011	FIRE & ENGINEERING	MOTOR	GUARANTEE	MISCEL-LANEOUS	LIABILITY	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000
CLAIMS INCURRED NET OF REINSURANCE						
Outstanding claims and IBNR Opening	656	6 384	105	1 272	-	8 417
Claims incurred	9 477	37 093	12	4 422	-	51 004
Claims paid	(8 473)	(36 223)	(57)	(4 239)	-	(48 992)
Outstanding claims and IBNR Closing	1 660	7 254	60	1 455	-	10 429
PREMIUMS						
Gross premiums	120 821	339 732	5 138	79 467	-	545 158
UPR movement	(1 056)	(598)	(528)	(572)	-	(2 754)
Gross earned premiums	119 765	339 134	4 610	78 895	-	542 404
Premiums ceded to reinsurers	(108 804)	(294 772)	(4 151)	(69 798)	-	(477 525)
Net earned premiums	10 961	44 362	459	9 097	-	64 879
DEFERRED ACQUISITION COSTS						
Opening balance	1 226	271	260	54	-	1 811
Movement	211	75	119	114	-	519
Closing balance	1 437	346	379	168	-	2 330

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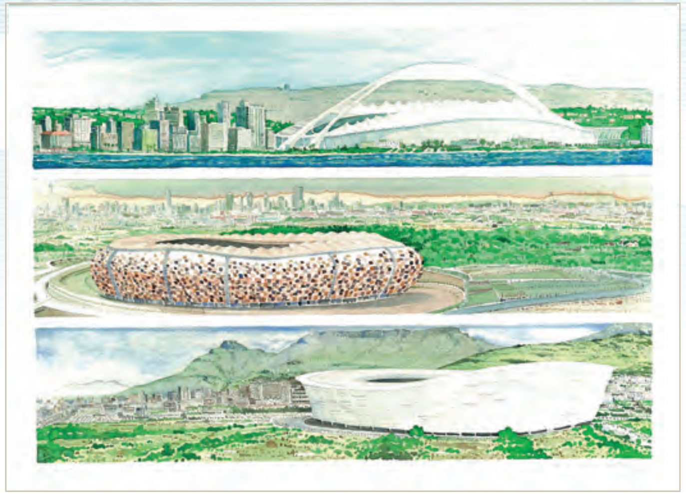

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